8.8% half-year distribution growth for Emira

On Wednesday, 17 February, Emira Property Fund Limited announced 8.8% growth in distributions per share for its half-year to December 2015.

Geoff Jennett, CEO of Emira Property Fund

The JSE-listed SA REIT (real estate investment trust) reported solid metrics for its interim results including a continued low vacancy rate of 4.7% and an especially high tenant retention of 82%. Emira's interim performance takes its net asset value growth over the past five years to 12.4% compounded per annum.

Geoff Jennett, CEO of Emira Property Fund, attributes its positive results to its improved portfolio occupancy, acquisitive growth and contractual escalations on most of its portfolio. Increased income from Emira's investment in Growthpoint Properties Australia (GOZ) also supported its distribution growth.

Strong management team

Commenting on the results, Jennett says: "Emira's performance is driven by a solid core portfolio of properties that is better than ever thanks to our portfolio additions and redevelopments, a clear strategic vision and a strong management team."

Jennett confirms that, despite the further weakening of the South African economy, Emira is on track to continue its past performance and deliver similar distribution growth for its full year in line with original guidance.

He adds: “We’re heading for even tougher times, but Emira is well positioned with a strong portfolio, good strategy and skilled team. We’re sticking to solid fundamentals and targeting opportunities which present themselves for prudent growth that supports shareholder value”.

This growth, says Jennett, will continue Emira’s current portfolio diversified balance across the traditional property sectors of office, retail and industrial as well as offshore REIT holdings. It will also cautiously begin Emira’s low-risk consideration of non-traditional sectors, which could include residential property, among others.

Balanced portfolio

Emira is a diversified mid-cap REIT invested in a balanced portfolio of office, retail and industrial properties. Its assets comprise 146 properties valued at R13bn. Emira is also internationally diversified through its 4.9% direct holding in ASX-listed GOZ, valued at R942,7m. Combined, its total assets come to R14bn.

During the period Emira improved its steady record of low vacancies to 4.7% from 4.9% at the prior half year and 5.1% at the end of December 2013. “This is thanks to focused leasing in the office sector, an emphasis on retaining tenants and disposing of non-core properties,” says Jennett.

Emira’s properties across all sectors – office, retail and industrial – have vacancies well below those of the latest SAPOA national levels. Its industrial portfolio vacancies stand at 1.7% compared with SAPOA’s 4%. Emira’s industrial properties across the Cape Town and Durban regions are all fully occupied. Emira’s office sector vacancies are 9.3% compared with SAPOA’s 10.5% and its retail sector vacancy of 3% remains below the SAPOA national level of 5.3%. Furthermore 82% of leases expiring during the period, by revenue, were renewed.

Non-core property disposals

Emira continued its efficient recycling of capital with strategic non-core property disposals. It reinvests the proceeds in strategic acquisitions, developments and upgrades.

It entered into agreements to dispose of R421m worth of properties during its half-year and acquired properties to the value of R240m.

Emira acquired a 50% undivided share in Mitchells Plain Shopping Centre in the Western Cape for R75,3m at an initial yield of 9.3%. It also secured a 50% undivided share in five buildings comprising Summit Place, the P-grade commercial development in Menlyn, Pretoria, totalling R403m at an average yield of 8.14%. The first two completed buildings transferred to Emira in December 2015. The remaining three buildings, which include both office and retail space, will be developed by Emira and its partners for completion in January 2017.

Emira also has R515,1m of property redevelopments and extensions currently underway. This demonstrates Emira’s strategy to continually upgrade its portfolio and extract value from existing bulk.

Most significant redevelopments

Its two most significant redevelopments include Kramerville Corner and Knightsbridge Manor office park, both in Gauteng. Kramerville Corner, Sandton, will be completely upgraded and refurbished by the end of next month (March 2016) in a R69,4m project. Emira’s R795m phased redevelopment of Knightsbridge in Bryanston, from a 10,000sqm B grade office park to 30,000sqm of P grade green certified offices, started in November 2015. The first building, which is 50% pre-let, is scheduled for completion in May 2017. The rest of the project will be developed in line with tenant and market demand at the time.

Emira continued to successfully access diverse sources of funding at competitive rates, giving it liquidity to take advantage of opportunities arising.

At the close of the half-year, Emira continued to hold a moderate level of gearing with a loan-to-value ratio of 33.7%. In addition, 84.9% of its debt is fixed for an average duration of 3.1 years.

Jennet notes that, in a rising interest rate environment, Emira will continue its attentive and cautious debt management strategies. In particular, it will guard against the rising cost of debt by keeping its fixed debt around 85% of total debt and its gearing level to well below 40%.

Jennett says: “Property is a long-term asset and Emira also takes a long-term approach to funding.”

Income from Emira’s GOZ investment increased by 21.8% as a result of its increased distributions and the ZAR’s depreciation against the AUD.

Jennett concludes: “Having achieved a solid base with our core property portfolio, we have new vigour and drive to achieve meaningful growth in earnings and asset values for Emira as a balanced, diversified REIT that creates value for our shareholders.”