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

Shareholders and noteholders are referred to the Fund's interim results announcement for the six-month period ended 31 December 2020, released on SENS on 17 February 2021. The Company wishes to provide an update to investors regarding the operational performance of its investments.

Emira will be hosting a virtual pre-close update at 10:00 am on Wednesday, 23 June 2021. Shareholders and noteholders can register to attend on the following link: https://www.corpcam.com/Emira23062021.

Direct local portfolio (79% of investments)

Despite the initial signs of an economic recovery, the South African operating environment remains challenging with continuing pressure on local property fundamentals. As anticipated, vacancies have increased to 6,5% (by GLA) at the end of May 2021 (December 2020: 5,9%).

Tenant retention has been a key focus area for the Fund and 80% (by revenue) of leases which matured in the 11-months ended 31 May 2021 ("the period") were retained. Retaining tenants and attracting new ones continue to come at a cost, with the weighted average total reversions for the same period at an overall -14,6% (December 2020: -15,4%).

The Fund's weighted average lease expiry of 2,6 years as at 31 May 2021 is similar to that reported at its interim results. Annual lease escalations remain under pressure and have trended down to an overall average of 7,1% at the end of May 2021. The average annual escalations achieved on renewals for the period were 7,0%.

Collections are another key focus area and for the 11-months ended 31 May 2021 the Fund's collections vs billings for normal debtors was at 98,9%. For the same period, the collection rate for deferred rentals billed was 93,7%.

Rental concessions have been provided during the period on a case-by-case basis to those tenants whose trading was restricted as a result of the Covid-19 restrictions implemented by Government. Rent remissions totalling R31,7m were provided for the 11-months ended 31 May 2021 and further concessions are anticipated for June following the new regulations announced by Government on 15 June 2021.

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

Retail: (49% of the direct portfolio)

Emira's retail portfolio, comprising mostly of grocer-anchored neighbourhood centres that are close to their communities, has proved defensive since the onset of Covid-19. The portfolio is well let and as at 31 May 2021 vacancies had increased marginally to 3,7% (December 2020: 3,4%).

Notwithstanding the announcement to move back down to level 3 restrictions, it has been pleasing to see some recovery coming through the retail sector, with a noticeable increase in trading activity. On a like-for-like basis for the ten-month period ended 30 April 2021, compared to the ten-month period ended 30 April 2020, tenant turnover figures in our retail portfolio have increased by 5,4%.

Offices: (31% of the direct portfolio)

The office sector remains challenging with many corporates still assessing their long-term space requirements coupled with the existing oversupply of offices. Vacancies have increased from 14,9% as reported at 31 December 2020 to 16,4% at the end of May 2021 and rentals remain under pressure.

Industrial: (18% of the direct portfolio)

While vacancies in Emira's industrial portfolio have risen to 4,3% at 31 May 2021 (December 2020: 3,9%), demand for space is increasing and the rentals being achieved on renewals and new deals have been encouraging.

Arrears and collections as at 31 May 2021						
	31 May 2021					**31 December 2020**
R'000	**Urban Retail**	**Office**	**Industrial**	**Residential**	**Total**	**Total**
Arrears (excluding VAT)						
Standard debtors	**21,756**	**27,772**	**18,245**	**198**	**67,972**	**65,050**
Deferred rentals	**1,381**	**3,203**	**2,580**	**-**	**7,164**	**32,585**
Deferrals billed not yet recovered	771	1,295	1,063	-	3,129	5,275
Deferrals not yet billed	610	1,908	1,517	-	4,036	27,310
Normal collections vs. billings net of discounts (VAT inclusive)						
Collections: July 2020 - May 2021	744,431	504,405	302,625	23,854	1,575,314	
Billings' net of discounts: July 2020 - May 2021	747,801	507,684	314,161	23,785	1,593,431	
Collections: July 2020 - May 2021	**99.5%**	**99.4%**	**96.3%**	**100.3%**	**98.9%**	
COVID-19 Deferral collections vs deferral billings (VAT inclusive)						
COVID-19 Deferrals collected: July 2020 - May 2021	12,765	23,878	16,757	-	53,400	23,512
COVID-19 Deferrals Billed: July 2020 - May 2021	13,652	25,367	17,979	-	56,998	29,578
COVID-19 Deferrals collected: July 2020 - May 2021 (%)	**93.5%**	**94.1%**	**93.2%**	**-**	**93.7%**	**79.5%**
COVID-19 Rental discounts granted (excluding VAT)						
COVID-19 Rental discounts granted: July 2020 - May 2021	26,065	4,117	1,499	-	31,681	17,810

