

COVID-19

Investor Update



WE ARE KEEPING THE SHIP STEADY WHILST LOOKING FOR OPPORTUNITIES

Devastatingly disruptive events such as the global virus pandemic, Covid-19, are unforeseen and difficult to plan for. However, it is testament to our due diligence and asset management process that in all but one holding, we continue to make distributions as planned to our investors this quarter. Investors should gain comfort from the fact that the vast majority of tenants in the portfolio have paid their rent due and forecast being able to do so going forward, despite the pandemic.

The situation is of course volatile and may in the future necessitate actions including reducing or pausing investor distributions. We hope that this will not be necessary.

Greenridge continues to operate as normal albeit in a manner that protects the health and safety of our staff, investors, tenants, suppliers and the wider community. The entire team is available for video and audio calls should investors have any questions or concerns. Quarterly reports will be issued shortly and will detail any specific matters relevant to individual property holdings.

As we did with great success in the GFC of 2008, we continue to seek out opportunities that can provide strong returns with manageable risk in a market that is facing more distress as the pandemic worsens. Investors seeking to participate in such opportunities should get in touch.



UK Government has done little to help property owners but there are indirect benefits

The UK Government's fiscal response to the COVID-19 crisis has been very different indeed to the global systemic crisis of 2008. The UK faces an exogenous economic shock in which shops, businesses and services have been closed on state instructions, and the income of many collapsing.

In turn, the UK Government's policy response hasn't been limited to reducing interest rates (already at a historical low) or purchases of corporate or sovereign bonds, but has also encompassed forbearance, targeted help and similar policies. Examples include:

- **The Coronavirus Job Retention Scheme** which is available to any employer, whereby the Government grant will effectively cover 80% of an employee's salary, up to a total of £2,500 per month, for employees who are not working and who would otherwise have been laid off;
- **Business rates holiday 2020/2021** whereby a payment holiday has been declared for a 12-month period for all shops, restaurants, cafes, drinking establishments, cinemas and live music venues, assembly and leisure properties, and for hotels. With few exceptions, business rates are payable by all businesses occupying property in the UK and are typically an expense equivalent to approximately 50% of rent.
- **Protective measures for commercial tenants** introducing a temporary moratorium against lease forfeiture for non-payment of rent for a three-month period. It should be noted that rents are not being 'written off' and that tenants are still liable for these in the medium term. It should be noted however that other punitive action (for example, statutory demands), can and is being taken by landlords on a case-by-case basis.

Whilst the combination of the business rates holiday and the 80% contribution towards temporarily laid off workers does serve to reduce the cost base of tenants and therefore their medium to long term viability, unfortunately, little support has been provided directly to property owners who only benefit indirectly as a result of reduced risk of tenant failure.

We are adding value and supporting our tenants at the same time

By supporting genuine requests for rent deferrals and holidays, we improve tenant relationships which in turn will provide greater opportunities in the future to add value to the property asset through lease extensions and other asset management initiatives. In some instances, it is possible to agree such initiatives simultaneously with the grant of a rent concession.

Our clear and transparent approach is as follows:

- Differentiate between tenants who have a genuine need and those who are seeking simply to take advantage of the situation by analysing up-to-date financial information including management accounts, cashflow forecasts and details of any government support being sought in line with the initiatives highlighted above;
- Those tenants where there is no perceived immediate need or where an occupier is potentially seeking to take advantage of the current situation are politely informed that a rent concession is not believed to be justified at this time and proportional enforcement action taken as appropriate;
- Those who require some cashflow assistance but are fundamentally sound are offered a temporary move from quarterly to monthly rent payments and in some instances, may be offered a deferral of an amount of with repayment to follow over the next 6-24 months.
- A rent holiday/rent-free period will be considered for tenants at material risk, who are generally smaller businesses (e.g. child play centres, independent sandwich shops or yoga schools) with much more limited resources. This category represents a very small proportion of the income in the Greenridge portfolio of properties.

The outcome so far is that 83% of tenants across the portfolio (by rent payable) have paid up for the March quarter; approximately 9% have asked for a rent holiday and the last 8% have asked for an element of rent deferral.





Banks are being supportive

Greenridge has had early discussions with all lenders who have provided facilities across the entire portfolio and have found most lenders to be currently pragmatic in the face of potential covenant breaches. Whilst portfolio wide very few issues are being faced, as a precautionary measure we are giving forensic attention to covenants and reporting obligations and are particularly mindful of the fact that unlike other jurisdictions, obligations under senior debt facilities are unlikely to benefit from any force majeure limitations. A Covid-19 related breach will be a breach like any other.

Most banks are deferring valuations as social distancing measures are effectively preventing new valuation surveys from being undertaken. Those valuations that are being performed are subject to draconian limitation of liability provisions directly relating to Covid-19 and its far-reaching implications as to the uncertainty of value.

Most banks have now openly stated that they are not open to new lending opportunities during this crisis. However, some see the lack of competition from their peers as an opportunity to form new relationships and grow their loan book. By way of example, Greenridge received credit committee approval on two new loan proposals in early April.



The commercial property market has slowed significantly but not halted

As the UK enters the fourth week of the Coronavirus lockdown, commercial property transactional activity has stalled. Very few investors have withdrawn from transactions. Institutional investors are referring previously agreed deals back to their investment committees for stress testing and others have stalled due to the difficulties with physical inspections and elongated banking processes.

Lockdown measures imposed on the population by the UK government will eventually be relaxed and markets will at that point return to some semblance of normality. Many in the market believe that this will be the catalyst that will lead to pent up demand being released and thereby creating disproportionately high demand for some commercial property investment sectors compared to available supply. The market pendulum swings once again as the worldwide hunt for income yield continues in an increasingly low yield environment.



The Outlook - is this the best buying opportunity since the GFC?

Whilst our focus remains on maintaining portfolio stability and protecting investor capital, we are keenly analysing new opportunities particularly from distressed sellers.

At this point in the cycle, and looking ahead into the near future we expect:

- The market pendulum to swing too far into negative territory;
- With open-ended funds needing capital, well capitalised investors will have access to institutional grade assets;
- There will be little competition from other buyers, for a period and for certain property asset classes.

In our experience, market corrections caused by acute events tend to lead to an acute market recovery when stability returns. Remember the market crash in 2008 and the subsequent bounce in 2009.



ABOUT GREENRIDGE

We founded Greenridge in 1994 as a way to invest our own capital in lower-risk real estate investments. For almost 25 years we've consistently delivered outperforming returns over multiple business cycles, and we now manage substantial real estate assets across the UK.

We also partner with investors from around the globe who want direct exposure to commercial real estate without the need for their own platform. Those investors want a strong

return, but they also value the reassurance and risk benefits of investing in high-quality assets, a reliable jurisdiction, and working with an experienced partner who really delivers.

We only invest in commercial properties that have great fundamentals in terms of location, buildings, tenants, lease length and scarcity of occupational supply. That means excellent opportunities for capital value and income growth, and it's reflected in the returns we've achieved.



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