



# Half-year results To September 2011

17 November 2011

# Business Highlights

- Valuation uplift £5.0m (+2.2%) or £3.4m (+1.5%) net of acquisition costs
  - Total return 5.7% vs IPD Retail at 3.3%
- Rental income uplift £1.2m (+9.8%)
  - Underlying rental income up 6.1% over previous passing rent
- Launch of £150m JV with USS to form MIPP
  - Target portfolio yield on cost > 7% vs anticipated cost of debt 4.5%
- 3 assets acquired for £29m – yield on cost of 7.1%
- 2 partial disposals for £19.9m, acquired by MIPP
- Post period-end planning progress:
  - Cannock – planning consent for 24,700 sq ft
  - Bishop Auckland – resolution to grant planning for 49,000 sq ft
  - Leeds – resolution to grant planning for 105,000 sq ft

# Metric Income Plus Partnership (MIPP)

- £150m JV launched with USS
  - Lot sizes £2 – 20m
  - Target portfolio yield c. > 7%
- Equity investment: Metric £25m, USS £50m
  - Target LTV: 50% across portfolio
- MIPP contracted to acquire Inverness and Swindon from Metric for £19.9m
  - Inverness: £9.7m, NIY 6.4%
  - Swindon for £10.225m, NIY 7.2%
- 5-year life, with 18 month wind-down period
- Metric to receive asset management fee of 0.4% p.a. of GAV

# Delivering on Our Strategy to Create Value



# Property Portfolio

## PARTNERING

### Investment Value: £5 - 15m

PC World, Old Shoreham Road, Hove



**13 YEARS**  
WAULT

Key tenants

Hobbycraft, PC World

Alban Retail Park, Bedford



**12 YEARS**  
WAULT

Key tenants

Dunelm, Jollies, B&M

Nottingham Road Retail Park, Mansfield



**15 YEARS**  
WAULT

Key tenants

Currys PC World  
Megastore

DFS, St Mary's Road, Sheffield



**20 YEARS**  
WAULT

Key tenants

DFS

## MIPP

### Investment Value: £2 - 20m

DFS, Milburn Road, Inverness



**17 YEARS**  
WAULT

Key tenants

DFS, Carpetright

Flemingway Retail Park, Swindon



**20 YEARS**  
WAULT

Key tenants

The Range, Halfords

## INVESTMENTS

### Investment Value: £10 - 40m

Congleton Retail Park, South Manchester



**11 YEARS**  
WAULT

Key tenants

M&S Simply Food,  
Boots, Laura Ashley

Airport Retail Park, Coventry



**10 YEARS**  
WAULT

Key tenants

Currys PC World  
Megastore, Halfords

Launceston Retail Park, Cornwall



**13 YEARS**  
WAULT

Key tenants

New Look, Peacocks,  
Pets at Home, B&Q

Pierpoint Retail Park, Kings Lynn



**4 YEARS**  
WAULT

Key tenants

Homebase, Next, DFS

Morrisons Supermarket, Loughborough



**7 YEARS**  
WAULT

Key tenants

Morrisons

Havens Head Retail Park, Milford Haven



**13 YEARS**  
WAULT

Key tenants

Tesco, Littlewoods,  
Peacocks, Boots

Damolly Retail Park, Newry



**14 YEARS**  
WAULT

Key tenants

B&Q, Mothercare,  
Lidl, Next

Wick Retail Park, Scotland



**12 YEARS**  
WAULT

Key tenants

Homebase, Argos, New  
Look, Pets at Home

## REDEVELOPMENTS

### Investment Value: £5 - 40m

Channons Hill Retail Park, Bristol



**3 YEARS**  
WAULT

Key tenants

Currys, What! Stores

Longford Island, Cannock



**20 YEARS**  
WAULT

Key tenants

DFS

Bhs, Kirkstall, Leeds



**3 YEARS**  
WAULT

Key tenants

Bhs

Tindale Crescent, Bishop Auckland



**NA**  
WAULT

Key tenants

NA

# Portfolio Metrics

- c. 1 million sq ft across retail park and foodstore subsectors
- Investment portfolio – high occupancy at 97%, WAULT of 12.1 years<sup>1</sup>
  - 47% of area benefits from Open A1 planning consent
- Low average passing rent £12.60 psf (£14.20 psf on investments)
- Annualised rent roll £13.1m
  - 13% of rent roll is subject to guaranteed uplifts
  - 15% of rent roll generated from food stores

