

Booming foreign arrivals justify Hospitality Property's focus

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Tourist arrivals in South Africa were continuing to grow significantly faster than tourist arrivals globally, Gerald Nelson, the chief executive of listed Hospitality Property Fund, said yesterday.

All Hospitality's properties were fully let during the year to June as the foreign tourism climate remained positive, Nelson said. The group invests exclusively in hotel and leisure properties.

Hospitality reported an

18.3 percent growth to R1.6616 in distributions to B-linked unit holders. Distributions to A-linked unit holders came to R1.0549 a unit, which is in line with the company's distribution structure.

A-linked units have a preferential claim to earnings, but with growth capped at 5 percent, while B-linked units receive the balance of earnings.

The company has interests in 22 hotels and resorts in South Africa, with an average lease period of 8.4 years. These were independently valued at R2.3 billion at its year-end.

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It had 61.59 million A-linked units and an identical number of B-linked units in issue at the end of the reporting period, following the issue of an additional 15.9 million both A- and B-linked units last October.

The successfully concluded rights issue raised R500 million to fund various capital projects and acquisitions.

Hospitality spent R260 million to acquire interests in four properties during the period.

They included an extension to the Birchwood Hotel & Conference Centre; Hluhluwe Hotel & Safaris; the remaining 32 percent stake in the Park Inn Greenmarket Square; and the remaining 35 percent shareholding in 90 units at the Radisson Hotel Waterfront, including the ONEwellness Spa located at the Cape Town hotel.

Nelson said these acquisitions were expected to enhance growth at Hospitality.

Subsequent to its year-end, Hospitality entered into an agreement to acquire the four-star Holiday Inn Sandton-Rivonia Road for R400 million.

Nelson said construction of the hotel was expected to be completed next month.

He added that Hospitality had committed about R500 million to expand, redevelop and refurbish a number of properties in the portfolio to strategically position them and maximise long-term growth.

The majority of these projects would be completed during the coming financial year. They included the redevelopment of the Rosebank Hotel at a cost of R295 million and the R130 million expansion of the Mount Grace Country House & Spa.

Nelson said Hospitality was well placed to benefit in the coming financial year from the positive climate in the hotel industry and the repositioned hotels within the portfolio.

Hospitality's A-linked units were untraded at R11.50, while the B-linked units slipped 0.05 percent to R19.

