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BY MARTEN & CO

INVESTOR

2022 Real Estate Review

Annual review | January 2023

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The year the rug was pulled out

2022 will be remembered as the year that the rug was pulled from under the property sector. Having benefitted from decades of low interest rates, which had fuelled debt-ladened deals and piqued the appetite of global investors looking for more than the paltry risk-free return on government bonds, the sector is witnessing a sharp valuation correction as central banks hike up rates. As investors retreated from the sector in the second half of the year, and property yields moved out to reflect the new risk premia, the share prices of property companies tanked, as shown in the graph to the right.

It remains to be seen whether the sell-off has been overdone, with some companies' share price discounts to net asset value (NAV) moving to around 50%. Markets have calmed since the disastrous Truss-onomics experiment and inflation has seemingly peaked, which could see the pace of interest rate rises slow or rates even fall later this year. If discounts to NAV remain wide, this could trigger more merger and acquisition (M&A) activity this year in the sector, particularly if the outlook improves.

In the meantime, property companies have far healthier balance sheets than they did in the post-financial crisis period, and those invested in sectors with strong occupier fundamentals and have some degree of inflation protection through index-linked leases, are in a great place to regain their balance and establish a firm footing.

In this issue

- **Performance data** – Industrial and logistics specialists were heavily hit, with all sectors losing market capitalisation
- **Corporate activity** – Just under £1bn was raised, while two large mergers were agreed
- **Major news stories** – A short seller attack has put the future of Home REIT in the balance

Best performing companies in price terms in 2022

	Chg. on year (%)
Macau Property Opportunities	10.5
Town Centre Securities	7.3
Capital & Regional	6.0
Circle Property	1.9
Empiric Student Property	(2.1)

Property sector performance*

Time period 31/12/21 to 31/12/22

Source: Bloomberg, Marten & Co. Note *: Average share price of listed property companies rebased to 100

Biggest property companies at end of 2022

	Market cap (£m)	Chg. on year (%)
SEGRO	9,234.7	(46.5)
Land Securities	4,607.9	(20.0)
British Land	3,662.7	(25.6)
Unite Group	3,642.2	(17.8)
Derwent London	2,659.1	(30.6)

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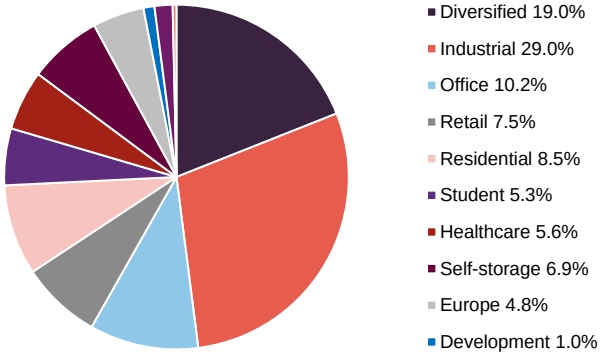
The property sector in 2022

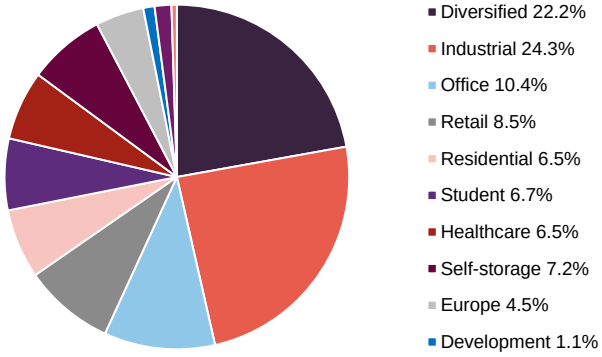
Central banks' move to monetary tightening to quell rising inflation in 2022 put to an end decades of low interest rates and one of the main drivers of valuation growth in the real estate sector. This was reflected in the total market capitalisation of London-listed property companies and real estate investment trusts (REITs), which fell by 31.8%, or £28.8bn, to £61.75bn.

