

## Second quarter of 2020

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### A polarised lens

The covid-19 pandemic continued to wreak havoc in the real estate in the second quarter, but a polarisation of sectors and funds has started to become apparent.

Companies focused on the retail, leisure and hospitality property sectors had already seen huge negative rating changes in the first quarter of the year, when the pandemic took hold. This quarter, it was the generalist companies that own a diverse portfolio of UK property that suffered. Most suffered double-digit falls in their share prices in the three months as valuations tumbled on poor rent collection figures.

Those companies with a specialist real estate focus, especially those in the industrial and logistics sector, witnessed big share price gains during the period, with most trading at or above pre-covid levels. A surge in online consumer spending during lockdown created an uptick in demand from occupiers for logistics space, while an acceleration in the long-term trend for ecommerce has put logistics-focused companies at an advantage.

The surge in demand for shares in these trusts saw a number successfully tap the market for equity, with a total of £1.67bn raised in placings.

### In this issue

- **Performance data** – Logistics-focused companies dominated the share price rises in the quarter, but a few surprise packages also made big gains.
- **Corporate activity** – There were eight equity raises during the quarter, totalling £1.67bn. Meanwhile, shopping centre landlord Intu Properties plunged into administration.
- **Major news stories** – Takeover and merger rumours were rife with a company taking a large position in their rival.

### Property sector performance\*

Time period 31/12/2019 to 30/06/2020



Source: Bloomberg, Marten & Co. Note\*: Average share price of listed property companies rebased to 100

### Biggest property companies at end of Q2 2020

	Market cap	Chg. on qtr (%)
SEGRO	£10.9bn	29.6
Land Securities	£4.0bn	(2.1)
UNITE Group	£3.6bn	23.7
British Land	£3.5bn	11.6
Derwent London	£3.2bn	(12.9)

Source: Bloomberg, Marten & Co

### Best performing companies in price terms in Q2 2020

	Chg. on qtr (%)
Tritax Big Box REIT	29.2
Sigma Capital Group	27.1
RDI REIT	26.7
Henry Boot	26.5
Stenprop	24.5

Source: Bloomberg, Marten & Co

## Performance Data

Share price data for the quarter shows that the property sector has been polarised during the covid-19 pandemic. Specialist focused companies in sectors that are set to thrive in a post-coronavirus world have been heavily backed, while the, mainly, generalist companies with diverse portfolios have been indiscriminately, and sometimes unfairly, sold off.

Figure 1: Best performing companies in price terms in Q2

	%
Tritax Big Box REIT	29.2
Sigma Capital Group	27.1
RDI REIT	26.7
Henry Boot	26.5
Stenprop	24.5
Alpha Real Trust	20.9
Warehouse REIT	20.5
LondonMetric Property	19.7
First Property Group	18.8
Ediston Property Investment Company	18.2

Source: Bloomberg, Marten & Co

Figure 2: Worst performing companies in price terms in Q2

	%
Town Centre Securities	(31.2)
Standard Life Investments Property Income Trust	(28.4)
Drum Income Plus REIT	(28.1)
Picton Property	(23.7)
Schroder REIT	(22.1)
UK Commercial Property REIT	(20.3)
BMO Real Estate Investments	(19.1)
GRIT Real Estate Income Group	(17.9)
Globalworth Real Estate Investments	(16.0)
Secure Income REIT	(15.9)

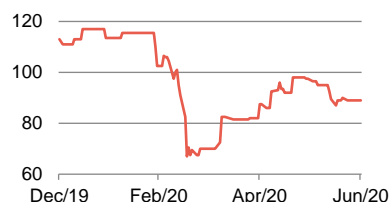
Source: Bloomberg, Marten & Co

Figure 3: Tritax Big Box REIT share price YTD



Source: Bloomberg, Marten & Co

Figure 4: Sigma Capital Group share price YTD



Source: Bloomberg, Marten & Co

### Best performing property companies

Perhaps unsurprisingly, four of the 10 best performing companies in the second quarter own property in the industrial and logistics sector, which has seen an uplift in demand for space during the covid-19 pandemic as ecommerce has boomed. **Tritax Big Box REIT** led the way during the quarter, seeing its share price jump almost 30%. The group announced that it has secured online retail giant Amazon to a 2.3m sq ft pre-let at its development in east London.

