



2023 Real Estate Review

Annual review | January 2024

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The real estate sector endured a tough 2023, with much of the year characterised by falling values amid the high interest rate landscape. Values have since stabilised across sub-sectors. Optimism returned in the final couple of months of the year, on promising inflation data. This can be seen in the median share price performance graph on the right – where share prices fell on average 6.5% over the year, but within that were up 15.5% in the final two months. The feeling that interest rates have peaked has grown stronger – although a surprise uptick in inflation in December may have pushed back the timing of cuts.

A weak macroeconomic outlook forced many companies back to basics – that is to focus on the real estate fundamentals of growing income – and to get their balance sheets in order. On the former point, companies operating in sectors displaying strong occupational markets (such as logistics and student accommodation) were able to limit the damage of falling values with rental growth. While companies focused on sectors with lingering question marks over the strength of occupier markets, such as offices, were unable to do the same.

Perhaps understandably, investor sentiment towards the sector was negative for much of the year. This caused discounts to net asset values (NAVs) to widen across the sector to levels not seen since the global financial crisis. Attracted by the disconnect between share prices and NAVs, private equity funds circled, and merger and acquisition (M&A) activity was heightened. No fewer than six companies were de-listed during the year (either through a buyout or merger – see page 9 for more details) with further activity expected into 2024.

In this issue

- **Performance data** – Student and logistics sectors led share price rebound at the end of the year
- **Corporate activity** – More than £600m was raised
- **Major news stories** – LondonMetric and LXI look to merge

Best performing companies in price terms in 2023

	Chg. on year (%)
Shaftesbury Capital	29.7
Workspace Group	27.8
Sirius Real Estate	27.4
Tritax Big Box REIT	21.9
Hammerson	19.3

Property sector performance*

Time period 31/12/2022 to 31/12/2023



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

Biggest property companies at end of 2023

	Market cap (£m)	Chg. on year (%)
SEGRO	10,881.5	17.8
Land Securities	5,249.8	13.9
Unite Group	4,549.6	24.9
British Land	3,705.5	1.2
Tritax Big Box REIT	3,215.4	24.1



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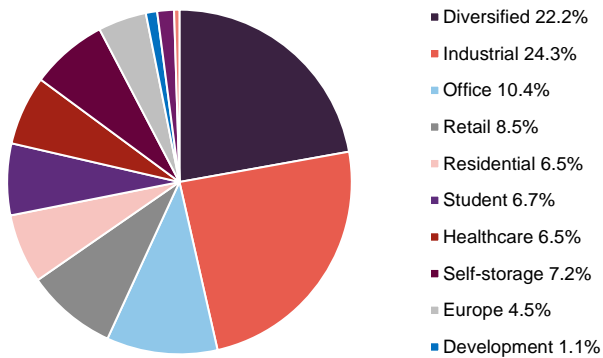
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The property sector in 2023

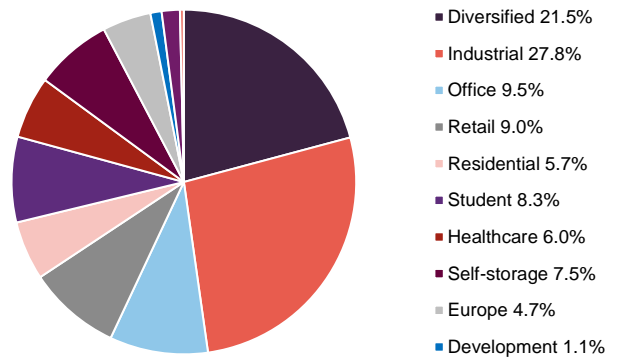
Much of 2023 was a painful affair for London-listed property companies and real estate investment trusts (REITs), as investor sentiment dwindled amid high interest rates and depressed valuations. However, encouraging inflation data at the end of the year saw optimism return. The total market capitalisation of the sector increased slightly to £64.4bn over the year.

