Clipstone Industrial REIT plc

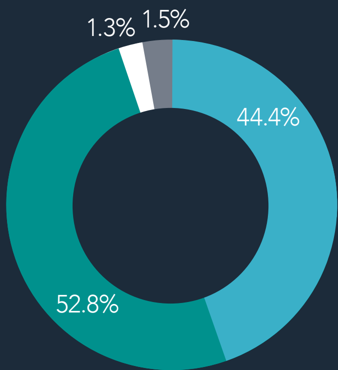
Investor Update – 30 June 2021

CURRENT STATUS OF THE FUND

Number of Properties:	43
Aggregate Value:	£299.5m
Net Asset Value per Share:	£1.5904
Portfolio Net Initial Yield:	4.8%
Portfolio Equivalent Yield:	5.4%
Portfolio Reversionary Yield:	5.4%
Total Passing Rent:	£15.2m pa
Total Headline Rent:	£16.5m pa
Passing Rent:	£8.73 psf
ERV:	£9.92 psf
Number of Units:	280
Number of Tenants:	227
Exposure to Largest Tenant: (shown as a percentage of total rent)	5.7%
Vacancy Rate:	2.7%
Loan to Value:	31.2%
Projected Dividends:	6.25p per share
Dividends at current NAV (£1.5904):	3.9%

PROPERTIES BY REGION

- London/M25
- South East
- South West
- East Anglia



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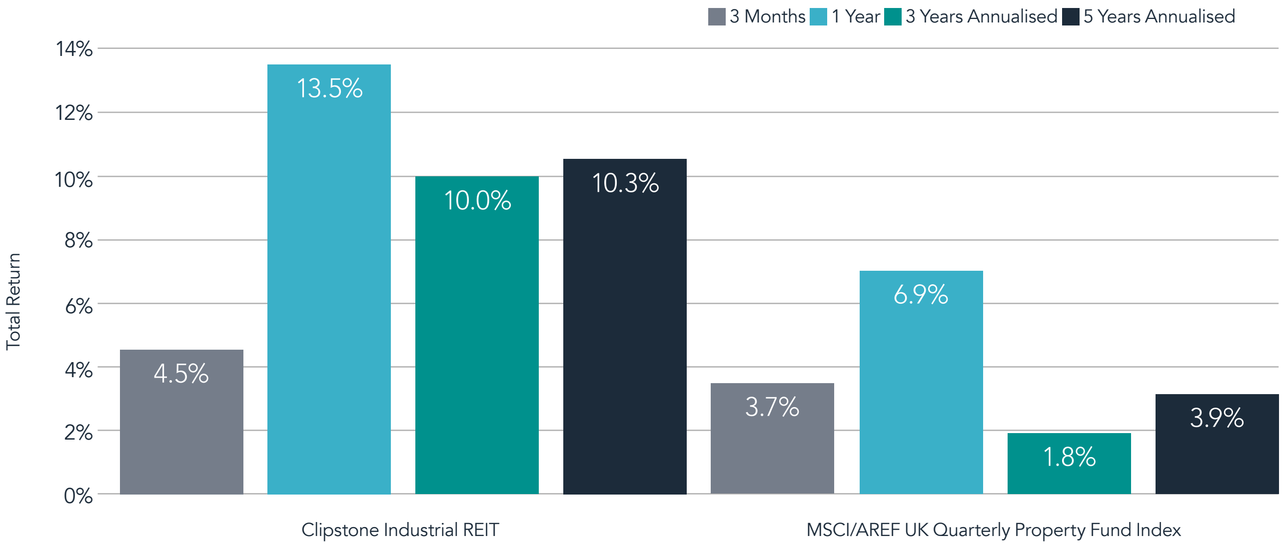
Investor Update – 30 June 2021

We are pleased to announce an increase in net asset value ("NAV") to £1.5904 per share, an increase of 3.4% over the NAV on 31 March 2021. Shareholders' total return (NAV increase added to dividends paid) was 4.5% over the quarter. Despite a period of disruption for commercial property, the REIT has generated a total return of 13.5% over the last 12 months (MSCI/AREF UK Quarterly Property Fund Index total return was 6.9% over the same period). Since our launch in December 2014, shareholders have benefited from a cumulative total return of 94.1% and the REIT has outperformed the broader property market over all relevant time periods (as illustrated below).

