

ACTION MAN



CEO of Delta Property Fund Sandile Nomvete's drive to achieve has brought impressive results for the newly listed company

BY
KERRY
DIMMER

Cast your mind back to the early years of democracy and the first wave of BEE deals. The empowerment deals were, by necessity, advanced by the politically connected and generally only focused on having the right representation at board level of various organisations.

The question a young Sandile Nomvete wanted answered was: 'Who is going to run those businesses and execute those deals on behalf of the shareholders of the future?'

It was a question that gave Nomvete a vision, one that proved very lucrative in the long run. Forming a group of like-minded peers, Nomvete approached BEE companies to promote the idea of black youths being employed as trainees who would work through the corporate ranks, but with a view of being groomed as the CEOs of the future.

The group called themselves Motseng Youth Investment Holdings, but dropped the word 'Youth' because they weren't being taken seriously, Nomvete says. However, they were taken seriously by the Marriott Property Group who signed them as a BEE partner in a joint venture for the management of Eskom Pension Fund's property assets in Pareto (SA's premier shopping centre investor with interests in Cresta, Sandton City and the Pavilion shopping centres among others).

For Nomvete, this seemed to be a case of being in the right place at the right time. The high levels of performance Motseng achieved under Nomvete's leadership for the past 14 years prove otherwise.

When Old Mutual bought out Marriott exposing the conflict between its asset (the Gateway Shopping Centre) and a competitor, the Pavilion, it provided the opportune time for Motseng to break away.

Motseng then became the first 100% black-owned property management company in the country.

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Having impressed German industrialist Claas Daun with an operational BEE model for his SA interests, Motseng became a BEE partner when Daun listed some of his SA assets through KAP International on the JSE. 'The idea of being operational BEE partners in this space had found good traction, but there were limited opportunities in the property space as listed property funds were inclined to insource such activities. We needed to keep ourselves relevant and not be so dependent on third-party mandates, so we elected to create our own property management fund [Delta] and thereby guarantee future work for our business,' says Nomvete.

Delta's first property was bought from Growthpoint in 2009 for R189 million, which is fairly small considering that today Delta owns 47 property assets worth R4.3 billion. Its listing on the JSE in November last year came about because Delta's stakeholders felt growth was stunted.

'Access to capital had become difficult. In the unlisted environment you are some 80% geared and those levels are quite high for banks to continue financing, so we needed to take a quantum leap to motivate the acquisition of 13 additional properties and inject equity into the business. We went to the capital market to raise R980 million for the acquisitions and were proud to be oversubscribed in our initial public offer (IPO), which took our portfolio of properties to R2.1 billion. Our rationale is to aggressively find pipeline opportunities that fit our acquisition criteria and grow our business to R7 billion by 2017.'

Since listing, Delta has raised R1.4 billion in addition to the amount raised at the IPO. Its board has taken this as a sign that investors like Delta's competitive advantage. 'Our forward earnings yield is some 9% compared to the property sector average of 6.9%. This is fulfilling our promise to unit holders and was further substantiated by our results at the end of February 2013, which proves we are on target as stated at the IPO stage. Ironically the problem we now face is how to swallow the phenomenal growth we are experiencing,' says Nomvete.

Delta has been on a massive drive to bed these acquisitions down. Each property is, on average, valued at around R100 million and the fund's strategy is to continue with its investment in large, single-tenanted, chunky assets as these are easier to manage.

'We will continue to play in the state-owned space where we are currently active in eight provinces – mostly government and parastatal focused funds. We like the sovereign underpin in our fund because over the past few years government has been very focused on quality and safety-compliant properties where the rent truly reflects the value for which government pays in letting the space.'

In terms of his own value within Delta, Nomvete says: 'We all have a relatively limited shelf life and you are only judged by what you have achieved, not by what you say. It is so with Delta's commitment to our investors – our actions speak much louder than our words.' **JSE**