

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 half-year results announcement for the six months ended 31 December 2021 ("interim results"), released on SENS on 16 February 2022. 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, 29 June 2022. Shareholders and noteholders can register to attend on the following link: <https://www.corpcam.com/EMIRA29062022>

Direct local portfolio (74% of investments)

The South African operating environment remains challenging with continuing pressure on local property fundamentals. Despite this, the portfolio has performed ahead of expectations, with total vacancies across the portfolio reducing to 5,5% (by GLA) at the end of May 2022 (December 2021: 6,1%). This was driven by the continued focus on tenant retention, where 82% (by revenue) of maturing leases were retained for the 11 months ended 31 May 2022 ("the period"). Retaining tenants and attracting new ones continues to come at a cost, with the weighted average total reversions for the same period at an overall -12,8% (December 2021: -14,5%).

The Fund's weighted average lease expiry ("WALE") of 2,7 years at the end of the period (December 2021: 2,8 years), as well as its average annual lease escalations of 6,7% (December 2021: 6,8%), are similar to those reported at its interim results.

Collections vs billings for the period under review for normal debtors were a strong 99,8%.

All four properties classified as held-for-sale at 31 December 2021 subsequently transferred out of the Fund, realising total cash proceeds of R269,8m. No further properties have been disposed.

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

Retail: (49% of the direct portfolio)

Retail vacancies at the end of the period decreased to 3,3% (December 2021: 3,6%). The WALE has decreased marginally to 3,7 years (December 2021: 3,8 years) and 90,0% of maturing leases in the period were retained. Total weighted average reversions for the period are -14,4% (December 2021: -15,0%).

Emira's retail portfolio, which consists mainly of grocer-anchored neighbourhood centres, is performing well. Activity continues to improve further with many tenants reporting increased turnover and footfall. Demand for vacant space at Wonderpark, Emira's largest asset located in Karen Park, Pretoria, is strong, with a waiting list of potential tenants.

Offices: (30% of the direct portfolio)

Office vacancies at the end of the period decreased to 16,6% (December 2021: 18,2%). The WALE has increased marginally to 2,7 years (December 2021: 2,6 years) and 65,0% of maturing leases in the period were retained. Total weighted average reversions for the period are -11,4% (December 2021: -16,9%).

The weak economic environment and low business confidence continues to have a negative impact on the office sector. Positive signs are starting to emerge though, with increased enquiries for space, partly driven by

most tenants having now returned to their offices on either a full time or rotational basis. Rentals remain under pressure due to the oversupply of space, but the extent thereof is dependent on the building's grade and the node it is located in.

Industrial: (19% of the direct portfolio)

Industrial vacancies at the end of the period decreased to 1,9% (December 2021: 2,6%). The WALE has decreased marginally to 1,8 years (December 2021: 2,0 years) and 81,0% of maturing leases in the period were retained. Total weighted average reversions for the period are -12,6% (December 2021: -11,7%).

Emira's industrial portfolio, split between single-tenant light industrial and warehouse facilities and multi-tenant midi- and mini-unit industrial parks, continues to perform well. This is despite the rolling power cuts, and the impact they have on tenants' operations. As advised in the interim results, Northpoint Industrial Park, a multitenant industrial property located in Cape Town, transferred into the Fund on 20 January 2022, adding to the quality of the portfolio.

Residential: (2% of the direct portfolio)

Occupancy at The Bolton, Emira's only directly held residential property, increased to 98,6% at the end of the period (December 2021: 92,2%).

Enyuka (5% of investments)

As announced on SENS on 18 May 2022, the Fund has concluded a transaction to dispose of its shareholding and claims in Enyuka, for an aggregate consideration of R638,6m. The transaction is still subject to the fulfilment, or waiver (as the case may be) of a number of conditions precedent, including confirmation of finance from the buyer and approval from the Competition Commission.

Vacancies in the Enyuka portfolio have remained stable at 3,2% at the end of May 2022 (December 2021: 3,2%).

Transcend Residential Property Fund Limited ("Transcend") (4% of investments)

On 4 March 2022, the Fund increased its holding in Transcend to 40,69% of the shares in issue. The portfolio is performing well with high occupancy rates.

USA (17% of investments)

The US portfolio, comprising of 12 equity investments into grocery anchored, value orientated, open air power centres continue to perform in line with expectations. As at 31 May 2022, vacancies across the 11 properties that were owned at the end of December 2021 have improved from 7,1% to 5,3%.

The twelfth property, Summit Woods Crossing was acquired during the period and transferred on 11 May 2022. The total cost to Emira was USD18,45m for a 49,5% equity interest. The 545 204 sq ft power centre is shadow-anchored by a Super Target and is 98,0% let with a 5,6-year weighted average lease expiry. 90,0% of the centre is leased to national tenants providing a high credit quality underpin, including hardware giant Lowes, Kohl's, BestBuy and TJ Maxx.

As anticipated, all but two of the investments have resumed to paying dividends. 32 East is expected to resume paying dividends by the 4th quarter of the 2022 calendar year. Belden Park Crossings is only anticipated to resume paying dividends once the former Dick's Sporting Goods suite is back-filled with a suitable replacement tenant under lease terms that meet both financier and landlord requirements.

Capital management and liquidity

As at 31 May 2022, the Fund had unutilised debt facilities of R370m, which together with cash-on-hand of R50,6m, provides assurance that the Group is able to meet its short-term commitments.

Since 31 December 2021 the Fund has refinanced R1,3bn of maturing debt facilities.

The loan-to value ratio increased marginally to 42,0% as at 31 May 2022 (December 2022: 41,8%), and is anticipated to remain at a similar level at the end of June 2022, but is dependent on the completion of the year-end property valuations and the closing ZAR/USD exchange rate.

The Fund's effective USD denominated debt, achieved through its USD cross-currency interest-rate swaps, has increased to USD73,0m following the acquisition of Summit Woods Crossing.

Conclusion

The diversified nature of Emira's investments, on both a sectoral and geographical basis, continues to safeguard the Fund and despite the continued pressure on local property fundamentals the portfolio is on track to exceeding the objectives for the year ended 30 June 2022.

Emira expects to release its results for the year ended 30 June 2022 on Wednesday, 17 August 2022.

This information is the responsibility of the Directors and has not been reviewed or reported on by our external auditors.

Bryanston
29 June 2022

Sponsor



Questco Corporate Advisory Proprietary Limited

Debt Sponsor

RAND MERCHANT BANK (a division of FirstRand Bank Limited)