Press Release

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Emira Property Fund overcomes poor property market conditions

Emira Property Fund today announced a distribution of 51.84 cents per Emira participatory interest (PI) for the six month period ended 31st December 2009 – up 6.3% on the previous comparable period.

Emira CEO, James Templeton, says these results were achieved despite the deterioration of the property market which has been characterized by rising vacancies, increasing tenant arrears and downward pressure on rentals.

Notwithstanding this, Emira participatory interest holders enjoyed a total return of 18.5% during the period, comprising capital appreciation of 13.3% and an income return of 5.2%.

Templeton says the listed property sector, including Emira, benefited from the share market's expectation of a recovery in global growth and the subsequent rise in domestic share prices.

The strong capital rise in Emira's PI price, for example, was ahead of that for the listed property index as a whole, which grew by 11.8% over the period.

According to Templeton, conditions in the property market during the last six months of last year were "noticeably tougher" than the previous comparable period.

Vacancies in Emira's portfolio, for example, rose from 7.5% in June last year to 9.2% in December.

In spite of this, he says revenue rose 9.2% over the comparable period - largely as a result of organic growth in income from the existing portfolio; the inclusion of income from properties acquired in the previous financial year for the full period; the addition of one new property to the portfolio during the period and the conclusion of several capital projects in the previous financial year, which also contributed for the full six months.

Property expenses rose by 8.6%, which was below the increase in the Fund's revenue, largely as a result of reduce leasing commissions - reflective of the tougher conditions in the property market - and a reduced bad debts charge.

However, asset management expenses increased by 12.1% over the period – mainly as a result of the higher PI price and the Fund's higher gearing levels. Net interest costs also rose by 25.1% as a result of the higher gearing. Meanwhile, lower interest rates meant that interest earned was sharply lower.

Emira has substantial available debt facilities at attractive margins which should allow it to acquire further good quality properties with sustainable income yields. Last year, the Fund was granted an additional R664m loan facility by FirstRand Bank Limited. It now has a total debt facility at its disposal (including preference shares) of R2 264m, of which R1,654m has already been accessed to fund its recent property acquisitions and capital projects and to finance its limited PI buy-back programme last year.

Emira has also entered into a series of debt swaps, the net effect of which is that 95.2% of the Fund's debt has been fixed for periods of between three and eleven years. As at the end of last year, its weighted average cost of debt equated to an attractive 9.56%.

Going forward, Templeton says the Fund's strategy will continue to be the improvement of the portfolio through further acquisitions and selected refurbishments as well as the continued disposal of non-core portfolio properties.

Says Templeton:

"Although the economy has shown signs of growth, and expectations are that this will continue, the property sector, historically, tends to lag the general economic recovery. Conditions are therefore expected to remain challenging and the focus will remain sharply on tenant retention and minimizing bad debts as the key drivers of income growth in the current period.

Nonetheless, Emira expects to show a similar level of growth in distributions for the full year to June 2010 as it delivered in the six months to December 2009."

Ends

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