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Drop in vacancies lifts Emira distribution

EMIRA PROPERTY FUND		
Half Year	**2013**	**2012**
Revenue (Rm)	658.6	637.1
Pretax (Rm)	548.3	157.6
Net income (Rm)	536.8	157.4
HEPS (c)	51.38	31.04
Distribution PS (c)	55.69	53.81

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LISTED property unit trust Emira Property Fund yesterday reported distribution growth of 3.5% for the six months ended December — a turnaround from its 2.5% decline in distributions in the six months ended June last year.

Emira CEO James Templeton said: "The biggest thrust of the current results is the fact that vacancies have gone down from 10.2% to 7.8% — the majority of which is due to leasing, but is also contributed to through the sale of a couple of buildings with high vacancies".

Mr Templeton said the fund had been successful in its strategy to dispose of noncore assets, having sold "15 buildings worth about R400m in the past couple of years". Savings on property management fees as well as lower funding costs supported by restructured debt also contributed towards the improved results.

"These results mark a turnaround for Emira. We've been aggressive in every area of our business and delivered improvement in every metric," Mr Templeton said.

The acquisition of good quality buildings, as well as refurbishments to improve the quality of existing assets and the selling of noncore properties, was a strategy to "enhance the portfolio". The prospects for earnings growth was "looking a lot better", which would result in the share price re-rating on a relative basis, "and that will enable us to grow again", he said.

Emira's investment in Growthpoint Properties Australia had "performed exceptionally well — not only from an actual performance of the business perspective, but also the currency has dramatically assisted us in getting some good returns out of that investment".

Emira's 3.5% distribution growth was "slightly ahead of expectations", said Stanlib investment analyst Ndabe Mkhize.

"We believe the company has turned the corner, but it might still be a while before their growth in distributions matches that of the SA listed property market," he said.

While Emira's office vacancy rate was still high, it was a "marked improvement from six months ago". Mr Mkhize said the short-term pain of selling noncore buildings and taking downward reversion on existing leases would enhance the quality of Emira's portfolio and the fund's earnings.

During the six month period, Emira's total return to investors was 19%, while the fund's net asset value increased by 4.4%.

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