Figure 1: Property market cap at start of 2022 by sector. Total: £90.5bn



Source: Bloomberg, Marten & Co

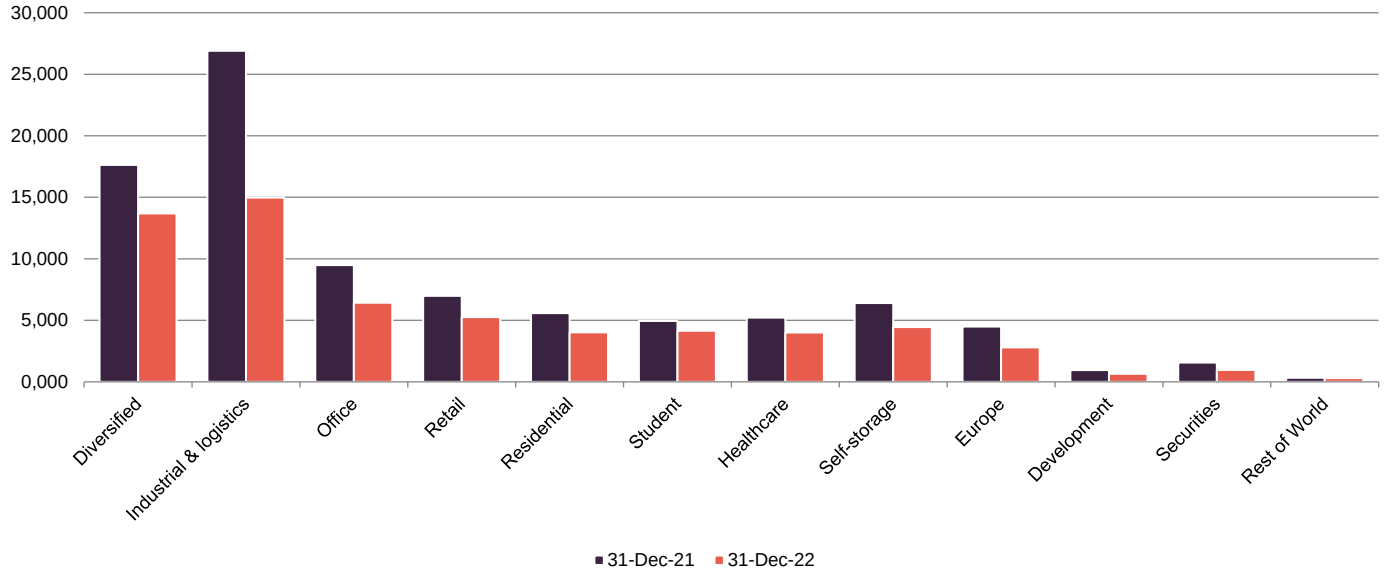
Figure 2: Property market cap at end of 2022 by sector. Total: £61.75bn



Source: Bloomberg, Marten & Co

A breakdown of the property sub-sectors, illustrated in Figures 1 and 2, show that companies focused on industrial and logistics saw the largest drop in share of market capitalisation over the year as values of low yielding assets were hit hardest.

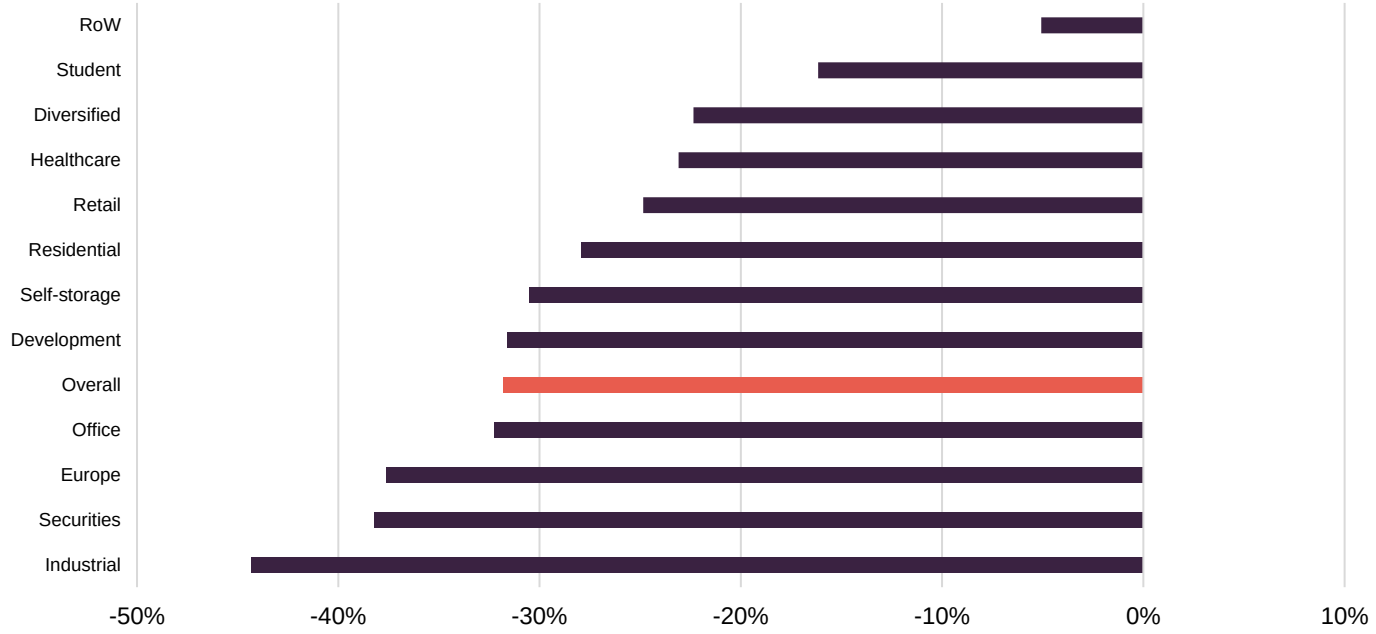
Figure 3: Property sector market capitalisations (£m)



