MEDIA RELEASE FROM EMIRA PROPERTY FUND

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Emira achieves 9% half year distribution growth and delivers a 22.2% total return for investors

Emira Property Fund today reported distribution growth per participatory interest (PI) of 9% for its half year ended 31 December 2014, building on its track record of performance for investors with another good set of results.

Emira's net asset value (NAV) increased by 14% during the six months to 1650 cents per PI, while its distributable income grew 13% to R330 million.

James Templeton, CEO of Emira Property Fund, attributes its strong performance to the fund's acquisitions, contractual rental escalations on the bulk of its portfolio, significant leasing progress made during the period and stringent cost control.

Templeton says: "Our investors have shown tremendous support for Emira, so it is most gratifying that they are now being rewarded with above average total returns."

Emira's total return for the six months was 22.2%. For the most recent rolling 12-month period, from 1 February 2014 to 31 January 2015, Emira returned 60% to its investors, substantially outstripping the listed property sector's return of 43%.

"Emira's operational performance is the best it has been in a long time. Our like-for-like net property income growth of 8.6% is a fantastic achievement," says Templeton. "We're delivering excellent progress in all key areas of the business and have solid strategies in place to continue this performance."

He adds Emira expects to achieve similar levels of distribution growth for the full financial year to the end of June 2015.

Emira Property Fund is a JSE-listed REIT that is invested in a quality diversified portfolio of office, retail and industrial properties. Its assets comprise 148 properties valued at R12.5 billion. Emira is also internationally diversified through its direct interest in ASX-listed Growthpoint Properties Australia (GOZ), valued in excess of R700 million, with total assets now at R13.5 billion.

Emira's prudent debt management, recycling of capital, latest acquisitions, offshore holdings, and ongoing attentive operational focus will be strong drivers of its performance.

It has driven down portfolio vacancies over the past two years, from 7.8% at 31 December 2012, to 5.1% in December 2013, and now 4.9% in December 2014. Emira's office sector vacancy of 7.9% remains well below SAPOA national levels of 11.1%, while its tenant retention by gross lettable area improved to 77% from 70% in the comparable period.

Lowering its cost of debt and its risk, in November 2014 Emira concluded debt swaps that will add some R8 million to its bottom line on an annualised basis, supporting distribution growth for shareholders. The debt swaps, undertaken with a number of Emira's financiers, restructure older debt taken out at higher interest rates as far back as 2008, with lower rates over a longer period at a capital cost of R31,8 million. By hedging out its debt, Emira has also lowered its risk, reducing its interest rate exposure by securing lower fixed rates.

Templeton explains: "We've watched the swap curve for the best opportunities and restructured R429 million of debt, dropping the average rate of our fixed debt book by about 20bps." Emira has a moderate level of gearing with loan to value of 35.4%, and 85.4% of its debt is fixed for a weighted average length of 4.1 years.

Emira is also efficiently recycling its capital by concluding beneficial disposals of non-core properties and reinvesting the proceeds in upgrades, improvements and acquisitions.

It sold and transferred four properties totalling R93,8 million at a forward yield of 8.9% and a 1.2% premium to book value. It also sold a further five buildings, that are yet to transfer, with a total value of R535,5 million at a forward yield of 6.9% and a premium to book value of 40.2%. The sale proceeds will be reinvested in new acquisitions, capital expenditure projects or used to repay debt, all of which will enhance earnings for investors.

"Emira has around 30 internal capital expenditure projects underway – the highest number we've ever had. Each project supports the best use of our buildings, and maintains or improves the quality of our properties," explains Templeton.

Refurbishment and extensions underway in the period totalled R819,4 million. The most significant was the R551,3 million major upgrade and extension to Wonderpark Shopping Centre in Pretoria, increasing from 63,000sqm to 90,000sqm to include extensions for existing national tenants and introduce new anchors, with practical completion achieved in October 2014.

After acquiring the R837 million diversified Integri-T portfolio, it transferred into Emira at the start of the period. The portfolio comprises eight properties – two retail centres, three offices and two industrial properties - of which six are in the Western Cape, strategically enhancing its exposure to the province, where Emira has historically been under-exposed. The portfolio was acquired at an initial yield of 9.4% with an average lease length in the portfolio of in excess of five years.

Emira also acquired a 60% undivided share in Ben Fleur Shopping Centre for R66,5 million at a yield of 9.4% which transferred in October 2014. The centre has recently completed a R20 million upgrade to accommodate a Woolworths Food store as well as other line shops.

Templeton adds: "We will continue to pursue strategic acquisition and development opportunities that support Emira's strategy and performance, and fund them in a manner that enhances future earnings."

Income from the Emira's listed investment in Australia increased by 16.0% due to an increase in the distribution per unit received from Growthpoint Properties Australia (GOZ) and the depreciation of the Rand against the Australian dollar.

Templeton concludes: "Emira is in a strong position to continue to create value for our investors."

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