



February 2021

Monthly roundup | Real estate

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Winners and losers in January

Best performing funds in price terms

	(%)
U and I Group	41.0
BMO Real Estate Investments	16.4
Harworth Group	11.9
Sigma Capital Group	11.5
AEW UK REIT	10.2
PRS REIT	10.0
Picton Property	9.9
Tritax Big Box REIT	9.8
Tritax EuroBox	9.3
Grit Real Estate Income	8.2

Source: Bloomberg, Marten & Co

Worst performing funds in price terms

	(%)
Capital & Regional	(13.7)
Ground Rents Income Fund	(12.6)
First Property Group	(12.0)
Land Securities	(8.8)
British Land	(8.2)
Unite Group	(8.1)
Schroder European REIT	(7.1)
Workspace Group	(7.0)
Inland Homes	(6.9)
Hammerson	(6.8)

Source: Bloomberg, Marten & Co

The UK's vaccination programme has lifted optimism for a speedier opening of the economy than first feared at the start of the year. Property companies that reported positive valuation figures for the final quarter of 2020 performed well in January in share price terms. Top of the list, however, was perennial 2020 underperformer **U and I Group**, which saw its share price rise an astonishing 41% in the month. This followed news that it had replaced its chief executive and was undertaking a review of the business that will likely see it focus on fewer, more valuable development schemes. **BMO Real Estate Investments**, **AEW UK REIT** and **Picton Property** all announced net asset value increases over the quarter (see page 2 for detail), helped by each company's portfolio exposure to the industrial and logistics sector. **PRS REIT** revealed a significant uptick in the delivery of private rented homes in its portfolio in the final quarter of 2020, and its share price responded with a 10% rise. Meanwhile, both Tritax funds – **Big Box** and **EuroBox** – saw share price gains off the back of news their manager had been acquired by Aberdeen Standard Investments.

There were no real surprises at the top of the worst performing property companies in January table. Shopping centre owner **Capital & Regional**'s share price has been on the slide for a while now and this month lost a further 13.7%. In the past 12 months it has lost 73.8% in market cap. **Ground Rent Income Fund**'s share price tumbled 12.6% in the month after the government published leasehold reform proposals that would reduce future residential ground rents to zero and offer leasehold consumers extension rights. Both **Land Securities** and **British Land** published rent collection figures for the current quarter that revealed rates of 50% and 71% respectively. Retail continues to weigh heavy on both companies, with rent collection rates of 29% and 46% respectively for the first quarter of 2021. Student accommodation specialist **Unite** announced it was offering its students a 50% discount on rent for an initial four-week period (now been extended to seven weeks) at a cost of £15m in rent. **Workspace Group** said tenant enquiries across its London flexible office portfolio were down 33% in the final quarter of 2020, with rent roll down 9.1%.

Valuation moves

Company	Sector	NAV move (%)	Period	Comments
Safestore	Self-storage	17.7	Full year to 31 Oct 20	Portfolio valuation uplift of 16.8% in the year to £1,571.5m
BMO Real Estate Investments	Diversified	3.5	Quarter to 31 Dec 20	Value of portfolio up 2.4% to £317.8m
AEW UK REIT	Diversified	3.4	Quarter to 31 Dec 20	Portfolio value up 3.4% to £182.6m
Picton Property	Diversified	3.0	Quarter to 31 Dec 20	Like-for-like portfolio valuation uplift of 2.7% over the quarter
Impact Healthcare REIT	Healthcare	0.5	Quarter to 31 Dec 20	Property portfolio increased in value by 4.9% to £418.8m, mainly due to acquisitions
BMO Commercial Property Trust	Diversified	0.5	Quarter to 31 Dec 20	Uplift in value of portfolio of 0.2% to £1,227.9m
Residential Secure Income	Residential	0.0	Quarter to 31 Dec 20	Portfolio valuation up 0.6% on like-for-like basis to £304.6m
U and I Group	Development	(16.8)	Half-year to 30 Sept 20	Investment portfolio down 7.8% to £120.6m, while development portfolio lost £25m

Source: Marten & Co

Corporate activity in January

Supermarket Income REIT secured a new revolving credit facility (RCF) of £80m with Barclays and Royal Bank of Canada. The interest only RCF has a five-year term and a total cost of 1.55%. A £70m accordion option is exercisable over the term of the facility.

