WAREHOUSE REIT

THE SPECIALIST WAREHOUSE INVESTOR

HALF YEAR RESULTS 2018

WAREHOUSE REIT PLC

TILSTONE

AGENDA

- Introduction
- Financial Results
- Acquisitions & Disposals
- Portfolio Management
- Market Update
- Outlook

Externally managed by an experienced team
Tilstone Partners – Investment Manager

Andrew Bird MRICS
Tilstone Partners
Managing Director

Peter Greenslade FCA
Tilstone Partners
Finance Director

CLEAR STRATEGY – IT'S ABOUT E-COMMERCE AND WAREHOUSES

£17.7M MANAGEMENT CO-INVESTMENT IN WAREHOUSE REIT PROVIDES ALIGNMENT WITH SHAREHOLDERS

WARE HOUSE REIT

STRONG OPERATIONAL PERFORMANCE

- Intensive asset management
  - Continued strong tenant demand, supported by the further growth of ecommerce, is driving robust rental increases
  - Completed 37 new lettings of vacant space, generating annual rent of £1.2 million, 6.9% ahead of 31 March 2018 estimated rental value ("ERV")
  - Achieved 12 lease renewals, securing £0.5 million of additional income and a 7.8% increase in headline rents
  - Portfolio occupancy of 92.1% at the period end (31 March 2018: 93.1%) has risen to 93.0% as at 31 October 2018, following the reletting of the Deeside asset
  - WAULT up to 4.2 years from 4.1 years as at 31 March 2018
  - Added depth to asset management team
- Profitable recycling of capital
  - Full deployment of capital within six months of the IPO
  - Sold four assets for £19.0 million, reflecting an average net initial yield of 5.1% and a 27% premium to 31 March 2018 book values
  - Acquired Burntbroom Court, Glasgow adjacent to existing 55-acre site at Queenslie, for £2.4 million, a NIY of 8.0%
- Strong financial position
  - Loan to value ratio reduced to 37.1% as at 30 September 2018 from 40.5% as at 31 March 2018
  - Period end average cost of debt 3.0%
  - Weighted average debt maturity 4.2 years
  - Cash and undrawn facilities of £29.4m at the period end
  - Dividend target remains 6.0 pence for year
- Post-period end activity
  - Planning for up to 250,000 sq ft on a 16-acre site at Queenslie, Glasgow - scheme has a gross development value of £25m
  - Following restoration works 60,000 sq ft at Deeside let to A&D Transport (NW) Ltd on a 15-year lease at a rent 16% above the previous passing rent
  - Acquired a 49,000 sq ft warehouse in Widnes let to a global online retailer for £2.8m, reflecting a net initial yield of 7.3%

WARE HOUSE REIT

FINANCIAL HIGHLIGHTS

	30 September 2018	31 March 2018*	Change
IFRS profit before tax	£11.0m	£8.4m	+31.0%
Adjusted earnings	£5.1m	£3.4m	+52.4%
Adjusted EPS	3.1p	2.0p	+52.4%
Dividends per share	3.0p	2.5p	+20.0%
EPRA EPS	1.8p	1.9p	-8.7%
Portfolio value	£284.3m	£291.0m	+1.6%**
Loan-to-value	37.1%	40.5%	-3.4%
IFRS/EPRA NAV per share	105.7p	102.1p	+3.5%
Total accounting return	6.5%	4.6%	+1.9%

* Accounting period is from 1 August 2017 to 31 March 2018. Operations commenced post-IPO on 20 September 2017

** Like-for-like change (capital return 2.9% including sales)

WARE HOUSE REIT

ADJUSTED EARNINGS

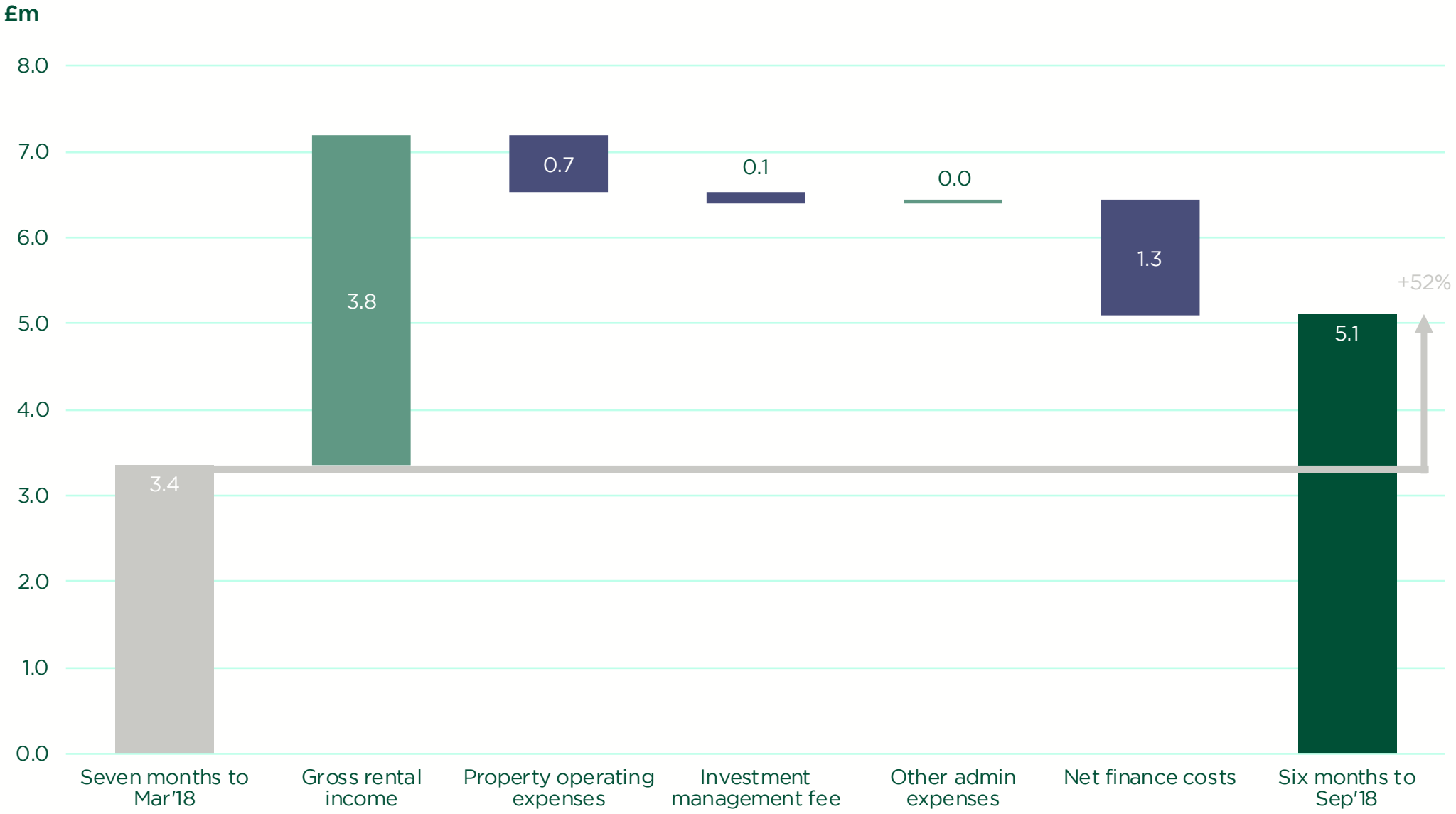
	30 September 2018	31 March 2018*	Change
Gross rental income	£10.2m	£6.4m	+60%
Property operating expenses	(£1.3m)	(£0.6m)	+104%
Investment management fee	(£0.9m)	(£0.8m)	+16%
Other administration expenses	(£0.8m)	(£0.8m)	-3%
Adjusted EBITDA	£7.3m	£4.2m	+74%
Net finance costs	(£2.1m)	(£0.8m)	+168%
Tax	£0.0m	£0.0m	n/a
Adjusted earnings	£5.1m	£3.4m	+52%
Adjusted EPS	3.1p**	2.0p***	+52%

