

INDUSTRIALS REIT LIMITED
(formerly Stenprop Limited)
(Registered in Guernsey)
(Registration number 64865)
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ISIN: GG00BFWMR296
("Industrials REIT" or the "Company")

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MLI trading update Q3 FY 2022 shows continued strong leasing momentum

-MLI portfolio increases to 95% with a further six acquisitions over the quarter-

Industrials REIT Limited, the UK multi-let industrial ("MLI") property company, today publishes a trading update on its MLI portfolio for the period 1 October 2021 to 31 December 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:

"Despite the onset of the Omicron variant at the end of 2021, we successfully completed one of the busiest periods for new lettings and renewals in the last quarter. This is the fifth successive quarter that we have achieved average uplifts in rent of more than 20% at lease expiry or renewal, illustrating the continued strength of the MLI market, which remains characterised by affordable rents and low levels of supply. These supportive market dynamics and high levels of portfolio activity have helped us deliver like-for-like growth in passing rents at the top end of our 4-5% per annum target.

"We also had a successful quarter for transactions, adding six further MLI estates to the portfolio with a combined value of over £40 million. All the purchases offer attractive income returns, with potential to create value and grow rents over time utilising our operating platform.

"During the quarter, we also disposed of our penultimate non-MLI asset, taking MLI to 95% of our total portfolio. Our last remaining non-MLI asset in Germany is held for sale, and we look forward to completing our transition shortly, in line with our original target.

"We were pleased to move our London listing to the premium segment of the Main Market of the London Stock Exchange in December, another milestone for the Group which we believe will provide access to a broader universe of potential investors. We are now looking forward to the next chapter for the Company where we plan to scale the business and extract greater performance from our assets through our Industrials Hive operating platform."

Strong demand continues to drive up rents

- Another strong quarter of leasing activity during which a 22% weighted average uplift on the previous passing rent was recorded on new lettings, as well as a 21% increase on lease renewals, with an average uplift 22% across all leasing transactions (previous quarter: 27% and 17% respectively, averaging 21% across all transactions).
- 31% increase in the total rental value of new leases signed during the quarter to £1.54 million across 43 new lettings and 17 lease renewals over 238,009 sq ft (previous quarter: £1.18 million)

of new income over 26 new lettings and 27 renewals on 170,081 sq ft). In addition, a further 11 lettings across 22,000 sq ft of space had exchanged by the quarter end (previous quarter: 13 deals over 72,963 sq ft), taking the total amount of space upon which new leases were completed or exchanged to 260,000 sq ft (previous quarter: 243,000 sq ft).

- Rents continue to track towards the top end of expectations, with like-for-like passing rent +0.7% during the quarter and +4.8% over 12 months (previous quarter: 0.0% and +5.0% respectively). Passing rent across the portfolio remains highly affordable at £5.68/sq ft (previous quarter: £5.57/sq ft).
- The reversionary potential in the portfolio continues to grow, with like-for-like Estimated Rental Value (ERV) growth of +8.0% in the 12 months to 31 December 2021, increasing the premium between passing rent and ERV to 13% (previous quarter: +5.1% like-for like growth and a 10.7% premium to passing rent). The growth in ERVs has been bolstered by strong leasing performance at two of the largest assets in the portfolio (Compass Industrial Park, Speke and Dana Trading Estate, Paddock Wood), and by capital investment initiatives at estates in Sheffield, Liverpool and Preston.
- Occupancy across the MLI portfolio remains largely unchanged at 93.8% as at 31 December 2021 (30 September 2021: 93.9%, 30 June 2021: 94.7%, 31 March 2021: 93.7%, 31 December 2020: 93.1%).
- 58% of completed leases were contracted through Industrials REIT's short-form digital 'Smart Leases', whilst 80% of leases signed included at least a 3% annual uplift in rent throughout the term of the lease (previous quarter: 47% of new leases were Smart Leases, whilst 70% of leases signed contained 3% fixed uplifts).