**Stenprop**, which is in the process of transitioning its portfolio to become fully-focused on the UK multi-let industrial sector, saw its share price increase 24.5% in the quarter after publishing strong results in June. Both **Warehouse REIT** and **LondonMetric** conducted successful equity raises, of £153m and £120m respectively, as both look to take advantage of buying opportunities.

**Sigma Capital Group**, the specialist provider of family private rented sector housing, saw its share price rise 27.1% after announcing the appointment of former Countryside Properties chief executive Ian Sutcliffe as chairman.

The share price of **RDI REIT**, which owns a diverse portfolio of UK property, rose sharply in June after majority investor Redefine sold its near 30% stake to private equity group Starwood Capital – fuelling rumours of a takeover.

WEEKLY WEBINAR SERIES

# QUOTEDDATA'S PROPERTY SUMMER CONFERENCE

8th, 15th, and 22nd July



**Week 1 - 8th July**

08:30 - intro  
 8:45 - 9:25 - Evert Castelein from Aberdeen Standard European Logistics Income  
 9:30 - 10:10 - Marcus Phayre-Mudge from TR Property  
 10:15 - 10:55 - Nick Montgomery from Schroder Real Estate Investment Trust  
 11:00 - 11:40 - Andrew Jones from Londonmetric Property  
 11:45 - 12:25 - Colin Godfrey from Tritax Big Box Reit Plc



**Week 2 - 15th July**

08:30 - intro  
 8:45 - 9:25 - Nick Preston from Tritax Eurobox PLC  
 9:30 - 10:10 - James Agar from Ground Rents Income Fund  
 10:15 - 10:55 - Peter Lowe from BMO Real Estate Investment Trust  
 11:00 - 11:40 - Paul Bridge from Civitas  
 11:45 - 12:25 - Will Fulton from UK Commercial Property REIT



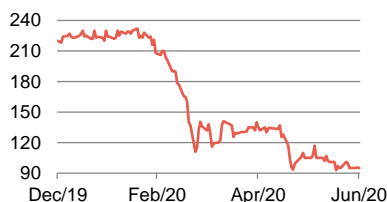
**Week 3 - 22nd July**

08:30 - intro  
 8:45 - 9:25 - Matt Howard from BMO Commercial Property Trust  
 9:30 - 10:10 - Jason Baggaley from Standard Life Investments Property Income  
 10:15 - 10:55 - Thomas Edwards-Moss from Hibernia REIT  
 11:00 - 11:40 - Bronwyn Corbett from GRIT  
 11:45 - 12:25 - Jeff O'Dwyer from Schroder European Real Estate Investment Trust

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**Figure 5: Town Centre Securities share price YTD**



Source: Bloomberg, Marten & Co

## Worst performing property companies

The worst performing property companies in the second quarter were predominantly made up of generalist companies that have a diverse portfolio, with six of the bottom 10 being diversified property companies. Bottom of the pile with a 31.2% fall in its share price, however, was **Town Centre Securities**, which owns a portfolio of retail, leisure and car park assets. All of the group's assets have, to some degree, been impacted by lockdown.

**Secure Income REIT** was majority affected by its largest tenant, Travelodge, implementing a company voluntary arrangement (CVA) in which Secure Income would receive a significant reduction in rental income from the budget hotel brand for the next 18 months. Its share price fell almost 16% in the quarter.

Omitted from the list was **Intu Properties**, which fell into administration at the end of June having breached several debt covenants. It was trading at 1.7p when its shares were suspended on 26 June. It is unclear whether shareholders will receive anything in the administration process.

## Significant rating changes

Figures 6 and 7 show how discounts and premiums moved over the course of the quarter.

