

PROPERTY

Noteworthy Turnaround

Emira reverses distributions decline, reports 3.5% growth

JOANNE TAYLOR | STAFF WRITER

JSE-listed Emira Property Fund reports distribution growth of 3.5% for the financial year ended June 30, achieving a noteworthy turnaround from last year's decline in distributions.

The company has indicated that it paid specific attention to improving vacancies, which are down to 5.6%, from 10.5% in the previous year.

Improved tenant retention, increasing from 65% to 78% during the year, helped achieve the better occupancy levels; however, rentals remain under pressure in a competitive market that was defined by an increasing supply of office space in most major nodes.

Emira Property Fund CEO **James Templeton** attributes the improvement in the company's performance to the comprehensive progress made in its turnaround strategy. This includes 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. Over the past few years, we have improved property occupancy levels, tenant retention and the quality of our investment portfolio; we have also built a strong, skilled team."

He adds that the company's distribution growth outlook continues to improve and that 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 investors

in the coming year.

Emira's participatory interest holders received a total return of 26.2% for the year, with a capital return of 17.3% and an income return of 8.9%. The fund's net asset value increased by 14.9% to R13.25 per participatory interest (PI).

The market has responded positively to the company's improved proposition and its PI price increased by 17.3% during the year, and some 41% of Emira PIs were traded during the year.

The company started trading as a real estate investment trust on the JSE from July 1. Its assets comprise 148 properties valued at R9.4-billion and it has a market capitalisation of R7-billion. Emira is also internationally diversified through its direct interest in ASX-listed Growthpoint Properties Australia (GOZ), valued at R537.1-million.

Emira's retail and industrial portfolios have vacancy levels well below the national average, at 2.8% and 2.2% respectively.

Growing rental streams from contractual escalations on most of its property portfolio also contribute to the company's positive performance, as do cost savings from lower property management fees and its income-enhancing PI repurchase programme.

Emira's property management tender, awarded in January to Eris Property and Broll Group Property, has had a positive impact on performance and cost savings for the first 12 months are expected to be greater than initially expected.

During the financial year, the company strengthened its portfolio by acquiring an

A-grade office development in Menlyn, Pretoria, disposing of eight noncore properties and identifying a further ten nonstrategic properties for disposal. It has since taken transfer of three office buildings valued at R24.6-million in the A-grade Highgrove Office Park, in Centurion. Emira now owns six buildings with a total value of R105.2-million in the business park.

A major portfolio focus for the fund over the past two years has been extracting further value from its properties through the redevelopment of The Podium at Menlyn and refurbishing its flagship retail asset, the Wonderpark Shopping Centre, in Pretoria North, which is also expanding to become a super regional mall.

The company is busy with and plans to start capital projects of around R1-billion to optimise the potential of its properties. This includes a growing focus on green building, with energy saving measures and associated cost savings receiving increasing priority.

Income from Emira's investment in GOZ increased by 8.4%, owing to higher distributions, the rand depreciating against the Australian dollar and Emira having increased its shareholding in the Australian company by reinvesting its December 2012 distributions.

Acquisitions and capital projects totalling R730-million, which became income-producing around the beginning of Emira's financial year, are largely funded through new debt facilities and resulted in a 28.5% higher interest expense to the fund.

To watch a video in which Emira Property Fund CEO James Templeton highlights the fund's growth in the 2013 financial year and its focus on reducing vacancies in its properties, scan the barcode with TagReader (at www.gettag.mobi) on your cellphone, or go to 'Video Clips' on www.engineeringnews.co.za.



ENGINEERING NEWS COUPON ON PAGE 68 E303412