* Accounting period is from 1 August 2017 to 31 March 2018. Operations commenced post-IPO on 20 September 2017

** EPRA EPS 1.8p including one-off property and acquisition provision of 1.3p

*** EPRA EPS 1.9p including loan break fees of 0.1p

ADJUSTED EARNINGS BRIDGE



WARE HOUSE REIT

BALANCE SHEET

	30 September 2018	31 March 2018	Change
Investment properties*	£284.3m	£291.0m	-2.3%**
Cash and equivalents	£3.9m	£6.6m	-40.9%
Bank debt	(£107.7m)	(£123.0m)	-12.4%
Other net liabilities	(£4.9m)	(£5.0m)	-1.7%
IFRS/EPRA NAV	£175.5m	£169.5m	+3.5%
Number of shares	166.0m	166.0m	n/a
IFRS/EPRA NAV per share	105.7p	102.1p	+3.5%
LTV ratio***	37.1%	40.5%	-3.5%

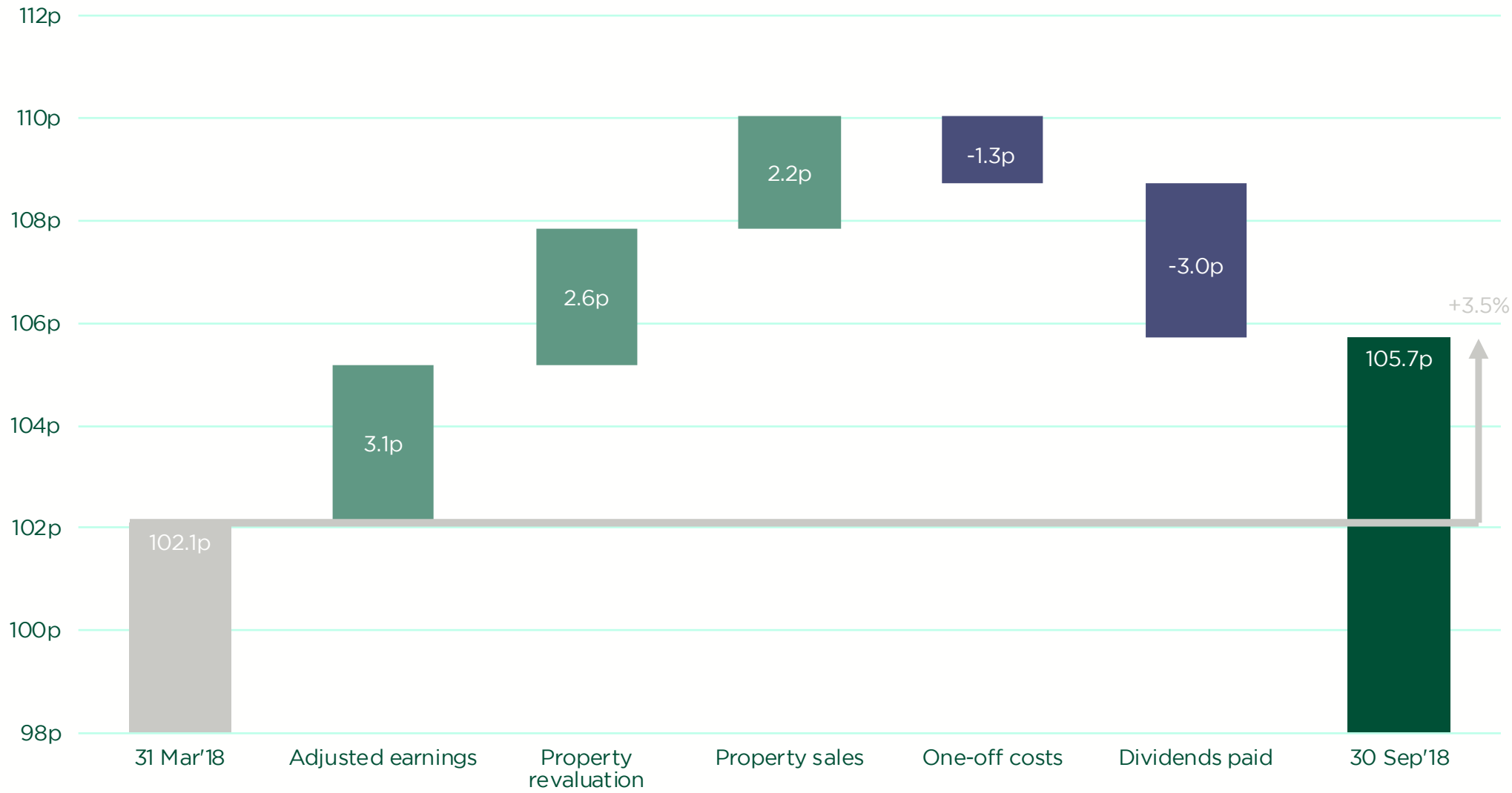
* Fair value of investment property

** Like-for-like valuation change +1.6%

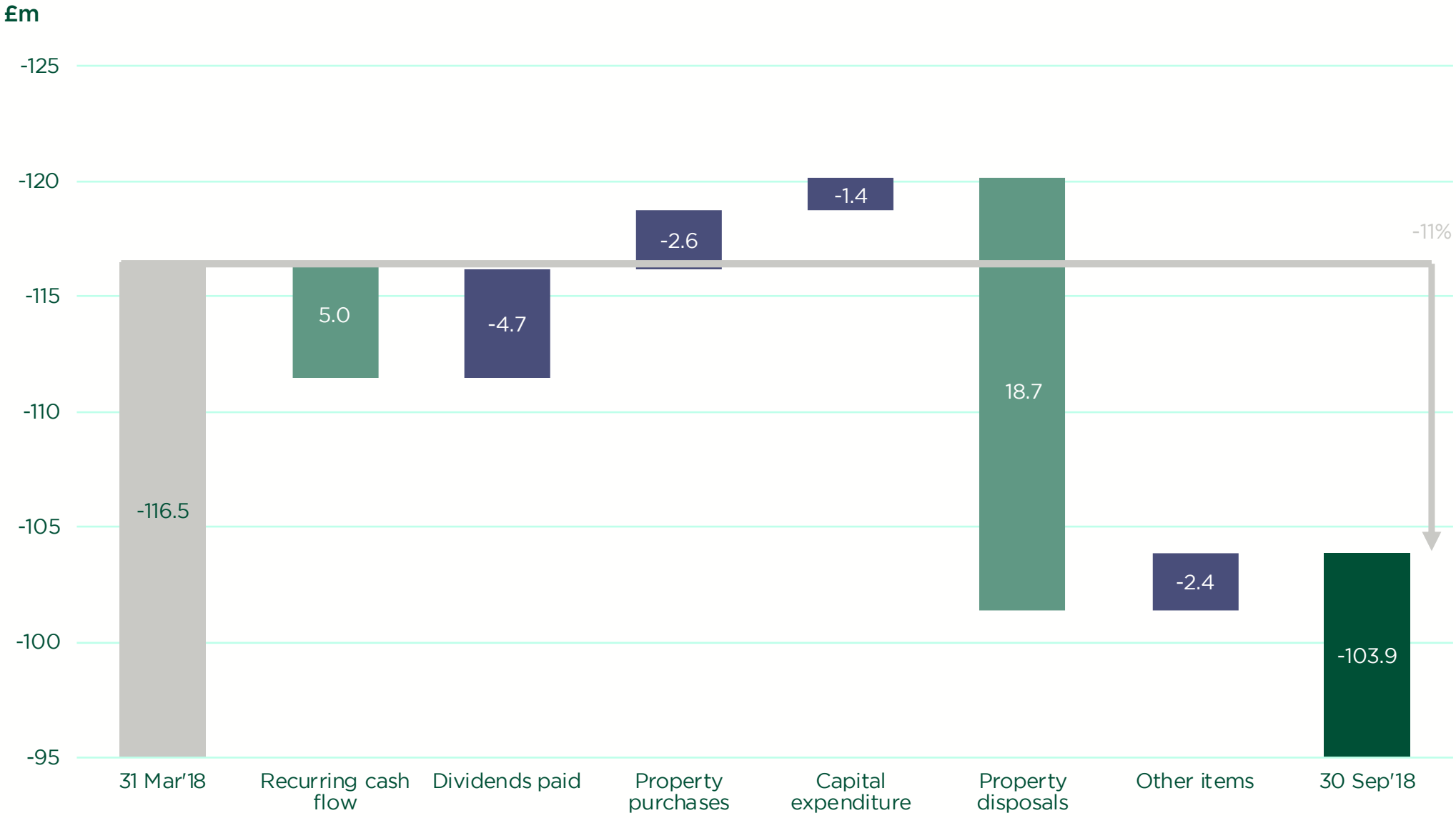
*** Outstanding amount of gross loan balances less cash as a percentage of property value