Figure 1: Property market cap at start of 2023 by sector. Total: £61.7bn



Source: Bloomberg, Marten & Co

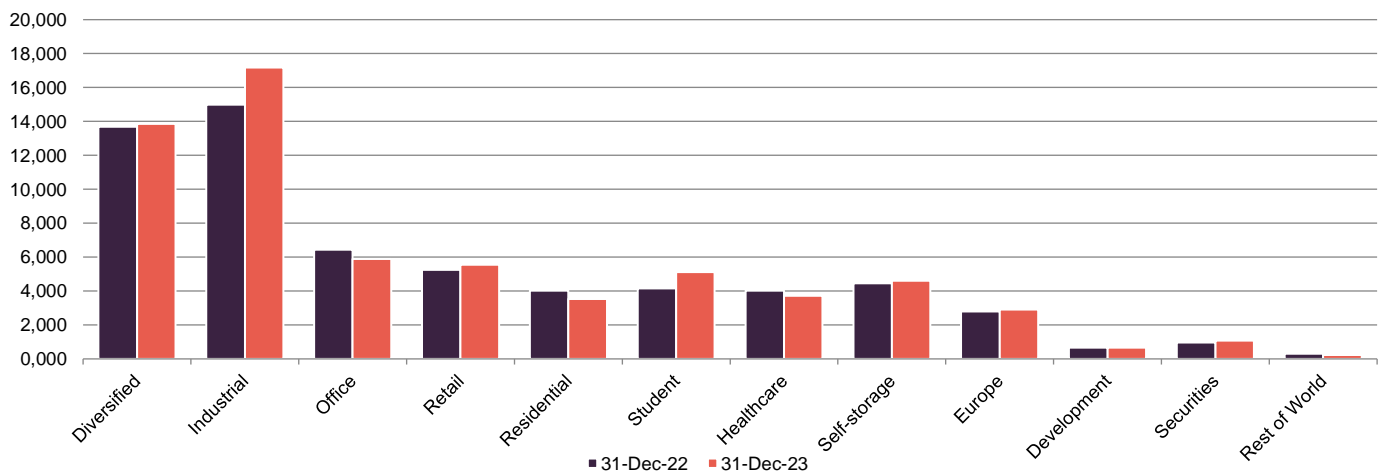
Figure 2: Property market cap at end of 2023 by sector. Total: £64.4bn



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 gain in share of market capitalisation over the year, while office landlords continued to suffer. Fundraises during the year (details on page 9) offset some the money that left the sector through take-private buyouts. The outperformance of large cap companies over small cap during the year meant the total market cap of the sector grew.

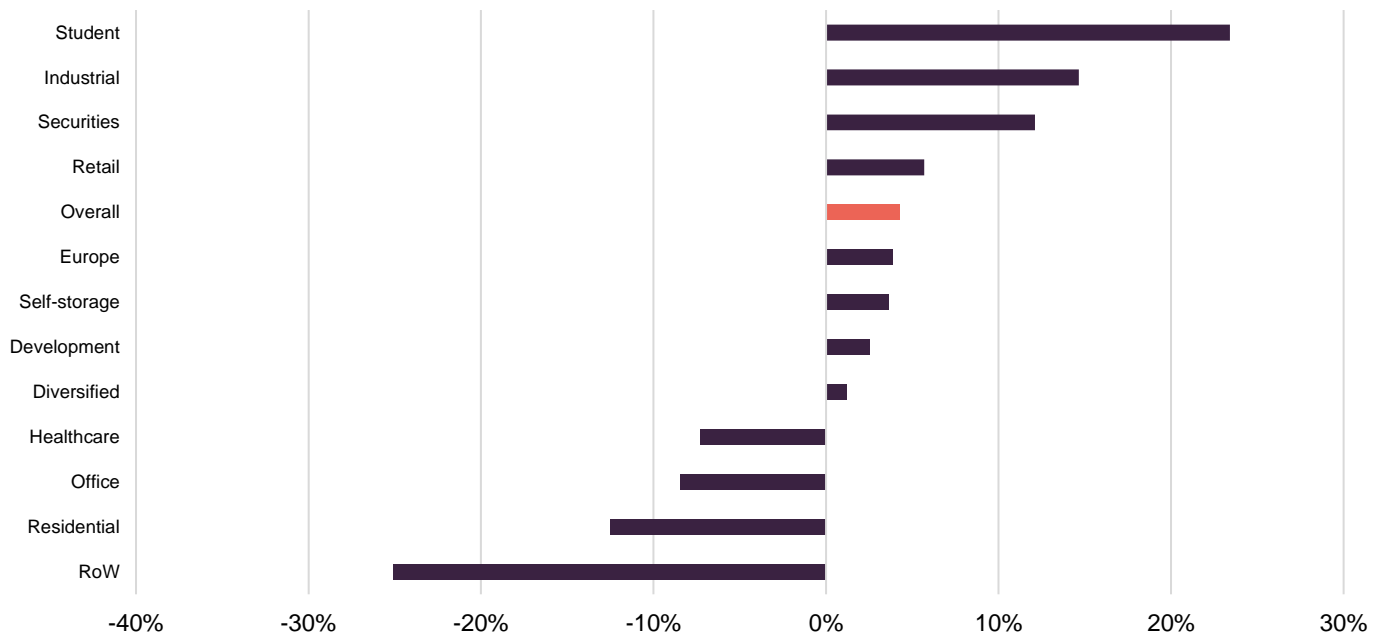
Figure 3: Property sector market capitalisations (£m)



