MEDIA RELEASE FROM EMIRA PROPERTY FUND LIMITED

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Evolving Emira returns to delivering positive performance for investors

Emira Property Fund today reported a total dividend of 70.65 cents per share for its half-year ended 31 December 2017. This represents a 2.5% year-on-year increase in distributions and marks Emira's return to positive dividend growth.

This solid performance delivers on market guidance and is a strong sign that Emira has gained the momentum needed for its strategic trajectory towards inflation-beating growth in distributions.

Geoff Jennett, CEO of Emira Property Fund, attributes the welcome return to distribution growth to the groundwork already in put in place by the REIT. It enabled Emira to achieve significant leasing progress, successfully recycle underperforming capital into yield-accretive investments, and benefit from stringent cost control, during the period.

Commenting on the results, Jennett says: "Despite persistently tough trading conditions, Emira has continued to strengthen our foundation of improved operating metrics. We have further rebalanced our portfolio out of underperforming offices and increased our exposure to alternative enhancing opportunities, including offshore investment and local residential property".

The thrust of Emira's strategic initiatives reveals a company that is evolving.

The diversified mid-cap SA REIT with 111 directly held properties valued at R12.7bn increased net income from its like-for-like portfolio by 7.9% during the half-year. Emira improved vacancies to 4.5% from 7.0% in the comparative half-year. It also reduced its gross cost-to-income ratio to 37.2% from 37.9% for the same comparative period.

Emira's joint venture with One Property Holdings, Enyuka, became effective on 1 July 2017. It closed the period buoyed with six new properties, taking its total portfolio to 21 shopping centres valued at R900,8 million. With a further acquisition secured, Enyuka's asset value is set to top R1bn when the property transfers, and this is expected to take place in March

2018. The investment in Enyuka delivered its contribution to Emira's distributable income of R35,9m.

Emira's increased its international exposure to 7% of its balance sheet during the half-year.

In addition to its direct interest in ASX-listed Growthpoint Properties Australia (GOZ), Emira embarked on an investment strategy in the USA with experienced local partners. Together they will grow a portfolio of grocery-anchored convenience retail centres. So far, the venture has successfully acquired three assets, two after the half-year period closed. Through its USA subsidiary, Emira now holds 44% equity in Belden Park Crossing Shopping Centre in North Canton, Ohio. It also has a 49% equity interest in Moore Plaza in Corpus Christi, Texas, and 32 East Shopping Centre in Cincinnati, Ohio. Emira's combined investment in the USA is R332,2m (USD25,8m), all funded with proceeds of disposals from its portfolio rebalancing drive.

Income from Emira's listed investment in GOZ increased by 0,9% for the period, while its investment in the USA delivered its first contribution to distributable income of R2,8m.

Emira furthered its portfolio rebalancing strategy by selling six properties during the half year. It achieved a combined 14.8% premium to book value on the disposals, signalling its properties are fairly valued. It decreased its office exposure from 40.5% to 38.2% of total assets during the last 12 months. It also has unconditional disposals of a further R210m of properties, which should transfer soon.

"To ensure our portfolio is more optimally balanced going forward, we will continue to reduce our office exposure," confirmed Jennett. Emira has earmarked a further 13 properties valued at R1,1bn for disposal, of which offices are R917,8m.

Emira's tactical property upgrades support the rebalancing of its portfolio while boosting its value, and enhancing its appeal to existing and new tenants. The demand-driven phased redevelopment of the P-grade Knightsbridge, Bryanston, is its biggest current project. Emira finished the project's 69%-let first phase in October 2017. The fully-let second phase is due for completion by June 2018.

During its half year, Emira also announced a partnership with specialist real estate investors and developers Feenstra Group, launching its first foray into the residential property sector while further reducing its office exposure. The project will convert the 10,000sqm of Sasol's former office space at 12 Baker Street and 2 Sturdee Avenue in Rosebank into 280 residential units, at a redevelopment cost of R121m. Named 'The Bolton', the conversion should be complete by January 2019.

Emira enjoys access to diversified sources of funding and has facilities with all South Africa's major banks. It also has access to funding via debt capital markets at competitive rates. It closed the half-year with a moderate gearing ratio of 37.2%.

"With the groundwork for the responsible rebalancing of Emira's exposures in place, we are confident that shareholders will start to enjoy greater returns. We have made good progress towards our strategic goals and established good momentum for the future," says Jennett.

He concludes: "Even in South Africa's persistently difficult economic environment, we are confident we can deliver similar growth in distributions for our investors in the second half of the financial year. Subject to their being no major surprises in the South African economy, we are on course to return to a minimum of real growth in distributions for the 2019 financial year and beyond."

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