



RNS Acquisition

## Acquires 7 long income grocery assets for £85M

### LXI REIT PLC

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#### LXI REIT plc

(the "Company", the "Group" or "LXI REIT")

#### SEVEN LONG INCOME GROCERY ACQUISITIONS TOTTALLING £85 MILLION

The Board of LXI REIT (ticker: LXI), the specialist inflation-protected long income REIT, is pleased to announce seven separate long income acquisitions in the grocery sector from six different developers/vendors (the "Acquisitions"), following the Company's £125 million capital raise on 11 March 2021.

The Acquisitions are for a total cost of £85 million and comprise both pre-let forward fundings and built investments, secured to strong tenant covenants in the structurally supported grocery sector. They benefit from an accretive average net initial yield of 5.25% (net of acquisition costs), a long average unexpired lease term to first break of 19 years, are let on sustainable, low rents and 100% of the income is inflation-linked via contractual rental uplifts.

The Acquisitions represent approximately 70% of the net proceeds of the recent capital raise, demonstrating the Company's ability to execute on identified investment opportunities efficiently and in short order. The Company has a number of other assets in solicitors' hands which would fully deploy the balance of the proceeds of the capital raise and further announcements are expected to be made shortly in that regard.

#### **Lidl forward funding, Greater London**

The Company has exchanged contracts on the pre-let forward funding of a 20,000 sq ft foodstore in East Ham, Greater London, to be developed for and pre-let to Lidl on a 25 year lease from completion of the construction works, with a one-off break right at year 20. The rent will increase in line with RPI inflation on a five yearly basis subject to a 1% pa collar and 3% pa cap.

Lidl continues to gain market share in the UK, with a store count nearing 1,000. The grocer is part of The Schwarz Group, the largest European retailer and the fourth largest retailer in the world.

#### **Asda foodstore, Glasgow**

The Company has acquired a modern, c.50,000 sq ft (net sales area) foodstore in Glasgow. The property was purpose-built for and is let to Asda with 23 years unexpired to first break and contains RPI rental uplifts on a five yearly basis subject to a 4% pa cap and 0% pa collar.

The current rent is an exceptionally low £10 per sq ft and represents only c.1.75% of annual store turnover, underpinned by a store which trades very strongly. The tenant's commitment to the location is underlined by the fact that it has traded at this site since 1998 and has recently extended its original lease by a further 20 years.

The store provides online connectivity through both home delivery and click and collect and is dominant in its catchment area, with little competition.

#### **Tesco foodstore, Greater London**

The Company has acquired a modern, purpose-built c.40,000 sq ft (net sales area) foodstore in Bexley, Greater London. The property is let to Tesco with 15 years unexpired to first break and RPI rental uplifts on a five yearly basis, with a cap of 3.5% pa and collar of 0% pa, and benefits from 255 car parking spaces and a dense catchment population.

The store trades well and enjoys a dominant position in the locality with no other large Tesco stores within 15 minutes of the property. The catchment includes 110,990 residents who live within an estimated 10 minute drive, which increases to 307,086 residents within a 15 minute drive.

Tesco is a FTSE 100 company, with a market cap of £18 billion, and is the UK's largest grocer.

#### **Aldi foodstore and Home Bargains, Denbighshire**

The Company has acquired a modern 19,000 sq ft Aldi foodstore and adjoining 15,000 sq ft Home Bargains in Llangollen, Denbighshire.

The property benefits from an overriding lease of the whole of both units to Sainsbury's Supermarkets Limited, with just under 20 years unexpired on the lease to first break and RPI rental uplifts on a five yearly basis, collared at 1% pa and capped at 3.5% pa. Aldi and Home Bargains occupy by virtue of 20 year and 15 year, RPI-linked subleases.

The Aldi and Home Bargains units trade very well and the investment benefits from the double layer of Sainsbury's and Aldi/Home Bargains covenants. Sainsbury's is the UK's second largest grocer, with a £5.2 billion market cap.

#### **Co-op convenience store and PFS forward funding, Leicestershire**

The Company has exchanged contracts on the pre-let forward funding of a 4,500 sq ft convenience foodstore and petrol filling station in Ellistown, Leicestershire, to be developed for and pre-let to the Co-op on an unbroken 20 year lease from completion of construction works. The asset benefits from a large catchment population and good transportation links whilst the rent will increase in line with CPI inflation on a five yearly basis, subject to a 4% pa cap and 1% pa collar.

1.7 million new households shopped at the Co-op in 2020, as working from home drove convenience store sales. This elevated Co-op's market share to over 7%, the highest in nearly 20 years. The Co-op group's latest annual accounts show revenue increased 8% to £5.8 billion and a net asset value of £2.9 billion.

#### **Co-op convenience stores, Wiltshire and Oxfordshire**

The Company has acquired two modern foodstores in Swindon and Bicester, comprising 9,548 sq ft and 7,142 sq ft. Both properties are let to the Co-op with 17 years unexpired until first break, with five yearly rental uplifts in line with RPI inflation, subject to a collar of 2% pa and a cap of 3.5% pa.

The properties comprise the foremost convenience shopping provision in densely populated residential areas, with strong underlying land values, and trade very strongly.

#### **Simon Lee, Partner, LXI REIT Advisors commented:**

*"Our focus on smaller lot-sized forward fundings and relationship driven deals with developers and tenants has ensured attractive entry pricing for these assets, despite them being in a much sought-after sector where the investment market is becoming increasingly competitive.*

*We continue to believe that right-sized, well positioned grocery real estate assets let on sustainable rents to financially robust tenants, who are benefitting from flexible and proven operating models, and offering us as landlords very long, index linked, lease terms, remain attractive investments. Following these acquisitions, foodstores will be our largest sector exposure representing approximately 25% of our portfolio by value."*

#### **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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The Company's LEI is: 2138008YZGXOKAXQVI45

#### **NOTES:**

LXI REIT plc invests in UK commercial property assets let, or pre-let, on very 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 an annual dividend of 6.0 pence per ordinary share for the 12-months commencing 1 April 2021\*.

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 Listing 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, FTSE EPRA/NAREIT and MSCI indices.

Further information on the Company is available at [www.lxireit.com](http://www.lxireit.com)

\* These are guidance levels or targets only and not a profit forecast and there can be no assurance that they will be met.

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