

1 August 2013

**LONDONMETRIC PROPERTY PLC**  
("LondonMetric" or the "Group" or the "Company")

**FIRST QUARTER 2014 INTERIM MANAGEMENT STATEMENT**  
**LONDONMETRIC REBALANCES PORTFOLIO AND REFINANCES DEBT**

LondonMetric Property Plc (LSE: LMP), today announces its interim management statement for the period from 1 April to 31 July 2013 (the "Period").

**HIGHLIGHTS:**

- Continued progress in rebalancing the portfolio and building towards full dividend cover:
  - Acquisitions totalling £100.9 million (LondonMetric share) off average yields of 7.3% across our core retail and retailer distribution sub-sectors
    - £51.7 million acquisition of Argos Distribution Unit, Bedford (NIY 7.0%)
    - £10.1 million acquisition of WH Smith Distribution Unit, Birmingham (NIY 7.9%)
    - £39.1 million of retail acquisitions (Martlesham Heath, Milton Keynes, Cardiff and Eastbourne) (Blended NIY 7.6%)
  - Total disposals of £352.7 million (LondonMetric share) off average yields of 4.4% including:
    - £112.5 million sale of One Fleet Place at (NIY 5.1%)
    - £101.8 million of wholly owned residential sales
    - £138.4 million sale of 11 distribution warehouses (NIY 5.6%)
- New lettings at One Carter Lane to MFS and SEB, totalling 60,600 sq ft at rents averaging £62.40 psf on average leases terms of 17 years (15 years to first break)
- 22 new lettings agreed, (including Carter Lane) – increasing net rental income by £5.6 million per annum
- New five year financing facilities signed with Helaba and RBS totalling £254 million at a blended margin of 2.4%
- Investment portfolio occupancy increased to 99.6% (March 2013: 95%)

**Andrew Jones, Chief Executive of LondonMetric, commented:**

"We are seeing strong investment and occupier performance across all sectors of our portfolio, as demonstrated by the prices we are achieving on our disposals and the high level of letting activity in the Period. The investment market for strong well let assets both in and outside of London has hardened over the last few months and we expect to be a beneficiary of this across our existing portfolio. The occupational market remains selective but has become increasingly more positive across all sectors which provides us greater

confidence to increase our development pipeline within the sub-sectors in which we have competitive advantages.

"Our wholly owned residential sales programme is progressing well and is ahead of target both in terms of pricing and timing; we expect to monetise the remaining £80 million portfolio by the end of the financial year.

"We continue to see attractive acquisition opportunities and have a number of further acquisitions in solicitors' hands. As a result we will be able to deploy the proceeds from our sales quickly into higher yielding properties with asset management opportunities that will deliver capital gains and further income growth to cover the dividend."

## **INVESTMENT ACTIVITY**

### **Acquisitions**

We are making good progress growing our retailer distribution portfolio following the acquisition of another £62 million of distribution centres in Bedford and Birmingham. These deals perfectly complement our recent acquisition of the Primark Distribution Centre in Thrapston (£60.5 million, NIY 6.4%) which we announced in March.

Further acquisitions during the Period included:

- Argos Distribution Unit in Bedford for £51.7 million, reflecting a net initial yield of 7.0%;
- WH Smith Distribution Unit in Birmingham for £10.1 million, reflecting a net initial yield of 7.9%;

We continue to work on a pipeline of deals that exploit both our deep knowledge of our retailers and our strengths across the distribution sector. The retailer distribution portfolio now comprises five assets let to Argos, Co-op, Primark, Tesco and WH Smith, with a combined portfolio value of £164.8 million, representing 15% of the enlarged LondonMetric portfolio. We envisage growing this area of our business on a scale to closely match our Out of Town retail portfolio.

Within our retail portfolio, our USS joint venture has exchanged on the acquisition of the Lottbridge Drive retail park in Eastbourne for £9.0 million, off a net initial yield of 7.15% (LondonMetric share: £3.0 million). The Park is fully let and offers asset management opportunities to materially grow rents and improve the tenant line-up.

We recently announced the acquisition of two retail parks in Milton Keynes and Cardiff (£25.8 million, NIY 8.0%) and have now completed the acquisition in Ipswich of the Martlesham Heath retail park (£10.4 million, NIY 6.5% rising to 7.4%).