Total Returns to 30 June 2021



1 Activity During the Quarter

It was a busy quarter for the REIT. We completed the acquisition of two properties, being the Audi unit in Reading and a new industrial estate in Chelmsford. Both acquisitions have been reported to shareholders previously. The Reading property, which is let to a strong covenant for over 20 years (with no breaks) is operated as an Audi dealership, with ancillary industrial units. It was acquired for £19.15m, representing a net initial yield of 4.62%, but has RPI linked upward only rent reviews, with the next review in September 2021 anticipated to increase the yield to 5.20%. Chelmsford is a brand-new industrial scheme acquired for £16.08m representing a net initial yield of 4.40% and a photograph is shown below. All of the units at both the Reading property and Chelmsford have EPC ratings of A, and so assist our programme of improving the ESG credentials of our portfolio.

In addition to these acquisitions, on 10 June 2021[1] we exchanged contracts on the sale of an industrial estate in Peterborough for £4,365,000, representing a net initial yield of 4.97%. This is a 19.6% premium to the March 2021 valuation. Peterborough was our furthest property from London, had an average rent of £10.04 psf and we do not consider there any short-term potential to enhance rents further (for context, the average rent across the whole portfolio is £8.73psf). With occupational demand in Peterborough being weaker than other locations within the portfolio, we decided to take advantage of the strong investment market for industrial property and are delighted to have sold the property at a material premium to valuation. In time, we expect to recycle the capital into properties with stronger growth potential.

Recent increases in the inflation rate may lead to interest rate rises, and we have sought to mitigate that risk by undertaking an institutional debt placing to raise fixed rate debt. After a competitive bidding process, we are delighted to report we have completed a £30m debt facility with Legal & General Investment Management ("LGIM") at a fixed rate of 2.2% over a seven-year period. This new, fixed rate debt will sit alongside our existing £75.64m facility with Barclays (at a floating rate of 1.6% over SONIA) and will provide an element of interest rate protection for the next seven years. Part of the new LGIM debt was drawn down to acquire Chelmsford, raising the LTV to 31.2%, in line with our target range of 25% to 35%.

There is significant headroom on both the Barclays and LGIM debt covenants: on LGIM the properties would need to drop in value by 51.3% and rents drop by 60.4% over a 12-month period to place pressure on the covenants, and on Barclays values by 51.2% and rents by 54.2% (at current interest rates).

2 Investment Market

The investment market for South East industrials remains highly competitive. Investors continue to target industrial property, not least due to the widely publicised increase in online retailing caused by lockdown, something many consider to be a permanent change in consumer behaviour. Many of those investors seeking to buy industrial property are drawn to South East industrials due to the positive supply and demand dynamics which we have outlined previously. With few investors looking to reduce their holdings of South East industrials there is limited stock available to buy, and these factors are creating competitive bidding in our sector which

[1] The sale completed on 8 July 2021, so Peterborough is included in the 30 June numbers.

is increasing prices, a trend we expect to continue. This active investment market is having a positive impact on the value of our portfolio. However, it makes sourcing new acquisitions increasingly difficult, although not impossible, as evidenced by our recent acquisition in Crawley, which is described below.

3 Occupational Market

The REIT's properties enjoyed another strong quarter of occupational demand. There were 17 lease events during the quarter, the majority at materially higher rents (as set out below).

Property	Date of Event	Event	Previous rent pa	New Headline Rent pa	Uplift
Hoddesdon	May-21	Rent Review	£13,250	£19,750	49%
Ashford	June-21	Lease Renewal	£10,100	£14,754	46%
Welwyn Garden City	April-21	Lease Renewal	£20,325	£28,000	38%
Bracknell	June-21	Lease Renewal	£41,370	£55,554	34%
Hoddesdon	April-21	New Letting	£18,000	£24,000	33%
Slough	April-21	New Letting	£26,520	£34,000	28%
Bracknell	May-21	New Letting	£32,700	£41,894	28%
Welwyn Garden City	May-21	Lease Renewal	£20,000	£25,450	27%
Bracknell	April-21	New Letting	£43,725	£52,019	19%
Newbury	June-21	Rent Review	£160,248	£188,751	18%
Newbury	June-21	Rent Review	£160,805	£188,520	17%
Alton	April-21	New Letting	£67,500	£77,385	15%
Crayford	June-21	New Letting	£33,000	£37,600	14%
Feltham	April-21	New Letting	£52,130	£8,955	13%
Alton	May-21	Rent Review	£42,417	£48,000	13%
Bracknell	June-21	New Letting	£18,525	£20,000	8%
Stevenage	April-21	New Letting	£34,566	£31,000	-10%[2]

