NEW AGE, THE, Inside 1
22 Aug 2013, p.16

Emira turns the corner

Property fund company makes 'noteworthy positive turnaround from last year's decline'

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JSE-listed property fund Emira claims to have turned around its fortunes after a disappointing 2012 performance where distribution to unit holders fell by 2.5%.

Emira Property Fund reported that distribution growth for the financial year ended June 30 came in at 3.5% and described this as "a noteworthy positive turnaround from last year's decline in distributions".

The company which commands a property portfolio of office, retail and industrial properties registered net property income of R874.4m up 8.1% when compared to the 2012 figure. The total portfolio has 148 properties valued at R9.4bn.

Emira CEO James Templeton said the 2012-13 performance was attributable to progress made on the turnaround strategy. This strategy was marked by improved leasing, rigorous cost controls and portfolio strengthening acquisitions, disposals and upgrades.

"The results of our new strategy now clearly show in the numbers, with every metric improving during the reporting period," Templeton said.

"Driving Emira's performance, over the past two years, we've improved the quality of our investment portfolio, property occupancy levels, tenant retention and built a strong, skilled team."

He said the distribution growth outlook continued to improve.

"We're expecting an even better year for 2014. The headway made in lowering vacancies during the 2013 financial year will continue to flow through and, based on current forecasts, should result in real distribution growth for our inventors in the coming year."

Emira also boast international exposure through direct interest in ASX-listed Growthpoint Properties Australia (GOZ), valued at R537.1m on June 30.

The company emphasised gains made in reducing vacancies. It said vacancies have come down from 11.5% in June 30, 2011, 10.5% in June 2012 and to 5.6% in June 2013. This is a decline of more than 50% in two years.

"For the first time in several years, Emira's office vacancies are below the Sapoa benchmark of 11.0%, at 10.7%, and we expect this to reduce even further," Templeton said.

"However, rentals remain under pressure in the present competitive market defined by an increasing supply of office space in most major nodes."

He said retail and industrial portfolios have vacancy levels well below the national average, at 2.8% and 2.2% respectively.

"Our property management tender, awarded in January to Eris and Broll, has had a positive impact on performance. Cost savings for the first 12 months are expected to be greater than initially anticipated."

He said that during the year Emira strengthened its portfolio by acquiring an A-grade office development in Pretoria, disposing of eight non-core properties and identifying a further 10 non-strategic properties for disposal.

"We are busy with, or plan to start, capital projects of about R1bn to optimise the potential of our properties," he said. "This includes a growing focus on green building with energy-saving, and associated costs savings, receiving increasing priority".

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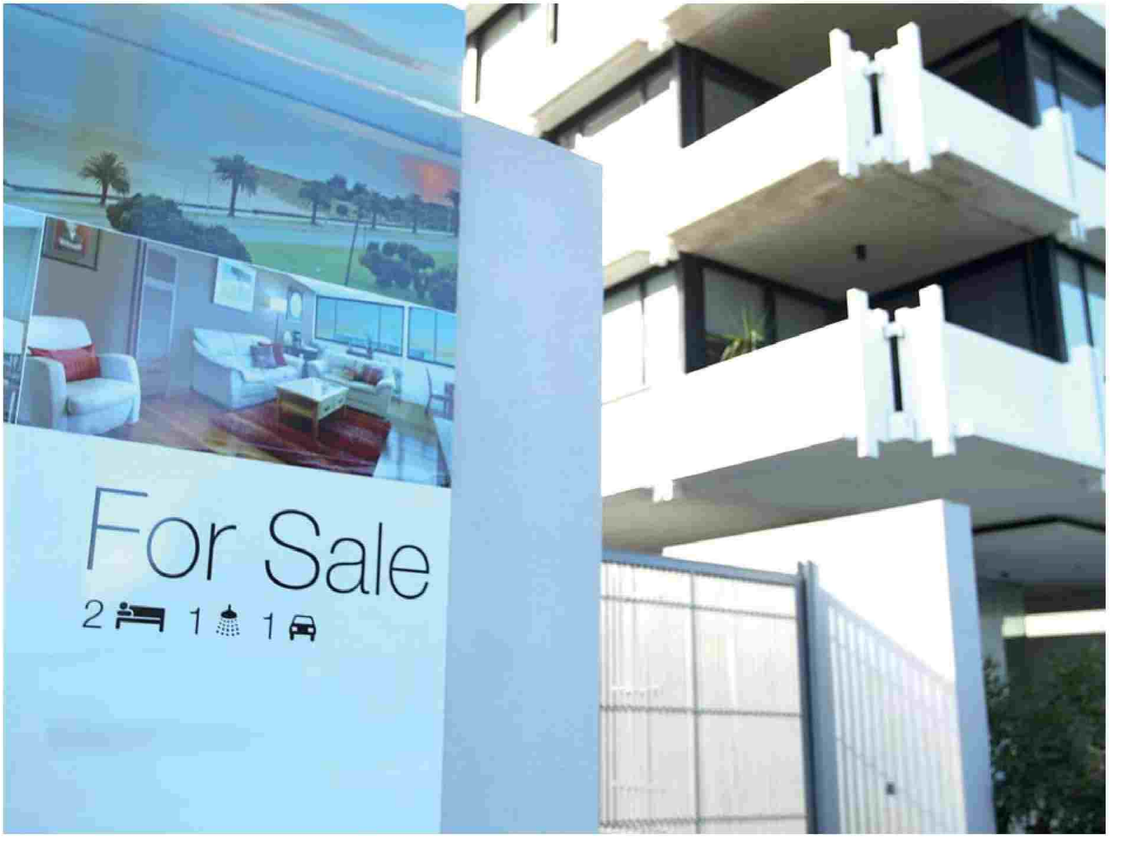

IMPROVED QUALITY OF PORTFOLIO: An even better year is expected for Emira in 2014. PICTURE: GETTY IMAGES