Source: Bloomberg, Marten & Co

The market capitalisations of the six companies focused on the industrial and logistics sector fell by an average of 44.3%. All sectors lost market value with the only property securities company, TR Property (which holds property stocks from across Europe), losing 38.2% in value. The nine London-listed companies focused on European assets was the next biggest loser with an average 37.6% decline. Figure 4 also shows that the market cap of the companies with diversified property portfolios fared better, with a fall of 22.4% compared to the property sector average drop of 31.8%, perhaps reflecting the defensive characteristics of a diversified portfolio.

Figure 4: Market capitalisation change by sector over 2022



Source: Bloomberg, Marten & Co

The two student accommodation specialists also had a comparatively good year with an average share price fall of 16.2%. University applications are at record numbers among UK students, more than making up for fewer students from the EU following Brexit.

Fund performance data

Best performing property companies

Figure 5: Best performing companies in price terms in 2022

	%
Macau Property Opportunities	10.5
Town Centre Securities	7.3
Capital & Regional	6.0
Circle Property	1.9
Empiric Student Property	(2.1)
Lok'n Store	(5.0)
Grit Real Estate Income Group	(7.0)
Alternative Income REIT	(7.6)
AEW UK REIT	(9.9)
NewRiver REIT	(11.5)

Source: Bloomberg, Marten & Co

Figure 6: Best performing companies in NAV terms in 2022

	%
SEGRO	37.4
Safestore	34.4
Lok'n Store	33.0
UK Commercial Property REIT	25.2
Tritax Big Box REIT	25.1
Harworth Group	22.7
Big Yellow Group	20.8
Town Centre Securities	19.2
PRS REIT	17.6
abrdn Property Income Trust	14.0

Source: Marten & Co

Figure 7: TOWN share price over 2022

Source: Bloomberg, Marten & Co

There were just four companies with positive share price moves over 2022. Macau Property Opportunities, which owns property in Macau – the only city in China where gambling is legalised, led the way buoyed by the end of China's zero-COVID policy. The group's plan to sell its assets and return money to shareholders was boosted by the re-opening of the economy, however near-term progress may be hindered by a spike in cases.

Town Centre Securities had a good year, both in terms of NAV and share price performance. This was largely due to the hugely profitable sale of an equity interest in a car parking app in July. The company then returned some cash to shareholders through a tender offer in August.

Logistics heavyweights SEGRO and Tritax Big Box REIT posted strong NAV growth during the year with valuations declines yet to be reported. For reasons mentioned earlier, both company's share prices suffered heavily in anticipation of large portfolio valuation write downs, as shown in Figure 8 below.

All three of the listed specialist self-storage operators – Safestore, Big Yellow Group and Lok'n Store – had impressive years of NAV growth, as the sector continued to display resilient characteristics and demand-side pressures.

Worst performing companies

Figure 8: Worst performing companies in price terms in 2022

	%
Home REIT	(70.7)
Sirius Real Estate	(47.7)
Tritax EuroBox	(47.5)
SEGRO	(46.8)
Workspace Group	(45.0)
Tritax Big Box REIT	(44.3)
abrdn European Logistics Income	(41.5)
Harworth Group	(41.1)
Warehouse REIT	(40.8)
Shaftesbury	(40.2)

Source: Bloomberg, Marten & Co

Figure 9: Worst performing companies in NAV terms in 2022

	%
TR Property	(32.7)
Grit Real Estate Income Group	(22.5)
Hammerson	(10.1)
Ground Rent Income Fund	(9.2)
Schroder European REIT	(7.6)
Regional REIT	(2.0)
Residential Secure Income	(1.7)
Palace Capital	(1.7)
Capital & Regional	(0.9)
Great Portland Estates	(0.3)

Source: Marten & Co

Figure 10: HOME share price over 2022

Source: Bloomberg, Marten & Co

One of the biggest stories in 2022 was the fall from grace of homeless accommodation provider Home REIT. The company came under attack from short seller Viceroy Research in November with allegations including the artificial inflation of property values, conflicts of interest with property developers and rent arrears. Home REIT denies the allegations but has come under further pressure from investors, with one calling for the board to resign, and tenants withholding rents as promised refurbishments have yet to materialise. The company has grown exponentially since it launched in October 2020, successfully raising £350m at the end of 2021 and a further £263m this year, promoting it to the FTSE 250 index. Trading in its shares is currently suspended after it missed the four-month deadline for the publication of results due to the undertaking of an enhanced audit, which is required following the short seller attack.

As mentioned earlier, the logistics-focused property companies had a hard time in share price terms during 2022, with the two European players Tritax EuroBox and abrdn European Logistics Income joining its UK counterparts among the biggest share price fallers. Property yields in Europe hadn't compressed to the same degree as in the UK, while financing rates were better on the continent, suggesting the outward yield shift (and valuation decline) would be less keenly felt in Europe than the UK. Nevertheless, their share prices were similarly affected.

