NEWS RELEASE FROM EMIRA PROPERTY FUND LIMITED

31 August 2020

***Emira declares full-year distributable earnings of 128.36 cents per share***

***off a solid portfolio and sound liquidity base***

Emira Property Fund today reported a final dividend of 30.26 cents per share, taking its dividend for the full year to 30 June 2020 to 104.36 cents per share.

During the first six months to end December 2019, Emira’s performance was in line with its positive market guidance despite the constrained local economy, and it declared a 74.10 cents per share half-year dividend.

However, the impact of COVID-19 and the relief that Emira and its partners provided to tenants saw a 61.4% decrease in the dividend payable for the second half of the financial year. Emira provided R119m in rental relief, in the form of discounts and deferrals, to more than 1,150 tenants to help them survive the COVID-19 lockdown.

Geoff Jennett, CEO of Emira Property Fund, comments, *“As a JSE-listed REIT, Emira exists to provide a platform from which investors can access the net rental income from its underlying portfolio of diversified property investments. On this basis, and because Emira can demonstrate its ability to meet its future financial obligations, we elected to declare a final dividend to shareholders. That said, protecting our strong balance sheet and liquidity position remains our priority, so we have been very conservative in our treatment of distributions with sustainability being our foremost consideration. Emira is only distributing cash-backed net profits that it received during the period, after making provision for additional cash reserves in its US investments. As a result, our total dividend decreased by 31.0% from the previous year. The adjustment to our dividend composition this year does not change our pay-out ratio policy and has no punitive tax consequences.”*

Jennett adds, “*The operating context has become undeniably difficult. Emira was fortunate to enter this new environment with solid fundamentals in place after our comprehensive four-year strategic portfolio rebalancing process, which we have shared with the market at every step along the way. The timing of this re-set enabled Emira to deliver sound performance from a diversified portfolio driven by operational excellence, tight cost controls and strong partnerships with experts in specialist property sectors. Emira is realistically poised to recover ahead of the curve.”*

Emira is invested in a quality, balanced portfolio of office, retail, industrial and residential properties. It has 79 directly-held South African properties valued at R10.2bn and is diversified offshore with equity investments in 10 grocery-anchored open-air convenience shopping centres in the USA.

Outperforming SAPOA’s average results, Emira closed its financial year with a low and very manageable 4.1% vacancy level, having achieved an 80% tenant retention rate.

Emira is still under contract to acquire a single property, the multitenant Northpoint Industrial Park in Cape Town, for R108m, but transfer has been delayed by the COVID-19 lockdown. It also invested R161.3m in major projects to maintain and improve its assets.

*“Emira will continue its proactive asset management, and prioritise tenant retention and market-appropriate letting strategies. We remain committed to close relationships with our tenants, and also recognise that healthy, safe and efficient operating environments will improve tenant retention and support occupancy levels,”* notes Jennett.

Emira kept a keen focus on containing costs. Even so, its property expenses increased 2% during the year. Mounting above-inflation electricity, water and municipal costs support Emira’s investment in alternative energy sources and acceleration of initiatives to reduce electricity and water consumption.

Emira’s The Bolton residential asset in Rosebank with co-investors the Feenstra Group contributed to income streams for a full 12-month period for the first time. Occupancy dropped from 93.6% to 80.9% in the six months to end-June 2020 as a result of COVID-19 lockdown restrictions on reletting units, and has subsequently recovered to above 90% due to easing of restrictions.

A 34.9% stake in specialist JSE Main Board listed REIT Transcend Residential Property Fund, also gives Emira indirect exposure to the residential rental property sector. Transcend’s total property portfolio is valued at R2.7bn. Emira received a dividend of R15.9m for Transcend’s six-months to end- December 2019. As announced by Transcend on 13 August 2020, Emira expects to receive R5.5m for the six months to end-June 2020, with a greater dividend expected in its full year to end-December.

Through its exposure to Enyuka Property Fund, a dedicated rural retail property venture with One Property Holdings, Emira invests indirectly in 24 lower LSM shopping centres valued at R1.7bn. Enyuka also granted rent relief to tenants whose trade was profoundly impacted by the COVID-19 lockdown, which totalled R15.4m. The slowdown in letting from March also negatively affected Enyuka’s net income, but less so because the impact on this type of retail has been less severe. Enyuka contributed R72m to Emira’s distributable income for the year.

On the international front, Emira sold the balance of its units ASX-listed Growthpoint Properties Australia (GOZ) and sharpened its offshore focus on its US investment strategy with its USA-based partner, The Rainier Companies. The acquisition of its tenth US shopping centre asset took its equity investments in the US to R1.6bn (USD93.9m). Emira’s after-tax income from equity co-investment in the US totalled R171.7m of which R139.2m is distributable. R76.8m of this income was retained in the US in order to bolster cash reserves at the property levels in these extreme times

The grocery-anchored dominant value-orientated convenience retail centres in robust markets in the US in which Emira invests, performed better than enclosed malls and lesser quality properties in the context of COVID-19. They are geared towards communities, provide essential goods and services especially with grocer anchors, focus on the popular value retail segment, have quality tenants, and offer open-air environments where people feel safe. Even so, rental relief was provided to select tenants, generally in return for lease extensions and deferred payment. Vacancies nudged up from 3.6% to 5.2%, with increased retailer bankruptcies contributing to more vacancy. However, a significant number of leases were renewed and achieved positive rental reversions of 2.6%. Importantly, the weighted average lease expiry has extended to 6.2 years which demonstrates the solid nature of the leasing activity undertaken.

*“Emira’s USA strategy facilitates capital allocation into more resilient environments that can act as a buffer against South Africa’s constrained economy,”* says Jennett.

Emira’s net asset value decreased 14.6% to 1 530 cents per share as a result of an increase in net derivative liabilities following decreased interest rates in both South Africa and the US and a weaker Rand. In addition, Emira’s continued its track record of realistic property valuations and decreased its portfolio value by a carefully considered 8.5% in light of deteriorating macroeconomic conditions and the poor outlook. With property values being the denominator in loan-to-value (LTV) ratios, this indicator naturally increased from 37% to 43%. Emira’s long-term LTV target remains below 40%.

Global Credit Rating Company affirmed Emira’s corporate long-term credit rating of A(ZA) and short-term rating of A1(ZA) with a stable outlook, in April 2020. The REIT continues to benefit from diversified sources of funding and has facilities across all major South African banks. It has access to undrawn facilities of R619m and cash on hand of R95m, and is finalising further facilities which will ensure an additional R450m of committed backup facilities.

During the year, Emira’s strengthened the leadership and oversight of its board. It also advanced its transformation, improving its B-BBEE rating from a Level 7 contributor to Level 5, with 50.25% verified effective black ownership. Emira has provided the market with detailed updates about the impact of COVID-19 on its business, and contributed to the national and industry response to COVID-19 as an active participant in the Property Industry Group collective. In April, May and June, Emira’s executives contributed 30% of their salaries and non-executives gave 30% of their fees to the Solidarity Fund.

*“At Emira, we are committed to doing the right thing. We will continue to manage the outcomes that are within our control to protect and generate value for our stakeholders with a robust balance sheet, well-funded and sustainable operations, and a balanced portfolio of quality properties,”* Jennett concludes.

Given the current uncertainty, Emira’s board resolved not to provide earnings and distribution guidance until such guidance is highly probable. However, it has disclosed that its management has a targeted KPI for distributable earnings of 119.7 cents per share for the year to 30 June 2021.

**/ends**

Released by:

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