STENPROP LIMITED
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MLI trading update Q3 FY21: strong performance despite local and national lockdowns

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 October 2020 to 31 December 2020 and up-to-date information on transactions and rent collections across the Company's whole portfolio.

Commenting on the trading update Paul Arenson, CEO of Stenprop, said:
"We are pleased to report another quarter of high rental growth driven by continued demand for space in our MLI portfolio as well as stable levels of occupancy and strong rental collections of 89% for the financial year to date. We are also pleased to report the exchange of contracts for the sale of our two remaining German daily needs centres at values significantly ahead of our March valuations. Our pipeline of acquisitions has also been strong with £37 million of MLI acquisitions exchanged and/or completed during the period and a strong pipeline of potential investments.

The MLI market has sustained itself well despite the recent Coronavirus lockdown, and with Stenprop staff having already visited around 80% of our sites so far in 2021, we can report that the shutters are open and our customers are open for trade. This is in marked contrast to the first lockdown in the Spring of 2020 and explains why we haven't seen any material impact on rent collection rates or new letting enquiries as a result. We have also continued to deliver a strong letting performance across the UK with no change to leasing incentives or terms.

2021 has also got off to a good start for our industrials.co.uk leasing platform, with weekly enquiry levels up c. 80% vs the last quarter of 2020 and resulting in over 110,000 sq ft of units going under offer early in January. We remain cautiously optimistic for a strong recovery for MLI once existing lockdown restrictions are eased in a similar fashion to what we witnessed in the Summer of 2020.

Assuming the UK and German transactions which have exchanged go on to complete, MLI will comprise 72% of the portfolio and keeps us very much on track to becoming 100% MLI by March 2022."

Strong rent uplifts at lease expiry and renewal

- 25% average uplift on the previous passing rent on new lettings (previous quarter: 16%) and 24% on lease renewals (previous quarter: 16%).

- £1.51 million per annum of new rental income[1] contracted through 39 new lettings (previous quarter: 58) and 18 lease renewals (previous quarter: 19) over 236,701 sq ft.

- Like-for-like passing rent up 0.8% during the quarter (previous quarter: 2.5%) and up 3.6% over 12 months.

- As at 31 December 2020, the estimated rental value of the portfolio (£5.90/sq ft) remained at a 9.6% premium to the average passing rent (£5.38/sq ft), providing continued potential for uplifts in rent at lease expiry and renewal.

- Rental incentives remain steady on new lettings and renewals with average rent-free incentives of 2.8 months on an average lease term of 4.7 years (3.5 years to earliest break) (previous quarter: 2.5 months on term of 3.6 years (2.6 years to earliest break)).

- Occupancy across the MLI portfolio stable at 93.1% as at 31 December 2020 (30 September: 93.3%, 30 June: 92.0%, 31 March: 91.0%).

- During the period we concluded significant lettings with two of our top 10 largest Industrials customers:
    - A lease renewal of 62,900 sq ft at Shire Court, in Mansfield, on a ten-year term with a break in year five and a six-month rent-free incentive at a rent 20.6% ahead of previous terms.
    - A new letting at Kirkstall Industrial Park in Leeds on a 39,900 sq ft unit where the previous tenant had recently gone into administration. The new lease is for a term of 15 years (with a tenant break in year 10) with no rent free and at a rent reflecting a 12.3% premium to the previous passing rate.

A promising start to 2021 for industrials.co.uk leasing and enquiries

- Industrials.co.uk website users up 2.2% over the quarter (previous quarter: +19%), and up 68% year on year.

- While total leads were down 8% for the quarter, as the second wave of Coronavirus took hold, by 31 December 2020, 70 lease transactions were under offer over a total of 243,000 sq ft of space, outperforming the previous quarter (Q2: 49 deals on 208,000 sq ft).

- A further 8 lease transactions had exchanged and were awaiting completion on a total of 26,000 sq ft (previous quarter: 9 deals over 20,000 sq ft).

- Average weekly enquiries in the first three weeks of January were 80% higher than the previous quarter, which has led to over 96,000 sq ft of additional leasing transactions being placed under offer in January.

- As at 27 January 2021, there were over 300,000 sq ft of leasing transactions under offer, of which 112,000 sq ft related to new lettings on currently vacant space and the remainder relates to lease renewals with existing customers.

