

SIRIUS REAL ESTATE LIMITED  
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10 October 2022

**Sirius Real Estate Limited**  
**("Sirius Real Estate", "Sirius", the "Group" or the "Company")**

**TRADING UPDATE: IN LINE WITH EXPECTATIONS, WITH CONTINUED RENTAL GROWTH AND STRONG BALANCE SHEET**

Sirius Real Estate, the leading owner and operator of branded business and industrial parks providing conventional space and flexible workspace in Germany and the U.K., provides an update on trading for the six months to 30 September 2022.

**Highlights Germany: Rent growth driven by continued strong demand**

- 2.4% increase in like for like annualised rent roll to €115.2 million (March 2022: €112.5 million) driven by a 3.3% increase in like for like rate per sqm to €6.53 (March 2022: €6.32).
- 12-month rolling cash collection rate of 98.0%.
- Refinancing of the €170 million BerlinHyp AG Amber Loan facility with a seven-year term extension to 31 October 2030, commencing from 1 November 2023 at 4.26% interest, which will increase the Group's weighted average cost of debt from 1.4% to 1.9% and extend its weighted average debt expiry from 3.8 years to 5.0 years.

**Highlights U.K.: Unlocking latent value in the BizSpace portfolio**

- 4.1% increase in like for like annualised rent roll to £46.5 million (March 2022 £44.7 million) driven by a 8.4% increase in like for like rate per sqft to £12.64 (March 2022: £11.67 per sqft).
- Disposal of Camberwell Lilford Road for £16 million, representing a 2% NIY and a 94% premium to the value at the time of the BizSpace acquisition in November 2021.
- 12 month rolling cash collection rate of 99.3%.

**Highlights Group: Trading in line with expectations and strong, flexible balance sheet**

- Trading and FFO in line with consensus and management expectations for the full year.
- Cash reserves increased to around €162 million, of which over €138 million is unrestricted, providing capacity for further acquisitions and investment.

**Strong H1 lettings and rental growth**

Total annualised rent roll increased to €167.9 million (March 2022: €167.1 million) despite the disposals of Magdeburg in Germany and Camberwell in the U.K. Like for like annualised rent roll grew by 2.4% in Germany to €115.2 million (March 2022: €112.5 million) whilst the U.K. realised growth of 4.1% to £46.5 million (March 2022: £44.7 million). These improvements were mainly driven by a 3.3% and 8.4% increase in the like for like average rental rate in Germany and the U.K. respectively. Group total occupancy was marginally lower at 84.4% (March 2022: 85.3%). The occupancy levels continue to provide good opportunity for letting up space in the second half of the financial year. The overall positive performance is pleasing given that the substantial rent roll increases in the six month period have been achieved in the face of an uncertain economic environment and despite a number of large tenants vacating (as expected) in the first half, following a similar pattern seen over preceding years.

The Company is expecting to replace these tenants quickly which will help drive further rent roll increases in the near term.

### **Continued strong interest in the Group's offerings**

Despite the current economic headwinds, the Company continues to see strong demand for the range of conventional and flexible spaces it offers both in the U.K. and in Germany.

In Germany, Sirius generated an average of 1,259 enquiries per month in the period, of which 78.1% were converted into viewings. This led to a total of 79,872 sqm of space being let across 869 deals, which resulted in a sales conversion rate of 11.5%.

In the U.K., an average of 1,343 enquiries were generated per month, of which 17.3% were converted into viewings. As a result, a total of 161,470 sqft (15,001 sqm) of space was let in the period across 377 deals resulting in a sales conversion rate of 4.7%.

### **Cash collections remain very high**

Cash collection rates across both the U.K. and Germany remain good. In Germany, €2.4 million from total billing of €86.5 million of rent and service charges had not been received, resulting in a cash collection rate of 97.2% in the six month period under review with €41,000 written off. The 12-month running cash collection rate was 98.0% and the Company expects to collect the majority of outstanding rents within the next 12 months.

In the U.K., cash collection rates in the six month period were 98.6% from total billings of £24.3 million. The 12-month running cash collection rate was 99.3%, with less than £11,000 written off and the Company expects to collect the majority of outstanding amounts within the next 12 months.

### **Healthy balance sheet**

The Group increased its free cash reserves to in excess of €138 million (March 2022: €126 million) through a strong trading period as well as the Magdeburg and Camberwell disposals as reported in the period under review. The Company will continue to explore future opportunities to sell properties at premiums to book value in order to recycle capital and use proceeds in excess of book value to reduce the overall LTV.

In September 2022, one year in advance of the next major debt expiry, a €170 million facility with BerlinHyp AG due in October 2023, the Company secured a refinancing with the incumbent lender, agreeing a new 7-year €170 million facility commencing on 1 November 2023 with a fixed interest rate of 4.26%. This facility extends the Group's weighted average debt expiry to 5.0 years from 3.8 years and with the new interest rate, which commences in one year from now, the Group's weighted average cost of debt will increase from 1.4% to 1.9%.