Tritax Big Box REIT chairman Sir Richard Jewson announced his intention to retire at the next AGM in May 2021. Aubrey Adams OBE, the current senior independent director, will take his place.

London office developer **Derwent London** appointed former JP Morgan vice chairman of mergers and acquisitions Mark Breuer as its new chairman. He will initially join the board as a non-executive director before taking over from John Burns as chairman following the conclusion of the company's 2021 AGM.

LondonMetric appointed Kitty Patmore as an independent non-executive director. Patmore is current chief financial officer at Harworth Group and has 15 years of finance, banking and real estate lending experience.

St Modwen Properties appointed Dame Alison Nimmo DBE as a non-executive director. The former Crown Estate chief executive joined the board on 1 February 2021.

British Land appointed Bhavesh Mistry as chief financial officer. Mistry is currently deputy chief financial officer at Tesco and was previously finance director at Whitbread's hotels & restaurants division. He will become an executive director and join the main board at British Land when he makes the move no later than 1 August 2021.

Hammerson chief financial officer James Lenton resigned from the role after just over a year in the job. He will stay in the role until a successor is appointed.

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January's major news stories – from our website

- **Supermarket Income REIT buys trio of stores for £95m**

Supermarket Income REIT bought a Morrisons, Sainsbury's and Waitrose supermarket during January for a combined £94.8m. The Morrisons store, in Wisbech, Cambridgeshire, was acquired for £30m, while the Sainsbury's, in Melksham, and the Waitrose, in Winchester, were acquired together for £64.8m.

- **Home REIT builds portfolio with £70m acquisition spree**

Home REIT, which is focused on providing accommodation for the homeless, acquired a further 171 properties for £69.5m. The acquisitions mean the company has now deployed £184m (or 78%) of the money raised at IPO in October 2020.

- **LondonMetric increases urban logistics exposure**

LondonMetric acquired four urban logistics assets during January – in London, Redditch, Manchester and Birmingham – for a combined £52.2m.

- **CLS acquires trio of German offices for €89.7m**

CLS exchanged contracts to acquire three offices in Germany – in Dusseldorf, Berlin and Hamburg – for a combined €89.7m, reflecting a net initial yield of 4.8%.

- **Sirius Real Estate returns to acquisitive growth**

German business parks owner Sirius Real Estate acquired three assets for €26m plus an €80m acquisition with joint venture partner AXA IM Alts, signalling a return to acquisitive growth after assessing the impact of COVID-19.

- **U and I Group appoints new chief executive and launches business review**

Regeneration specialist U and I Group replaced chief executive Matthew Weiner with chief development officer Richard Upton after a prolonged period of underperformance. Upton will undertake a review of the group's investment strategy.

- **Urban Logistics REIT acquires site in Wirral for £16.3m**

Urban Logistics REIT acquired a 169,963 sq ft logistics unit in the Wirral, let to Great Bear Distribution, for £16.3m, as it continues to deploy the proceeds of its recent fundraising.

- **Unite offers students 50% rent discount**

Unite announced a 50% rent discount for students following the latest lockdown in the UK at a cost of £15m in rent.

- **Grainger completes £63m forward funding**

Grainger completed the forward funding acquisition of a 231-home build-to-rent development in Bristol for £63.1m.

- **Harworth sells business park**

Regeneration company Harworth sold its 283-acre Bilsthorpe Business Park, in Nottingham, for £4.6m in two transactions.

QuotedData views

- **Timing just right for Big Box – 29 January 2021**
 - **Can Upton regenerate U and I Group's future? – 22 January 2021**
 - **Don't discount the property generalists – 15 January 2021**
 - **Watch property go in 2021 – 8 January 2021**
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Visit www.QuotedData.com for more on these and other stories plus analysis, comparison tools and basic information, key documents and regulatory announcements on every real estate company quoted in London

Managers' views

A collation of recent insights on real estate sectors taken from the comments made by chairmen and investment managers of real estate companies – have a read and make your own minds up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Diversified

BMO Real Estate Investments

Peter Lowe, fund manager:

Despite a strong end to the year for parts of the market, buoyed by positive developments on vaccines and the resolution of Brexit, overall sentiment is cautious, with the re-imposition of lockdown restrictions increasing uncertainty around the path to recovery. Overall, the property market delivered positive total returns over the quarter [to the end of December 2020], largely driven by a strong performance from industrials and distribution. Performance was polarised, with town centre retail and leisure remaining under considerable pressure and offices faltering. Total return performance turned positive for retail warehousing.