Source: Bloomberg, Marten & Co

The market capitalisations of the seven companies focused on offices fell by an average of 8.4%, as the sector tries to navigate its way through several trends impacting demand including hybrid working and building sustainability credentials. The eclectic funds focused on different markets around the world had a year to forget with a 25.1% fall in market cap respectively.

Figure 4: Market capitalisation change by sector over 2023



Source: Bloomberg, Marten & Co

The two student accommodation specialists had very good years with an average jump in share price of 23.4%. Demand for university places keeps rising, while supply of student beds remains under pressure resulting in strong occupancy and rental growth. The retail sector also rebounded in 2023. Having already seen values fall over the past five years, the sector was less impacted by yield expansion but participated in the wider real estate bounce towards the end of the year.

Fund performance data

Best performing property companies

Figure 5: Best performing companies in price terms in 2023

	%
Shaftesbury Capital	29.7
Workspace Group	27.8
Sirius Real Estate	27.4
Tritax Big Box REIT	21.9
Hammerson	19.3
Ediston Property	17.5
SEGRO	16.1
Unite Group	14.7
Harworth Group	14.6
IWG	14.0

Source: Bloomberg, Marten & Co

Figure 6: Best performing companies in NAV terms in 2023

	%
Big Yellow Group	4.7
PRS REIT	3.2
Lok'n Store	3.0
Empiric Student Property	(0.4)
Triple Point Social Housing REIT	(0.4)
Sirius Real Estate	(0.9)
Real Estate Investors	(1.1)
Unite Group	(1.3)
Impact Healthcare REIT	(2.2)
Alpha Real Trust	(2.4)

Source: Marten & Co

Figure 7: Shaftesbury share price over 2023



Source: Bloomberg, Marten & Co

Investors have gotten behind the prospects of **Shaftesbury Capital**, the new entity to emerge from the merger of Capital & Counties and Shaftesbury in March (see page 9 for more details). The enlarged group, which owns large swathes of real estate in Covent Garden and Soho in London's West End, saw its share price rise almost 30% in the year.

Workspace witnessed equally impressive gains during the year. The company has continued to post rental growth as demand for its flexible office space in London remains strong. **Sirius Real Estate** has also reported robust rental growth for its real estate – light industrial and offices in Germany and the UK.

There were green shoots of optimism for shopping centre giant **Hammerson** following years of suffering. It has worked tirelessly to bring its balance sheet into shape, and with liquidity returning to the retail sector, it appears to have a good launching pad for growth.

Ediston Property Investment Company saw its share price jump on news that it was selling its entire portfolio to US REIT giant Realty Income (see page 9 for more details).

