Safer harbour REITs: an update

REITs of interest as investors go back into lockdown

by Mike Foster

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Note: *Note: Stocks priced at the end of October 2020; * Hardman & Co client*

Safer harbour REITs: an update

We outline dividend and capital value resilience within our HSIRB…

Is real estate a sector in which to invest? Many investors are wary. As per the frontispiece picture, the package may seem enticing, but is it poisonous? Is there a clearly defined sub-set within UK real estate that merits investment attention?

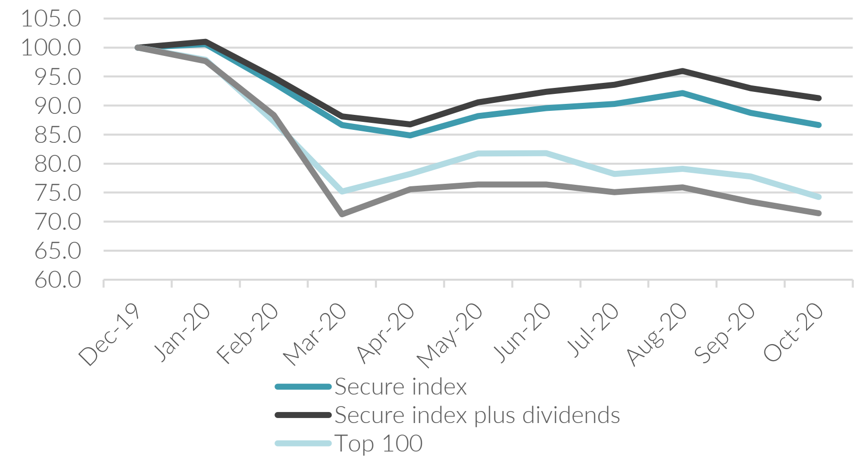
…Hardman & Co-defined sub-sector worthy of attention

- Yes

This year, the Hardman Secure Income Real estate Basket (HSIRB or Secure index, chart below) has fallen in value. Nonetheless, the chart below illustrates its resilience. Adding in dividends, the secure real estate stocks have returned a loss of just under 9% this year to date.

Major outperformance – in seven out of past 10 months

Performance of indices in 2020



Source: London Stock Exchange, Hardman & Co Research

Dividends rising – and rising faster than we had anticipated

The dividends on all stocks in our basket – the HSIRB – have all risen during 2020 (up on 2019), bar two. These two are the purpose-built student accommodation stocks, Empiric and GCP Student Living. As we outlined in the previous Hardman & Co report assessing the HSIRB, *Safer harbour REITS: an update*, published on 27 May 2020, we have removed both these REITs from the basket. However, we are maintaining both in the index until end-2020. We believe this to be conservative. It has knocked ca.1% from the value of the total basket valuation, with particularly poor performance in the past two months.

Our dividend estimates have been upgraded. Six months ago, one further REIT in the HSIRB stated it was suspending its previous dividend forecast, but this REIT (Tritax Big Box) is now set to increase its dividend for 2020. On another REIT, we had anticipated a flat dividend in 2020, but it is now clear that the dividends on this REIT (Target Healthcare) are set to rise this year.

Basket dividend yield 4.8% – 68% from very secure rent streams; a major sector by market capitalisation

The dividend yield on the basket is 4.8% – a strong base for future good investment returns.

68% of the dividends derive from government, supermarkets and logistics.

This is now a sizeable sector. The market capitalisation of the basket is £12.76bn. £1.34bn new equity has been raised in 2020 through eight secondary issues and one IPO (Home REIT).

Executive summary

Number of REITs have ability to thrive in current market conditions and thereafter

A number of REITs have the ability to thrive in current market conditions and thereafter. Not only do they hold assets that will remain in strong demand, but they have focus and transparency. The leases and underlying rents are structured in a manner to provide long visibility, growth and security. Hardman & Co defined an investment universe of REITs that we considered provided security and "safer harbours". We introduced this universe with our report published in March 2019: *"Secure income" REITs – Safe Harbour Available*. We updated this in May this year, with our report *Safer harbour REITS: an update*, and we now provide a further update.

- **2018 and 2019 saw outperformance:** Past-year outperformance in the selected universe is 11.4% (12.9% unweighted) vs. the sector, after 5.7% outperformance over the year to our 2019 report. Despite this and previous outperformance, 5%-6% yields on sustainable dividends remain available, which we consider attractive.
- **Dividends:** We calculate that the 2020 dividend payout in the HSIRB will be down on 2019, but only by 2%. One REIT with a high proportion of contractually long-term index-linked rents has cut its dividend in 2020 (Secure Income REIT), along with three others – the two student accommodation REITs and the private residential rent REIT, PRS REIT – but all others are growing dividends per share in 2020.
- **Dividends:** 68% of the dividends derive from government, supermarkets and logistics.
- **Designed for the retail, as well as institutional, investors:** These REITs have a transparency of income and a simplicity of structure. They focus on stated asset classes. Search for income will not abate, and – maybe surprisingly – dividend yields available here are even at a premium to the wider market.
- **A liquid sector:** The market capitalisation of the basket is £12.76bn. £1.34bn new equity has been raised in 2020 through eight secondary issues and one IPO. The majority of the secondary issues have raised more than the original intention.
- **Investment into "key worker" sectors:** By this, we mean that new equity raised in the past two years has focused on areas of sustained importance, notably health, logistics and supermarkets.
- **2020 outperformance:** This year so far has seen the HSIRB fall 13.3%; nonetheless, the index of the top 100 UK shares has fallen 25.7%. In seven out of ten months in 2020, the HSIRB has outperformed.

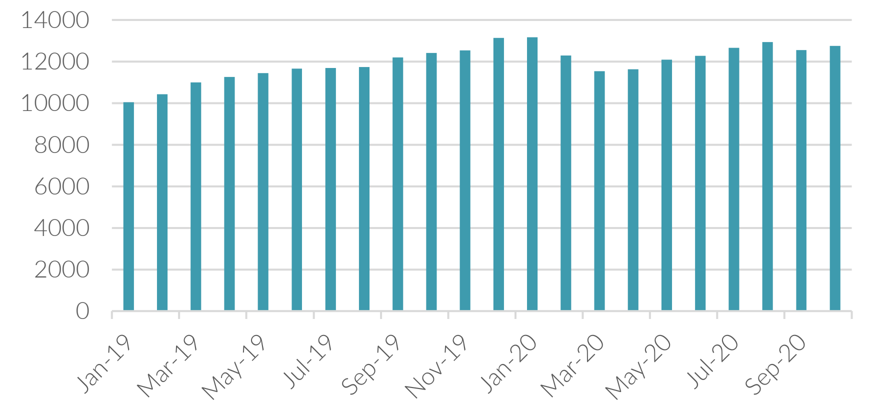
Investment case

Liquidity

Investors need liquid assets in which to participate. HSIRB fits the bill. The market capitalisation of the 17 REITs in the HSIRB stood at £12.76bn at end-October 2020. 97% of this is in REITs with a market capitalisation over £0.25bn, and 76% is in REITs of over £0.5bn market capitalisation. This includes £0.24bn for Home REIT, which was added to the index on flotation in October 2020.

