

Press Release

For immediate release

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Emira Property Fund's first six months distribution significantly improved

Emira Property Fund has declared a distribution of 48.79 cents per participatory interest for the six months ended December last year – 10.04% up on the previous comparable period.

Emira participatory interest holders enjoyed a total return of 35,9% over the period, made up capital appreciation of 30% and an income return of 5,9% in respect of the distribution paid out participatory interest holders for the six months to end June 2008.

Emira CEO, James Templeton, notes the robust performance in Emira's quoted participatory interest price was ahead of the SA Listed Property Index, which had benefited from a sharp 350 basis points drop in long bond yields during the period.

He says Emira's portfolio of properties performed well during the period under review, which saw vacancies declining and double digit upward rental reversions on new leases and renewals. Portfolio vacancies at the end of December were 6.1% - a significant improvement on the 6.8% registered in June 2008.

Excluding straight line adjustments from future rental escalations, revenue rose by 14.8% over the comparable period in the prior year – mainly as a result of lower vacancies, the inclusion of new properties into the portfolio as well as the contribution from new capital projects from the previous year coming on stream and contributing for the full period.

But the signs were evident at the end of last year that the buoyant conditions in the property market were coming to an end.

The market, Templeton says, is being progressively impacted by rising municipal rates and electricity charges and the effects of the contracting economy on tenants. This is manifesting itself in the slower pace of rental growth and a reluctance on the part of tenants to commit to new space.

Although Emira's pipeline of new projects is slowing in line with cooling demand from tenants, the Fund enjoyed an active past six months.

Projects included the completion of five extensions and refurbishments valued at R28m – the most significant of which were the construction of a new Daily Store for Pick 'n Pay at the WorldWear Centre in Fairlands for R10m as well as an upgrade to Woodmead Office Park (R6.6m).

One new development, TIS Corporate Park, was acquired for R90m and three capital projects are still underway. They include the refurbishment of Granda Centre in Umhlanga Rocks (R40m) and an upgrade to WesBank House in the Cape Town CBD for R11m.

During the period Emira also purchased several properties, including Kosmos Flats retail centre in Bloemfontein for R8.8m; TIS Corporate Park in Midrand for R90m, both of which have already been transferred to the Fund.

Properties purchased but not yet transferred include the Discovery Office building at Highveld Technopark in Centurion for R41.7m and the Spoor & Fisher office development at Highveld Technopark for R38.5m.

In line with the current strategy of disposing of non-core properties, several of the Fund's properties were sold, including Kuehne & Nagel House in Durban (R8.8m); Georgian House office and warehouse park in Kelvin (R2.4m) and Barvic House office building in Randburg (R9.9m).

Although tougher trading conditions are expected to prevail for the balance of the financial year, Templeton believes the improved income stream from the portfolio, the earnings enhancing effect of the Fund's recent capital expenditure programme and its reduced debt costs, should provide for growth in distributions.

Ends

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