



STENPROP LIMITED

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MLI TRADING UPDATE Q2 FY21: VACANCY FALLS AND RENTS RISE

Stenprop Limited (“**Stenprop**” or the “**Company**”), the UK multi-let industrial property company, today publishes a trading update on its UK multi-let industrial (“**MLI**”) portfolio for the period from 1 July 2020 to 30 September 2020 and up-to-date information on transactions and rent collections across the Company's whole portfolio.

Commenting on the trading update Paul Arenson, CEO of Stenprop said:

“The continued high demand for our product, which reflects the quality of our MLI portfolio and our asset management team, has enabled us to deliver a trading update today that is characterised by strong rental growth, high levels of rent collection and a further reduction in vacancy. Whilst we draw confidence from this performance over recent months, we are also aware of the threat from the pandemic and Brexit and the uncertainty this brings, particularly as we enter the winter months.”

“Our transition to a 100% MLI company by March 2022 remains on track, with our portfolio exceeding five million sq ft for the first time during the quarter following several significant acquisitions. We were also pleased to complete the first disposal of a German retail park which was achieved at a premium to book value and have the remaining German retail assets under offer.”

Continued strong demand for MLI driving rental growth and improving occupancy

- Further improvement in occupancy across the MLI portfolio to 93.3% as at 30 September 2020 (30 June: 92.0%, 30 March: 91.0%).
- Like-for-like passing rent up 2.5% during the quarter (previous quarter: 1.0%) and 5.1% over 12 months.
- £1.48 million per annum of new rental income¹ contracted through 58 new lettings (previous quarter: 25) and 19 lease renewals (previous quarter: 17) over 205,299 sq ft.
- 16% average uplift on the previous passing rent on new lettings (previous quarter: 22%) and 16% on lease renewals (previous quarter: 20%).

- Average rental incentives on all new lettings and renewals was 2.5 months on an average lease term of 3.6 years (2.6 years to earliest break) (previous quarter: 3.1 months on term of 4.2 years (3.4 years to earliest break)).
- As at 30 September 2020, the average passing rent of the portfolio was £5.34/sq ft, compared to an estimated rental value of £5.87/sq ft. This reflects a 9.9% premium to the average passing rent at quarter end, illustrating the built-in reversion within the portfolio.
- The most significant transactions completed were a new letting on 16,600 sq ft at Poulton Close Business Centre in Dover, on a five-year term certain.
- We have also supported several customers requiring more space during the pandemic, most notably at Coningsby Business Park in Peterborough, where we let an additional 28,300 sq ft to two existing customers.

Our Industrials.co.uk portal experienced significant gains in traffic and enquiries

- 31% increase in direct leasing calls on our own portal (previous quarter: +36%).
- Total direct enquiries received across all channels (e.g. portals, website, calls and emails) up 37% versus the previous quarter.
- Industrials.co.uk website user numbers up 19% versus the previous quarter, with the number of pages maintained from last quarter indicating a higher quality of visitor with strong buying intent.

Strong leasing momentum continues into third quarter

- 49 deals were under offer at the end of the quarter over a total of 208,000 sq ft of space (previous quarter: 44 deals on 131,000 sq ft).
- A further nine deals had exchanged and were awaiting completion on a total of 20,000 sq ft (previous quarter: 11 deals over 48,000 sq ft).

Rent collections continue to improve

As at close of business on 21 October 2020, Stenprop can report the following rent collection statistics:

County / Sector	Monthly Rents (2020)							Quarterly Rents (2020)			Total
	April	May	June	July	August	September	October	Apr - Jun	Jul - Sep	Oct - Dec	
UK MLI	88%	84%	85%	85%	86%	81%	68%	92%	90%	70%	84%
UK Urban Logistics								100%	100%	97%	99%
Guernsey Office								100%	100%	100%	100%
Germany	86%	87%	92%	98%	97%	99%	99%				94%
Switzerland	0%	0%	50%	50%	50%	100%	100%				50%
Total	81%	81%	86%	89%	89%	91%	84%	95%	94%	80%	88%

Across the MLI portfolio the October quarterly rents collected as at 21 October (22 days after the due date) reflected 70% of rents billed. As at the equivalent date after the March and June quarter days the rent collections stood at 64% and 66% of rents billed respectively, illustrating the improving picture of payment.

Stenprop has now collected 88% of rents due since April 2020 to date and has agreed to defer a further 1% until a later date.

