NEWS RELEASE FROM EMIRA PROPERTY FUND LIMITED

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***Emira’s delivers half-year dividend growth and sustainability from a solid business platform***

Emira Property Fund today reported a 1.7% year-on-year increase in distributions for its half-year ended 31 December 2019, in line with its positive market guidance.

The results also highlight an improvement in Emira’s already low vacancy rate, which now stands at 3% and is a testament to the good quality, well-priced real estate in Emira’s portfolio. In addition, it reports a reduced loan-to-value ratio of 35.1%, which supports its strong credit profile.

Geoff Jennett, CEO of Emira Property Fund, says Emira’s rebalanced portfolio and its allocation of capital into more resilient economies underpins the diversified JSE-listed SA REIT’sability to maintain distribution growth, even within South Africa’s constrained economy.

Jennett comments: “By doing the right things consistently over the past four years, we have shifted and repositioned our portfolio with a long-term view. Emira’s excellent operational performance, fair valued assets, responsible management and strong credit profile place us in a solid position to face the headwinds of a low-growth, uncertain environment.”

Emira has confirmed that it expects similar growth in dividends for the second half of its financial year. Jennett explains that this guidance takes a realistic view of the market conditions, vacancy profiles and expected rental revisions, as well as anticipated opportunities. “We will continue to fine-tune our portfolio and business for sustainable performance and results.”

Emira is invested in a quality, balanced portfolio of office, retail, industrial and residential properties. It is invested in 79 directly held South African properties, valued at R10.9bn. At the close of its half-year, Emira held 10% of its investments offshore with its equity investments in nine grocery-anchored open-air convenience shopping centres in the USA with a combined value of USD75.9m through its USA subsidiary, and its holding in ASX-listed Growthpoint Properties Australia (GOZ) valued at R234m

Emira improved the vacancies in its directly held portfolio from 3.6% to 3.0% during the half-year.

Tenant retention is a strategic priority for Emira, especially with the tough operating environment putting businesses under increased pressure. With innovative leasing strategies, 82% of expiring tenants, by revenue, were renewed by Emira during the period. Jennett notes, “While rental reversions are inevitable in this market, this is certainly easier to digest when your buildings are full.”

The final property of 25 in Emira’s R1.8bn portfolio disposal to B-BBEE entity Inani Prop Holdings transferred on 20 December 2019. “The finalisation of this transaction has achieved its strategic outcome of fundamentally rebalancing our portfolio. We couldn’t be more pleased with the results, including significantly less office exposure and higher-quality remaining properties.”

Emira tightened its administration costs during the period. However, its gross cost-to-income ratio increased from 37.3% to 39.2% during this six-month period, showing that expenses increased at a higher rate than income, mainly driven by soaring electricity costs and higher municipal rates charges.

In light of this, and in line with its environmental commitment, Emira continued to invest in alternative energy sources and initiatives to reduce electricity and water consumption. It already has nine solar farms, as well as various water harvesting and waste recycling projects in place. Nearly 60% of its portfolio offers back-up electricity and a growing percentage has back-up water facilities.

Emira invested R95.3m in major projects to strengthen its asset base and unlock value from its properties. Highlights include the modernisation of Hyde Park Lane Office Park in Joburg, an update of Granada Square in Umhlanga, as well as three new solar farms and adding more water harvesting across the portfolio.

Emira’s The Bolton residential conversion in Rosebank with co-investors the Feenstra Group closed the period 94% let, with only 18 of 282 units vacant. The development was completed in mid-2019.

Emira also has indirect exposure to the residential rental property sector through Transcend Residential Property Fund, in which it has a 34.9% holding. Transcend’s total property portfolio is valued at R2.8bn. Earlier this month, Transcend’s listing moved from the JSE’s AltX to its Main Board and the company announced that it had grown its dividend per share by 0.70% for its financial year to 31 December 2019. It made a positive R23.5m contribution to Emira’s total distributable income.

Through its exposure to Enyuka Property Fund, a rural retail property venture with One Property Holdings, Emira’s also invests indirectly in 24 lower LSM shopping centres valued at R1.7bn. Enyuka contributed R39.0m to Emira’s distributable income for the half-year.

In the US, Emira acquired its tenth property with its US-based partner, The Rainier Companies, on 3 February 2020, after the close of its half-year. This takes US assets to 7.9% of Emira’s total assets or USD89.2m**.** Emira invested a total USD13.3m for 49.8% equity interest in Dawson Marketplace open-air shopping centre in Dawsonville, Georgia, at an expected equity yield of 11.09%. 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 for this six-month period.

Emira continued to take advantage of robust investor demand for Growthpoint Properties Australia (GOZ), which is enjoying all-time-high share prices, and disposed of a further 12,885,956 of its shares during the period. It intends to trade out of the balance of its 5,752,491 units, with a total value of R234.3m. While GOZ’s distribution per share increased period-on-period by 3.5%, Emira’s reduced holding saw its income from GOZ decrease by 43.4% to R15.3m.

Emira maintained a strong balance sheet and its financial position again improved during the period. It enjoys access to diversified sources of funding and banking facilities. Proceeds from its GOZ disposal and Inani sale were used to reduce its debt. Emira closed the period with 86.6% of its debt fixed for a weighted average term to expiry of three years. Its gearing ratio decreased from 36.1% to 35.1%, and its group interest cover ratio was a healthy 3.2 times.

The period saw Emira’s corporate long-term credit rating of A(ZA) and short-term credit rating of A1(ZA) affirmed by GCR Ratings with a stable outlook.

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