

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 2022 ("final results"), released on SENS on 17 August 2022. The Company wishes to provide an update to investors regarding the operational performance of its investments for the 4-months ended 31 October 2022 ("the period").

Emira will be hosting a virtual pre-close update at 10:00 am on Thursday, 1 December 2022. Shareholders and noteholders can register to attend on the following link: <https://www.corpcam.com/Emira01122022>

Direct local portfolio

The local portfolio has performed well during the period and is running in-line with expectations. There's been an improvement in several key performance indicators which is pleasing considering the on-going weak operating environment which has been exacerbated by unprecedented power cuts in the period. Total vacancies across the portfolio improved to 5,0% (by GLA) at the end of October 2022 (June 2022: 5,3%). This was driven by the continued focus on tenant retention, where 81% (by GLA) of leases that matured during the period were retained. With local property fundamentals still under pressure, retaining tenants and attracting new ones continues to come at a cost, albeit improved from the prior year, with the weighted average total reversions for the period at an overall -7,7% (June 2022: -15,2%).

The Fund's weighted average lease expiry ("WALE") of 2,7 years at the end of the period, as well as its average annual lease escalations of 6,6%, are the same as those reported at 30 June 2022.

Collections vs billings for the period under review for normal debtors were 97,5%.

No properties were transferred out of the Fund during the period. In line with the Fund's capital recycling strategy there are four non-core properties, valued at R134,1m, which are under contract for disposal. These disposals are still subject to the conclusion of a due diligence by the buyers but are expected to transfer by 30 June 2023.

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

Retail:

Retail vacancies at the end of the period increased to 3,1% (June 2022: 2,8%). The WALE has remained stable at 3,6 years and 92,0% of maturing leases in the period were retained. Total weighted average reversions for the period have improved to -5,9% (June 2022: -13,0%).

Emira's retail portfolio of 17 properties consists mainly of grocer-anchored neighbourhood centres, the largest being Wonderpark, a 90 907m² dominant regional shopping centre located in Karen Park, Pretoria North. The portfolio is performing well, and when compared to pre-COVID levels, footfall has reduced slightly while trading densities have improved.

Offices:

Office vacancies at the end of the period decreased to 13,5% (June 2022: 15,0%). The WALE has remained the same at 2,7 years and 62,0% of maturing leases in the period were retained. Total weighted average reversions for the period are -12,6% (June 2022: -12,0%).

Emira's office portfolio consists of 20 properties, the majority of which are P- and A-grade properties. While the improvement in Emira's office vacancies is encouraging, the sectors fundamentals remain depressed. Rentals are under pressure due to the oversupply of space while low business confidence and the weak economic environment are driving multi-branched businesses to consolidate their space requirements.

Industrial:

Industrial vacancies at the end of the period decreased marginally to 2,6% (June 2022: 2,7%). The WALE has remained stable at 1,9 years and 83,0% of maturing leases in the period were retained. Total weighted average reversions for the period improved to -4,9% (June 2022: -20,1%).

Emira's 36 industrial properties are split between single-tenant light industrial and warehouse facilities and multi-tenant midi- and mini-unit industrial parks. The portfolio has performed well despite the rolling power cuts, and the impact they have on tenants' operations, validating the defensiveness of this sector.

Residential:

Occupancy at The Bolton, Emira's only directly held residential property, was 97,9% at the end of the period (June 2022: 98,9%).

Enyuka

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 condition precedent relating to the confirmation of finance by the buyer has been met. The transaction is still subject to Competition Commission approval and the conclusion of mutually satisfactory legal documents and is forecast to close by the end of March 2023.

The Enyuka portfolio continues to perform well with vacancies improving to 2,2% at the end of October 2022 (June 2022: 2,8%).

Transcend Residential Property Fund Limited ("Transcend")

As announced on SENS on 24 October 2022, the general offer to acquire up to 100% of the issued shares of Transcend (other than those shares already owned by Emira) closed on 21 October 2022 and was accepted in respect of 37 672 038 Transcend shares, representing 22.98% of the Transcend shares in issue. Following the implementation of the offer, Emira held 111 657 996 Transcend shares at the end of the period, representing 68.11% of the Transcend shares in issue, and Transcend is now consolidated by Emira from an accounting perspective.

The Transcend portfolio is performing well with high occupancy rates.

USA

The US portfolio, comprising of 12 equity investments into grocery anchored, value orientated, open air power centres continues to perform in line with expectations. As at 31 October 2022, vacancies across the 12 properties had improved to 2,6% (June 2022: 4,5%). This was largely due to the leasing which took place at Belden Park, where Urban Air took up 55,000 SF of the 65,120 SF ex-Dicks Sporting Goods space.

Dividends are still anticipated from 10 of the 12 investments for the full year, while 32 East is expected to resume paying dividends in the 3rd quarter of the current financial year. Although the ex-Dicks Sporting Goods vacancy at Belden Park has now been filled, dividends are only expected to resume in the 2024 financial year upon completion of 'cure period' as required by the property's debt funders.

The agreement for the disposal of Truman's Marketplace lapsed during the period after the buyer withdrew from the sale. The rising interest rate environment has created uncertainty in the credit markets which has slowed down transactional activity. Truman's Marketplace is well occupied and continues to perform in line with expectations and the Fund is comfortable to continue holding the property until an alternative disposal opportunity arises.

Capital management and liquidity

As at 31 October 2022, the Fund had unutilised debt facilities of R445m together with cash-on-hand of R89m.

Since 30 June 2022 the Fund has refinanced R690m of maturing debt facilities and during the period there has been strong interest from funders to provide Emira with additional funding, to the extent required.

The Fund's loan-to value ratio ("LTV") has increased to circa 44,5% in October 2022 (June 2022: 40,5%) because of the additional investment into Transcend and the consolidation thereof. The LTV at the end of December 2022 is anticipated to remain at a similar level, but it is dependent on the completion of the interim property valuations and the closing ZAR/USD exchange rate. Thereafter, once the Enyuka disposal closes and proceeds are received, the LTV is expected to reduce to circa 43%.

Conclusion

Operating conditions remain challenging and uncertain, especially considering inflationary pressures are expected to remain elevated for some time, together with higher interest rates. The diversified nature of Emira's investments, on both a sectoral and geographical basis, should continue to safeguard the Fund and based on the resilience demonstrated to date, the Fund remains confident that its objectives for 2023 will be achieved.

Emira expects to release its results for the six-months ended 31 December 2022 on Wednesday, 15 February 2023.

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

Bryanston
01 December 2022

Sponsor



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