

Emira's strategic selling of The Bolton residential units makes good progress

Issued by [Catchwords](#)

19 Sep 2023

Emira Property Fund (JSE: EMI) is over the halfway mark in selling the 282 apartments in its groundbreaking office-to-residential conversion, The Bolton in Rosebank, Johannesburg, as it continues its ongoing programme of strategic capital rotation.



Emira's investment strategy for The Bolton has created excellent value for its stakeholders. The REIT invested R125m in the conversion of the former office building worth some R80m at the time. It has earned an average of R17m of income every year from the property since the redevelopment began to be tenanted in late 2018. Now, on exit on a sectional title basis, the total sales price for the 282 units is expected to be close to R327m.



Geoff Jennett, CEO of Emira Property Fund

"At Emira, asset recycling is always an option we consider when making investments. Emira has completed a full cycle with The Bolton, transforming offices into residential units and fully leasing them, and now reaching the stage where we felt the best use of this capital was to sell off on an individual sectional title basis and reallocate the proceeds to other strategic investments," explains Emira Property Fund CEO, Geoff Jennett.

Unit sales are progressing well. Emira's appointed specialist partner IGrow began selling in October 2022 and around 149 units had transferred by the end of August 2023. Another 69 units are under agreement. At this pace, Emira could be completely sold out of The Bolton in the next 12 to 18 months.

Sales are supported by the strong rental market in Rosebank for these apartments - on an individual, sectionalised basis - allowing Emira to realise its economic ambitions by selling the units individually and using the capital in other ways. One of these ways it is using the proceeds is to acquire the minority interest in Transcend Residential Property Fund that Emira doesn't already own, as signalled in its recent Scheme of Arrangement announcement. Emira is also parking the proceeds in its revolving debt facilities, ready for future endeavours that it finds attractive.



Emira recently gained control of Transcend, which means residential assets now comprise around 15% of its total assets, which is on the higher end of its preferred allocation of 10% to 15%. Unit sales at The Bolton, which focused on a separate market to the Transcend portfolio, provide an ideal opportunity to lighten Emira's exposure to this sector.

Emira's diversified portfolio is balanced to deliver stability and sustainability through different cycles with a mix of assets across sectors and geographies, and through direct property holdings and indirect property investments with specialist third-party co-investors. Approximately 18% of Emira's asset base is made up of equity investments in grocery-anchored open-air convenience shopping centres in the USA.

Based on the success of its value-adding investment in The Bolton, Emira would consider similar projects in the future, where both the returns and risk levels are appropriate. This joint venture with a residential specialist, the Feenstra Group, has fulfilled expectations.

"We are in favour of initiatives like this, which was a pilot project for us, and have gained in many ways from this experience, which we will put to good use in the future. This is a good example of Emira identifying and working the opportunity, from the office-to-residential conversion to sectionalising and selling, so that capital can be redeployed to create value strategically again and again," concludes Jennett.

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