Media release from Emira Property Fund

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Emira delivers 6.5% half-year distribution growth
with significantly improved performance from its property portfolio

Emira Property Fund today reported distribution growth to investors of 6.5% for its six-month period to 31 December 2013.

James Templeton, CEO of Emira, attributes this major improvement in Emira's performance to its successful strategies that have resulted in significant progress achieved across all key metrics.

"Emira has done well in a tough market to deliver real growth for investors and meet forecasts," says Templeton. "Portfolio vacancies reduced to 5.1%, tenant retention is at up at 70%, rental reversions are looking better and cost controls continue to yield benefits. This all contributed positively to results." Emira's net asset value grew by 8.7% during the 2013 calendar year.

Templeton confirms that Emira is on track to deliver similar growth for its full financial year. "Despite subdued economic growth, Emira's performance will continue to be driven by top-line growth from improved vacancies, rental escalations and income from our Australian listed investment. It will also benefit from the tight cost controls in place, including savings from the property management tender, and our proactive interest rate management."

JSE-listed Emira Property Fund owns a diversified portfolio of office, retail and industrial properties. Its assets comprise 141 properties valued at R9,7 billion and listed investments of R626 million. It has a market capitalisation of R6,3 billion.

During the half year, Emira's vacancies improved from 5.6% to 5.1%, driven by substantial letting across all sectors. This includes 27 leases and renewals of over 2,000sqm each, accounting for 103,000sqm with a value of R400 million and an average duration of five years.

"We made further good progress improving the quality of our property portfolio with strategic acquisitions, disposals, refurbishments and extensions," says Templeton. Emira disposed of six non-core properties for R329 million and acquired a fully-let industrial building in Cape Town as well as an industrial site for development in Pretoria. With acquisition opportunities scarce for the listed property sector Templeton says: "We have no interest in growing for growth sake. Any transaction we consider has to enhance income and distributions."

Emira reported that it has R603 million worth of refurbishment and extension projects under development. The most significant is the major R513 million upgrade and extension of Wonderpark Shopping Centre, its biggest asset. The centre is being enlarged from 63,000sqm to 90,000sqm. The project will accommodate expansions for existing national tenants including Game, Woolworths, Jet and Edgars and will welcome new anchor tenants including Checkers, Dis-Chem, HiFi Corp, PQ Clothing, Cotton On and The Hub.

Offices comprise just less than half of Emira's diversified property portfolio by value, at 47%. And, with Emira's continued focus on letting and tenant retention, its office portfolio is bucking the negative trend, and instead achieving improved vacancies. "We've done well to gain back share in a difficult market and reduce vacancies to levels below the SAPOA average, which we expect to continue" says Templeton.

He adds that like-for-like net income from Emira's office portfolio is substantially up by 6.4%, from a like-for-like decline last year. "This is an exceptional result from the office portfolio, but it was still beaten by the 7.5% like-for-like growth from our retail portfolio, illustrating the benefits of a diversified portfolio. Net income from the entire portfolio grew by 4.5% like-for-like on the comparable period last year. Emira's focused approach to letting space and tenant retention is showing in the numbers and we will continue to refine our entire portfolio to maximise its performance."

Income from Emira's Rand-hedge investment in Growthpoint Properties Australia (ASX:GOZ) increased by 17.5% thanks to growing distributions from GOZ as well as a weaker Rand against the Australian Dollar and also because Emira followed its rights in respect of a rights issue in December 2013. Emira's GOZ investment comprises 6% of its assets. It is valued at R626 million, compared with its investment cost of R372 million.

Emira closed the half year period with a moderate 30.6% loan-to-value ratio. Some 76% of its debt is fixed at a weighted duration of five years and nine months at an all-in weighted average interest rate of 8.5%. It also continued to take advantage of lower rates of funding available on debt capital markets during the period.

"By aiming for revenue enhancing opportunities which further Emira's strategies and maximising our portfolio and its assets, we will continue to provide sustainable and growing income for investors," says Templeton.

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