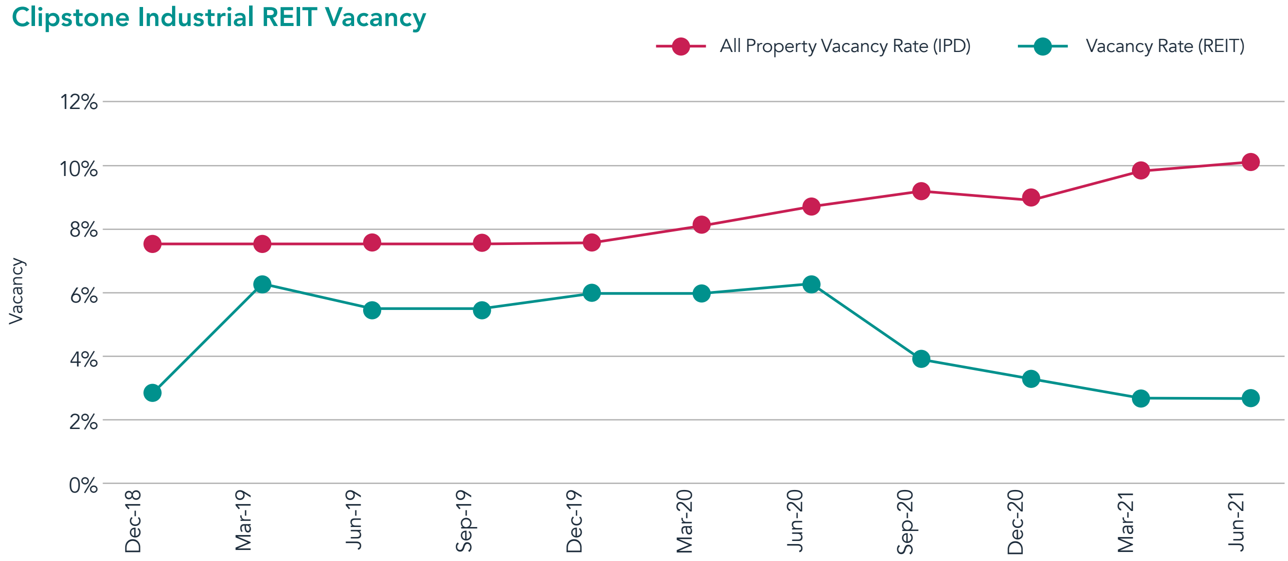
As stated previously and as evidenced above, the shortage of industrial space across London and the South East, combined with a lack of development for smaller industrial schemes, is leading to rents increasing. During the quarter and on a like-for-like basis (i.e. excluding the new property acquisitions in Reading and Chelmsford) the REIT's rents grew by 5.4% over the quarter, with London/M25 rents growing by 6.2%, South East by 5.1% and the non-South East properties (which, after the sale of Peterborough, constitute only 1.4% of the portfolio) remaining flat. We expect this trend of increasing rents to continue and may even accelerate as the economy continues to recover from COVID.

This strong tenant demand is also reflected in our low void rate, which remained static from March 2021 at 2.7%, despite the fact the property acquired in Chelmsford included three vacant units (excluding Chelmsford the void rate would be 1.8%). The 2.7% void rate constitutes 12 vacant units, of which three were under offer at 30 June 2021 at a 23.4% premium over previous passing rents. If the three units under offer complete the void rate would drop to 2.1%. The REIT's void rate versus the MSCI All Property Index is shown on the following page.

[2] This unit was previously let at a higher rent as the outgoing tenant wanted a rolling break on one month's notice and was happy to pay above market rates for that flexibility.

