EMIRA PROPERTY FUND LIMITED
Incorporated in the Republic of South Africa
(Registration number 2014/130842/06)
JSE share code: EMI ISIN: ZAE000203063
JSE bond company 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 final results announcement for the year ended 30 June 2021, released on SENS on 18 August 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, 1 December 2021. Shareholders and noteholders can register to attend on the following link: https://www.corpcam.com/EMIRA01122021.

Direct local portfolio (78% of investments)

Despite the setbacks caused by the 'third wave' and the civil unrest in July 2021, the South African economy continued to show a recovery in the 4-months ended 31 October 2021 ("the period"). While fundamentals remain weak, many businesses have adapted to the new operating environment, having survived some of the toughest operating conditions on record. The recent emergence of the 'Omicron' variant of Covid-19 has created further uncertainty and is expected to temporarily hamper the further recovery of both the local and global economies.

The local property market remains challenging, specifically the office sector, and vacancies across Emira's portfolio increased to 7,0% (by GLA) at the end of the period (June 2021: 6,4%). The Emira team continues to focus on core property fundamentals, ensuring they are performed with excellence. Retaining tenants is one of the team's key focus areas and 85% (by revenue) of the Fund's leases which expired in the period were retained. Rental reversions for the period improved to a negative 12,0% (June 2021: negative 14,6%). Negative rent reversions are expected to continue for the immediate future as landlords compete with one another to either retain existing tenants or attract new ones.

The Fund's weighted average lease expiry of 2,6 years as at 31 October 2021 is similar to that reported at its year-end. Annual lease escalations remain under pressure and reduced marginally by the end of the period to an overall average of 7,0%. (June 2021: 7,1%). The average annual escalations achieved on renewals were 6,9% compared to 7,2% on new leases.

Collections are another focus area and Emira's normal debtor collections versus billings for the period was at 95,9%. The Fund collected R2,1m of deferred rentals in the period, being R0,5m (or 100%) of the deferrals billed in the period and R1,6m of the brought forward arrears.

Rent remissions totalling R1,9m were provided in the period to those tenants whose ability to trade in July 2021 was directly impacted by the Covid-19 restrictions implemented by Government in response to the 'third wave'.

	31 October 2021					30 June 2021
R'000	**Urban Retail**	**Office**	**Industrial**	**Residential**	**Total**	**Total**
Arrears (excluding VAT)						
Standard debtors	19 815	24 077	15 823	300	60 015	55 491
Deferred rentals billed not yet recovered	112	474	689	-	1 275	2 631
Normal collections vs. billings net of discounts (VAT inclusive)						
Collections: July 2021 - October 2021	260 933	167 925	108 688	8 804	546 350	1 725 124
Billings net of discounts: July 2021 - October 2021	277 810	173 389	109 326	9 121	569 646	1 741 689
Collections: July 2021 - October 2021 (%)	**93,9%**	**96,8%**	**99,4%**	**96,5%**	**95,9%**	**99,0%**
COVID-19 Deferral collections vs deferral billings (VAT inclusive)						
Collections: July 2021 - October 2021	430	1 128	530	-	2 088	58 675
Billings: July 2021 - October 2021	220	306	-	-	526	61 702
Collections: July 2021 - October 2021 (%)	**195,2%**	**368,3%**	**>100,0%**	**0%**	**396,5%**	**95,1%**
COVID-19 Rental discounts granted (excluding VAT): July 2021 - October 2021	**1 628**	**216**	**76**	**-**	**1 920**	**33 604**
Deferred rentals not yet billed (excluding VAT)	**217**	**1 122**	**-**	**-**	**1 339**	**1 716**

The Fund has concluded agreements to dispose of four properties (2 retail properties and 2 industrial properties) totalling R269,8m. The disposals are unconditional and are expected to transfer over the next four to eight weeks. The remaining conditions for the Fund’s acquisition of Northpoint Industrial Park have also been met and the property is expected to transfer into Emira’s name during the same period.

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

Retail: (49% of the direct portfolio)

Notwithstanding the social unrest in July 2021 the retail sector performed well and the positive trend on tenants’ trading activity continued. Emira’s portfolio, consisting mainly of grocer-anchored neighbourhood centres, is well let and vacancies at the end of October 2021 were up marginally to 4,3% (June 2021: 4,1%) with 91% (by revenue) of the tenants whose leases expired in the period retained.

The reconstruction of Springfield Retail Centre, the only directly held Emira property to be materially damaged by the July 2021 riots, is well underway, and circa 58% of the total expected damages claim has been received to date from SASRIA.

Offices: (31% of the direct portfolio)

Persistent weak conditions for the local office sector resulted in vacancies in Emira’s office portfolio increasing to 19,4% at the end of October 2021 (June 2021: 17,0%). The Fund retained 66% (by revenue) of those tenants whose leases matured in the period and attracting new tenants remains a challenge. Rentals continue to be under pressure with rent reversions at a negative 15,5% for the period. The catalyst for change in the sector is economic growth which will improve business confidence and result in investment and an expansion of businesses, ultimately increasing the demand for space.

