



The PRS REIT plc

AN OPPORTUNITY TO INVEST IN NEWLY BUILT
PRIVATE RENTED FAMILY HOUSING

PLACING, OFFER FOR SUBSCRIPTION AND INTERMEDIARIES OFFER ADMISSION
TO TRADING ON THE MAIN MARKET* OF THE LONDON STOCK EXCHANGE

INVESTMENT ADVISER



Sigma PRS Management Ltd

*SPECIALIST FUND SEGMENT

OVERVIEW

- Up to £250 million IPO of the first London quoted REIT solely focused on investing and developing new build family homes in the Private-Rented Sector (“PRS”). The IPO will include a Placing, Offer for Subscription and an Intermediaries Offer
- The Company will grow its PRS portfolio in targeted locations predominately around major English conurbations, following main road and rail infrastructure (including proposed HS2 and HS3 rail network)
- The PRS REIT is targeting a 5% dividend yield in the period to 30 June 2018 and once stabilised, a 6%+ dividend yield and 10%+ annual total return (on the issue price)*
- The PRS REIT already has a pipeline in place of approximately £375 million worth of PRS assets, including a seed portfolio of approximately £72 million of assets already completed or under construction
- Strong public and private sector relationships in place, providing access to land and development expertise. The Homes and Communities Agency (HCA) has committed to subscribe for 9.99% of the issue, up to £25 million as part of the IPO
- The PRS REIT’s investment adviser is Sigma PRS Management Limited, a subsidiary of Sigma Capital Group plc**, a £61 million*** market cap, AIM quoted company which specialises in the delivery of PRS housing



MARKET OPPORTUNITY

ATTRACTIVE UNDERLYING MARKET FUNDAMENTALS

- Market dominated by small scale, private buy to let investors – lack of professionalism and institutional investment
- Rapidly growing sector as prospective home owners challenged by affordability and deposit requirements
- PRS recognised as a key mechanism to accelerate housing delivery

DEMAND OUTSTRIPPING SUPPLY

- Significant undersupply of housing (150,000 deficit in last 2 years alone)
- Growing population – UK set to grow by 10% in next 15 years

STRONG MACRO BACKDROP

- UK private rented sector is valued at over £1 trillion and has grown by 2.2 million households in last 10 years
- Sector projected to rise by 1.1 million households in next 5 years – equivalent to £300 billion of demand for housing
- Key tenet of the Housing White paper is to encourage institutional investment into the PRS
- Taxation and stamp duty changes making private buy to let less attractive adding to the supply side pressures

Proportion of PRS housing in England exceeded social provision in 2013

*This is a target only and not a profit forecast. There can be no assurance that the target can or will be met and should not be taken as an indication of the Company’s expected or actual future results. Accordingly, potential investors should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable

** References to Sigma in this document mean Sigma Capital Group plc and/or its subsidiaries, depending on context

***As at 3 May 2017

DELIVERY PLATFORM

VISIBILITY ON THE POTENTIAL DELIVERY OF OVER 10,000+ NEW HOMES FOR PRS

- Construction framework agreements in place with Countryside Properties plc, Keepmoat Homes Limited and Keepmoat Regeneration Limited – these give the PRS REIT land bank access, construction resource and fixed priced construction
- Strong local authority relationships – land delivery and planning

ROLLOUT STRATEGY

- The PRS REIT has been granted exclusivity over Sigma's PRS delivery platform and pipeline of opportunity
- 2 main routes to deliver new homes:

PRS REIT FUNDS

- The PRS REIT forward funds fixed price construction managed by Sigma
- Sigma procures planning, certificates of title, design & build contract
- Pre-development costs underwritten by Sigma – removes development risk to The PRS REIT
- Development management fee payable to Sigma of 4% of gross development costs, half of which will be re-invested by Sigma in The PRS REIT shares

SIGMA FUNDS

- Sigma develops new homes on its balance sheet
- Sigma funds pre-development and design & build
- Completed sites sold to The PRS REIT following rent stabilisation at market value (capped at vacant possession value) per independent valuation
- Cash recycled by Sigma to build more homes for The PRS REIT

