

AGM STATEMENT, PORTFOLIO UPDATE AND DISPOSAL

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Alternative Income REIT PLC
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(the "Company" or "Group")

AGM STATEMENT AND BUSINESS AND PORTFOLIO UPDATE AND DISPOSAL

On track to deliver target annual dividend of 5.5 pence per share with full dividend cover expected, all else being equal, by September 2022

Alternative Income REIT PLC (ticker: AIRE), the owner of a diversified portfolio of UK commercial property assets, predominantly let on long leases, will hold its Annual General Meeting today at 10.00am GMT, at which, the following statement will be made:

Alan Sippetts, Non-Executive Chairman of Alternative Income REIT plc, comments:

"The Company's portfolio continues to weather the pandemic well. With a long term, secure and indexed-linked income flow plus continuing very strong rent collection figures, the Company is well placed to deliver attractive income and capital growth.

Higher inflation should deliver enhanced income and capital growth with 87% of portfolio's leases indexed linked, with the potential for further enhancement through asset management initiatives and transactions initiated on an opportunistic basis only. This includes the sale, expected to complete tomorrow, to the occupier of the Audi showroom asset in Huddersfield, at a 3.8% premium on the book value as at June 2021. M7 is actively pursuing opportunities for the redeployment of the proceeds of the sale.

Yields in the portfolio have been resilient, even in those sectors most impacted by the pandemic. There is further potential for yield compression as trading and the market generally improves.

When combined with the Company's robust balance sheet and modest overhead, this leaves the Board confident that the Company is on track to deliver on its target annual dividend of 5.5 pence per share with full dividend cover expected, all else being equal, by September 2022."

Portfolio and Disposal Update

The portfolio has a long term, secure and attractive income flow with predominantly indexed linked rent reviews, and a very strong rent collection history. The portfolio has a weighted average unexpired lease term of 17.4 years to the earlier of break and expiry and 19.6 years to expiry.

As announced on 3 November 2021, the net initial yield on the Company's portfolio as at 30 September 2021 was 5.85%¹, compared with 5.93% on 30 June 2021.

The current portfolio is stable in nature to meet the Investment Objectives of the Company, with transactions initiated on an opportunistic basis only.

The Company remains fully invested, pending the completion of the sale of Huddersfield expected tomorrow, with a diversified portfolio of UK commercial property assets.

The Company exchanged contracts earlier this month with occupier of the Audi car showroom in Huddersfield for them to buy the Company's freehold interest for £5.5 million, representing a 3.8% premium on the book value as at June 2021 and a net exit yield of 6.75%. Completion is expected tomorrow, 1 December. M7 is actively pursuing opportunities for the redeployment of the proceeds of the sale.

The portfolio is fully let, save for an area of land at St Helens recently vacated, on which negotiations are ongoing with the neighbouring tenant, Bgen Ltd, for a higher rent.

Rent Collection

To date, the Company has collected 91.8% of the current quarter's rent and this increases to 98.3% when taking into account the tenants who are contracted to pay monthly.

The current quarter's rent collections are split 80% quarterly and 20% monthly.

Of the remaining 1.7%, 1.4% will be collected during Q4 2021 through monthly payments, with an expected collection rate this quarter of at least 99.7%.

The portfolio has weathered the pandemic well. All current tenants, save for Pure Gym, have repaid outstanding arrears/deferrals. Pure Gym are expected to adhere to the agreed plan to repay all arrears by July 2022.

Rent Reviews

87% of the portfolio's income stream is reviewed periodically, on an upward only basis, in line with inflation. 65% is indexed to RPI and 22% is indexed to CPI.

The remainder of the portfolio's income stream is short term or linked to open market rental levels.

Further Potential Income and Capital Growth through Asset Management

Rent reviews are a key feature of the Company's asset management programme and are expected to deliver enhanced income and capital growth:

- 55% of the portfolio's contracted rent is due to be reviewed during the year to June 2022. There are 8 indexed annual reviews (expected increases averaging 2% to 3.5%), 2 indexed 3/5 yearly reviews (expected increases averaging 19% to 20%) and 1 lease expiry.
- 57% of the portfolio's contracted rent is due to be reviewed during the year to June 2023. There will be 8 indexed annual reviews (expected increases averaging 2% to 3.5%), 4 indexed 3/5 yearly reviews (expected increases averaging 7.5% to 9%) and 2 lease expiries/tenant's breaks.

In addition, lease expiries/breaks represent opportunities to deliver further potential income and valuation enhancement:

- **St Helens** - Terms are agreed for a lease extension to Bgen Limited for a further five years with a break at year three at a rent reflecting a significant increase on current levels. Bgen are also considering extending their site to the adjacent unlet land and negotiations with the Company are ongoing.
- **Droitwich** - the lease to Pets at Home expires on 13 January 2023 and they have indicated that they would be interested in extending their occupation. Potential terms have not yet been agreed.
- **Swindon: Travelodge CVA** - Travelodge Hotels Limited are the main occupiers of the Swindon property. They filed for a CVA on 3 June 2020. Under the terms of the CVA, the current rent payable by the tenant is 70% of the contractual rent as at the CVA, so as at September 2021 quarter, a rate £245,000 per annum was paid.
On 1 January 2022, the rent will increase to £403,148 per annum, following a fixed uplift rent review on 1 June 2021. Effectively the rental income will increase by 65% with 100% of the contractual rent payable plus back rent of circa £21,000.²
- **Ayrshire Metals** are marketing their leases for £95,000 per annum or £700,000. These are ground leases, paying a ground rent of £241 per annum, which expire in 2045. A lease re-gear or joint sale of the freehold remains an option depending on market demand.
- **Meridian Metals**, the tenants at Dudley & Sheffield, are upgrading their crane and steel handling facilities in Dudley with an investment of circa £3 million. This shows a long term commitment by the business in this location.

Swindon - Cladding Litigation

Works to replace the cladding on the 6th and 7th floor of Duke House in Swindon were completed in December 2020. The cladding was installed when the property was extended in 2006/2007.

A claim against the cladding sub-contractor and architect is on-going. Particulars of Claim were lodged on 12 November 2021. The total value of the potential claim, at that time, being approximately £1 million plus VAT and legal expenses.

Notes

¹ Contracted rent divided by valuation plus estimated purchaser's costs at 6.5%.

² 70% of the increased rent from June to December 2021.

ENQUIRIES

Alternative Income REIT PLC

Alan Sippetts - Chairman via Maitland/AMO below

M7 Real Estate Ltd +44 (0)20 3657 5500

Richard Croft

Panmure Gordon (UK) Limited +44 (0)20 7886 2500

Alex Collins

Tom Scrivens

Chloe Ponsonby

Maitland/AMO (Communications Adviser) +44(0) 7747 113 930
James Benjamin james.benjamin@maitland.co.uk

The Company's LEI is 213800MPBIJS12Q88F71.

Further information on Alternative Income REIT plc is available at www.alternativeincomereit.com*

* Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website or any other website, is incorporated into, or forms part of, this announcement nor, unless previously published on a Regulatory Information Service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

NOTES

Alternative Income REIT PLC aims to generate a sustainable, secure and attractive income return for shareholders from a diversified portfolio of UK property investments, predominately in alternative and specialist sectors. The majority of the assets in the Group's portfolio are let on long leases which contain inflation linked rent review provisions.

The Company's investment adviser is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. It has over 220 employees in 15 countries across Europe. The team manages over 570 properties with a value of circa €4.1 billion.

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