NEWS RELEASE FROM EMIRA PROPERTY FUND LIMITED

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Emira builds on its positive performance with 3.1% growth in full-year distributions

Emira Property Fund has reported a 3.1% increase in distributions for its financial year ended 30 June 2019, delivering on its market guidance and continuing its dividend growth for the second consecutive year following its successful turnaround.

The robust set of results demonstrate Emira's ability to create value sustainably with its stated strategies. It continued optimising its property portfolio metrics and improving the defensiveness of its income streams by rebalancing its portfolio of assets out of offices, recycling underperforming capital into yield-accretive investment in the USA and diversifying into residential property locally.

Geoff Jennett, CEO of Emira Property Fund, says its international and residential strategies helped Emira to counter the effects of the relentlessly difficult domestic economy that is impeding growth.

Jennett comments: "By doing the right things consistently we have made good, gradual progress on our clear and relevant strategies and successfully repositioned Emira. Our conservative and responsible approach to growth and diversification underpinned our positive performance despite the tough local trading conditions experienced throughout the year."

Emira's office vacancies improved significantly from 7.1% to 5.3%, mostly thanks to its R1.8bn portfolio disposal to B-BBEE entity Inani Prop Holdings. By year-end, 24 of the 25 properties had transferred. Emira has reduced its directly held South African office exposure from 35.3% to a low 24.5% of total overall assets, leaving it fundamentally rebalanced and with a very manageable 21 office buildings of which 19 are P and A grade.

As a result of this portfolio disposal and a further two non-core individual asset sales, Emira closed the year with 80 directly held South African properties, valued at R10.9bn. Its gross cost-to-income ratio increased from 36.8% to 37.6%, showing expenses increased at a higher rate than income, mainly driven by soaring electricity costs and higher municipal rates charges.

Emira's emphasis on solid portfolio metrics helped to sustain vacancies at 3.6%. Tenant retention was a priority for Emira and 80% by revenue of expiring tenants were renewed and retained during the year.

New letting and contractual escalations saw Emira's stable portfolio notch up like-for-like net revenue growth of 3.1%. A highlight this year was leasing four of the eleven floors of 80 Strand, Cape Town, co-owned by Emira and Swish, to global co-working brand WeWork on a long lease agreement that includes the option to take up more space in future.

It also invested R239.2m in tactical upgrades that unlocked value and strengthened the attractiveness of its assets. Additionally, at a total cost of R209.3m, Emira's The Bolton residential conversion in Rosebank with co-investors the Feenstra Group, came on stream to become Emira's sole directly-held residential property. Completed in May 2019, it was more than 75% let by year-end.

Emira also has indirect exposure to the residential rental property sector through its 34.9% stake in JSE Alt-X listed Transcend Residential Property Fund, which it took up during the year. Transcend made a positive R37.9m contribution to Emira's total income.

"Residential property is still a small 5% of our portfolio, but it benefits from SA's best residential expertise," says Jennett. Emira only co-invests with respected hands-on specialists in their fields.

Enyuka, Emira's rural retail property venture with One Property Holdings, which holds R1.1bn of lower LSM shopping centre assets, contributed R77.5m to Emira's distributable income for the year.

Locally, Emira also earned fee income of R5.1m from loans it made to Transcend and Inani.

Over the past two years, Emira has steadily grown its US portfolio. This year, it more than doubled its assets from four to nine properties, each handpicked on a deal-by-deal basis, to make up 7.6% of Emira's total assets or USD75.9m. The latest asset to transfer in June 2019 is University Town Center in Norman, Oklahoma. Emira invested a total USD12.4m for 49.6% equity interest in the centre at an expected equity yield of 10.8%. Emira's after tax income from co-investment in the equity of grocery-anchored dominant value-orientated convenience retail centres in robust markets in the US totalled R64.7m.

With Growthpoint Properties Australia (GOZ) enjoying all-time-high share prices and robust investor demand, Emira took advantage of the opportunity to dispose of 7,429,119 of its shares during the year. It still holds more than double this number of units, comprising 2.4% of GOZ's total units in issue, with a total value of R759.7m compared to an initial investment cost of R272.0m, equating to a 179.3% increase in capital value. Income from GOZ decreased by 3% to R53.4m.

Emira has a strong balance sheet and its financial position improved further during the year. It enjoys access to diversified sources of funding, including from the bank and debt capital markets at competitive rates. Some proceeds from Emira's office portfolio disposal were used to reduce its debt, and R3.3bn of debt that matured in the year was either refinanced long-term or settled. Emira closed the year with 91.2% of its debt fixed for a weighted average term to expiry of three years. Its gearing ratio decreased to 36.1%, and its group interest cover ratio was a healthy 2.9 times.

Supporting good governance, Emira set up the ESA Trust as part of its transparent, performance-based executive remuneration scheme, which is a vote of confidence in Emira's executive management team and supports a fitting alignment of interests with Emira's shareholders.

"Factoring in slow economic growth in SA for the foreseeable future, Emira's offshore assets will provide much-needed diversification for investors, even with our rebalanced local portfolio being better positioned to weather economic headwinds. Internationally, we'll continue to grow our investments responsibly. Locally, we'll focus on creating excellent experiences at our properties while seeking opportunities to add value in ways that are in the best interest of Emira shareholders, who can again expect positive growth in dividends for the year ahead," concludes Jennett.

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