Market capitalisation at end-month

Market capitalisation of HSIRB (£m)



Source: London Stock Exchange, Hardman & Co Research

Hardman & Co selected these REITs in March 2019 to provide transparency of income, a premium income dividend yield to the market and security of income.

REITs currently included in HSIRB

Constituents of HSIRB

REIT	Ticker	End-October 2020 market capitalisation (£m)
Assura	AGR	1,998
Civitas Social Housing	CSH	647
Empiric Student Property*	ESP*	314
GCP Student Living*	DIGS*	505
Home REIT	HOME	240
Impact Healthcare	IHR	313
LXI	LXI	573
Primary Health Properties	PHP	1,880
PRS REIT	PRSR	356
Residential Secure Income	RESI	150
Secure Income REIT	SIR	778
Supermarket Income	SUPR	678
Target Healthcare	THRL	480
Triple Point Social Housing	SOHO	431
Tritax Big Box	BBOX	2,646
Urban Logistics	SHED	349
Warehouse	WHR	421

**This REIT will not be part of HSIRB in 2021*

Source: London Stock Exchange

We have flagged (May 2020) that two of these no longer match our criteria

The sustained outperformance

Modest rents, cash transparency – attracting investor inflows

Updating our previous publication

In March 2019, we published an insight entitled *"Secure income" REITs – Safe Harbour Available*, highlighting the safety that some REITs could provide to investors focused on income. We revisited this in May 2020 with our report *Safer harbour REITS: an update*, and we revisit this again today.

We believe that some specialist REITs continue to offer comfort to income investors, and recent weakness adds to their attractions.

The HSIRB

The performance of our secure income basket, weighted by market capitalisation, is as per the chart below. This chart also comprises the index of the top 100 UK shares and of the broader UK real estate sector shares index.

Outperformed in lockdown

Since end-April, HSIRB up 2.1%, vs. 5.8% fall in the broader real estate sector and 5.1% fall for top 100

Price performances, January 2019 to end-October 2020, rebased to 100

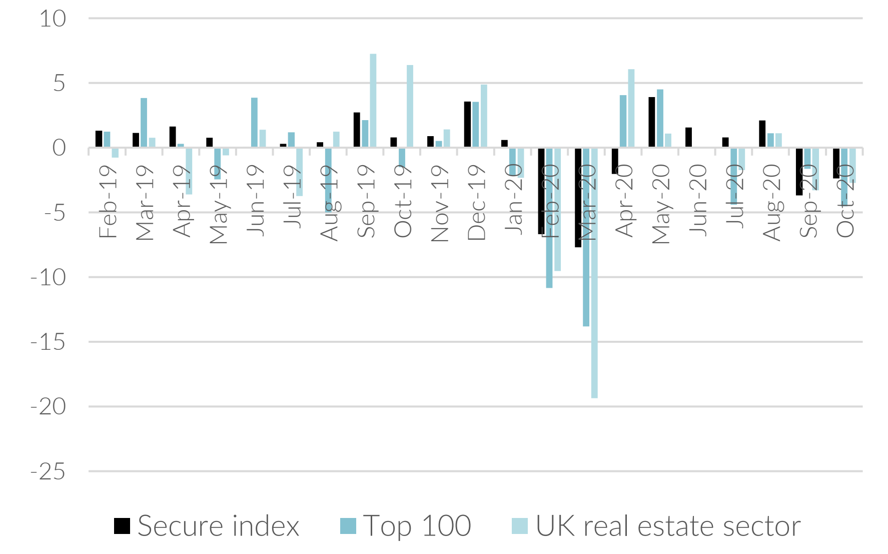
HSIRB: Hardman Secure Income Real estate Basket
Source: London Stock Exchange, Hardman & Co Research

We would make three points on first sight of the chart:

- All indices are below the January 2019 level but, with reinvested income, the HSIRB is comfortably in the black.
- End-March 2020 was slightly anomalous, as certain large-capitalisation stocks within the HSIRB held up relatively well in that month, but registered falls in April, during which the wider market bounced.
- Since the end of April 2020, the HSIRB index (capital only) has risen 2.1% to 99.1, whereas the broader real estate sector shares have fallen 5.8% to 82.1, and those for the top 100 have fallen 5.1% to 79.8.

The chart below illustrates the same data, but focuses on the month-on-month changes.

Price performances, January 2019 to end-October 2020, monthly change %



HSIRB: Hardman Secure Income Real estate Basket
Source: London Stock Exchange, Hardman & Co Research

Premium dividend yield

Not only has the HSIRB outperformed both broader indices on most time scales, but it has a higher dividend income. One exception to the outperformance is the period August 2019 to November 2019, when the UK broader real estate sector rallied strongly after a sustained period of underperforming the HSIRB.

All REITs in our basket raising dividend in 2020 – bar two we stated (in May) we are removing from basket (in 2021)

For the REITs in this report, our investment conclusion is that they offer better prospects than the UK top 100 quoted shares and also the wider UK quoted property sector. Not only is the potential and the visibility better, but the rating disparity is dramatic.

HSIRB dividend yield 4.8%

Current dividend yields

Index or cohort	Dividend yield at end-October 2020
UK top 100 based on 2019 dividends	4.8%
UK top 100 based on run-rate annualised 2H'20 dividends	2.8%
HSIRB 2019 dividends	4.9%
HSIRB 2020 dividends	4.8%

Source: Companies, Bloomberg, Hardman & Co estimates and calculations

Index linking

Sustainable income

We estimate that ca.50% weighted and ca.60% unweighted income streams owned by HISRB REITs are linked to CPI or RPI rent streams. One REIT with a high proportion of contractually long-term index-linked rents has cut its dividend (Secure Income REIT). Three others have cut dividends in 2020: the two student accommodation REITs and the private residential rent REIT, PRS REIT.

New issuance

"Key worker" REITs - finding solutions to life's questions

Care homes, GPs, logistics, supermarkets – the "staff of life"

More real estate investors provide the "staff of life" than might be immediately imagined. We find it surprising that REITs providing care homes' logistics assets trade at discounts to net asset value (NAV). There is a clue here, we believe. We consider this to be an anomaly and to illustrate that investors still lump all real estate as too dangerous to be involved with. Where the case is crystal clear, for example in primary medical assets, investors are almost forced to pay premium prices. They have consistently subscribed to new equity at a premium to NAVs. PHP and Assura trade at over a 40% premium to historical NAV, for example.

Regular equity raises

Equity raises in HSIRB, 2019 and 2020 to date

REIT	Month/year of equity raise	Gross raise (£m)
Tritax Big Box	Feb'19	250
PHP	Mar'19	400
Supermarket	Mar'19	45
Impact	May'19	100
GCP Student	Jun'19	5
LXI	Jun'19	200
PHP	Sep'19	100
Target	Sep'19	80
Supermarket	Oct'19	100
GCP Student	Dec'19	77
Impact	Dec'19	35
Urban Logistics	Mar'20	139
Assura	Apr'20	185
Supermarket	Apr'20	140
PHP	Jul'20	140
Warehouse	Jul'20	153
Urban Logistics	Sep'20	89
Supermarket	Oct'20	200
Home	Oct'20	240
Triple Point	Oct'20	55

Source: Company announcements

£2.7bn raise over two years – often oversubscribed

- We calculate that the HSIRB has raised over £2.7bn new growth equity in the past two years alone: £1.39bn 2019 and £1.34bn 2020 to date.
- As noted, the market capitalisation of the HSIRB totals £12.76bn, well up on the total as of the date of our previous report in May 2020, and only 3.1% below the all-time-high market capitalisation registered in January 2020.

