Press Release
For immediate Release

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Emira Property Fund Announces its distribution for Year Ended June 2012

Emira property Fund has announced a final distribution of 110,68 cents per Participatory Interest (PI) for the year end 30th June 2012.

This is a reduction of 2,5% on the distribution for the previous comparable period, which is in line with the prospectus forecast made in the Fund's December 2011 interim results and reflects the underlying competitiveness of the property letting market – particularly in the office letting market.

Notwithstanding that, the Fund paid out a total of R557,4m in distributions, which equates to 110,68 cents per PI, and the Fund now carries a Net Asset Value of 1153 cents per PI.

In response to the underlying weakness of the property market, the fund's managers have taken some aggressive action to improve the quality of the Emira property portfolio.

There has been an active sell-off of properties considered non-core to the business; the acquisition of some quality new properties and selected refurbishments where value can be added. Additional resources have also been added to Emira's property asset management team.

A total of 15 properties were transferred out of the Fund or sold unconditionally during the period under review for a total of R402,3m. They included Crocker Road Industrial Park, Flexitainer, Ciros House, Umhlanga Centre, Dresdner House, Hurlingham Office Park, Linkview, a unit at Georgian Place, Century Gate, Starsky House and Gift Acres were all transferred out of the fund for a total of R266,4m, while two further properties – Mutual Mews and 33 Heerengracht – were transferred from the Fund after the financial year end.

In addition, Midrand Business Park and Montana Value Centre have also been sold unconditionally at a premium to book value. A further 14 non-core properties, worth approximately R496,8m remain on Emira's disposal list.

Says Emira CEO, James Templeton:

"The disposal of these properties will significantly improve the quality of the portfolio, reduce vacancies and also allow management to focus on larger buildings, with better income growth prospects. The proceeds from the disposals are expected to be utilised for the Fund's significant capital expenditure project pipeline and on-going PI repurchases."

On the acquisition side Emira board approved the acquisition of a new 13 782m² A grade office building being developed by Eris Property Group, on the corner of Corobay Avenue and Aramist Avenue, in Menlyn Pretoria, for R311,5m. The development of the building, which is 70% pre-let to KV3 Engineers for 10 years and has a one year gross rental warranty on the balance of the vacant space from completion from the developer, was already substantially completed at 30 June 2012 and is expected to yield 9,0% in the first year.

Emira has also acquired two additional A-grade office buildings - Corporate Park 66 which is a 13,566m² multi-tenanted office building situated in Centurion, Pretoria. It was acquired on 30 May 2012 at a cost of R214m and an expected forward yield of 9.4%. In Turnberry Office Park, Bryanston, in which Emira already owns an existing building, the fund acquired another 2,800m² A-grade office development called Amadeus Place, on 27 June 2012 at a cost of R41m. It is expected to return a forward yield of 9,6% and has taken the fund's exposure in this high quality office park to R79.6m.

"These acquisitions are in line with the fund's policy of reducing our exposure to B-grade office space and increasing the quality of our portfolio by buying larger, high quality properties." Says Templeton

In addition, Emira has an extensive and on-going refurbishment programme taking place at a number of its properties. Refurbishments on a total of nine projects with a combined value of R297.7m were completed this year. They include the redevelopment of Podium Office Park in Menlyn, comprising the construction of 9,090m² of prime ideally located office space at an estimated total cost R165,9m; a major refurbishment of 267 West Street (R36,3m); the redevelopment of Cresta Corner to accommodate a new state of the art Audi dealership (R33,6m); extensions to Market Square Shopping Centre for Edgars and Clicks (R28,8m); the refurbishment of Albury Office Park (R19,1m) and the reconfiguration of tenants at Lynnridge Mall (R6,9m).

A number of smaller refurbishments are also underway including refurbishment to Braamfontein Centre; extensions to Kokstad Shopping Centre to accommodate certain national tenants; the extension of Boskruin Centre to accommodate Woolworth and refurbishments to East Coast Radio House in Durban.

In November 2011 the Emira Board approved the implementation of a PI repurchase programme. A portion of the proceeds from the sale of its properties will be used to acquire better quality, higher yielding property assets and a portion will be used to repurchase PI's on the open market where there is an opportunity for the fund to enhance earnings enhancing returns for its PI Holders. As at the end of June Emira had repurchased 7 145 747 PIs on the open market at a cost of R86,5m, an average of R12,11 per PI.

Emira also recently announced that it has restructured a significant portion of its debt giving it further options for fund raising, lengthening the terms of its repayment obligations and reducing risk to Emira PI holders. A detailed statement on this was put out by Emira separately.

Emira's investment in Growthpoint Properties Australia has performed well for the fund. In July last year Emira followed its rights in GOZ by purchasing a further 4,4m stapled units at AUS$1.90 per stapled security. This transaction took Emira's holding in GOZ to 23,8m stapled securities or 6,3% of the GOZ securities in issue. As at June 30 this year these units were valued at R418m compared to an entry cost to the fund of R296m.

Going forward Templeton says office tenants seem particularly unwilling to commit to new leases because of the fragility of the economy. Further increases in municipal expenses are also likely to result in shrinking net rentals payable to landlords.

By contrast the industrial sector seems more buoyant and declining vacancies in this sector should result in improved industrial rental flows this year.

Overall, vacancies across the portfolio decreased from 11.5% in June last year to 10.2% in June this year, mainly due to a pleasing decline in vacancies in the retail and industrial portfolios. This trend was also underscored by the sale of non-performing buildings out of the portfolio.

Costs are also being well managed. Property expenses rose 7.8% year on year contractual escalations were well controlled and leasing costs did not increase as significantly as expected. However, double digit increases were seen in building maintenance and refurbishment costs, which illustrates management's intention to improve the quality of the existing portfolio. Following the amendment to the service charge agreement payable to Fund manager STREM in September 2010 asset management expense declined by 10.1% on a comparable basis.

Ends

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