

Lothbury Property Trust

Fund Description

Lothbury Property Trust is a sub-fund of Lothbury Global Institutional Funds (LGIF), an umbrella unit trust. On 25 March 2014, LGIF was authorised as a Qualifying Investor Alternative Investment Fund.

Lothbury Property Trust as a sub-fund of LGIF is authorised by the Irish Central Bank under section 4 of the Unit Trusts Act, 1990.

Fund Objectives

The Fund's investment objective is to provide investors with capital appreciation and secure income returns, through prudent investment in assets across the UK's principal property sectors and geographic regions. It holds a core portfolio of prime assets to achieve stable returns, combined with active management initiatives to add value and enhance returns. The Fund can own property directly or through holding units in Property Unit Trusts.

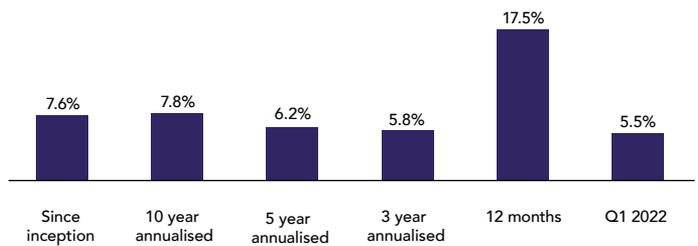
Fund Data

As at 31 March 2022

Net Asset Value	£1,674,528,403.72
Net Asset Value per Unit	£2,155.38
Subscription Price per Unit	£2,282.55
Redemption Price per Unit	£2,118.74
Quarterly Distribution per Unit	£13.62

Fund Returns

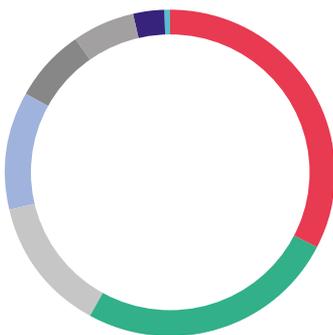
As at 31 March 2022



Note: All returns figures are net of fees

Sector Breakdown

As at 31 March 2022



	Lothbury Property Trust (%)
Industrial	32.5
Office	25.7
Living	13.3
Food stores	11.7
High Street Retail	7.1
Retail Warehouse	6.1
Land	3.3
Cash	0.3

Note: Total percentages may be slightly higher or lower than 100% due to rounding.

Feature

Industrial Portfolio



Romford, Essex

The industrial/logistics market delivered record performance for the year ending March 2022 of 40.68% (MSCI UK Quarterly Property Index). The market is continuing to benefit from yield compression helped by both the weight of capital seeking industrial assets and the favourable supply & demand dynamics of the occupational market.

During Q1 2022, the MSCI/AREF UK All Balanced Open-ended Property Fund Index recorded industrial total returns of 9.45%. Lothbury Property Trust (LPT)'s portfolio of industrial assets significantly outperformed this benchmark over the same period, by delivering returns of 14.85%, some 5.4% ahead of the benchmark.

The outperformance of LPT's assets against the benchmark reflects the high calibre of the properties, as well as the asset management initiatives completed by the team. Lothbury has a high-quality industrial/ logistics portfolio with over two thirds of the properties located in the UK's South East region, which is where land supply is particularly tight, and demand is exceptionally strong.

These prime industrial assets have benefited from both stronger rental growth and yield compression relative to the benchmark. Examples include the holdings in Greenford, Meteor Park, Birmingham and the AAH pharmaceuticals unit in Romford, where capital appreciation over Q1 has been between 14.3% and 25.6%.

Successful asset management transactions across the industrial portfolio have helped increase rental levels, thereby improving capital values. By way of an example, at the portfolio's flagship regional industrial estate at Premier Park in Manchester, recent transactions during Q1 have set a new record rental tone of £10.25 psf which reflects an 8% increase on the top rental levels being achieved a year ago of approximately £9.50psf. The asset management team have actively managed this estate and engaged innovative methods of driving rental values by negotiating lease restructurings and competitive letting deals. This has allowed the team to incrementally move rents on at every opportunity.

Similarly, at Colndale Industrial Estate near Heathrow, the Fund settled a March 2021 open market rent review on Unit 452 at £175,000 per annum which represented an increase of approximately 25% above the previous passing rent. In addition, a 'development friendly' lease renewal on unit 455 was completed, which delivered a rental increase of approximately 24%. The lease includes rolling development break options enabling a block date to be achieved for the proposed redevelopment of the site.

To complement Lothbury's existing industrial/logistics portfolio, the team are also proposing to construct some new logistics assets. The first of these will be in Norwich, where planning has been submitted for a 90,500 sq ft scheme at the Broadland Business Park. On completion of this net zero carbon development, this park will comprise four industrial/logistics units, which will be highly sustainable and are targeted to achieve a BREEAM rating of 'Very Good'.