MOVEMENT IN EPRA NAV

Pence per share



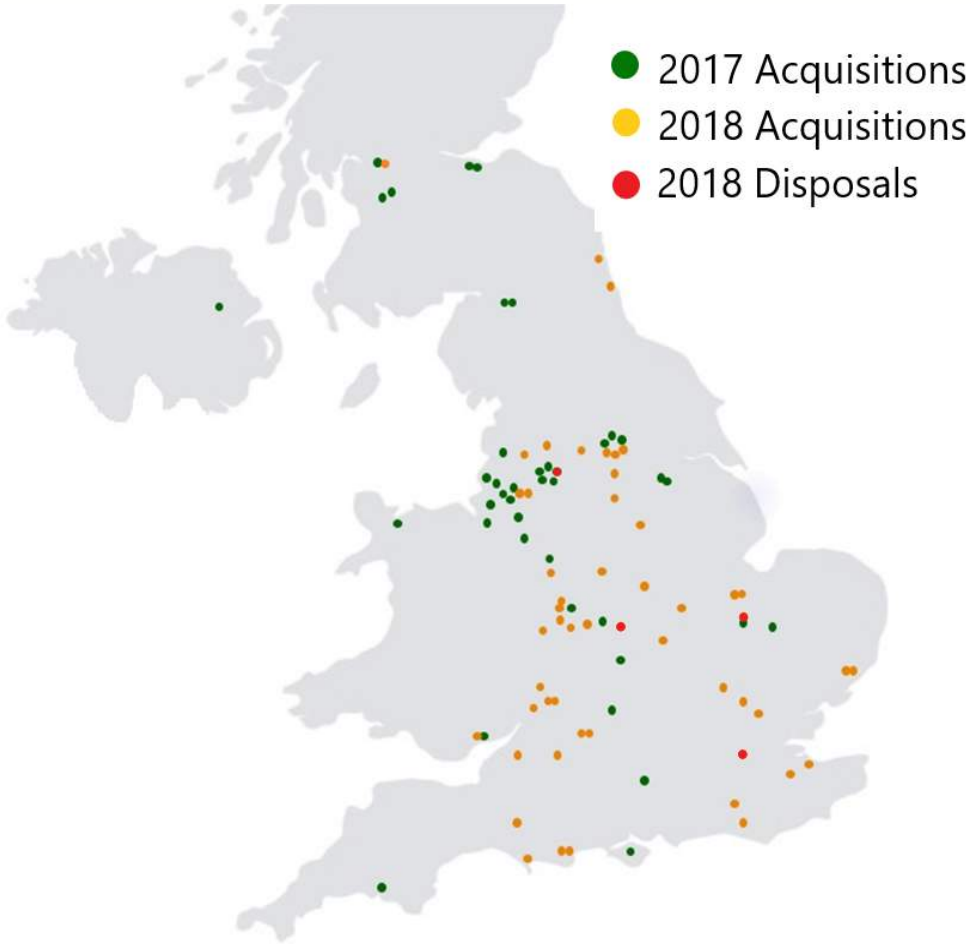
CHANGE IN NET DEBT



PORTFOLIO

Typically the assets are either close to urban conurbations or major transport infrastructure

Acquisition Date	Assets
At IPO – September 2017	27
September 2017	4
November & December 2017	10
March 2018	51
Queenslie – July 2018	1
Disposals – September 2018	(4)
As at 30 September 2018	**89**



WARE HOUSE REIT

THE VALUATION

As at 30 September 2018	Valuation £m	% of total portfolio	Occupancy	Average rent £per sq ft pa	Lease length to expiry years	Net initial yield	Average capital value £per sq ft
Warehouse storage and distribution	184.7	65.0%	90.2%	4.84	3.8	6.6%	61
Light manufacture and assembly	46.6	16.4%	93.5%	4.40	4.3	7.1%	55
Retail warehouses	18.4	6.5%	100.0%	10.88	5.4	6.9%	148
Trade warehouses	17.7	6.2%	100.0%	5.79	7.0	5.8%	91
Workspace/office	14.8	5.2%	90.5%	10.20	3.2	7.9%	105
Other	2.1	0.7%	100.0%	5.94	8.2	7.0%	79
Total	284.3	100.0%	92.1%*	5.16	4.2**	6.7%***	65

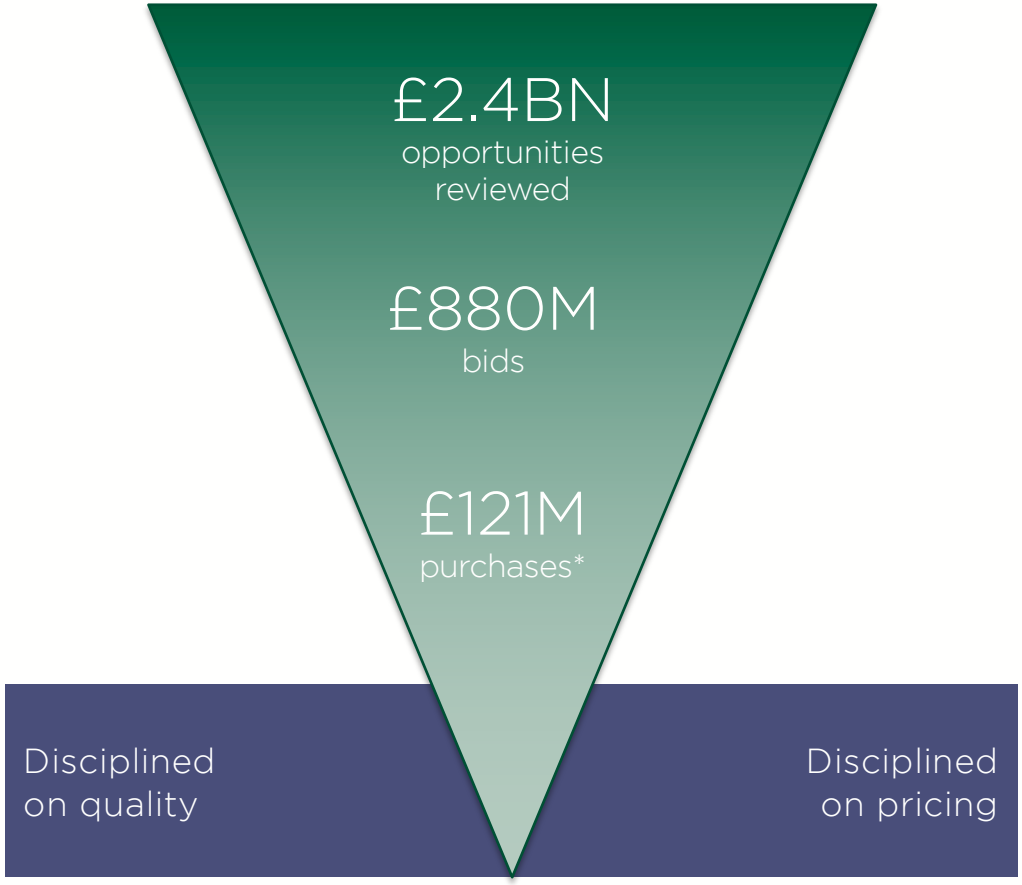
* Post-period end 93.0% following reletting of the Deeside asset ** Lease length to first break 2.8 years ***EPRA net initial yield 6.2%

