

BMO Commercial Property Trust Limited

Q2 2021

Manager Commentary Richard Kirby



which has been averaging at around 40% but trending slightly below the national average of 67%.

The UK moved to 'Step 4' of the Roadmap out of lockdown, from 19 July, lifting the majority of restrictions. Whilst this is a positive step for businesses, a meaningful return of office workers and international travellers is required to see pre-pandemic levels of activity. To aid recovery the Mayor of London has recently launched the 'Let's do London' campaign, to encourage domestic visitors to enjoy all that London has to offer.

Since the last trading update, the estate has welcomed a number of new food and beverage outlets with Crome, Papa-dum and Sidechick all opening on James Street. Next month, 'Isola' by San Carlo will join the line-up and Emma Hyacinth will open in their new, larger store. There has also been a high level of activity within the estate offices with 5 new tenants or lease renewals being signed since the start of Q2. This activity underlines tenant demand for the estate and demonstrates how occupiers are seeing past the pandemic.

Offices

Two significant events completed over the quarter. At Alhambra House in Glasgow there was the completion of a lease extension with JP Morgan until 30 June 2023. The office building extends to c100,000 sq ft and for the period of the lease extension the annualised rent will be £2,500,000, an uplift of £500k on the passing rent.

At 17A Curzon Street in London there was the completion of a letting of the 2nd floor to MA Family Office Ltd. The new 5-year lease has a tenant break after the third year and a rent of £130,350 pa was agreed. The letting demonstrates the increase in occupier activity in major cities as restrictions ease.

Retail Parks

At Newbury Retail Park the Landlords works to combine units 3 and 4, creating a new larger 20,000 sq ft unit, with upgraded shop frontages, has completed and been handed over to the incoming occupier T J Morris t/a Home Bargains. Following over two years of outwards yield shifts, pricing of quality assets within the sector has started to improve. This is underpinned by rebased rents and resilience within this retail sub-segment which has been demonstrated throughout the pandemic. We are now seeing increased activity in the capital markets with UK institutions an active buyer in this space.

Industrial and Logistics

For the second quarter in a row performance was strong and dominated by two leasing events. Firstly, there was the completion of a lease re-gear with Kimberly-Clark at the 360,000 sq ft logistics facility at Revolution Park, Chorley.

This was originally due to expire in June 2021, and the re-gear saw the tenant sign a new 12 year lease (with a break option at the end of the 7th year), and fixed annual uplifts of 2%, resulting in a valuation uplift of 32.3%. The second was the settlement of the rent review at a 270,000 sq ft facility in Hams Hall, Birmingham, Nestlé's Purina pet food distribution hub. The review saw a sizeable uplift in the passing rent from £1.5million to £1.94million per annum, which in turn resulted in a valuation increase of 11.0% over the quarter. This had a positive capital impact upon the other two buildings held on the distribution park.

Property sales and Capital Receipts

In May the Company announced the disposal of a solus retail warehouse located in East Kilbride, Scotland for a total consideration of £19million, reflecting an increase of 7.2% over the last external valuation at 31 March 2021. The property is let to B&Q Limited for one of its large format stores on a lease due to expire in November 2029.

This sale is entirely consistent with the strategy of adopting a higher level of activity within the portfolio as the Company moves to recycle capital and adjust sector weightings.

The Company also received a capital receipt of £2.42million from the long leaseholder of a number of residential units at St Christopher's Place as a result of the completion of a statutory lease enfranchisement process to extend the leases. This covered 24 flats located in Greengarden House subject to leases which were due to expire 2077 at nil rent. Under a statutory process the leases have been extended for a further 90 years until 2167.

Dividend

The Company paid three monthly dividends at a rate of 0.35 pence per share during the quarter. The Company expects to continue to pay monthly dividends at this rate for the foreseeable future. There is currently an improving outlook and the Board will monitor rental receipts and earnings closely and keep the dividend under review.

Share Buybacks

The Company commenced a share buyback programme during the quarter using some of the proceeds from the East Kilbride sale. 6 million shares were purchased over the period and the programme is ongoing.

