



THE PROPERTY HUB REIT

QUARTERLY REPORT

FROM 01 OCTOBER 2021
TO 31 DECEMBER 2021

CAPITAL IS AT RISK. THE VALUE OR YOUR INVESTMENT MAY GO UP OR DOWN. YOU MAY NOT BE ABLE TO SELL YOUR INVESTMENT WITHIN A REASONABLE TIME FRAME, YOU SHOULD NOTE THAT TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH INVESTOR AND MAY BE SUBJECT TO CHANGES IN THE FUTURE. INVESTMENTS ARE MADE THROUGH SHARES IN REITS. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RETURNS.

QUARTERLY UPDATE

Welcome to the third quarterly update on The Property Hub REIT ("the fund"). This has been a pivotal quarter with significant developments in distribution, acquisitions and financing, and we're excited to share some of our progress with you.

FUND DISTRIBUTION UPDATE

In early December 2021, the Portfolio mobile app was released. The app allows users to make deposits by debit card or bank transfer, then subscribe for shares. After subscribing for shares investors can take video tours of each of the fund's assets, and receive regular news updates. In future, the app will allow investors to participate in surveys to express an opinion about future acquisitions and other matters.

The app is a critical component of the fund's mission to provide an investment experience that's engaging and tangible while still being hands-off and providing diversification, so we're delighted that this important step has been achieved.

We also expect the launch of the Portfolio app to be beneficial for fundraising. The fund needs to grow to fully support its costs, so this will be a key focus for the quarter ahead.

Investors who subscribed for shares prior to December 2021 have also been invited on a tour of some of the fund's assets, which will take place in March 2022.

THE PROPERTY MARKET

The property market continued to achieve strong levels of growth in the period, with the Office for National Statistics reporting that UK house prices increased by 10.0% in the year to November 2021[1].

The East Midlands and North West were amongst two of the top performing regions, with growth of 10.7% and 10.8% respectively, which is encouraging for the assets within the fund's portfolio. Manchester has performed strongly in both sales and rental markets over the past 12 months[2,3].

In October 2021, the RICS UK Residential Market Survey reported that new buyer enquiries rose over the month, but fresh listings further declined[4]. This limited supply and further demand is supportive of continuing price and rental growth.

Rents have continued to perform strongly over the period with the average asking rent increasing at the fastest rate on record, standing at £1,068 per calendar month outside London at the end of December 2021[5]. This represents a 9.9% annual increase. Tenant demand is 32% higher than at the same time last year and the number of available properties is 51% lower.

THE PORTFOLIO

The current portfolio remains fully let and the fund acquired a further asset during the period to benefit from further income and capital growth.

As at 31 December 2021, the fund had made acquisitions on three sites comprising 16 properties in the Greater Manchester area and a Penthouse apartment on the outskirts of Nottingham City Centre.

As at the date of this report, our portfolio comprised:

	SILKASH	SWALLOWFIELDS	WATERSIDE	TOTAL
NUMBER OF UNITS	14	2	1	17
ACQUISITION DATE	MARCH AND JULY 2021	MAY 2021	OCTOBER 2021	
COMPOSITION OF UNITS	12 X 3-BED AND 2 X 4-BED HOUSES	2 X 2-BED APARTMENTS	1 X 3-BED PENTHOUSE	
TOTAL PURCHASE PRICE	£3,492,960	£432,200	£766,500	£4,691,660
ACTUAL MONTHLY RENTAL INCOME	£14,450	£2,450	£4,000	£20,900
ANNUAL RENT ROLL	£173,400	£29,400	£48,000	£250,800
GROSS YIELD	4.96%	6.80%	6.26%	5.35%

Waterside, West Bridgford, Nottingham

In October 2021, we acquired a 3-bed duplex penthouse apartment in Nottingham for £766,500 within a popular waterside development with attractive views overlooking the River Trent. This specific unit has been selected as it is the most desirable within the scheme. The development is within an area that has experienced a strong upward trend in capital growth over the prior year.

The fund completed the acquisition on 14 October and the property was immediately let at £48,000 rent per annum producing an attractive gross yield at 6.26%.

Meadowside, Manchester

In November 2021, the fund exchanged contracts on a 3-bedroom apartment in Manchester City Centre for £423,000. The high specification property, on a development well served with amenities, is due for completion around April 2022.

