



RNS Miscellaneous

Trading update and Dividend Declaration

Released 07:00:08 04 August 2022

RNS Number : 8454U
Mailbox REIT PLC
04 August 2022

Mailbox REIT Plc

("Mailbox REIT" or the "Company")

Mailbox REIT Plc (IPsx ticker: MBOX), the owner of the Mailbox, a prime regional office-led, mixed-use asset offering long-term secure rental income and the potential for value enhancement, provides a trading update and declares an interim dividend for Q2 2022.

Stephen Barter, Non-Executive Chairman of Mailbox REIT plc, commented:

"During the period the Company built on the momentum achieved in the first quarter and over the last year, with continued strong rent collection, further valuation increases and the implementation of our ESG initiatives in line with occupier demand. However, we are well aware of the emerging economic headwinds and inflationary environment, which has led to an increase in the cost of debt. The Board is currently exploring appropriate avenues to mitigate these challenges. Nevertheless, we have been able to hold the quarterly dividend at the target level.

The key milestone of the period was the opening in May of the new flexible workspace operated under IWG's Spaces brand, following the conversion of 50,000 sq ft of surplus retail space within the building. The facility is running ahead of expectations with more than 30% occupancy already. Alongside the new office, F&B and amenity leases announced earlier in the year, this progress further underlines Mailbox's strong appeal to both larger and smaller occupiers.

Yesterday, the BBC announced that it is to leave the Mailbox at the end of its current lease in June 2026. Whilst the building has enjoyed having the BBC as our anchor tenant for the past 20 years, it is extremely helpful to have had such advanced notice of their decision & we wish them well with their new venture in Digbeth. We are really excited about the opportunity this presents for the Mailbox - It will allow us to reposition the building by refurbishing their space, offering to the market a rare 120,000sqft office suite in the heart of the city. It will create a great opportunity for Mailbox REIT to drive the rental value and capture the reversionary potential of the space. We now have until the end of June 2026 to make alternative arrangements and are fully confident that we will be able to re-let the space ahead of that time. Mailbox benefits from a highly attractive combination of large and flexible floor plates, rare in the Birmingham market, a prime City centre, waterside location with popular on-site amenities and strong ESG credentials. With the BBC no longer in occupation, it will make our pathway to net zero more achievable. The current limited supply of grade A space within the City, and the constrained new development pipeline because of inflation and supply chain challenges, provides a very supportive leasing environment. These factors further underline our confidence."

Rent Collection back at pre Covid levels

As of 19 July 2022, the Group had collected 94.0% of the contractual rents for the quarter commencing 24 June 2022, with 99.7% now received for the quarter commencing 25 March 2022.

Rent collection to date for the June 2022 quarter day by sector is as follows:

Sector	% Collected	% of total rent
Office	100.0%	46.0%
Car Park	100.0%	21.4%
Retail	86.3%	11.6%
F&B	75.2%	17.6%
Other	98.9%	3.4%
Total	94.0%	100.0%

The collection rate shown for F&B (Food and Beverage) reflects the proportion of these occupiers who are still on monthly payment plans which were agreed during the pandemic. By the end of this calendar year, all of the Covid-related rent concessions will have ended. The Company fully expects the June 2022 rent collections to finish in line with c. 99.0% received for the March quarter.

As at 19 July 2022, the Group has collected 97.7% of rent due for the December 2021, March 2022 and June 2022 quarter days.

Fifth consecutive quarter of valuation gains

The property's valuation improved for the fifth consecutive quarter since the IPO, rising to £192.3 million as at 30 June 2022. This reflects a 2.0% improvement since 31 March 2022 (£188.5 million). The independent fair valuation of the property was undertaken by Avison Young and takes into account the opening of the Spaces facility.

At 30 June 2022, the true equivalent yield of the property was 6.49% (31 March 2022: 6.48%).

Net Asset Value

As at 30 June 2022, the Company's consolidated unaudited net asset value ("**NAV**") was £84.24 million, equivalent to 99.28 pence per share, when account is taken of the interim dividend paid on 26 May 2022. This compares to £84.65 million and 99.77 pence per share as at 31 March 2022. The small decrease reflects the impact of the increased cost of debt on the Group's cash balances.

The NAV attributable to the ordinary shares has been calculated under International Financial Reporting Standards as adopted by the United Kingdom and incorporates both the Group's property on a 'Red Book' valuation basis as at 30 June 2022 and the net rental income for the quarter, but does not include a provision for the interim dividend declared today (see above), for the quarter ended 30 June 2022.

Dividend declaration

The Mailbox REIT Board has declared an interim dividend of 1.75 pence per share for Q2 2022. When combined with the Q1 2022, Q4 2021 and Q3 2021 dividends, this equates to 7p per share for our first four full quarters as a quoted company (i.e. 7% based on an issue price of 100p). The Q2 dividend will be paid on or around 26 August 2022, with an ex-dividend date of 11 August 2022 and a record date of 12 August 2022.

Long-dated and Secure Rental Income

The Mailbox is a prime regional office-led, mixed-use asset, which is currently 94.1% (by sq ft) occupied (inclusive of the Spaces management agreement, with a weighted average unexpired lease term of 13.2 years to the earlier of break or expiry, and 13.8 years to expiry (no significant expiries due until 2026).

According to Creditsafe's rating checks for the quarter, 82% of the asset's gross income stream is considered to be of very low risk, with a further 6% considered low risk. Only 6% of the asset income, relating to certain retail and F&B elements, is considered to be of high or very high risk.

Outlook

As at 30 June 2022 the senior debt loan to value ratio ("**LTV**") was 56.4%. The existing loan facilities run to end January 2023 and allow for up to two extensions of 12 months each. However, the current environment of higher inflation and rising interest rates has accelerated the Board's focus on the Group's borrowing arrangements. Our considerations include not just the absolute interest cost, which has evidently risen, but also the increased cost of hedging. Both have been affected by the prevailing economic conditions and by the impacts of the tragic events in the Ukraine, and both are likely to rise again in the near future.

The new Spaces facility has had a strong start and is on target to begin generating additional net income for the Company in 2023, in line with the current business plan.

While the Board is very aware of the shorter-term economic and political headwinds, the investment fundamentals of the Mailbox, its attractiveness to occupiers and the continuing strong market dynamics for prime sustainable office space in Birmingham, provide encouraging reassurance for the longer-term resilience of the Company.

ENQUIRIES

Mailbox REIT PLC

Stephen Barter - Chairman via FTI Consulting below

M7 Real Estate Ltd

Richard Croft +44 (0) 20 3657 5500

WH Ireland (Lead Advisor & Corporate Broker)

Chris Hardie +44 (0) 20 7398 1145

FTI Consulting (Communications

Adviser) +44 (0) 20 3727 1000

Richard Sunderland MailboxREIT@FTIConsulting.com
Eve Kirmatzis

Alter Domus (UK) Limited

(Company Secretary) +44 (0) 207 645 4800

The Company's ISIN is GB00BM9BWM32.

Further information on Mailbox REIT plc is available at www.themailboxreit.com¹.

NOTES

Mailbox REIT PLC The Mailbox REIT is a single asset REIT offering shareholders exposure to the performance of the Mailbox which is a prime regional office-led, mixed-use asset offering long-term secure income and the potential for value enhancement.

The Company's asset manager is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. It has over 220 employees in 15 countries across Europe. The team manages over 570 properties with a value of circa €4.9 billion.

¹ Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website or any other website, is incorporated into, or forms part of, this announcement nor, unless previously published on a Regulatory Information Service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IPXDRLFBLVLFBBK

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

© 2022 London Stock Exchange plc. All rights reserved.