NEWS RELEASE FROM EMIRA PROPERTY FUND LIMITED
16 February 2022

Emira declares 56.59cps interim dividend off robust performance

Emira Property Fund (JSE: EMI) reported an interim dividend of 56.59 cents per share and distributable income of R329.2m for the six-month period to 31 December 2021. The cash-backed dividend is based on Emira's strong balance sheet and liquidity position and is 8.8% higher than the prior year's, part of which was deferred to the second half to mitigate market uncertainty. Emira deems this unnecessary now with the world being on a better path with more informed and balanced pandemic responses.

Geoff Jennett, CEO of Emira Property Fund, attributes the company's solid performance to the safeguard built into its portfolio's diversification across geographies and sectors, which has successfully mitigated risk from sectors under strain.

The Emira portfolio is structured for diversity and balanced to deliver stability and sustainability through different economic and property cycles. It is diversified across property sectors and internationally through a mix of directly-held assets and co-investments with partners who are experts in their respective fields.

Emira is invested in a quality, balanced portfolio of diverse retail, office, industrial and residential properties. It has 77 directly-held properties valued at R9.8bn in South Africa. A 14.8% portion of its asset base is international, made up of equity investments in 11 grocery-anchored open-air convenience shopping centres in the USA.

Jennett comments, *"The diversified nature of Emira's business model has proven robust and resilient. The portfolio is solid, and our strategies are paying off. Despite the continued pressure on local property fundamentals, particularly in the office sector, the diversified portfolio performed above expectations. Strong performance from our US investments amplified dividends. Emira will remain focused on consistently performing fundamentals with skill and excellence."*

South African direct investment portfolio

Emira has done well to reduce vacancies in its direct South African portfolio from 6.4% to 6.1%. Sound performance from the local industrial and retail portfolios countered the impacts of the stressed local office market.

Emira increased its tenant retention rate to 86%, extended its weighted average lease expiry to 2.8 years, and achieved monthly collections of a pleasing 102.4% of rent billed, including 100% of deferred rental from April, May and June 2020. Portfolio arrears again decreased to R62.7m and where necessary, potential credit losses have been appropriately provisioned.

During the six months, Emira gave its tenants, primarily hospitality and entertainment businesses, rental concessions of R1.8m – a significantly lower amount than the prior six months, indicating fewer restrictions. “It is still uncertain how Covid-19 will evolve, but we will remain cautious and continue to support our tenants limited by restrictions as we have done throughout the pandemic.”

Positive tenant trading continued in Emira’s resilient urban retail portfolio, which comprises 49% of total property asset value and is 96.4% occupied, and turnover increased by 2.5% for the 2021 calendar year on year.

Office properties, which are 30% of total property assets, are 81.8% occupied. Increasing Covid-19 vaccination rates bode well for the return to offices and the sector. However, the challenging environment in light of shifting working habits suggests office supply will outpace demand for some time. Emira continues to intensify its tenant attraction strategies.

Its industrial properties have a stable occupancy of 96.5% with a broad tenant base and comprise 19% of the overall Emira property portfolio. They are experiencing rising demand, albeit this is extremely sensitive to the ongoing power supply disruptions that challenge the sustainability of businesses in this sector.

Emira’s only direct residential asset is The Bolton, Rosebank, a co-investment with the Feenstra Group, targeting high-demand, mid to lower markets. Its occupancy levels dipped to 92.2% at end-December 2021 but have since returned to 95% and should increase further as Rosebank-based corporates return employees to their offices.

Emira acquired the multitenant Northpoint Industrial Park in Cape Town for R103m and took transfer of the property post-period on 20 January 2022. It disposed of the Epsom Downs Shopping Centre and Epping Warehouse after the interim close and currently has a further two assets, The Colony Shopping Centre and Universal Industrial Park, held for sale.

Emira understands that high-quality, enjoyable properties attract great tenants, so it regularly upgrades its assets to increase their competitiveness. Emira invested R64m in projects across its portfolio in the period to maintain and improve its directly-held assets. *“Continual reinvestment into our portfolio ensures our properties remain relevant, attractive and in high demand,”* notes Jennett.

