EMIRA PROPERTY FUND LIMITED
Incorporated in the Republic of South Africa
(Registration number 2014/130842/06)
JSE share code: EMI   ISIN: ZAE000203063
JSE Interest Rate Issuer Code: EMII
(Approved as a REIT by the JSE)
("**Emira**", "**the Company**" or "**the Fund**")

PRE-CLOSE OPERATIONAL UPDATE

The Company wishes to provide an update to investors regarding the operational performance of its investments for the first quarter of FY21.

As anticipated, global economies continue to be constrained by the impact of COVID-19 and the related lockdowns. The diversified nature of Emira's investments, both on a sectoral basis and geographically, including its offshore exposure and its co-investment methodology, has proved defensive given that some sectors and regions have been harder hit than others.

Emira remains focussed on the strength of its balance sheet, maintaining occupancy levels and collecting rentals, ensuring that it comes through these trying times in the best possible position.

Direct local portfolio (78% of investments)

The effects of the pandemic and the different levels of lockdown continue to have a negative impact on the local economy, business confidence and household spending. The full impact on tenants is still uncertain and the environment remains challenging for them. This continues to weigh heavily on the property sector and all key property metrics are under pressure.

Post 30 June 2020 and in line with expectations, Emira has granted a further R15,3 million of rental concessions through to its tenants (R12,1 million to the end of September 2020). These have all been in the form of permanent rental remissions, granted on a case-by-case basis to those tenants whose operations were particularly hard hit by the lockdown restrictions and where the Company is satisfied with the longevity of the underlying business.

Occupancy in the portfolio has remained high with vacancies increasing slightly to 4,5% at the end of September 2020 (June 2020: 4,1%). Vacancies are anticipated to trend upwards over the balance of FY21.

For the first quarter of FY21, 52 378m^2 of space came up for expiry, of which 43 473m^2 was re-let, an overall renewal success rate of 83,0%. A further 30 853 m^2 of future expiries have been early renewed in the first quarter of FY21, with the South African Local Government Association at Menlyn Corporate Park in Pretoria (7 025m^2) being the largest.

As anticipated, retaining tenants and attracting new ones has come at a cost with the weighted average total reversions for the first quarter at an overall -10,9%, a decline from level reported at 30 June 2020 of -5,1%. While reversions declined across all sectors, the retail sector was the highest, driven by the restructuring of Emira's five Edcon leases.

The Fund's weighted average lease expiry reduced slightly from 2,7 years at 30 June 2020 to 2,5 years at 30 September 2020. The average lease period achieved for the first quarter's lettings was 2,7 years.

Emira's average annual lease escalations remained at 7,3% at the end of the first quarter, however these remain under pressure and are expected to reduce. The average annual escalations achieved on the first quarter's renewals were 7,2%.

While monthly collections have improved post 30 June 2020, many tenants' businesses continue to be impacted by the pressures of COVID-19. Outstanding debtors have increased to R79,4 million at 30 September 2020 (June 2020: R63,7million (excluding the accrual of deferred rentals not billed)). This position has improved to R73,5 million outstanding at the end of October 2020. While it is still early days, it is pleasing to see that 77,7% of the deferred rentals billed in the first quarter have been collected, increasing to 80,1% at the end of October 2020. The collection of rentals remains a key focus area.

Emira's experience on the individual sectors is as follows:

Offices:

The office sector still sees a large number of tenants, specifically larger corporates, adopting a more flexible work model, which entails working from the office as well as working from home. Most tenants are still following a "wait and see" approach until such time as they understand the effect on their businesses and their future workplace requirements.

Retail

Although footfall numbers are improving, many shoppers are still cautious on visiting shopping centres, and this has changed consumers' buying behaviour. The change in consumer behaviour has affected retail sales, and retailers continue to adjust their business models, improving online shopping and delivery offerings though improved capabilities and technology.

Industrial

Industrial tenants, although somewhat more resilient, are also feeling the effect of the pandemic, specifically the impact on the economy and the negative GDP growth. Tenants are trying to understand how their businesses should operate in future to remain sustainable.

