



STENPROP LIMITED

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MLI trading update Q4 FY21 shows continued strong demand for multi-let industrial

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 1 January 2021 to 31 March 2021 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:

“We have had another excellent quarter of leasing activity, during which we have captured strong rental uplifts averaging 20%. Demand for MLI space across the UK is as high as we’ve ever witnessed. Through our operating platform we are successfully capturing and converting this into new customers, which is reflected in the falling vacancy rate.

“The most recent lockdown has had an impact on rent collections, although the impact has not been as severe as we witnessed in early 2020. We remain optimistic that the majority of rents due during this latest lockdown period will ultimately be collected in line with historic rental collection trends seen since the start of the pandemic with amounts due now closing in on high 90% collection levels.

“We are also pleased to have achieved our divestment and investment targets for the year ending 31 March 2021. We completed over £90 million of MLI acquisitions during the period. At the same time our disposal programme continued to be materially ahead of expectations, with our German retail sales transacting at an average 15% premium to 31 March 2020 valuations.

“It has been a strong final quarter for the financial year, and we look forward to reporting our annual results to 31 March 2021 on 11 June 2021, and to setting out a detailed schedule for our transfer from the Specialist Fund Segment to the Premium Segment of the Main Market of the LSE.”

A record quarter for leasing drives improved occupancy and higher rents

- 24% average uplift on the previous passing rent on new lettings and 15% on lease renewals (average: 20% across both).¹
- £1.54 million per annum of rental income¹ contracted through 50 new lettings (previous quarter: 39) and 33 lease renewals (previous quarter: 18) over 212,533 sq ft.
- 75% of leases contracted through Stenprop's short-form digital 'Smart Leases'.
- 78% of leases signed included at least 3% annual uplifts in rent throughout the term of the lease.
- Like-for-like passing rent up 1.8% during the quarter (previous quarter: 0.8%) and up 5.6% over 12 months. Average passing rent up 1.5% to £5.46/sq ft (previous quarter: £5.38/sq ft).
- The estimated rental value of the portfolio increased 4.4% during the quarter to £6.16/sq ft (previous quarter: £5.90/sq ft), resulting in an increased 12.8% premium to the average passing rent, providing enhanced scope for uplifts in rent at lease expiry and renewal (previous quarter: 9.6% premium).
- Rental incentives remain low on new lettings and renewals with average rent-free incentives of under one month on an average lease term of 4.25 years (3.0 years to earliest break).¹
- Occupancy across the MLI portfolio increased to 93.7% as at 31 March 2021 as high demand continues to put pressure on vacancies (31 December 2020: 93.1%, 30 September 2020: 93.3%, 30 June 2020: 92.0%, 31 March 2020: 91.0%).
- Asset management highlight: In January 2021, a comprehensive package of roof works was completed across 29 units totaling 25,028 sq ft at Old Mill Industrial Estate in Preston. The total project cost was £270,000 and since completion our team has concluded six lease renegotiations at rents reflecting a 30% premium to previous passing rents and an 18% premium to our pre-work ERVs. These transactions should enhance the value of the estate by c. £500,000, demonstrating the value which can be created by providing high quality, well-maintained MLI units in densely populated areas.

Strong leasing demand results in a healthy pipeline of lettings under offer

- Average weekly leasing enquiries were 56% higher during Q4 2021 vs Q4 2020.
- Industrials.co.uk website users up 35% over the quarter (previous quarter: +2.2%), and up 75% year on year.
- At quarter end there were 66 leasing transactions under offer on over 234,000 sq ft of space (Q3: 70 transactions over 243,000 sq ft of space), of which 101,000 sq ft related to new lettings and 133,000 sq ft to existing customer renewals.
- A further six lease transactions had exchanged and were awaiting completion on a total of 24,000 sq ft (previous quarter: eight deals over 26,000 sq ft).

Rent collections robust despite lockdown

Stenprop can report the following rent collection statistics which show the total rents collected for each period as at close of business on 23 April 2021.

