Clipstone Industrial REIT plc

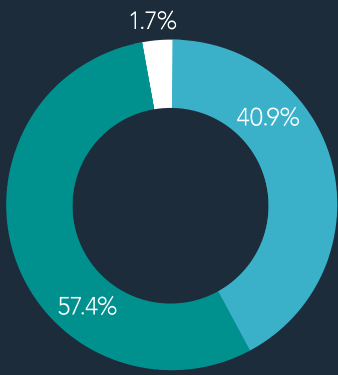
Investor Update – 31 March 2024

CURRENT STATUS OF THE FUND

Number of Properties:	36
Aggregate Value:	£296.1m
Net Asset Value per Share:	£1.7459
Portfolio Net Initial Yield:	5.3%
Portfolio Equivalent Yield:	5.8%
Portfolio Reversionary Yield:	6.0%
Total Passing Rent:	£16.4m pa
Total Headline Rent:	£16.7m pa
Passing Rent:	£10.48 psf
ERV:	£12.08 psf
Number of Units:	230
Number of Tenants:	180
Exposure to Largest Tenant: (shown as a percentage of total rent)	6.4%
Vacancy Rate:	4.4%
Loan to Value:	25.9%
Projected Dividends:	6.50p per share
Dividends at current NAV (£1.7459):	3.7%

PROPERTIES BY REGION

- London/M25*
- South East
- South West



*London / M25 includes properties within the M25 and within a circa 10-mile drive of the M25.

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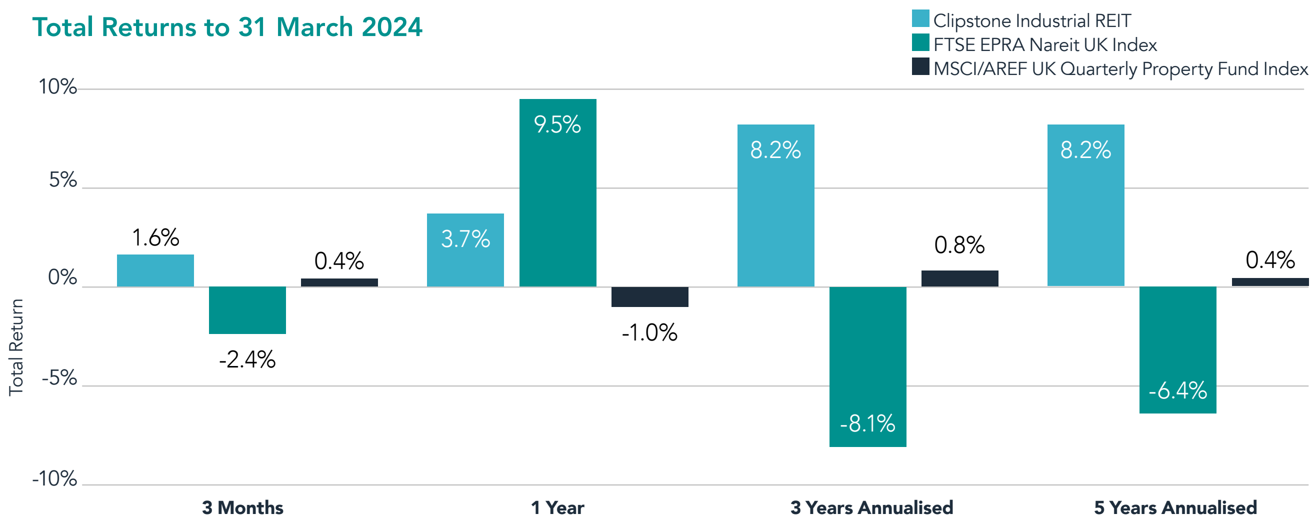
We are pleased to announce an increase in net asset value (“NAV”) to £1.7459 per share at the end of March, an increase of 0.7% over the NAV at the end of December 2023. Shareholders’ total return (NAV increase added to dividends paid) was 1.6% over the quarter and 3.7% over the last 12 months.

Since our launch in December 2014, shareholders have benefited from a cumulative total return of 128.5%. The Company has outperformed the broader property market over the most recent quarter and over the previous 3 and 5 years. The chart below shows the REIT’s performance versus both London-listed property stocks and the MSCI/AREF UK Quarterly Property Fund Index. The REIT has also been the fifth best performing portfolio in the MSCI UK Quarterly Property Index since joining in Q1 2019 (fifth out of 194 portfolios).