The retail investment portfolio now comprises 36 assets with a combined portfolio value of £387.6 million, representing 36% of the enlarged LondonMetric portfolio.

### **Disposals**

We continue to rebalance the portfolio with £461.8 million of disposals (LondonMetric share: £352.7 million) across three areas of our portfolio:

- We announced the sale of One Fleet Place, London, EC4 for £112.5 million to a Far Eastern multinational. The sale price reflected a net initial yield of 5.1% and a premium to book value of 3.2%. It was acquired in January 2009 for £74 million, off a net initial yield of 7.8%. The sale reflects an ungeared IRR of 16.5% per annum.
- The residential sales programme continues to progress ahead of target with a total of £101.8 million of sales agreed across 200 units, an increase over year-end results of £42.2 million and 84 units.
  - Within the residential investment portfolio we have agreed sales on 107 units for £49.8 million at Battersea, Stockwell and Highbury.
  - At Clerkenwell Quarter, Islington (107 units) we have agreed sales on 93 units for £52.0 million. This property was acquired in December 2012 for £45.7 million.
- In June we announced the portfolio sale of 11 distribution warehouses for £247.6 million (LondonMetric share: £138.4 million) to a joint venture between ProLogis Europe and Norges Bank Investment Management. The sale price reflected a net initial yield of 5.6% and a small premium to book value. The portfolio included the former Focus Distribution Centre at Tamworth, which was wholly owned by LondonMetric with the remaining ten assets held in a 50% joint venture with Green Park Investments. The portfolio was primarily let to third party logistics providers.

### **ASSET MANAGEMENT**

The investment portfolio (including residential) now totals £952.3 million with an average yield of 6.8% (March 2013: 6.4%), and a WAULT of 11.3 years. The portfolio is now 99.6% let with only 4.1% of income due to expire over the next five years.

Over the Period, we agreed terms on 22 new leases representing 426,500 sq ft of space across the commercial portfolio on average lease lengths of 17.1 years (14.9 to first break). These transactions have secured £7.5 million (net £5.6 million per annum) of additional income; with new lettings agreed at 5.8% ahead of valuer's ERV.

The investment portfolio's contracted rental income is now £50.5 million per annum with 22% of income subject to fixed uplifts.

Our retailer distribution portfolio is 100% occupied with a weighted average unexpired lease term of 14.5 years (no breaks) and fixed rental increases across 42% of the income.

Following further leasing activity, our retail portfolio is now 99% occupied with a weighted average unexpired lease term of 10.4 years (9.7 years to first break). Fixed rental uplifts across the retail investment portfolio represent 23% of total retail rental income.

Our development pipeline now totals £125.7 million and is on track to deliver yields on costs of between 6.0% and 10% reflecting on average a 260 bp margin over end investment values.

### **Development**

At One Carter Lane, London, EC4 we exchanged lettings with both MFS and SEB to take floors 2, 3, 4 and 5, at average rents of £62.40 psf on average lease lengths of 17 years (15 years to first break).

We are due to complete the refurbishment works in March 2014 and these pre-lettings represent 58% of the targeted income. There is a further 48,500 sq ft of office accommodation to let and we are in discussions with a number of parties.

We have continued to make progress across our retail development pipeline with further lettings agreed with Porcelanosa at Cannock (100% let) and Card Factory in Bishop Auckland (96% let), where we have also signed Home Bargains for a 11,100 sq ft unit on phase 2, with works starting on site in September 2013.

### **Occupier transactions**

Within our distribution portfolio, we have re-gear the lease with WH Smith in Birmingham, to extend the unexpired term from 11 to 21 years and increase the rent from £4.00 psf to £4.75 psf with effect from September 2014.

As part of our asset management programme within our retail portfolio we have agreed 19 new lettings, securing £2.7 million of rent on average lease terms of 15.6 years (12.4 to first break).

During the Period we concluded two new lettings to Home Bargains on new 15 year leases, at Christchurch on the former Comet unit and at Newry, where we have agreed a surrender from Carpetright.

We also agreed lettings to Brantano at Martlesham Heath, Greggs at Kings Lynn, Costa Coffee at Mansfield and Pure Gym at Southampton.