Country / Sector	Monthly Rents (2020/2021)							Quarterly Rents (2020/2021)					Total
	Apr/ May/ Jun	Jul/ Aug/ Sep	Oct/ Nov/ Dec	Jan	Feb	Mar	Apr	Apr to Jun	Jul to Sep	Sep to Dec	Dec to Mar	Mar to June	
UK MLI	91%	89%	90%	83%	78%	79%	61%	95%	95%	94%	89%	73%	87%
UK Urban Logistics								100%	100%	100%	100%	100%	100%
Guernsey Office								100%	100%	100%	100%	100%	100%
Germany	99%	99%	98%	83%	83%	83%	97%						95%
Switzerland	17%	66%	62%	36%	0%	0%	0%						37%
Total	90%	93%	92%	80%	75%	76%	66%	96%	97%	96%	93%	82%	90%

Completed £26 million of new MLI acquisitions and €64 million of German retail disposals³

- **Acquisition of Lake Enterprise Park in Bromborough** on 5 February 2021 for £4,150,000, reflecting a net initial yield of 6.7% and a capital value of £111 psf.
- **Acquisition of Newburn Riverside Industrial Estate in Newcastle Upon Tyne** completed on 25 February 2021, for £10,900,000, reflecting a net initial yield of 6.8% and a capital value of £93 psf following exchange of contracts on 2 December 2020.
- **Acquisition of Enterprise 5 Industrial Estate in Bradford** on 5 March 2021 for £3,370,000, reflecting a net initial yield of 6.5% and a capital value of £106 psf.
- **Acquisition of Headlands Trading Estate in Swindon** on 26 March 2021 for £7,375,000, reflecting a net initial yield of 7.1% and a capital value of £70 psf.
- **Disposal of the Bikemax Portfolio, Germany** completed on 31 March 2021 for €27 million, in line with 30 September 2020 book value.
- **Disposal of Victoria Centre in Berlin** completed on 31 March 2021 for €37,450,000, with contracts having exchanged on 21 December 2020.

In total, Stenprop has completed 14 separate UK MLI acquisitions in the financial year to 31 March 2021, with an aggregate purchase price before costs of £91.5 million vs an acquisition target of £90 million.

As at 31 March 2021, MLI assets accounted for over 73% of Stenprop's total portfolio based on September 2020 valuations. Following the completion of the sale of Hermann Quartier (exchange of contracts was announced on 29 December 2020), the percentage of UK MLI within the Company's portfolio is expected to rise to over 75%.

As at 31 March 2021, Stenprop's net loan-to-value ratio² (LTV) was approximately 29% when allowing for unrestricted cash.

Stenprop will announce its full year results for the 12 months ending 31 March 2021 on 11 June 2021. At this time, the Company will also set-out the schedule for its planned move from the Specialist Funds Segment to the Premium Segment of the Main Market of the London Stock Exchange, and the corresponding proposed change from a Primary to a Secondary Listing on the Johannesburg Stock Exchange.

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 As the roll out of our Smart Leases gains momentum, most new leases now include annual 3% rent increases for the duration of the lease. Considering this, we have decided to adopt a more conservative approach to showing rental uplifts and incentives on new lettings and lease renewals. Previously, we showed the uplift in rent from previous passing rent to the highest contractual rent in the new lease, with all rent less than that classed as incentives.

Going forward, we will show the uplift in rent as the uplift from previous passing rent to the rent payable immediately after any rent-free period or discounted rents expire but before any annual 3% rent uplifts (called the 'base rent'). We will in turn only include in the calculation of the incentive any discounts in rent from the base rent during the period prior-to the first fixed 3% uplift. This will result in a more conservative uplift figure being reported on leases which include annual fixed uplifts, but also a lower rental incentive and we believe this will more accurately reflect the rental trends during each reporting period.

By way of example, using the old method the average rental uplift during Q4 FY21 was 33% with an average rent incentive of 2.1 months vs an uplift of 20% and an average incentive of 0.9 months under the new methodology. For a more in-depth explanation of this change, please see our Trading Update presentation and/or webinar.

² Calculated as gross borrowing less unrestricted cash, divided by gross asset value based on our 30 September 2020 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.

³ The above transactions have already been announced on RNS and SENS. For full details please visit <https://stenprop.com/investors/regulatory-news-service/>

To receive details of all future announcements made by Stenprop, please add your name and email address to our Investor News email list at <https://stenprop.com/media/stenprop-investor-news/>

For further information:

Stenprop Limited

Paul Arenson (CEO) paul.arenson@stenprop.com

Julian Carey (Managing Director) julian.carey@stenprop.com

James Beaumont (CFO) james.beaumont@stenprop.com

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

Stenprop@fticonsulting.com

Java Capital (JSE sponsor)

+27 (0)11 722 3050

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.