Richard Kirby
30 June 2021

Valuation

The capital value of the Company's portfolio increased by 3.0 per cent over the 3 months. The industrial and logistics sector of the portfolio achieved another quarter of strong performance, increasing by 10.7 per cent. This reflected both further yield compression in the capital markets and the completion of two significant asset management initiatives as highlighted in this report.

The retail warehouse sector recorded its third successive quarter of increasing values with more liquidity and further evidence of transactional activity in the capital markets.

The Retail, hospitality and leisure sectors were more resilient this quarter as lockdown restrictions are lifted. St Christopher's Place fell in value by 0.6 per cent and Wimbledon Broadway was unchanged over the period.

The valuation of the office portfolio increased during the quarter with West End Valuations improving as overseas investors seek to deploy capital into the sector. There were some valuation falls in the South East and regionally on those properties with shorter lease terms.

Rent Collection and tenant trading activity

Please go to www.bmogam.com/commercial-property-trust/ for the latest trading update which provides detailed information on rent collections since the Covid-19 outbreak and tenant trading activity.

Trading and Development Activity

St Christopher's Place Estate
Footfall levels across the estate remain relatively strong compared with those being recorded for the wider West End. Since the first release of restrictions from the last lockdown in April, footfall has hit 61% of average 2019 levels on the estate (the last comparable period pre-pandemic). This is ahead of the West End

Key facts

Trust aims: To provide ordinary shareholders with an attractive level of income with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

Fund Type: Investment Trust

Launch Date: 18 March 2005

Total assets: £1,300.7 million

Share price: 90.6p

NAV:** 124.8p

Discount/Premium(-/+): -27.4%

Dividend payment dates: Monthly

Dividend yield†: 4.6%

Actual gearing‡: 20.4%

Vacant property: 1.9%

Weighted average lease length: 6.0 years

Management fee rate**:** 0.55%

Ongoing charges**:** 0.85%

Year end: 31 December

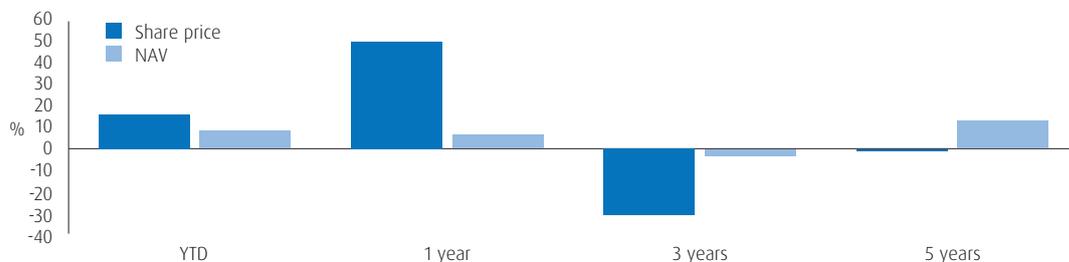
Sector: Property Direct - UK

Currency: Sterling

Website: www.bmoccommercialproperty.com

***Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

Fund performance



Cumulative performance (%) as at 30.06.21

	3 Months	Year to date	1 Year	3 Years	5 Years
Share price	29.6	16.3	50.6	-31.2	-0.8
NAV	5.3	8.0	6.4	-3.1	12.8

Discrete annual performance (%) as at 30.06.21

	2021/2020	2020/2019	2019/2018	2018/2017	2017/2016
Share price	50.6	-41.3	-22.3	8.0	33.5
NAV	6.4	-8.3	-0.6	7.1	8.6

Past performance is not a guide to future performance.

Source: Thomson Reuters Eikon and BMO Global Asset Management. Basis: Percentage growth, total return, bid to bid price with income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority.

Key risks

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Income may be achieved by foregoing future capital growth. The value of property related securities are likely to reflect valuations determined by professional valuers. Such valuations are the opinion of valuers at a particular point in time and are likely to be revised. Property and property related assets can sometimes be illiquid. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. If markets fall, gearing can magnify the negative impact on performance.