Industrial: (18% of the direct portfolio)

Despite the rolling power cuts, Emira's industrial vacancies have been stable, with 3,6% of the portfolio vacant at 31 October 2021 (June 2021: 3,5%). Demand for space continues to rise and 91% (by revenue) of tenants whose leases matured in the period were retained. While the increased activity is pleasing, the challenges faced by tenants as a result of inconsistent power supply remains a major risk to their sustainability.

Enyuka (5% of investments)

Enyuka's portfolio of retail properties are focussed on the rural and lower LSM markets. Six of Enyuka's 22 properties were looted and damaged by the violent civil unrest and disorder that broke out in parts of Gauteng and KwaZulu Natal on 9 July 2021. Despite this, vacancies remained stable at 4,7% at the end of October 2021 (June 2021: 4,5%), proving the resilience of this sub-sector.

Five of the properties impacted by the unrest are fully operational again while work to repair the sixth property, which sustained fire damage, has commenced, and is expected to be completed by May 2022. Enyuka has to date received circa 45% of its anticipated damages from SASRIA.

Transcend Residential Property Fund Limited ("Transcend") (3% of investments)

Transcend is a JSE-listed specialist residential REIT focussed on value-oriented good quality suburban units. Occupancy across Transcend's portfolio continues to be strong proving its resilience to economic and market forces.

As announced by Transcend on 22 September 2021, it is in the process of acquiring two properties for a total purchase consideration of R253,5 million. The purchase consideration will be settled in cash, and funded through raising new debt and equity in the ratio of approximately 40% debt and 60% equity. In line with Emira's strategy to increase its residential exposure, the Fund, which currently holds 34.9% of Transcend's shares in issue, has provided an irrevocable commitment to subscribe for up to 92% of the new equity to be issued. The irrevocable commitment is subject to Transcend's other shareholders waiving their right to receive a mandatory offer from Emira, should Emira's shareholding increase above 35%.

USA (14% of investments)

The US portfolio, comprising of 11 equity investments into grocery anchored, value orientated, open air power centres performed in line with expectations. As at 31 October 2021, vacancies across all 11 properties were at 6,6%. This was an improvement from 7,1% at 30 June 2021 owing to a number of new leases of under 10,000 ft2 at multiple properties. The disruptive effects on global supply chains has negatively impacted the buildout and opening of certain tenants, for example Earth Fare at Woodlands Square. In November 2021, a lease was executed to backfill the ex-Stein Mart 25,500 ft2 space at 32 East with Sportsman's Warehouse, thus the vacancy rate is expected to improve to below 6% by 31 December 2021, with of the assets being effectively fully occupied, and 9 of the 11 assets being more than 95% occupied.

The US economy and retail outlook has continued its anticipated recovery. Collections on aggregate across the portfolio have been in line with payment terms of existing leases and concession agreements where applicable. It is still anticipated that 9 of the 11 investments will pay dividends in FY22.

Capital management and liquidity

As at 31 October 2021, the Fund had unutilised debt facilities of R660m, which together with cash-on-hand of R71,8m, provides assurance that the Group is able to meet its short-term commitments.

The weighted average duration to expiry of Emira's debt facilities at the end of the period reduced to 1,9 years (June 2021: 2,1 years). R130,0m of maturing debt was refinanced in the period with a further R261m refinanced in November 2021, leaving R431m to be refinanced before the end of June 2022.

A marginally higher loan-to value is anticipated by the end of December 2021 (June 2021: 40,8% including derivative liabilities) but this is dependent on the completion of the interim property valuations, the closing ZAR/USD exchange rate and the timing of the property disposals and Northpoint acquisition.

There has been no change to the Fund's effective USD denominated debt of USD61,0m, achieved through its USD cross-currency interest-rate swaps ("CCIRS").

At 31 October 2021, the average all-in cost of Emira's funding, including CCIRS, is 7,20% (June 2020: 7,43%) and interest rates are hedged for 78,0% (June 2021: 80,7%) of Emira's drawn interest-bearing borrowings for a weighted average duration of 2,2 years (June 2020: 2,1 years).

Conclusion

The portfolio has performed in line with expectations for the period. While the 'fourth wave' is expected to slow down the recovery of the local economy and deteriorate property metrics further, the diversified nature of Emira's investments both on a sectoral basis and geographically, including its offshore exposure and the current condition of its properties, will provide some defence. Emira's management team will continue to focus on the areas within its control, by doing the basics to the best of its ability. With the information currently at hand and factoring the anticipated impact of the 'fourth wave', the Fund expects to achieve its objectives for the interim period.

Bryanston
1 December 2021

Sponsor

Questco Corporate Advisory Proprietary Limited

Debt Sponsor

RAND MERCHANT BANK (a division of FirstRand Bank Limited)