MEDIA RELEASE FROM EMIRA PROPERTY FUND

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Emira Property Fund is well positioned for property performance in 2014

Retail is set to be the top performing sector in South African commercial property sector and, with 35% of its diversified investment portfolio comprising retail property, Emira Property Fund is in good shape to benefit from this trendin 2014.

“Strong demand for more space from national retailers aiming to grow revenue and market share will drive retail property performance,” says Emira Property Fund CEO James Templeton.

Responding to this demand, Emira is growing its exposure to retail property by expanding its largest and most valuable property asset, Wonderpark Shopping Centre in Pretoria, and several other of it shopping centres. Its substantial expansion of Wonderpark Shopping Centre will take itto around 90,000sqm and will be valued at approximately R1,3 billion.

“Consumers have been getting above inflation wage increases and are also benefiting from relatively low inflation as well as a buoyant equity market, creating a wealth effect. This is enticing retailers,” points out Templeton. “Also, employment in Pretoria has been robust due to the expansion of both local and national government in the city.”

In addition to expecting growing rental income from its urban centres, Templeton notes that rural retail growth will also assist Emira’s performance this year. “Our shopping centre portfolio is established, well positioned and enjoys attractive tenant mixes, being exposed to both urban and rural markets.”

Templeton notes that the industrial and office sectors will follow retail’s performance and Emira’s industrial properties are performing strongly.

“Industrial property should also perform well, given the sector’s comparatively low vacancies stemming from a limited supply of space. The weaker Rand should also benefit exporters,” explains Templeton.

Emira’s industrial portfolio is over 99% full. “Even with the positive fundamentals, the sector isn’t showing much rental growth yet, but with sustained high occupancies good rental growth should result in the future.”

It’s strategies to offset the impact of a relatively sluggish office market have already produced excellent results for Emira, reducing its vacancies and gaining back market share. Over the past couple of years, Emira has improved the quality of its buildings, sold non-core assets and has been aggressively marketing vacant space.

These tactics have significantly improved the fund’s performance prospects. “Enquiry levels for space in our office buildings are very good and deals are still taking place. We are seeing good demand for office space in certain nodes, leading to rental growth in these areas, which include Pretoria, Bryanston and Cape Town’s southern suburbs.”

“Restructuring our office portfolio has produced good results. Emira’s office vacancies are now below the sector’s average vacancies according to SAPOA,” notes Templeton.

He explains that office vacancies have risen in the six years since 2007. “If the current property cycle lasts the typical seven to ten years, then we are approaching its tail end and can expect office vacancies to improve markedly at some stage in the future.”

Templeton says the direction that office vacancies take will be critical for the listed property sector. However, he cautions activity in the first few months of 2014 may not be indicative of a trend as office leasing is likely to be slow with companies deferring significant leasing decisions until the national elections have taken place.

“The challenge for listed property in 2014 is going to be increases in interest rates and a rising cost of equity, as has been evidenced in recent weeks” says Templeton. “That said, property returns are healthy with a high income-yield relative to other investments, including cash and bonds. There is likely to be healthy growth in distributions from the sector in the coming year.”

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