PORTFOLIO AND TEAM

FIRST ACQUISITION PORTFOLIO

- c. 495 PRS units across eight PRS sites
- Total cost: c. £72.6 million
- Total rent: £4.4 million per annum
- To be acquired from Sigma

INITIAL DEVELOPMENT PORTFOLIO

- c. 1,070 PRS units across 14 PRS development sites
- Total development cost: c. £156 million
- Total rent: £10.0 million per annum
- Sites to be developed by The PRS REIT

FURTHER DEVELOPMENT PORTFOLIO

- c. 970 PRS units across 15 PRS development sites
- Total cost to REIT: c. £145 million (estimated)
- Total rent: £9.1 million per annum (estimated)
- Sites to be developed by Sigma and The PRS REIT

MANAGEMENT TEAM



GRAHAM BARNET
CEO and Founder,
Sigma Capital Group plc



GRAEME HOGG
COO,
Sigma Capital Group plc

BOARD OF DIRECTORS



STEPHEN SMITH
Non-Executive Chairman



STEFFAN FRANCIS
Non-executive Director



RODERICK MACRAE
Non-executive Director

Total PRS units: 2,535, Total cost: £375 million*, Total rent: £23.5 million

*Total balance of Sigma pipeline not yet appraised in excess of £800 million

HIGHLIGHTS

The Company	<ul style="list-style-type: none"> • UK quoted REIT • Specialist Fund Segment on the London Stock Exchange's Main Market
Investment Adviser	<ul style="list-style-type: none"> • Sigma PRS Management Limited, a subsidiary of AIM quoted Sigma Capital Group plc, who has extensive UK residential PRS experience
Issue size	<ul style="list-style-type: none"> • Up to £250 million
Investment objective	<ul style="list-style-type: none"> • To grow a bespoke, planned, highly predictable new build PRS portfolio in considered, targeted locations around the major conurbations of England, following main train and road infrastructure (including proposed HS2 and HS3 rail network)
Initial portfolio	<ul style="list-style-type: none"> • First acquisition portfolio: c. £72.6 million, c. 495 PRS units
Pipeline	<ul style="list-style-type: none"> • Initial development portfolio: c. £156 million, c.1,070 PRS units • Further development portfolio: c. £145 million, c.970 PRS units
Gearing	<ul style="list-style-type: none"> • Capped at 45% of gross asset value, target stabilised leverage sub 40% (although the Investment Adviser expects actual gearing to settle at 35-40% following stabilisation of the portfolio)
NAV	<ul style="list-style-type: none"> • Independent bi-annual valuations
Target dividend yield*	<ul style="list-style-type: none"> • Initial target yield of 5% in period to 30 June 2018, stabilised target yield of 6%+ per annum, based on the issue price • Dividend expected to be paid quarterly • First dividend expected to be declared for period to 31 December 2017
Target total return*	<ul style="list-style-type: none"> • In excess of 10% per annum total return (based on the issue price) post stabilisation
Management fees	<ul style="list-style-type: none"> • 1.0% on Adjusted NAV+ (up to £250m); • 0.9% on Adjusted NAV+ (£250m-£500m); • 0.8% on Adjusted NAV+ (£500m-£1bn); • 0.7% on Adjusted NAV+ (above £1bn); • No performance fees <p>*Adjusted NAV is NAV less development costs incurred in relation to PRS Development Sites under construction. See Prospectus for full definition</p>
Governance	<ul style="list-style-type: none"> • An independent board of three experienced non-executive directors; compliant with the AIC Corporate Governance Code
AIFM	<ul style="list-style-type: none"> • External AIFM: G10 Capital Limited, part of the Lawson Conner Group
External valuer	<ul style="list-style-type: none"> • Savills Advisory Services Limited
Expected timetable	<ul style="list-style-type: none"> • Prospectus published: 4 May 2017 • Placing, Offer for Subscription and Intermediaries Offer opens: 4 May 2017 • Offer for Subscription closes: 11am, 23 May 2017 • Intermediaries offer closes: 5pm, 23 May 2017 • Placing closes: 1pm, 24 May 2017 • Publication of the results of the Issue: 25 May 2017 • Admission: 31 May 2017

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