MEDIA RELEASE FROM EMIRA PROPERTY FUND LIMITED

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Emira achieves strong 8.8% full-year distribution growth

Emira Property Fund Limited today reported distribution growth of 8.8 % per share for its full-year ended 30 June 2016, meeting its market guidance with a strong set of results for Emira investors.

Geoff Jennett, CEO of Emira Property Fund, attributes the solid performance for 2016 to contractual escalations across most of its portfolio, benchmark-surpassing occupancy levels, tight cost controls, effective recycling of capital and Emira's strong balance sheet.

Besides posting inflation-beating total distribution growth to deliver real returns, Emira closed the year with moderate gearing with a loan-to-value ratio of 35.4% and 93.1% of its interest rate exposure fixed.

What's more, income from Emira's listed investment in Growthpoint Properties Australia (GOZ) grew 22% because of increased distributions from GOZ, the lower dividend withholding tax and the ZAR depreciating against the AUD.

Commenting on the results, Jennett says: "Emira's revenue increased by 5.6%, during the year because of the effect of past acquisitions as well as organic portfolio growth. Besides top-line growth, we also kept expenses contained and improved recoveries of municipal expenses. In general, we've made good leasing progress and vacancy levels match or better industry benchmarks."

In June, Emira took the unusual and transparent step of announcing its distribution outlook for the 2017 financial year before releasing its year-end results.

Emira forecasts negative growth of 2% in distribution per share for its year to 30 June 2017, projecting a total dividend for that year of 143 cents per share. This is a result of increased vacancies in its office portfolio, the oversupply of offices in the market, and expected negative rental reversions resulting from the weak macroeconomic environment. Jennet explains that, despite good leasing numbers overall, Emira was hit with 30,000sqm of sudden vacancies in eight office buildings, five of which are in Pretoria.

"We have clear operational and strategic steps in place to address this. Emira has been strengthening its portfolio composition by reducing exposure to lower-grade offices for a few years now. We will continue to rebalance the portfolio and responsibly lower our office exposure to better align it for this persistently tough market," says Jennett.

He adds: "With this strategy and our focused, proactive asset management and aggressive leasing, we expect to be back on track for real distribution growth in the 2018 financial year."

Emira is a medium-cap diversified JSE-listed REIT that is invested in a quality balanced portfolio of office, retail and industrial properties. Its assets comprise 144 properties valued at R12.9 billion. Emira is also internationally diversified through its direct interest in ASX-listed GOZ valued at R940.4 million.

During the year, occupancies across all sectors of Emira's portfolio outperformed or matched national standards. Its overall vacancies increased slightly from 4.0% to 5.3%. Office vacancies were on par with SAPOA's national level of 10.5%, retail stood at 2.8% and well below the national average of 5.3%, and industrial vacancies were 2.4% at a level better than the national benchmark of 3.4%. Emira achieved tenant retention of a notable 75% by gross lettable area.

The fund is also efficiently recycling its capital by concluding beneficial disposals of non-core properties and reinvesting the proceeds in upgrades, improvements and acquisitions. It has also secured a meaningful capital expenditure pipeline to support its strategic growth.

Emira acquired four properties for a total investment of R244.4 million and a blended yield of 7.9%. This includes a 50% share of Mitchells Plain Town Centre in the Western Cape, the remaining 40% share of Ben Fleur Boulevard in Emalahleni in Mpumalanga, the greenfield site at 1 West Street opposite the Centurion Gautrain Station and a 50% stake in the five buildings of Summit Place, the P-grade commercial development in Menlyn, Pretoria.

"We'll continue to find suitable ways to grow and achieve our strategic portfolio balance. To this end, we hope to announce a new strategic alliance with an unlisted rural retail portfolio soon," says Jennett.

Emira also undertook projects to modernise, extend and redevelop a number of its buildings, supporting their best use, quality and performance.

A leading example of this is Emira's R85 million major upgrade and refurbishment of Kramerville Corner, successfully transforming ageing B-grade offices into prime showroom space. Responding to letting demand, Emira extended the scope of the project. It will be complete by the end of September 2016 with the total investment being worth R220 million with a first year yield of 9.5%.

Emira also signed a seven-year agreement with WSP|Parsons Brinckerhoff for 5,800sqm of head office space, triggering the first phase of Emira's R813.8 million total redevelopment of Knightsbridge office park in Bryanston. Work began in November 2015 on the first of seven buildings at the prime-located park, which will more than triple the size of the offices at Knightsbridge to 29,419sqm. The second phase will kick-off shortly upon signature of a 10-year lease with an international tenant. The office park is being built for a minimum 4-Star Green Star SA rating from the Green Building Council of South Africa.

Emira continued its strategy to dispose of non-core buildings, selling and transferring three properties totalling R284.5 million at a combined forward yield of 6.5% and a premium to combined book value of 49%. It has also identified a further 18 properties, valued at R835.0 million, that it will sell to further reduce its office exposure, rebalance its portfolio and ensure sustainable earnings for its investors.

Jennett says the disposal funds will be put to best use, including on-market buy-backs of Emira shares.

"We have great confidence in Emira's prospects relative to its share price. The present divergence between Emira's equity value on the stock exchange compared with its book value creates the opportunity to execute this strategy. We've already started the share buy-back programme and will expand it where feasible," concludes Jennett.

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