A healthy pipeline of lettings

- A record pipeline of new lettings and renewals under offer at the start of 2022 across 91 transactions and over 500 000 sq ft of space (previous quarter: 86 transactions over 415,980 sq ft of space). Of this, 283,000 sq ft related to new lettings and 235,000 sq ft to existing customers renewing their lease (previous quarter: 254,814 sq ft and 161,166 sq ft respectively).
- Industrials.co.uk website visitors were unchanged over the quarter (previous quarter: -9%) and up 6.1% year on year.
- Leasing enquiries were 20% lower compared to the previous quarter (previous quarter: +0.5%), due to the Christmas period. However, enquiries were up 8.6% when compared to the same period in 2020, whilst average weekly enquiries for the whole of 2021 were 45% higher than in 2020.

Asset management highlight

An extensive capital improvement project at Brasenose Industrial Estate in Liverpool is nearing completion. The Estate is strategically located less than three miles from Liverpool city centre, giving it ready access to a substantial catchment population with strong connectivity. Since purchase in December 2018, the estate has been fully let, but we identified an opportunity to grow rents significantly by investing in the asset.

The improvement works cover c. 42,000 sq ft of MLI space across 15 units and include upgrading the cladding to the roofs and elevations and the replacement of most of the roller shutter doors and windows. Vacant units have further benefitted from a full internal refurbishment including more sustainable LED lighting.

Total forecast expenditure is £575,000, reflecting £13.75 psf, and as a result of the works we have completed or agreed seven new lettings or renewals, generating an additional £59,000 in recurring revenue compared to the previous passing rent. We forecast total additional revenue of £128,000 per annum once all the units are renewed or relet, reflecting an uplift of £3.00 psf on the previous passing rent and delivering a yield on development cost of 22%.

As a result of the works, we have also seen the customer base gentrifying, with space let to specialists in bespoke furniture and e-commerce, as well as a letting to a last-mile grocery delivery business.

Rent collections continue to grow:

Rent collection statistics show the improving trend of total rents collected for each invoicing period since the outbreak of the pandemic as at close of business on 21 January 2022, as follows:

| | | 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% | 94% | 91% | 85% | 94% |
| Germany | 5% | 94% | 98% | 97% | 83% | 98% | 100% | 96% | 97% | 95% |
| Weighted average | 100% | 96% | 97% | 97% | 94% | 96% | 94% | 91% | 85% | 94% |

The rent collection situation continues to improve despite the extra complications introduced because of Omicron (previous quarter: MLI collections 92% overall), and we are looking forward to the end of the government restrictions on bad debt enforcement which are due to expire on 31 March 2022.

Strong investment activity and a healthy pipeline of MLI opportunities

Six new MLI estates totalling £40.26 million were acquired this quarter and we completed the disposal of our penultimate non-MLI asset in Switzerland.

- **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.¹
- **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.¹
- **Acquisition of Dundyvan 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.¹
- **Acquisition of Harmony Court, Glasgow** on 26 November 2021 for £5,250,000, reflecting a net initial yield of 5.6% and a capital value of £109 psf.¹
- **Acquisition of three additional terraces at Belmont Industrial Estate, Durham** on 17 December 2021 for £9,110,000, reflecting a net initial yield of 5.7% and a capital value of £110 psf. These terraces form part of an existing estate owned by Industrials REIT, taking our total holding at Belmont Industrial Estate to over 200,000 sq ft across 68 units.¹
- **Acquisition of Beacon Business Park in Caldicot** on 21 December 2021 for £7,900,000, reflecting a net initial yield of 6.0% and a capital value of £87 psf.¹
- **Disposal of leisure asset, Lugano, Switzerland** on 9 December 2021 for a price which reflected an asset value of CHF12.5 million (c. £10 million).¹

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

- **Acquisition of Primrose Hill Industrial Estate in Stockton-on-Tees** on 18 January 2022 for £4,310,000, reflecting a net initial yield of 6.2% and a capital value of £57 psf.¹

In addition to the above transactions, at the time of this announcement, we have a further three industrial estates under offer with a combined value of £11.2 million and a strong pipeline of other potential opportunities.

Continued low leverage with a flexible balance sheet positioned for growth

As at close of business on 31 December 2021, Industrials REIT's loan-to-value ratio (LTV) was 28% on drawn facilities, and approximately 25% when allowing for unrestricted cash.²

Notes

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

¹This 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/rns-feed/>

² 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.

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/>

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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.