



the Local Shopping reit plc

## **The Local Shopping REIT plc Interim Management Statement**

(London: 6 February 2008) – The Local Shopping REIT (“LSR” or the “Company”), a UK real estate investment trust focused on investments in local shopping assets, is pleased to provide the following update on trading for the four months to 31 January 2008.

### **Highlights**

- 29 properties acquired for a total consideration of £6.69 million, bringing total portfolio to 651 properties, comprising more than 2,000 letting units
- Annual rental increased by over £153,000 through active asset management, producing uplifts above market rent
- 22 vacant units successfully let at over 10% above market rent – increasing annual rent by £211,625 per annum
- Average initial yield on new purchases of 7.46%
- Successful sale of 10 ex-growth properties for a total of £3.97 million, in line with their September 2007 valuation
- Five change of use planning consents granted, increasing asset values
- Planning applications submitted for a further 13 flats and two retail units
- Changing market conditions expected to provide further acquisition opportunities.

### **Market Outlook**

As stated in our preliminary results announcement on 6 December 2007, we have adapted our business model to put the Company in the best position to operate in and take advantage of a changing marketplace. While we believe that the current downturn in the property market is likely to provide us with more accretive acquisition opportunities in the future, particularly in buying parades and smaller neighbourhood centres, we are currently seeing very few opportunities at sufficiently attractive prices (possibly because our vendors are typically lowly geared private investors rather than institutions and other more highly leveraged property companies). In the meantime, we will continue

to create value for our shareholders through active asset management, which is currently successfully delivering shareholder value, together with selective purchases, share buybacks where appropriate and the sale of our lower yielding ex-growth properties.

## **Asset Management**

Since 30 September 2007, the Company has successfully implemented the following asset management initiatives:

- carried out rent reviews on 53 units, increasing the rent by £81,833 per annum (an average uplift of 11.3%, and 0.6% above Market Rent)
- renewed leases on 16 units adding a total of £40,830 per annum (an average uplift of 24.4% and 9.7% above Market Rent)
- the surrender and re-let of 13 units, adding £30,628 per annum (an average uplift of 14.8% and 10.7% above market rent)
- let 22 vacant units at a rent of £211,625 per annum (10.1% above Market Rent).

In line with our drive to deliver value from the under-used upper parts of some properties and adjacent unused land, we have submitted planning applications for 13 flats and two retail units. In addition, we were granted three consents for a change of use from A1 (shops) to A2 (financial and professional services), one from A1 to A5 (hot food take-aways) and one from offices to residential.

During the period our commercial void rate has risen to 4.7% (September 2007 – 3.4%) in line with our expectations. If the units under offer are let the void rate will fall back to 3.85%. Residential voids remained broadly level at 1.7% (September 2007 – 1.5%)

## **Acquisitions and Sales**

Since 30 September 2007 (when the portfolio was valued at £249.3 million) the Company has acquired a further 29 properties, in 29 separate transactions, for a total consideration of £6.69 million. The average initial yield of these purchases is 7.46%.

In line with our stated strategy of selling ex-growth and lower yielding properties we have sold 10 properties for £3.97 million, at an initial yield of 5.62% (September 2007 valuation £3.96 million). We have unconditionally exchanged contracts to sell a further property in Northampton for £0.66 million, at an initial yield of 6.83% (September 2007 valuation £0.67 million). In addition, the Company has sold two flats above retail units for £0.15 million (September 2007 valuation £0.13 million), and the previously unused upper floors of a shop in Goole for £0.10 million having obtained planning

permission for a development of five flats. Further sales of retail properties and residential flats above retail units are planned.

As a result of these acquisitions and sales, the Company now has a portfolio of 651 properties comprising more than 2,000 letting units.

## **Financing**

The Company's total debt stands at £114.23 million. It has an additional committed and undrawn long term facility of £105 million from HSBC, with a further £10 million undrawn short term facility from RBS. In addition to being 100% hedged on existing loans, the Company has further interest rate swaps totalling £35 million. LSR's blended interest rate for loans that have been drawn and committed, at the current loan to value ratio, up to the limit of the current hedging level is 5.68% for eight years.

## **Share buybacks**

Since 30 September 2007 the Company has undertaken share buybacks totalling 4,600,000 ordinary shares at a weighted average price per share of £1.2137. These shares were placed in Treasury. In January 2008, 25,000 shares were transferred to the Employee Benefit Trust for the purpose of satisfying LTIP awards.

## **Nick Gregory, LSR's Joint Chief Executive Officer, said:**

"Our asset management continues to deliver good levels of growth in rent across the portfolio. While delays in the planning system remain frustrating we are also pleased to have realised the profit on the sale of our first residential development project."

## **Mike Riley, LSR's Joint Chief Executive Officer, added:**

"We are monitoring the market closely to identify buying opportunities and we are well positioned to use our financial strength to make purchases at advantageous prices as they arise. "

***For more information please contact:***

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***About The Local Shopping REIT***

The Local Shopping REIT plc (“LSR”) is the first specialist start-up Real Estate Investment Trust (“REIT”) to launch in the UK.

Already a major owner of local retail property, the Company is building a portfolio of local shops in urban and suburban areas, investing in neighbourhood and convenience properties throughout the UK. Typical of the portfolio are shops in local shopping parades and neighbourhood venues for convenience or ‘top-up’ shopping. As at 31 January 2007 the Company’s portfolio comprised 651 properties, with over 2000 letting units.

For further information on LSR, please visit [www.thelocalshoppingreit.co.uk](http://www.thelocalshoppingreit.co.uk).

For further information on REITS, please visit [www.reita.org](http://www.reita.org).