DISCIPLINED INVESTMENT APPROACH

- Over £2bn of investment opportunities assessed in 2018
- Disciplined on pricing and quality

- Our investment criteria
  - Initial yield > 7%
  - Income growth from vacancy
  - Strong locations – close to urban areas, arterial routes or transport hubs
  - Supportive local demand/supply imbalance
  - Asset management and repositioning opportunities

- Providing the potential for future rental growth…



* Including post-period end purchase of a warehouse in Widnes for £2.8m

PROFITABLE SALES CAPTURING TOMORROW'S OPPORTUNITY IN TODAY'S PRICE

- Sold four assets for £19.0 million, at an average net initial yield of 5.1% and a 27% premium to 31 March 2018 book values

- Connaught Business Centre, Mitcham
  - Industrial estate of nine units totaling 10,500 sq ft in strong South London location
  - Since the acquisition in March 2018 the vacant units have been let increasing the rental tone from £14 sq ft to £20 sq ft
  - Sale to a specialist London industrial investor in July 2018 for £3.9m, a net initial yield of 3.6%
  - 36% premium to March 2018 book value

- Quantum Park, Manchester
  - Industrial warehouse totaling 45,400 sq ft let to Travis Perkins (five years to tenant only break) and a specialist car repair centre
  - Established that both occupiers would like to buy their freeholds with car repair centre requiring more space
  - Completed sale to a UK pension fund in September 2018 for £9.0m, a net initial yield of 4.9%
  - 33% premium to March 2018 book value

Additional sales of an industrial asset in Huntingdon (£3.3m, 5.4% NIY, 16% premium) and non-core office in Solihull (£2.9m, 12% premium)

SELECTIVE ACQUISITIONS PROVIDE OPPORTUNITIES FOR GROWTH

- Burntbroom Court, Queenslie, Glasgow

- **What is it?**
  - Nine purpose built industrial units totalling 47,430 sq ft
  - Average rent of £4.36 sq ft
  - Adjacent to our existing holding at Queenslie Industrial Estate
  - Direct access to M8 motorway junction (J11)
- **Purchase Rationale**
  - Extend existing holding at Queenslie
  - Units offer differing size and specification to our existing industrial units
  - Extend WAULT through renewals with existing occupiers
  - Rentalise container land
  - Short-term capex initiatives to increase value in near future
- **What is the future?**
  - Reposition wider holding as the leading mixed use estate in Glasgow

Purchase price	Net initial yield	Contract rent	Average rent
£2,425,000	8.0%	£207,000	£4.36 sq ft

Occupancy	Key tenants
100%	Spie Ltd, Edminston Brown & Co Ltd, L&D Plumbing & Tiling Services Ltd

INTENSIVE ASSET MANAGEMENT DELIVERING STRONG INCOME GROWTH

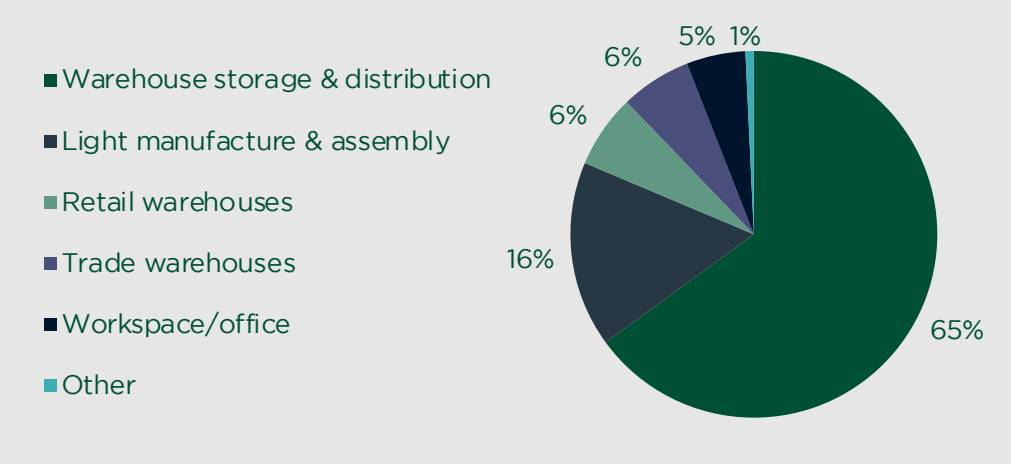
- Completed 37 new lettings of vacant space, generating annual rent of £1.2 million, 6.9% ahead of 31 March 2018 ERV
- Achieved 12 lease renewals, securing £0.5 million of income and reflecting a 7.8% increase in headline rents
- Post period-end let 60,000 sq ft at Deeside following landlord restoration works to A&D Transport (NW) Ltd on a 15-year lease at an average rent over the first five years 16% above the previous passing rent

- DFS - 23 South Gyle Industrial Estate, Edinburgh
  - New 15-year lease, with a break at year ten, to existing tenant DFS at South Gyle Industrial Estate, Edinburgh
  - More than doubled the tenant's occupancy on the site to 48,000 sq ft, at a favourable rent of £7 per sq ft

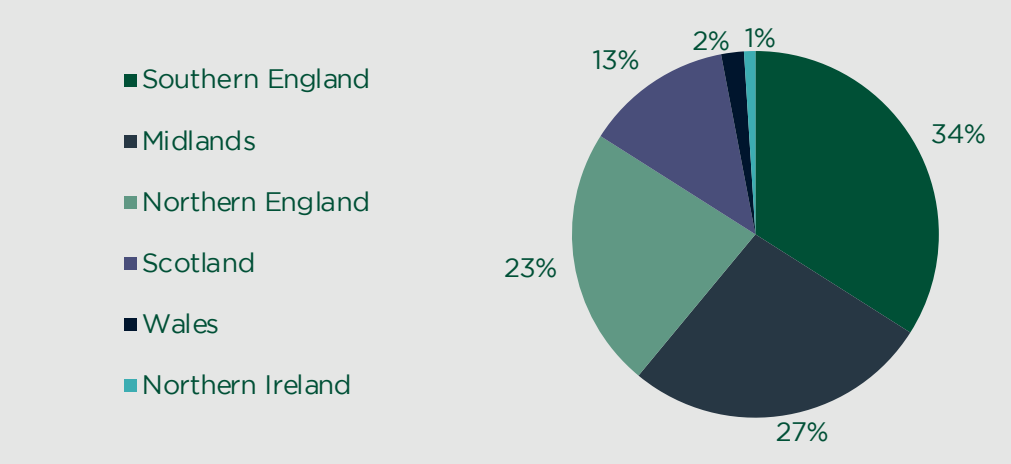
- ASDA - Unit 4, Vantage Point, Leeds
  - A ten-year lease, with a break at year five, to Asda Stores
  - New lease reflects a passing rent of £209,100 per annum (£4.34 sq ft), in line with the previous rent, with a rent review currently under way

SIGNIFICANT INBUILT ORGANIC GROWTH OPPORTUNITY...