Total Returns to 31 March 2024



1 **The Investment Market**

The investment market for industrial property, and for commercial real estate generally, remains subdued. The lack of transactional activity continues, as many investors wait for clarity on market pricing and, in the main, sellers do not appear to be under immediate pressure to sell.

Knight Frank’s prime South East industrial yields (excluding London and Heathrow) stood at 5.25% for March 2024. With the 5-year swap rate currently at around 4.3%, plus a margin and arrangement fee to pay, it remains difficult for investors to buy prime South East industrials using debt and to generate positive income returns. At the same time, sellers are reluctant to sell below valuation. But where industrial properties are in attractive London locations and show near-term reversionary yields above the cost of debt, there are a number of funds and private equity houses willing to transact at initial yields below the cost of debt.

Whilst good quality London estates are trading at low yields, the market for secondary assets is less robust and the gap between prime and secondary yields is widening. Investors remain extremely cautious and where properties have issues, such as poor build quality or being located in areas with weak supply and demand dynamics, few investors are prepared to transact, and so pricing remains relatively uncertain. This trend supports our strategy of focussing on good quality, London and South East industrials and our belief that our sector will continue to outperform the wider industrial market.

To date, there remains limited pressure to sell from banks, so many landlords are happy to hold onto their properties in the hope that interest rates will drop. However, many refinancings are falling due in late 2024 or 2025 and, assuming rates remain elevated, many investors may find rental income insufficient to adequately cover revised interest payments and may look to sell assets, leading to more stock becoming available to buy. We are monitoring this situation carefully.

If interest rates drop this would encourage a number of buyers who continue to be attracted to the sector. However, if reducing rates coincide with a decline in the economic environment, or if indeed rates rise further, this may lead to a drop in occupier demand, increased insolvency rates and higher vacancies for landlords – which in turn would likely have a negative impact on the investment market. Whilst we are aware many tenants are under increasing financial pressure, to date we have not seen any material increase in insolvencies across our portfolio nor a deterioration in rent collection. For the current quarter rent collection is at 97%, and we anticipate to collect over 99% in due course. Where units become vacant we are able to let those units relatively quickly at improved rents, although completing lettings is taking longer and in some locations requires greater incentives. Further detail on the occupational market is set out below.

2 Occupational Market

The occupational market for South East industrials remains similar to the previous quarter. Occupational transactions continue to take longer than normal to complete, with tenants and their solicitors exercising caution. For good South East and London locations, there remains some on-going rental growth, but this has slowed from the growth we have witnessed over recent years. To date, we have not seen any evidence of rents dropping, save for a few new developments in London where landlords had pushed headline rents too hard and are having to backtrack to secure deals. Incentives are marginally increasing, but this tends to be in areas with there is more supply or on poorer located/quality units.

Enquiries in January looked positive, although the level of enquries appear to have tailed off in recent months. We are finding tenants are hesitant about moving into larger properties for cost reasons, but also due to concerns around the economic environment. Some tenants are seeking to downsize, with units in the range of circa 5,000 square feet being popular, whilst we are finding that smaller units (sub 2,000 square feet) are becoming difficult to let. One consideration for the smaller units is that as rents have increased, so have business rates, which significantly increases overall occupation costs, making it more difficult for new businesses to get off the ground.

Tenants are expecting vacant units to be refurbished. There is little, if any, demand for un-refurbished stock, even if offered at a lower rent to reflect the condition.

Whatever the short-run pressures, there remains an underlying shortage of industrial space across the South East. The positive aspect of economic uncertainty is that new development is much diminished which has the potential to add to further shortage in supply in the short to medium term. As shown in the table on the next page, we continue to complete lettings, rent reviews and lease re-gears at good levels, significantly above previous passing rents.

