



the Local Shopping reit plc

The Local Shopping REIT plc: Trading Update

(London: 10 October 2007) – The Local Shopping REIT (“LSR” or the “Company”), a UK real estate investment trust focused on investments in local shopping assets, is pleased to announce that it has made good progress in the delivery of its business plan in a highly active period since its Admission to the London Stock Exchange on 2 May 2007.

Acquisitions

In accordance with its business plan, as set out in its Prospectus, since 28 March 2007 (when the existing portfolio was valued at £207.7 million) the Company has acquired a further 150 properties, in 106 separate transactions, for a total consideration of £47.8 million. This includes the £14.6 million portfolio of properties LSR acquired through the purchase of the entire share capital of Gilfin Property Holdings Limited in August. The blended yield of these purchases (excluding Gilfin) is 7.34%, demonstrating the Company’s ability to continue to acquire properties on an accretive basis.

As a result of these acquisitions the Company now has a portfolio of 633 properties comprising more than 1,980 letting units.

Acquisition Pipeline

In addition to the acquisition of those properties which were contractually completed, as at 30 September, the Company has also agreed terms to purchase a further 41 properties for £8.2 million at a blended yield of 7.36%. On completion of these acquisitions, the Company’s total portfolio will extend to 674 properties.

Acquisition of Gilfin Property Holdings Limited

On 29 August 2007 LSR completed the purchase of the entire share capital of Gilfin Property Holdings Limited (“Gilfin”) for £12.85 million. 50% of the consideration was satisfied in cash and 50% with 3,897,246 new LSR shares issued at its last published Net Asset Value of £1.6486 per share.

Gilfin was a privately owned property company with a portfolio of 28 properties valued at £14.6 million. It had net liabilities of £0.3 million and £1 million of associated debt which was repaid at completion. Approximately half the portfolio, by value, is located in Scotland, while the rest is in south west London and the surrounding area. The portfolio produces a total rent of £967,038 per annum which is anticipated to rise to £1,044,268 per annum when fully let at a market rent.

LSR continues actively to seek out further corporate opportunities in the private sector enabling it to maximise the various advantages of its REIT status.

Sales

During the period since flotation to 30 September 2007, LSR disposed of one property in Wishaw, north Lanarkshire, for £167,500, equivalent to a 5.52% yield, against its book valuation of £133,000.

Asset Management

During the period, the Company has successfully implemented the following asset management initiatives:

- carried out rent reviews on 65 units, increasing the rent by £111,297 per annum (an average uplift of 13.4%, and 8.5% above Estimated Rental Value)
- renewed leases on 14 units adding a total of £28,709 rental income per annum (an average uplift of 15.7% and 7.3% above ERV)
- the surrender and re-let of eight units, adding £19,300 per annum (an average uplift of 17.5% and 22.5% above ERV)
- let 29 vacant units at a rent of £305,800 per annum (2.1% above ERV).

In line with its strategy to deliver value from the under-used upper parts of some properties, the Company has secured planning consent for 10 residential units, with applications submitted for a further 28 units.

Financing

In July, £26.37 million from the IPO proceeds was used to repay the Company's loan from Barclays, reducing the loan to £69.29 million (representing 60% Loan To Value), and its margin to 0.75% from 1.125%.

The Company's total debt stands at £99.29 million and it has an additional committed and undrawn long term facility of £120 million from HSBC, with a further £10 million undrawn short term facility from RBS. In addition to being 100% hedged on existing loans, we have further interest rate swaps totalling £50 million. The Company'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 5.69% for 8 years.

Share buybacks

The Company has undertaken share buybacks totalling 2,953,750 ordinary shares at a weighted average price per share of £1.2939. These shares are held in Treasury.

Market Conditions

The Board believes that current uncertainty in the property market is likely to provide LSR with more accretive acquisition opportunities in the current financial year.

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

“For the past two and a half years we have been focused on building the size of the portfolio. Now that we have turned our attention to asset management we are beginning to see the rewards through good levels of rental growth and planning-led initiatives. Our REIT status means we are well placed to offer

competitive prices and tax efficient solutions to private property owners with an unrealised capital gains position.”

Mike Riley, LSR’s Joint Chief Executive Officer, added:

“Our local knowledge, speed of response and our very strong financial position will enable us to act quickly and decisively to take advantage of opportunities we are confident will arise in the market.”

For more information please contact:

The Local Shopping REIT plc
Mike Riley/Nick Gregory

Tel: 020 7187 4444

Financial Dynamics
Stephanie Highett/Lauren Mills/Jamie Robertson

Tel: 020 7831 3113

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.

Aimed solely at local shopping assets in urban areas, the Company invests in neighbourhood and convenience retail assets, heralding the foundations of a new institutional investment class. As at 28 March 2007 the Company’s portfolio comprised 484 properties, with over 1,400 letting units, which was valued at £207.7 million. A further £47.8 million of properties have been acquired since then, including the £14.6 million portfolio of properties LSR acquired through the purchase of Gilfin Properties. As a result of these acquisitions the Company now has a portfolio of 633 properties, comprising more than 1,980 letting units.

The Company is aiming to become the market leader in the local shopping market in the UK. In building its portfolio, the Company principally targets neighbourhood and specialist property in urban conurbations. Typical of the portfolio are shops in local shopping parades and neighbourhood venues for convenience or ‘top-up’ shopping.

For further information on LSR, please visit www.thelocalshoppingreit.co.uk.

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