The second industrial development which is proposed is the part redevelopment of the Colndale industrial estate at Heathrow. This will comprise 76,000 sq ft of new space arranged in four units. Once planning consent is secured, it is hoped that the development will commence in Q1 2023.

As at the end of Q1 2022, LPT has an exposure to the industrial logistics sector of 32.5% (inc. cash) which represents a significant increase over the year from 25.4%.

Fund Activity



Rathbone Place, London

During Q1 2022, the rebalancing of the portfolio to reduce the retail exposure continued. At the end of March, contracts were exchanged for the sale of a 28,200 sq ft Sainsbury's food store in Calne, Wiltshire at a price of £18m. This sale is scheduled to complete at the end of June. In addition, a 2.8-acre plot of land at the Broadland Business Park in Norwich was sold at a price of £1.35m.

Three key leases were completed at the Fund's London west end office building in Rathbone Place. Two were new five-year reversionary leases which will be effective from September 2022. Both were completed with the existing tenant on the ground and basement floors at a combined rental of £867,925 pa. In addition, the second floor was let to a serviced office operator on a new lease at a rental of £482,088 pa which represented a headline level of £79.50 psf.

Two inflation linked rent reviews were completed during the quarter with Sainsbury's in Fallowfield, Manchester and with Dunlop Aircraft Tyres in Birmingham. Both these tenants have annual rent reviews and the completion of these two reviews resulted in increased income for the Fund of £116,000 pa.

The continued strength of the industrial / logistics market was reflected in a new rental level being achieved at Premier Park, Manchester where a lease renewal on units 16 and 17 at the industrial park achieved a rental of £10.25 psf.

Finally, improved sentiment in the retail warehouse market was evidenced in successful lease renewals being completed with Next at Southampton Retail Park in Salisbury and with Halfords at the Fund's retail park in Hendon, London.

Collectively, these successful asset management initiatives helped maintain Lothbury's core portfolio vacancy rate at its consistently low level, currently at 2.1%.

UK Property Market

The UK commercial property market continued to perform well in Q1 2022 with investment volumes reaching £16.7bn some 23% above the 5 year quarterly average and just short of Q4 2021's six year high¹. The MSCI UK Quarterly Property Index recorded an all-property total return of 4.71% in Q1.

While the industrial and retail warehouse returns have continued to race ahead with the MSCI Quarterly index recording Q1 total returns of 8.27% and 8.55% respectively, offices have continued to lag with a Q1 total return of 1.69%².

2021 was an exceptional year for the industrial investment market with transaction volumes in excess of £15.2bn, almost double the previous record³. Transaction volumes in Q1 2022 were c.£3bn reflecting a c. 15% reduction on the same period last year. That said, this does not seem to have put a dampener on pricing, which remains as strong as ever with the average industrial yield reaching an all-time low of 3.53%^{2,3}. Take up of UK logistics space totalled 10.43m sq ft in Q1 representing an increase of 100% compared to Q1 2021's figure of 5.21m sq ft⁴.



Southampton Retail Park, Salisbury

Investors started to selectively return to the retail sector towards the end of 2021 and this trend continued in Q1 2022, with investment volumes reaching a four year high of £1.9bn some 26% above trend. That said, the majority of retail deals in Q1 were within the Retail Warehouse subsector which had its strongest quarter since Q2 2007 in terms of transaction volume (£1.2bn)⁵.

Offices continue to lag the other sectors in terms of returns in Q1. There was no standout performer when looking at the subsectors in more detail with total returns ranging from 1.65% (rest of SE) to 1.74% (West End & Mid Town)². Central London offices lead the charge with both West End and City office transaction volumes above average with the City hitting a new record⁵. Office investment elsewhere in the UK was somewhat subdued, with Rest of UK and South East office transaction volumes 62% and 35% below trend respectively¹.

1 LSH UK Investment Transactions (UKIT) Bulletin Q1 2022

2 MSCI UK Quarterly Property Index (March 2022)

3 Allsop Q1 2022 Market Update

4 CBRE UK Logistics Market Summary April 2022

5 Savills Research: City Investment Watch April 2022

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Data

All fund data as at 31 March 2022, unless stated otherwise.

The views expressed are those of Lothbury Investment Management Limited.

Unit Holder Information

Launch Date

2 February 2000.

Valuation Point

11.59pm on the last Irish business day of each month.

Prospectus and Trust Deed

Copies of the Prospectus, Trust Deed and Application Form are available from Lothbury Investment Management Limited.

Subscriptions

Monthly. Applications to be received by the last Irish business day of the month. Settlement to take place in the first week of the following month. Minimum investment is €100,000.

Redemptions

Quarterly. Notice to be served ten Irish business days before the last Irish business day in the quarter. The unit holder will be notified of the redemption price. Redemptions paid on the last Irish business day of the following quarter.

Secondary Market Trading

Monthly. No Stamp Duty is payable on the purchase of existing units.

Distributions

Quarterly. On the last Irish business day of April, July, October and January. Charges Investment Management fee of 0.70% per annum.

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