Property NAVs suffered during the year due to the high interest rate landscape. There were just three positive NAV movers in 2023 - self-storage specialists **Big Yellow** and **Lok'n Store** and build-to-rent specialist **PRS REIT**. The latter's NAV growth reflected the favourable dynamics at play in the residential rental sector.

Worst performing companies

Figure 8: Worst performing companies in price terms in 2023

	%
Regional REIT	(40.3)
Globalworth Real Estate	(37.6)
Grit Real Estate Income Group	(36.4)
CLS Holdings	(35.8)
Ground Rents Income Fund	(35.1)
Helical	(33.6)
Phoenix Spree Deutschland	(31.0)
Residential Secure Income	(29.8)
CEIBA Investments	(23.5)
Macau Property Opportunities	(22.3)

Source: Bloomberg, Marten & Co

Figure 9: Worst performing companies in NAV terms in 2023

	%
Regional REIT	(31.1)
UK Commercial Property REIT	(28.2)
Tritax EuroBox	(26.1)
Helical	(26.0)
SEGRO	(25.0)
Tritax Big Box REIT	(24.6)
Residential Secure Income	(22.9)
abrdn Property Income Trust	(22.5)
Warehouse REIT	(19.3)
Supermarket Income REIT	(19.1)

Source: Marten & Co

Figure 10: Regional share price over 2023



Source: Bloomberg, Marten & Co

Regional REIT suffered a heavy sell-off of its shares after it announced that it would cut its dividend. The company also reported a drop in NAV, as values in the office sector continue to fall. Investor sentiment towards the office sector continues to wane as several elements stack up against it. The long-term implications of hybrid working on demand and valuations, the consequences of any future energy regulations and the current economic uncertainty continues to weigh on the sector. UK and European office investor **CLS Holdings** and central London office developer **Helical** also suffered heavy share price falls during the year.

Grit Real Estate Income Group's share price fell off following the announcement in October that it would not pay a dividend for the second half of its financial year before recovering slightly in December. The company said that it intends to pay a special dividend or an increased dividend for the first half of the current financial year once new lucrative developments (mainly US embassy-backed diplomatic housing) complete.

Ground Rents Income Fund has continued to be dogged by several legacy issues and ongoing headwinds relating to building safety and leasehold reform. The future of the company is in doubt after the government's proposal to restrict ground rent for existing leases.

Phoenix Spree Deutschland has found the Berlin residential property market hard going this year, with a drop off in condominium sales resulting in the axing of its dividend in March.

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 2023 – the 10 greatest improvements

Company	Sector	Premium/(discount) at 31/12/2022 (%)	Premium/(discount) at 31/12/2023 (%)	Difference (percentage point)
Tritax Big Box REIT	Logistics	(42.9)	(7.7)	35.2
SEGRO	Logistics	(38.9)	(5.4)	33.5
UK Commercial Property REIT	Diversified	(48.3)	(23.6)	24.7
Workspace	Offices	(54.3)	(31.7)	22.6
LondonMetric	Logistics	(24.8)	(4.0)	20.8
Shaftesbury Capital	Retail	(49.0)	(28.8)	20.2
Sirius Real Estate	Europe	(32.4)	(13.1)	19.3
Land Securities	Diversified	(38.5)	(21.1)	17.4
Schroder REIT	Diversified	(43.4)	(26.4)	17.0
Hammerson	Retail	(61.6)	(45.4)	16.2

Source: Bloomberg, Marten & Co

Logistics heavyweights **SEGRO** and **Tritax Big Box REIT** saw their share prices rebound in 2023 having suffered large losses in 2022 when interest rates jumped. Healthy demand for logistics space and continued lack of supply (vacancy rates have gone up but from a historical viewpoint are still low) means that rental growth prospects are good. Valuations have stabilised, but the backward-looking nature of the real estate valuation process means that their NAVs over the year declined significantly. The combined effect of share price gains and NAV decline has seen the discounts of the two companies come in by more than 30 percentage points over the year.

UK Commercial Property REIT, which owns a diversified portfolio of real estate weighted towards the industrial and logistics sector, reported a NAV decline of 28.2% over the year. Meanwhile its share price was up slightly, resulting in its discount coming in from almost 50% to just over 23%.