Clipstone Industrial REIT plc

Investor Update – 30 June 2021 *continued*



4 Rent Collection and Dividend

Rent collection continues to prove resilient. During the five quarters from March 2020, we collected more than 95% of all rents due. The June 2021 rent collection process has also proved resilient, with June rent collection in line with previous quarters during 2020 and 2021. On 26 August 2021 the Board declared the next quarterly dividend at the annualised rate of 6.25p per share (so 1.5625p paid on 1 September 2021). As also previously announced, the Board will consider a further special dividend to take account of the better rent collection than anticipated when the pandemic began.

5 Potential for post-COVID growth, but risks remain

If the current economic recovery continues, we would expect any acceleration in economic activity to translate into an increase in occupier demand for London and South East industrials. Any such economic improvement could be extremely beneficial for the REIT – with such a low void rate, we are already in a strong position to increase rents when vacancies arise, and our position will be strengthened further by any increase in occupational demand.

In addition, the portfolio is currently reversionary, with current passing rents of £8.73 psf, whereas the Valuer's estimate of market rents as at 30 June was £9.92 psf, evidencing the potential for us to grow rents by 13.6%. And as outlined previously, due to the supply and demand imbalance in our sector, we anticipate rental growth will increase our rents above £9.92 psf.

Whilst these factors are encouraging, the economic environment includes risks for commercial property, from which we are not immune. We are well aware of the risks of rising inflation and the possible monetary response, which would prove challenging to all asset markets. However, the Company is well positioned to take advantage of opportunities that would arise in such circumstances.

6 Post Period Events

We are pleased to confirm we completed the acquisition of an industrial estate in Crawley on 27 August for £5.25m, representing a net initial yield of 4.5%. This acquisition (as well as costs, including SDLT) were satisfied pursuant to the successful £5.6m placing the Company concluded on 25 August at an issue price of £1.5961 per share. The rents at our new Crawley property are reversionary and through a programme of asset management and refurbishment we expect to enhance rental income significantly, particularly as Crawley is a location we know well and where there is a shortage of available industrial space combined with healthy levels of occupier demand. This off-market acquisition is a good example of the type of property acquisition we hope to continue to undertake in today's competitive investment market, as is the mechanism for raising equity alongside the acquisition, thereby avoiding becoming a "forced buyer" and not suffering "cash drag" on uninvested funds. Such an acquisition process relies on the continued support of our shareholders, for which the management team is grateful.

7 Conclusion

The REIT is enjoying a period where both the occupational and investment markets within which it operates are active, leading to rents increasing and yields contracting. For now, we expect these favourable conditions to continue. In the meantime, we are improving the overall quality of the portfolio by selective acquisitions, selling properties with poorer prospects, and continuing our asset management and refurbishment programme to ensure we own an attractive portfolio which we believe should weather the overall property market should conditions change. For these reasons we believe returns to shareholders should continue to outperform the market, as the REIT has since inception.

Background to Clipstone Industrial REIT plc

The REIT's strategy is to acquire good quality industrial property across the South of the UK, predominantly in London and the South East.

There are several reasons why the REIT targets this sector, as set out below.

1 If the UK economy improves demand from existing and prospective tenants will increase. We believe demand will be most prevalent around London and the South East, where the economic environment is strongest and where there is the tightest supply of land. This demand should translate into fewer vacancies and higher rents.

2 Industrial space in the South East, and particularly in Greater London, has reduced over the last 30 years (a 46% decrease in London to quote a 2014 Deloitte survey). The land has gone to higher value uses, such as residential. We expect this trend to continue. Reduction in supply should lead to improved returns.

3 Development of multi-let industrials remains sporadic. There is a shortage of development land in London and the South East, and where land is available for development it often goes to higher value uses. Where developers build industrial, they tend to opt for larger, single let units, which are more cost-efficient to build[3] and where you only need to find one tenant, as opposed to a number of tenants for a multi-let scheme. In addition, pre-let development is rare in the multi-let sector. These factors continue to constrain multi-let development in the South East, and so enhance the lack of supply referred to at paragraph 2 above.

4 The growth in online retailing is one of the factors driving increased demand for industrial space, a trend we expect to continue. We expect this to have the most impact in and around London, where there is a large and affluent population with a higher propensity to shop online (a recent Knight Frank report found that the top 30 locations in the UK with the most online shoppers were all in London).