Ground Rents Income Fund continued to be dogged by several legacy issues and ongoing headwinds relating to building safety and leasehold reform. Its board is now considering the future of the company (more details on page 11).

Significant rating changes

Figures 11 and 12 show how share price premiums and discounts to NAV have moved over the course of the year.

Figure 11: Biggest percentage point changes to ratings in 2022 – the 10 greatest improvements

Company	Sector	Premium/(discount) at 31/12/2021 (%)	Premium/(discount) at 31/12/2022 (%)	Difference (percentage point)
Grit Real Estate Income Group	Rest of world	(65.3)	(58.4)	6.9
Capital & Regional	Retail	(50.0)	(46.6)	3.4
Circle Property	Offices	(22.3)	(20.5)	1.8
Town Centre Securities	Diversified	(51.1)	(56.0)	(4.9)
NewRiver REIT	Retail	(32.7)	(40.9)	(8.2)
TR Property	Securities	4.3	(4.3)	(8.6)
Hammerson	Retail	(52.5)	(61.6)	(9.1)
Empiric Student Property	Student accom.	(19.0)	(28.5)	(9.5)
Palace Capital	Diversified	(27.1)	(39.9)	(12.8)
Alternative Income REIT	Diversified	(15.6)	(30.8)	(15.2)

Source: Bloomberg, Marten & Co

There were few instances of discounts to NAV narrowing during 2022, with African-focused company Grit Real Estate top of the list with a 6.9 percentage point improvement. It had one of the largest NAV falls in 2022 (as shown in Figure 9), primarily due to the dilutive nature of a capital raise at the end of 2021, while its share price fell by just 7.0%. The company hopes to be able to provide investors with greater returns in the future with the proceeds of the raise used to acquire a controlling stake in a development company. Part of the proceeds were also used to lower its loan to value (LTV) ratio.

Retail specialists Capital & Regional, which owns secondary shopping centres, NewRiver REIT, the retail parks landlord, and big ticket mall owner Hammerson all feature in the top property companies share price rating moves over 2022. Retail assets have been less prone to the impact of rising interest rates having already suffered many years of yield expansion (and valuation declines) on their assets. All three finished the year strongly with Hammerson seeing a 33.0% share price growth in the fourth quarter, Capital & Regional 28.9% and NewRiver 4.0%.

Despite relatively decent share price performance in 2022, student digs landlord Empiric Student Property's discount to NAV widened 9.5 percentage points to 28.5% as its NAV uplift of 10.9% was not replicated in its share price, which fell 2.1%.

Figure 12: Biggest percentage point changes to ratings in 2022 – the 10 biggest deteriorations

Company	Sector	Premium/(discount) at 31/12/2021 (%)	Premium/(discount) at 31/12/2022 (%)	Difference (percentage point)
SEGRO	Logistics	58.0	(38.9)	(96.9)
Home REIT	Residential	23.8	(65.8)	(89.6)
Big Yellow Group	Self-storage	77.0	(1.5)	(78.5)
Sirius Real Estate	Europe	45.7	(32.4)	(78.1)
Tritax Big Box REIT	Logistics	28.2	(42.9)	(71.1)
LondonMetric Property	Logistics	32.8	(24.9)	(57.7)
Lok'n Store	Self-storage	79.2	28.0	(51.2)
Harworth Group	Development	(1.7)	(52.8)	(51.1)
Warehouse REIT	Industrial	16.0	(31.8)	(47.8)
Industrials REIT	Industrial	27.2	(19.4)	(46.6)

Source: Bloomberg, Marten & Co

Many of the names in the biggest rating deteriorations table have been mentioned previously. German business parks owner Sirius Real Estate suffered a collapse in its share price over the year, seeing its rating swing wildly. We also witnessed extreme re-ratings among the self-storage specialists.

Major corporate activity

Fundraises

Just under £1bn was raised by property companies in 2022

Just £935m was raised by property companies in 2022, significantly less than the £3.8bn raised in 2021, reflecting the difficult investing climate caused by the higher interest rate environment and the ongoing war in Ukraine. All of the fundraises were completed in the first half of the year, when interest rates were at a lower level.

The majority of the £935m raised by property companies in 2022 was made in just three raises. Supermarket Income REIT led the way with a £300m substantially oversubscribed issue and a further £6.7m through a PrimaryBid offer. The total raised eclipses the original £175m target. The company deployed the proceeds into a pipeline of investment opportunities.

In happier days, Home REIT also smashed its fundraise target raising £263m – significantly above its initial target of £150m – before its woes started to stack up.

LXI REIT raised £250m in another substantially oversubscribed issue. The group quickly deployed the proceeds into a pipeline of long-income investments.

