# Listed fund's savvy strategies

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The Johannesburg Stock Exchange listed SA REIT recently concluded a R70 million PI buyback, taking its total PIs repurchased to R206 million in the past two years.

The buyback is part of Emira's PI holder approved programme which aims to grow its distribution to investors by reinvesting proceeds from the disposal of non-core assets through the timeous repurchase of PIs.

Emira chief executive officer James Templeton says at opportune times in the past, Emira has bought back PIs.

"The price dip in South Africa's listed property sector earlier this year created the opportunity for further earnings-enhancing PI repurchases for Emira."

Meanwhile, its disposal of non-core assets continued with Fleetway House, Montana Value Centre, 261 Surrey Avenue and a further 12 sections of Georgian Place being transferred out of the fund since 30 June 2013.

These sales totalled over R100 million, which could potentially be used for further repurchases or reinvestment in the rest of the portfolio.

Emira has also been taking advantage of low interest rates in the money markets, having recently issued R230 million of new 12-month unsecured commercial paper (CP) at an interest margin of 74 points above the 3 month Jibar rate, resulting in an all-in rate of 5.87 percent. Restructuring of certain existing CP issues saw Emira issue R100 million of three-month paper and R399 million of six-month paper at all in rates of 5.34 percent and 5.83 percent respectively.

“By incrementally shifting this portion of our debt facilities from three-month CP to six- and 12-month CP, the weighted average expiry of Emira’s total debt facilities – which includes over R1.5 billion of long-term debt facilities with commercial banks and R500 million of domestic medium term notes – has been lengthened,” says Templeton.

Emira has a diversified portfolio of office, retail and industrial properties. Its assets comprise 146 properties valued at R9.4 billion and it has a market capitalisation of R7.3 billion.

He says this is a strategic decision by Emira and responds to a market which is demanding slightly longer dated money market instruments, displaying a preference for six- to 12-month CP over three-month CP.

Templeton says Emira is still taking advantage of relatively cheap short-term debt, but gradually pushing out longer term debt in anticipation of interest rates increasing.

“We believe this should benefit the fund and we’re also positioning ourselves to further lock in rates.”

Emira enjoys funding from different commercial banks and money markets, with its diversified funding strategy minimising interest costs and reducing the risk to investors.

The interest rate on over 70 percent of its total debt facilities has already been swapped out, providing certainty on interest costs for investors.

It is using these funds to finance capital projects including its major refurbishment and expansion for Wonderpark Shopping Centre in Pretoria, which will be extended from 63 000 square metres to 90 000 square metres of fresh, modern retail space.

Thanks to Emira’s major capital investment of R513 million in Wonderpark Shopping Centre’s improvements, it is set to claim super-regional shopping mall status and become one of the 15 largest malls in South Africa.

For Emira this will result in an estimated yield of 8.4 percent for Wonderpark Shopping Centre, which is a strong performer in its portfolio and has achieved favourable compound growth.

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Emira is also internationally diversified through its direct interest in ASX-listed Growthpoint Properties Australia, valued at R537.1 million at 30 June 2013.