MEDIA RELEASE FROM EMIRA PROPERTY FUND LIMITED
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Emira grows dividends by 17.4% per share, boosted by its US assets

Emira Property Fund (JSE: EMI) announced a 17.4% increase in its cash-backed dividend of 66.43cps and growth in distributable income per share of 15.0% for the six-month interim period to 31 December 2022 versus the same period in 2021. Its net asset value per share increased by 4.1% to 1,694.60cps.

Geoff Jennett, CEO of Emira Property Fund, attributes this robust performance to consistent strategic delivery, unlocking the best value from investments. He also highlights the post-pandemic recovery in Emira's US equity investments and lower South African portfolio vacancies, below 5% (4.8%).

Jennett comments, *"As a stable, low-risk yet very active business with all its diversified parts working well, our higher-than-expected income and solid results extend Emira's consistent track record of reliable performance. Our US portfolio delivered particularly pleasing outcomes during the period, confirming it has resurged from the effects of the Covid-19 pandemic that were still evident in the prior interim period. Further, in a challenging SA environment, Emira continued to reinvest in our assets, ensuring they are attractive and sustainable. The results can be seen in our leasing success and lower vacancies."*

Emira's diversified portfolio is balanced to deliver stability and sustainability through different cycles. It is a mix of retail, office, industrial and residential assets. Investing with US-based partner The Rainier Companies, 18% of Emira's asset base is made up of equity investments in 12 grocery-anchored open-air convenience shopping centres in the stable economy of the USA, which provide a buffer to current global uncertainty and the low-growth domestic environment.

Strategically recycling capital, Emira advanced transactions for its two major indirect investments in SA during the period. Retail property venture Enyuka Property Fund is in the process of being sold to co-investor One Property Holdings. In addition, Emira obtained control of the specialist residential REIT Transcend Property Fund and consolidated it in October 2022, boosting its exposure to the defensive residential property sector.

As a result of the Transcend transaction, Emira's directly held portfolio increased from 74 assets to 97 worth R12.1bn, and it grew its direct residential assets from a single building, The Bolton in Rosebank, Johannesburg, to 24 properties or 16% of its total investments.

This change in Emira's asset base has created a residential portfolio split between Gauteng's (85% by value) and Cape Town's (15%) high-demand areas, available at rentals from R4,500 to R8,000/pm per unit, which are popular with the low-to-middle income segment of the affordable property market. Occupancy is at 96.7%. Most of the vacancy represents sectional title units in the process of being sold.

Emira's direct commercial portfolio continued to benefit from diversification. It improved its vacancy rate from 5.3% to 4.8% in the six months and improved rental reversions on both renewals and new leases.

The REIT's industrial and retail portfolios performed well. Its retail portfolio of primarily grocery-anchored neighbourhood centres showed improved trading and higher turnover from retailers. Its diversified industrial portfolio delivered marginal improvements in all metrics and remained surprisingly stable given the increased rolling power cuts. A 3.4% improvement in office vacancies to 11.6% led to a strong showing from its portfolio of mainly P- and A-grade properties, albeit off a low base. "*While the office sector seems to have stabilised, its fundamentals remain depressed,"* notes Jennett. Emira's office vacancies outperformed SAPOA's average of 16.1%.

Emira's commercial portfolio achieved a tenant retention rate of just below 80%, an unchanged weighted average lease expiry of 2.7 years and increased monthly collections to 102.2% of rent billed.

Property expenses were reduced, and various solar projects saved electricity costs at related buildings. Emira began investing in mitigating the impacts of load shedding and renewable energy as early as 2010. These projects support Emira's sustainability considerations, a key component of its operations and approach to creating long-term value. Prioritising carbon emissions reductions, Emira steadily increased renewable energy generation, most recently expanding its photovoltaic solar plant at Wonderpark Shopping Centre, Pretoria – its biggest retail asset of more than 91,000sqm – from an output of 1.2MWp to 3.8MWp. It also undertook various energy management and efficiency initiatives and installed backup power at five more properties to help tenants manage the impacts of load shedding.

"Our energy efficiency improvements and renewable solar power drives have accelerated into top gear in response to increased load shedding. However, generators are only intended as emergency backups, and more load shedding means they are now operating for prolonged periods, increasing business costs. This threatens tenant rentals, escalation levels, and, ultimately, tenancies. It also means buying more diesel for the backup generators at buildings in our portfolio at a high cost, not all of which can be recovered. On the plus side, these initiatives provide Emira and its tenants with better resource security and, to some extent, some protection against load shedding, the continued high increases in utility costs and general deterioration of government infrastructure," Jennet reports.

In the US, Emira's 12 equity investments -- grocery-anchored dominant value-oriented power centres -- now total R2.5bn (USD149.5m). In 2022, the US recorded total real GDP growth of 2.1%, which was 3.2% and 2.9% in the third and fourth quarters, respectively. Considering the ongoing growth in the economy, and consistently low unemployment rates below 4%, the environment remains supportive of Emira's investment thesis for its US strategy. Its open-air centres have a high-quality tenant base focused on popular value retail and essential goods and services, especially from grocery anchors. They are in robust markets that enjoy sound property fundamentals.

US portfolio vacancies nearly halved from 4.5% to 2.5%, and the portfolio had better-than-anticipated performance to add R117.8m to Emira's distributable income. "*This shows that the effects of the pandemic are moving out of the system in the US, and more can be expected,"* believes Jennett.

Emira's loan-to-value ratio moved to 43.1%, which remains comfortably within Emira's covenant levels, after using debt funding to gain favourable control of Transcend. It has a more than adequate 2.6x interest cover ratio, unutilised debt facilities of R486.2m and cash-on-hand of R142.3m. Emira benefits from diversified funding and has facilities across all major SA banks and access to debt capital markets.

Jennett concludes, *"Emira has done well to increase dividends and continue its strategic direction through active asset management, portfolio-enhancing capital recycling and performing property fundamentals with excellence. The combined effect of Emira's decision-making in recent years sees our metrics well aligned and places us in a strong position to manage for the future. We are also ready for value-adding opportunities that may arise."*

Emira's change in year-end to 31 March will see its FY23 final results representing nine months instead of twelve. It will declare a final distribution for the three months ending 31 March 2023.

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