Emira’s short-term focus for its local directly-held portfolio includes retaining and attracting tenants to contain and reduce vacancies in the office portfolio. It is also expediting projects for alternative energy, water harvesting and backup power.

South African specialised indirect investment partnerships

Emira grew its indirect exposure to residential rental property, with an increased 39.2% stake in specialist JSE-listed REIT Transcend Residential Property Fund. Transcend’s total property portfolio is valued at R2.3bn, and it contributed R14.7m to Emira’s distributable income in the period.

Through its 49.9% stake in Enyuka Property Fund, a dedicated rural and lower LSM retail property venture with One Property Holdings, Emira invests indirectly in 24 shopping centres valued at R1.7bn, which continued to perform well. Enyuka contributed R42.6m to Emira's distributable income for the six months.

USA co-investment

Emira's equity investments in the US now total R1.9bn (USD119.4m) in 11 grocery-anchored dominant value-oriented power centres with its partner, The Rainier Companies. These assets are in robust markets in the US. They are open-air environments with quality tenants focusing on the popular value retail segment providing essential goods and services, especially with grocer anchors, and are geared towards communities.

This high-quality asset base is underpinned by sound property fundamentals, and they delivered a good performance to contribute R89.1m to Emira's distributable income for the period.

"Our US investment strategy proved its value as a buffer against South Africa's constrained economy with its US$-denominated returns driven by supportive fundamentals in a more resilient environment. We will continue to explore acquisition opportunities that match our selective criteria," says Jennett.

The US economy continued to recover and grow, with strong annualised GDP growth of 6.9% for the final quarter of 2021, elevating GDP growth materially higher than pre-COVID-19 levels and driving household consumption up and unemployment down. The environment supports Emira's value-oriented retail investment, even with more moderate economic growth in 2022.

Leasing momentum and activity was solid, and vacancies in the US portfolio improved from 7.1% to 5.9% over the six months. The portfolio has a weighted average lease expiry of 5.5 years. The partnership continued to unlock value from Emira's US investment with development, refurbishment and other asset management interventions.

Funding and treasury management

The value of Emira's local properties was reduced by a net 0.2%, factoring in a fair value increase of 0.5% and capital expenditure of R64m for the six months. Its net asset value per share increased 1.5% to 1,540cps.

Emira's loan-to-value (LTV) ratio showed a 0.9% movement to 41.8%, ensuring ample debt headroom with a more than adequate 2.8-times interest cover ratio.

The REIT continues to benefit from diversified funding sources and has facilities across all major South African banks, and access to debt capital markets. It has access to undrawn facilities of R615m and cash on hand of R103.8m. Since May 2021, Global Credit Rating Company has given Emira's corporate long-term credit rating of A(ZA) and short-term rating of A1(ZA), with a negative outlook.

Environmental, social and governance (ESG)
Projects focused on making Emira's properties more sustainable remain a priority, particularly those that improve energy efficiency and water conservation. Utilities supply disruptions and continued above-inflation increases of rates, taxes and utilities costs pose major risks for the property sector.

During the period, it began expanding its photovoltaic (PV) solar farm at Wonderpark Shopping Centre in Pretoria to increase output more than three-fold from 1.2MWp to 3.8MWp. It also commenced a new PV farm in its quest to achieve the net-zero carbon operation of its Knightsbridge Office Park in Johannesburg.

As a responsible corporate citizen committed to genuine transformation in South Africa, Emira maintained its Level 2 B-BBEE Contributor rating with verified effective black ownership of 71.15%.

"We are dedicated to finding material ways to bolster Emira's effect on local socio-economic development and the environment," says Jennett.

Conclusion
Jennett concludes, *"Emira has done well to endure and hold firm through uncertain times, continue our track record of consistently delivering on strategies and come through challenges stronger. We can do this because we have a distinct purpose and clear direction. Most of our assets are in South Africa, where the local macroeconomy remains concerning and needs political reform to improve meaningfully. Our tenants need a growing economy to sustain their businesses and thrive. In contrast, our assets in the USA are enjoying the benefit of a growing economy, which shields Emira and validates our diversified investment approach as a good risk mitigation strategy. We are well positioned for the future and expect to continue to perform for our stakeholders and pay shareholders cash-backed dividends."*

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