2020 fund raise quantum to date only marginally below whole 2019 year

- The majority of secondary issues have raised more than the original intention.
- There has been one IPO: Home REIT. Over 91% of new equity raised has been through secondary (follow-on) issues.

Repeat issuance

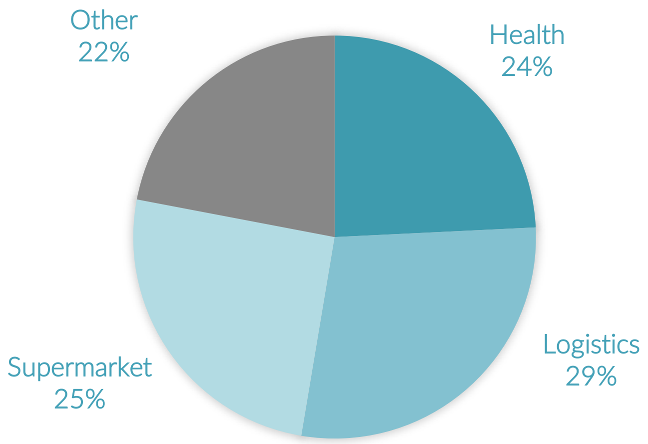
- Five REITs have raised equity on more than one occasion in the past two years.
- The median raise is £120m, and the mean £137m.

REITs with the attribute of strong transparency have, understandably, a solid appeal to a broad range of shareholder classes, including direct retail investors and wealth managers.

We estimate ca.50% weighted and ca.60% unweighted income linked to CPI or RPI

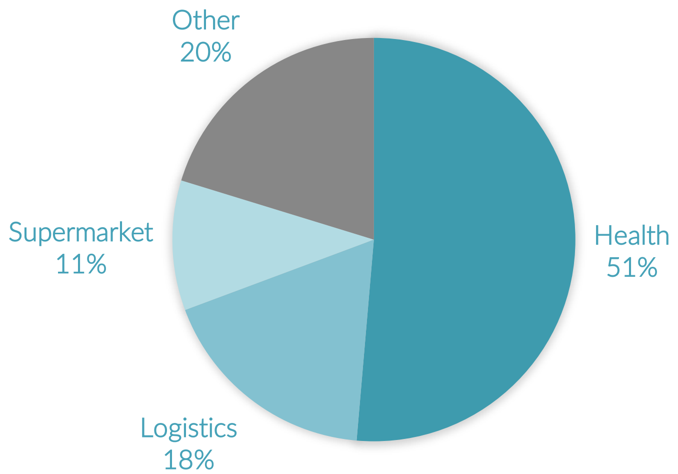
Since the 2008 global financial crisis, most UK REIT equity issuance has been aimed at seekers of stable, progressive income, which hits the "bottom line" in a predictable, transparent manner.

New equity raised within HSIRB, by asset type, 2020



Source: London Stock Exchange, Hardman & Co Research

New equity raised within HSIRB, by asset type, 2019



Source: London Stock Exchange, Hardman & Co Research

Background: fund raising, rent streams, dividends

Rebuilding the UK: retail investor, as well as institutional attraction

Retail investors are increasingly important to the market, as identified by Hardman & Co's work with the Office for National Statistics, *Share ownership: for the many, not the few*, published on 4 February 2020. The REITs highlighted here are mostly designed to fit their requirements far better than is the case for the broader market.

Advantage for these REITs regarding secondary fund raises – designed with private investors and wealth managers in mind

These REITs are designed for transparency, and are simple to understand. They fulfil investors' need for trusted and regular income. Many indicate their affinity by paying dividends quarterly. Indeed, our client PHP's move from bi-annual to quarterly dividend payments was well received. Retail investors have been an increasing part of the UK investor universe in recent years.

Retail investment provides new money and drives share prices

A London Stock Exchange-hosted webinar, on 7 May (which Hardman & Co co-sponsored), illustrated that, while ca.5% of transaction cash volume (a far higher number of individual transactions) is normally retail, the recent markets have frequently seen 20%. Account openings at large private investor platforms have almost trebled (as per the presentation), and the balance is ca.75% of retail orders having been buys recently. Investors and the REITs have the appetite to engage, and the "simple" REIT structure encourages this. Wealth managers feature strongly in the shareholder lists of the REITs in our basket.

In exactly right space for retail and institutional investment

We dwell on the importance of the retail investor market here, as we consider it to be particularly supportive of many of the REITs listed in this report: they are designed for the visibility towards which the current climate is leaning. We are confident that more retail interest will come.

Modest rents, and the majority is CPI-/RPI-indexed

Really important that leases not treated just as financial structures

One of the most important supports to the investment case of the REITs in this report is "value-for-money." We have referred to modest rents – the definition varies by sector – and this is an important plank in the investment case. They are a hallmark of most of the REITs in this report. We would include all "secure income" REITs, bar the PBSA REITs.

High exposure to CPI/RPI linkage

We estimate – based on results announcements, company-issued factsheets and presentations – that nearly 50% weighted and nearly 60% unweighted income from these "secure income" REITs is linked to CPI or RPI. This type of income stream may prove appropriate for investors seeking income as part of their household finances.

Where the REITS invest

REIT	Commentary and selected statistics overview
Assura (AGR)	AGR invests in UK primary medical assets; it is of a slightly smaller lot size than PHP and includes an element of development.
Civitas Social Housing (CSH)	CSH invests in higher-acuity adult care and in supported housing, providing life-time secure, bespoke configured buildings, each with 5-10 flatlets.
Empiric Student (ESP)	ESP invests in PBSA focused on the mid-market across a wide range of institutions. COVID-19 stretches university finances.
GCP Student Living (DIGS)	DIGS invests in PBSA, involving an element of development and at the middle-/upper-end cost range, in South East UK. 14% of students are EU, 23% UK, 63% other overseas students. 30% are postgraduates.
Home (HOME)	HOME has been floated recently. It provides accommodation to the homeless, with funds derived from the government.
Impact Healthcare (IHR)	IHR invests in care homes, with a focus on funding the expansion of existing, successful operators' businesses.
LXi (LXI)	LXI invests in various "secure income" sectors. It has one of the strongest NAV uplifts of the more recent IPOs. The larger sectoral exposures include budget hotels, logistics and others. Over 95% income is RPI-linked.
Primary Health Properties (PHP)	PHP invests in UK primary medical assets, expanding into RoI. Its 23-year track record is the longest of its peer group, and each year has seen a dividend rise. In March 2019, it completed an all-share merger with the listed MedicX Fund.
The PRS REIT (PRSR)	PRSR invests in new-build, open-market houses to rent – almost exclusively to families. Rent is typically ca.35% of household income or less. Assets are bought at below vacant possession values.
Residential Secure Income (RESI)	RESI invests in UK social housing, with a focus on shared ownership, local authority housing and retirement housing. Its overarching characteristic is high covenant strength.
Secure Income (SIR)	SIR invests in budget hotels, leisure and other assets with long leases. It is 90% UK-exposed. To end-2019, its TSR was ca.20% (since IPO).
Supermarket Income (SUPR)	SUPR invests in supermarkets. Asset ranges of NIYs are wider in this "secure income" type than others. Supermarkets such as Tesco have, in the past three years, successfully coped with changes in the competitive landscape.
Target Healthcare (THRL)	THRL invests in care homes, exclusively purpose-built, modern, and all with en-suite wet rooms.
Triple Point Social Housing (SOHO)	SOHO invests in supported housing: life-time secure, bespoke configured buildings, each with 5-10 flatlets. It is similar to CSH, but focused somewhat more on purpose-built as new.
Tritax Big Box (BBOX)	BBOX invests in large-scale logistics hubs. It holds an amount of development land (ca.7.5% yield on development cost).
Urban Logistics (SHED)	SHED invests in "last-mile" logistics assets. Hands-on management and good purchase yields have delivered one of the strongest NAV uplifts of the more recent IPOs. Forward-funding is undertaken. It is growing well, post its recent equity raises.
Warehouse REIT (WHR)	WHR invests in "last-mile" warehouses/multi-lets: hands-on asset management and crystallising value uplifts.