Telephone calls may be recorded

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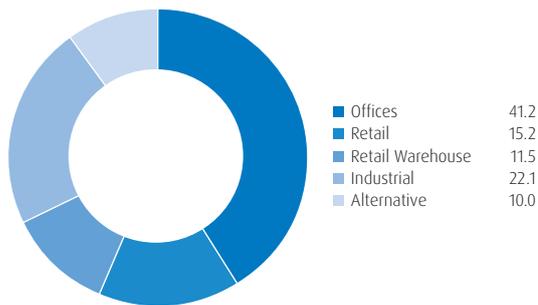
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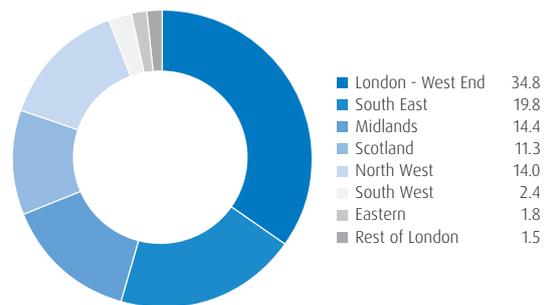
Top 10 property investments

	Holding	Location	Sector
Properties valued in excess of £250 million	London W1, St Christopher's Place Estate	West End	Mixed
Properties valued between £100 million and £150 million	London SW1, Cassini House, St James's Street	West End	Office
Properties valued between £50 million and £70 million	Newbury, Newbury Retail Park	South East	Retail Warehouse
	Solihull, Sears Retail Park	West Midlands	Retail Warehouse
Properties valued between £40 million and £50 million	London SW19, Wimbledon Broadway	South East	Mixed
	Chorley, Unit 6 and 8 Revolution Park	North West	Industrial
	Winchester, Burma Road	South East	Alternative
Properties valued between £30 million and £40 million	Manchester, 82 King St	North West	Office
	Liverpool, Unit 1, G.Park	North West	Industrial
	Daventry, Site E4, DRIFT	East Midlands	Industrial

Sector Breakdown



Geographical breakdown



Dividend distributions pence per share

	2016	2017	2018	2019	2020	2021
January	0.5	0.5	0.5	0.5	0.5	0.35
February	0.5	0.5	0.5	0.5	0.5	0.35
March	0.5	0.5	0.5	0.5	0.5	0.35
April	0.5	0.5	0.5	0.5	0	0.35
May	0.5	0.5	0.5	0.5	0	0.35
June	0.5	0.5	0.5	0.5	0	0.35
July	0.5	0.5	0.5	0.5	0	
August	0.5	0.5	0.5	0.5	0.25	
September	0.5	0.5	0.5	0.5	0.25	
October	0.5	0.5	0.5	0.5	0.25	
November	0.5	0.5	0.5	0.5	0.25	
December	0.5	0.5	0.5	0.5	0.35	
Total	6.0	6.0	6.0	6.0	2.85	2.10

Structure

The Company's capital structure consists of Ordinary Shares.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Group's assets after repayment of its borrowings. Borrowings consist of a £260 million loan to 31 December 2024 and a £50 million bank loan due 31 July 2022.

All information is sourced from BMO, unless otherwise stated. All percentages are based on gross assets. ^{*}(borrowings-cash)/total assets (less trade and other payables and cash).

† Dividend was suspended from April 2020 to July 2020. A monthly dividend was reintroduced in August 2020. The annualised dividend yield on 0.35 pence per share per month is 4.6% based on 30 June 2021 share price.

** The NAV is calculated under International Financial Reporting Standards.

*** Ongoing charges as at the end of December 2020. BMO Investment Business Limited is entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion) and reduced to 0.25 per cent per annum on cash net of gearing in excess of 5 per cent of net assets, payable quarterly in arrears.

The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Features document for the relevant product. This financial promotion is issued for marketing and information purposes only by BMO Global Asset Management in the UK.

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