

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 nine-months ended 31 March 2023 ("final results"), released on SENS on 7 June 2023. The Company wishes to provide an update to investors regarding the operational performance of its investments for the 5-months ended 31 August 2023 ("the period").

Emira will be hosting a virtual pre-close update at 10:00 am on Thursday, 28 September 2023. Shareholders and noteholders can register to attend on the following link: <https://www.corpcam.com/EMIRA28092023>

Direct local portfolio

Commercial portfolio

Despite the challenging economic environment, the local commercial portfolio (retail, industrial and office properties) has performed well during the period and is running in-line with expectations. Total vacancies across the portfolio improved to 4,3% (by GLA) at the end of August 2023 (March 2023: 4,7%). This was driven by the continued focus on tenant retention, where 83% (by GLA) of leases that matured during the period were retained. 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 -5,5% (March 2023: -8,4%).

The Fund's weighted average lease expiry ("WALE") of 2,6 years at the end of the period is the same as that reported as at 31 March 2023, while its average annual lease escalations are similar at 6,5% (March 2023: 6,6%).

Collections vs billings for the period under review for normal debtors were 95,2%.

One Monte Carlo Road, an Industrial property in Durban, was the only property that transferred out of the Fund during the period. In line with the Fund's capital recycling strategy there are two commercial properties, valued at R95,9m, which are currently under contract for disposal.

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

Retail:

Retail vacancies at the end of the period increased slightly to 3,3% (March 2023: 3,1%). The WALE has reduced marginally to 3,1 years and 84,2% (by gross rental) of maturing leases in the period were retained. Total weighted average reversions for the period have improved to -2,4% (March 2023: -5,5%).

Emira's retail portfolio of 17 properties consists mainly of grocer-anchored neighbourhood centres, the largest being Wonderpark, a 90 038m² dominant regional shopping centre located in Karen Park, Pretoria North. Trading densities within Emira's portfolio increased by +4,0% and foot count has also improved with an increase of +4,8%.

Office:

Office vacancies at the end of the period increased marginally to 12,7% (March 2023: 12,5%). The WALE has reduced slightly to 2,6 years and 73,4% (by gross rental) of maturing leases in the period were retained. Total weighted average reversions for the period have improved to -7,5% (March 2023: -14,8%).

Emira's office portfolio consists of 20 properties, the majority of which are P- and A-grade properties. The sector's fundamentals remain depressed, with demand low due to the sluggish economy which has driven rentals down.

Industrial:

Industrial vacancies at the end of the period decreased considerably to 0,6% (March 2023: 2,1%). The WALE has improved to 2,0 years and 86,9% (by gross rental) of maturing leases in the period were retained. Total weighted average reversions for the period are similar at -6,4% (March 2023: -6,5%).

Emira's 33 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 and remains defensive with steady demand for space despite the impact the rolling power cuts have on tenants' ability to operate.

Residential portfolio

The residential portfolio includes The Bolton together with Transcend's 22 properties, in which Emira has an effective 68,15% economic interest. Vacancies across the residential portfolio were 3,1% as at 31 August 2023 (March 2023: 2,6%).

During the period, 149 of The Bolton's 282 units were disposed of with a further 18 expected to transfer by 30 September 2023. In line with their recycling programme, Transcend continued to dispose units during the period, but at a slower pace than budgeted given the impact of higher interest rates on their target market.

Enyuka

The Fund's disposal of Enyuka closed on 20 July 2023 for an aggregate consideration of R641,5m. The disposal realised cash proceeds of R511,5m after taking into account the vendor loan of R130m provided by Emira to the purchaser.

Transcend offer

As detailed in the circular sent to Transcend shareholders on 1 September 2023, Emira has made an offer to Transcend shareholders to acquire all of the issued Transcend ordinary shares not already owned by Emira for a consideration of R6,30 per Transcend share (the "Offer"). The Offer is being done by way of a scheme of arrangement and the expected implementation date is 13 November 2023.

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 August 2023, vacancies across the 12 properties had increased to 3,9% (March 2023: 2,6%).

As expected, 32 East resumed paying dividends during the period. Unexpectedly, dividends were also received from Beldon Park, albeit only a portion of the fixed return due for the period.

Capital management and liquidity

As at 31 August 2023, post the closing of the disposal of Enyuka, the Fund had unutilised debt facilities of R845m together with cash-on-hand of R132m.

The Fund's loan-to value ratio ("LTV") has decreased to circa 42,0% in August 2023 (March 2023: 44,0%) because of the Enyuka disposal. The LTV at the end of September 2023 is anticipated to remain at a similar level but is dependent on the completion of the interim property valuations and the closing ZAR/USD exchange rate. Thereafter, once the Transcend offer closes, the LTV is expected to increase to between 43% - 44%.

Conclusion

The Fund is mostly on track to achieve its objectives for FY24. There is however risk in the current economic environment, where higher interest rates, inflationary pressures and the on-going loadshedding are impacting consumer spending and business confidence. The diversified nature of Emira's investments, on both a sectoral and geographical basis, should however continue to safeguard the Fund.

Emira expects to release its results for the six-months ended 30 September 2023 on Thursday, 16 November 2023.

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

Bryanston
28 September 2023

Sponsor

Questco Corporate Advisory Proprietary Limited

Debt Sponsor

RAND MERCHANT BANK (a division of FirstRand Bank Limited)