Fellow diversified trust **Schroder REIT** followed a similar course, with the twin effects of its NAV falling (by 19.1%) and a slight uplift in its share price resulting in its discount narrowing from 43.4% to 26.4%.

Figure 12: Biggest percentage point changes to ratings in 2023 – the 10 biggest deteriorations

Company	Sector	Premium/(discount) at 31/12/2022 (%)	Premium/(discount) at 31/12/2023 (%)	Difference (percentage point)
Safestore	Self-storage	19.2	(2.7)	(21.9)
Ground Rents Income Fund	Residential	(48.6)	(66.9)	(18.3)
Globalworth Real Estate	Europe	(52.4)	(65.7)	(13.3)
Grit Real Estate Income Group	Rest of world	(58.4)	(71.1)	(12.7)
Lok'n Store	Self-storage	28.0	15.9	(12.1)
Impact Healthcare REIT	Healthcare	(9.6)	(20.7)	(11.1)
CLS Holdings	Offices	(55.0)	(65.0)	(10.0)
Regional REIT	Offices	(39.2)	(47.4)	(8.2)
Ceiba Investments	Rest of world	(56.2)	(63.9)	(7.7)
Phoenix Spree Deutschland	Europe	(49.8)	(57.3)	(7.5)

Source: Bloomberg, Marten & Co

Many of the names in the biggest rating deteriorations table have been mentioned previously. Care home owner **Impact Healthcare REIT** saw its discount widen to just over 20% as its share price fell 14.2% despite its NAV holding up relatively well (down just 2.2% over the year).

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Major corporate activity

Fundraises

Just over £600m was raised by property companies in 2023

Having gone more than a year without raising equity, the sector was growing again in the second half of the year – albeit it by a small amount.

By far the largest capital raise was conducted by **Unite Group** in July, raising a massive £300m in a placing of shares at an issue price representing a discount of 4.2% to the prevailing share price. The proceeds will be used to develop two new purpose-built student accommodation schemes and accelerate asset management initiatives.

Sirius Real Estate raised £146.6m in November, with the money earmarked for the acquisition of a pipeline of light industrial assets in Germany and the UK. The offer price of 86.0p represented a discount of 5.9% to the prevailing share price.

Big Yellow Group raised £110m in a placing in October. The placing price represented a discount of 2.9% to the closing share price. The proceeds will be used to fund the construction of six sites, all of which have planning consent, at a cost of £90m.

Shopping centre owner **Capital & Regional** raised £25m in an open offer, the proceeds of which was used to part-fund the acquisition of the Gyle Shopping Centre in Edinburgh. Growthpoint, the company's largest shareholder, subscribed for over 80% of the money raised and as a result now owns 67.64% of the company.

Lok'n Store raised £20.5m through the issue of shares at a 12.1% discount to its prevailing share price. Proceeds will be used to fund its development pipeline.

Mergers and acquisitions

LondonMetric Property opened talks with LXi REIT over the possible merger of the two companies in December, that would see LondonMetric acquire the entire share capital of LXi. The possible merger, which has since been recommended by both boards, would create a combined company with assets worth £6.4bn and a market capitalisation of around £4bn. LondonMetric's portfolio is weighted towards logistics, with a sizable portfolio of long-leased properties, while LXi's portfolio is focused on long-leased income.

Earlier in the year **LondonMetric** completed the acquisition of CT Property Trust. As part of the acquisition 105.6m new LondonMetric shares were issued to CT Property shareholders.

The £3.5bn merger of **Shaftesbury and Capital & Counties** completed in March after being cleared by the Competitions and Markets Authority (CMA), creating a REIT – named Shaftesbury Capital (SHC). The combined company has a substantial portfolio in the West End of London worth around £5bn across Covent Garden, Carnaby, Chinatown and Soho.

Ediston Property Investment Company completed the sale of its entire portfolio to RI UK 1 Limited (a subsidiary of Realty Income) for a total of £196.8m. The company was officially liquidated in January 2024 and cash returned to shareholders.

