6 February 2014

LONDONMETRIC PROPERTY PLC

("LondonMetric" or the "Group" or the "Company")

THIRD QUARTER 2014 INTERIM MANAGEMENT STATEMENT

POSITIONED FOR GROWTH

LondonMetric Property Plc (LSE: LMP), today announces its interim management statement for the period from 1 October 2013 to 5 February 2014 (the "Period").

HIGHLIGHTS:

- Further portfolio repositioning with significant levels of investment activity over the Period:
  - Acquisitions totalling £201.9 million (LondonMetric share) at an average yield of 7.9% across our core out of town and retail distribution sub-sectors
  - Total commercial disposals of £129.7 million (LondonMetric share) at an average yield of 6.0% including:
    - £53.9 million of sales across six retail assets (NIY 6.2%), including the disposal of the Odeon in Dudley
    - £75.8 million sale of Unilever's headquarters in Leatherhead (NIY 5.9%)
  - Residential sales of £82.5 million (NIY 2.5%) across 167 units, 3.1% ahead of September valuations

- Letting at One Carter Lane of 16,500 sq ft to MFS bringing its total office occupation in the building to 41,200 sq ft. The building is now 72% pre-let with average rents of £56.00 psf on an average lease term of 20 years (15 years to first break)

- Eight asset management transactions increasing net rental income by £1.0 million per annum with an additional 19 deals in solicitors' hands

- Investment portfolio occupancy 99.4% (September 2013: 99%), WAULT 12.8 years (11.9 years to first break) with 34.4% of rental income subject to fixed or RPI rental uplifts

- Pro forma dividend cover now 90% based on contracted rental income for 2014/15

Andrew Jones, Chief Executive of LondonMetric, commented:

"The pace of our investment activity has been intense with over £1 billion (LondonMetric share) of purchases and sales transacted since the merger. Our core out of town retail and distribution portfolios now account for 85% of our total property portfolio, following the recent announcement of two large off market portfolio acquisitions. Our ability to consistently source off market deals remains a considerable competitive advantage in a market experiencing increasing liquidity.

"The significant repositioning has allowed us to move towards full dividend cover by the end of the financial year. Our acquisitions have been made at 255bps higher than our disposals, contributing an additional £5.7 million to our rent roll and at the same time extending our unexpired lease terms by two years. These have not only been earnings accretive but also provide us with future growth opportunities as we increase our focus on asset management and development initiatives."

INVESTMENT ACTIVITY

Acquisitions

- £143.9 million of out of town acquisitions, (average NIY 8.1%, WAULT 20.3 years, 20.2 years to first break)
- £58.0 million of distribution centre acquisitions (average NIY 7.3%, WAULT 10.2 years post acquisition re-gears, 9.0 years to first break)

Distribution

We continue to commit capital to grow our retail distribution portfolio where we believe the supply demand dynamics are extremely attractive and we can capitalise on our deep occupier relationships to help retailers refine their supply chains to embrace an evolving multi-channel platform. We are positioning our portfolio to be a key beneficiary from the structural changes taking place in consumer shopping patterns and the resulting growth in parcel volumes.

Over the Period we acquired the Travis Perkins, Superdrug and Royal Mail Distribution Centres. Royal Mail benefits from strong parcel volume growth driven by e-tailing where it holds more than 50% of the market share volume. Terms of these acquisitions include:

- £36.0 million purchase of Royal Mail Distribution Centre, Daventry International Rail Freight Terminal (DIRFT), NIY 6.7%, WAULT 9.5 years
- £13.0 million purchase of Superdrug Distribution Centre, Doncaster, NIY 7.3%, WAULT 11.9 years (6.9 years to first break)
- £9.0 million purchase of Travis Perkins Distribution Centre, Brackmills, NIY 8.8%, WAULT 0.3 years, subsequently re-geared on new 10-year lease

The distribution portfolio now comprises 11 assets let to tenants including Argos, Boden, Co-op, Primark, Royal Mail, Tesco, Travis Perkins, Superdrug and WH Smith with a combined portfolio value of £261.8 million, representing 25% of the enlarged LondonMetric portfolio. The portfolio metrics remain robust with an average yield of 6.6%, a WAULT of 12.8 years (12.1 years to first break) and 47% of the distribution portfolio rental income subject to fixed or RPI rental uplifts. We aim to materially increase our exposure to this sub-sector to match our retail exposure and are confident in our ability to source attractive investments despite an increasingly competitive investment market.

Out of town

In December we announced a new joint venture to acquire 27 DFS assets for £175 million (NIY 9.3%). Our total commitment represents 30.5% or £53.4 million and we receive an asset management fee of £670,000 per annum, representing circa 4% of rents received.

We previously announced our acquisition of ten Odeon multiplex cinemas for £80.6 million (NIY 7.2%) on term certain leases with 24.6 years remaining and with annual RPI rental uplifts. We have announced the disposal of the Odeon in Dudley off a NIY of 5.9%.

Our MIPP joint venture with USS has recently acquired The Range retail warehouse unit in Bridgwater for £3.7 million, NIY 6.8% (LondonMetric share: £1.2 million) and Madford Retail Park, Hertford for £16.3 million, NIY 5.9% (LondonMetric share: £5.4 million). We previously announced that it had also acquired Dartford Heath Retail Park for £9.6 million, NIY 6.5% (LondonMetric share: £3.2 million).

