



MEDIA RELEASE FROM EMIRA PROPERTY FUND

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Emira launches USA real estate investment strategy

- *Emira will hold 49% in a risk-mitigating investment partnership with US major equity holder*
- *The investment strategy will increase Emira's international diversification from 6% to 8%*
 - *Investing in grocery-anchored convenience shopping centres in the United States*
 - *Initial deal concluded for ZAR112m (USD8.4m)*
- *Further committed of ZAR178m (USD13m) is earmarked to invest in its initial assets*
 - *Initial investment and commitment funded by existing sales and debt capacity*
 - *Visibility on attractive transaction pipeline*

Emira Property Fund today announced that it is pioneering USA property investment for the South African investment market. Emira's new USA investment strategy, to be undertaken with its strategic US partners, will focus on grocery-anchored convenience retail centres.

Emira is already internationally diversified, with 6% of its income derived from its investment in ASX-listed Growthpoint Properties Australia (GOZ). Its USA investment strategy will see this quickly grow to an overall 8% with potential to expand to at least 10%.

Geoff Jennett, CEO of Emira Property Fund, comments: "GOZ has been a phenomenal investment for Emira for many reasons and, building on this, we have targeted further international diversification in developed markets. Having considered several investment destinations, we identified the USA as being the best fit for us. It is the primary first-world market and the USD is the world's benchmark currency. As the biggest market in the Western world, it is extremely solid and well diversified, plus we see attractive value in our chosen segment."

He adds: "We like what we see in this market and believe our USA investment strategy is prudent, risk mitigated, recession resistant and will offer good returns. We have committed ZAR290 million to our initial investment in the USA, which is only about 2% of our total assets. We can comfortably fund this from our own balance sheet and furthermore we can take advantage of access to relatively cheap, in-country, long-term debt finance. We believe this is an intelligent investment model. It will earn Emira's stakeholders USD-denominated double-digit returns of around 10.5% per annum, compared with the single figure yields achievable in South Africa. This stands to be even higher in ZAR terms."



Key to its USA investment strategy, Emira will co-invest with Rainier Companies, a Dallas, Texas-based investment and real estate business, which is headed by Texan J. Kenneth Dunn, its co-founder and principal. Rainier shares strong synergies with its South African counterpart. It is driven by a small entrepreneurial team and has built a successful 15-year track record as a skilled real estate investor and asset manager. Rainier currently has more than USD1.5 billion property assets under management.

Where opportunities meet predefined investment criteria, Emira and Rainier will partner on a 49% to 51% equity basis, respectively, at the individual property level. Emira will hold its investments through a USA based subsidiary, managed by in-country fund manager Continuum Investments LLC, based in Dallas, Texas, which is headed by CEO Rick Makin, a USA-based South African entrepreneur. In fact, it was Emira's relationship with Makin and business partner Alan Burrow that placed it in the exclusive position to take advantage of this opportunity.

"Our partners, Rainier, have a wealth of experience and local market insight, as well as an existing investor base. As the major equity partners they are putting up their own money, and we are confident to invest alongside them. In addition, Makin and the in-country Continuum team will be Emira's feet on the ground. We are comfortable that our co-investment strategy mitigates the risk of our entry in this offshore market," says Jennett.

By investing in this way, Emira and Rainier will assemble a tailor-made investment portfolio to suit the co-investors' unique investment objectives. It has identified certain states in the US, including some of the major southern and central states, which have meaningful GDP growth rates, as the target territories for its investment. Also, it has identified grocery-anchored convenience shopping centres, around 5,000sqm to 40,000sqm in size, as its asset class of choice.

Already, two quality assets have been identified for investment, and the first deal transferred in October 2017. Emira hence owns a minority equity stake in the Belden Park Crossings shopping centre in North Canton, Ohio, for which it paid ZAR112 million (USD8.4 million). The centre is well tenanted and this first deal includes lead co-investor Stark Enterprises, which is a well-known and respected US retail property developer and investor. The second asset that is already under contract is situated in Texas.

Jennett confirms that convenience retail is a safer and familiar property asset class for Emira. The type of shopping centres it is targeting in the US are supported by people buying their everyday basics. This makes them more resilient through different economic cycles, which also mitigates risk for Emira. Further, the chosen states offer immense opportunity, with growing economies and populations, which together with low unemployment rates, support consumer spending.



“We believe our co-investment model is a prudent strategy to increase our international diversity while mitigating the risk of investing offshore. In addition, investing in developed markets fulfils our mandate as a diversified REIT,” reports Jennett.

Emira is a medium-cap diversified JSE-listed REIT invested in a quality balanced portfolio of office, retail and industrial properties. Its assets comprise 135 properties valued at ZAR13.3 billion. Emira is also internationally diversified through its direct interest in GOZ valued at ZAR901 million.

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