Unilever have re-gearred their lease in Leatherhead, increasing their rent by £332,000 per annum in exchange for the construction of an additional 136 car parking spaces. This initiative delivers a yield on cost of 14.5%.

The residential investment portfolio at Highbury, Stockwell and Battersea is fully let, (excluding units held for sale), producing a rent roll of £3.1 million.

Moore House is now 71% let, with 106 units let (March 2013: 81 units) and a further 23 under offer. Lettings during the Period were at levels 5.8% ahead of anticipated rental levels.

We secured lease renewals across 17 units securing £0.7 million, which is a 2.9% uplift above previous passing rent.

## **FINANCING**

We have recently agreed new five year financing facilities with Helaba and RBS totalling £254 million at a blended margin of 2.4%.

The new £114 million five year Helaba facility will be used to finance our five existing retailer distribution assets, as well as our future acquisitions in this sector.

We have also agreed a new £140 million five year facility with RBS to finance the majority of our retail assets.

As a result the existing Lloyds and RBS revolving credit facilities totalling £180 million will be fully available to finance the acquisition pipeline, allowing for very competitive deal execution.

Following the sale of Fleet Place, we intend to redeem the entire £96 million debt facility held against our City assets of both Fleet Place and One Carter Lane. This will result in One Carter Lane being mortgage-free.

These new arrangements increase our overall debt term from 3.0 years to 4.3 years, with an all in cost of debt of 4.0%. This sits 280 bps below the average yield on cost of our investment property portfolio.

Net debt, including joint ventures and post these new arrangements and committed acquisitions and disposals stands at £415 million with a further £192 million of committed undrawn debt facilities. LTV is 39% and hedging in place equates to 83% of committed facilities.

Assuming the facilities were fully drawn the all in cost of debt would fall to c. 3.7% based on current libor and swap rates.

## **MARKET UPDATE**

We are encouraged by the positive momentum across the market generally and within our sub-sectors in particular. Market sentiment surveys reflect increasing optimism as early signs of market recovery become more apparent. City Offices continue to perform well, particularly for well let, well located space, as we have witnessed with our disposal of One Fleet Place, with overseas investors increasingly looking to London and the UK to allocate capital. Outside of London we are seeing encouraging evidence that the regions are starting to turn the corner, with both PMI and IPD indices indicating an upturn.

Central London residential continues to perform with prices encouragingly on the rise. New builds continue to outperform the rest of the market with take up at all-time highs; we are witnessing this positive momentum at our Clerkenwell Quarter scheme. Overseas demand remains strong but domestic buyers are also starting to actively participate.

The Distribution market continues to benefit from strong investor demand. Our focus on retailer distribution has ensured we are utilising our competitive strengths and we expect to see yields harden for our stock. We are also witnessing increasing occupier demand which is likely to increase our appetite for more development opportunities. Over the last six months, retailers and third party logistics providers, largely operating on behalf of retailers, were the most active source of demand, taking up 69% of let space, as they continue to reposition their supply chains for a new multichannel environment.

Across the retail landscape, both investment and occupational demand continues to be polarised. However, improved consumer confidence has started to act as a catalyst for increased investment activity. As we have said in the past, we believe that lease expiries rather than administrations are now the main risk to rental income in the market and although retail vacancies are rising, they are increasingly driven by a desire from retailers to vacate poor performing stores. We continue to remain close to our customers to ensure we understand the trends critical to their business models thus providing the appropriate space requirements, be they in the store front or across their supply chain.

**-Ends-**

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**About LondonMetric Property Plc**

LondonMetric (ticker: LMP) is a UK REIT admitted on the Official List and to trading on the Main Market of the London Stock Exchange on 28 January 2013 as a result of the merger between London & Stamford Property Plc (LSP) and Metric Property Investments plc (METP).

LondonMetric aims to deliver attractive returns for shareholders through a strategy of increasing income and improving capital values. It invests across the UK in Retail and Distribution properties as well as Greater London real estate opportunities. It employs an occupier-led approach to property investments through opportunistic acquisitions, joint ventures, active asset management and short cycle developments. The asset focus is on properties with enduring occupier appeal providing opportunities to improve both rental values and the security and longevity of income; and limited risk redevelopments with the aim of enhancing shareholder returns.

Further information on LondonMetric is available at [www.londonmetric.com](http://www.londonmetric.com).

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