This specific unit was selected due to a strong demand for 3-bedroom units specifically within the city and an undersupply of apartments of this size.

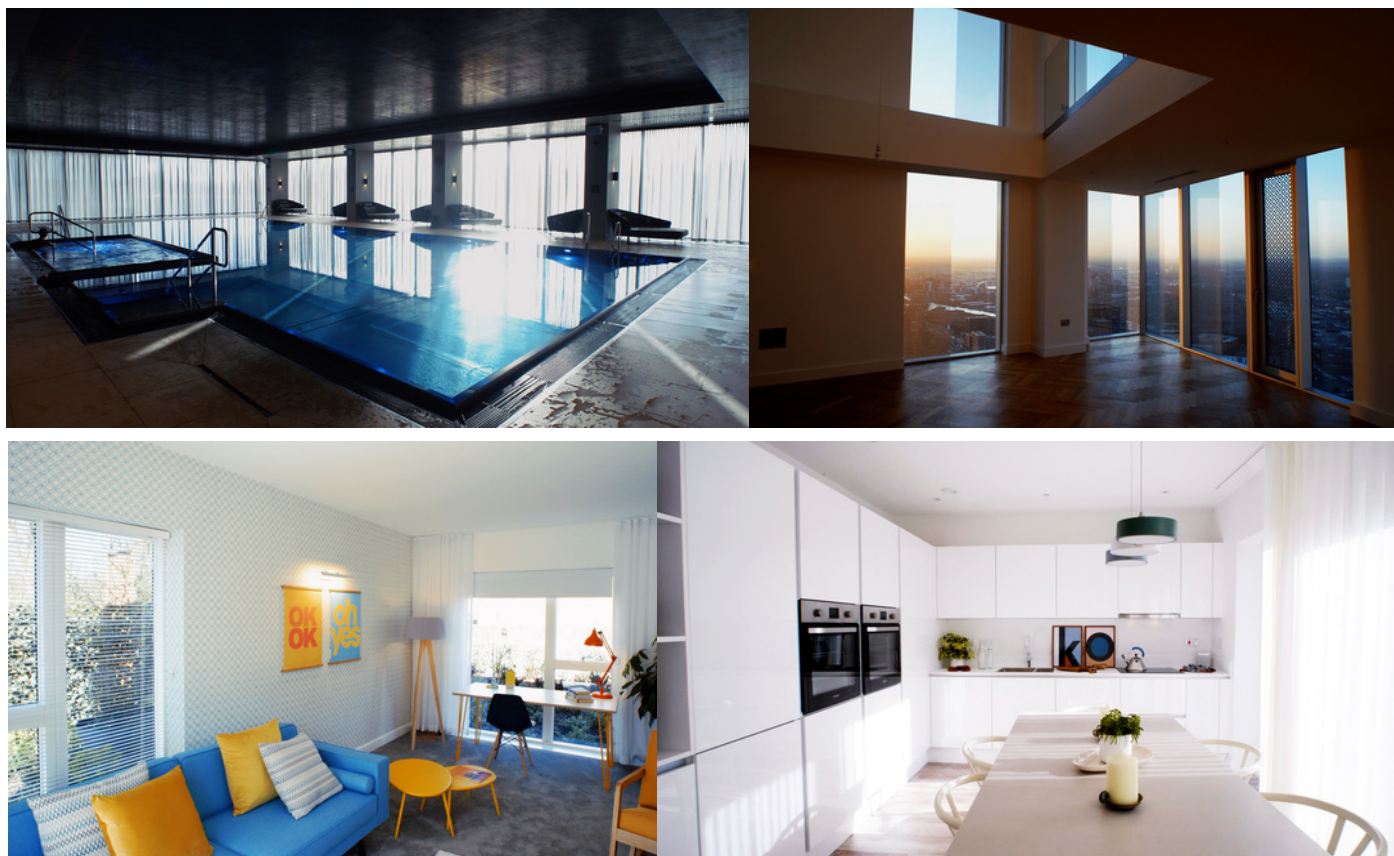
Deansgate Square, Manchester

In December 2021, the fund exchanged contracts on a 3-bedroom duplex penthouse apartment in Deansgate Square South Tower – the tallest residential building in the UK. A purchase price of £2,205,000 has been agreed, with a 10% deposit paid on exchange and remaining balance due upon completion. The acquisition will complete on the earlier of the property securing a tenancy or June 2022.