Enyuka (5% of investments)

Enyuka's portfolio of retail assets, focussed on lower LSM markets, has remained resilient. While vacancies have increased to 5,8% as at 31 May 2021 (December 2020: 4,6%), new enquires for space have increased and rental rates are stable.

Transcend (3% of investments)

The investment into Transcend continues to perform well, demonstrating the defensive nature of value-orientated quality residential assets. Occupancy levels have stabilised, and collection rates have been strong. By June 2021, Transcend settled the outstanding balance on the mezzanine loan Emira advanced them.

USA (13% of investments)

The US portfolio, comprising of 11 equity investments into grocery anchored, value orientated, open air power centres continues to perform in line with expectations. As at 31 May 2021, vacancies (across ten properties, and taking into account the recent leasing deal to Burlington at Moore Plaza, which is currently in the tenant fit out stage) were at 8,2%, having stabilised since December 2020 as expected. Interest and demand for space at the centres remains high, and the vacancy rate is expected to trend down in FY22.

Together with Rainier, the Fund concluded its eleventh investment on 16 June 2021 with the acquisition of Newport Pavilion for USD73,7m on a property yield of 7,57% (cash-on-cash yield >12%). Located in the suburb of Newport, Cincinnati, in the State of Kentucky, the property is 97,7% occupied (with leasing deals being finalised on the two vacant suites) with credit-quality tenants and dual grocer-anchored by a Kroger Marketplace and Target (shadow anchor). Emira's 49,6% equity stake of USD12,5m takes Emira's total investment in the US to approximately USD107,1m.

The aggressive vaccine roll-out and financial stimulus provided by the US government has had a positive effect on the US economy and retailers. No further significant COVID-related concessions have been agreed to in the past six months, and outstanding deferrals are anticipated be repaid by January 2022. Collections on aggregate across the portfolio have been in line with payment terms of existing leases and concession agreements where applicable. Seven of the assets in the portfolio have resumed paying dividends in FY21, and nine of the eleven assets are expected to pay dividends in FY22.

Capital management and liquidity

Emira's balance sheet is 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 as at 31 May 2021 is 2,0 years (December 2020: 1,9 years). Since 31 December 2020, R1,0bn of maturing debt has been refinanced and a new R250m facility was concluded. A further R400m of debt is anticipated to be refinanced before the end of June 2021. The Fund's liquidity is strong with undrawn backup facilities and cash-on-hand in excess of R980m at the end of May 2021.

Included in the debt refinanced during the period was a listed bond which was refinanced in May 2021 through the issue of a new unsecured 3-year R380m sustainability-linked bond. The bond, issued under the Fund's domestic medium term note programme, includes sustainability targets, which if achieved result in a margin adjustment. At the date of issue this was only the third sustainability-linked listed bond issued in the South African market.

There has been no material change to the loan-to-value ratio of 42,5% (including derivative liabilities) reported at 31 December 2020, with a similar level anticipated at the end of June 2021 and all funding covenants continue to be met.

Post the acquisition of Newport Pavilion the Fund has effective USD denominated debt of USD61,0m through its USD cross-currency interest-rate swaps against its USA investments of USD107,1m.

Conclusion

While the "third wave" is expected to slow down the recovery of the local economy, the diversified nature of Emira's investments, both on a sectoral basis and geographically, including its offshore exposure and its co-investment methodology, should once again prove defensive.

Bryanston
23 June 2021

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