**Figure 6: Biggest percentage point changes to discounts and premiums in Q2 2020 – the 10 greatest improvements**

Company	Sector	Premium/(discount) at 31/03/2020 (%)	Premium/(discount) at 30/06/2020 (%)	Difference (percentage point)
LondonMetric	Logistics	0.6	22.6	22.0
Tritax Big Box REIT	Logistics	(25.7)	(4.0)	21.7
Henry Boot	Development	(14.2)	5.8	20.0
Safestore	Self-storage	42.3	61.3	19.0
Stenprop	Industrial	(34.7)	(15.8)	18.9
Urban Logistics REIT	Logistics	(19.4)	(0.6)	18.8
SEGRO	Logistics	7.9	26.4	18.5
Unite Group	Student	(6.0)	10.2	16.2
Sigma Capital Group	Residential	16.1	31.7	15.6
First Property Group	Diversified	(46.3)	(30.9)	15.4

Source: Bloomberg, Marten & Co

Once again it was industrial and logistics focused companies that dominated the greatest rating increases during the month. **LondonMetric's** went from a slight premium of 0.6% at the start of the quarter to a 22.6% premium as a result of a £120m equity raise at a premium to net asset value (NAV).

Significant equity raises at premium to NAV was also, in part, behind the significant rating changes of **SEGRO** and student accommodation specialist **Unite Group**, which raised £680m and £300m respectively.

**Tritax Big Box REIT**, **Stenprop** and **Urban Logistics REIT** all saw their wide discounts narrow substantially during the quarter as positive news flows around the future increased demand for industrial and logistics space caught the imagination of investors.

**Figure 7: Biggest percentage point changes to discounts and premiums in Q2 2020 – the 10 biggest deteriorations**

Company	Sector	Premium/(discount) at 31/03/2020 (%)	Premium/(discount) at 30/06/2020 (%)	Difference (percentage point)
Derwent London	Offices	(17.4)	(42.5)	(25.1)
Standard Life Investments Property Income Trust	Diversified	(5.9)	(27.2)	(21.3)
GRIT Real Estate	Rest of world	(23.6)	(44.4)	(20.8)
Picton Property	Diversified	(6.5)	(27.0)	(20.5)
UK Commercial Property REIT	Diversified	(16.5)	(33.4)	(16.9)
Drum Income Plus REIT	Diversified	(18.8)	(34.4)	(15.6)
BMO Real Estate Investments	Diversified	(32.5)	(45.4)	(12.9)
Globalworth	Europe	(20.9)	(33.6)	(12.6)
Town Centre Securities	Retail	(59.8)	(72.3)	(12.5)
Secure Income REIT	Diversified	(25.5)	(37.3)	(11.8)

Source: Bloomberg, Marten & Co

The biggest rating deteriorations during the quarter has a similar feel to it as the worst performing companies in price terms. However, central London office developer **Derwent London** saw its discount widen from around 17% at the start of the quarter to more than 40% at the end. Its share price fell 15% in the period as concerns over the future of the office grew.

Many of the other companies on the list reported falling NAVs in the period as property prices tumbled.

## Major corporate activity

### Fundraises

A total of £1.67bn was raised by property companies during the second quarter of 2020

After a subdued first quarter for equity raises, there was eight separate placings by property companies during the second quarter totalling £1.67bn.

By far the biggest, logistics giant **SEGRO** raised £680m in June in a share placing “to take advantage of ecommerce trends that are accelerating as a result of the covid-19 pandemic”.

Also in June, student accommodation specialist **Unite** raised £300m in a placing. The proceeds will be used to “accelerate growth opportunities” in London and prime provincial markets where there is strong demand for the quality, affordable student accommodation.

**Warehouse REIT** raised £153m in a placing of new shares to fund an acquisition pipeline of logistics assets.

Fellow logistics landlord **LondonMetric Property** raised £120m in May in an oversubscribed placing. The company said the proceeds would be used to buy properties from an extensive pipeline of opportunities and expects to deploy a substantially amount of the proceeds within three months.

There were four fund raises in April, the largest of which was by **Assura Group**, which raised £185m. Most of the proceeds, it said, would finance developments. It had a £165m pipeline of projects ahead of the covid-19 pandemic.

