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
LEI Number: 3789005E23C6259EAE70
(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 full-year results announcement for the year ended 31 March 2024 ("year-end results"), released on SENS on 30 May 2024. The Company wishes to provide an update to investors regarding the operational performance of its investments for the 5-months ended 31 August 2024 ("the period").

Emira will be hosting a virtual pre-close update at 10:00 am on Thursday, 26 September 2024. Shareholders and noteholders can register to attend on the following link: https://www.corpcam.com/EMIRA26092024

Direct local portfolio

Commercial portfolio

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 have increased marginally to 4,3% (by GLA) at the end of August 2024 (March 2024: 4,1%). This increase was due to the impact of the disposals made during the period. Tenant retention remains a priority and 87% (by GLA) of leases that matured during the period were retained. Pleasingly the weighted average total reversions for the period have been stable at an overall -3,1% (March 2024: -3,3%).

The Fund's weighted average lease expiry ("WALE") at the end of the period has improved to 3,0 years (March 2024: 2,7 years), while average annual lease escalations have been maintained at 6,5% (March 2024: 6,5%).

Collections vs billings for the period were 95.9% but this expected to revert closer to 100% by the end of September 2024.

Six properties transferred out of the Fund during the period generating total gross proceeds of R446m. These disposals included two retail properties: Park Boulevard in Durban and Makro in Johannesburg; and four industrial properties: 12/14 Winnipeg Avenue, 34/36 Director Road, and 98 Loper Road in Johannesburg, along with the HBP Commercial Unit in Pretoria.

An additional 20 properties are under contract for disposal and in various stages of the transfer process, which, once completed, will generate R1.9bn in gross proceeds.

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

Retail:

Retail vacancies at the end of the period increased to 4,2% (March 2024: 3,9%). The WALE has improved to 3,6 years (March 2024: 3,2 years) and 92,4% (by gross rental) of maturing leases in the period were retained. Total weighted average reversions for the period have declined to -5,7% (March 2024: -0,5%).

Emira's retail portfolio of 15 properties consist mainly of grocer-anchored neighbourhood centres, the largest being Wonderpark, a 91 038m² dominant regional shopping centre located in Karen Park, Pretoria North.

Office:

Office vacancies at the end of the period decreased to 9,1% (March 2024: 10,9%). The WALE has reduced to 2,5 years (March 2024: 2,7 years) and 69,2% (by gross rental) of maturing leases in the period were retained. Total weighted average reversions for the period have declined to -10,7% (March 2024: -6,3%).

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 which continues to limit real rental growth.

Industrial:

Industrial vacancies at the end of the period increased to 1,6% (March 2024: 0,7%). The WALE has increased to 2,9 years (March 2024: 2,1 years) and 86,6% (by gross rental) of maturing leases in the period were retained. Total weighted average reversions for the period have improved to 4,4% (March 2024: -4,8%).

Emira's 28 industrial properties are split between single-tenant light industrial and warehouse facilities and multi-tenant midi- and mini-unit industrial parks.

Residential portfolio

The residential portfolio consists of 3 612 units (March 2024: 3 775) located in Gauteng and Cape Town.

Vacancies across the residential portfolio were 5.0% (by units) as at 31 August 2024 (March 2024: 4,5%), which was higher due to the held-for-sale units, and if these are excluded, the vacancies were 3,4%

Collections vs billings for the period under review were 99,0%.

In line with the Fund's recycling strategy 163 residential units have transferred during the period, realising gross disposal proceeds of R149,2m. There are a further 31 units currently under contract, with 24 of these expected to transfer by 30 September 2024.

USA

The US portfolio comprises 12 equity investments into grocery anchored, value orientated, open air power centres, with no additions or disposals during the period. As at 31 August 2024, vacancies across the 12 properties had remained constant at 3,6% (March 2024: 3,6%). The underlying properties are performing in line with expectations.