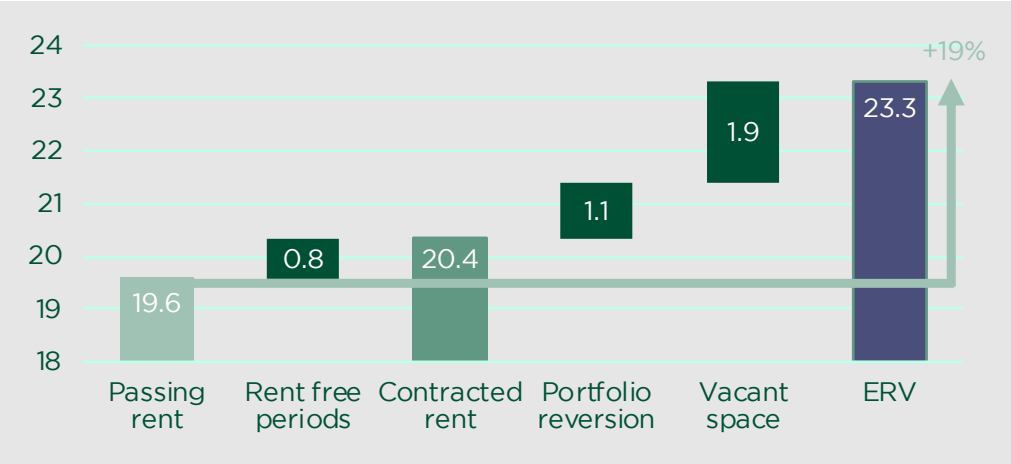
Portfolio value split by use as at 30 September 2018



Portfolio value split by location as at 30 September 2018



Potential additional rent roll as at 30 September 2018 (£m)



Portfolio key metrics as at 30 September 2018

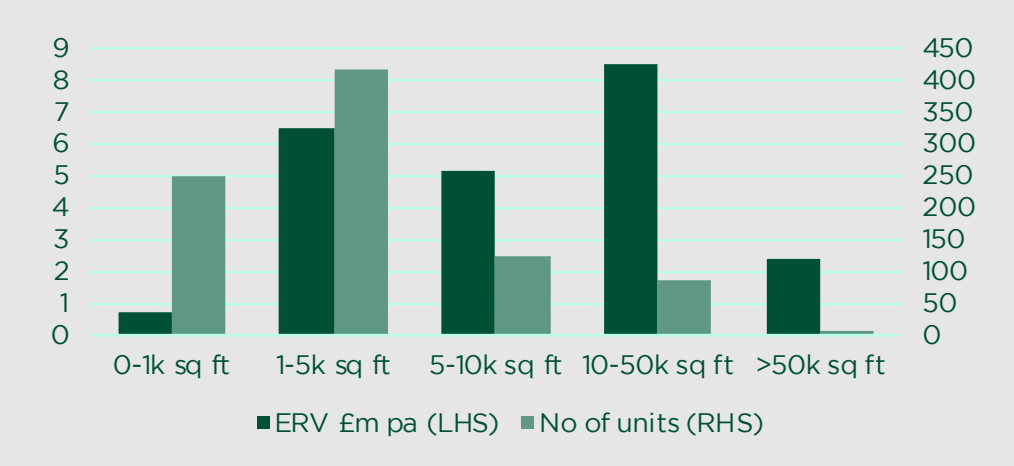
Portfolio valuation £m	Contracted rent £m per annum	ERV £m per annum
284.3	20.4	23.3
31 March 2018: £291.0m	31 March 2018: £21.3m	31 March 2018: £23.8m

EPRA net Initial yield %	Weighted avg unexpired lease term years	Average capital value £ per sq ft
6.2	4.2	65
31 March 2018: 6.2%	31 March 2018: 4.1	31 March 2018: 66

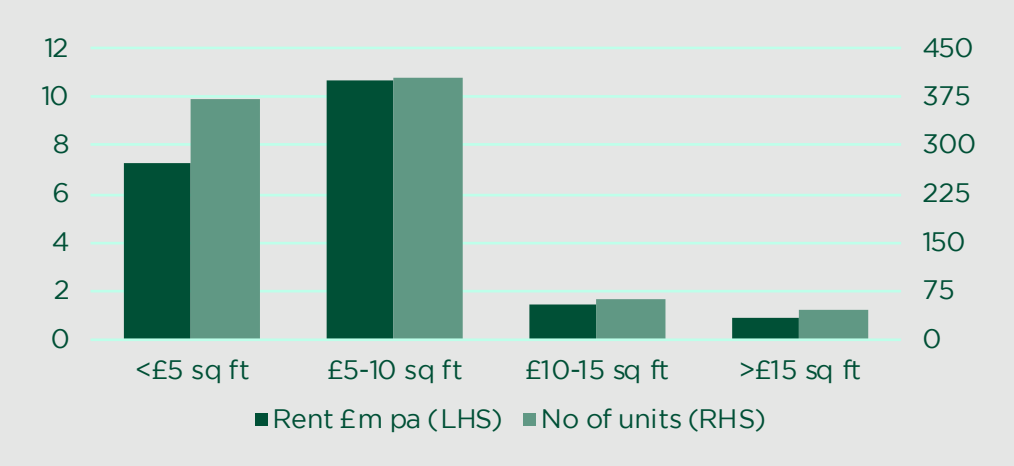
AND A DIVERSE OCCUPIER BASE...

- 92.1% occupancy as at 30 September 2018, increasing to 93.0% post period-end following reletting of the Deeside asset
- WAULT: 4.2 years (2.8 to first break)
- 88% of rental income from units let at <£10 sq ft
- Our occupiers include:

Portfolio unit size distribution



Portfolio rent £ sq ft distribution



CASE STUDY

Tramway Industrial Estate, Banbury

- **What is it?**
  - Nine unit industrial estate totalling 151,000 sq ft now fully let
  - Adjacent six acres of land on short term lease with Banbury FC
  - Strong transport links with nearby M40 and adjacent railway station
- **What have we done since IPO?**
  - Let remaining vacant unit to existing adjoining occupier
  - Bought in six acres of additional land for £800k
  - Moved ERV from £803k to £841k pa.
  - Re-geared Magna leases (37% of income) for a new 5 year term
  - Extended WAULT to expiry from 4.0 to 5.4 years in six months following purchase
- **What is the future?**
  - Exploring higher value uses and working with occupiers to increase existing retail element
  - Reversionary income of £841k per annum
  - Continue to explore acquiring adjoining sites to enhance longer term development potential

Valuation 30 Sept 2018	Valuation at IPO	Contracted rent 30 Sept 2018	Contracted rent at IPO
£13,200,000 (inc. land acquired)	£10,500,000	£788,000	£723,000