Development

U and I Group

Richard Upton, chief executive:

The macro environment has changed significantly, exacerbated most recently by a structural shift in behaviours resulting from the COVID-19 pandemic. Delays in completing transactions; reduced market confidence leading to a more cautious approach to decision-making; and a backlog in the planning system, have all impacted our financial performance and made it more difficult to provide clear short-term guidance on the performance of our projects. With this in mind, we are undertaking a 100-day portfolio review, starting immediately, which will critically examine all our projects so that we can refocus and reshape, strengthening our position for the future. It will assess the financial optimisation potential for existing assets; financing arrangements; a new framework to deliver more predictable income streams; focused ESG delivery and review the dividend policy. The plan produced from the review will deliver improved short- and long-term liquidity and a more efficient approach, together with revealing the potential within U+I's business to deliver compelling and sustainable socio-economic change from our core regeneration projects.

Self-storage

Safestore

Frederic Vecchioli, chief executive:

There are numerous drivers of self-storage growth. Most private and business customers need storage either temporarily or permanently for different reasons at any point in the economic cycle, resulting in a market depth that is, in our view, the reason for its exceptional resilience. The self-storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. Self-storage capacity stands at 0.73 sq ft per head of population in the UK and 0.20 sq ft per capita in France [according to the Self Storage Association]. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.36 sq ft per inhabitant. This compares with 9.44 sq ft per inhabitant in the USA and 1.89 sq ft in Australia. In the UK, in order to reach the US density of supply, it would require the addition of around another 17,000 stores as compared to around 1,400 currently. In the Paris region, it would require around 2,400 new facilities versus around 95 currently opened.

Real estate research notes

QuotedData
BY MARTEN & CO
INVESTOR

Aberdeen Standard European Logistics Income
Real estate | Update | 17 December 2020

Expansion on the radar

As Aberdeen Standard European Logistics Income (ASLI) marks its third anniversary since launch, it has recorded a net asset value (NAV) total return over the period of 16.5% and a share price total return of 22.5%. The COVID-19 pandemic has only served to reinforce the strong characteristics of the European logistics sector, where a surge in online retailing has resulted in huge demand for space from e-commerce operators. An acceleration in the online retailing trend, as well as a strengthening of supply chains following the shock at the start of the year caused by the closure of borders in Asia as government's tried to tackle the spread of the virus, is predicted to result in strong rental growth in 2021.

ASLI's manager is keen to expand its portfolio, from its current 14 assets in five countries, and is exploring its options for raising capital in order to buy identified assets across Europe. In December, it was announced Aberdeen Standard Investments (ASI) would acquire logistics property fund manager Tritax Management, providing ASLI with greater resources to grow.

Sector	European property
Ticker	ASLI.LN
Base currency	GBP
Price	108.8p
NAV*	101.8p
Premium/discount	6.2%
Yield	4.5%

Acceleration in growth of online retailing has resulted in surge in demand for logistics space

Strong rental growth predicted across European logistics markets in 2021

Company in growth mode, with capital raising being explored

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An annual overview note on Aberdeen Standard European Logistics Income (ASLI). The group's manager is exploring growth avenues to take advantage of strong fundamentals in the European logistics sector.

An initiation note on Lar España Real Estate (LRE SM). The Spanish listed REIT has a €1.5bn portfolio of dominant retail assets in key locations in Spain. The performance of its assets post the first lockdown and its strong balance sheet suggests a robust recovery in 2021.

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Lar España Real Estate
Real estate | Initiation | 3 December 2020

Built to last

Unlike most of its retail property-focused European peers, Spanish-listed Lar España Real Estate can look to the future with some confidence that it is on the path to recovery, despite the impact of the COVID-19 pandemic. The majority of the group's €1.5bn portfolio of Spanish retail assets are 'dominant' shopping malls and retail parks, with little or no competition and large catchment areas.

