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Emira reissues short-term debt

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LISTED property unit trust Emira Property Fund said yesterday that it had successfully settled and immediately reissued R400m of three-month unsecured debt last week, for the second time.

The debt rolled for a further three months and now needs to be settled in May. Emira CEO James Templeton said the fund's continued sourcing of a portion of its funding via the money markets and debt capital markets had several benefits, including lowering the average cost of borrowings and diversifying the source of its borrowings.

"It is Emira's policy to diversify its sources of funding between commercial banks, the debt capital markets and money markets. This minimises interest costs and reduces the risk to investors," he said.

The oversubscribed issue received bids from six potential investors — totalling R650m for the R400m on offer. The paper was placed with four investors, while Rand Merchant Bank arranged the roll over.

"The appetite for Emira commercial paper saw the interest margin remain stable at 21 basis points above the three-month Jibar rate, which represents a fall from the first issue level of 25 basis points achieved in August last year," the fund said.

Emira has office, retail and industrial assets comprising 146 properties valued at R9.1bn, and listed investments of R500m. The fund's market capitalisation is R7.5bn.

Earlier this month, the fund reported distribution growth of 3.5% for the six months ended December last year — a turnaround from its 2.5% fall in distributions in the six months to June last year.

Emira has focused on disposing noncore assets, and the improved results were largely due to a reduction in office vacancies. Emira also restructured its debt swap profile in December, which Mr Templeton said "should benefit the fund's distributions by R4.5m a year".

The fund closed the interim period "moderately geared" with a debt to total asset ratio of 28.4%.

The fund had also been successful in its strategy to dispose of noncore assets over the interim period, having sold "15 buildings worth about R400m in the past couple of years".

Savings on property management fees as well as lower funding costs supported by restructured debt also contributed towards the improved results. "We've been aggressive in every area and delivered improvement in every metric," he said.

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