

Press Release

For immediate release

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Emira Property Fund reshapes and re-invigorates of its portfolio

Emira Property Fund is busy rationalising its portfolio, redeveloping certain property assets that are well located and offer potential and disposing of non-core properties with a view to reinvesting the funds in other properties.

The Emira board recently approved a R300m redevelopment plan for several key Emira properties – including the 4 800m² Podium Office Park at the intersection of Lois and Atterbury Roads in Menlyn, Pretoria.

The site, which is in a prime position close to the recently improved Atterbury/N1 interchange and directly opposite the Menlyn Shopping Centre, is to be redeveloped as a five-storey, environmentally-friendly building, comprising 15 600m² of A-Grade office space. The total cost of the redevelopment is estimated at R250m.

Emira CEO, James Templeton, says the site is going to be developed to its maximum potential to take advantage of the growing strategic importance of the Menlyn office and retail node.

“We believe that the Podium House site is the best in the whole of Menlyn, offering good exposure, extremely convenient access and competitive rentals. The redeveloped Podium Office Park, when fully developed, will be the gateway to the rapidly expanding Menlyn node, which, when finally completed, will comprise approximately 600 000m² of prime office space,” he says.

When the proposed 4-star, green-rated building is expected to be completed in July 2011, Emira will be looking at gross rentals levels of between R125/m² and R135/m² depending on tenant’s specifications, which is in line with current rentals of R106/m² to R135/m² for similar quality Menlyn commercial properties. These competitive rentals are an indication of the extent to which Emira and its developer, Eris Property Group, have been able to manage development costs

The decision to go ahead with the redevelopment in March this year is contingent on the building being at least 50% pre-let before construction is due to start.

In addition to Podium Office Park, the Emira board has also given its approval for two other major redevelopment projects – the nearby Rigel Office Park in Erasmusrand, Pretoria, and the 6 745m² FNB Heerengracht on Cape Town’s foreshore.

Emira plans to spend around R36m on a complete refurbishment of the FNB Heerengracht from C-Grade to A-Grade offices. The work involves completely gutting the building; converting the existing banking hall into three levels of parking; replacing the air-conditioning system and electrical infrastructure; replacing the lifts and upgrading the building's façade, entrance foyer, lobbies and ablutions.

Once the renovations are completed, Emira believes that it should be able to achieve gross rentals of around R90m² for the re-worked Heerengracht A-Grade office space as opposed to R45m² for the building's current C-Grade space.

The return, using debt funding for the redevelopment, is estimated at between 10% and 11%. Work on the project is expected to start in March but is contingent on a 50% pre-let situation being achieved.

Similarly, Emira proposes a complete refurbishment of its 4 533m² Rigel Office Park property close to the Rigel Road/N1 intersection. The well-located building was recently vacated by its anchor tenant which has created the opportunity to upgrade the building and attract high quality tenants at improved rentals.

Work on the R14.7m redevelopment is expected to start early this year and tenants are currently being sought for the redeveloped property.

In addition to the redevelopment projects that it has planned for this year, Emira is also looking to dispose of some 14, non-core properties in its portfolio. Two of these properties, Howick Gardens in Waterfall Park, Midrand, and Nampak building in Denver, have already been sold and the sale of the others is currently still being negotiated.

Templeton says the funds from the sale of Emira's non-core property assets will be ploughed back into improving the remaining properties in its portfolio such as the redevelopments mentioned above, thereby improving returns for Emira participatory interest holders.

"We believe that it is important to dispose of the fund's non-core properties and reinvest the proceeds in larger investments, which will also give our investors improved returns. Although the prices we have been seeking for all the non-core properties have in many instances not been achieved, Emira is content to hold onto these properties until the market picks up so that we are able to achieve returns which are acceptable to us," he says.

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