	Urban Retail	**Office**	**Industrial**	**Residential**	**Total**	**Total as at 30 June 2020**
Vacancy	4.1%	7.5%	3.5%	6.0%	4.5%	4.1%
Tenant Retention						
% of gross rental	80.8%	91.4%	76.9%	-	83.2%	80.0%
% of GLA	82.9%	89.7%	79.5%	-	83.0%	78.2%
% of number of leases	76.8%	72.7%	66.7%	-	74.5%	69.5%
Rent reversions-total (gross rentals)	-16.1%	-1.7%	-6.8%	-	-10.9%	-5.1%
Weighted average lease expiry	3.2 years	2.2 years	2.2 years	-	2.5 years	2.7 years
Contractual escalations	7.0%	7.6%	7.3%	-	7.3%	7.3%
Total Arrears	**26 192 522**	**42 725 514**	**10 472 011**	**93 866**	**79 483 913**	**63 668 845**
Arrears	25 442 450	41 881 459	10 457 233	93 866	77 875 008	63 668 845
Deferrals not yet recovered	750 072	844 055	14 777	-	1 608 904	-
Collections: April 2020 - June 2020	136 042 084	86 747 494	53 995 688	6 751 964	283 537 230	
Billings net of discounts: April 2020 - June 2020	157 078 483	119 864 395	73 504 212	6 889 796	357 336 886	
Collections: April 2020 - June 2020*	**86.6%**	**72.4%**	**73.5%**	**98.0%**	**79.3%**	
Collections - total: July 2020 - September 2020	168 720 265	111 646 022	82 361 946	6 210 925	368 939 158	
Collections - normal: July 2020 - September 2020	166 811 720	110 807 086	79 495 668	6 210 925	363 325 398	
Collections - deferrals: July 2020 - September 2020	1 908 545	838 936	2 866 278	-	5 613 760	
Billings net of discounts - total: July 2020 - September 2020	191 640 642	131 318 664	89 247 593	6 356 976	418 563 875	
Billings net of discounts - normal: July 2020 - September 2020	188 982 025	129 635 673	86 366 537	6 356 976	411 341 211	
Billings net of discounts - deferrals: July 2020 - September 2020	2 658 617	1 682 991	2 881 056	-	7 222 664	
Collections - total: July 2020 - September 2020	**88.0%**	**85.0%**	**92.3%**	**97.7%**	**88.1%**	
Collections - normal: July 2020 - September 2020	**88.3%**	**85.5%**	**92.0%**	**97.7%**	**88.3%**	
Collections - deferrals: July 2020 - September 2020	**71.8%**	**49.8%**	**99.5%**	**-**	**77.7%**	
Collections: September 2020 month only	57 035 321	36 341 858	28 151 308	2 181 898	123 710 385	
Billings net of discounts: September 2020 month only	65 542 486	43 177 730	30 389 755	2 220 877	141 330 848	
Collections: September 2020 month only	**87.0%**	**84.2%**	**92.6%**	**98.2%**	**87.5%**	
COVID-19 Rental discounts granted: 1 July 2020 - 30 September 2020	10 267 129	1 536 288	339 033	-	12 142 450	69 923 405
COVID-19 Rental deferrals granted: 1 July 2020 - 30 September 2020	-	-	-	-	-	48 682 648

**Collection rates restated based on a change to the calculation methodology*

Enyuka (5% of investments)

The Enyuka portfolio, comprising 24 lower LSM retail properties, continues to perform in line with expectations, demonstrating the resilience of this retail sector in a challenging environment. While vacancies have increased to 5,2% as at 30 September 2020 (June 2020: 4,6%), lease terms are being finalised for most of those first quarter expiries not retained.

Transcend (5% of investments)

The investment into Transcend continues to weather the current economic conditions, demonstrating the defensive nature of value-orientated quality residential assets managed by a seasoned and well qualified team.

USA (12% of investments)

The US portfolio, comprising of 10 equity investments into grocery anchored, value orientated, open air power centres continues to perform in line with expectations. Vacancies edged slightly higher, ending the quarter at 5.6% of the total portfolio. In the short term, vacancies are expected to rise due to the bankruptcies and non-renewals of certain tenants, before stabilising (at around 8.5 – 9%) in early 2021. However, interest and demand for space at the centres remains high, and the vacancy rate is expected to reduce in the 2nd half of 2021. Interventions by our on the ground co-investment partners and additional leasing activities are progressing well, with new leasing and renewals concluded in these three months seeing slight upward reversions on average. The majority of assets in the portfolio have, or are expected to, resume paying dividends in the current financial year. Whilst certain COVID-related concession deals agreed to in the period from April – June 2020 may still apply until early 2021, at this stage, no further significant COVID-related concessions have been agreed to or are contemplated, with the exception of an anticipated continuance for AMC Theatres at Woodland Square. Collections on aggregate across the portfolio have been very much in line with payment terms of existing leases and concession agreements where applicable.

Capital management and liquidity

Emira's balance sheet remains robust with sufficient cash reserves and unutilised debt facilities to cover the Fund's business commitments as they fall due.

The weighted average duration to expiry of Emira's debt facilities at 30 September 2020 is 1,9 years (June 2020: 2,1 years).

Emira has to date refinanced R441 million and settled R103 million of the R1,7 billion debt maturing in FY21. A new R200 million 4-year term facility has been put in place increasing the Fund's undrawn backup facilities and cash-on-hand to R671 million at the end of November 2020. A further new facility of R250 million is being finalised which will bolster the Fund's liquidity even further.

The average all-in cost of Emira funding at 30 September 2020, including CCIRS, is 7,37% (June 2020: 7,45%) and interest rates are hedged for 86,4% (June 2020: 83,0%) of Emira's drawn interest-bearing borrowings for a weighted average duration of 2,9 years (June 2020: 3,2 years).

There has been no material change to the loan-to-value ratio reported at 30 June 2020 of 43.0% (including derivative liabilities) and all funding covenants continue to be met.

Outlook

An increase in tenant failures and vacancies is inevitable in the months ahead as the true effects of the restrictive lockdown continue to unfold. Given the high levels of uncertainty, low investor and consumer confidence and a contracting economy, Emira's focus will be to maintain balance sheet strength, retain existing tenants and keep vacancies at lower than industry levels. The diversified nature of Emira's assets and sticking with the core fundamentals that Emira implements in all of its investments will ensure that it comes through these challenging times in the best possible position.

Bryanston

26 November 2020

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