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PROPERTY FUND

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Priority strategy: Delta Heights in Pretoria, an asset of Delta Property Fund, which says that debt reduction is a priority. /Supplied

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Delta Property Fund, a sovereign-underpinned company, says debt reduction, through asset disposals as well as portfolio and capital structure optimisation, remains a priority.

After implementing the turnaround strategy in the half year ended August 31, Delta had earmarked 26 assets valued at R887.8m for disposal. This has risen to 43 properties valued at R2.2bn. Delta announced that it sold seven assets for R215.5m in financial 2023 and one for R44m during the interim period ended August 31.

Subsequently, 29 properties were at various stages of negotiations, with five valued at R124.5m transferring in the next six months. Delta expects to conclude the remainder of assets valued at R1.5bn in the next 12 months.

'Sale proceeds will be used to pay off debt,' said the company. The disposals will help reduce vacancies and improve the cost-to-income ratio on lower operational costs associated with the vacant properties, such as security and municipal charges, it said.

Loan-to-value (LTV) – a key measure of the financial health of a property company – is expected to improve to between 40% and 50%. For the period to the end of February, LTV rose from 57% in 2022 to 61.4%.

Interest charges are expected to reduce by about R200m a year based on Delta's current cost of debt. Delta refinanced R3.1bn debt that was mainly on a month-on-month basis, including Nedbank and Investec facilities refinanced for 12 and 24 months, respectively.

The company concluded a revolving credit facility of R37.5m with Nedbank, and it will be used for working capital, capital expenditure and tenant installations.

Debt capital repayments reached R86.9m, of which R31.5m related to the disposal of the Standard Bank Greyville, with the balance of R55.4m from capital repayments.

Vacancies rose from 32.9% in the 2023 financial year to 33.9%, with strong rental collections of more than 100%, and 20 office leases renewed.

The majority of lease renewals were concluded with the department of public works and infrastructure over an average term of 8-60 months.

Delta signed 23 retail leases on three-year periods, mostly in Durban. The company said it remained active in the market with no indication of the likelihood of significant property write-downs at this stage.

'While Delta continues to report positive results, it remains cash constrained due to the debt reduction programme,' said the company.

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