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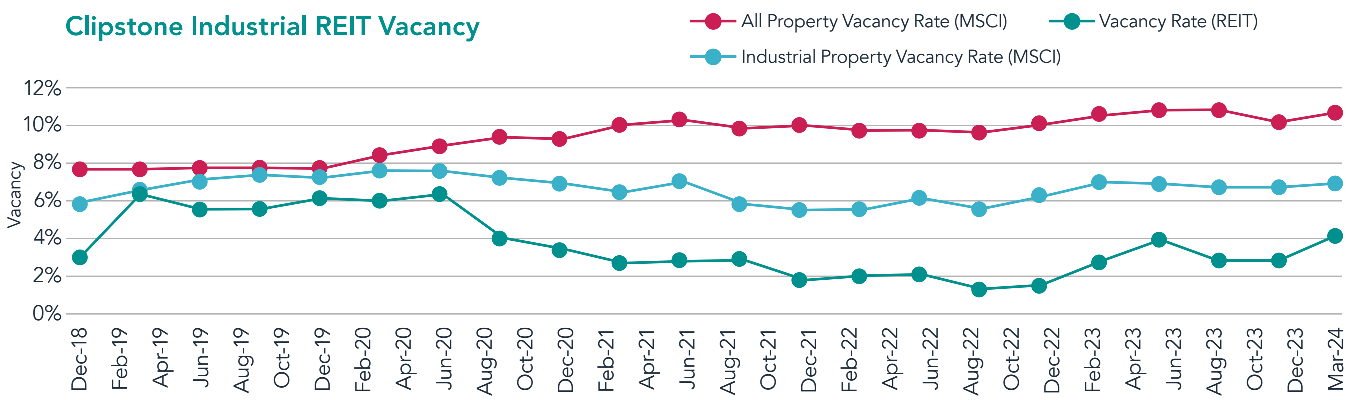
Investor Update – 31 March 2024 *continued*

Property	Date of Event	Event	Previous rent pa	New Headline Rent pa	Uplift
Welwyn	Mar 24	Lease renewal	£38,000	£58,050	53%
Banbury	Feb 24	Rent review	£49,500	£70,100	42%
Hailsham	Feb 24	Rent review	£39,000	£54,297	39%
Reading	Mar 24	New letting	£37,730	£45,276	20%
Optima Park	Mar 24	Rent review	£47,750	£55,692	17%
Optima Park	Feb 24	New letting	£94,974	£110,500	16%
Bracknell	Feb 24	Tenancy at will	£23,000	£26,500	15%

In order to secure tenants in today's more challenging occupational market the underlying fundamentals are critical: location, build specification, and high-quality refurbished units. We have always focused on location and quality of assets, which is particularly important during a period of weak economic growth. Un-refurbished properties in weaker occupational markets are likely to become increasingly difficult to let, and capital-expenditure-intensive.

In the December 2023 update we made shareholders aware that the void rate would increase to 4.6% due to a large vacancy at Crawley. Crawley is now vacant, although due to the lettings as shown on the table above, we were able to mitigate the void rate to only 4.4%, up from 3.2% at the end of December 2023. Although the void has increased, 4.4% is still a low vacancy rate and is significantly below market rates, as demonstrated in the chart below:

Clipstone Industrial REIT Vacancy



Our 4.4% vacancy constitutes 12 vacant units out of a total of 230 units. One of those vacant units was under offer at 31 March 2024 and has subsequently completed at an uplift of 26% over the previous passing rent.

3 Gearing, Stress Testing and Dividend

The Company's loan to value (LTV) stood at 25.9% on 31 March 2024, at the bottom end of our strategic range of 25% to 35%. We stress test our debt covenants at least quarterly. It would require falls in property values of over 36.9% to breach our LTV covenant on our long-term L&G debt; for our Barclays facility, a fall of 66.8% would be required. On our L&G facility rents could drop by 60.3% before breaching interest cover covenants and on our

Clipstone Industrial REIT plc

Investor Update – 31 March 2024 *continued*

Barclays facility by 31.8%. As 91% of our debt was fixed at the end of March, we are no longer at risk from rises in interest rates (and post-period we took out an additional swap meaning by the end of May 2024 100% of our debt is either hedged until April 2026 or fixed until July 2028).

On 13 May 2024 the Board declared the quarterly dividend at the annual dividend rate of 6.5p per share. The dividend of 1.625p per share was paid on 24 May 2024.

4 Asset Management – Stevenage and Crawley

Our refurbishment project at Stevenage is progressing well and anticipated to complete shortly. Photographs of progress are shown below.

