

Mailbox REIT Plc
("Mailbox REIT" or the "Company")

Mailbox REIT Plc (IPX ticker: MBOX), the owner of the Mailbox, a prime regional office-led, mixed-use asset offering long-term rental income and the potential for value enhancement, provides a trading update for Q3 2022.

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

We continue to be encouraged by the operational resilience of The Mailbox and the longer-term strength of its rental income. This is reflected in a property valuation which, though inevitably clipped (a 1.4% reduction for the quarter), remains very robust at £189.7 million. This resilience is largely a result of the purposeful asset management and sustainability plan which our asset manager, M7 Real Estate, has been implementing since before the IPO.

Rent collection for the September quarter is already at 95.7%, with expected receipts of 99.8%, in line with the previous quarter. The weighted average unexpired lease term remains high at 12.9 years to break.

In our quarterly statement of 4th August 2022, I noted that the emerging economic headwinds and inflationary environment were beginning to cause an increase in the cost of debt. Since then, the situation has worsened considerably, exacerbated by the Government's economic policies introduced in September which, though later partly reversed, have left markets unsettled. Inflation, interest rates and bond yields are significantly higher and, as a result, investment confidence is challenged. Property values are beginning to be marked down, and there is likely to be more to come. The Government is expected to introduce tougher economic measures in the coming weeks, and we must await their details and impacts. In such challenging circumstances, it is the inability to project ahead with greater confidence which causes the biggest difficulty.

Asset Management Progress

Given these challenges, our best defences are the strong levels of income we continue to generate from our blue-chip tenant base and the rigorous asset management initiatives we continue to progress. These measures will both safeguard and enhance that rental income, alongside the Mailbox's ESG credentials, and its broad appeal to those who work at or visit the building.

It was immensely encouraging to see that the technology firm Advanced Software & Solutions, already a tenant in The Mailbox, has chosen to relocate its UK corporate HQ within the building. This will make Advanced one of the largest employers in the West Midlands. Its decision further demonstrates the long-term attraction of both Birmingham and The Mailbox as a destination for growing businesses.

At the same time, we continue to build good momentum at our new IWG-operated Spaces co-working facility, which opened in May and is now more than 50% occupied. This is ahead of target and, as the facility's popularity builds, we expect its impact on total revenue will become stronger.

Our F&B and service offers are strengthening too. As the proportion of retail floor area within the building diminishes in line with our asset management strategy (now less than 14% of the total floor area), we will be introducing new health and wellness amenities in the coming months, to better support our office tenants and other occupiers.

As we reported in August, the expected departure of the BBC in 2026 presents a good opportunity to enhance the building's rental income from the reversionary potential of the accommodation released and to make further progress towards our carbon neutral objective. A substantial dilapidations claim has been served on the BBC. In the meantime, we will continue to receive the benefit of the BBC's income and presence within the building for almost four more years.

Impact of Higher Borrowing Costs and Dividend Update

Borrowing rates are not expected to fall until inflation has reduced markedly and shows a more settled longer-term trend. This significantly affects The Mailbox because the cap on our borrowing rate expires at the end of January 2023, at which point we must expect the cost of servicing our debt to increase substantially. This will constrain our ability to pay a dividend. The Board has therefore decided to declare a reduced dividend of 0.5p per share (Q2: 1.75p) for this quarter. We will continue to review levels of future dividend payments for the remainder of 2022 and into 2023, depending upon how quickly interest rates settle at a sustainable level.

In the coming months, working closely with our asset management team at M7 Real Estate, we will be exploring carefully the most appropriate hedging safeguards available to us in the current volatile conditions.

We will not be looking to refinance the Company's debt in the short-term, as we have two potential extensions of 12 months each available to us, at our option, from the same lender. As at 30 September 2022 the Company's debt loan to value ratio ("LTV") was 57.2%, based on the latest independent valuation by Avison Young. We have full confidence that there is ample headroom within our own loan covenants and the required loan-to-value ceiling under the IPSX listing rules.

Outlook

The Board is realistic about the many challenges which the coming year is likely to bring. There are many factors which we cannot control. But our progressive asset management plan will help to ensure that the building retains its appeal for both employers and visitors, as well as further improving its ESG performance. These measures will continue to strengthen the diversified income streams which the asset delivers. We are confident that The Mailbox will remain responsive to and benefit from the vibrant local market dynamics of the West Midlands, always progressing as a stronger and more competitive investment.

Rent Collection

As of 14 October 2022, the Group had collected 95.7% of the contractual rents for the quarter commencing 29 September 2022, with 99.8% now received for the quarter

commencing 24 June 2022.

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

Sector	% Collected	% of total rent
Office	100%	47%
Car Park	100%	19%
Leisure	79%	19%
Retail	92%	11%
Other	97%	4%
Total	95.7%	100.0%

The reduced collection rate for Leisure/F&B reflects the proportion of those occupiers who remain on monthly payment plans which were agreed during the pandemic. By the end of this calendar year, all Covid-related rent concessions will have ceased. The Company expects the final September 2022 rent collection rates to be in line with the June 2022 quarter at 99.8%.

Valuation

The asset valuation decreased in the quarter to £189.7 million as at 30 September 2022. This represents a 1.4% reduction since 30 June 2022 (£192.3 million), due to a change in valuation approach in respect of the rental income from the BBC, which represents 21% of the total income, and overall market yield movements. The independent fair valuation of the property was undertaken by Avison Young.

At 30 September 2022, the true equivalent yield of the property was 6.68% (30 June 2022: 6.49%).

Net Asset Value

As at 30 September 2022, the Company's consolidated unaudited net asset value ("**NAV**") was £80.83 million, equivalent to 95.26 pence per share, having taken account of the interim dividend paid on 26 August 2022. This compares to £84.24 million and 99.28 pence per share as at 30 June 2022. The decrease is largely attributable to the unrealised revaluation loss of £2.6 million.

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 September 2022 and the net rental income for the quarter.

Dividend Declaration and Distribution Timing

The Mailbox REIT Board has declared an interim dividend of 0.5 pence per share for Q3 2022. When combined with the Q2 2022 and Q1 2022 dividends, this equates to 4.0 pence per share cumulative for 2022. The Q3 dividend will be paid on or around 25 November 2022, with an ex-dividend date of 10 November 2022 and a record date of 11 November 2022.

Long-dated and Secure Rental Income

The Mailbox is a prime regional office-led, mixed-use asset, which is currently 94.9% (by sq ft) occupied with a weighted average unexpired lease term of 12.9 years to the earlier of break or expiry, and 13.4 years to expiry. No significant lease expiries are due until 2026.

According to Creditsafe's rating checks for the quarter, 85% of the asset's gross income stream is considered to be of very low risk, with a further 3% considered low risk. Approximately 9% of the asset income, relating to certain retail and F&B tenants, is considered to be of high or very high risk.

ENQUIRIES

Mailbox REIT PLC

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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 and territories. The team manages almost 600 assets with a value of circa €5.9 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.

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