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EQUITES says 100 percent of its tenants are now operational. | Supplied

■ REAL ESTATE

Focus of Equites is on logistics asset growth

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THE COVID-19 pandemic has accelerated the retail evolution and e-commerce penetration reached 25 percent in the US in June, while UK e-commerce penetration reached 33 percent of total sales.

Yesterday Equites, the real estate investment trust (Reit) with assets in the UK and South Africa, in its pre-close briefing for the six months to the end of August, explained why it was focusing on growing its logistics property assets.

Its share increased 3.4 percent to R17.45 on the JSE yesterday morning in a market where the All Share Index was up only 0.04 percent.

"E-commerce requires more than three times the logistics space of brick-and-mortar sales; this ratio supports the need for additional e-fulfilment space should e-commerce penetration keep gains made during the stay-at-home economy phase," said group chief executive Andrea Taverna-Turisan.

E-commerce penetration rates had increased faster in the first four months of 2020 than in the prior decade, fuelled by the stay-at-home economy.

Looking to the post-pandemic era, the push for resilient supply chains would likely lift the intensity of use for e-commerce and brick-and-mortar customers, it said.

Despite muted e-commerce penetration before the pandemic, South African retailers had shown a significant growth in e-commerce sales as a result of the lockdown.

Findings from a sample of Equites' tenants include:

- TFG, which reported online turnover growth of 47.9 percent for the year to the end of March, and 8.4 percent of total turnover was delivered through online sales.
- Pick n Pay online sales grew 17 percent for the year to the end of March after the group invested in a dedicated online customer services team that positioned them well for the Covid crisis.

In addition, Equites continued to see requirements from operators looking to optimise their supply chains.

Investors had favoured logistics players with a long weight average lease expiry and conservative balance sheets, which had resulted in a muted impact on logistics shares compared with the rest of the Reit counters during the Covid crisis, the group said.

In South Africa, defensive sectors such as healthcare and logistics continued to garner interest as active investors considered income stability, operational ability and occupational density to be critical factors in mitigating asset-level risk.

"The industrial sector in South Africa has shown resilience, with segment-leading growth backed by low vacancy rates. The sector has been supported by a growing demand for warehouse and distribution space," the group said.

Equites had collected an average of 99.2 percent and 100 percent of rentals invoiced for June, July and August in South Africa and the UK, respectively. One hundred percent of its tenants were now operational, albeit some at a more limited extent.