# Financial Results (as at 30 September 2011)

## EPRA Profit

- Rental income reflects majority of assets held for full six months
- Annualised current rent roll £13.1m
- Surrender premiums received of £1.3m

## Dividend

- Interim dividend of 1.0p, full year PID requirement

Income Statement	30 Sep 2011 (£m)	30 Sep 2010 (£m)
Gross rental income	5.2	0.7
Surrender premium	1.3	--
Net rental income	6.5	0.7
Administrative expenses	(2.1)	(1.7)
Net Interest (£m)	(0.5)	0.8
EPRA PAT	3.9	(0.2)
EPRA EPS (p)	2.1	(0.3)
DPS (p)	1.0	nil

# Financial Results (cont'd) (as at 30 September 2011)

## Balance Sheet

- Additions totalling £32.6m
- Commitments at period-end of £10m (incl. £4.2m conditional)
- Net debt £23m; LTV 10% at period-end
- Today proforma LTV reduced to 5%

## Net Asset Value

- Revaluation generated 2p uplift in NAV
- EPRA NAV per share of 104p – absorbed 1p property acquisition costs
- Mark-to-Market adjustment of £(1.3)m on £48m of interest rate swaps/cap

Balance Sheet	30 Sep 2011	31 Mar 2011
Portfolio value (£m)	228.9	192.4
EPRA NAV per share (p)	104	101
LTV (%)	10	nil

Movement in NAV	(£m)	(p)
Mar 2011 NAV	191.1	101
EPRA PAT	3.9	2
Revaluation surplus	3.4	2
Dividend paid	(1.1)	(1)
<b>EPRA NAV</b>	<b>197.3</b>	<b>104</b>
Mark-to-market debt	(1.3)	(1)
NNNAV	196.0	103



# Financing

## Firepower

- £114.7m committed debt facilities, £91.7m available
- New £30m extension to RBS
- Group firepower of £90m, MIPP £129.4m

## Hedging

- 42% of committed facilities hedged
- Property yields 240bps above cost of debt

1. Includes cash at bank and on deposit as at 30 September 2011

2. Property yield on cost on assets held as security

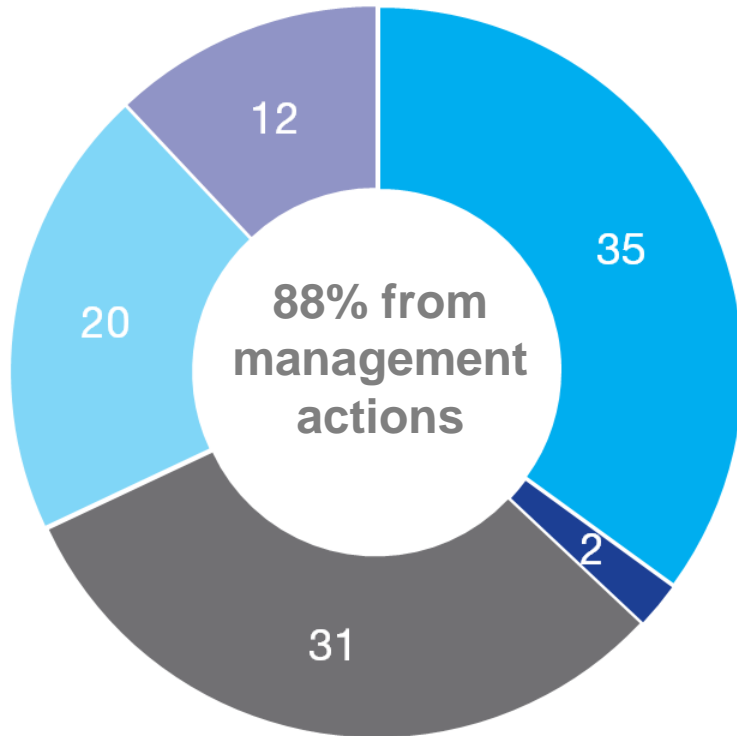
3. Includes forward starting swaps commencing 2012, based on current swap and LIBOR rates and assumes 75% of RBS facility hedged.