The joint venture has now completed its initial investment phase totalling £150 million in line with the original investment criteria. We will continue to focus on further opportunities that meet this criteria as well as actively managing the portfolio on behalf of the joint venture until November 2016.

The out of town investment portfolio now comprises 76 assets with a combined value of £505.9 million, representing 48% of the enlarged LondonMetric portfolio. The average yield is 7.0%, WAULT 13.2 years (12.6 years to first break) with 31.9% of the portfolio rental income subject to fixed or RPI rental uplifts.

Disposals

Over the Period we have disposed of £220.5 million of assets (LondonMetric share: £212.2 million).

- £75.8 million sale of Unilever's Headquarters at Leatherhead was announced in December and completed at the end of January, representing an exit yield of 5.9% and a geared IRR of 32.8%
- £82.5 million of residential sales across 167 units; we are firmly on target to have sold the entire wholly owned residential portfolio by the time we announce our year-end results with only a further 25 units left for sale
    - We have agreed sales on 159 units for £79.3 million at Clerkenwell, Battersea, Stockwell and Highbury, off an exit yield of only 2.5%

  - At Moore House, (LondonMetric share: 40%) we have begun selective marketing and have agreed sales on eight units for £8.0 million (LondonMetric share: £3.2 million); we expect to crystallise our remaining £48.9 million of equity over the next 18 – 24 months
- £46.2 million of sales across five retail assets:
  - £12.4 million (LondonMetric share: £4.1 million) sale of Wickes – Oxford on behalf of MIPP, NIY 5.3%
  - £19.2 million sale of Sheffield and Mansfield, NIY 6.8%
  - £16.4 million sale of Congleton, NIY 5.85%
  - £6.5 million sale of Midland Road, Bedford, NIY 6.2%
- £7.7 million sale of Odeon – Dudley (NIY 5.95%) reflecting a yield compression of 125bps relative to our portfolio acquisition in mid-November

ASSET MANAGEMENT

The investment portfolio totals £842 million and is valued off average initial yields of 7.0% (September 2013: 6.7%), with a WAULT of 12.8 years (September 2013: 11.3 years). The portfolio is 99.4% let with only 4.6% of income due to expire over the next five years.

We completed eight occupier transactions over the Period with an additional 19 lettings in solicitor's hands. Six lettings were completed on average unexpired terms of 14.0 years (12.3 years to first break) which have generated an additional £1.0 million of net rental income. We also settled two outstanding rent reviews reflecting income growth of 7.8%.

The investment portfolio's contracted rent roll is now £61.7 million per annum with 34% of income subject to fixed or RPI rental uplifts.

Development

At One Carter Lane, London, EC4 we exchanged contracts to let a further floor to MFS bringing total pre-letting to 72% of targeted income. The average rental achieved across all office pre-lets is £56.00 psf on average lease lengths of 18 years (15 years to first break). There is a further 32,000 sq ft of office accommodation to let over the ground and first floors and we are in active discussions with a number of parties. We expect to have the building fully let by the time we reach practical completion in early April.

At Berkhamsted terms have been agreed with Costa Coffee to take 1,500 sq ft of A3 accommodation next to the M&S Simply Food, leaving one A3 unit of 3,000 sq ft to be let ahead of practical completion in March 2014.

The redevelopment at Bishop Auckland Phase II is progressing well and is currently 78% pre-let (including deals in solicitors' hands) with practical completion due by the end of February.

FINANCING

The intense level of investment activity has been reflected in our financing arrangements. During the Period we completed a new £43.5 million, four year debt facility with Lloyds Bank Plc for the Odeon Cinema portfolio and extended our Helaba distribution facility by a further £31 million to finance our Travis Perkins acquisition at Brackmills and our previously announced distribution units at Crick, let to Norbert Dentressangle and at Leicester let to Boden. The Helaba facility now stands at £121.5 million with further capacity to provide debt against our Royal Mail acquisition, as required. The facility has a further four and a half years to run.

Overall, inclusive of debt being arranged in respect of our DFS acquisition, our net debt, including joint ventures, stands at £423.0 million. We have £117.0 million of undrawn facilities available.

Loan to value stands at 38% and hedging in place equates to 88% of committed facilities. Assuming the facilities were fully drawn the all in cost of debt would be c. 4.0% based on current Libor and swap rates.

MARKET UPDATE

Improving economic growth is producing better sentiment surveys, unemployment statistics and retail sales figures – up 5.3% year-on-year to December, the fastest rate of growth witnessed for over nine years. The impact of these is starting to trickle into occupational markets and for the first time outside of Central London we are beginning to witness some signs of rental growth and improved occupational demand.

The investment market has enjoyed marked gains over the last three to six months with regional markets witnessing a resurgence in demand mainly precipitated by UK institutions being priced out of Central London as more foreign investors receive regulatory freedom to invest outside of their home markets. Of the investment volumes transacted over 2013 one-third were dedicated to Central London Offices but importantly one-third came from regional properties which saw year-on-year growth of 60%.

The arrival of non-bank lenders has improved the lending environment by providing competition to traditional bank funding, resulting in better pricing and availability of debt financing from all sources – a key driver for the secondary market.

Yields continue to tighten across the board as investor risk appetite increases. Our core sub-sectors of out of town and retail distribution have seen yields harden by 50 – 100bps over the last 12 months, while still remaining attractive over the cost of debt. For these reasons we expect good quality secondary properties that have been sufficiently institutionalised with strong covenants and long leases to benefit from further yield compression.

-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.