



**INDUSTRIALS REIT LIMITED**

(Formerly Stenprop Limited)

(Registered in Guernsey with registration number 64865)

LSE share code: MLI JSE share code: MLI

ISIN: GG00BFWMR296

29 October 2021

**MLI trading update Q2 FY22**

**MLI Portfolio increases to 92% with a further seven acquisitions over quarter.**

Industrials REIT Limited (“**Industrials REIT**” or the “**Company**”), the UK multi-let industrial (“**MLI**”) property company, today publishes a trading update on its UK MLI portfolio for the period 1 July 2021 to 30 September 2021 and up-to-date information on transactions and rent collection across the Company's whole portfolio.

**Commenting on the trading update Paul Arenson, CEO of Industrials REIT, said:**

“This has been another strong period of rental growth across the MLI portfolio, resulting in a fourth successive quarter of 20%+ average rental uplifts at renewal or upon reletting. This growth continues to be driven by a combination of strong tenant demand and a lack of available product in the market, leading to customers competing for space when good quality units become available. Occupancy levels remain strong and the underlying estimated rental levels are currently showing an underlying growth rate of 6.5% year on year.

“We also made good progress transactionally, successfully completing the £55 million disposal of our largest remaining non-MLI asset during the quarter taking our total MLI percentage to 92% having also deployed £36.5 million into seven new MLI estates. Since the quarter end, we have successfully closed on a further £18 million of new MLI purchases in Stockton on Tees, Birkenhead and Coatbridge and have a strong pipeline of potential MLI opportunities heading into the second half of the financial year.

“Following the rebrand of the Company to Industrials REIT in September, we now enter the second half of the financial year during which we expect to move to the premium segment of the Main Market of the London Stock Exchange in early 2022, and complete the sale of our remaining two non-MLI properties to complete our four-year transition into a 100% multi-let industrial company. Going forward, our focus will be on scaling the business and enhancing returns through our Industrials Hive operating platform.”

## **Strong demand continues to drive up rents**

- Another strong quarter of leasing activity during which we recorded a 27% weighted average uplift on the previous passing rent on new lettings and 17% on lease renewals, averaging 21% across all leasing transactions (previous quarter: 18% and 25% respectively, averaging 21% across all transactions).
- Rental incentives remain low on new lettings and renewals with average rent-free incentives of 1.1 months on an average lease term of 4.2 years and 3.6 years to earliest break (previous quarter: 1.6 month rent free on an average term of 4.4 years and 2.7 years to earliest break).
- Like-for-like passing rent was stable during the quarter (previous quarter: +2.50%) and up 6.70% over the past 12 months. The average passing rent of £5.57/sq ft has been diluted down marginally during the quarter due to new acquisitions with lower than average passing rents (previous quarter: £5.60/sq ft), whilst rents generally remain highly affordable.
- The like-for-like estimated rental value of the portfolio increased to 6.5% in the 12 months to 30 September 2021, resulting in a 9.8% premium to the average passing rent (previous quarter: 5.5% like-for like growth and a 10.1% premium to passing rent).
- Occupancy across the MLI portfolio decreased by 0.8% to 93.9% as at 30 September 2021 (30 June 2021: 94.7%, 31 March 2021: 93.7%, 31 December 2020: 93.1%). Two large lease expiries in September were accountable for 1.3% of the fall in occupancy, meaning that over the remainder of the portfolio occupancy improved by 0.5% during the period.
- £1.18 million per annum of rental income was contracted through 26 new lettings and 27 lease renewals over 170,081 sq ft (previous quarter: £1.44 million of new income over 39 new lettings and 27 renewals on 213,519 sq ft). In addition, a further 13 lettings across 72,963 sq ft of space had exchanged by the quarter end (previous quarter: four deals over 30,000 sq ft), taking the total amount of space upon which new leases were completed or exchanged to 243,000 sq ft (previous quarter: 243,500 sq ft).
- 47% of completed leases were contracted through Industrials REIT's short-form digital 'Smart Leases', whilst 70% of leases signed included at least a 3% annual uplift in rent throughout the term of the lease (previous quarter: 75% of new leases were Smart Leases, whilst 71% of leases signed contained 3% fixed uplifts).

## **Asset management highlight**

We successfully renewed two leases to a single national trade counter operator at Excelsior Industrial Estate, Glasgow. The tenant is the largest tenant at the estate with over 32,000 sq ft of space in two units, and their new lease was for a further 10 years (break at five) with an uplift in rent of £19,295 p.a, reflecting an increase of 8.8% on the previous passing rent and a premium of 8.5% to the ERV set when the estate was acquired in September 2020.

### Strong demand and a record pipeline of potential lettings

- At quarter end there were 86 leasing transactions under offer on over 415,980 sq ft of space (previous quarter: 76 transactions over 286,000 sq ft of space), of which 254,814 sq ft related to new lettings and 161,166 sq ft to existing customer renewals (previous quarter: 113,000 sq ft and 173,000 sq ft respectively).
- During the quarter, average weekly leasing enquiries were 0.5% higher compared to the last quarter (previous quarter: -18%), largely because of changes in our digital marketing strategy to focus on fewer but higher quality enquiries.
- The same changes also impacted industrials.co.uk where users were down -8.7% over the quarter (previous quarter: -14%), albeit still up 7.6% year on year.
- Number of leads increased by 3.9% over the quarter (previous quarter: down 18.4%), as our lead quality changes start to bear fruit.

### Rent collections continue to improve

Industrials REIT can report the following rent collection statistics which show the improving trend of total rents collected for each invoicing period since the outbreak of the pandemic as at close of business on 22 October 2021.