Occupancy	Key tenants
100%	Magna Exteriors, Chiltern Railways, Cleenol

CASE STUDY – ASSET MANAGEMENT UNDERPINNING FUTURE INCOME GROWTH

Nexus, Knowsley

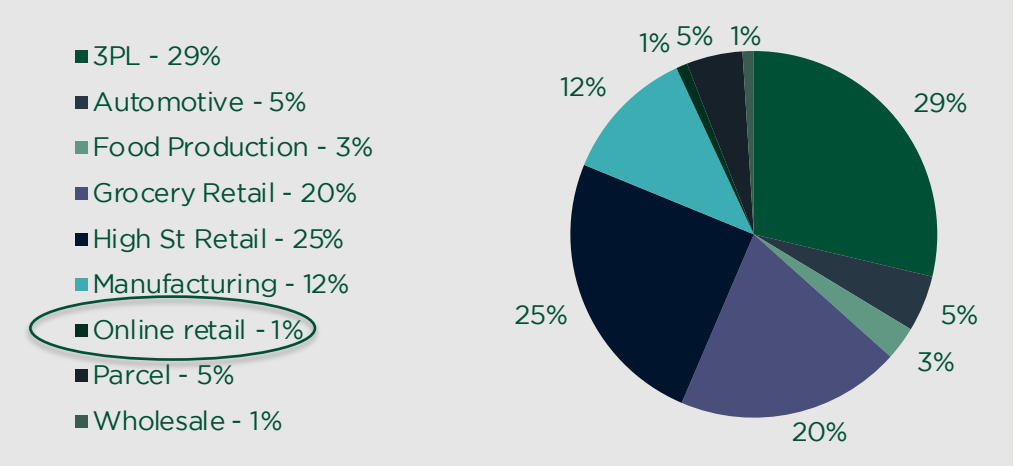
- **What is it?**
  - Industrial estate of 13 units totalling 185,000 sq ft
  - Together with 4.16 acres of development land
  - Situated on J4 of M57 providing strong transport links
- **What have we done since purchase?**
  - Let remaining vacant unit at 18% ahead of September 2018 ERV
  - Agreed a new 15 year lease, with a break at year 10, at a new headline rent on 41% of industrial space
  - Planning pre-application with Knowsley Council for:
    - 35,000 sq ft of industrial use on 2 acres
    - Petrol filling station and drive-thru/electric charging station on 2.16 acres
- **What is the future?**
  - Capitalise on planning with significant valuation uplift
  - Extend WAULT and value through renewals and re-gears

Valuation 30 Sept 2018	Valuation 31 March 2018	Contracted rent 30 Sept 2018	Contracted rent 31 March 2018
£8,600,000	£8,600,000	£916,000	£1,020,000

Occupancy	Key tenants
100%	Tuff X, Delphi, Quality Moving Group

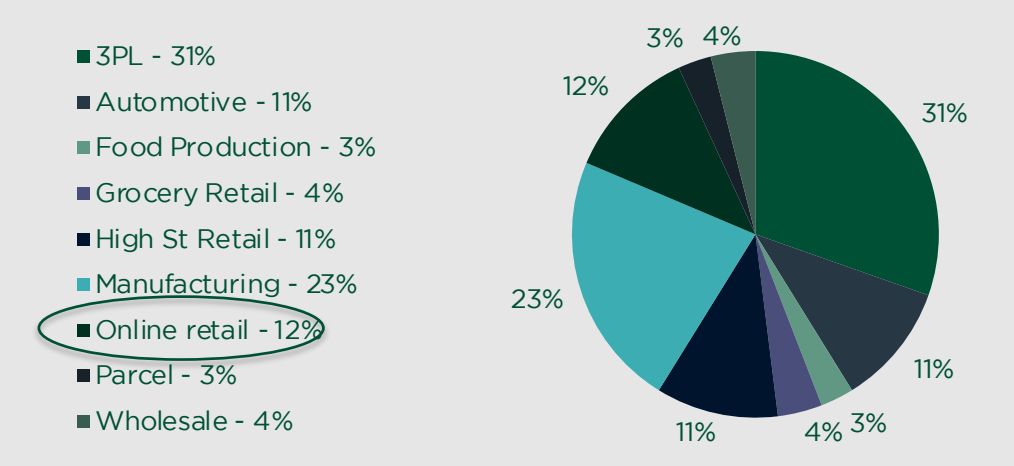
MARKET FUNDAMENTALS

Industrial take-up 2007



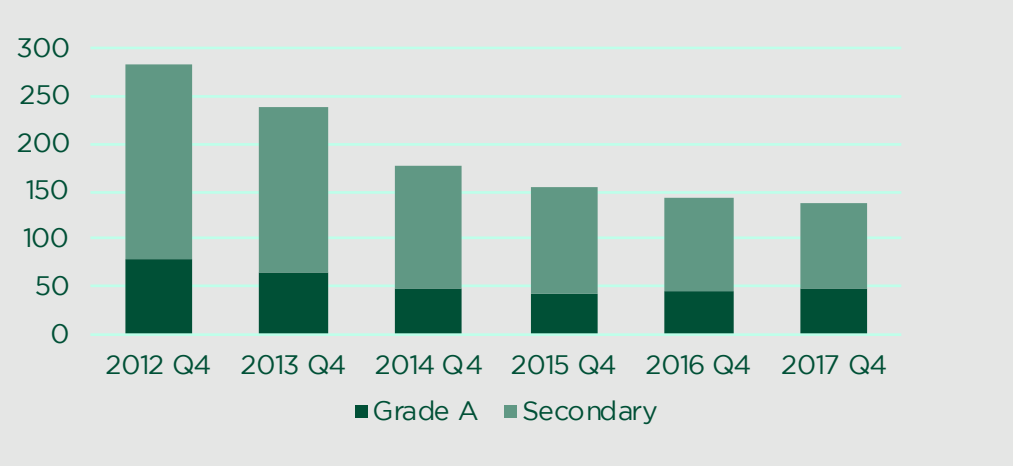
Source: Savills

Industrial take-up 2017



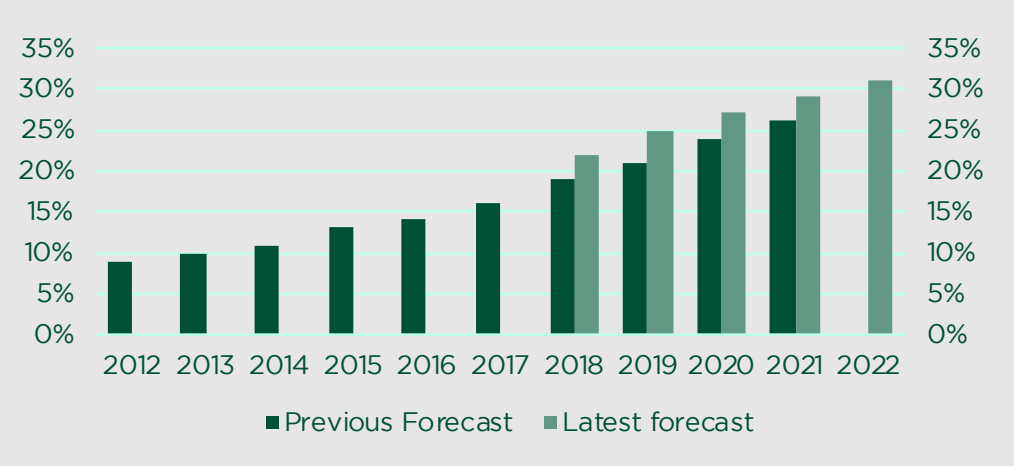
Source: Savills

UK industrial availability by grade (million sq ft)



