

Calgro M3 keeps rising on housing upswing



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CALGROM3, the best performing stock on the JSE over the past five years, expects revenue and earnings growth until at least 2018 as demand for lower-priced houses outpaces supply.

The developer of residential housing had a R19 billion project pipeline over the next decade, and was in talks to as much as double the size of some developments under construction, chief executive Ben Pierre Malherbe said earlier this week.

The company's annual profit has gained every year since 2011.

Calgro M3 is benefiting from South African government efforts to subsidise low-cost housing for poorer families, while demand for affordable properties is rising from families newly eligible for mortgages.

The firm operated in a "huge" market with little competition, Malherbe said. That meant profit could be invested into new developments. "I'd say for the next three years there's no let up; we'll keep on growing."

The shares closed up 2.29 percent to R17.90 at the JSE yesterday, and have gained 23 percent this year.

The stock has advanced more than 4.9 percent since June 2010, the best performer on the JSE during that period, according to data compiled by Bloomberg. Calgro M3 is valued at

R2.2bn.

The company preferred to own the land on which it built houses, and kept costs under control by employing its own town planners and architects, Malherbe said.

Infrastructure such as roads and sewers were paid for and owned by local city authorities and the company would not build anything that had not been sold in advance, he said.

Existing residential projects could be funded from cash flow, Malherbe said.

Demand was probably strong enough to double the pipeline in a year if the company chose to, yet Calgro M3 was wary of "uncontrollable growth", Malherbe said.

"The opportunities are there, the projects are there," he said.

"We must make sure that whatever we take on we can do." – Bloomberg

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