Source: Hardman & Co Research

The average dividend yield is 4.8%

REIT description, share prices and dividends

REIT	Ticker	Investment focus	Share price, 13 March 2019 (p)*	Current share price (p)**	Historical dividend yield (%)	Prospective dividend position
Assura	AGR	Primary medical	57	75	3.7	Growth***
Civitas Social Housing	CSH	Social housing	98	104	5.3	Growth
Empiric Student	ESP	Student accomm.	95	60	4.1	50% cut
GCP Student Living	DIGS	Student accomm.	154	125	4.9	Cut
Home	HOME	Gov't funded housing	n/a	100	5.0	Growth
Impact Healthcare	IHR	Residential care	104	98	6.3	Growth***
LXi	LXI	Managed property	123	110	5.2	Growth***
Primary Health Properties	PHP	Primary medical	123	143	4.1	Growth***
The PRS REIT	PRSR	Open-market housing	102	72	5.5	Cut
Residential Secure Income	RESI	Social housing	93	88	5.7	Growth
Secure Income	SIR	Hospitals, leisure	405	240	6.1	Cut
Supermarket Income	SUPR	Supermarket grocers	102	102	5.7	Growth
Target Healthcare	THRL	Residential care	116	105	6.3	Growth
Triple Point Social Housing	SOHO	Social housing	101	107	4.8	Growth
Tritax Big Box	BBOX	Distribution centres	141	155	4.4	Growth
Urban Logistics	SHED	Urban warehouses	120	137	5.5	Growth***
Warehouse REIT	WHR	Urban warehouses	101	111	5.6	Growth***

All EPS figures are on diluted shares
**As of 19 March 2019 Hardman & Co Sector Publication, our first in this series, priced 13 March 2019*
***As of end-October 2020*
****Historical dividends 100% or more covered by EPRA EPS*
Source: Company reports & accounts, company forward guidance on dividends, Hardman & Co Research estimates

Since our last report (May 2020), we have revised our dividend prospect estimates:

- we have raised Target Healthcare from unchanged to growth;
- we have raised our Tritax Big Box estimate from modest cut to growth.

Note Home REIT is not included in the list above as it has not yet established a dividend paying track record.

Many of the REITs that have not cut dividends, and that we see as unlikely to do so, are trading on yields of over 5.5%.

REITs' individual prospects

Hardman & Co does not provide share price targets, and this report does not include forward estimates, other than commentary on prospects for sustainability of DPS growth. This commentary is based on Hardman & Co analysis and on statements made by REITs regarding dividends in their recent COVID-19-related regulatory news announcements.

PHP and Urban Logistics are clients of Hardman & Co.

REIT summary commentary

Quoted REIT	Description
Assura	Well-placed to deliver low-risk DPS growth, as rents are set to continue to rise in this sector.
Civitas Social Housing	No COVID-19 impact. Certain lessee problems in 1H'19, but leases have been novated. Model evolves.
Empiric Student	COVID-19 has hit hard. On the face of it, rents should grow, but the 2Q'20 shock is not fully resolved.
GCP Student Living	Same sector-macro issues apply to GCP Student as to Empiric. Overseas exposure.
Impact Healthcare	Well-placed: good asset yields and opportunities to grow collaboratively with high-covenant tenants.
LXi	Strong track record. Share weakness relates to blue-chip budget hotel exposure; this is overdone.
Primary Health Properties	Rents are continuing to accelerate. RoI expansion and falling costs of debt boost EPS too.
The PRS REIT	Undertakes no development, but DPS prospects are related to growth, and some delay may occur.
Residential Secure Income	COVID-19 events are neutral to positive. On balance, sheltered housing rental benefits.
Secure Income	Excellent track record is under rather a shadow, given the (blue-chip, long-lease) leisure assets.
Supermarket Income	Investors recognise COVID-19 as neutral to positive. Long term, there are also negatives at play .
Target Healthcare	Well-placed, securing good NIYs. The care sector has done well under historical funding restrictions.
Triple Point Social Housing	The same sector as Civitas. We prefer the asset mix: more purpose-built. No COVID-19 issues.
Tritax Big Box	COVID-19 has accelerated occupier demand. However, NIYs are relatively modest, and supply is rising.
Urban Logistics	COVID-19 accelerates demand. Excellent NIYs. Single-tenant letting. Chronic supply constraints.
Warehouse REIT	The same sector as Urban Logistics. WHR's assets are leased on a multi-tenant basis.

Source: Hardman & Co, based on company announcements, presentations and Report and Accounts

Home has just listed, and we have had no contact with this REIT as yet

We look at "security" or stability from the point of view of a UK investor. This rules out overseas markets, we believe. Exclusion of **Hansteen** and **Stenprop,** due to exposure to overseas markets (Germany, principally), thus follows in an inescapable, straightforward manner.

Tritax Eurobox noteworthy

Tritax Eurobox is also excluded, simply because it is non-UK in its specialism. It is considered that **Tritax Eurobox** offers strong security and growth, but its mandate is outside the remit of this report.

Yew Grove noteworthy

Yew Grove is excluded because it is a vehicle for investment into Republic of Ireland (RoI), exclusively. Its focus is interesting, being a high-quality covenant that is foreign direct investment (FDI)-led. Its investments are outside Dublin's central business district. We consider this a secure and growing income play, but it is outside the remit of this report. Rent collection in the recent quarter has been just shy of 100% on time.

Hardman & Co defines the relevant REITs as having long occupancy and either a focus on an individual asset class, which remains constant over time, or a strictly defined criterion for long-income investment. Annual direct-let PBSA REITs do not fit into these categories, so, in future, we will exclude them.

Planned changes to HSIRB in 2021

The REITs listed in this report – which replicate the universe in our March 2019 report – offer characteristics of long-term security of steadily growing income. We should reiterate the proviso that the PBSA REITs have questions to answer before continuing to be seen as secure. A major characteristic (not present in PBSA) is the length of the actual leases. Nearly all REITs listed benefit from WAULTs of 10 years or more. There are exceptions to the long WAULT element of investment characteristics.

