STENPROP LIMITED
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MLI trading update Q1 FY22 shows further increase in occupancy to 94.7% and like for like rental growth of 3.7%

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 April 2021 to 30 June 2021 and up-to-date information on transactions and rent collection across the Company's whole portfolio.

Commenting on the trading update Paul Arenson, CEO of Stenprop, said:

"This has been another strong quarter of leasing activity across the MLI portfolio, with our occupancy rate increasing by another 1% to 94.7%, the fourth quarter of improvement since the pandemic struck in April 2020. We believe that this positive trend is a strong indicator of both the imbalance between growing demand for MLI units and restricted supply, as well as the strength of our platform and the desirability of our portfolio to occupiers. We also saw similarly strong growth in rents during the period, with a like-for-like increase of 3.7%. This was driven by improved occupancy and the capture of rental reversion at lease renewal and reletting, at an average uplift of 21%, meaning that we have captured the equivalent of 5% per annum rental growth over the last four years.

"Rent collection has also improved this quarter with historic rent arrears continuing to decline. We are now closing in on our 95% collections target for most monthly and quarterly periods from 2020. The Government's intervention preventing enforcement action for non-payment of rent means that collection rates are slower than pre-pandemic levels. However, customers are increasingly focused on securing their long-term occupation of premises and hence are keen to settle outstanding arrears and ensure they can retain their space.

"Finally, the MLI investment market remains buoyant. We successfully redeployed capital from sales into two additional MLI estates this month at pricing which was accretive and in line with our target returns. We have several estates under offer and remain on course to hit our acquisition targets for this year and complete our transition to a 100% UK MLI business by March 2022."

Like-for-like passing rent up 3.7% during the quarter

- Like-for-like passing rent up 3.7% during the quarter (previous quarter: 1.8%) and up 8.0% over 12 months. Average passing rent up 2.5% to £5.60/sq ft (previous quarter: £5.46/sq ft).
- Occupancy across the MLI portfolio continued to trend upwards, increasing by another 1% to 94.7% as at 30 June 2021, up from 93.7% at 31 March 2021 and 91.0% on 31 March 2020 at the start of the first lockdown.
- 18% weighted average uplift on the previous passing rent on new lettings and 25% on lease renewals, averaging 21% across all transactions (previous quarter: 24% and 15% respectively, averaging 20% across all transactions).
- £1.44 million per annum of rental income contracted (previous quarter: £1.54 million) through 39 new lettings and 27 lease renewals over 213,519 sq ft (previous quarter: 50 new lettings and 33 renewals over 212,522 sq ft).
- 55% of leases contracted through Stenprop's short-form digital 'Smart Leases'. 71% of leases signed included at least a 3% annual uplift in rent throughout the term of the lease (previous quarter: 75% of new leases were Smart Leases, whilst 78% of leases signed contained 3% fixed uplifts).
- The like-for-like estimated rental value of the portfolio increased 5.5% in the 12 months to 30 June 2021, resulting in a 10.1% premium to the average passing rent (previous quarter: 12.8% premium).
- Rental incentives remain low on new lettings and renewals with average rent-free incentives of 1.6 months on an average lease term of 4.4 years (2.7 years to earliest break) (previous quarter: 1 month rent free on an average term of 4.25 years and 3.0 years to earliest break).
- Asset management highlight: during the quarter we renewed two leases to a single customer on a combined area of over 40,000 sq ft at Venture Park, Peterborough. The new rent reflects an increase of 34% compared to the previous passing rent. No lease incentive was given. The lease term has been extended from 2.04 years to 9.09 years, with both new leases running to July 2030 without any break options.