Among the other fundraises during the year were:

- £62.3m raised by Impact Healthcare REIT in two placings;
- abrdn European Logistics Income's £38m (€45.6m) placing; and
- Residential Secure Income raising of £15m.

Mergers and acquisitions

Shareholders of both Shaftesbury and Capital & Counties Properties approved a £3.5bn all-share merger of the two companies to create a REIT, which would be called Shaftesbury Capital Plc, focused on the West End of London with a £5bn portfolio across Covent Garden, Carnaby, Chinatown and Soho. The merger is still awaiting Competition and Markets Authority approval and is expected to complete in the first quarter of this year.

In July, long-income specialists LXI REIT and Secure Income REIT merged creating a combined company with a portfolio worth £3.9bn and net assets of £2.8bn. Under the terms of the merger, each Secure Income shareholder received 3.32 new LXI shares per one Secure Income share.

In March, Hibernia REIT agreed a deal with Brookfield on the sale of the business for around €1.089bn. The offer price represented a 35.6% premium to its share price and a 7.6% discount to NAV.

McKay Securities was acquired by Workspace Group in May. The £272m acquisition allowed Workspace to extend its serviced office platform to locations in the South East outside its core London focus.

In February, Yew Grove REIT was acquired by Slate Office Ireland Investment Limited, an indirect wholly-owned subsidiary of North American real estate investment trust Slate Office REIT, for €177.4m.

Other major corporate activity

The proposed initial public offering of two new REITs – GCP Co-Living REIT and Independent Living REIT – were shelved during the year. Both were the victim of unfortunate timing. GCP Co-Living had been looking to raise £300m and invest in the fledgling co-living residential sector but the marketing period was scuppered by Russia's invasion of Ukraine. Independent Living's planned £150m IPO was canned due to the market turmoil following the mini-budget at the end of September.

Raven Property Group, the owner of warehouses in Russia, de-listed its shares on the London Stock Exchange after the war in Ukraine and subsequent sanctions on Russia. It sold its Russian business to Prestino Investments Ltd, which is owned and controlled by Raven's Russian management team. Equity holders in Raven were wiped out entirely, while Raven retained an economic interest in the company via existing unsecured loans of £41m and Rub1.1bn and non-voting preference shares of £678m.

The board of Ground Rents Income Fund is considering the future of the company after several legacy issues and continuing headwinds relating to building safety and leasehold reform impacts performance. The board is required to table a proposal for shareholders to vote on a resolution for a voluntary wind-up and subsequent liquidation of the company at a general meeting to be held no later than 13 August 2023. The vote is structured in such a way that if any single shareholder votes for a wind-up, the vote passes. If the wind-up resolution is not passed, then the process is to be repeated every five years.

A number of companies changed their name during the year. Custodian REIT changed its name to Custodian Property Income REIT Plc. Its ticker (CREI) remains unchanged.

BMO Commercial Property Trust and BMO Real Estate Investments both changed their name, to Balanced Commercial Property Trust and CT Property Trust respectively, following the acquisition of BMO by Columbia Threadneedle. CT Property Trust's new ticker is CTPT, while Balanced Commercial Property Trust remains BCPT.

Standard Life Investments Property Income Trust also changed its name – to abrdn Property Income Trust Limited, with a new ticker of API.

Major news stories

- Home REIT was the subject of a short-seller attack that alleged that many of its tenants were struggling financially and malpractice within the company. Home REIT strongly rebuffed the claims as baseless and misleading.
- Land Securities sold its 21 Moorfields office development in the City of London, which is pre-let to Deutsche Bank, for £809m and a 4.7% net initial yield. The price represents a 9% discount to the March 2022 value, but crystallises a development profit of £145m, representing 25% profit on cost.
- British Land agreed a deal to sell a 75% stake in its Paddington Central assets to GIC for £694m, representing a 1% discount to September 2021 book value and a net initial yield of 4.5%.
- LXI REIT renegotiated the leases of 122 Travelodge hotels, extending the weighted average lease length by a further nine years (from 19.5 years to 28.5 years). In return for the nine-year extensions, the company has inserted caps and collars on the annual rent reviews. Previously, the rent increased annually at RPI, but has been converted to CPI+0.5% with a cap (maximum uplift) of 4% and a collar (minimum uplift) of 1%.
- Great Portland Estates secured its largest ever letting – the 321,100 sq ft pre-let of its office development, 2 Aldermanbury Square, EC2, to international law firm Clifford Chance LLP.
- Derwent London exchanged contracts to acquire the Moorfields Eye Hospital and the UCL Institute of Ophthalmology, for £239m. The site is being sold by Moorfields Eye Hospital NHS Foundation Trust and UCL and is subject to final Treasury approval, which is expected by the end of 2022. Derwent plans to redevelop the 2.5-acre site into a 750,000 sq ft campus.
- Helical sold its TikTok-let Farringdon office building Kaleidoscope to Chinachem Group for £158.5m, at a 4.8% net initial yield. It let the 88,580 sq ft office to TikTok in March 2021 on a 15-year lease at £7.6m a year.
- Life Science REIT completed the acquisition of Oxford Technology Park, a 20-acre science and technology park, for £120.3m, meaning it has now fully deployed the proceeds from its IPO in November 2021.
- Student accommodation investor Unite Students acquired a build-to-rent property in Stratford, east London, for £71m as it looks to branch out into the residential sector.
- UK Commercial Property REIT acquired a hotel development site in Leeds for £62.7m. The group will fund the development of the 305-room hotel, which is scheduled to complete in 2024 and will have a 25-year franchise agreement in place with Hyatt Hotels. The hotel will be operated under a lease by Interstate Hotels & Resorts, with UKCM's rental income based on the income generated from the operation of the hotel.