Strong progress in building MLI portfolio and non-core asset sales

Stenprop took advantage of disruption in the investment market to secure four new MLI acquisitions during the quarter totaling £36 million and 436,000 sq ft of MLI space, taking the total MLI portfolio to over five million sq ft for the first time. We also completed the sale of the first of our Berlin retail centres, which collectively means that MLI now comprises approximately 63% of Stenprop's total property portfolio.

- **Disposal of Neucölln Carrée Retail Park in Berlin at above book value** – on 30 September 2020 we completed the disposal of Neucölln Carrée Retail Park for €27 million, releasing approximately €15.5 million of sales proceeds. The sale reflected a €3.6 million (15%) premium to the 31 March 2020 book value.

- **Acquisition of Tunstall Trade Park in Stoke-on-Trent** - on 14 September 2020 we completed the purchase of this asset for £5,900,000, reflecting a net initial yield of 6.25% and a capital value of £104 psf.
- **Acquisition of Excelsior Industrial Estate in Glasgow** - on 9 September 2020 we completed the purchase of Excelsior Industrial Estate for £5,200,000, reflecting a net initial yield of 6.95% and a capital value of £85 psf.
- **Acquisition of St Andrews Industrial Estate in Glasgow** - on 31 July 2020 we completed the purchase of St Andrews Industrial Estate for £5,500,000, reflecting a net initial yield of 7.3% and a capital value of £75 psf.
- **Acquisition of Bowthorpe Park Industrial Estate in Norwich** - on 21 July 2020 we completed the purchase of Bowthorpe Park for £19,600,000, reflecting a net initial yield of 6.35% and a capital value of £80 psf.

The above transactions have already been announced as and when they happened. For full details please visit <https://stenprop.com/investors/regulatory-news-service/>

Significant cash balances and low LTV

As at close of business on 30 September 2020, Stenprop's loan-to-value ratio (LTV) was 38% on drawn facilities, and approximately 31% when allowing for free cash².

Other assets performing well

- Europa Drive, Sheffield – renewed a lease on a 41,000 sq ft industrial property to John Menzies plc. The lease is for a term of 10 years which is subject to tenant break options after years 3 and 5. The new rent is £260,000 per annum, reflecting a 4% premium to the previous passing rent.
- Trafalgar Court, Guernsey – settled a 1 July 2020 rent review at £36.50 psf, reflecting a 0.7% uplift and delivering additional rental income of £21,700 per annum. We also completed a lease renewal on a small office suite at an annual rent of £9,423 per annum, reflecting a 4.7% uplift on previous passing rent.

Julian Carey, Managing Director, commented:

“Over the last quarter we saw the strong MLI demand witnessed in June convert into lettings and bring our MLI vacancy down significantly. The strength of demand has allowed us to maintain, and in some cases increase our quoting rents without giving away higher incentives. It has also helped us in our dealings with current customers and progress the collection of historic rent arrears. Against this backdrop of strong tenant demand, we have also started to facilitate the natural rotation of new businesses which are well placed to thrive in the current climate in place of those that are experiencing difficulties and needing to downsize or leave.

“Our Industrials platform continues to develop rapidly, providing us with invaluable live insight on market conditions and portfolio performance, and enabling us to react and transact quickly via the use of our digital Smart Lease. Enquiry levels over the quarter reached record highs as demand for industrial space grew in the aftermath of the first wave of Coronavirus. Whilst we successfully capitalised on this opportunity to bring our vacancy rate down over the period, we remain cautious and prepared for new challenges as we enter the second wave of the pandemic.

“Rent collections remain resilient, with levels stabilising around the 90% collection mark. UK Government intervention prevents significant additional action against the remaining debtors, but we believe that a material percentage of these will pay given their continued trade from the premises when normal landlord/tenant relations resume. Our strategy remains to maintain regular dialogue and to closely monitor the situation.

“The pipeline of potential acquisitions is the strongest it has been for over 12 months, and with over 60% of our portfolio now in the multi let industrial sector, we remain on course for our target 100% weighting in around 18 months’ time.”

Notes

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

¹ Contractual Rental Income represents the annual income secured from a lease contract ignoring any incentives and break options in the lease.

² Calculated as gross borrowing less unrestricted cash, divided by gross asset value based on our 31 March 2020 valuations adjusted for subsequent acquisitions and disposals and changes in foreign exchange rates.

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About Stenprop:

Stenprop is a UK REIT listed on the LSE and the JSE. The objective of the Company is to deliver sustainable growing income to its investors. Stenprop's investment policy is to invest in a diversified portfolio of UK multi-let industrial (MLI) properties with the strategic goal of becoming the leading MLI business in the UK. For further information, go to www.stenprop.com.