Press Release

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Emira Property Fund declares a robust final distribution

Emira Property Fund has declared a final distribution of 47,7 cents per participatory interest (PI) for the six months ended in June – 12.9% up on the comparable six month period to June 2007.

Taken with the interim distribution of 44,34 cents declared at the end of December, Emira's total distribution for the twelve months was 92,04 cents per PI – 11.77% up on the previous year.

Emira CEO, James Templeton, says rising interest rates and declining prices in the financial and real estate sectors worldwide impacted the SA property market during the period under review, resulting in weaker capital values in the listed property sector.

However, rental income across the Emira portfolio rose by 50,8% year-on-year as a result of its growing property portfolio and the inclusion of the Freestone Property Holdings portfolio (acquired in April last year) for the full twelve months.

As a consequence of the fund's larger property portfolio, property expenses rose by 52.4% resulting in the expense to revenue ratio rising marginally from 30,5% in the previous financial year to 30,8%. Administration and management fees were also up by some 48.9% and interest charges, as a result increased borrowings to fund capital expenditure during the second half of the financial year, were up 68.3%.

Emira Property Fund had an active six months bringing 14 projects totalling R330m to fruition. These investments are expected to significantly improve the quality of the Emira portfolio and the sustainability of its rental income over the longer term.

Eleven extension and refurbishment projects valued at R232m were completed – the largest being the extensions to Quagga Shopping Centre in Pretoria to accommodate high quality tenants; the refurbishment of the Lake Buena Vista office development in Centurion; the extensions to the Phase 1 Fuel Group distribution facility near the OR Tambo International Airport and the extensions to Lynnridge Mall in Pretoria.

Three new development projects to the value of R97m were also funded during the period – among them were the construction of Phase 2 of the Fuel Group facility; the purchase of Phase 4 of the Faerie Glen Office Park in Pretoria and the acquisition of Builders Express at Wonderpark in Pretoria.

Currently under construction is TIS Corporate Park in Corporate Park North, which is expected to be completed next month.

The Emira board also gave its approval for five other development projects worth a total of R75m – the largest being the refurbishment of Granada Centre in Umhlanga Rocks in KwaZulu Natal.

In line with its policy of disposing of under performing properties, Emira disposed of three non-core properties during the period – Inspectorate in Ormonde; 11 Park Lane in Parktown and Contact Centre in Parktown – at selling prices higher than their book values.

It also sold two investment properties, Wierda Gables and Fourways Game at a substantial premium to their book values.

Vacancies across the portfolio were fractionally up from 5.9% in June 2007 to 6.8% in June 2008. In the office domain this was largely the result of refurbishments taking place at Hurlingham Office Park and expected to take place at the FNB Building in Cape Town. Refurbishments at Granada Centre and tenant shuffling at the new WorldWear Centre in Fairlands contributed to rising vacancies in the retail portfolio while expiring leases in the Goodyear Tycon development in March and 8 Grader Road in June pushed out vacancies in the industrial portfolio.

However, Templeton says several substantial letting deals recently concluded which will become effective early in the new financial year – including insurance company Momentum STI taking 6,845m² at Lake Buena Vista, 8 Grader Road, Cambridge Park, Southern Life Plaza and Lincolnwood Office Park - would decrease the portfolio vacancy factor from 6,8% to 5.3%.

Templeton says the positive supply side fundamentals in the domestic property market should continue to play to Emira's diversified, but well located, property portfolio and extensive tenant base.

He says: "Growth in the South African economy, although at a more muted rate, is expected to support the demand for lettable space – particularly in the office and industrial sectors. Consequently, we believe the fund will show further strong growth in distributions for the current year."

Ends

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