Firepower (£m)	Metric	MIPP
Committed facilities <sup>1</sup>	91.7	-
Equity into JV	(25.0)	75.0
Sale of properties to JV	20.6	(20.6)
Capital commitments	(18.0)	-
Earmarked for developments	(34.5)	-
Anticipated debt facilities	55.2	75.0
<b>Total anticipated firepower</b>	<b>90.0</b>	<b>129.4</b>

Hedging	Eurohypo	RBS
Facility (£m)	34.7	80.0
Hedges in place (%)	80.0	25.0
Property yield (%) <sup>2</sup>	6.5	6.3
Cost of debt (%) <sup>3</sup>	4.1	3.9

# Valuation: +2.2% or £5.0m on underlying property values<sup>(1)</sup>

Contribution to valuation uplift (%)



● Lettings



● Rent reviews



● New space



● Asset management yield shift



● Market yield shift



# Asset Management – It's all about self help

- 9 occupier transactions with 8 retailers across 5 properties
  - 5 new lettings across 83,000 sq ft: DFS, Family Bargains, B&M Retail, Jollyes (post period-end)
  - 2 lease variations across 47,700 sq ft: Dunelm (15 years), B&Q (16 years)
  - 2 rent reviews across 11,800 sq ft: Argos, Topps Tiles
  - 4 leases under offer: Sports Direct, Sleepright, Hobbycraft, Home Bargains
- Income growth over the period 6.1%
  - Lease variations completed 12% ahead of previous passing rent
  - Rent reviews completed 9% ahead of previous passing rent
- Focus: 90% of space re-let
  - Launceston: 100% of Focus lease assigned to B&Q on the same terms
  - Congleton: 100% of Focus unit let to Family Bargains
  - Bedford: 80% of Focus unit let to B&M Bargains and Jollyes Pets

# Congleton Case Study

- Acquired Dec 2010 for £14.9m (delayed completion to Jun 2011)
- 72,600 sq ft of open A1 planning consent , average rent £14.75 psf at acquisition
- Asset management initiatives:
  - Planning received for 8,000 sq ft new unit
  - Carpetright surrendered (£13 psf) re-let to Boots (£18 psf)
  - Focus unit (£18 psf) re-let to Family Bargains (£16 psf)
  - Focus garden centre, planning application submitted for 6,500 sq ft redevelopment
  - 4,000 sq ft vacant unit under offer to Sports Direct (£20 psf)

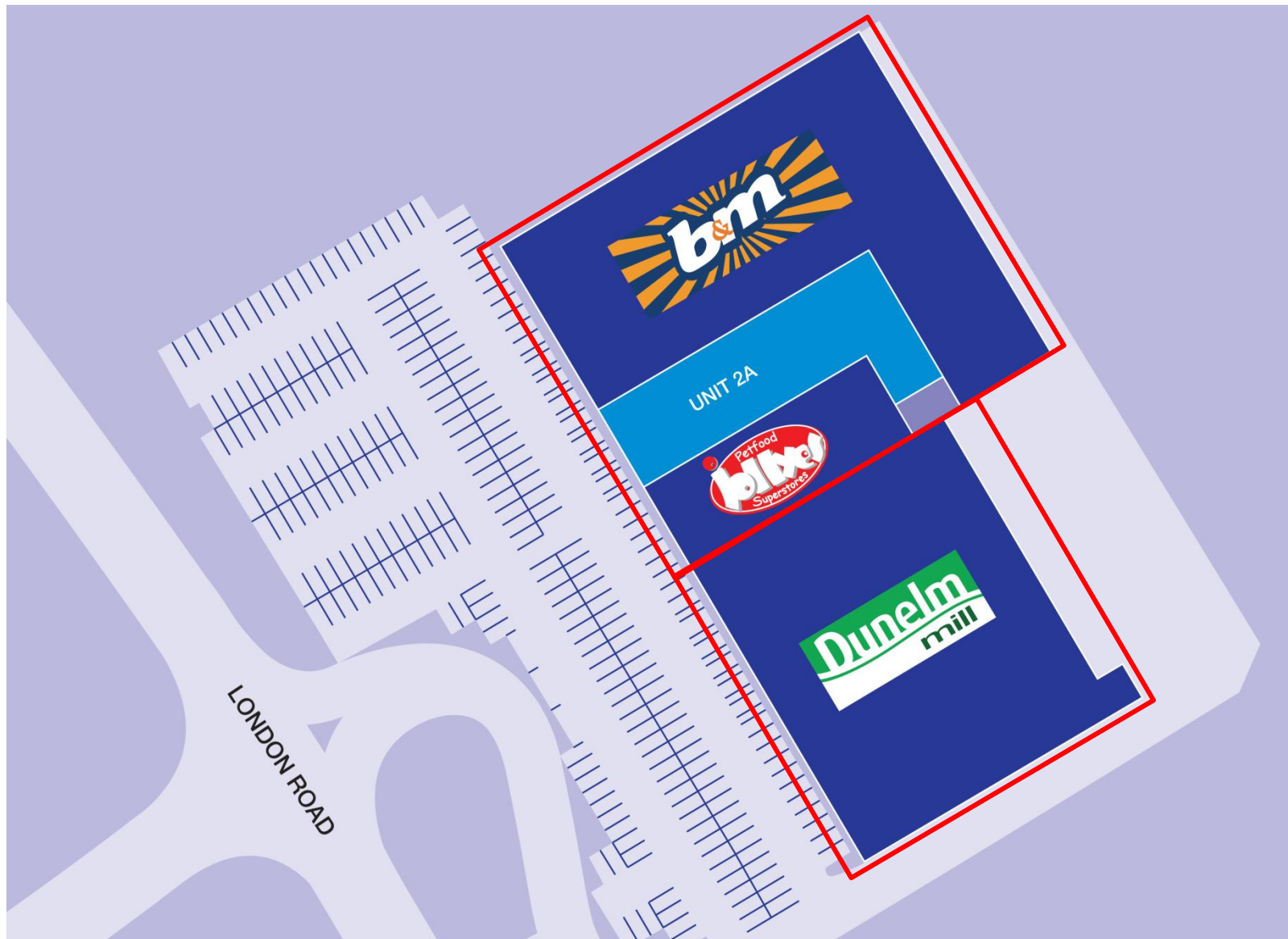
# Congleton Retail Park, South Manchester