Taking out:

- Empiric Student – short-term lets
- GCP Student – short-term lets

Adding:

- LondonMetric – rebalanced in 2019 and 2020 to logistics
- Tritax EuroBox – we now do not exclude Euro income REITs that are UK quoted.
- Yew Grove – we now do not exclude Euro income REITs that are UK quoted.

We turn briefly to LondonMetric (LMP). This REIT is "on the cusp" of being included in the REITs covered in this report.

Nearly 70% of income is from logistics assets, the majority being in our favoured asset class of "mid-box" urban logistics assets. However, almost 30% of income is in retail stores, convenience and leisure. There are some "roadside" assets. Six of the top 10 tenants comprise large stores or cinemas. The report may perhaps be too backward-looking here. LondonMetric is a growth REIT, deploying proceeds of equity raises (the most recent on 7 May 2020) into the logistics arena. Its leases' WAULTs are longer than those of Urban Logistics or Warehouse REIT.

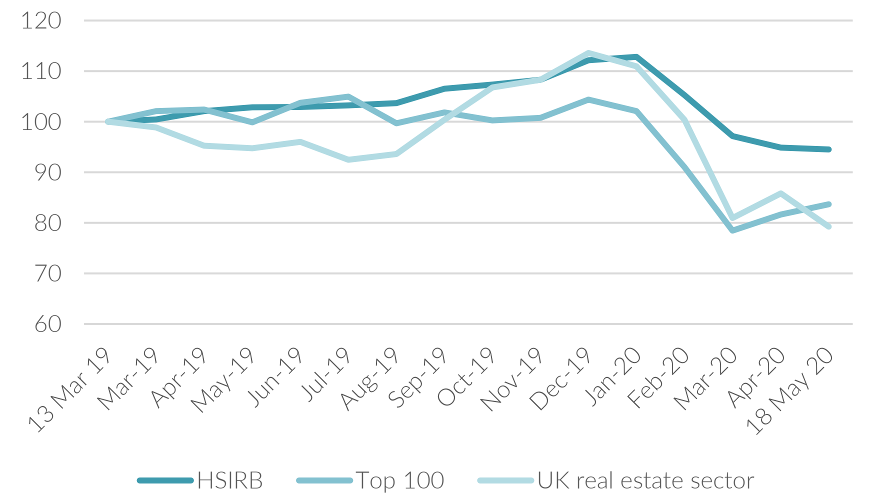
Tritax EuroBox invests in long-lease "big-box" logistics in Continental Europe.

Yew Grove invests in offices and logistics in RoI. Tenants are high-covenant, and the rent collection through 2020 has been 98% on time and 99% plus paid in full.

Looking back to previous reports

Between the period of our first report of March 2019 and the May 2020 update, the performance of the basket – not unsurprisingly – showed strong resilience, even though, in absolute terms, capital values fell in our HSIRB.

Price performances since previous Hardman & Co sector research



Source: London Stock Exchange, Hardman & Co Research

Pricing and methodology

Throughout this report, pricing is as of end-October 2020.

The HSIRB is calculated on a market capitalisation-weighted basis. It is only calculated on end-month capitalisations. No account is taken of the small element of distortion created when new shares are issued at a discount or premium to prevailing market prices. Readers are encouraged to contact Hardman & Co for the data set.

Details on individual REITs

Assura

www.assuragroup.co.uk

Ticker: AHR		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
75	78	3.7

Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** Finsbury.
- **Next anticipated announcement:** Trading update, January 2021.
- Assura owns a UK portfolio of primary medical assets. These assets are local community health hubs. Leases, contractually, are upwards-only, paid by the government, effectively. Primary health assets benefit from 100% government income. 15% of income is from allied assets with a strong income backing (much of it being pharmacies).
- 2,664m shares.
- 2.76p historical dividend, 3% growth vs. prior year.
- **Most recent announcement**: October trading update.

£80m acquisitions were made 1H'20, and £23m disposals. The immediate development and acquisition pipeline stands, most recently, at £155m. An oversubscribed Social Bond raised £300m at 1.5%, vs. a 4.75% bond being redeemed a year early.

- **Hardman & Co comment:**

NAV and dividends are growing. This is a robust sector and, with falling long-term interest rates, there is a rationale for rising valuations on assets where income streams are especially secure. All rent collection has been, and is set to continue, on time. All facilities are physically occupied. Voids effectively stand at nil. The REIT benefits from government-backed income. Rents are upwards-only, with rises estimated at 2%-3%.

Civitas Social Housing

www.civitasreit.com

Ticker: CSH		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
104	91	5.3

Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** Buchanan.
- **Next anticipated announcement:** Trading update, November 2020.
- Civitas invests in purpose-built or significantly adapted properties for the delivery of mid- to higher-acuity care. Leases are upwards-only, paid by housing associations who, typically, will have been the former owners of the assets. Income ultimately is derived from government housing benefit. More than one third of the portfolio by rent roll is supported by back-to-back 25-year leases, written by care providers to Civitas housing association partners in higher-acuity stock.
- 622m shares.
- 5.3p historical dividend, 2% growth vs. prior year.
- **Most recent announcement:** August trading update.

Small NAV growth was achieved to June, and mandated "market uncertainty" clauses were removed earlier than other asset classes. The net initial yield (NIY) is stable at 5.3%. There is a significant strategy evolution – now, one third of assets are in mid- to higher-acuity care assets. A year ago, all assets were supported housing.

- **Hardman & Co comment:**

NAV and dividends are growing, and all rent collection has been, and is set to continue, on time. All facilities are physically occupied. Voids effectively are nil. This is government-backed income from housing benefit, but the covenant is principally with housing associations. Rents are upwards-only and CPI-linked.

Empiric

www.espreit.com
We no longer include Empiric in our Basket

GCP Student Living

www.gcpstudent.com
We no longer include GCP Student in our Basket

Impact Healthcare

www.impactreit.com

Ticker: IHR		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
98	108	6.3

Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** Maitland.
- **Next anticipated announcement:** Trading update, January 2021.
- The portfolio comprises care homes, and the landlord works closely with a tight care home operator tenant base – investing to underpin delivery of expansion plans. It is there for a specific purpose, expanding with the tenants.
- 319m shares.
- 6.2p historical dividend, 2% growth vs. prior year.
- **Most recent announcement:** October trading update.

NAV growth continued to September, rising 2% last quarter alone. Loan to value (LTV) is 21% (post acquisitions). This is a robust balance sheet, and 100% rent is being paid on time. Rents are upwards-only, with WAULT at 20 years.

- **Hardman & Co comment:**

Asset values and rent collection encourage, but there is some risk in the financial strain arising in the care-home tenants' own sector. The choice of tenants is encouraging, but the wider sector's financial strain is something to watch. Naturally, the exposure is not to lock down risk but, rather, the running costs. Labour availability and price had been a sector issue, but are unlikely to be so from here. All facilities are physically occupied. Voids are effectively nil.