Civitas Social Housing was taken private by CK Assets in August after shareholders voted in favour of the 80p per share bid (which was made in May and represented a 27% discount to NAV but at a hefty premium to its share price).

Industrials REIT was also taken private, with US private equity giant Blackstone buying the company for £511m. Shareholder received 168p per share, again a sizable premium to its prevailing share price.

UK Commercial Property REIT (UKCM) fought off interest from peer Picton Property over a possible merger of the companies. UKCM's largest shareholder – Phoenix Life, which has a strategic partnership with UKCM's fund manager abrdn and owns 43.4% of UKCM – proved to be the thorn in the side of the deal.

Towards the end of the year, **abrdn European Logistics Income** launched a strategic review into the future of the company that could result in its sale or merger with another company. It said that it was “facing a number of challenges, at both a macro and company specific level” and was trading on a discount to NAV. With a continuation vote due at its 2024 AGM, the board said that it believed now was the time to look at its future.

Other major corporate activity

It was another turbulent year for embattled **Home REIT** (see page 12 for further details). The company changed its investment policy in an effort to stabilise its business and increase rent collection following the appointment of AEW as investment manager. Changes included extending the permitted use of properties to include any form of residential during a two-year stabilisation period. Following the stabilisation period, it proposes to invest in “social use” residential accommodation, including for homelessness.

Regional REIT's manager, London and Scottish Property Investment Management, was acquired by ARA Asset Management. The board said that it believes the transaction will enhance the overall strength and capabilities of the asset manager.

Urban Logistics REIT changed its management agreement that saw Logistics Asset Management LLP take over as investment adviser from PCP2 (which is part of the Pacific Investments Group). Pacific transferred its interests in the investment adviser to Richard Moffitt and Christopher Turner – part of the existing management team. Under the terms of the agreement, the annual advisory fee is also reduced from May 2024.

Tritax Big Box REIT signed a £500m sustainability-linked unsecured revolving credit facility (RCF) with a syndicate of existing banks and new lenders. The new year-year RCF contains an uncommitted £200m accordion option. The new RCF refinanced the company's existing £450m RCF, which was due to mature in December 2024, and retained the same pricing with an opening margin of 120 basis points (bps) over SONIA. Proceeds will be used to support future investment and development activities.

Land Securities launched a £400m Green Bond with a maturity of 9.5 years, paying a coupon of 4.875%. The transaction would help the company to deliver its pipeline of central London development opportunities.

Shaftesbury Capital signed a £300m unsecured loan agreement with Santander, HSBC and BNP Paribas. The facility has an initial maturity of three years, with the option to extend the tenor by a further two periods of one year each. The new loan, combined with the existing cash resources of the company, will be used to repay the remaining balance (£376m) of an unsecured loan, which was arranged at the time of the merger between Capital & Counties and Shaftesbury and drawn in April 2023. This loan was put in place to fund the repayment of the Shaftesbury secured bonds, that were due to mature in 2024.

Primary Health Properties appointed Harry Hyman, founder and chief executive of the company, as chairman – subject to shareholder approval. Hyman will step down as chief executive at the company's AGM in April 2024 and be succeeded by Mark Davies. Should shareholders approve, he will then take the reins as non-executive chairman, succeeding Steven Owen.