2021 sees continued high demand for MLI units

- Total leasing enquiries received into the Industrials Hive platform were up 46% over the first half of 2021 compared to the second half of 2020.
- During the quarter, average weekly leasing enquiries were 18% lower compared to the last quarter (previous quarter: up 56%), largely because of changes in our digital marketing strategy to focus on fewer but higher quality enquiries. The same changes also impacted industrials.co.uk where users were down 14% over the quarter (previous quarter: +35%), albeit still up 41% year on year.
- At quarter end there were 76 leasing transactions under offer on over 286,000 sq ft of space (previous quarter: 66 transactions over 234,000 sq ft of space), of which 113,000 sq ft related to new lettings and 173,000 sq ft to existing customer renewals (previous quarter: 101,000 sq ft and 133,000 sq ft respectively).
- A further four lease transactions had exchanged and were awaiting completion on a total of 30,000 sq ft (previous quarter: 6 deals over 24,000 sq ft).

Rent collections improving as UK business confidence grows

Stenprop can report the following rent collection statistics which show the improving trend of total rent collected for each invoicing period since the outbreak of the pandemic as at close of business on 23 July 2021.

	Monthly Rents						Quarterly Rents						
	2020			2021			2020			2021			Total
Country / Sector	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	July	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul - Sep	
UK MLI	93%	93%	93%	87%	83%	73%	95%	94%	95%	93%	88%	78%	89%
UK Urban Logistics							100%	100%	100%	100%	100%	100%	100%
Guernsey Office							100%	100%	100%	100%	100%	100%	100%
Germany	93%	98%	98%	82%	98%	100%							94%
Switzerland	17%	66%	61%	11%	22%	33%							36%
Total	88%	92%	93%	80%	83%	83%	98%	97%	96%	93%	82%	84%	91%

The quarter has seen a marked improvement in the collection of historic rent arrears dating back to the start of the pandemic, as well as improved collection rates on the current period rent. We remain confident that, in due course, we will collect at least 95% of all rents due since the onset of the pandemic, and that we will see a return to pre-pandemic levels from March 2022 when the current moratorium on enforcing rent payment is due to come to an end.

Strong pipeline of MLI acquisitions opportunities

While no acquisitions were completed during the quarter, the Company was actively assessing numerous opportunities and has subsequently completed the following two transactions:

- **Acquisition of Bradley Hall Trading Estate in Wigan** on 2 July 2021 for £20,600,000, reflecting a net initial yield of 6.4% and a capital value of £67 psf on the buildings and £9 psf on the yard areas[1].
- **Acquisition of Whitacre Industrial Park in Huddersfield** on 21 July 2021 for £2,300,000, reflecting a net initial yield of 6.7% and a capital value of £94 psf. This estate adjoins an existing estate owned by Stenprop called Ellis Hill Industrial Estate, taking our total holding in the area to over 100,000 sq ft over 18 units.

As at 30 July 2021, we have a further six MLI estates under offer with a combined value of more than £24 million.

No disposals were completed during the quarter, although we expect completion of the sale of the Hermann Centre in Berlin to take place on 31 July 2021 for €30.8 million further to the exchange of contracts on 28 December 2020. A separate announcement will be issued to confirm this in due course.

Following the completion of the Hermann Quartier sale, the percentage of UK MLI within the Company's portfolio is expected to rise to 79%. As at 30 July 2021, MLI assets account for 75% of Stenprop's total portfolio based on 31 March 2021 valuations.

As at 30 July 2021, Stenprop's net loan-to-value ratio[2] (LTV) is approximately 28% when allowing for unrestricted cash.

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] This transaction has already been announced on RNS and SENS. For full details please visit https://stenprop.com/investors/regulatory-news-service/

[2] Calculated as gross borrowing less unrestricted cash, divided by gross asset value based on our 31 March 2021 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.

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About Stenprop:
Stenprop is a UK REIT listed on the Specialist Fund Segment of the London Stock Exchange and the Johannesburg Stock Exchange. We specialise in the ownership and operation of UK multi-let industrial (MLI) property. Our purpose is to revolutionise the MLI sector in the UK for the benefit of our stakeholders. Our goal is to become the leading MLI business in the UK. For further information, go to www.stenprop.com.