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Emira in 2014

Emira Property Fund, listed on the JSE Securities Exchange with a market capitalisation of R6,3 billion, grew its distributions per share 6,5% to December 2013 (norm 8%) and grew its net asset value 8,7% last year.


James Templeton

Retail is set to be the top performing sector in the South African commercial property sector and Emira is in a good position to have 35% of its diversified investment portfolio in retail.

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 (to 90 000 m² at a value of approximately R1,3 billion) and several other of its shopping centres.

Emira Property Fund CEO James Templeton is of the opinion that the industrial and office sectors will follow retail's performance.

"Industrial property should 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," he says.

Emira has improved the quality of its buildings, sold non-core assets, ensured it's managing bigger buildings, and brought down its vacant space by 5,1%. With this in place and property's improved fundamentals, perception of Emira should improve.

"We are seeing good demand for office space in Pretoria, Bryanston and Cape Town's southern suburbs," says Templeton.

He explains that office vacancies have risen in the six years since 2007. "If the current property cycle lasts the typical seven to 10 years, then we are approaching its tail end and can expect office vacancies to improve markedly at some stage in the future." Currently most analysts feel the office sector will continue to perform poorly.

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."