

To: Company Announcements
Date: 21 October 2021
Company: BMO Commercial Property Trust Limited
LEI: 213800A2B1H4ULF3K397

Subject: Trading update and NAV release for BMO Commercial Property Trust Ltd (the "Company")

Headlines

- Net Asset total return of 5.0 per cent for the quarter ended 30 September 2021 (YTD 13.5 per cent)
- Share Price total return of 7.5 per cent for the quarter ended 30 June 2021 (YTD 25.0 per cent)
- A 7.1 per cent increase in the monthly dividend to 0.375 pence per share with effect from November 2021
- Rent collection currently received since the onset of the pandemic in April 2020 to September 2021 is at 92.4 per cent
- As of 30 September 2021, the void rate was 2.4 per cent
- Completed £180.5 million of property disposals as part of the strategy to adjust sector weightings

Net Asset Value

The unaudited net asset value ('NAV') per share of the Company as at 30 September 2021 was 130.0 pence. This represents an increase of 4.2 per cent from the unaudited NAV per share as at 30 June 2021 of 124.8 pence and a NAV total return for the quarter of 5.0 per cent.

The NAV has been calculated under International Financial Reporting Standards ('IFRS'). It is based on the external valuation of the Company's property portfolio which has been prepared by CBRE Limited.

The NAV includes all income to 30 September 2021 and is calculated after deduction of all dividends paid prior to that date. The EPRA Net Tangible Assets (NTA) per share as at 30 September 2021, which is adjusted to remove the fair value of the interest rate swap, was 130.0 pence.

Analysis of Movement in NAV

The following table provides an analysis of the movement in the unaudited NAV per share for the period from 30 June 2021 to 30 September 2021 (including the effect of gearing):

	£m	Pence per share	% of opening NAV per share
NAV as at 30 June 2021	990.4	124.8	
Unrealised increase in valuation of property portfolio	18.4	2.2	1.7
Realised gains on property sales	23.7	3.0	2.4
Movement in fair value of interest rate swap	-	-	-
Share buy-backs	(15.4)	0.7	0.6
Other net revenue	8.8	1.2	1.0
Reversal of accounting adjustment for lease incentives on disposed properties	(6.8)	(0.9)	(0.7)
Dividends paid	(8.3)	(1.0)	(0.8)
NAV as at 30 September 2021	1,010.8	130.0	4.2

Valuation

The capital value of the Company's portfolio increased by 1.7 per cent over the quarter. The retail warehouse sector recorded the strongest performance in the portfolio with valuations increasing by 7.6 per cent. This was a result of market yield compression and store openings, following the capital initiatives undertaken over the last 12 months.

The industrial and logistics sector of the portfolio achieved another quarter of strong performance, increasing by 5.0 per cent. This reflected further yield compression in the capital markets.

St Christopher's Place fell in value by 1.5 per cent due to its holding on Oxford St and Wimbledon Broadway experienced some recovery with a marginal increase in value.

The valuation of the office portfolio decreased with some valuation falls in the South East and regionally on those properties with shorter lease terms.

Share Price

As at 30 September 2021, the share price was 96.3 pence per share, which represented a discount of 25.9 per cent to the NAV per share. The share price total return for the quarter to 30 September 2021 was 7.5 per cent.

Rent Collection

We summarise below our current rent collection outcome since the impact of Covid-19 came into full force, from Q2 2020 to Q3 2021.

Q2 2020 to Q3 2021 Collection (billed between 26 March 2020 and 1 September 2021)

Overall collection for the eighteen-month period is at 92.4 per cent and the breakdown is detailed below:

	Rent Billed (£m)	Collected (%)
Quarter 2 2020	16.9	90.4
Quarter 3 2020	16.5	90.7
Quarter 4 2020	16.4	94.1
Quarter 1 2021	16.5	90.3
Quarter 2 2021	16.3	93.7
Quarter 3 2021	16.0	94.9
Total	98.6	92.4

Collection by sector:

	Rent Billed (£m)	Collected (£m)	(%)
Industrial	19.7	19.5	99.3
Offices	42.7	41.9	98.0
Retail Warehouse	14.3	13.9	97.4
Retail	15.1	9.6	63.5
Alternatives	6.8	6.1	89.7
Total	98.6	91.0	92.4

Breakdown of uncollected rent:

	(£m)	(%)
Agreed deferments	1.0	1.1
Rent waived	3.3	3.2
Bad Debts	0.3	0.3
Unresolved / in discussion	3.0	3.0
Uncollected Rent	7.6	7.6

Rent collection statistics are improving and the resolution of historical rent arrears continues to progress. As previously disclosed, the significant proportion of uncollected rent is from the retail and leisure tenants at St Christopher's Place Estate and Wimbledon.

Trading Activity

St Christopher's Place Estate

In the six months since the end of the last lockdown in April, footfall levels across the estate continue at comparatively strong levels, averaging at 70 per cent of 2019 levels. This remains ahead of the wider West End, which is averaging at 47 per cent of 2019 levels. Since September, visitor levels to the estate have been closer to pre-pandemic levels, following the gradual return of office workers and an increase in leisure travel.

New tenants, 'Platform' and 'Festok' have recently joined the line-up, opening shops on St Christopher's Place, whilst 'Emma Hyacinth' and 'Isola by San Carlo' are due to open in the coming weeks. A letting at 372 Oxford Street has completed to an Aldo franchisee following the surrender of the former Aldo lease, after the company appointed Administrators in 2020. The tenant is expected to open in early November to benefit from trade in the run up to Christmas.

