

# Fortress to rebalance portfolio mix with focus on logistics properties

Fortress REIT plans to grow its logistics-focused properties to two thirds of its total portfolio by 2020. It currently owns 100 such properties, comprising approximately 42% of its total portfolio.



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The remainder includes retail (35%), industrial (13%) and office (10%) properties. Fortress plans to rebalance this overall portfolio mix to two-thirds logistics and one-third commuter-focused, rural retail properties over the next two years.

## Renewed optimism

“With the new-found optimism in the country, we have seen a noticeable increase in interest from prospective tenants across our entire portfolio. However, we believe the logistics and rural retail space offers the best opportunity to capitalise on this growth,” said Mark Stevens, CEO of Fortress.

Although annual economic growth in South Africa has not exceeded 2% since 2013, the election of President Cyril Ramaphosa has engendered renewed optimism in the country with business confidence rallying to a three-year high in March. New finance minister Nhlanhla Nene said in early March that the 1.5% economic expansion forecast in the February budget speech would likely be lifted in October as the economic recovery gains momentum.

## New logistics properties

Fortress is currently developing six new logistics properties and one retail facility with a combined total gross lettable area (GLA) in excess of 154,000m<sup>2</sup> and a cost of R1.5bn. The initial building at Clairwood Logistics Park with a GLA of 24,977m<sup>2</sup> will be ready to welcome the first tenant in September 2018. Fortress concluded a lease for the development of Makro’s 22nd store at Cornubia Ridge Logistics Park, which will commence trading in the first quarter of 2019.

In Gauteng, Fortress has started developing the second speculative building at Union Park with a GLA of 22,414m<sup>2</sup> and discussions with various logistics users are ongoing. To complement its existing buildings at Louwardia Logistics Park, Fortress is developing a new 17,715m<sup>2</sup> building on the corner of Nelmapius Drive and Old Pretoria Road. Negotiations are at an advanced stage with a blue-chip user to occupy this property.

Fortress is also developing a 23,569m<sup>2</sup> building at Westlake View to complement its existing asset that was recently let to Bongani Rainmaker Logistics. In conjunction with M&T Developments, Fortress is developing the new 24,700m<sup>2</sup> Gauteng distribution centre for Savino Del Bene and a further 21,300m<sup>2</sup> building at its flagship development property on the R21 Highway known as Eastport Logistics Park.

## **Best ROI over time**

The last four months has also seen Fortress complete three additional developments with a total GLA of 71,000m<sup>2</sup>. The two flagship developments among these are the 34,025m<sup>2</sup> Worldwide Automotive Group building and the 23,642m<sup>2</sup> We Buy Cars facility at Louwardia Logistics Park in Centurion. In addition, Fortress developed a 13,340m<sup>2</sup> logistics facility at Union Park that was fully let on completion to Voltex, a subsidiary of Bidvest Limited.

“All of these developments, the recently completed ones as well as the new developments, are located within logistics parks, which our research has shown provides the best return on investment over time,” said Stevens. “To achieve our goal of rebalancing our portfolio, we will continue selling our existing office and industrial properties and repositioning our investments towards the logistics and rural retail space.”

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