Exterior prior to refurbishment

Refurbished Exterior – works close to completion

Interior prior to refurbishment

Current photo of the refurbished interior – the bulk of the interior works are now complete.

As noted above, our 22,000 square foot property in Crawley became vacant in March 2024. We will now undertake a major refurbishment, including the installation of solar panels on the roof, which will not only materially improve the environment credentials of the property, but we believe will also attract a new tenant quicker, minimising voids and generating an additional income stream for the REIT. We have recently agreed a dilapidations settlement of £400,000 with the outgoing tenant and this, combined with the break penalty of £53,750 already paid, will help cover a large part of the refurbishment costs and the installation of solar panels.

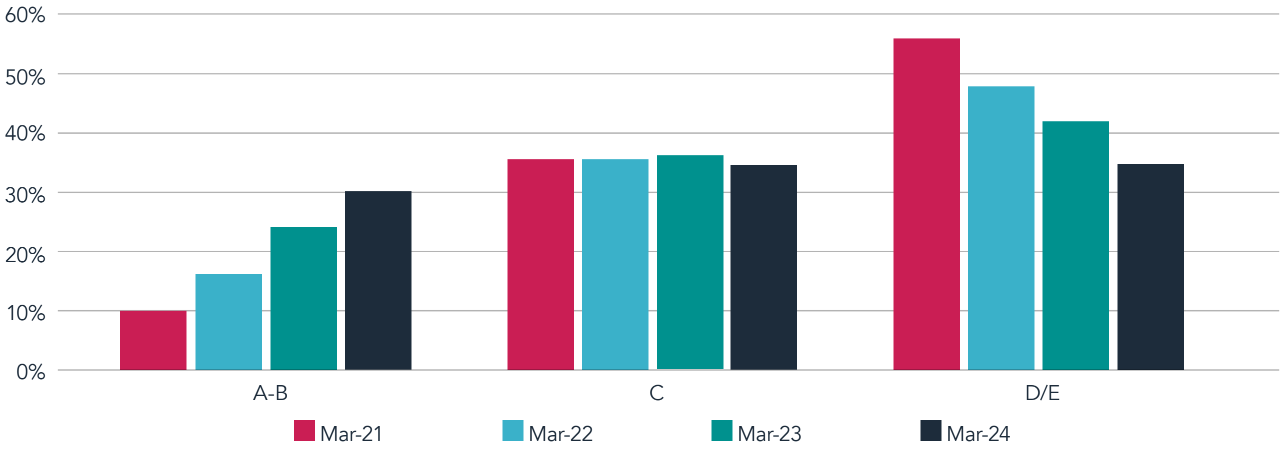
5. Responsible and Sustainable Ownership

Our net zero strategy is published on our website (http://www.clipstone.co.uk/environmental-social-and-governance-policies/). We will be working over the coming years to put this strategy into action. We would welcome any questions or comments from investors on our strategy.

We are continuing to install smart meters in some of our units so that we can automatically collect and analyse the utility usage data of our tenants in those units. This will enable us to calculate the REIT's scope 3 emissions, which make up by far the largest proportion of our overall carbon footprint. Using this data we will assess which units and estates may be suitable for photovoltaic panels. We will also be able to share this data with our tenants, which will give them detailed data on their usage and could be used to help them improve their own energy efficiency. To date we have installed meters across c.40% of our portfolio by floor area, with an aim of achieving at least 50% by the end of 2024. We will be able to report on our analysis of the data collected in H2 2024 as we need to collect around 12 months' data first for it to be a meaningful representation.

It is a legal requirement to obtain an Energy Performance Certificate (or EPC) for a property before it is let. By 2027 the law on Minimum Energy Efficiency Standards (MEES) will likely mandate that a commercial property cannot be let, or continue to be let, with an EPC score below a "C", and by 2030 this will likely rise to a "B". Whilst we have been making progress towards these minima, including disposing of assets with lower EPC ratings and acquiring buildings with higher ratings, there is still work to be done. We believe that our cashflow forecasts take into account the costs of meeting the expected MEES timeframes.

