

Acquisition

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LXI REIT PLC
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LXi REIT plc

(the "Company" or "LXi REIT")

£8.28M FORWARD FUNDED PRE-LET INVESTMENT IN A NEW TRAVELODGE HOTEL, STARBUCKS COFFEE SHOP AND SUBWAY RESTAURANT DEVELOPMENT IN SWINDON, WILTSHIRE

The Board of LXi REIT plc (ticker: LXI) is pleased to announce that it has exchanged contracts to provide forward funding for the development of a new Travelodge hotel, drive-through Starbucks coffee shop and drive-through Subway restaurant (the "Property") in Swindon, Wiltshire.

The development represents an investment of £8.28 million, reflecting a net initial yield of 5.8% on the asset acquisition (net of acquisition costs to the Company).

Upon practical completion, which is targeted for June 2018, the new development will comprise of:

- a 70 bedroom hotel pre-let to Travelodge Hotels Limited, the principal trading company of the Travelodge group, the UK's largest independent hotel chain with more than 520 hotels and over 38,000 guest bedrooms. This will account for 73% of the total property value on a new 25 year lease (with no tenant break right), subject to five yearly upward only, index-linked rent reviews (collared and capped at 0% p.a. and 4% p.a. compound);
- a 1,800 sq ft drive-through coffee shop pre-let to Starbucks Coffee Company (UK) Limited, the principal UK trading company of the Starbucks Corporation. With stores around the globe, the company is the premier roaster and retailer of specialty coffee in the world. This will account for 21% of the total property value on a new 15 year lease (with no tenant break right), subject to five yearly upward only, index-linked rent reviews (collared and capped at 1% p.a. and 3% pa compound); and
- a 1,250 sq ft drive-through restaurant pre-let to Subway Realty Limited, the UK property holding company of Subway, the world's largest single-brand restaurant chain with over 44,000 restaurants. This will account for 6% of the total property value on a new 15 year lease (with a break right at years 6 and 11), with upward only open market rent reviews.

The Property is well located on Great Western Way, one of the main arterial routes into central Swindon, approximately one mile to the west of the town centre. Swindon is a large town in Wiltshire, South West England, midway between Bristol and Reading.

It is strategically located adjacent to the M4 motorway with good rail connectivity to London and a broad range of significant employers, including major manufacturing plants for Honda and BMW/Mini, as well as head office functions for Npower, Nationwide Building Society and Intel's main site in the UK. Other local occupiers include John Lewis At Home, Next Home, B&Q and Lidl.

The Travelodge and Starbucks pre-lets have exchanged and the Company is acquiring the land and forward funding on a fixed-price basis. Completion of the purchase is subject to receipt of planning consent (expected in early July) and exchange of the Subway agreement for lease (which is in advanced legals). The developer will pay the Company a licence fee during the construction period.

The Company is not developing the site or assuming development risk. The acquisition is being funded from equity resources, with senior debt finance expected to be introduced in the near term.

Simon Lee, Partner of LXi REIT Advisors Limited, commented:

"We are pleased to provide the forward funding for this attractive, long-let and index-linked hotel and leisure development asset, which benefits from a strong location and residual value.

The Company has now deployed 65% of its net equity across eight assets at a blended net initial yield of 5.7% and with a long weighted average unexpired lease term to first break of 23 years, since Admission on 27 February 2017. We are also in solicitors' hands or under offer on a number of additional transactions, across a wide variety of different sectors, which will fully absorb the balance of the Company's net equity and which meet the Company's investment criteria."

For further information, please contact:

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NOTES:

The Company intends to become a real estate investment trust ("REIT") and invest in UK commercial property assets let, or pre-let, on very long (typically 20 to 30 years to expiry or first break), inflation-linked leases to a wide range of strong tenant covenants and will look to invest across a diverse range of target sectors. LXi REIT may invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. LXi REIT will not undertake any direct development activity nor assume direct development risk.

LXi REIT is targeting a minimum annual dividend of 5 pence per ordinary share, starting from the financial period commencing 1 April 2018, with the potential to grow the dividend in absolute terms through upward-only inflation-protected long-term lease agreements, and is targeting a net total shareholder return of 8 per cent. plus per annum over the medium term.

The Investment Advisor, on behalf of LXi REIT, has already identified a substantial pipeline which should allow initial capital raised at the Company's IPO to be substantially invested or committed within six months following admission.

Further information on LXi REIT is available at www.lxireit.com.

This information is provided by RNS
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