Customer visits and sale volumes across its portfolio were back up to 90% of 2019 levels following the first lockdown in Spain in March – underlining the strength of the assets' locations and their dominant nature. Redevelopments and refurbishments across its portfolio have all but been completed in recent years, bringing the malls in line with a changing retail world that incorporates online retailing with bricks-and-mortar retail and integrates big data technology.

The company has a strong balance sheet to help it see out any further COVID-related turbulence. It has €140m of cash reserves – enough, its manager says, to cover all expenses for the next four years.

Sector	Real estate
Ticker	LRE SM
Base currency	EUR
Price	64.85
NAV*	62.79
Premium/discount	(35.1%)
Yield	13.0%
Loan to value*	47%

Majority of Lar retail assets are classified as 'dominant' with large catchment areas

Footfall and sales across its portfolio were at 90% of 2019 levels following the first lockdown in March

Strong balance sheet to survive COVID-19 pandemic

Considerable annual dividend

Lar España aims to grow its EPRA net asset value (NAV) through active asset management initiatives, such as refurbishments and leasing transactions, and deliver high returns primarily through the payment of considerable annual dividends.

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Tritax EuroBox
Real estate | Initiation | 23 November 2020

Boxing clever

The COVID-19 pandemic has accelerated trends in online retailing, to the benefit of the European logistics market, in which Tritax EuroBox (EBOX) is a leading player. Demand for logistics space is growing rapidly, while supply of existing and new property is dwindling. This supply-demand imbalance is even more acute in prime locations close to heavily populated areas, where sustained rental growth is forecast.

EBOX has amassed a portfolio of big box (very large warehouse) facilities located in major logistics hotspots across Europe. Numerous opportunities to add value also exist within the portfolio, including development and asset management projects. One of the key differentiators of EBOX to its peers is its exclusive relationships with established logistics developers. Through the fit-ups, EBOX has access to and first right of refusal over a pipeline of development assets worth €2bn.

Sector	Property - Europe
Ticker	EBOX.LN
Base currency	GBP
Price	85.1p
NAV*	104.6p
Premium/discount	(19.1%)
Yield	4.2%

Rental growth prospects in prime European logistics markets has been exacerbated by a surge in demand for online retailing

EBOX has a pipeline worth €2bn through exclusive relationships with two development partners

Several asset management opportunities exist to add significant value

Big box logistics in Europe

EBOX invests in a portfolio of logistics assets in continental Europe, identified by geography and tenant, targeting well-located assets in established distribution hubs, within or close to densely populated areas. The strategy aims to capture market rental value growth and deliver an attractive capital return and secure income. EBOX is targeting a total return of 8% per annum over the medium term.

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An annual overview note on Civitas Social Housing (CSH). The company has been one of the best performing REITs and property companies during the covid-19 pandemic, owing to its indirect government-backed leases.

An initiation note on Tritax EuroBox (EBOX). The company's European big box logistics portfolio has performed well during the COVID-19 pandemic as a surge in online retailing has resulted in an uptick in demand for logistics space. Its exclusive relationships with developers give it plenty of room to grow.

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Civitas Social Housing
REITs | Annual overview | 22 October 2020

Solid foundations for future growth

Civitas Social Housing (CSH) is one of only a small handful of Real Estate Investment Trusts (REITs) that have had a positive year in the face of the COVID-19 pandemic. Due to the nature of its income – which is ultimately paid through housing benefits from central government – CSH has continued to collect all its rents during the crisis (unlike most other REITs). To reflect its growing earnings, the board has increased the dividend target for 2021 to 5.4p per share (from 5.3p).

CSH's cash reserves are fully allocated (including around £25m that is held as a cash contingency), no new debt facilities are being lined up and an equity raise could be on the cards later this year or early next year.

Sector	Property - UK residential
Ticker	CSH.LN
Base currency	GBP
Price	104.7p
NAV*	108.67p
Premium/discount	(1.8%)
Yield	5.2%

Performed strongly through COVID-19 pandemic due to critical role social housing plays in society

Government-backed income has meant rent collection rates have not been impacted by COVID-19

Dividend is 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 there will be benefit from inflation-adjusted long-term leases and that they will deliver a targeted dividend yield of 5% per annum on the issue price, with further growth expected. CSH intends to increase the dividend broadly in line with inflation.

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