# Bedford Case Study

- Acquired Nov 2010 for £9.2m
- Restricted consent, average rent £9.40 psf at acquisition
- Asset management initiatives:
  - Dunelm lease re-gearred on new 15-year lease. Uplift from £9.60 psf to £13.25 psf
  - Surrender premium received from Focus guarantor £1.25m
  - Focus unit (£11 psf) re-let 25,000 sq ft to B&M Bargains (£10 psf) and 6,000 sq ft to Jollyes (£17 psf)
  - Marketing remaining vacant unit (8,300 sq ft)

# Alban Retail Park, Bedford





# Development Status Update

- St Mary's Road, Sheffield

- Planning permission granted for 28,000 sq ft
- Agreement for lease with DFS for 20,000 – on site Nov 2011



- Longford Island, Cannock (post period-end completion)

- Planning permission granted for 24,700 sq ft
- Agreement for lease with DFS to take 17,000 sq ft – on site Feb 2012



- Tindale Crescent, Bishop Auckland

- Resolution to grant planning for 49,000 sq ft Open A1
- Leasing progressing well – 20% pre-let to Next, 45% in negotiations  
– anticipated on site Q2 2012





# Tindale Crescent, Bishop Auckland – Before





# Tindale Crescent, Bishop Auckland – After



# Development Status Update

- St Mary's Road, Sheffield

- Planning permission granted for 28,000 sq ft
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- Planning permission granted for 24,700 sq ft
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- Tindale Crescent, Bishop Auckland

- Resolution to grant planning for 49,000 sq ft
- Leasing progressing well – 20% pre-let to Next, 45% in negotiations  
– anticipated on site Q2 2012



- Kirkstall, Leeds

- Resolution to grant planning consent received for 105,000 sq ft
- Leasing progressing well – 27% pre-let to Outfit & BHS





# Kirkstall Bridge, Leeds – Before





# Kirkstall Bridge, Leeds – After





# Kirkstall Bridge, Leeds – After



# Market Outlook

- Economic uncertainty is affecting the real estate market
  - Financing will be harder and more expensive
- Vendor refinancing pressures are creating more opportunities
  - Banks starting to unload assets
- Consumer expenditure is under real pressure
  - Challenging for most retailers but structural for some
- No underlying rental growth at macro level
  - Too many retailers have too many shops

# Dynamic Retail Market

## Growing



John Lewis



pets at home

## Rightsizing



PEACOCKS



Arcadia



## Structurally Challenging



GAME





# Prospects

- Future performance driven by 'management induced' income growth
- Firepower: Metric c. £90m, MIPP c. £130m
- Deploy capital into accretive:
  - Investments with asset management growth
  - High income opportunities on operationally strong real estate
  - Retailer partnering positions
  - Redevelopment pipeline 220,000 sq ft