Country/ Sector	Total Rents (2020/2021)							Total
	April- June	June - Sept	Sept - Dec	Dec - Mar	Mar - June	June - Sept	Sept - Dec	
UK MLI	96%	96%	96%	94%	93%	91%	82%	92%
Guernsey Office	100%	100%	100%	100%	100%	100%	n/a	100%
Germany	94%	98%	97%	83%	98%	99%	99%	94%
Switzerland	17%	66%	61%	11%	22%	44%	50%	38%
<b>Total</b>	<b>93%</b>	<b>96%</b>	<b>95%</b>	<b>90%</b>	<b>93%</b>	<b>91%</b>	<b>82%</b>	<b>92%</b>

MLI collections for all periods in 2020 are now ahead of our target of 95% of rent collected vs originally billed, whilst 2021 is trending towards similar levels as tenants are paying faster and bad debts have continued to reduce. We expect this situation to continue to improve as we move towards the end of government restrictions on bad debt enforcement which are due to expire on 31 March 2022.

### A strong pipeline of MLI opportunities

Seven new MLI estates totalling £36.5 million were acquired this quarter as well as the significant disposal of Trafalgar Court in Guernsey:

- **Acquisition of Bradley Hall Trading Estate in Wigan** on 2 July 2021 for £20,600,000, reflecting a net initial yield of 6.4% and a capital value of £67 psf on the buildings and £9 psf on the yard areas. <sup>1</sup>

- **Acquisition of Whitacre Industrial Park in Huddersfield** on 21 July 2021 for £2,300,000, reflecting a net initial yield of 6.7% and a capital value of £94 psf. This estate adjoins an existing estate owned by Industrials REIT (the Ellis Hill Industrial Estate), taking our total holding in the area to over 100,000 sq ft over 18 units.<sup>1</sup>
- **Acquisition of Duke Portfolio** on 5 August 2021, comprising of five purpose-built MLI estates for £13,600,000 million, reflecting a net initial yield of 6.7% and a capital value of £60 psf. The Duke Portfolio totals 225,139 sq ft, with an average unit size of 3,300 sq ft, and is currently 82% let to 54 tenants. The portfolio generates a total annual passing rent of £1,050,000, equating to an average rent of £5.69 psf. The individual assets are: two estates both called Acorn Industrial Estate in Hull; Corringham Road Industrial Estate in Gainsborough; Motherwell Food Park in Bellshill; and Caldwellside Industrial Estate in Lanark.<sup>1</sup>
- **Disposal of Trafalgar Court, Guernsey** on 2 September 2021 for a price which reflected an asset value of £55 million vs a March 2021 valuation of £56 million.<sup>1</sup>

In addition, since the quarter end we completed on a further £18 million of MLI acquisitions as follows:

- **Acquisition of Arkgrove Industrial Estate in Stockton on Tees** on 22 October 2021 for £4,200,000, reflecting a net initial yield of 6.5% and a capital value of £78 psf.
- **Acquisition of Junction 1 Industrial Estate in Birkenhead** on 27 October 2021 for £10,800,000, reflecting a net initial yield of 7.1% and a capital value of £64 psf.
- **Acquisition of Dundyan Industrial Estate in Coatbridge** on 28 October 2021 for £3,000,000, reflecting a net initial yield of 7.8% and a capital value of £75 psf.

In addition to the above transactions, at the time of this announcement we have a further two industrial estates under offer with a combined value of £13.6 million and a strong pipeline of further potential purchases.

As at close of business on 30 September 2021, Industrials REIT's loan-to-value ratio (LTV) was 32% on drawn facilities, and approximately 22% when allowing for unrestricted cash<sup>2</sup>.

## Notes

The financial information on which this trading update is based has not been reviewed or reported on by the Company's external auditors.

<sup>1</sup>This transaction has already been announced in a previous RNS and SENS or Trading Update. For full details please visit <https://www.industrialsreit.com/investor-information/ms-feed/>

<sup>2</sup> Calculated as gross borrowing less unrestricted cash, divided by gross asset value based on our 31 March 2021 valuations adjusted for subsequent acquisitions and disposals and changes in foreign exchange rates. Unrestricted cash is cash and cash equivalents after deducting amounts for service charge, tenant deposits and cash held in debt service accounts.

To receive details of all future announcements made by Industrials REIT, please add your name and email address to our Investor News email list at <https://www.industrialsreit.com/contact-us/subscribe-for-latest-news/>

For further information:

### **Industrials REIT Limited**

Paul Arenson (CEO) [paul.arenson@industrials.co.uk](mailto:paul.arenson@industrials.co.uk)

Julian Carey (Managing Director) [julian.carey@industrials.co.uk](mailto:julian.carey@industrials.co.uk)

James Beaumont (CFO) [james.beaumont@industrials.co.uk](mailto:james.beaumont@industrials.co.uk)

### **Numis Securities Limited (Financial Adviser)**

+44 (0)20 7260 1000

Hugh Jonathan

Vicki Paine

### **FTI Consulting (PR Adviser)**

+44 (0)20 3727 1000

Dido Laurimore

Richard Sunderland

Richard Gotla

Neel Bose

[Industrialsreit@fticonsulting.com](mailto:Industrialsreit@fticonsulting.com)

### **Java Capital (JSE sponsor)**

+27 (0)11 722 3050

### **About Industrials REIT:**

Industrials REIT is a UK REIT listed on the Specialist Fund Segment of the London Stock Exchange and the Johannesburg Stock Exchange. We specialise in the ownership and operation of UK multi-let industrial (MLI) property. Our purpose is to revolutionise the MLI sector in the UK for the benefit of our stakeholders. Our goal is to become the leading MLI business in the UK. For further information, go to [www.industrialsreit.com](http://www.industrialsreit.com).