

**INDUSTRIALS REIT LIMITED**  
(Formerly Stenprop Limited)  
(Registered in Guernsey with registration number 64865)  
LSE share code: MLI JSE share code: MLI  
ISIN: GG00BFWMR296  
("Industrials REIT" or the "Company")

29 April 2022

**MLI trading update Q4 FY22**  
**Continued strong demand for affordable MLI space drives a record quarter of lettings**

Industrials REIT Limited, the UK multi-let industrial ("MLI") property company, today publishes a trading update on its MLI portfolio for the period 1 January 2022 to 31 March 2022 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:**

"We have had a record quarter for deal volumes following several substantial leasing transactions in Ashby de la Zouch and Paddock Wood. Even without these, the volumes were in line with previous quarters illustrating the continued depth of demand for MLI space across the UK. Average uplifts in rent across all new lettings and renewals averaged 22% for the quarter, with a record high of a 34% average uplift in rent on new lettings where competitive tension is the highest.

"Correspondingly we have seen an increase in like-for-like rents of 1.5% during the quarter and delivered our target income growth of 4-5% per annum. With a backdrop of strong demand and scant new supply of MLI space, coupled with the affordability of our rents as a proportion of our typical SME client's operating costs, we see the potential for further rental growth continuing for the foreseeable future.

"Elsewhere, the lifting of the moratorium on taking action to recover unpaid rents on 26 March 2022 has restored the balance between landlords and tenants. Rent collections on the MLI portfolio from early in the pandemic are now 97%, with more recent periods indicating a path back towards pre-Covid collection rates of 98%+. Whilst Industrials REIT will continue to take a fair and reasonable approach to settling lockdown debts, we are confident that the impact of the pandemic upon rent collections is now behind us.

"We have had good success in acquiring further MLI estates for our portfolio this quarter, with £21 million of acquisitions and a strong pipeline of opportunities. We continue to buy assets at well below replacement cost with attractive cash flows and prospects for further rental growth and accretive asset management."

**Record quarter for transactions volumes**

- The total rental value of new leases signed during the quarter was up 90% to £2.9 million across 54 new lettings and 32 lease renewals over 399,326 sq ft, a record value of deals as the asset management team completed on the strong pipeline of under offer transactions that were under offer at the start of 2022 (previous quarter: up 31% to £1.54 million of new income over 43 new lettings and 17 renewals on 238,009 sq ft). In addition, a further 17 lettings or renewals across 54,044 sq ft of space had exchanged by the quarter end (previous

quarter: 11 deals over 21,889 sq ft), taking the total amount of space upon which new leases were completed or exchanged to 453,000 sq ft (previous quarter: 260,000 sq ft).

- At 31 March 2022, there were a further 436,000 sq ft of new lettings and renewals under offer across 89 transactions (previous quarter: 518,000 sq ft of space over 91 transactions), of which 142,000 sq ft relates to new lettings and 294,000 sq ft to existing customers renewing their leases (previous quarter: 283,000 sq ft and 235,000 sq ft respectively).
- 22% average uplifts in passing rent of 22% upon letting or renewal, driven by particularly strong results on new lettings with average uplifts of 34% (previous quarter: 22% overall, 22% on new lettings). Renewals averaged uplifts of 16% over the previous passing rent (previous quarter: 21%). This is the sixth successive quarter where average uplifts on new lettings have been over 20%, whilst on average lettings and renewals were completed at a 8.3% premium to Estimated Rental Value (ERV).
- The reversionary potential in the portfolio remains high, with like-for-like ERV growth of +4.3% in the 12 months to 31 March 2022, resulting in a premium between passing rent and ERV of 12.4% (previous quarter: +8.0% like-for like growth and a 13% premium to passing rent).
- Rents continue to track towards the top end of expectations, with like-for-like passing rent +up 1.5% and +4.3% during the quarter and over 12 months (previous quarter: 0.7% and +4.8%) respectively.
- Passing rent across the portfolio remains highly affordable at £5.72/sq ft (previous quarter: £5.68/sq ft).
- The average lease term granted increased to 4.9 years to expiry and 3.7 years to first break, with a nominal average rent-free incentive of 1.2 months on each new lease signed (previous quarter: 4.2 years, 3.1 years and 1.0 months respectively).
- Occupancy across the MLI portfolio remains stable at 93.8% (31 December 2021: 93.8%, 30 September 2021: 93.9%, 30 June 2021: 94.7%, 31 March 2021: 93.7%).
- 53% of completed leases were contracted through Industrials REIT's short-form digital 'Smart Leases', whilst 65% of leases signed included at least a 3% annual uplift in rent throughout the term of the lease (previous quarter: 58% of new leases were Smart Leases, whilst 80% of leases signed contained 3% fixed uplifts).

### **Letting enquiry levels and pipeline remain robust**

- Industrials.co.uk web users were up over 10% over the quarter and up over 8% year-on-year as the level of direct leasing enquiries, and not via third party agents or portals, continues to grow (previous quarter: -9% over the quarter and up 6% year on year).
- Leasing enquiries were up 13% during the quarter, as the market came back into life after the Christmas period (previous quarter: -20%), but remain 20% below the peak levels seen in March 2021. However, the work undertaken over the last year to improve enquiry quality and conversion rates in the leasing process is bearing fruit, with viewings up 20% during the quarter and total transaction volumes at record highs.