Sirius still has €1.6 billion of unencumbered assets. The portfolio was last valued in March 2022 at, comparative to the rest of the sector, a relatively high gross yield of nearly 7% in Germany and nearly 12% in the UK. Due to the strong rent roll performance in the period in both Germany and the U.K., together with the highly diversified income streams within the portfolio, the Company is expecting values to increase as at 30 September 2022, in spite of potential yield expansion across the multi-let sector. Additionally, with the improved FFO from continued rental growth, the lower quarterly debt repayments from introducing corporate bond financing last year and the lower capex requirements of Sirius over the next year or so, the Group has the strongest operational cash flows it has ever had.

### **Acquisitions and Disposals**

Having deliberately slowed the Company's acquisition programme due to market conditions, the only purchase in the period was the completion in May of a property in Potsdam, Germany, which is adjacent to an existing site owned by Sirius, for €0.9 million. The Company also agreed to €43.7 million of acquisitions in Düsseldorf (€39.8 million) and Dreieich (€3.9 million), which completed in October 2022.

The acquisitions noted above were predominantly funded by the disposal of two assets in the period in Magdeburg, Germany and Camberwell in the U.K., with a combined book value of €27.6 million for an aggregate sales price of €33.6 million. Additionally in the period the Company notarised the sale of surplus land for €1 million in Heiligenhaus, Germany, which has a book value of €0.25 million.

### **Energy Crisis**

In its statements on 30 September 2022, the Bundesnetzagentur, the German Federal Agency responsible for the co-ordination of the supply of gas throughout Germany, confirmed that the events at the Nord Stream 1 and 2 pipelines were not affecting gas supply in Germany. No gas has been delivered through Nord Stream 1 since the beginning of September 2022 and Nord Stream 2 has never been put into operation. German gas reserves are now more than 90% of capacity and gas continues to be supplied from a range of different sources other than Nord Stream.

As previously communicated, Sirius secured gas supplies for customers at fixed rates in 2020 and those fixed rate agreements do not expire until December 2023. Therefore, unless the German government moves Germany to emergency level status in relation to the supply of gas, the Company has no reason to believe there will be any material changes to its fixed rate agreements for gas supply.

In September 2022, the German government announced a relief package worth up to €200 billion to fight soaring energy prices in Germany.

German chancellor Olaf Scholz said the government will establish a "defence shield" with a volume of up to €200 billion to cushion the impact of expensive energy on citizens and businesses until 2024. It allows Germany to borrow up to that amount to finance the "gas price brake" as well as additional support measures for struggling businesses.

### **Half Year Results**

Sirius will announce results for the six months to 30 September 2022 on Monday, 21 November 2022, at which time there will be an in-person presentation and virtual webinar for analysts and investors.

The financial information on which this trading update is based has not been reviewed or reported on by the Company's external auditors or a reporting accountant.

**Commenting on trading over the period, Andrew Coombs, Chief Executive Officer of Sirius Real Estate, said:** "Despite the concerns in Europe over the impact of the war in Ukraine, the resulting issues with energy supply, and the current inflationary and uncertain environment, Sirius has continued to see high demand for all of its product offerings in the period. The Company is in a strong position to be able to deal with any shortfalls in gas or electricity supply or further hikes in prices, having fixed rates for its and its occupiers' gas supply until the end of next year.

"We are confident that we can continue to grow our dividend as planned and believe that our ability to re-finance a substantial amount of debt so far in advance of expiry and in these markets demonstrates both the strength of our relationships with our financiers, as well as the confidence they have in our business model and Sirius' ability to continue to perform in good times and bad. While we continue to review opportunities, we have deliberately held back on acquisitive growth in the period

and further improved our balance sheet so that we can be on the front foot once we feel it appropriate to begin investing again.”

### **Conference Call**

There will be a conference call for analysts/investors hosted by Andrew Coombs, Chief Executive Officer of Sirius Real Estate and Alistair Marks, Chief Investment Officer and Interim Chief Financial Officer of Sirius Real Estate, at 08:30 BST (09:30 CET/SA time) today, 10 October 2022.

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**Password** (for all participants): Quote Sirius Real Estate when prompted by the operator

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### **NOTES TO EDITORS**

#### **About Sirius Real Estate**

Sirius is a property company listed on the main and premium market of the London Stock Exchange and the main board of the JSE Limited. It is a leading owner and operator of branded business and industrial parks providing conventional space and flexible workspace in Germany and the UK. As of 31 March 2022, and following the acquisition of BizSpace, a leading UK provider of regional flexible workspace, the Group's portfolio comprised 140 assets let to 9,452 tenants with a total book value of over €2 billion, generating a total annualised rent roll of €167.1 million. Sirius also holds a 35% stake in Titanium, its €350+ million German-focused joint venture with clients of AXA IM Alts.

The Company's strategy centres on acquiring business parks at attractive yields and integrating them into its network of sites - both under the Sirius name and alongside a range of branded products. The business then seeks to reconfigure and upgrade existing and vacant space to appeal to the local market via intensive asset management and investment and may then choose to selectively refinance or dispose of assets once they meet maturity, to release capital for new investment. This active approach allows the Company to generate attractive returns for shareholders through growing rental income, improving cost recoveries and capital values, and enhancing returns through securing efficient financing terms. The Company has a strong track record for growing its income and has delivered like-for-like rent roll growth in excess of 5% for the last eight consecutive years.

For more information, please visit: [www.sirius-real-estate.com](http://www.sirius-real-estate.com)

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