Selected QuotedData views

- **REIT consolidation on the cards in 2023**
- **The right REIT?**
- **Has logistics been oversold?**

Outlook for 2023

Here are a few recent comments from managers and directors on how events may unfold in 2023, drawn from our latest real estate roundup.

Robert Orr, chairman of Tritax EuroBox:

"The knock-on impact of rising bond yields and debt costs, together with the increased likelihood of European economies experiencing a period of slower growth, has not yet been fully transmitted into real estate markets, with the scale and duration of adjustments to pricing and growth still uncertain. We believe the structural tailwinds positively impacting the European logistics sector, particularly the growth of internet retail, remain in place and other demand drivers such as the need for supply-chain resilience and buildings that support ESG objectives, will continue to create additional sources of demand. Low vacancy rates and constrained supply of land also serve to underpin occupational market fundamentals."

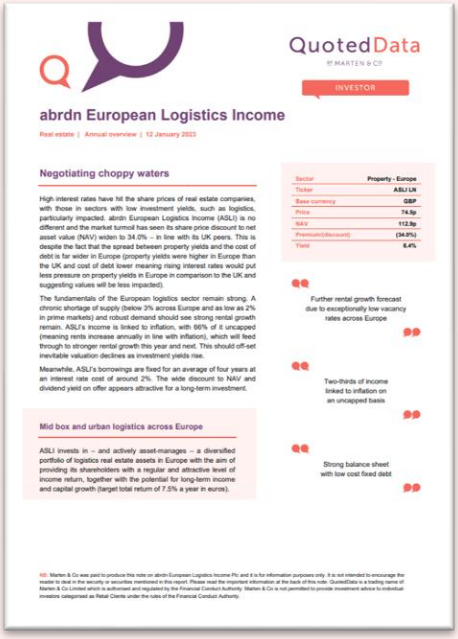
Calum Bruce, manager of Ediston Property Investment Company:

"Reductions in disposable income could affect the retail market, including retail warehousing. Discretionary spending and the purchasing of 'big-ticket' items will be particularly affected. If retailers are impacted, there is an increased likelihood of them using Company Voluntary Arrangements (CVAs) and other insolvency processes to reduce costs. Despite the more measured short-term outlook, the fundamentals of the retail warehouse sector remain robust. Supply of available space is low, tenant demand is holding up, occupiers are still doing deals and we continue to identify and complete asset management transactions that secure income. We expect the retail warehouse sector to be the most resilient and flexible part of the retail market, which can adapt to the changing needs of tenants and the integration of their omnichannel strategies."

David Hunter, chairman of Custodian Property Income REIT:

"We expect to see medium term acquisition opportunities as increasing debt costs drive market pricing for new investments closer to our income return requirements. We continue to view income as the key stable component of property returns. In these circumstances we expect investment market sentiment to transition from the relative volatility of single sector investing to a more defensive, diversified, income focused strategy."

Recent real estate research notes



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abrdn European Logistics Income

Real estate | Annual overview | 12 January 2023

Negotiating choppy waters

High interest rates have hit the share prices of real estate companies, with those in sectors with low investment yields, such as logistics, particularly impacted. abrdn European Logistics Income (ASLI) is no different and the market turmoil has seen its share price discount to net asset value (NAV) widen to 34.0% – in line with its UK peers. This is despite the fact that the spread between property yields and the cost of debt is far wider in Europe (property yields were higher in Europe than the UK and cost of debt lower meaning rising interest rates would put less pressure on property yields in Europe in comparison to the UK and suggesting values will be less impacted).

The fundamentals of the European logistics sector remain strong. A chronic shortage of supply (below 3% across Europe and as low as 2% in prime markets) and robust demand should see strong rental growth remain. ASLI's income is linked to inflation, with 66% of it uncapped (meaning rents increase annually in line with inflation), which will feed through to stronger rental growth this year and next. This should off-set inevitable valuation declines as investment yields rise.

Meanwhile, ASLI's borrowings are fixed for an average of four years at an interest rate cost of around 2%. The wide discount to NAV and dividend yield on offer appears attractive for a long-term investment.

