

### PROPERTY: Letting Activity Still Taking Place in Emira Property Fund

Despite the tough conditions in the commercial property market in 2011, **Emira Property Fund's** leasing strategy has delivered some positive results in recent months, with the fund having recently secured some good industrial letting deals.

Amongst a number of other deals across all three sectors concluded in the period, the Fund has let around 11 500m<sup>2</sup> of industrial space in three separate letting deals in industrial parks in Johannesburg and Durban.

These deals include a 3 472 m<sup>2</sup> warehouse at 1 Medical Road, Randjiespark, Midrand, which has been let to multi-national pharmaceutical company Johnson and Johnson on a five-year lease with beneficial occupation from the 1st October; a 3 804 m<sup>2</sup> industrial facility located at 96 Loper Avenue, Spartan which has been let to blue-chip, international engineering firm Bateman Projects for five years with effect from June 1 and a 4 200 m<sup>2</sup> warehouse in Inanda Road, Durban which has been let to a local logistics operation on a three-year lease.

Average rental levels on the deals struck was R35/ m<sup>2</sup> and the average lease term was just over four years.

### Emira Property Fund Deals With Issues in Various Property Categories

Emira CEO, James Templeton, says a total of in excess of 42 372m<sup>2</sup> of space across all property categories in the portfolio has been let by external leasing brokerages since December 2010 when various broker and leasing incentives were put in place by the fund and a further 7 713m<sup>2</sup> is under negotiation. This excludes leases concluded by the fund's property management service providers.

According to Templeton, letting in all three property categories - office, retail and industrial - is difficult with the industrial property market showing the strongest activity and the office market the weakest.

For example, vacancies in Emira's industrial portfolio were at 10.9% in January this year but they have since declined to 6.4% (see graph).

Says Templeton:

"Although deals are happening, the letting market is tough at the moment. There is some good interest from potential tenants in the space we have to let but tenants seem to be taking a long time to commit, probably because of the uncertainty in the economy both globally and locally."

Templeton says Emira's letting agents had to work hard to secure these recent industrial letting deals in an effort to offset rising vacancies in certain other premises.

He notes that in September 2010 [Emira](#) was given a mandate from Emira participatory interest holders to restructure the asset management fee payable to the management company by the fund in return for a lump sum, effectively internalizing the asset management function. One of the benefits of this development was that rather than focusing on profitability of the manager, the Fund was able to employ additional staff to, among other things, facilitate the leasing of its own properties via leasing brokers.

"In addition to hiring additional staff, we restructured our letting strategy and introduced a range

of broker and tenant incentives – including reduced rentals – to shift the vacant space we have. What we are seeing now in these news deals we have been done is the market’s response to this.”

At the June year end Emira reported vacancy levels across its property portfolio of 11.5% - up from 9.2% in June 2010.

### **Emira Property Fund Looks to Menlyn Office Development**

Emira is also negotiating hard to secure a blue-chip tenant for its prime Podium at Menlyn office development in Menlyn. The first phase of the development, which will comprise 9 200 m<sup>2</sup> and 508 parking bays, will be completed by the end of the first quarter in 2012. The building’s configuration is suitable for a single tenant or it can accommodate multi tenants.

The *Emira Property Fund* shows that the 6 785 m<sup>2</sup> second phase of the project, which has 202 parking bays, will commence as soon as phase one has been substantially pre-let.

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