

# Urban Logistics Reit PLC

04:00 26 Jun 2019

## Urban Logistics' last mile strategy in good shape as fulfilment demand grows

Investors have become familiar with the big box warehouse story but they seem to be overlooking the arguably even stronger case for Urban Logistics Reit PLC (LON:SHED).

Urban Logistics focuses on the last mile of the logistics supply chain, which means its properties are smaller than the huge depots dotted around the country's motorways.

### Watch: Urban Logistics CEO hails security of income and quality acquisition pipeline

That does not mean they are less in demand, however, far from it.

Total returns (dividends plus asset growth) by the trust over the past three years have been 17.7%, 10.9% and 19.1% respectively.

That's more in line with a tech company than a property trust and reflects both the growing demand for e-commerce fulfilment but also a structural shortage of good logistics properties says Richard Moffitt, the trust's chief executive.

Some 8.5m sq ft of space was acquired in the UK in 2018 in the under-200,000 sq ft category.

### Chronic shortage of logistics space

That, though, compares with new build development running at 2.5m sq ft, which amounts to a 'chronic shortage' and something likely to keep the market for good quality logistics bases buoyant for some time.

Urban's portfolio comprises 34 properties currently with a size of between 90-000-100,000 sq ft on average.

Leases are six years on average but Moffitt says tenants have been in situ for up to 19 years.

Research suggests it can cost £4m to shift a logistics base so as long as the buildings are in good shape there is a substantial disincentive to move.

### Strong tenant base

Urban Logistics also has a strong base of tenants ranging from logistics giants DHL and XPO to retailers Sainsbury's, Boots and Travis Perkins.

Solidity is key to the portfolio, which is fully let, and that explains why there are no fashion retailers on the tenant roster.

Moffitt is bullish on prospects for property demand at Urban's end of the market.

"We are a B2B business," he says and points to the US where the market is growing exponentially.

**Price:** 140.175

**Market Cap:** £264.39 m

#### 1 Year Share Price Graph



#### Share Information

**Code:** SHED

**Listing:** LSE

**52 week High Low**  
155.496 95

**Sector:** Aerospace

**Website:** [www.urbanlogisticsreit.com](http://www.urbanlogisticsreit.com)

#### Company Synopsis:

Urban Logistics was set-up in April 2016 and listed on the AIM market of the London Stock Exchange as Pacific Industrial & Logistics.

action@proactiveinvestors.com

"The US is 4-5 times ahead of where we are currently, so there is a long way to go yet."

### **Brexit buffer**

Even so, Urban is structured to deal with potentially tougher conditions in a post-Brexit Britain.

Properties are valued at 30-70% of the rebuild cost, which gives a good buffer if there is a stickier period ahead.

The trust has also proved adept at raising the rents on properties it has acquired and Moffitt believes there is plenty more of this reversionary uplift to come from within the portfolio.

In May, for example, Urban sold a property in Bedford for £9.2m generating a total return on its purchase cost of 74%.

When it acquired the property, rentals were about £4.24 per sq ft but at the time of its sale had risen to £6.26 or more.

### **NAV rising**

In the year to March, its net asset value on a reversionary basis (EPRA) - ie. based on market comparable rents - rose by almost 12.6% to 138p.

The share price at 122p currently sits at a 12% discount, while the market cap is £109m, a figure Moffitt wants to increase to £500m eventually.

Income is a key part of the trust's plans.

Urban Logistics committed to paying a 6% yield based on the 100p price when it joined AIM in 2016, but has done better than that recently.

The trust paid out 7p in the year to March just ended to give a dividend yield of 5.7% currently, even with the handy rise in share price since it listed.

### **Sector nous**

Moffitt is confident that Urban can continue to find good locations to acquire and improve.

He and his fellow manager Christopher Turner hail from the property tycoon Sir John Beckwith's Pacific Capital Group and have extensive experience of the logistics sector.

"We have been involved in logistics for 20 years and know most of the market, owners of logistics real estate, operators and developers.

"As logistics has become more and more popular other are muscling in, but we have been at it a very long time and know where the good assets are."

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

### No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.