Food and beverage demand remains buoyant and lease renewal terms are under negotiation with several tenants.

Leasing activity continues on the Estate's offices with a further two deals exchanging.

Offices

At 82 King Street Manchester, two rent reviews and one lease renewal completed with a further three rent reviews and one lease renewal currently in negotiation.

Property Sales

Consistent with the strategy to recycle capital and adjust sector weightings, the Company completed two property disposals during September 2021.

The Company sold Cassini House located in St. James', London which is a prime multi-let freehold office building and was the second largest holding in the portfolio. This was for a total consideration of £145.5million, reflecting a substantial increase of 11 per cent over the previous external valuation at 30 June 2021 and 19 per cent over the year-end valuation at 31 December 2020. The disposal represented the culmination of a long-term business plan which involved a complete refurbishment, introduction of new tenants and re-gearing of leases.

The Company also sold its holding at Dane Street, Rochdale for a total consideration of £35.0 million, an increase of 9 per cent over the last external valuation at 30 June 2021 and 12 per cent over the year-end valuation at 31 December 2020. The asset is a purpose-built supermarket with a 12-pump filling station and an adjacent retail warehouse. The supermarket is let to Asda Stores Limited and the disposal follows the successful re-gearing of the Asda lease and extension of the term expiry date out to December 2038.

Cash and Borrowings

The Company had approximately £215.1 million of available cash as at 30 September 2021. There is long-term debt in place with L&G which does not need to be refinanced until December 2024. The Company also has a Barclays £50 million term loan along with an additional undrawn £50 million revolving credit facility. The Barclays facility expires on 31 July 2023, with the option of one further one-year extension. As at 30 September 2021, the Company's loan to value, net of cash ('LTV') was 8.6 per cent.

Dividend

The Company paid three monthly dividends at a rate of 0.35 pence per share during the quarter and will be paying a further monthly dividend at this rate on 29 October 2021, as announced on 6 October 2021.

The Company today announces a 7.1 per cent increase in the monthly interim dividend rate to 0.375 pence per share with effect from November 2021. This dividend will be a property income distribution. The level of dividend will be kept under review and the opportunity for a further increase will be assessed as the Company reinvests the surplus cash from recent sales.

The key dates for this interim dividend are as follows:

Ex-Dividend Date - 11 November 2021

Record Date - 12 November 2021

Payment Date - 30 November 2021

Share Buybacks

The Company has continued a share buyback programme during the quarter using some of the proceeds from property sales. 15,980,854 shares were purchased over the period and the programme is ongoing. As at 30 September the Company had 21,980,854 shares held in treasury (2.7 per cent of ordinary shares in issue), acquired at an average discount to NAV of 22.6 per cent.

Portfolio Analysis – Sector Breakdown

	Portfolio Value £m	% of portfolio as at 30 September 2021	% like for like capital value shift (excl transactions)
Offices	386.9	34.6	-0.7
West End	85.7	7.7	0.6
South East	70.7	6.3	-3.1
South West	29.9	2.7	-1.8
Rest of UK	181.2	16.2	0.0
City	19.4	1.7	0.0
Retail	191.7	17.1	0.3
West End	162.2	14.5	-1.8
South East	29.5	2.6	13.5
Industrial	292.4	26.2	5.0
South East	54.2	4.9	4.1
Rest of UK	238.2	21.3	5.2
Retail Warehouse	122.0	10.9	7.6
Alternatives	125.3	11.2	-1.1
Total Property Portfolio	1,118.3	100.0	1.7

Portfolio Analysis – Geographic Breakdown

	Market Value £m	% of portfolio as at 30 September 2021
West End	306.9	27.5
South East	277.9	24.9
Midlands	192.6	17.2
North West	150.2	13.4
Scotland	141.4	12.6
South West	29.9	2.7
Rest of London	19.4	1.7
Total Property Portfolio	1,118.3	100.0

Top Ten Investments

Properties valued in excess of £250 million

London W1, St Christopher's Place Estate *

Sector

Mixed

Properties valued between £50 million and £70 million

Newbury, Newbury Retail Park

Retail Warehouse

Solihull, Sears Retail Park

Retail Warehouse

Properties valued between £40 million and £50 million

London SW19, Wimbledon Broadway **

Mixed

Chorley, Unit 6 and 8 Revolution Park

Industrial

Winchester, Burma Road

Alternative

Properties valued between £30 million and £40 million

Manchester, 82 King St

Office

Liverpool, Unit 1, G.Park

Industrial

Birmingham, Unit 8 Hams Hall

Industrial

Daventry, Site E4, DIRFT

Industrial

* Mixed use property of retail, office, food/beverage and residential space.

** Mixed use property of retail, food/beverage and leisure space.

Summary Balance Sheet

	£m	Pence per share	% of Net Assets
Property Portfolio	1,118.3	143.9	110.5
Adjustment for lease incentives	(20.3)	(2.6)	(2.0)
Fair Value of Property Portfolio	1098.0	141.3	108.5
Trade and other receivables	28.9	3.7	2.9
Cash and cash equivalents	215.2	27.7	21.3
Current Liabilities	(20.7)	(2.7)	(2.0)
Total Assets (less current liabilities)	1,321.4	170.0	130.7
Non-Current liabilities	(2.1)	(0.3)	(0.2)
Interest-bearing loans	(308.5)	(39.7)	(30.5)
Net Assets at 30 September 2021	1,010.8	130.0	100.0

The next quarterly valuation of the property portfolio will be conducted by CBRE Limited during December 2021 and it is expected that the unaudited NAV per share as at 31 December 2021 will be announced in January 2022.

Important information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

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