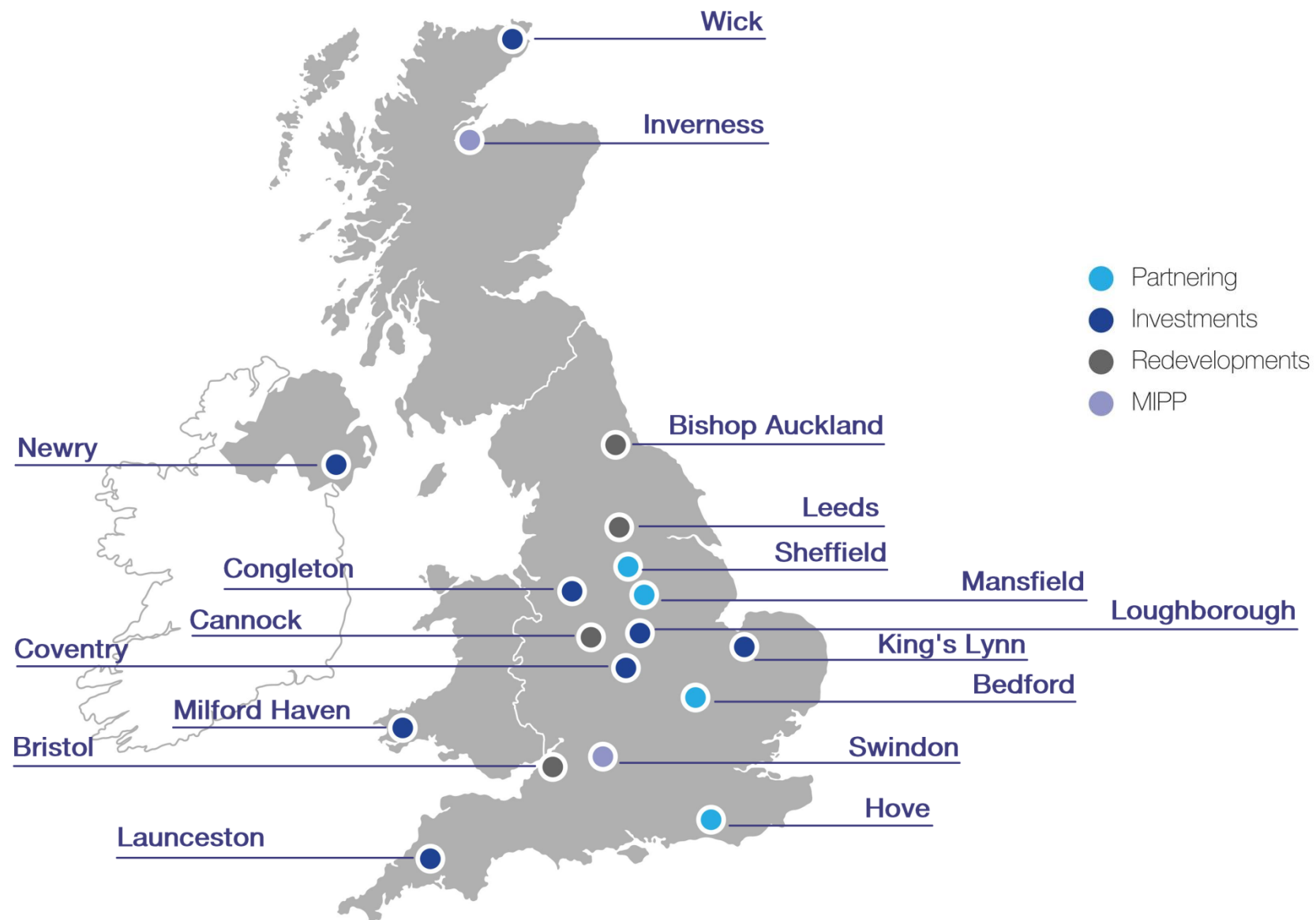
# Kirkstall Bridge, Leeds – After





[www.metricproperty.co.uk](http://www.metricproperty.co.uk)