Source: CoStar/Savills

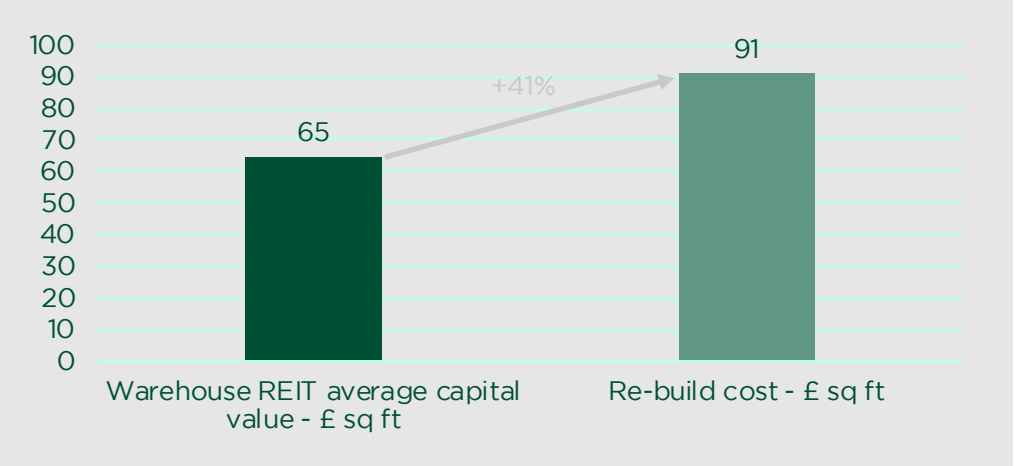
UK online retail growth



Source: Retail Economics

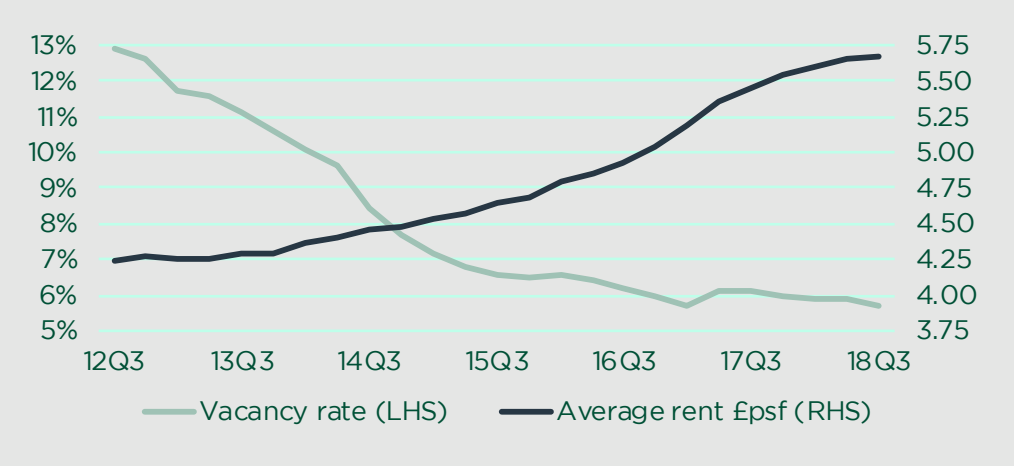
CONSTRAINED SUPPLY LEADING TO STRONG RENTAL GROWTH

High build cost makes development uneconomical



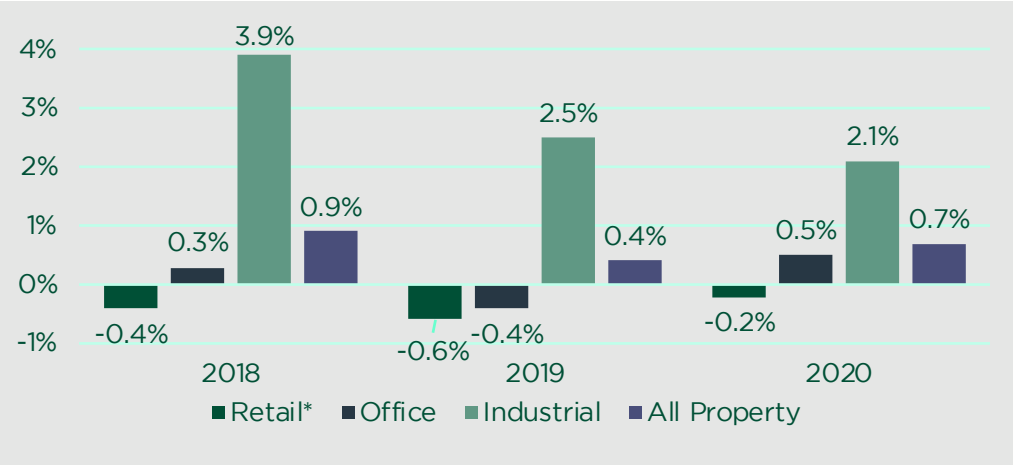
Source: CBRE/Gerald Eve/Savills

Industrial vacancy rate vs average rent



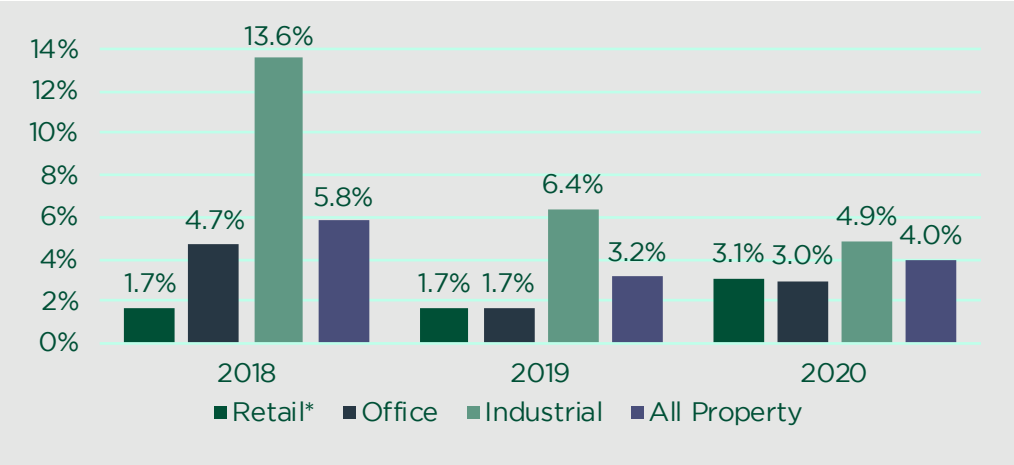
Source: CoStar/Savills

Rental value growth forecasts



Source: IPF Consensus Forecasts – September 2018 *Avg for Std Retail, Shopping Centres & Retail Warehouses

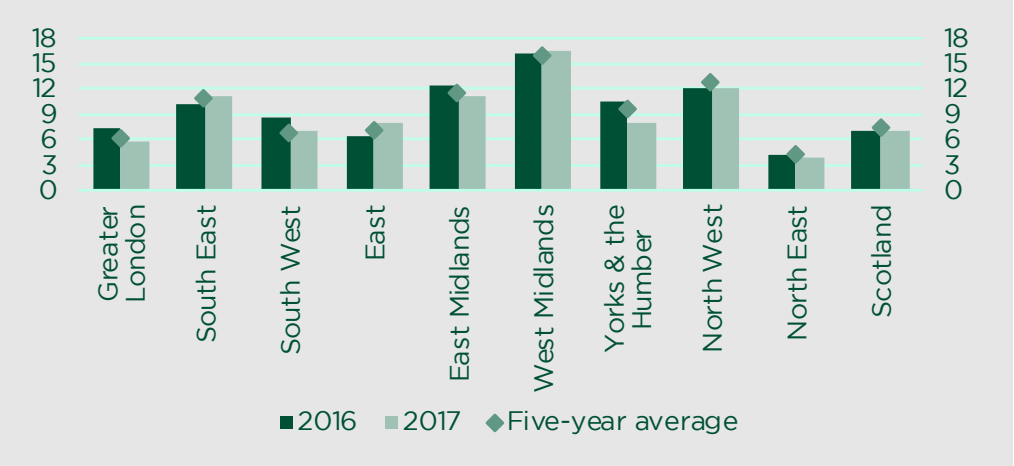
Total return forecasts



Source: IPF Consensus Forecasts – September 2018 *Avg for Std Retail, Shopping Centres & Retail Warehouses

