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## Growth surge for Hospitality

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Property Editor

HOTEL-focused listed property loan stock company Hospitality Property Fund is benefiting from a robust hotel market, announcing an 18,3% surge in distribution growth for its B-linked units for the financial year to June.

The company, which has A- and B-linked units that offer different risks and different returns, said yesterday the results exceeded expectations and were the result of favourable South African tourism and leisure conditions .

A-linked unit distributions, which are guaranteed and offer low-risk but lower returns, amounted to 105,49c a unit. The B-linked unit distribution, which offers higher risk but higher returns to investors, totalled 166,16c a unit.

CEO Gerald Nelson said the hotel industry had been "buoyant over the past 12 months".

"We have a number of leases that derive benefit from the underlying performance of certain of the hotels. Where you had a good performance in terms of hotel operations, this comes through as stronger growth in rentals."

Even though the economy had taken a turn for the worse, the hotel industry was still seeing fairly robust growth room rates .

"Occupancies are stable and there's still an overall shortage of supply," he said.

"Obviously the economy generally is showing signs of stress, but I think our portfolio is particularly focused quite heavily on the corporate market rather than the leisure market, and demand from the corporate market is likely to remain strong for the foreseeable future."

Hospitality's interests in 22 hotel and resort properties in SA were independently valued at R2,3bn at the end of June . The average lease period is 8,4 years.

Keillen Ndlovu, co-head of Stanlib Property Franchise, said Hospitality had reported "great results" that were slightly above its expectations and in line with a booming hospitality market .

Nosiphiwo Balfour , property analyst at Investec Property, said the Hospitality B-units had "consistently delivered top-quartile earnings growth as a result of the favourable trading conditions in the hotel and leisure markets".

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