# £217m<sup>(1)</sup> Investment Portfolio Across 18 Retail Schemes



Notes

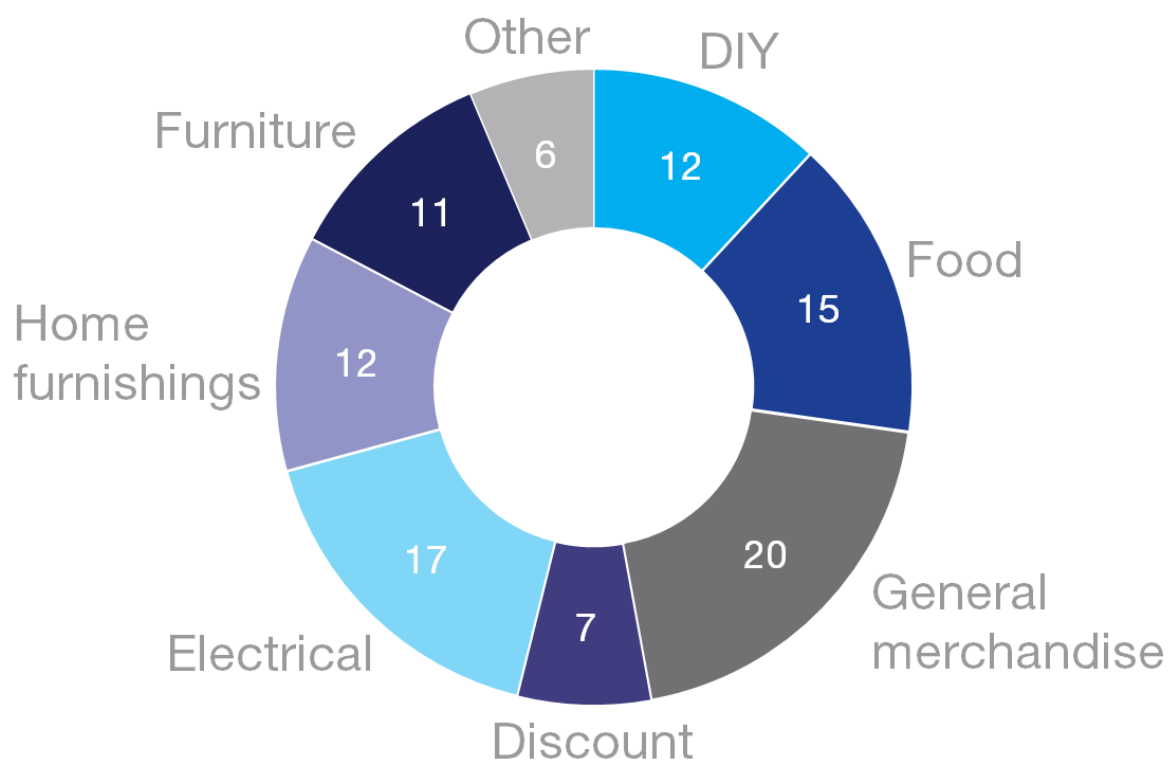
- 1 Portfolio valuation as at 30 September 2011 of £228.9m including net divestment in Inverness and Swindon with Metric's one-third share of assets held in MIPP.



# Shape of Portfolio

PARTNERING	MIPP	INVESTMENTS	REDEVELOPMENTS
<ul style="list-style-type: none"> <li>▪ Retailer initiated</li> <li>▪ Opportunities for:                             <ul style="list-style-type: none"> <li>- Extension</li> <li>- Lease re-gears</li> <li>- Refurbishments</li> <li>- Redevelopment</li> </ul> </li> <li>▪ Pre-let with long income</li> <li>▪ Limited risk</li> </ul> <p>▪ Target geared IRR: 15%</p>	<ul style="list-style-type: none"> <li>▪ Smaller retail parks/solus units</li> <li>▪ Long and strong income, WAULT &gt; 12</li> <li>▪ Lot size £2 - 20 million</li> <li>▪ Higher yielding c. 7% +</li> <li>▪ Asset management light</li> <li>▪ Operationally strong</li> </ul> <p>▪ Target geared IRR: 10% +</p>	<ul style="list-style-type: none"> <li>▪ Larger, multi-let, strong trading schemes</li> <li>▪ Low passing rents</li> <li>▪ Asset management initiatives:                             <ul style="list-style-type: none"> <li>- Lease re-gear</li> <li>- Improve tenant mix</li> <li>- Extension potential</li> <li>- Unit sub-division</li> </ul> </li> <li>▪ Strong occupational demand and contentment</li> </ul> <p>▪ Target geared IRR: 12 - 15%</p>	<ul style="list-style-type: none"> <li>▪ Favourable planning outlook</li> <li>▪ Advantageous demand/supply balance</li> <li>▪ Risk mitigation:                             <ul style="list-style-type: none"> <li>- Pre-let with long income</li> <li>- Detailed planning consent</li> <li>- Fixed price contract</li> </ul> </li> </ul> <p>▪ Target geared IRR: 20% +</p>