Mid box and urban logistics across Europe

ASLI invests in – and actively asset-manages – a diversified portfolio of logistics real estate assets in Europe with the aim of providing its shareholders with a regular and attractive level of income return, together with the potential for long-term income and capital growth (target total return of 7.5% a year in euros).

Sector	Property - Europe
Ticker	ASLI LN
Base currency	GBP
Price	74.8p
NAV	112.9p
Premium/(discount)	(34.0%)
Yield	6.4%

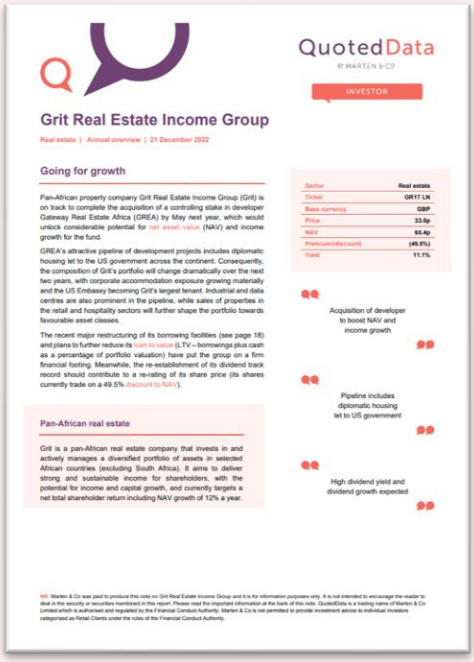
Further rental growth forecast due to exceptionally low vacancy rates across Europe

Two-thirds of income linked to inflation on an uncapped basis

Strong balance sheet with low cost fixed debt

NB: Marten & Co was paid to produce this note on abrdn European Logistics Income Plc and it is for information purposes only. It is not intended to encourage the reader to deal in the security or securities mentioned in this report. Please read the important information at the back of this note. QuotedData is a trading name of Marten & Co Limited which is authorised and regulated by the Financial Conduct Authority. Marten & Co is not permitted to provide investment advice to individual investors categorised as Retail Clients under the rules of the Financial Conduct Authority.

An annual overview on abrdn European Logistics Income (ASLI). The group is looking to negotiate current choppy waters through contractual index-linked rental growth and a strong balance sheet.



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Grit Real Estate Income Group

Real estate | Annual overview | 21 December 2022

Going for growth

Pan-African property company Grit Real Estate Income Group (Grit) is on track to complete the acquisition of a controlling stake in developer Gateway Real Estate Africa (GREA) by May next year, which would unlock considerable potential for net asset value (NAV) and income growth for the fund.

GREA's attractive pipeline of development projects includes diplomatic housing let to the US government across the continent. Consequently, the composition of Grit's portfolio will change dramatically over the next two years, with corporate accommodation exposure growing materially and the US Embassy becoming Grit's largest tenant. Industrial and data centres are also prominent in the pipeline, while sales of properties in the retail and hospitality sectors will further shape the portfolio towards favourable asset classes.

The recent major restructuring of its borrowing facilities (see page 18) and plans to further reduce its loan to value (LTV – borrowings plus cash as a percentage of portfolio valuation) have put the group on a firm financial footing. Meanwhile, the re-establishment of its dividend track record should contribute to a re-rating of its share price (its shares currently trade on a 49.5% discount to NAV).

Pan-African real estate

Grit is a pan-African real estate company that invests in and actively manages a diversified portfolio of assets in selected African countries (excluding South Africa). It aims to deliver strong and sustainable income for shareholders, with the potential for income and capital growth, and currently targets a net total shareholder return including NAV growth of 12% a year.

Sector	Real estate
Ticker	GR1T LN
Base currency	GBP
Price	33.0p
NAV	65.4p
Premium/(discount)	(49.5%)
Yield	11.1%

Acquisition of developer to boost NAV and income growth

Pipeline includes diplomatic housing let to US government

High dividend yield and dividend growth expected

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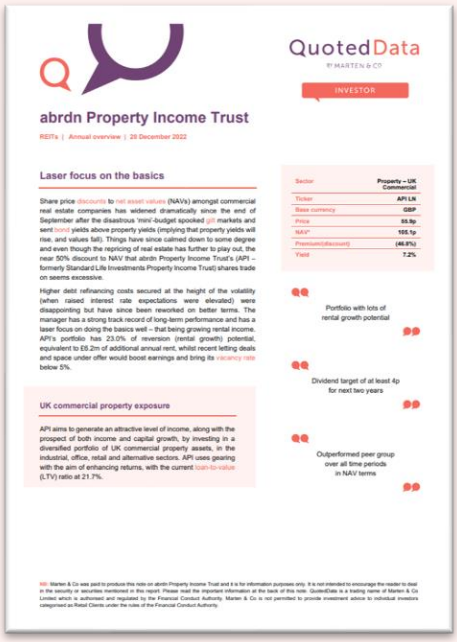
An annual overview note on Grit Real Estate Income Group (GR1T). The company is on track to acquire a controlling stake in an African developer that should unlock huge NAV and earnings growth potential.



