NEWS RELEASE FROM EMIRA PROPERTY FUND LIMITED

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Emira's turnaround delivers positive full-year performance for investors

Emira Property Fund today reported a 2.53% year-on-year increase in distributions for its full year ended 30 June 2018, confirming its turnaround and return to positive dividend growth.

Its solid set of results deliver on Emira's market guidance and advance its strategies, specifically rebalancing its portfolio out of offices and successfully recycling underperforming capital into yield-accretive international investment in the US.

Geoff Jennett, CEO of Emira Property Fund, also points to the noteworthy operational results that strengthened Emira's portfolio metrics as being a big driver of Emira's performance this year.

Jennett comments: "Despite persistently tough trading conditions, Emira continued to strengthen its strategies and improve operating metrics. We also delivered on our objectives of responsibly rotating out of local offices and into US retail assets."

Emira made good leasing progress which significantly reduced portfolio vacancies from 5.7% to 3.4%, with office vacancies down substantially from 12.5% to 7.1%. It also achieved a high tenant retention rate – 85% of tenancies by revenue were renewed and retained compared to 72% the previous year. It attained strong like-for-like net income growth of 7.5% on the back of new letting.

Rebalancing its portfolio saw Emira dispose of R530.6m of assets at a combined 14.8% premium to book value. Of the 13 properties sold, seven were offices. This reduced Emira's office exposure from 38.7% to 35.7% of the total assets of the fund during the year. The disposal proceeds were recycled into Emira's international investment strategy. At year-end, the REIT held R1.9bn of assets for sale, of which R1.8bn comprises 25 offices which are planned as a future portfolio sale.

Emira closed the year with 104 directly held South African properties valued at R12.5bn. It reduced its gross cost-to-income ratio from 37.2% to 36.8%, showing that its income grew faster than its expenses.

For the first time Enyuka, Emira's lower LSM retail propertyventure with One Property Holdings, contributed to the business as an equity associate for the year. The investment in Enyuka, which held R1.1bn of shopping centre assets at year end, contributed R72m to Emira's distributable income.

Emira increased its international exposure to 10% of its balance sheet during the year, with its new US investment venture representing 3%.

Emira co-invests in the equity of a portfolio of grocery-anchored convenience retail centres in robust markets in the US with experienced local partners. Together they have a portfolio of four assets. Emira's combined equity investment in the US is R458m (USD32,3m), all funded with proceeds of disposals from its portfolio rebalancing drive. Emira's US investments contributed R22.6m to its distributable income. Emira intends to continue its steady investment process into the US in the year ahead.

Income from GOZ decreased by 5.9% for the year. Emira sold down 9% of its holding in GOZ to take advantage of the Australian REIT's record-high share prices. It brought the proceeds back to South Africa at a good exchange rate and deployed them into a higher-yielding investment. While the distribution per unit from GOZ increased by 2.9%, this was more than offset by the large increase in the related dividend withholding tax for foreign shareholders. Emira's remaining investment of 4.5% of total GOZ units in issue is valued at R956.2m, which represents a 151.4% increase on its initial investment.

After its successful debut in residential property investment this year, Emira plans to increase its exposure to this sector. The Bolton is Emira's R204m value-enhancing conversion of its Rosebank office property assets formerly occupied by Sasol into a contemporary residential apartment development undertaken with a specialist partner and 25% co-investor, the Feenstra Group. The project is converting 10,000sqm of office space into 280 residential units. The first units came on-stream in August to strong demand. The project will be completed by January 2019.

"We like this sector, it is a great diversifier for our portfolio and we are actively pursuing opportunities to co-invest with sector specialists that cater for the lower middle-class rental residential property markets. We will also consider other residential conversions, should suitable opportunities arise," says Jennett. Emira aims to grow residential property to between 5% and 10% of its total portfolio.

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 year with a moderate gearing ratio of 37.9%.

The company continued to put its environmental commitment into action in FY18, becoming the first African and South African company to have a greenhouse gas emissions target approved by the Science Based Targets initiative.

Jennett reports that, with its rebalancing and reinvestment strategies firmly in place and gaining momentum, Emira plans to further improve on the distribution growth achieved for the current year in its forthcoming financial year.

"South Africa is expected to deliver GDP growth of only 1.2% for 2018. There are also many variables in the market where Emira has 90% of its assets. Gone are the days when property was a passive investment. Lease periods are trending shorter and property has become a very active business indeed. Despite all this, Emira is in a solid position. Our success reducing vacancies in FY18 gives us a meaningful advantage. We've also set an excellent foundation to grow our offshore investment in the US and introduce residential opportunities to the portfolio, to create value for our shareholders." concludes Jennett.

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