<u>Rent collections robust despite lockdown</u>

As at close of business on 21 January 2021, Stenprop can report the following rent collection statistics:

	Monthly Rents (2020/2021)						Quarterly Rents (2020/2021)				Total
County / Sector	Apr-Aug	September	October	November	December	January	April-June	July – Sept	Sept - Dec	Dec - Mar	
UK MLI	88%	87%	89%	87%	83%	56%	95%	94%	92%	69%	85%
UK Urban Logistics							100%	100%	100%	100%	100%
Guernsey Office							100%	100%	100%	100%	100%
Germany	92%	99%	100%	93%	93%	76%					95%
Switzerland	30%	100%	100%	50%	0%	0%					40%
Total	89%	94%	95%	87%	82%	61%	96%	96%	95%	79%	89%

December monthly and quarterly collections remain on course to equal or beat the best collection rates seen since the pandemic struck in April 2020.

<u>Exchange or completed £37 million of new MLI acquisitions and £51 million of sales at a 19% premium to March 2020 valuations</u>

- **Acquisition of Mandale Business Park in Durham** on 10 November 2020 for £11,200,000, reflecting a net initial yield of 6.65% and a capital value of £82 psf.

- **Acquisition of Phoenix Industrial Estate in West Bromwich** on 13 November 2020 for £2,770,000, reflecting a net initial yield of 7.2% and a capital value of £59 psf.

- **Acquisition of The Levels at Capital Business Park in Cardiff** on 3 December 2020 for £6,250,000, reflecting a net initial yield of 6.3% and a capital value of £77 psf.

- **Acquisition of R6 Industrial Estate in Edinburgh** on 17 December 2020 for £3,900,000, reflecting a net initial yield of 6.4% and a capital value of £122 psf.

- **Acquisition of Otterwood Square Industrial Estate in Wigan** on 18 December 2020 for £1,670,000, reflecting a net initial yield of 6.6% and a capital value of £89 psf.

- **Acquisition of Newburn Riverside Industrial Estate in Newcastle Upon Tyne –** on 2 December 2020, we exchanged contracts to acquire this property for £10,900,000, reflecting a net initial yield of 6.8% and a capital value of £93 psf. Completion is due in February 2021 subject to closing conditions being met.

- **Disposal of Victoria Centre in Berlin –** on 18 December 2020, we exchanged contracts on the sale of this asset for €37,450,000, reflecting a 19% (€6.05 million) premium to the 31 March 2020 book value and equating to the 30 September 2020 book value. Completion of the sale is anticipated by the end of March 2021, subject to closing conditions being met.

- **Disposal of Hermann Quartier in Berlin –** on 28 December 2020, we exchanged contracts on the sale of this asset for €30,800,000, reflecting a 19% (€5.00 million) premium to the 31 March 2020 book value and equating to the 30 September 2020 book value. Completion of the sale is anticipated by the end of March 2021, subject to closing conditions being met.

Most of the above transactions have already been announced on RNS and SENS. For full details please visit https://stenprop.com/investors/regulatory-news-service/

Significant reduction in the cost of borrowing

During the period we completed two debt refinancings secured against assets within our UK industrial portfolio:

1. On 4 December 2020 we refinanced an existing £61.5 million senior loan with a new seven-year fixed rate £66.5 million (38% LTV) loan from Reassure.

2. On 22 December 2020 we extended our senior debt facility with Lloyds from £26 million to £50 million, raising additional monies against the recently acquired MLI assets, together with moving to a SONIA based loan.

Upon completion of these two new debt facilities the average cost of senior debt on the UK industrial portfolio fell from 3% to 2% per annum, equating to an interest saving of approximately £1.3 million per annum on a like for like basis.

As at close of business on 31 December 2020, Stenprop's loan-to-value ratio (LTV) was 40% on drawn facilities, and approximately 35% when allowing for free cash[2].

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] Contractual Rental Income represents the annual income secured from a lease contract ignoring any incentives and break options in the lease.

[2] Calculated as gross borrowing less available cash, divided by gross asset value based on our 31 March 2020 valuations adjusted for subsequent acquisitions and disposals and changes in foreign exchange rates.

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About Stenprop:
Stenprop is a UK REIT listed on the LSE and the JSE. The objective of the Company is to deliver sustainable growing income to its investors. Stenprop's investment policy is to invest in a diversified portfolio of UK multi-let industrial (MLI) properties with the strategic goal of becoming the leading MLI business in the UK. For further information, go to www.stenprop.com.