REIT EPC rating



We have started tracking the embodied carbon of major refurbishments, looking to achieve under 300 Kg CO2e/m². To date we have carried out an assessment of the refurbishment of two units at our estate in Worthing and are in the process of carrying out one at the project at Stevenage mentioned above. The project at Worthing resulted in upfront embodied carbon of 30 Kg CO2e/m². This is well below our target, which was intended to capture a large-scale refurbishment with wholesale roof replacement or over sheeting and the addition of PV panels. The refurbishment at Stevenage we anticipate will result in c.110 Kg CO2e/m². While this is a more extensive refurbishment project, we are not replacing roofs or adding PV panels. It will be instructive to see the embodied carbon figure for the works at Crawley. Over time we hope to be able to look at projects in even more detail and look at minimising carbon on individual elements, rather than targeting an overall generic figure.

As part of our Net Zero strategy, we will ensure that all of our buildings meet the legal minimum standards and that refurbishments are completed at the optimum time, and to the most economically viable standard. That may mean some investment in improving buildings that will be targeted in the future, when we anticipate that certain technologies will have improved. In current refurbishments we are already fitting LED lighting accompanied by sensors, removing gas heating, and improving insulation, for example.

There will be a cost involved in meeting the legal requirements on minimum EPCs and to achieve Net Zero, however the gap between the cost to achieve Net Zero and being compliant with minimum EPC standards is falling. It is also worth noting that more tenants are undertaking building improvements to meet their own corporate objectives. We believe that the cost will lead to improved buildings (with the associated benefit of costing tenants less to run these buildings), greater demand and the potential for improved rental levels in time and less risk of assets becoming 'stranded'. Furthermore, given achieving Net Zero will be a legal requirement by 2050, the capital expenditure required to reach Net Zero will eventually be reflected in valuations. Our belief is that undertaking that work over the coming 15-20 years will therefore preserve capital values and ultimately deliver outperformance. As with all refurbishment expenditure we build into our management forecasts all known costs to be incurred. This helps us to accurately track the costs and analyse the potential profitability of the REIT in the short term.

Our Net Zero Strategy, sustainability targets, policies, and reports can be found on our website.

Clipstone Industrial REIT plc

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 20% decrease in London between 2001 and 2016 to quote a report by Colliers). 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* 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). In addition, the expansion of the Life Sciences sector, data centres, dark kitchens and 10-minute delivery firms are all phenomena that increase the demand for warehouse space.

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.

*A large single-let industrial unit can be built for approximately £80 psf, whereas a multi-let scheme can cost in the region of £110+ psf.

Example Asset Management Projects

Valleylink Industrial Estate, Enfield

Before → After

Refurbishment cost: £400,000 (£9.90 psf)

Value: £3.8m in August 2012 to £13.6m on 31 March 2024

Bracknell

Before → After

Refurbishment cost: £450,000 (£8.64 psf)

Value: £7.55m in Nov 2013 to £14.4m on 31 March 2024

Chessington

Before → After

Redevelopment cost (includes demolition)**:** £2.73m (£103 psf)

Value: £4m in June 2017 to £8.4m on 31 March 2024

Fareham

Before → After

Refurbishment cost: £270,000

Value: £1.9m in May 2015 and sold for £4.1m in July 2022

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	£46.75m at 1.55% margin over Sonia and £30m at a fixed rate of 2.2% until July 2028 There is a swap in place for £40m of the floating rate debt which fixes the Sonia rate at 4.513% until 7 April 2026
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

Karl is currently a non-executive director of Jupiter Fund Management plc, Apax Global Alpha Limited and The Howard de Walden Estate. He is also Chairman of Monks Investment Trust plc. He is a Student (Fellow) of Christ Church and Chairman of the Investment Committee. Previously, Karl held non-executive director roles at RailPen Investments (the asset manager of the Railways Pension Scheme), JP Morgan Elect plc and as Chairman of the Board Investment Committee of Friends Life Group plc. Prior to that Karl held executive roles as 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** (CIO)
      - **Andrew Windle** (Fund Manager)
      - **Paul Priestley** (Head of Asset Management)
        - **Alex Richardson** (Asset Manager)
  - **Accounts/ESG/Compliance***
    - **Richard Demarchi** (COO)
      - **Victoria Wombwell** (Financial Controller)
        - **Catriona Vedat** (Office Manager)
        - **Thomas Kyriacou** (Finance Manager)
- **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