### **Asset management highlight**

Dana Trading Estate in Paddock Wood comprises a 209,000 sq ft MLI estate in Kent and is the 3<sup>rd</sup> largest asset in our MLI portfolio by value. Until March 2022 the whole estate was let on a single FRI lease to Unipart Group, the largest single tenant in the portfolio, although they had not been in occupation of the property for many years and had sub-let the entire estate to 14 sub-tenants on co-terminus lease terms.

An early lease surrender was negotiated with Unipart, which included a financial settlement for outstanding repairing liabilities. This opened the way to engaging with the sub-tenants directly and agreeing new lease terms with them directly. As part of this the lease to one tenant was not renewed

as their line of business did not meet our ESG criteria, whilst another customer who makes environmentally friendly cleaning products was upsized into an additional 12,515 sq ft of space.

98% of the estate has now been re-let or is under offer, with the total of the rents on this space reflecting a like-for-like increase of 25% from the previous passing rent and an uplift of over £300,000 per annum in rent. The new leases averaged over 6 years in term (3.5 years to first break), with an average rent-free incentive of 2.3 months.

### Rent collections continue to improve

Industrials REIT can report the following rent collection statistics as at close of business on 25 April 2022.

Rent collected vs billed (%)

County / Sector	Portfolio Weighting	2020			2021				2022	Weighted average
		Apr-Jun	Jun-Sep	Sep-Dec	Dec-Mar	Mar-Jun	Jun-Sep	Sep-Dec	Dec-Mar	
UK MLI	95%	97%	97%	97%	96%	96%	95%	92%	85%	94%
Germany	5%	94%	98%	97%	83%	98%	100%	96%	97%	95%
Weighted average	100%	97%	98%	98%	94%	96%	95%	92%	86%	94%

On 1 April 2022, we went live on a new finance and operating platform which coincided with the date that we in-sourced all accounting and credit collection activities from 3<sup>rd</sup> party suppliers. In addition, on 26 March 2022 the Government lifted the moratorium on taking recovery action for overdue debts outside the protected period (c. March 2020 to July 2021 in England & Wales), and in the three weeks since we have successfully collected over £300,000 of historic arrears. Whilst Industrials REIT will always take a fair and reasonable approach to settling arrears accrued during periods of lockdown, we are confident that the return of ordinary course debt collection measures will deliver continued success in recovering a significant proportion of historic debts.

Going forward we expect rent collections to return to pre-covid levels of around 98% or above of rent billed in a timely manner. This will, however, require a period of adjustment for customers and we will work with them to ensure their behaviour reverts to paying rents when they fall due or face the risk of enforcement action.

### Four more MLI estates acquired during the quarter

Four new MLI estates totalling 260,465 sq ft and £20.86 million<sup>1</sup> were acquired this quarter as follows:

- **Primrose Hill Industrial Estate in Stockton-on-Tees** was acquired on 18 January 2022 for £4,310,000, reflecting a net initial yield of 6.2% and a capital value of £57 psf.
- **Haven Business Centre in Boston** was acquired on 15 February 2022 for £4,000,000, reflecting a NIY of 7.1% and a capital value of £69 psf.
- **Twibell Street Trade Park in Barnsley** was acquired on 29 March 2022 for £5,850,000, reflecting a NIY of 5.25% and a capital value of £106 psf.

- **Astra Park in Leeds** was acquired on 24 March 2022 for £6,700,000 million, reflecting a NIY of 4.8% and a capital value of £93 psf.

Since the quarter end we have also completed on the following acquisition:

- **Units 14-28 at the Primrose Hill Industrial Estate in Stockton-on-Tees** were acquired on 20 April 2022 for £3,100,000, reflecting a net initial yield of 5.2% and a capital value of £104 psf. This 29,717 sq ft estate across 15 units comprises the second phase of Primrose Hill Industrial Estate, the remainder of which was acquired in January 2022, taking the total ownership in the location to 105,000 sq ft across 27 MLI units. The latest acquisition is let to 12 tenants at an average rent of £6.00 psf and offers units of 720 to 7,300 sq ft, with two vacant units totalling 1,550 sq ft providing immediate potential to enhance value and income through the Industrials Hive platform. The vendor was a private property company, and the transaction was concluded on an off-market basis.

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 £7.2 million and a strong pipeline of other potential opportunities.

As at close of business on 31 March 2022, Industrials REIT's loan-to-value ratio (LTV) was 31% on drawn facilities, and approximately 28% 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> These transactions have already been announced in a previous RNS and SENS or Trading Update. For full details please visit:

<https://www.industrialsreit.com/investor-information/rns-feed/>

<sup>2</sup> Calculated as gross borrowing less unrestricted cash, divided by gross asset value based on our 30 September 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.

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**About Industrials REIT:**

Industrials REIT 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. Industrials REIT invests 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.industrialsreit.com](http://www.industrialsreit.com).