Publication: Cape Times - Business Report
Page: 10
Title: L2D records improvement of foot traffic in count and turnover
Publish Date: 30 November 2020
AVE: 33419.52
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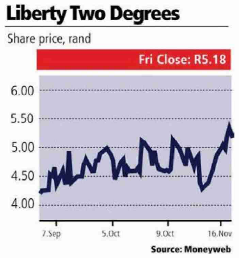
LIBERTY Two Degrees (L2D) has made good progress in negotiating rental relief packages and is seeing a monthly improvement in both foot count and turnover, the group said in a pre-close update on Friday.

Its distribution per share for the year to end December 31 was likely to be 55 to 65 percent lower than the 60.43 cents full-year distribution per share in 2019.

The payment of a final distribution for the 2020 financial year would be considered by the board once the full year results were finalised.

Rental collections based on the full amounts due and before any rental relief has increased to 84 percent at October 31 from 74 percent in August, mainly as a result of the successful conclusion of additional rental relief negotiations and the fact that almost all tenants were now trading.



The total arrears position was expected to further improve as the final rental relief negotiations were closed out by the end of the year.

Rental relief negotiations from a tenant count perspective, and for the second quarter period, are 77 percent complete. Ongoing negotiations were currently taking place with the balance.

L2D said it remained well capitalised with a slightly improved loan to value of 20 percent from 21.7 percent at June 30, following the repayment of part of a redraw facility. Revolving credit facilities of R400 million remains unutilised.

There had been a further increase in vacancies across the portfolio to 7.6 percent in October from 6.1 percent in August.

The retail vacancy had increased to 4.7 percent from 3.8 percent over the same period.

Eastgate mall remained stable, but remains the largest contributor to the retail vacancies mainly due to the premises previously occupied by House & Home and Mr Price Home that were vacant.

Taking pre-let deals into account, the retail vacancy rate reduces to 3.7 percent, which was below the Sapoa second-quarter industry average retail vacancy rate of 5.6 percent.

The office vacancy was 15.1 percent as at October 31, versus 12.2 percent in August, and it was 12.2 percent after taking pre-lets into account.

The effects of Covid-19 continued to drive the downsizing of office space.

The most impacted assets include Melrose Arch (due to the take-back of a large portion of the Stanlib building) and NMS offices. L2D will move to the NMS offices in the first quarter of 2021 which would further reduce the vacancy.

The Sandton Sun Hotel was the only one in the portfolio that was operational and was showing steady growth in occupancy rates. Its occupancy rate was 30.9 percent in September, up from 20.9 percent in August.

The Sandton Intercontinental Towers, Garden Court and the Convention Centre have been closed for operations since March to minimise the cost impact and their leases remain suspended with no rental payable until the hotels reach viable levels of operation.

The top three performing categories in the third quarter, from a turnover growth perspective, were luxury brands, grocery/supermarket and technology.

Luxury brands contribute 8.1 percent towards turnover, but account for only 0.9 percent of portfolio gross letting area. The category was negatively impacted in the second quarter due to the inability to trade under lockdown level 5, but it experienced a significant recovery in the third quarter, driven by pent-up domestic demand.