5 Smaller, multi-let industrials are less exposed to the widely publicised problems facing UK retailers, as the occupational market for multi-let industrials is highly diversified and not overly dependent on the retail market.

6 Clipstone targets industrial estates capable of improvement by intensive management. That improvement is achieved by refurbishment, by the upgrading of an estate through better parking and signage, by aggressive marketing to let vacant units, by seeking to improve the calibre of tenants on an estate, by the lengthening of leases and by increasing rents. Refurbishment of industrial property can be achieved at a low cost yet have a material impact on rents and capital value. We have specialist asset managers who are experts in this field.

[3]A large single-let industrial unit can be built for approximately £50 psf, whereas a multi-let scheme can cost in the region of £100 psf.

Case Studies

Chessington

On 30 June 2017 Clipstone acquired an industrial property in Chessington for £4m. The property was let to Travis Perkins until September 2021, but Clipstone was aware they wished to leave the property. The rent on acquisition was £190,000 per annum.

Having acquired the property Clipstone and Travis Perkins settled an outstanding rent review, increasing the rent to £227,500. Clipstone then agreed a surrender under the terms of which Travis Perkins vacated the property and paid the REIT the sum of £800,000, being a large part of the rent, rates and insurance due for the remaining term of the lease, as well as part settlement of estimated future dilapidations.

On 1 April 2019 Clipstone entered into an agreement for lease with Master Removers Group Limited, one of the UK's leading storage and removal firms, to lease the redeveloped property for a term of 20 years (with no breaks) at a target rent of £399,000 per annum. This is a 110% premium over the passing rent on acquisition and a 75% premium over the rent agreed at the rent review.

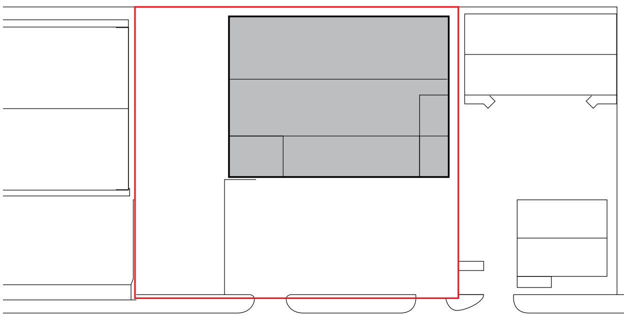
On 8 November 2019 the REIT obtained planning permission allowing the development to commence. The planning consent allowed the REIT to demolish the existing 19,016 square foot building (with eaves height of 7m) and replace it with a new 25,743 square foot warehouse with eaves height of 13.5m.

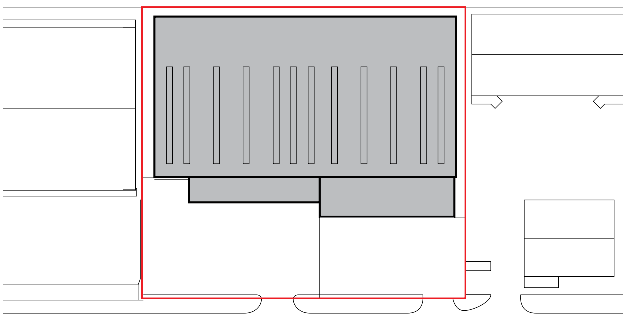
The demolition works commenced in February 2020. Practical completion of the property took place on 12 August 2020 and the new lease completed on 20 August 2020, with the new rent set at £403,697 per annum. The project was completed on budget and ahead of time, despite COVID-19.

Set out below are before and after photos of the property, as well as before and after site plans.

