NEWS RELEASE FROM EMIRA PROPERTY FUND LIMITED

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Emira's positive dividend growth continues with on-target half-year performance

Emira Property Fund today reported a 3.1% year-on-year increase in distributions for its half-year ended 31 December 2018, improving its distribution growth, delivering on its market guidance, and continuing its upward dividend growth trajectory.

Its consistent set of interim results deliver on Emira's market guidance. The performance is driven by progress from its stated strategies of optimising portfolio metrics, and improving the defensiveness of its income streams by rebalancing its portfolio of assets out of offices, recycling underperforming capital into yield-accretive investment in the USA and diversifying into residential property locally.

Geoff Jennett, CEO of Emira Property Fund, notes that the diversified REIT's international and residential strategies, which are well progressed, are helping Emira to counter the effects of challenging local conditions and an uncertain political economy that is impeding growth.

Jennett comments: "Shifting a fund is easier said than done, but we have successfully repositioned Emira. We have set strategies and stuck to them. This sharp focus has delivered good results and helped to push our dividend growth higher despite the persistently tough local trading conditions throughout the period."

Emira's emphasis on improved portfolio metrics included aggressive vacancy management and leasing, which reduced portfolio vacancies from 4.5% in the prior half-year to 3.7%. Office vacancies improved significantly from 9.4% at 31 December 2017 to 5.6% a year later.

It also achieved a high tenant retention rate of 88%, up from the 75% recorded 12 months earlier. New letting and contractual escalations saw Emira's stable portfolio notch up like-for-like net income growth of 3.8%. Emira also maintained and improved its portfolio, enhancing its quality and attractiveness, with R62.4m of major projects during the six months, excluding its The Bolton residential conversion.

Completing the rebalancing of its portfolio out of lower grade offices, Emira disposed of a R1.8bn 25-office-asset portfolio to Inani Prop Holdings. Inani is 51% owned by Zungu Investment Company (Zico), a 98% black-owned and Level 1 B-BBEE entity, and 29% by Boyno Trade and Invest, a subsidiary of One Property Holdings. Emira owns the remaining 20%. After Competition Commission approval was received late in December 2018, the first 11 assets of R701.8m transferred to Inani on 4 January 2019. The remaining transfers should take place well before Emira's June 2019 year-end.

"This strategic transaction reduces Emira's office exposure from 35.7% to a low 25% of total assets. It has meaningfully changed our portfolio, leaving us with a very manageable 20 office buildings which are all P and A grade," notes Jennett.

Emira closed the year with 104 directly held South African properties valued at R12.7bn, including the 25 office buildings for the Inani transaction, which had yet to transfer. Its gross cost-to-income ratio increased slightly from 36.4% to 37.3%, because of higher rates charges which were not recoverable.

Enyuka, Emira's rural retail property venture with One Property Holdings, which holds R1.1bn of lower LSM shopping centre assets, contributed R37.5m to Emira's distributable income.

Emira increased its international exposure to 10.8% of its balance sheet during the year, with its steadily growing US investment now representing 5% of its total assets or USD50.5m.

Income from its co-investment in the equity of a portfolio of grocery-anchored dominant value-orientated convenience retail centres in robust markets in the US totalled R30.1m. The portfolio now comprises six assets. The most recent asset to transfer in December 2018 is Truman's Marketplace shopping centre in Grandview, Missouri. Emira invested a total USD6.1m for 49.5% equity interest in Truman's Marketplace at an expected initial equity yield of 11.1% per annum.

"While Emira holds the minority share in each US asset, it is important to remember that we are active investors with a veto vote on all significant asset management decisions in every instance," points out Jennett. Emira only co-invests with successful hands-on specialists in their respective fields.

Distributions from Growthpoint Properties Australia (GOZ) were down 8% after Emira sold GOZ units during the period in addition to those it sold in June 2018 to take advantage of the A-REIT's record-high share prices. The distribution per unit from the underlying GOZ units, however, increased by 3.6%. Emira's remaining investment of 3.3% of total GOZ units in issue is valued at R918.1m, which represents a 161.5% increase on its initial investment.

Emira began its first foray into residential property investment in FY18 with the residential conversion of the ex-Sasol Rosebank offices in a co-investment arrangement with the Feenstra Group. The Bolton apartments will be valued at an estimated R207m when completed in May 2019. Building on its asset diversification, Emira increased its exposure to the residential rental sector during the half-year by taking a 34.9% stake in JSE Alt-X listed Transcend Residential Property Fund.

Emira benefits from access to diversified sources of funding and has facilities with all South Africa's major banks. It also has access to funding via debt capital markets at competitive rates. Emira's gearing ratio was slightly above its 40% upper gearing benchmark, however, this will reduce rapidly. When the first tranche of office disposals transferred to Inani on 4 January 2019, it returned to sub-40% levels and is set to be around 37% before the end of FY19.

"Factoring in the market conditions for the year ahead, we expect vacancies and rental reversions to remain under pressure. Despite this, Emira has built a base for greater distribution growth and remains on track to deliver distribution growth for our shareholders in the second half at similar levels to those achieved in the first half. We will continue to deliver on our stated strategies," concludes Jennett.

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