LXi

www.lxireit.com

Ticker: LXI		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
110	140	5.2

Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** Maitland.
- **Next anticipated announcement:** Interim results, November 2020.
- The remit is long-income. LXi invests across a variety of UK asset classes, but the common theme is 20 year-plus leases, with RPI escalators and based on relatively affordable rents. LXi's progressive dividend has been covered by net recurring earnings each year since IPO.
- 521m shares.
- 5.8p historical dividend, 4% growth vs. prior year.
- **Most recent announcement**: October trading update.

A minority of assets are in the hospitality sector, but tenants are high-quality and making payments. 97% of the rent due at the end of September was paid on time, albeit there are some rent deferrals, with no rent reductions conceded. Updates in September and then October raised dividend guidance. The past six months have seen 41 rent reviews, with, on average, 2.1% annual rises agreed. 96% of the leases pay fixed or RPI-linked uplifts. WAULT is long at 22 years, with LTV at a modest 20%.

- **Hardman & Co comment:**

Current guidance for next quarter's dividend is 1.44p, and this run-rate would be just ahead of peak dividends in 2019/20 of 5.75p – an outcome better than many anticipated six months ago. NAV to March 2020 rose 9%; with COVID-19, NAV may reduce modestly in forthcoming results – but still to levels above those of March 2019. The average acquisition NIY is 5.8%, and the valuation yield is 5.0%. The portfolio is 100% pre-let, but hospitality assets – totalling 24% of the portfolio – are obviously operationally strained. These are budget hotels, which is a sector we consider to have among the least-worst prospects across the hospitality sector – and with a strong tenant, with a good relationship with the landlord.

Primary Health Properties*

www.phpgroup.com

Ticker: PHP		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
143	158	4.1

**Hardman & Co client*
Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** Buchanan.
- **Next anticipated announcement:** Final results, February 2021.
- The UK and RoI portfolio is made up exclusively of primary health assets. These assets are local community health hubs. Leases, contractually, are upwards-only, paid by the government, effectively.
- 1,315m shares.
- 5.9p historical declared dividend, 5% growth vs. prior year.
- **Most recent announcement:** July interim results.

NAV growth continued to June in a small way, but this is a long-term steady, positive trend. The mandated "market uncertainty" valuation clauses were removed earlier than other asset classes. NIY of 4.8% is stable vs. prior results. Earnings are rising, due to rent rises and refinancing debt to lower rates.

- **Hardman & Co comment:**

Dividends have risen each year since IPO, and current growth rates are in the highest decile in the UK real estate sector, we calculate. Metrics are growing, and all rent collection has been, and is set to continue, on time. All facilities are physically occupied. Voids effectively stand at nil. PHP benefits from government-backed income, and rents are upwards-only, with rises estimated at 2%-3%. The rate of increase is speeding up. WAULT stands at over 12 years, but these are assets in high demand, and hubs for the community are in particular long-term demand. NIY is not far below that applied to riskier assets. Here is a REIT where dividends are safe and rises are really baked in.

The PRS REIT

www.theprsreit.com

Ticker: PRSR		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
72	92	5.5

Source: Company, Bloomberg, Hardman & Co calculations

- **IR:** KTZ.
- **Next anticipated announcement:** Interim results, March 2021.
- The PRS REIT buys open-market housing to rent. Typically, it buys from the developers, providing them with certainty and cashflow early in their project, thereby securing a discount for The PRS REIT. Half of its sites are in the broadly defined Liverpool-Leeds axis. The PRS REIT does not undertake development, but takes letting risk. Its IPO was in May 2017.
- 495m shares.
- 4.0p historical dividend, 20% fall vs. prior year.
- **Most recent announcement:** October final results.

All rent is being collected on time in this open-market family rental investor. Last year to June, PRS REIT, for its first year, achieved a £0.6m cash-positive income for the year – after interest and all overheads. This comes after a £0.1m negative for the six months to December 2019.

- **Hardman & Co comment:**

The continued improvement in the difficult six months to June was modest. Growth will continue, but investors are frustrated by the modest pace. 2021 will see significant acceleration, with the deployment of capital into developments that are under way. Rents did very well earlier this year, and we anticipate like-for-like growth again this autumn. Happily, much of the stock is houses with gardens, but like-for-like rent growth in 2021 is not assured. Longer term, the discounts that PRS REIT pays its developer partners for its assets are attractive, but high exposure to the north-west of England has become a worry as a result of COVID-19. The model is an attractive one long term, but there are headwinds.

5,300 new homes is a firm number to be delivered. The ca.£52m estimated recovery value (ERV) from this stock would equate to ca.£43m post non-recoverable property costs. Post fees and interest, the EPRA EPS would, in due course, rise towards 5.5p per share.

Residential Secure Income

www.resi-reit.com

Ticker: RESI		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
88	98	5.7

Source: Company, Bloomberg, Hardman & Co calculations

- **IR:** FTI.
- **Next anticipated announcement:** Final results, November 2020.
- The investments are all in UK residential assets, in three asset-class types. Each class has – for its own reasons – high covenants underpinning the rental streams. Lease lengths vary.
- 171m shares.
- 5.0p historical dividend, 66% growth vs. prior year.
- **Most recent announcement:** May interim results.

1.4p EPRA EPS income (for the half year) is part of a growth curve, as funds are still in the process of being deployed. There was a small reduction in NAV. 100% of the rental income has been paid on time.

- **Hardman & Co comment:**

86% of rental income is subject to inflation-linking. However, much of the portfolio has a lease length open to the tenant taking a decision to vacate the property. LTV is at 36%, but further investment is planned, as the target is leveraged up to 50%. This reflects the view – which is justifiable – that the assets are high-quality covenants. Tenants are highly unlikely to fail to pay rent, given both the legal structures and the nature of tenants of sheltered housing. At this 50% level of gearing and current investment yields, the dividend should achieve full cover.

Secure Income

www.secureincomereit.com

Ticker: SIR		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
240	430	6.1

Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** FTI.
- **Next anticipated announcement:** Final results, November 2020.
- The REIT invests across a number of asset classes. The strategy is to secure long leases with high-covenant counterparts, and escalating on an indexed basis. It so happens that exposure to leisure and hospitality is currently the largest component of several sectors.
- 324m shares.
- 14.6p historical dividend, 12% cut vs. prior year.
- **Most recent announcement**: October trading update.

Rent due is 100% up to date, but there have been rent reductions and deferrals. These will last this year and next. Interim results indicated a 20% valuation reduction in the budget hotels held and an overall 6% fall in the portfolio value.

- **Hardman & Co comment:**

WAULTS are long, at 20.8 years, counterparts are strong, and nearly all rents are index-linked. A total of £24m rents have been cancelled, which is far less than the share price impact relative to other share prices in this report. However, this has been a shock – as was the cumulation of a public statement over the Credit Valuation Adjustment (CVA) in the hotel tenant, Travelodge. This REIT has significant potential, but a large minority of its assets are not ideally placed in a COVID-19 economy, and time is needed to become comfortable with determining valuations. Ignoring the temporary rent reductions, the NIY is 5.3%, which may give little scope for valuation increases from here. That said, this equates to an NAV of 386p per share, so, at the current share price, the assets would be on a yield equivalent of 7.0%, which does seem attractive. We were cautious on the positioning in our previous publication.