Nightingale Quarter, Derby

On 1 February 2022, the company exchanged contracts on a forward purchase 209-unit residential block within a prime city centre regeneration scheme: Nightingale Quarter, Derby. The total completion value is in the region of £33m and it is expected to be delivered by Q2 2024.

The forward purchase is within our published investment strategy and secures a substantial pipeline of assets in the medium term.



PORTFOLIO VALUATION

The fund's portfolio is valued quarterly by an external valuer in accordance with RICS guidelines, and the most recent valuation took place on 31 December 2021. The valuation provided an uplift of 3.5% against the September 2021 valuation.

We are pleased to report a positive uplift in portfolio valuation from initial purchase price at 9.50% and 8.75% across the Silkash and Swallowfield properties, respectively. In addition, the valuation of the Waterside property during period reported a 1.8% increase despite the purchase completing in October 2021.

We remain confident in the rental market outlook for the areas in which we are invested and the strength of our selected assets within these markets.

LEASING AND RENTAL INCOME

As at 31 December 2021, the portfolio is fully let. We have achieved a number of pre-completion lets, and the rents being achieved are slightly higher than projected at the point of purchase.

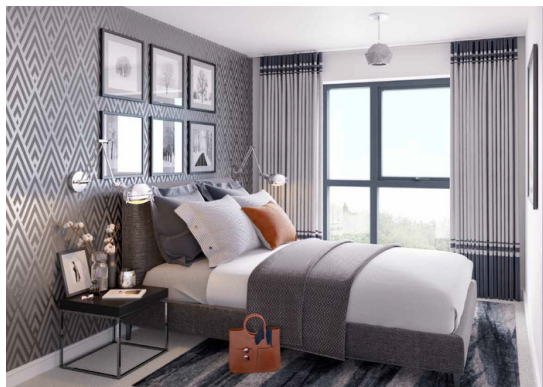
The average number of days between completion and the start of a tenancy is 25 days, which includes time taken for referencing to be completed and a move-in date to be set.

SHARE PRICE

The price per share, which is based on the fund's NAV, was at 97p on 31 December 2021, the same as the previous quarter.

It is typical that the NAV of a new fund may decrease initially as expenses, some of which are fixed in amount regardless of fund size, are incurred while rental income takes time to stabilise.

We continue to believe that this stabilisation will start to occur as further acquisitions are made supported by our new funding line and further capital inflows through our newly launched app, Portfolio. Portfolio has received great interest from investors during the soft launch stage, which will help to bring further capital to the fund.



DIVIDENDS

The Board previously announced that dividend payments would be reviewed in Q1 2022. Since this initial announcement, the Company has undertaken the necessary legal steps, including a capital reduction exercise, to support paying dividends to investors when it is appropriate.

While the capital growth of the fund's assets has been strong and void periods have been minimal, there have been factors that have delayed full stabilisation. These include the release of the Portfolio app being a couple of months later than planned.

As a result, the Board has assessed and concluded that it is not in the best interests of investors to pay a dividend now, because this would adversely affect the capital performance of the fund in the short-term as the share price is derived from the Net Asset Value, with no market pricing element.

Distributions will be reviewed again in Q3 2022, assessing whether the fund is in a position to initiate quarterly dividend payments. This evaluation will take into account the extent of stabilisation, levels of free income, and the track record of fundraising in the period. The board will also consider the possibility of an enhanced initial dividend to recognise the length of time that investors have been waiting for dividends to commence.

LEVERAGE

As previously reported, we secured financing on all assets with Secure Trust Bank in October 2021. The fund received preferential rates as the portfolio meets high energy efficiency standards. The additional equity released has been used to purchase more assets.

We have further developed our relationship with Secure Trust and expect to secure financing on further acquisitions in the pipeline.

1. <https://www.gov.uk/government/statistics/uk-house-price-index-for-november-2021/uk-house-price-index-summary-november-2021>
2. <https://reports.hometrack.com/uk/insight/uk-house-price-index/>

3. <https://www.manchestereveningnews.co.uk/news/property/rents-rising-across-uk-fastest-22177663>
4. <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/november>
5. <https://www.rightmove.co.uk/news/rental-price-tracker/>