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abrdn Property Income Trust

REITs | Annual overview | 20 December 2022

Laser focus on the basics

Share price discounts to net asset values (NAVs) amongst commercial real estate companies has widened dramatically since the end of September after the disastrous 'mini'-budget spooked gilt markets and sent bond yields above property yields (implying that property yields will rise, and values fall). Things have since calmed down to some degree and even though the repricing of real estate has further to play out, the near 50% discount to NAV that abrdn Property Income Trust's (API – formerly Standard Life Investments Property Income Trust) shares trade on seems excessive.

Higher debt refinancing costs secured at the height of the volatility (when raised interest rate expectations were elevated) were disappointing but have since been reworked on better terms. The manager has a strong track record of long-term performance and has a laser focus on doing the basics well – that being growing rental income. API's portfolio has 23.0% of reversion (rental growth) potential, equivalent to £8.2m of additional annual rent, whilst recent letting deals and space under offer would boost earnings and bring its vacancy rate below 5%.

UK commercial property exposure

API aims to generate an attractive level of income, along with the prospect of both income and capital growth, by investing in a diversified portfolio of UK commercial property assets, in the industrial, office, retail and alternative sectors. API uses gearing with the aim of enhancing returns, with the current loan-to-value (LTV) ratio at 21.7%.

Sector	Property – UK Commercial
Ticker	API LN
Base currency	GBP
Price	55.8p
NAV*	105.1p
Premium/(discount)	(46.8%)
Yield	7.2%

Portfolio with lots of rental growth potential

Dividend target of at least 4p for next two years

Outperformed peer group over all time periods in NAV terms

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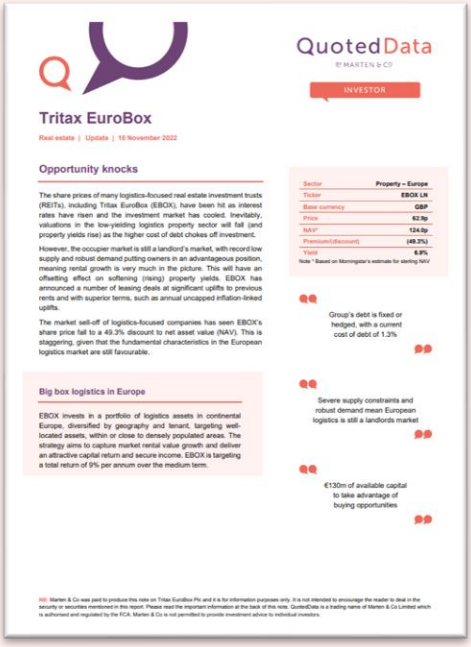
An annual overview on abrdn Property Income Trust (API). The company's discount to NAV widen considerably in October 2022 after it refinanced its debt at inferior terms at the height of the bond market volatility. It has since refinanced the debt again on far superior terms and is well placed for income growth.



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Tritax EuroBox

Real estate | Update | 18 November 2022

Opportunity knocks

The share prices of many logistics-focused real estate investment trusts (REITs), including Tritax EuroBox (EBOX), have been hit as interest rates have risen and the investment market has cooled. Inevitably, valuations in the low-yielding logistics property sector will fall (and property yields rise) as the higher cost of debt chokes off investment.

However, the occupier market is still a landlord's market, with record low supply and robust demand putting owners in an advantageous position, meaning rental growth is very much in the picture. This will have an offsetting effect on softening (rising) property yields. EBOX has announced a number of leasing deals at significant uplifts to previous rents and with superior terms, such as annual uncapped inflation-linked uplifts.

The market sell-off of logistics-focused companies has seen EBOX's share price fall to a 49.3% discount to net asset value (NAV). This is staggering, given that the fundamental characteristics in the European logistics market are still favourable.

Big box logistics in Europe

EBOX invests in a portfolio of logistics assets in continental Europe, diversified by geography and tenant, targeting well-located assets, within or close to densely populated areas. The strategy aims to capture market rental value growth and deliver an attractive capital return and secure income. EBOX is targeting a total return of 9% per annum over the medium term.

Sector	Property – Europe
Ticker	EBOX LN
Base currency	GBP
Price	62.8p
NAV*	124.0p
Premium/(discount)	(49.3%)
Yield	6.9%

Note * Based on Morningstar's estimate for sterling NAV

Group's debt is fixed or hedged, with a current cost of debt of 1.3%

Severe supply constraints and robust demand mean European logistics is still a landlords market

€130m of available capital to take advantage of buying opportunities

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An update on Tritax EuroBox (EBOX). The company's share price discount to NAV has widened along with the rest of the sector as interest rate rises hit valuations. The occupier fundamentals in the sector remain strong, however.

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