



NS Trading Statement



TRADING UPDATE

[LXI REIT PLC](#)

Released 07:00:10 09 October 2023

RNS Number : 0311P
LXI REIT PLC
09 October 2023

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

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LXi REIT plc

(the "Company", the "Group" or "LXi")

TRADING UPDATE

Continuing to deliver a robust operational performance

The Board of LXI REIT plc, the specialist inflation-protected very long income REIT, announces an update ahead of its results for the half year ended 30 September 2023, which will be released in November 2023.

Cyrus Ardalan, Chairman of LXI REIT plc, commented:

"The past six months have continued to be marked by considerable economic uncertainty, with high rates of inflation and rising interest rates. As a result, and notwithstanding a strong operational performance and robust rental growth, we have witnessed a further, small reduction in our property valuation.

Although less relevant to our own portfolio, uncertainty persists for the wider real estate market in the form of challenging debt conditions, lack of clarity around ESG factors, including the implementation of EPC targets and structural changes impacting certain sectors, in particular offices.

There are, however, green shoots emerging, with UK inflation falling and interest rates approaching, or at, their terminal levels. Moreover, the Company is in a strong position with our defensive portfolio of key operating assets in structurally supported sectors continuing to demonstrate its over-arching resilience. Our tenant covenants have been further enhanced by strong trading results and the embedded rental uplifts from our long leases are providing ongoing rental growth. At current valuation levels, many of the Company's properties are held significantly below their reinstatement/construction cost, providing a material underpin to long term capital and rental growth prospects.

The Company maintained its stable and secure balance sheet - with 100% of the Company's drawn debt fixed or capped - underpinned by our S&P Investment Grade credit rating, and the Company continues to see the benefits of the economies of scale created by its merger with Secure Income REIT. We are pursuing several initiatives to recycle capital and create additional value for shareholders through an engaged and active asset management approach. We remain confident that the Company will continue to deliver secure, growing income along with capital and share price growth."

Portfolio Valuation and Estimated EPRA NTA at 30 September 2023

The Company's independent valuer, Knight Frank LLP, has valued the Group's property portfolio, as at 30 September 2023, at £3.19 billion (31 March 2023: £3.36 billion), reflecting a net initial yield of 5.70% (31 March 2023: 5.35%).

The valuation reflects a 4% like-for-like reduction in value, net of rental growth, in the six months to 30 September 2023.

As at 30 September 2023, the Company's estimated unaudited EPRA NTA per share is expected to be approximately 112 pence (31 March 2023: 121 pence) on an ex-dividend basis.

Following a period of relative stability from April to June, UK property yields moved out again in July and August, tracking the increase in market interest rates.

However, with inflation continuing to fall, and a consensus that the base rate is now at, or close to, its peak, we expect real estate yields to stabilise, and our portfolio to recommence capital value growth as a consequence of our embedded rental growth and active asset management.

At current valuation levels, many of the Company's properties are held significantly below their reinstatement/construction cost. This provides a material underpin to long term capital and rental growth prospects.

LTV and debt facilities

On the basis of the above valuation, the Company's loan-to-value is expected to stand at 38% as at 30 September 2023 (31 March 2023: 37%), providing material headroom to its LTV covenants and remaining within the Company's target range of 30% to 40%.

The Company benefits from a well-diversified group of lenders with eight different banks and lending organisations across its capital structure. 100% of the Company's drawn debt is fixed or capped, with a weighted average term to maturity of 5.2 years and a weighted average capped interest cost of 4.7% per annum.

Rent collection and rental growth

The Company's operational performance remains robust, with 100% of rent due collected for the six months ending 30 September 2023 (which continues the post-Covid 100% collection record) and strong trading performances by our key tenants.

In the six months to 30 September 2023, the Company carried out 86 rent reviews, representing 48% of the rent roll, at an average uplift of 3.7% per annum and adding £3.8 million to the total rent roll pre-disposals and £2.3 million post disposals.

As at 30 September 2023, the rent roll stands at £204 million per annum, gross of headlease rents; and £194.5 million per annum, net of headlease rents.

100% of the Company's portfolio is let, with 98% of the rent benefitting from inflation-linked or fixed rental uplifts and 2% containing upward-only open market reviews. The weighted average unexpired lease term to first break ("WAULT") is a sector-leading 27-years.

Sector weightings

The Company has less than 1% exposure to the office sector and is, instead, invested in structurally supported sectors which are experiencing robust operational performance. The Company's top five sectors by rental value are, in order: hospitals, budget hotels, theme parks, foodstores and industrial.

Dividend and Outlook

The Company continues to target an annual dividend of 6.6 pence per share for the 12-month period to 31 March 2024, in line with its policy of paying a fully-covered, progressive dividend, in four quarterly instalments.

The Company's priorities for the next six months include:

- recycling capital through further asset sales; and
- regearing shorter-let assets in the portfolio

These initiatives will allow the Company to optimise the portfolio value, lower overall gearing levels, pursue selective investment opportunities where the opportunity is compelling, and further strengthen the security of its income by reducing tenant concentration and lengthening the WAULT of the portfolio.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Company's LEI is: 2138008YZGXOKAXQVI45

NOTES

LXI REIT plc invests in commercial property assets predominantly in the UK, let, or pre-let, on long (typically 20 to 30 years to expiry or first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust property sectors.

The Company may invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. The Company will not undertake any direct development activity nor assume direct development risk.

The Company is targeting a dividend of 6.6 pence per ordinary share for the year which commenced on 1 April 2023*.

The Company, a real estate investment trust ("REIT") incorporated in England and Wales, is listed on the premium listing segment of the Official List of the UK Financial Conduct Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange in February 2017.

The Company is a constituent of the FTSE 250, EPRA/NAREIT, MSCI and STOXX Europe 600 indices.

Further information on the Company is available at www.lxireit.com

* This is a target and not profit forecast.

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