Major news stories

- A valuation report on **Home REIT**'s portfolio revealed it had fallen in value by 57.7%. The company's portfolio was valued at £412.9m at 31 August 2023, versus the £977.0m that it spent on purchasing its properties following its inception in 2020. Many of the homes are in a state of disrepair. Investigations into the conduct of the former investment manager are ongoing.
- **LXI REIT** sold a portfolio of 66 Travelodge hotels for £210m, in line with their book value at 30 September 2023. The plan was that the majority of the sale proceeds would be used to pay down debt, reducing group LTV to 34% from 38%, and reduce the Travelodge part of the total rent roll to 11% from 18%.
- **Tritax EuroBox** sold its redevelopment site in Malmö, Sweden, to a data centre owner-occupier for SEK320m (€28m), reflecting a 39% premium to the valuation at 31 March 2023. The sales proceeds will be used to pay down debt as part of the group's programme to reduce leverage.
- Meta (Facebook) surrendered its lease with **British Land** at 1 Triton Square – one of the two buildings it has leased at Regent's Place in London – paying the landlord £149m. The decision reflects the shift in office occupation with firms scaling back space as more employees work from home.
- **Empiric Student Property** is exploring bringing on board a joint venture partner to grow its portfolio of student accommodation properties. The company has engaged PwC to find a suitable partner to put up the capital to buy properties that would be operated under Empiric's student brand.
- **Grit Real Estate Income Group** concluded the final phase in the acquisition of controlling interests in developer Gateway Real Estate Africa (GREA) and asset manager APDM. Grit now owns a direct interest of 51.48% in GREA and a 78.95% shareholding in APDM. The acquisitions are expected to have a positive impact on group LTV and future growth.
- **Helical** signed contracts with the Transport for London (TfL) for a joint venture to develop offices above or close to London tube stations at Bank, Paddington and Southwark, totalling 600,000 sq ft.
- **Supermarket Income REIT** completed the sale of its interest in a portfolio of Sainsbury's-let supermarkets for £430.9m. Sainsbury's acquired 21 of the 26 stores and entered into new 15-year leases on four of the five remaining stores (which SUPR has an option to acquire for £28.3m).
- **abrdn Property Income Trust** reduced its portfolio vacancy rate to 4.4% over the year, whilst also capturing strong rental growth within its industrial portfolio.
- The dedicated real estate stock exchange – **IPSEX** (International Property Securities Exchange) – wound down having struggled to attract new investment. Launched in 2019, the exchange had just three companies listed.

Selected QuotedData views

- **Positive inflation data to reignite real estate sector**
- **Time is right for this European logistics specialist**
- **REIT mergers could combat vicious discount circle**

Recent real estate research notes

Urban Logistics REIT
REITs | Annual overview | 19 January 2024

A re-rating candidate

If an inflexion point in the interest rates cycle has been reached, as seems to be the case, Urban Logistics REIT (SHED) is a compelling proposition. Valuations have stabilised – as evidenced by a 0.2% uplift in the value of SHED's portfolio in the six months to September 2023 – while the company has substantial **reversion** baked into its portfolio (reversion is the rental growth potential of the portfolio, being the difference between current portfolio rents and the **estimated rental value** of the portfolio).

SHED's manager has an enviable track record of creating value through asset management initiatives. It says that it will continue to be a focus for the company as it builds on the success of recent lease events that resulted in a 10% uplift in rents. Operating in the 'mid-seg' segment of the logistics sector – where strong rental growth is forecast, and supply and demand characteristics remain favourable – gives it an advantage over both the wider real estate sector and some of its closest peers.

SHED's current discount to net asset value (NAV) of 23.3% seems both unargued and highly attractive, especially if the next move in interest rates is down.

'Last mile' logistics

SHED invests in a diverse portfolio of single-let, urban logistics properties located in the UK, with the aim of providing its shareholders with a 10% to 15% total return per annum.

Sector	Property - UK Logistics
Ticker	SHED.LN
Base currency	GBP
Price	123.2p
NAV	161.5p
Premium/discount	(23.3%)
Yield	4.2%

- Portfolio valuations have stabilised
- Substantial rental growth on offer in the portfolio
- Interest rate peak seems to have been reached, which should benefit property values

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An annual overview note on Urban Logistics REIT (SHED). The company appears to be a re-rating candidate as values stabilise and management extracts the rental reversion in the portfolio.

Lar España Real Estate
Real estate | Update | 19 October 2023

Defying the retail gloom

Lar España Real Estate continues to defy the doom and gloom surrounding the retail sector, posting strong financial and operational numbers. The value of its Spanish shopping centre and retail park portfolio has been stable despite higher interest rates (investment assets that are used to value property tend to move with interest rates – and rising yields equal falling capital values). This was in large part thanks to extraordinary rental growth within its portfolio (gross rental income was up 16.4% over the first half of 2023).

