

20 August 2013

Hold

Target price

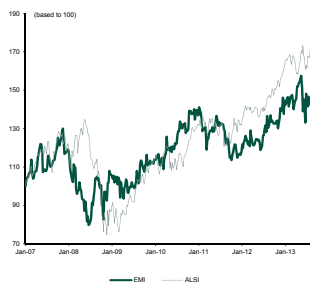
R 14.77

Price

R 14.07

Price performance

	(1M)	(3M)	(12M)
Price (ZAR)	14.80	15.91	13.25
Absolute (%)	-4.93	-11.57	6.19
Rel market (%)	-10.18	-14.67	-12.05
Rel sector (%)	-6.38	-7.00	-6.75



Emira Property Fund

FY13 initial impression

Emira Property Fund reported distribution growth of 3.5% to 114.6cps for FY13 from 110.7cps for FY12. This is marginally ahead of our expectation of 3% for FY13 but in line with consensus at 3.5%. NAV increased by 14.9% to 1,325cps. Detailed results note to follow post management contact.

Improved letting activity reducing vacancies to 5.6% for FY13 from 10.2% for FY12

Vacancies continued to trend lower to 5.6% for FY13 compared to 10.2% for FY12 and 7.8% for 1HFY13. The improvement was on the back of major activity on new leases (55,319m²), reducing vacancies across all sectors. Year-on-year changes include: 1) office vacancies improved to 10.7% from 18.6% (38% of GLA); 2) retail at 2.8% from 6.5% (32% of GLA); and 3) industrial of 2.2% compared to 3.2% (30% of GLA). Management highlighted some of the larger new leases, of which six had lease terms of three years or more, representing 59% of new leases. We expect escalations on these to be market-related.

Other highlights from results:

- Disposals – three properties totalling R85.9m at an exit yield of 7.4% were sold during the period with five more awaiting transfer and ten on the disposal list;
- Large refurbishment projects (R610.2m) still under way, with a new refurbishment added to the list (extension to Kokstad Shopping Centre at R11m) while the extension to Woolworths at Boskruin Shopping Centre (R9.5m) was completed during the period;
- The company restructured its debt in FY13 resulting in lower average funding costs (used DCM markets to settle most of its R650m securitisation). The average funding cost was 8.7%, on average funding of R3.3bn for FY13 compared to 9.3% on average funding of R2.9bn for FY12.

Key share and operational ratios

	Jun 11	Jun 12	%ch	Jun 13	%ch
Distribution per share (c)	113.5	110.7	-2.5%	114.6	3.5%
NAV per share (c)	1,149.6	1,153.1	0.3%	1,325.2	14.9%
Direct operating costs ratio	39.4%	41.5%	↑	40.7%	↓
Total costs ratio to total revenue	41.0%	42.6%	↑	42.0%	↓
Interest cover (x)	11.8	4.0	↓	3.4	↓
LTV (interest-bearing debt to property assets)	27.9%	32.1%	↑	32.6%	↑
Gearing	23.7%	28.0%	↑	28.4%	↑

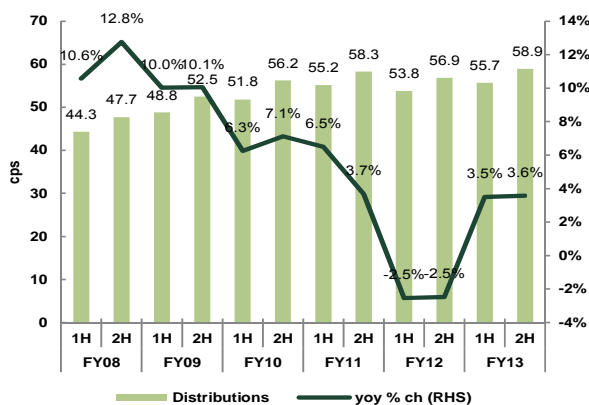
Source: Company data, Nedbank Capital estimates

Analyst**Nazeem Samsodien**

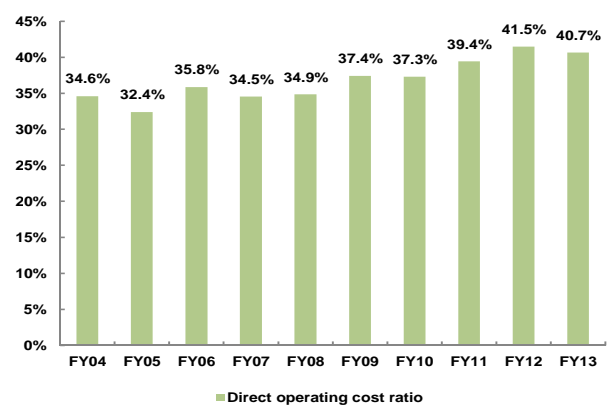
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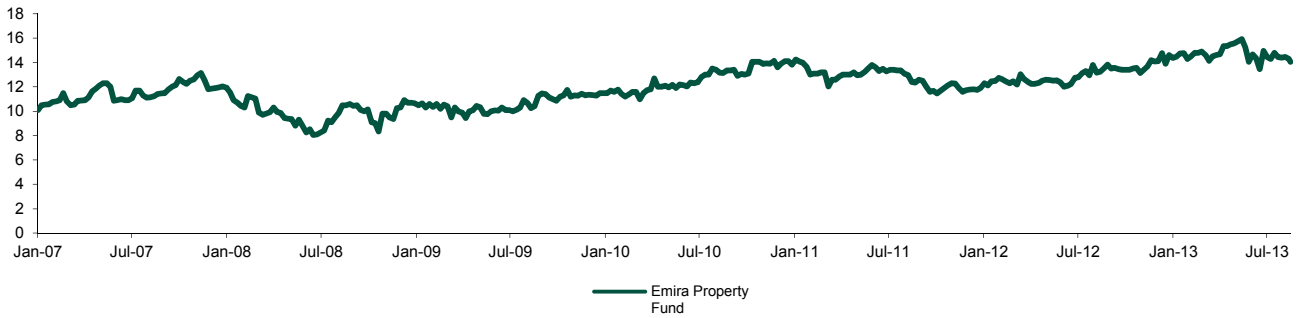
6/F, Corporate Place, 135 Rivonia Road,
Johannesburg, 2196, South Africa<https://www.nedbankcapitalresearch.co.za>**Chart 1: Distribution history**

Source: Company data, Nedbank Capital estimates

Chart 2: Direct operating costs ratio

Source: Company data, Nedbank Capital estimates

Share price



Source: JSE, Nedbank Capital

Recommendation structure

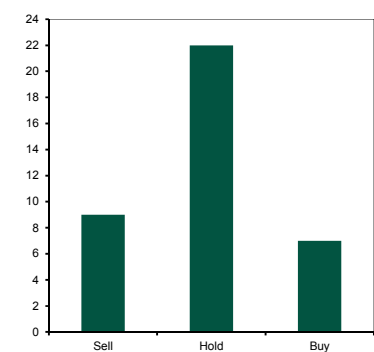
Absolute performance, long term (fundamental) recommendation: The recommendation is based upon total return, ie, the estimated total return of capital gain, dividends and distributions received for any particular stock over the investment horizon. A Buy implies upside in excess of 10%, A Sell implies an expected return less than -10%, and a Hold implied a return between 10% and -10%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Sector relative to market: Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside.

Fair value: The fair value is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the fair value abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted fair value, the fair value may be interpreted as a target price to be attained at some point in the future, namely in 12 months time, unless a different time frame is specified.

NedCap's ratings universe



Source: Nedbank Capital

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