

Property rubric · JSE-listed property companies and REITs

Property companies: four areas, scored out of 10.

The same four areas as the general rubric, with measures that suit companies that own and lease buildings. Property earnings and debt are judged very differently from those of a retailer or a manufacturer.

Draft v0.95: revised after a first trial on three companies in this sector. Thresholds remain open to change until more companies are scored

Operations, Liquidity and Solvency

Points by band

SUB-SCORE	WHAT IT MEASURES	5	4	3	2	1	0
Operations (10)							
O1 Like-for-like net property income growth	Growth in net property income from properties held throughout both the latest and the prior year, as the company reports it (rand portfolio, before fair-value gains). If the company reports separate figures for its South African and offshore portfolios, use the South African portfolio and say so Where to find it: Results announcement; SA REIT best-practice disclosures; segment note	6% or more	4% to 6%	2% to 4%	0% to 2%	-2% to 0%	Worse than -2%
O2 Distributable income growth	Compound annual growth in distributable income per share across the window Where to find it: Distribution and SA REIT headline measures section	8% or more	5% to 8%	2% to 5%	0% to 2%	-3% to 0%	Worse than -3%
Liquidity (10)							
L1 Liquidity headroom	Cash plus undrawn committed facilities, divided by debt maturing within 12 months, latest year. No debt maturing takes the top band Where to find it: Debt and funding notes; treasury or capital management section	3.0x or more	2.0x to 3.0x	1.5x to 2.0x	1.0x to 1.5x	0.5x to 1.0x	Below 0.5x
L2 Debt maturity	Weighted average remaining maturity of interest-bearing debt, in years, latest year Where to find it: Debt profile table	4.0 or more	3.5 to 4.0	3.0 to 3.5	2.5 to 3.0	2.0 to 2.5	Below 2.0

SUB-SCORE	WHAT IT MEASURES	5	4	3	2	1	0
Solvency (10)							
S1 Loan-to-value (LTV)	Net interest-bearing debt divided by the value of the property and investment portfolio, latest year, using the company's SA REIT definition Where to find it: Capital management section; SA REIT measures	30% or less	30% to 35%	35% to 40%	40% to 45%	45% to 50%	Above 50%
S2 Interest cover	Net property income, less administration costs, divided by net finance costs, latest year Where to find it: SA REIT measures; finance cost notes	3.0x or more	2.5x to 3.0x	2.0x to 2.5x	1.75x to 2.0x	1.5x to 1.75x	Below 1.5x
S3 Trend deductions	Deduct 1 point if LTV rose by more than 5 percentage points across the window. Deduct 1 point if interest cover fell by more than 20% across the window. Solvency cannot go below 0.						

Qualitative

Five yes/no rules, 2 points each

RULE	WHAT IT CHECKS	PASS	FAIL
Q1 Distribution reliability	A distribution was paid in every year of the window and the distribution per share was not cut Where to find it: Distribution announcements; dividend note	2 points	0 points
Q2 Distribution cover	Cash generated from operations after interest paid covered total distributions paid in at least 4 of the 5 years Where to find it: Cash flow statement	2 points	0 points
Q3 Tenant concentration	The largest single tenant is no more than 15% of rental income in the latest year. If it is not disclosed, the rule is shown as NOT DISCLOSED and scores 0 Where to find it: Tenant profile or top-tenants table	2 points	0 points
Q4 Audit opinion	The independent auditor's opinion on the latest audited statements is unmodified, with no material uncertainty on going concern Where to find it: Independent auditor's report in the annual financial statements	2 points	0 points
Q5 No restatement	The latest audited statements do not restate prior-year figures to correct errors. A change in accounting standard applied across the market is noted but not counted Where to find it: Basis of preparation and prior-period notes	2 points	0 points

Notes

1. Net property income, distributable income and loan-to-value are used as the company defines them under the SA REIT best-practice recommendations, so figures are comparable between REITs. Fair-value gains and losses on property are excluded from every measure except loan-to-value.
2. Like-for-like growth removes the effect of buying and selling buildings, so it is comparable between REITs. It depends on how each company defines its like-for-like portfolio, so the reason text states the definition used. The bands are a first calibration and have not yet been tested on the three REITs in the trial.
3. Companies that hold offshore property are scored on the reported rand figures. Currency movements can change growth and loan-to-value, and the scorecard notes this where it matters.
4. **What the total is.** The sum of the four area scores (maximum 40). It describes the business across four areas. It is not an investment rating, a valuation or a recommendation, and it carries no buy, hold or sell bands.
5. **Compare within a rubric.** Scores are comparable between companies scored on the same rubric. A bank's 30 and a retailer's 30 are not equivalent, because the measures differ.

6. **How to read a score.** A higher or lower score is a point of comparison between companies, not a statement that one is better than another. Use the area scores and the stated reasons, not the total alone.
 7. **Window.** The five most recent financial years. Level measures use the latest year; change measures compare the first and last years of the window.
 8. **Missing data.** If one year is unavailable it is kept and flagged. If two or more years are unavailable the affected line is excluded and noted. Items that cannot yet be confirmed are shown as PENDING and score 0 until confirmed.
 9. **Fixed thresholds.** Thresholds are published in advance and applied identically to every company in the sector. They will be reviewed at most once a year, and any change will be dated and noted.
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This rubric describes how a descriptive score is calculated for jse-listed property companies and reits. It does not constitute financial, investment or tax advice, or a recommendation to buy, hold or sell any security. Clearview Financial (Pty) Ltd is not a licensed financial services provider.

Source: company annual financial statements, risk and capital reports, and results announcements.