# Broad Sector Exposure (weighted by gross income %)



# Current Investment Portfolio Metrics

Location	Date acquired	Area (sq ft)		Purchase Price		Purchase + committed capex (£mn)	NIY WAULT <sup>(2)</sup> (years)	Rent roll (£mn)	Average rent (£ psf)		Sustainable rent <sup>(3)</sup> (£ psf)	Current Rental Range
		At Purchase	Current	Price (£mn)					At Purchase	Current		
Newry	07-Jul-10	148,000	161,500	31.5	36.5	5.1%	14.1	2.3	13.65	14.50	20.00	£12.00 - £21.00 psf
Launceston	04-Aug-10	78,100	78,100	15.0	16.4	5.8%	13.0	1.0	11.20	13.20	18.00	£9.00 - £17.20 psf
Loughborough	17-Sep-10	51,200	51,200	16.8	17.5	4.8%	7.0	1.0	16.50	16.50	20.00	£16.65 psf
Coventry	24-Sep-10	102,500	102,500	18.0	19.3	6.0%	9.5	1.3	12.10	12.50	18.00	£10.60 - £17.50 psf
Mansfield	28-Sep-10	47,100	47,100	7.3	10.0	5.0%	14.5	0.8	13.30	17.00	17.00	£17.00 psf
Congleton	24-Jun-11	64,600	64,600	14.9	16.9	5.7%	10.6	0.9	14.75	14.75	22.00	£12.00 - £18.00 psf
Wick	16-Nov-10	60,700	60,700	10.3	10.4	6.5%	11.7	0.7	11.10	11.10	14.00	£9.85 - £13.00 psf
Bedford	26-Nov-10	65,000	64,300	9.2	12.0	6.2%	12.5	0.7	9.40	12.20	14.00	£10.00 - £17.00 psf
Milford Haven	13-Dec-10	85,700	85,700	14.4	15.2	6.8%	13.1	1.0	11.50	11.50	14.50	£9.00 - £14.50 psf
Hove	19-Jan-11	19,300	19,300	8.1	9.3	5.7%	13.2	0.5	25.00	25.00	30.00	£25.00 psf
Inverness <sup>(4)</sup>	18-Apr-11	6,700	10,000	2.3	3.0	5.7%	16.9	0.2	21.15	21.15	21.15	£21.00 - £21.50 psf
Sheffield	10-May-11	-	28,600	2.3	5.4	0.0%	19.5	0.4	-	18.75	20.00	£20.00 psf
King's Lynn	14-Sep-11	66,300	66,300	15.1	15.9	6.3%	4.0	1.0	15.20	15.20	20.00	£13.00 - £23.00 psf
Swindon <sup>(4)</sup>	22-Sep-11	19,200	19,200	3.4	3.4	7.2%	20.3	0.3	13.45	13.45	14.00	£13.20 - £13.50 psf
Cannock <sup>(5)</sup>	Feb-12	-	24,700	1.8	5.8	0.0%	18.5	0.4	-	18.95	22.50	£18.50 - £21.00 psf
<b>Total - investment portfolio</b>		<b>814,400</b>	<b>883,800</b>	<b>170.4</b>	<b>197.0</b>	<b>5.6%</b>	<b>12.1</b>	<b>12.5</b>	<b>13.60</b>	<b>14.20</b>	<b>18.35</b>	

(1) Retail portfolio as at 16-Nov-11, excluding residential at Loughborough and Coventry and PFS at Loughborough and Milford Haven. Does not include conditional deals at Bishop Auckland and Rochdale or developments at Leeds and Bristol.

(2) Weighted average unexpired lease term - to expiry (11.4 years to first break) .

