



MEDIA RELEASE FROM EMIRA PROPERTY FUND LIMITED

15 February 2017

***Emira is rebalancing its diversified portfolio
and pursuing new opportunities for positive performance***

Emira Property Fund Limited today reported a 68,93 cents dividend per share for its half-year ended 31 December 2016, which is in line with its market guidance.

Last year, Emira primed the market for negative growth of 2% in distribution per share for its year to 30 June 2017, projecting a total dividend of 143 cents per share. Emira is performing in line with expectations for its full year, and is anticipated to return to positive growth in the 2018 financial year.

Geoff Jennett, CEO of Emira Property Fund, says “We are fully focused on coming through the current challenges with a stronger portfolio and an even better business. We have clear strategies in place to do this. Emira has made good steps towards a return to positive growth in 2018 and will continue to investigate all opportunities to create value and ensure growing and sustainable earnings for our investors.”

The short-term challenges Emira faces are increased vacancies in its office portfolio, the oversupply of offices in the market, rising municipal costs, and negative rental reversions resulting from the weak macroeconomic environment.

Emira’s half-year was defined by an intense strategic focus on portfolio rebalancing out of the office sector, aggressive leasing and tenant retention, vigilant cost control, prudent financial management and identifying new opportunities.

While Emira successfully renewed 72.8% of space expiring during the half year, as expected its overall vacancies increased from 5.3% to 7.0%. Its low retail (3.6%) and industrial (1.2%) vacancies are better than the respective sector national averages measured by SAPOA. However, its office vacancies increased to 16%.

Jennett explains that, besides managing its vacancies with letting and tenant retention strategies, Emira is also better aligning its portfolio for a persistently tough market by reducing its exposure to office property. It is undertaking a significant non-core property disposal programme, which will further its rebalancing Initiative.



During the period, Emira sold and transferred two properties for R130,2 million at a combined premium to book value of 26.7%. It has committed to selling a further 19 properties valued at R917,1 million. Unconditional sales have already been concluded for R381,2 million of these properties, and they are expected to transfer before 30 June 2017.

Jennett says the disposal funds will be put to best use. As part of this process, Emira is also assessing its properties for potential upgrades, refurbishments, extension or even conversions to different uses, including residential.

“We want to put every asset to its highest use. Emira will continue to invest in projects that modernise, extend and redevelop our assets to enhance their values and competitiveness and extract value from existing bulk,” says Jennett. “Furthermore, we are planning some exciting projects that include the conversion of office space to residential space, where the best use of the asset is residential. Announcements in this regard will be made shortly”.

Currently, Emira has four projects underway, including the complete redevelopment of Knightsbridge, creating 30,000sqm of quality offices in what will be the only P-grade green-certified office park in Bryanston. The phased project has already secured tenants WSP|Parsons Brinckerhoff in 5,900sqm and the KFC and Pizza Hut head offices in Africa in 3,150sqm of efficient modern offices.

Growing Emira’s low LSM retail portfolio at a faster and better rate than that currently achievable within its existing structures, Emira joined forces with retail property specialists ONE Property Holdings to form the specialised Enyuka Property Fund, effective from 16 January.

Enyuka started out with Emira’s R575 million portfolio of 15 retail properties, and a war chest for immediate acquisitions and developments up to a further R625 million. It has a current pipeline of R400 million of similar assets, and further acquisition opportunities of up to R500 million.

“With Enyuka, Emira will receive the same returns from these retail properties as we would if the properties remained in the portfolio, plus will benefit from a share of any excess income above a benchmark. We will also benefit from the acquisition of new assets and enjoy meaningful participation in an actively-managed and growing base of rural retail assets,” explains Jennett.

Favouring the offshore exposure it gets from its investment in Growthpoint Properties Australia (GOZ), Emira recently followed its rights and acquired a further 1,332,753 GOZ shares. It now holds 4.9% of GOZ shares in issue. Its GOZ investment is valued at R924,2 million with an investment cost of R416,8 million – this equates to a 121.7% increase in value. Emira’s income from GOZ grew by 1.7%, with the stronger ZAR against the AUD largely offsetting distribution growth.



Good news for Emira came in the form of winning an interim award to claim for a damages amount, still to be determined by the arbitrator, from Worley Parsons for breach of a valid lease agreement. No rental was accrued for this lease during the period.

Emira continues to enjoy good access to funding and, during the period, concluded a new R300 million four-year secured facility with Standard Bank. Its gearing remains a conservative 37.8%, with 84.0% of its debt fixed for a weighted average duration of 2.9 years.

It also completed a share buy-back programme of 14,016,201 Emira shares that benefits from the divergence between its equity value on the stock exchange and its net asset value. "We have great confidence in Emira's prospects relative to its share price and believe it is an opportune time for share buy-backs," says Jennett. Emira's net asset value increased 1.4% during the period.

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 142 properties valued at R13,3 billion. Emira is also internationally diversified through its direct interest in ASX-listed GOZ.

Gerhard van Zyl took up the position of Chairman of Emira from 15 February after former chairman, Ben van der Ross, reached retirement age and retired. Before this, van Zyl, who is a seasoned real estate professional, was an independent non-executive director on Emira's board. Thys Nesor also retired from the Emira board on 14 February.

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