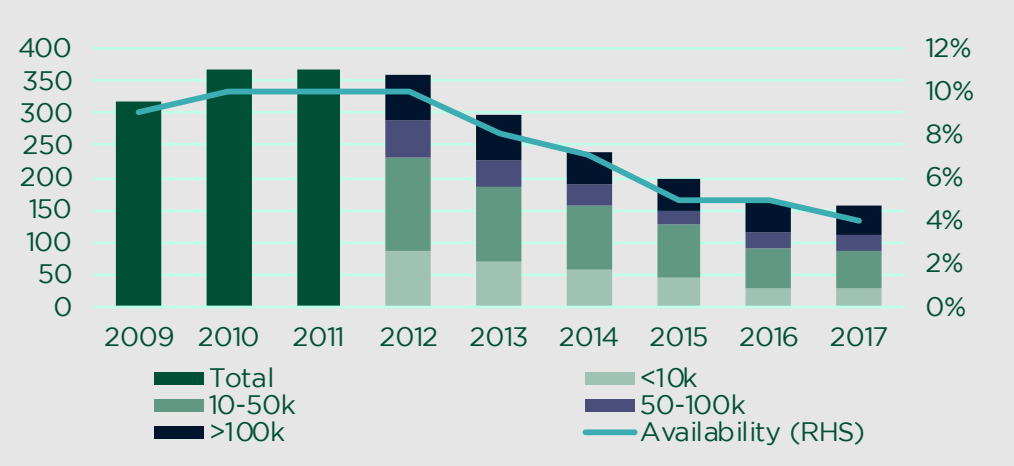
SMALL (& MEDIUM) IS BEAUTIFUL

UK industrial take-up by region (million sq ft)



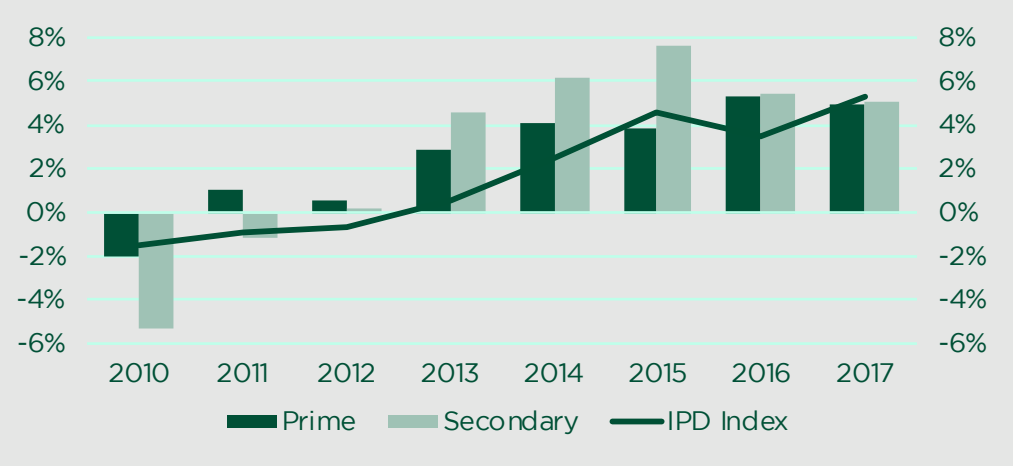
Source: LSH

UK industrial availability by unit size (million sq ft)



Source: LSH

UK industrial rental growth



Source: LSH & MSCI

- Small and Medium Sized Warehouses (<50k sq ft) account for 55% of total industrial take-up
- Small and Medium Warehouse demand was up 6% in 2017 vs. 2016 compared to 19% fall in demand for logistics space
- Small and Medium Warehouses have just 1.6 years of supply
- Secondary rental growth continues to outperform prime

CONCLUSIONS

A strong start, delivering and exceeding the IPO promise

- Capital fully deployed six months ahead of schedule – disciplined; ensuring strong fit with investment criteria
- Strong earnings growth to date underpins target dividend of 6.0p for the year to 31 March 2019*
- Low cost, long term financing secured

Looking forward

- Market fundamentals remain supportive – rental growth continues
- Remains significant reversion to capture across the portfolio – asset management capability enhanced
- Accretive pipeline of investment opportunities under review
- Potential to crystallise asset management gains through selective sales

* This is a target not a profit forecast and there can be no assurances that this will be met

APPENDIX 1: OUR STRATEGY

Our strategy is to create value through a top-down approach to investment, followed by hands-on asset management with best-in-class processes

We believe the key to outperformance is stock selection, which includes

Location	Buildings	Optionality
We look for well located sites, close to major road, rail and air transport links and to large conurbations	We look through the lens of the occupier, to ensure the buildings' design, size and configuration will match tenants' current and future requirements	We look for buildings with a range of different uses, which offer long-term flexibility and have the potential to change permitted use

In addition, before we make an investment decision, we consider the level, quality and diversity of existing income from the assets, and the current supply and demand for space in the local market

Investment policy
Our policy is to invest is a diversified portfolio of small and medium sized (<50,000 sq ft) urban warehouse assets in the UK We look for investments where there is the potential to add value through active asset management

APPENDIX 2: OUR OBJECTIVES

We aim to provide shareholders with an attractive level of income, together with the potential for income and capital growth

Dividend policy

In line with the REIT requirements to distribute at least 90% of property income, the targeted dividend for the year ending 31 March 2019 is 6.0p

For years after 2018/19, we intend to adopt a progressive dividend policy, in line with anticipated growth in earnings

Total returns

Our target is to achieve a total return of at least 10% per annum, through a combination of dividends and growth in NAV

Leverage

It is envisaged that a LTV of between 30% and 40% would be the optimal capital structure for the Company over the longer term

Management fee

The Manager (Tilstone Partners Limited) will receive an annual fee equal to 1.1% of the NAV of the Company's portfolio on the basis of funds being fully invested up to £500m and 0.9% thereafter, with no performance fee payable

WARE HOUSE REIT

APPENDIX 3: EPRA EARNINGS & IFRS PROFIT

	30 September 2018	31 March 2018*	Change
Adjusted earnings	£5.1m	£3.4m	+52%
One-off costs	(£2.2m)**	(£0.2m)***	+1220%
EPRA earnings	£2.9m	£3.2m	-9%
Profit on disposal of properties	£3.7m	£0.0m	n/a
Fair value gains on properties	£4.4m	£5.2m	-16%
Tax	£0.0m	£0.0m	n/a
IFRS profit for period	£11.0m	£8.4m	+31%
EPRA EPS	1.8p	1.9p	-9%
IFRS EPS	6.6p	5.0p	+31%

* Accounting period from 1 August 2017 to 31 March 2018. Operations commenced post-IPO on 20 September 2017

** Property and acquisition provision of 1.3p per share

*** Loan break fees of 0.1p per share

WAREHOUSE REIT

THE SPECIALIST WAREHOUSE INVESTOR

HALF YEAR RESULTS 2018

WAREHOUSE REIT PLC

TILSTONE