**Supermarket Income REIT** almost doubled its original target of £75m to raise £139.8m in a heavily oversubscribed issue. The company said it had an identified pipeline of acquisitions worth almost £300m and has already invested a significant chunk of the capital.

Self-storage specialist **Big Yellow Group** raised £81.9m and will use the proceeds to fund the acquisition of land to grow its development pipeline.

Meanwhile, housebuilder **Inland Homes** raised £9.9m to strengthen its balance sheet amid disruption caused by covid-19. It said the proceeds would help enable an early resumption of its housebuilding programme once the covid-19 restrictions were lifted.

## Major trades and appointments

At the end of May, **Capital & Counties** acquired a 26.3% shareholding in rival West End landlord **Shaftesbury** for £436m. The group paid 540p per share for 80.7 million shares owned by Hong Kong billionaire Samuel Tak Lee. It represented a discount of 13.9% to the closing Shaftesbury share price on 29 May 2020.

Redefine Properties sold its 29.42% stake in **RDI REIT** to affiliates controlled by Starwood Capital Group.

**Alternative Income REIT** appointed M7 Real Estate as its new investment adviser. The company made the appointment after the previous manager, AEW, departed in February. M7, which is a leading specialist in the pan-European, regional, multi-let real estate market, will undertake a review of each of the group's assets and the company's investment policy.

## Liquidations, de-listings and trading cancellations

Shopping centre owner **Intu Properties** called in administrators after last gasp rescue talks with creditors collapsed. The company was in dire straits even before the covid-19 lockdown having built up £4.5bn of debt. It was also facing rent reduction demands from dozens struggling retailers during the coronavirus crisis.

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## Major news stories

- **RIP Intu. More to follow?**

After Intu Properties, the biggest shopping centre owner in the UK, plunged into administration what does it mean for the wider property sector and will other companies follow suit?

- **Tritax Big Box REIT pre-lets 2.3m sq ft to Amazon**

Tritax Big Box REIT secured a deal with Amazon to pre-let 2.3m sq ft of logistics space at its Littlebrook development in Dartford, east London. The company had just received planning consent for the scheme at the former power station.

- **SEGRO acquires urban logistics site for £202.5m**

SEGRO bought a 34-acre urban logistics estate in Perivale, west London for £202.5m. The estate provides 590,000 sq ft of lettable space across 23 units as well as eight-acres of medium-term development land.

- **LondonMetric splashes £73m with Waitrose store buy**

LondonMetric Property acquired five Waitrose supermarkets and an urban logistics facility let to Ocado for a total of £72.9m. It purchased the supermarkets from Waitrose in a sale-and-leaseback deal for £62m and bought the urban logistics unit in Walthamstow for £10.9m.

- **Is central London powerhouse REIT on the cards?**

Capital & Counties' acquisition of a huge shareholding in Shaftesbury could be the first steps in a long-mooted merger of the two groups. Combined, Capital & Counties and Shaftesbury own £6.6bn of property in London's West End.

- **Supermarket Income REIT buys stake in Sainsbury's store portfolio**

Supermarket Income REIT acquired a 25.5% stake in a portfolio of 26 Sainsbury's supermarkets in a joint venture (JV) with British Airways Pension Fund from British Land for £102m.

- **Great Portland Estates lands major West End office pre-let**

Great Portland Estates secured a 40,000 sq ft pre-let at its office development at 1 Newman Street and 70/88 Oxford Street to Exane BNP Paribas. The deal was a significant boost to the central London office market as fears around a drop off in demand for office space mount amid the coronavirus crisis.

- **Hammerson's £400m sale of retail park portfolio falls out of bed**

Hammerson's £400m deal to sell a portfolio of seven retail parks to Orion European Real Estate Fund V failed to complete. Hammerson will access the £21m deposit, but the news was a hit to its efforts to fix its balance sheet.

- **Urban Logistics REIT makes £103m of acquisitions**

Urban Logistics REIT bought 17 assets for a total of £103m as it went about spending the proceeds of its £136.1m equity capital raise that completed in March. The company also confirmed that all its rents have been collected for the quarter.