Before → After

Original site plan → Current site plan



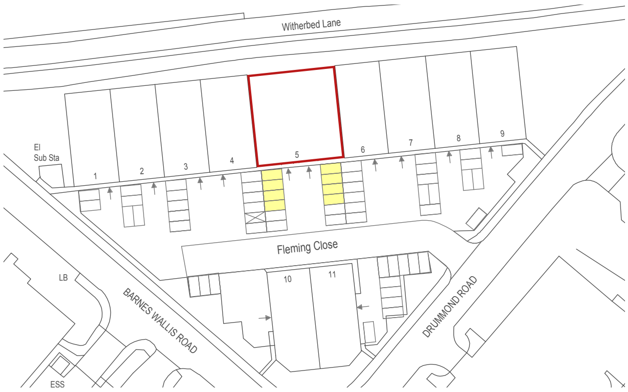


Case Studies

Fareham

During 2019 the REIT undertook works at Fareham that involved refurbishing the estate and extending the size of Unit 5 from 2,412 square feet to 4,746 square feet. The plan below shows the estate before and after these works.

Previous site plan → New site plan



In January 2020, the REIT completed a letting of Unit 5 to Screwfix at a headline rent of £47,460 (£10 psf). The passing rent paid by the previous tenant at Unit 5 was £21,000 (£8.71 psf on the old, smaller footprint). This is a 126% increase in rent payable. In addition, £10 psf is a new record rent payable on the estate and will set the rental tone for future rent reviews, lettings and lease renewals. Screwfix are a strong covenant and their presence on the estate may attract other trade counter operators, so further enhancing value. Before and after photos are below.

Before refurbishment → After refurbishment

Fund Details

Structure	Real Estate Investment Trust (REIT) listed on The International Stock Exchange
AIFM	Clipstone Capital Limited, which is authorised and regulated by the Financial Conduct Authority
Property Manager	Clipstone Investment Management Limited
PE Depositary	Langham Hall UK Depositary LLP
Target Investors	High net worth individuals, family offices, pension funds (including SIPPs and SSASs), endowment funds and institutional investors
Fees	Clipstone Investment Management Limited fee of 1.25% of NAV per annum up to NAV of £225m, 1% for amounts over £225m and a profit share (on ultimate sale of the Properties) of 20% (over a 9% per annum hurdle)
Minimum Investment	£25,000
Debt Terms	£75.64m at 1.6% margin over Sonia and £30m at a fixed rate of 2.2% for seven years
Non-executive Directors	Karl Sternberg (Chairman) and Anna Rule (CVs overleaf)
ISIN:	GB00BMSJTT43

The Listing Document containing full details relating to the REIT is available on request.

Non-executive directors of the REIT

Karl Sternberg

Independent Non-Executive Chairman

Non-executive director of Jupiter Fund Management plc, JPMorgan Elect Plc, Alliance Trust PLC, Herald Investment Trust plc, Lowland Investment Company PLC and The Howard de Walden Estate. He is also Chairman of Monks Investment Trust.

Student (Fellow) of Christ Church and Chairman of the Investment Committee.

Formerly Non-executive Director of RailPen Investments (the asset manager of the Railways Pension Scheme) and Chairman of the Board Investment Committee of Friends Life Group plc.

Previously Chief Investment Officer of Deutsche Asset Management, including the UK property business, and Chief Executive of Oxford Investment Partners.

Anna Rule MRICS

Independent Non-Executive Director

Anna has over 20 years' property industry experience. She is currently Head of Real Assets at RPMI Railpen, where her responsibilities include the management of Railpen's £2.2 billion of property assets. Railpen (The Railways Pension Scheme) is one of the UK's largest and longest established pension funds with £30 billion of assets under management.

Previously at Cushman Wakefield and then a fund manager for a number of institutional funds at Aviva Investors.

Anna is a Member of the Royal Institution of Chartered Surveyors and a non-executive director of The King's Fund.

Clipstone Investment Management – employee structure chart

Toby Dean - CEO

Investment and Asset Management

- **Marc Cowley** (Investment Director)
  - **Andrew Windle** (Fund Manager)
  - **Paul Priestley** (Head of Asset Management)

Accounts/ESG/Compliance*

- **Richard Demarchi** (Finance Director and Head of Sustainability)
  - **Bill Arnold** (Senior Finance Manager)
  - **Victoria Wombwell** (Financial Controller)
    - **Stevie Arnold** (Bookkeeping/Administration)

Advisory Board

Andrew Hynard - Chairman
Toby Dean
Marc Cowley

*Clipstone Capital Limited is authorised and regulated by The Financial Conduct Authority
NOTE: The CVs of the above employees of Clipstone Investment Management are available at http://www.clipstone.co.uk/our-people

Clipstone

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