Retail sales within its portfolio totalled more than half a billion euros in the first six months of the year (well ahead of last year and pre-pandemic levels), providing confirmation of the quality and dominant nature of its assets. Spain has been less-impacted by structural changes that have plagued the retail sector in the UK and US. There are no supply issues and online retailing is far less prevalent.

The company is looking to put the proceeds from recent sales (achieved at prices above book value) to good use – targeting high-yielding shopping centres where it can unlock hidden value. Having re-established its dividend at pre-COVID levels, a re-rating of its share price is in order.

Exposure to Spanish retail

Lar España Real Estate aims to grow its **EPRA** net tangible assets (NTA) through active asset management of Spanish commercial real estate, and deliver high returns primarily through the payment of considerable annual dividends.

Sector	Real estate
Ticker	LRE.SM
Base currency	EUR
Price	63.44
NAV	69.78
Premium/discount	(10.8%)
Yield	15.8%

- Stable valuations due to strong rental growth
- Retail sales within portfolio ahead of pre-pandemic levels
- Dividend re-established to high pre-pandemic level

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An update note on Lar España Real Estate (LRE SM). The company continues to defy the doom and gloom surrounding the retail sector, posting strong financial and operational numbers.

Grit Real Estate Income Group
Real estate | Update | 27 September 2023

Grit 2.0

Having concluded its acquisition of a leading property developer and asset manager, pan-African property company Grit Real Estate Income Group (GRIT) has been reborn. Grit 2.0 has a greater and more achievable return target (of between 12% and 15% per annum) thanks to the controlling stake it now owns in Gateway Real Estate Africa (GREA) and its attractive position of net asset value (NAV) accretive, risk-mitigated development projects – most notably diplomatic residences across the continent that are let to the US government.

On-going asset recycling – away from the retail and hospitality sectors – has allowed up its balance sheet, while creative means of raising additional capital should secure the substantial development pipeline and put a way to ongoing, sustainable income and growing, resilient income. A new line of revenue through the fee income earned from the property asset management business adds further robustness to its earnings and supports its dividend.

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 (including South Africa). It aims to deliver strong and sustainable income for shareholders, with the potential for income and capital growth, and targets a total shareholder return of between 12% and 15% a year.

Sector	Real estate
Ticker	GRIT.LN
Base currency	GBP
Price	32.5p
NAV	44.4p
Premium/discount	(28.3%)
Yield	19.3%

- Acquisition of GREA provides opportunity for greater returns
- Separate deal for asset manager brings in new revenue streams
- Targeting annual returns of between 12% and 15%

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An update note on Grit Real Estate Income Group (GRIT). The company has been reborn, with the acquisitions of a developer and asset manager making annual return targets of 12-15% more achievable.

abrdn Property Income Trust
REITs | Update | 16 August 2023

Ready and waiting

Negative investor sentiment towards the commercial real estate sector has seen the share price **discount to net asset value** (NAV) among REITs and listed property companies remain excessively wide, including abrdn Property Income Trust (API). This is despite a large valuation correction at the end of 2022 and transactional evidence of value stabilisation. A re-rating of the sector and API's shares should be triggered by market indicators that interest rates have peaked (due to their close correlation with property yields), so prompting inflation data for June was encouraging.

For API's manager, the focus continues to be on growing income, and on that front it has performed well. Asset management initiatives within the portfolio have seen its **vacancy rate** drop to below 5%, after a string of recent lettings within its office portfolio. Additional rental **reversion** potential across the wider portfolio might encourage further positivity.

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 borrowing with the aim of enhancing returns, with the current bank-borrowing (LTV) ratio at 28.1%.

Sector	Property - UK Commercial
Ticker	APILN
Base currency	GBP
Price	47.8p
NAV	63.8p
Premium/discount	(25.9%)
Yield	5.4%

- Valuations in the commercial property sector stabilising
- Leasing momentum has brought vacancy rate down below 5%
- Top-rated sustainable portfolio

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An update note on abrdn Property Income Trust (API). The manager's focus continues to be on growing income, and asset management initiatives within the portfolio have seen its vacancy rate drop to below 5%.



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