- **Helical sells London office at sub-4% yield**

Helical sold 90 Bartholomew Close, Barts Square, EC1, for £48.5m and a net initial yield of 3.92%. The sale was a fillip for the property market during a period of few investment transactions due to the covid-19 pandemic.

## Upcoming events

- **QuotedData's Property Summer Conference, 15 July 2020**
- **QuotedData's Property Summer Conference, 22 July 2020**
- Helical 2020 AGM, 23 July 2020
- Great Portland Estates 2020 AGM, 24 July 2020
- British Land 2020 AGM, 29 July 2020

## Publications

**QuotedData**  
Annual overview | Property  
Aberdeen Standard European Logistics Income  
2 June 2020

**Resilient to covid-19**  
The logistics sector, in which Aberdeen Standard European Logistics Income (ASLI) invests, would appear to be one of the few property sectors that could see occupier demand increase in the long term as a result of the coronavirus pandemic. With some form of a lockdown enforced in most European countries, there has been a spike in e-commerce orders. A whole new group of people have been introduced to online retailing, which is expected to speed up penetration rates across Europe and reinforce long-term systemic changes in the logistics sector.

ASLI has built a portfolio of 14 assets since it launched in December 2017. These are focused on a mix of big box and urban logistics warehouses in established logistics locations in five different European countries. An economic and logistic comparison look to drive efficiencies across their supply chains, demand for logistics assets in locations close to major cities is forecast to grow.

**Big box and urban logistics in Europe**  
ASLI invests in a diversified portfolio of big box logistics and fast mile urban warehouse assets in Europe with the aim of providing its shareholders with a regular and attractive level of income return (delivering a 10% yield on its NAV prior to 2020) together with the potential for long-term income and capital growth (target total return of 7.5% a year on average).

Symbol	ASLI LN	European property
Basic industry	REIT	
Price	27.5p	
NAV	60.00p	
Price/NAV discount	21.0%	
Yield	3.7%	

**Share price and discount**  
Time period: 15/12/2017 to 26/05/2020

**Performance since launch**  
Time period: 15/12/2017 to 26/05/2020

**Key facts**

Financial metric	Value
Price total (p)	27.5
NAV total (p)	60.1
EPRA dividend yield (%)	3.53
Discount per share (%)	53.8
Yield (%)	3.65
Yield on cost (%)	3.08

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An annual overview note on Aberdeen Standard European Logistics Income (ASLI). The longer-term structural changes to the sector has gathered momentum.



An update note on Civitas Social Housing (CSH). The company has been one of the best performing REITs during the covid-19 pandemic.

**QuotedData**  
Update | Real estate  
Civitas Social Housing  
15 April 2020

**Proved its mettle**  
Some market commentators appear to have overstated the impact of regulatory concerns on Civitas Social Housing's (CSH) performance. Regulatory notices served on some of its tenants knocked CSH's share price over 2018/2019. However, during the whole of this period, it collected its rents, paid its dividends and increased its net asset value (NAV).

Recognition of this fact, and the supply and demand fundamentals that support growth in the supported living sector, saw its share price recover and its discount to NAV narrow. That momentum, as has been the case in all global markets, has been somewhat muted by the coronavirus outbreak. However, using the strong characteristics of the supported living sector, CSH has been one of the best performing REITs and property companies since the covid-19 pandemic started.

The company is keen to expand but it has delayed taking on new debt facilities until the markets return to normality. Following the acquisition of a portfolio of properties in March 2020, CSH's dividend is fully covered by earnings on a run rate basis.

**Income and capital growth from social housing**  
CSH aims to provide its shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes. The company expects that these will benefit from inflation-adjusted long-term leases and that they will deliver a targeted dividend yield of 8.3% per annum on the issue price, with further growth expected. CSH intends to increase the dividend broadly in line with inflation.

Year ended	Price total (p)	NAV total (p)	EPRA dividend yield (%)	Discount per share (%)	Yield (%)
2018/19	60.0	12.7	1.44	4.20	2.38
2019/20	4.2	8.1	3.03	8.8	3.65
2020/21	6.0	6.0	5.51	0.0	5.51

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