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Delta reduces dividend payout to conserve cash

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The share price of the biggest black-owned and -managed real estate investment trust (Reit) listed on the JSE, Delta Property Fund, rallied more than 11.5% on Monday following the release of the group's interim results which showed some improved key trading metrics.

This comes despite the group reporting a decline in distributions per share and opting to reduce its dividend payout ratio to 40% for the half-year ending August 31.

Delta, which is currently in takeover talks with Rebosis Property Fund, announced distributions of 30.48 cents per share was achieved, compared to 39.40 cents for its corresponding 2018 interim period.

The Reit, however, declared an interim dividend of 12.2 cents per share as it looks to conserve cash for operating expenses. It will need to spend cash on tenant installations and upgrades within its office property portfolio, where it has finally made headway in renewing largely government-related leases to the tune of 156 846m² during the period.

Speaking to *Moneyweb*, Delta CEO Sandile Nomvete said the surge in the group's share price, following the release of its latest results, is linked to it reporting improvements on several key trading metrics in a tough market.

"The best news is progress on government leases, which we have been struggling to finalise over the past few years," he says. "Having renewed and concluded 156 846m² of leases during this interim period, we believe we are turning the corner. These newly-signed leases have resulted in Delta's weighted average lease expiry (Wale) effectively doubling to 1.7 years."

Nomvete adds: "Delta has also managed to bring down its debt, with our loan-to-value (LTV) ratio improving to 44.3% from 45.1% at the end of our 2018 financial year.

"We are working hard to reduce LTV further in the short term and our longer-term target is to bring it down to below the 40% mark."

During the period it renewed 40 leases with the department of public works (DPW) totalling 95 523m². Some two-thirds of these are for a five-year period and the balance for three years.

More than 60% of Delta's office space is leased to government, either through the DPW for national departments and state-owned entities, or to provincial and local government.

Nomvete says there are still 18 leases to be finalised with the DPW, four of which are in three buildings that total a combined 96 502m².

"We are negotiating at senior managerial and ministerial level on these renewals and are confident that they will be concluded soon. While vacancies across Delta's core portfolio increased to 15.4% during the period, we expect it to decline in the incoming period."

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