Supermarket Income

www.supermarketincomereit.com

Ticker: SUPR		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
102	109	5.7

Source: Company, Bloomberg, Hardman & Co calculations

- **IR:** Tavistock.
- **Next anticipated announcement:** Interim results, February 2021.
- Investment is into UK supermarkets, principally ones used for internet fulfilment, as well as visits to stores; i.e. "omnichannel".
- 665m shares.
- 5.8p historical dividend, 3% growth vs. prior year.
- **Most recent announcement**: October rent update.

100% of rent (again) has been collected on time. £200m was raised in an oversubscribed equity issue in October, following £140m in April 2020 and £100m in October 2019. NIY stands at 5.0%. Portfolio values (like-for-like) rose 4.6%, and there is every indication of further rises, with the benefit of index-linked long leases.

- **Hardman & Co comment:**

As the REIT has issued equity several times, and this has had a cash drag impact, so the EPRA EPS for the year to June 2020, for example, is the same as for the year to 2019. Yet £189m assets have been acquired post year-end. Further, EPRA cost ratios are anticipated to fall notably this year. Clearly, supermarkets are trading well (spring 2020 UK sales up 17% year-on-year), but, importantly, the physical stores are integral to both click and collect and also collating client delivery requirements with an efficient use of space.

Target Healthcare

www.targethealthcarereit.com

Ticker: THRL		
Share price: current (p)	Share price: end-2019	Historical dividend yield (%)
105	117	6.3

Source: Company, Bloomberg, Hardman & Co calculations

- **IR:** FTI.
- **Next anticipated announcement:** Interim results, March 2021.
- Investment is into UK care homes. Leases are particularly long and are indexed.
- 457m shares.
- 6.68p historical dividend, 2% growth vs. prior year.
- **Most recent announcement:** November trading update.

90% of latest rent has been collected on time, with the delay stemming principally from one tenant, where an improvement is under way. 95% of March and June rent is collected. Rent cover of mature assets (tenant EBITDA as multiple of rent) remains unchanged, at a 1.6 multiple. As of 6 October: "The reduction in occupancy levels of the underlying tenant operators as a result of lockdown, which restricted viewings and new resident uptakes, are now being substantially matched by new enquiry levels."

- **Hardman & Co comment:**

Investment is into UK care homes – fit-for-purpose, modern real estate. Leases are particularly long and are indexed. WAULT is 29 years. A dividend rise is proposed by the board for 2021, which is a very important confirmation. Albeit modest, this rise is important, given the prior equity raises and subsequent investment boosting 2021 (year-end June) and particularly 2022. There is a demographic annual rise in demand of 3%. The move to modern, purpose-built assets, 95% with wet rooms (as in this portfolio, vs. 26% market-wide), is evident, but 2020 has been full of disruption, so proposed dividend rises provide reassurance about the bridge across this difficulty. The EPRA EPS dividend is fully covered, although this measure is above the cash run-rate. Nonetheless, we anticipate rising EPRA EPS as capital is deployed, raising the historical 18% LTV. We see the portfolio quality as second to none.

Triple Point Social Housing

www.triplepointreit.com

Ticker: SOHO		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
107	92	4.8

Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** n/a.
- **Next anticipated announcement:** Final results, March 2021.
- The REIT invests exclusively in supported housing. This constitutes clusters of self-contained flatlets configured for adults with special needs, receiving care. Leases are upwards-only, paid by housing associations, which, typically, will have been the former owners of the assets. Income ultimately is derived from government housing benefit.
- 403m shares.
- 5.1p historical dividend, 2% growth vs. prior year.
- **Most recent announcement:** September interim results.

£55m in new equity has been raised since the last trading announcement. This was a strong start to a £70m target for the subsequent 12 months. Regularly, 97% to 100% rents have been collected on time. 1H'20 saw NAV move sideways, but EPRA EPS still lags dividends, now by a reduced 18% gap. As equity is deployed – £30m was invested in 1H'20 – full cover is set to be achieved. It was set to be fully covered by end-2020, but more equity has been raised. 5.3% is the level of portfolio NIY, a portfolio acquired on 5.9% NIY.

- **Hardman & Co comment:**

NAV and dividends are set to grow, and the robustness of the portfolio under COVID-19 is clear. All assets are occupied as well as being on-rent. Rent derives from government housing benefit via housing associations. WAULT is 25 years, with all rent index-linked. The REIT has a significant number of assets totally purpose-built, as opposed to converted. As the REIT states (interim statement), "Since inception, the Group has started or completed 22 forward funding projects. These provide the Group with some of the highest-quality and best valued properties in its portfolio."

Tritax Big Box

www.tritaxbigbox.com

Ticker: BBOX		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
155	148	4.4

Source: Company, Bloomberg, Hardman & Co calculations

- FTSE 250 constituent.
- **IR:** Maitland.
- **Next anticipated announcement:** Trading update, February 2021.
- Tritax Big Box invests in distribution hub depots of the largest size (up to and beyond 500,000 sq. ft.), which are used partly to fulfil e-commerce requirements of tenants. It also – uniquely in this selection of REITs in our report – undertakes development at its own risk as a core, albeit smaller, portion of capital deployed.
- 1,707m shares.
- 6.85p historical dividend, 2% growth vs. prior year.
- **Most recent announcement:** October trading update.

89% of rents were paid on time, and 100% is anticipated to be collected at some stage soon. Historical rent renegotiations have resulted in 8% rent rises. By end-2021, 40% of the portfolio is subject to rent reviews, which is strongly positive news. EPRA cost ratios are among the lowest we see: 14.1% achieved. WAULT is 14.1 years and LTV is 31.8%. The asset values rose through 1H'20.

- **Hardman & Co comment:**

The share price is up on the year, but it has been a volatile path this past 12 months. In April, the board stated that COVID-19 "has resulted in a slowdown in the occupational markets and increased the likelihood of delays in areas such as planning and construction." As such, the board withdrew its forward dividend target (which had been 7.0p). This unnerved the market, in part because it highlighted the importance of new-build to the prospects. Unlike other REITs in this report, capturing the yield premium available for taking on development risk is an essential part of Tritax Big Box's model. NIYs for developers stand at between 6% and 8%. Take-up over the first nine months of 2020, at 32.6m sq. ft., has surpassed previous annual historical levels, and is ca.3% above 2018's previous annual record. The development risk cannot be set aside, but the demand rise that was ongoing has been given a major permanent boost in 2020, validating the board's development policy. Its assets and tenants are strong and in demand, but asset valuations are among the highest – so investor returns come less from income and more from development gain. One asset (Dartford, for completion mid-2021) is 2.3m sq. ft. Pre COVID-19, estimates were of new UK logistics space of between 65m and 155m sq. ft. by 2030, but the pandemic has accelerated the rate of adoption. Yield compression – boosting NAV – is ongoing. Typical NIY of 6.5% was the level of historical acquisition of the portfolio, but this is long gone. £134m assets have been sold in recent weeks. This part-funds future developments.

Urban Logistics*

www.urbanlogisticsreit.com

Ticker: SHED		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
137	145	5.5

**Hardman & Co client*
Source: Company, Bloomberg, Hardman & Co calculations

- **IR:** Montfort.
- **Next anticipated announcement:** Interim results, 12 November 2020.
- Distribution depots and warehouses owned are typically "last-mile" and of ca.50,000 to 100,000 sq. ft., located within the urban envelope. Each asset has one tenant.
- 255m shares.
- 7.6p historical dividend, 9% growth vs. prior year.
- **Most recent announcement:** October trading update.