DL Invest Group S.A ("DL Invest")

On 27 August 2024, in terms of a series of agreements entered into between Emira, DL Invest Group 1 SCSP ("DL Invest Group") and its wholly-owned subsidiary, DL Invest, Emira acquired an effective 25% interest in DL Invest through the subscription of 141 new B Shares and 141 9% Loan Notes, with each Loan Note linked to a B Share issued to Emira to form a Linked Unit (the "Tranche 1 Subscription"). The aggregate consideration for the Tranche 1 Subscription was €55,5m, comprising €11,1m in respect of the B Share subscription and €44,4m in respect of the Loan Notes.

The transaction forms part of Emira's strategy to enhance its international exposure and diversify its investment portfolio. By co-investing with local partners who share similar objectives, Emira aims to capitalise on opportunities within the growing Polish economy.

Emira will receive a return on the Linked Units of at least 7.2%, escalated annually by the Harmonised Index of Consumer Prices for the European Area ("HICP"), with a floor of 2% and a cap of 4% (the "Target Return"). The Target Return will comprise interest at 9% per annum in respect of the Loan Notes.

The aggregate subscription amount of €55,5m for the Linked Units was funded in ZAR by a combination of cash reserves and undrawn existing debt capacity. The Fund has synthetically converted an effective €45,0m of the ZAR funding into euro using cross currency interest rate swaps ("CCIRS") whereby 3-month Jibar has been swapped to a fixed EUR interest rate. The CCIRS were struck at a EUR vs ZAR strike price of 19.96 for a weighted average duration of 4 years and at a weighted average fixed EUR interest rate of 2,85%.

Under an option agreement entered into simultaneously, Emira and DL Invest each hold a redemption option, granting both parties the right to facilitate the redemption of the Linked Units. This involves redeeming the B Shares and fully repaying and redeeming the corresponding outstanding amounts (including any accrued but unpaid interest) under the Loan Notes. The redemption will occur on the earlier of a trigger event and the fifth anniversary of the transaction, for a redemption value of €101.6m, escalated annually from the commencement of the investment to the redemption date by HICP, with a floor of 2% and a cap of 4%.

Transaction costs of R18,1m, funded by cash reserves, have been incurred on the transaction.

In terms of the subscription agreement, Emira has been granted a subscription option, in terms of which it may, at its election, subscribe for a further 113 B Shares and 113 9% Loan Notes (the "Tranche 2 Subscription Option") for an aggregate cash subscription price of €44,5m, comprising €8,9m in respect of the B Share subscription and €35,6m in respect of the Loan Note subscription. If Emira elects to exercise the Tranche 2 Subscription Option, it will hold 45% of the aggregate DL Invest shares in issue. The Tranche 2 Subscription Option was granted at no consideration and must be exercised by not later than 31 January 2025, failing which it will lapse.

The acquisition of the B Shares and Loan Notes pursuant to Emira's exercise of the Tranche 2 Subscription Option, when aggregated with the Tranche 1 Subscription, constitute a Category 1 transaction and is subject to Emira shareholder approval. Emira will not exercise the Tranche 2 Subscription Option until it has received the requisite shareholder approval to do so in accordance with the JSE Listings Requirements. Castleview Property Fund, which holds 59,26% of Emira's issued shares, has irrevocably undertaken to vote in favour of the resolutions required for Emira to exercise the Tranche 2 Subscription Option. A circular to provide shareholders with information relating to the Tranche 2 Subscription Option is currently being drafted and is expected to be to posted to shareholders during or about November 2024.

Capital management and liquidity

As at 31 August 2024 the Fund had unutilised debt facilities of R300m together with cash-on-hand of R144m. The Fund's liquidity will be bolstered by the proceeds to be received from the properties currently under contract for disposal net of the debt to be permanently settled for those properties which have been mortgaged.

The Fund's loan-to value ratio ("LTV") has increased to circa 43,4% as at 31 August 2024 (March 2024: 41,2%) because of the DL Invest Tranche 1 Subscription, which was partially offset by the property disposals transferred during the period. The LTV will reduce once the properties currently under contract for disposal have transferred and proceeds received are used to reduce debt.

Conclusion

The Fund is on track to achieve most of its objectives for FY25.

Emira expects to release its results for the half year ended 30 September 2024 on Thursday, 14 November 2024.

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

Bryanston
26 September 2024

questco
CORPORATE ADVISORY

Equity and Debt Sponsor