MEDIA RELEASE FROM EMIRA PROPERTY FUND

17 May 2017

Emira expands its funding sources with a multibank debt management strategy

Emira Property Fund has increased its spread of funding significantly over the past two years and now has funding facilities with six different banks, supporting a better risk profile, improving its refinancing risk and minimising its cost of capital.

Emira is a medium-cap diversified JSE-listed REIT 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 valued at R940.4 million. Its intelligent financial management underpins its performance for its investors.

Emira spreads its funding sources between bank funding and debt capital markets with its Domestic Medium-Term Notes programme. It also has a proven ability to raise equity capital.

Growing from an early base established with a single main funder, RMB, Emira has now successfully set up its multibank approach to funding. In recent years, it has formed relationships and has facilities with the big four South African banks as well as Investec Bank and Bank of China.

Greg Booyens, Financial Director of Emira, explains that its new multibank funding platform is built on its intelligent funding solutions and conservative balance sheet management.

He comments: "We see debt management as a key aspect of our business, and take a long-term, low-risk position. Our multibank debt and funding spread is in line with Emira's astute approach to funding, which aims to decrease our cost of capital and use our debt effectively and efficiently."

With its debt funding spread between six banks and debt capital markets, Emira has established the flexibility to take advantage of whichever avenue offers the cheapest funding in the prevailing market.

He explains that Emira funds its capital investments centrally, unlike some other funds which take out facilities to fund specific acquisitions or developments. Enabling its central funding model, Emira's wise financial management ensures it has more than enough funds in reserve for its central funding pool. "In this way, Emira ensures it has funds readily and easily available to support our growth," says Booyens.

Emira's gearing levels are managed below 40%. Thanks to its safety net in the form of its ability to access funds from its liquid listed investment, it effectively has low gearing risk.

It has a mix of unsecured and secured bank debt. Some R2,6 billion of Emira's R13,3 billion property portfolio is unencumbered. Upwards of 80% of its long-term interest-bearing debt is hedged, in line with its conservative hedging policy. It also has swaps in place for income from its offshore investment.

In addition, Emira manages the maturity of its debt, staggering it, so there is no risk of too much debt expiring at any one point in time. This also ensures it isn't overly susceptible to market conditions that exist at a single point in time. Likewise, its swaps also have staggered expiries, to minimise risk.

Geoff Jennett, CEO of Emira, says: "Emira's intelligent debt and funding management will continue to add value for all our stakeholders."

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