Urban Logistics has secured two major equity raises in 2020. The past three rent quarters have seen 99%-100% rent collection. Vacancy rates range between nil and 3%, and rent increases of 3.4% were achieved. Asset values rose 4.6% in the previous year, driven entirely by asset management value-added and rent rises. The portfolio is on a 5.6% NIY. Recent acquisitions have been secured on NIYs at ca.6.5%. The REIT has a policy of recycling capital from certain assets.

- **Hardman & Co comment:**

Not only was the pre COVID-19 strength of demand accelerated by the pandemic this year, but the annual take-up of 8.5m sq. ft. in the "last-mile" UK logistics sector last year is well above a predicted supply of 2.5m sq. ft. this year and similar next year. Warehouse supply is down 30% since 2012, and it is increasingly surprising that rents are only rising at ca.3% p.a. The risk is on the upside. Within this, Urban Logistics' portfolio stands out in that average vacancy rates in the sector are ca.6% – a low figure, but not as low as those for Urban Logistics. Thus, this sub-sector appears particularly well placed for rent rises and a WAULT like Urban Logistics', of 4.9 years, is a positive factor in an environment of rising market rents.

HARDMAN&CO.

Warehouse

www.warehousereit.com

Ticker: WHR		
Share price: current (p)	Share price: end-2019 (p)	Historical dividend yield (%)
111	110	5.6

Source: Company, Bloomberg, Hardman & Co calculations

- **IR:** FTI.
- **Next anticipated announcement:** Final results, June 2021.
- Distribution depots and warehouses owned are typically "last-mile" and of ca.50,000 to 100,000 sq. ft., located within the urban envelope. Each asset has multiple tenants.
- 379m shares.
- 6.2p historical dividend, 3% growth vs. prior year.
- **Most recent announcement:** November interim results.

The 3.1p interim dividend was up 3%, and the REIT is on target for at least a 6.2p dividend for the year – unchanged through the cash effect of the July major fund raise. This capital will be deployed by end-December. EPRA NAV was 118.4p, vs. 109.5p. There was a 1H'21 like-for-like value uplift of 6.6%. 94% occupancy was registered, plus 2% under refurbishment or under offer. Lease renewals, at 28% above passing rent, benefit the bottom line promptly, with WAULT of 5.8 years. The NIY was 5.5% on acquisitions, and is 5.9% on the overall portfolio. One of the re-gears was, impressively, at 25% above ERV. Warehouse market-wide take-up for the first three quarters of 2020 exceeds the 2016 peak whole year.

- **Hardman & Co comment:**

There is strong reversionary potential, and rent rises are strong – so dividend prospects are also strong. There is yield compression in this sector. The 9.5% total accounting return in the six months is a stand-out ratio, with good momentum going ahead. The 1.9% like-for-like rental growth is set to continue or accelerate. Collection is, by now, over 96% on prior quarters, with 88% on the most recent, with good ongoing collection. LTV was 20% at end-September as a result of equity having been raised, but there is a good pipeline to deploy, with LTV set to rise to 35%. Rents are set to rise as well. There are good asset management and new development opportunities, and running yields are attractive.

Risks

- Real estate, by its nature, has risks of ownership, but a crucial series of risks comes from the liabilities side of the balance sheet.

- Refinance risk (when lines of credit mature) is minimised if the borrower has a wide range of possible sources of finance. Accounts state all finance break/termination dates. By their nature, assets with long-term, relatively secure (high-covenant) income streams will be preferred by lenders.

- Fixing interest costs may prove onerous if the rate struck proves to be above future market rates. However, this does not affect the cashflow beyond what was budgeted when the debt was taken on. We consider this risk scenario as unlikely.

- If RPI is low (say, well below 2%), some REITs with CPI- and RPI-linked leases would be solid, but unexciting if they did not develop other strategies. We expect quite the reverse, however, with increasingly heightened investor interest in RPI-linked assets. This will likely be reflected in asset prices well ahead of the potential future acceleration in RPI.

- Sustained long-term house price weakness would have an impact on PRS REIT and Residential Secure Income, but this would be less than the "headline" indices would show. The drivers are strong rental covenants, amply illustrated by reported rent collection, and value for money.

- The younger REITs are still in the investment phase. Many (the 2017 IPO cohort) have invested all equity, and are now investing debt finance. This steadily reduces "cash drag." However, with £2.2bn extra having been raised since May 2018, many REITs are experiencing a cash drag. Much investment is via forward-funding of new assets or by acquisition in company structures. Where this is not the case, purchase costs can reach 7%.

- REITs listed here undertake no (or very limited) development risk. Some (e.g. Tritax Big Box) are now enhancing their NIYs through undertaking their own development. This has some risk, but it does not rely on selling the asset created to a third party.

- Naturally, all the REITs rely on their tenants paying rent. Nonetheless, in terms of accounting *transparency*, this is all very clear. Either they pay or (in a *de minimis* number of cases) they do not. Yet, this simple state of affairs is becoming slightly muddied, with bespoke deals struck with tenants to defer or forgive. Sometimes, this is under pressure from third parties, such as – indirectly – the government.

- Not all REITs here are COVID-19-immune.

- Some REITs, we estimate, will not be financially affected by COVID-19, but they would be if government funding were not advanced to operator tenants. This is the case, for example, in the care home REITs.

- "De-urbanisation" may be a big, slow-burn theme of the decade. We do not consider this to negatively affect REITs here, but some of the consequences could take time to emerge.

- If there is a rapid and sustained recovery in the UK economy, thereby raising prospects and rents across GDP-related sectors, some REITs with a wider investment style may outperform.

- Rather than concern about the outlook being more bullish than anticipated, we fear a return to a deeper "risk-off" scenario, maybe if extended lockdowns have to return. We believe the sector would generally do well under such a scenario, but some investors may look at wider asset allocation and see the Yen or Dollar as a strategic safe haven. In this case, it is worth noting that we are specifically choosing Sterling income plays. It should be kept in mind that other, large, quoted real estate REITs have significant exposure to asset classes, such as London city offices and retail, which would appear to be under even more pressure post COVID-19.

About the author

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Mike covers a wide range of clients in the Support Services, Building and Property sectors. He spent his early career working in fund management with British Rail Pension Fund and Eagle Star Investment Management. He then spent two decades in sell-side research at several firms, including Peel Hunt and Crédit Lyonnais. He has covered sectors including Construction, Support Services and Real Estate. In his fund management career, he was responsible for both bond and equity portfolios.

Mike was part of the group of investors that acquired Hardman & Co in late 2012. He holds a BA (Hons) in Geography from the University of Cambridge.

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The full detail is on page 26 of the full directive, which can be accessed here: http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf

In addition, it should be noted that MiFID II's main aim is to ensure transparency in the relationship between fund managers and brokers/suppliers, and eliminate what is termed 'inducement', whereby free research is provided to fund managers to encourage them to deal with the broker. Hardman & Co is not inducing the reader of our research to trade through us, since we do not deal in any security or legal entity.

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