



27 January 2021

**Warehouse REIT plc  
(the 'Company' or 'Warehouse REIT')**

**Trading Update**

**Strong rent collection, further reduction in vacancy and growing income achieved alongside continued deployment of equity raise proceeds with £80.2m of acquisitions**

Warehouse REIT, (the "Company"), the AIM-listed specialist warehouse investor, announces a trading update covering the period since 1 October 2020.

Rent collection has remained strong with 95% of the total rent due on the December quarter date collected as at 25 January 2021, of which 3% has been deferred by agreement with customers. This level of rent collection is higher than at the equivalent date for the March, June and September quarters. For the financial year ending 31 March 2021, the Company has now received 96% of rents due, which is expected to increase further over the quarter.

During the period the Company completed 19 new lettings and 24 lease renewals across 238,900 sq ft of space. These transactions completed ahead of 30 September 2020 ERVs, generating £1.5 million per annum of contracted rent. The portfolio's total occupancy has increased by 0.6% to 94.9% (as at 31 December 2020) with effective vacancy just 2.6% excluding units under refurbishment or under offer to let.

The Company also completed the acquisition of 11 assets for a combined price of £80.2 million (before costs), at an average net initial yield of 6.3%, taking the portfolio to over seven and a half million sq ft.

**Andrew Bird, Managing Director of Tilstone Partners Ltd, the investment advisor of Warehouse REIT, commented:** "Alongside Warehouse REIT's disciplined deployment of shareholders' funds from the July 2020 fundraise, we continue to deliver strong operational performance from the Company's diversified portfolio of UK warehouse assets. Once again, the Company has achieved rents on new lettings in excess of valuation as competition for space from a broad range of tenants has translated into increased occupancy levels. This has been achieved against a backdrop of local and national lockdowns, reflecting the tenant critical nature of our assets and strength of our occupier relationships."

"Whilst the market for industrial assets remains competitive, we continue to identify attractive acquisition opportunities. Advanced purchase due diligence is underway on several assets that meet Warehouse REIT's investment criteria, at both an individual asset and portfolio level. Underpinned by the Company's high levels of rent collection and confidence in the ongoing asset management and with the benefit of the recent deployment of capital ahead of target, the Company is pleased to have declared a quarterly dividend of 1.55 per share."

## Market overview

The industrial and warehouse sector has continued to outperform the UK property market with investors attracted by rental growth and secure income which is putting downward pressure on yields. According to the CBRE UK Monthly Index, industrial capital values increased by 6.1% in the three months to 31 December 2020, with rental growth of 1.5%. The next valuation date for the Company's portfolio will be 31 March 2021.

## Asset management

The 19 new lettings represent 120,600 sq ft of floor space, generating rental income in excess of £714,000 per annum, 6.9% ahead of 30 September 2020 ERVs. The Company has continued to capture reversionary potential from the portfolio, with 24 lease renewals generating a combined annual rent of £773,000, an uplift of 5.6% compared to the previous rent.

Highlights during the period include:

- A new 10-year lease with no break to a leading building and construction company, on a 17,000 sq ft unit at Delta Drive, Tewkesbury. The rent of £110,000 per annum represents a 31.6% premium to the 30 September 2020 ERV.
- A 21,000 sq ft letting to a home furniture company, at Farthing Road, Ipswich, on a five-year lease with a break at year three, at £103,000 per annum, 11% ahead of the 30 September 2020 ERV.
- The renewal of 15,000 sq ft and an additional letting of a 6,000 sq ft to an outdoor sports company that has grown its presence online and internationally. The new lease generates total rent of £97,000 per annum secured over a 10-year term, with a break at year 5; the renewal generates income 27% ahead of the previous rent.
- A 9,000 sq ft unit at Gawsorth Court, Warrington has been re-let on a four and a half year term, to a logistics service provider, at 36.8% ahead of the previous rent.

In the quarter from 1 October 2020 to 31 December 2020, the total portfolio occupancy increased from 94.3% to 94.9%, with the effective vacancy rate only 2.6% with 1.7% of the portfolio ERV under refurbishment and a further 0.8% under offer to let. The space currently under offer will deliver approximately £0.4 million per annum of rent, with lettings 6.8% ahead of 30 September 2020 ERVs. Occupancy excluding units under offer and units undergoing refurbishment was 97.4% as at 31 December 2020 compared to 96.6% as at 30 September 2020.

Since 31 March 2020 contracted rent for properties owned throughout the period has increased by 1.9%, reflecting the positive impact of new lettings as well as rent reviews and renewals which more than offset space returned. Total contracted rent is now £40.2 million (as at 31<sup>st</sup> December 2020).

## Acquisitions and disposals

Since 1 October 2020 the Company has completed the acquisition of eleven warehouse assets totalling 924,000 sq ft for a combined consideration of £80.2 million before costs, reflecting a blended net initial yield of 6.3%.

A total of £162 million of acquisitions have now been completed since the July 2020 capital raise, providing multiple opportunities for value creation through asset management, whilst further improving cost ratio efficiencies, with the proceeds invested in line with target. The disposal of one small non-core asset was completed during the period for £0.7 million, reflecting a 5.5% net initial yield.

The acquisitions since 1 October 2020, which all completed in December, include:

- A portfolio of five single-let and multi-let warehouses located in established logistics markets totalling 570,000 sq ft from Greenstone Property Holdings Limited. The price of £43.6 million reflected an attractive net initial yield of 6.7%. The transaction was satisfied by a combination of cash and £9.0 million by the allotment and issue of 7.6 million Ordinary Shares.
- Granby Industrial Estate in Milton Keynes for £17.5 million, at a net initial yield of 5.7%. The 147,000 sq ft multi-let estate is located three miles south of the town centre and with easy access to junctions 13 and 14 of the M1 with a low average rent of £7.20 per sq ft.
- A portfolio of four distribution warehouses for £18.6 million reflecting a blended net initial yield of 6.1%. Located in key strategic last mile distribution hubs in the North West and the West Midlands the 200,000 sq ft portfolio is fully-let with an average rent of £6.10 per sq ft, which is both reversionary and offers good potential for rental growth.

### **Balance sheet and financing**

As at 31 December 2020, the Company had cash of circa £8 million and a pro forma LTV ratio of approximately 30% based on the 30 September 2020 portfolio valuation adjusted for subsequent purchases and disposals (30 September 2020: 20.2%). There are also approximately a further £40 million of undrawn facilities and £55 million of accordion available. There are no debt maturities until January 2025 with an option to extend for a further two years. Recognising the need for prudence in uncertain times the intention remains to have an LTV ratio of approximately 35%.

### **Dividend**

Yesterday the Company declared its third quarterly interim dividend for the financial year ending 31 March 2021 of 1.55 pence per ordinary share payable on 1 April 2021 to shareholders on the register on 5 March 2021. The ex-dividend date will be 4 March 2021. The dividend of 1.55 pence per ordinary share will be paid in full as a Property Income Distribution. The dividend target for the year is to pay dividends totalling at least 6.2 pence per share. Thereafter, the Company will adopt a progressive dividend policy, in line with anticipated growth in earnings.

**-ENDS-**

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Further information on Warehouse REIT is available on its website:

<http://www.warehousereit.co.uk>

**Notes to editors:**

Warehouse REIT plc invests in and manages urban and 'last-mile' industrial warehouse assets that support the continued growth in e-commerce.

Our purpose is to own and manage warehouses in economically vibrant urban areas across the UK, providing the space our occupiers need for their businesses to thrive.

As we grow, our vision is to become the UK's warehouse provider of choice.

The Company's shares were admitted to trading on AIM in 2017.