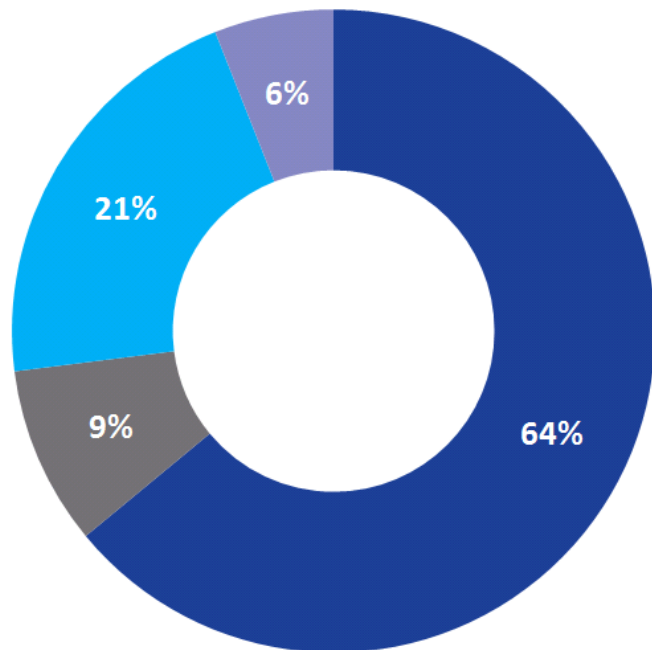
(3) Management view of sustainable rent - not tied to valuer's ERV.

(4) Inverness and Swindon are reflected at Metric's one-third exposure in MIPP.

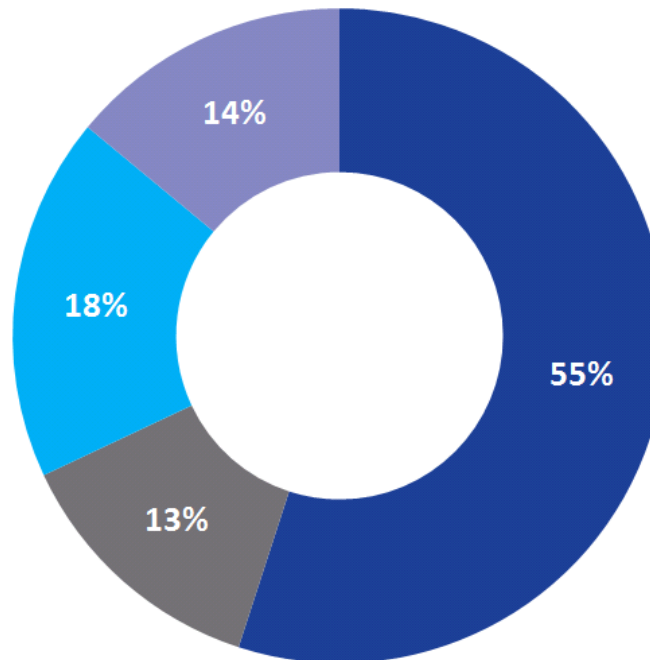
(5) Cannock was conditionally exchanged on 25-May-11 pending planning, which was received in Nov 2011. Completion is expected in Feb 2012.

# UK comparison goods - distribution of sales

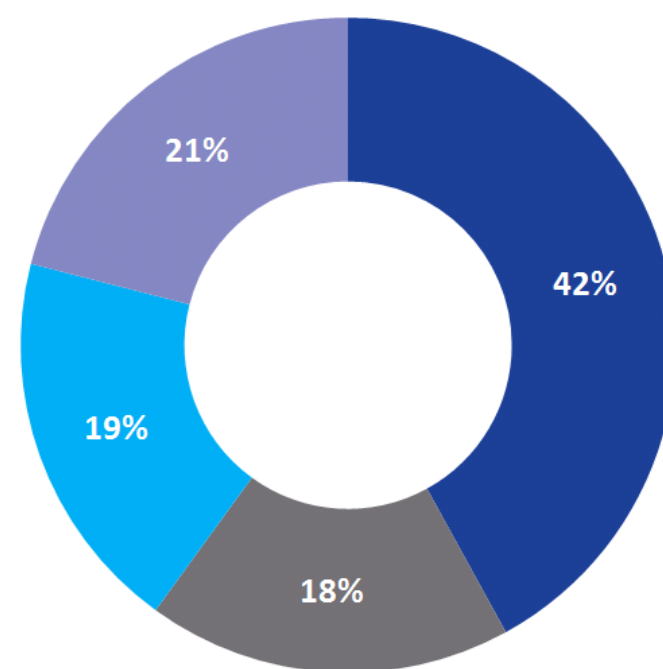
2005



2010



2020



● Town centres ● Supermarkets ● Out of town ● Internet