



# Border to Coast - UK Real Estate ACS

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## Private Monitor Reporting

Investment Risk & Analytical Services

June 2025

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## Property Fund Market Environment

The impact of ongoing global tariff negotiations initiated by US announcements in April and the impact of tax increases in play, and anticipated, leads to the expectation that, while Q1 growth showed promise ahead of expectation, it is anticipated that business sentiment in the UK will be impacted as growth expectations are tempered. While the UK is not as directly affected by higher US tariff rates, the wider global disruption they bring will likely influence the UK's economic performance in the future.

The inflation picture as defined by Annual Rate CPI, while declining in Q1 (from 3.0% to 2.6% Jan to Mar) has been more challenging as cost pressures have risen in Q2 (3.5% to 3.6% Apr – Jun)<sup>1</sup>. CPI therefore remains ahead of the Bank of England 2% target. As above cost pressure both internal to the UK (minimum wage, salary and NI and utility costs) and external from materials, goods and supply chain pressures will test the economy as input cost pressures rise.

On the fiscal policy side, the Bank of England reduced the base Rate from 4.5% (Feb '25) to 4.25% in May<sup>2</sup> and while consensus suggests further reductions towards a suggested 3.75% rate may follow, the persistence of inflation may delay the reduction to be announced beyond this calendar year.

In the UK Real Estate markets performance has been primarily driven by income growth in the favoured sectors of industrial, hotel and residential. The lack of transactional evidence to support capital growth continues in a market that has seen subdued trading volumes. In addition, the ongoing polarisation trend of demand towards best-in-class assets (by occupiers and capital) further narrows the overall levels of market activity.

Q2 Real Estate Investment volumes showed transactional activity totalled c £10Bn and c £21.9Bn for H1<sup>3</sup>. While this is 18% below H1 2024, on a rolling year basis volumes have improved c 6%. C 72% of investment in the UK markets was domestic capital with the balance of foreign capital led by US money accounting for c 14% of the total. Industrial, office and hotel investment accounted for c50% of capital deployed with c 21% each placed into the industrial and office sectors

Across the main sectors there has been stabilisation of values in the office sector where income is driving return off rebased capital values. We are witnessing positive prospects in key sub sectors where the quality, locational, amenity and building specification are attracting healthy occupier “flight to quality” demand.

In the industrial sector cost and operational pressures have dampened demand in certain areas and take up has slowed as occupiers seek to optimise their operations and cost base relative to customer demand and business volumes. Rental values are however protected to a certain extent for prime distribution assets as construction volumes have declined. All these factors have led to increased levels of interest and demand in smaller scale inner urban “last mile” buildings.

In the retail sector retail parks are showing the strongest performance and also dominating market activity with significant yield compression and a range of bidders looking to invest in the sector. This sector showed strong relative performance relative to the All Property MSCI index at 5.9% versus 2.1% in Feb 2025 (latest data available). For supermarkets however their challenges are represented by narrow margins being hit by cost and tax increases which has led all the major UK operators to make headcount reductions in advance of NI increases.

In the living sector strong growth performance was apparent with ONS data showing 8.1% for the private rental sector in the year to Feb 2025. This exceeded both inflation (2.8%) and overall residential capital value growth (4.9%) rates over the period. In the Build to Rent (BtR) sector investment volumes rose 13% to c £5bn with one third of that in the Single-Family Home (SFH) sub sector.

In the Purpose Built Student Sector Accommodation (PBSA) investor interest remains for this asset class around in-demand University cities. This is however a sector where careful consideration needs to apply as the potential impact of geo-political matters and visa restrictive policies are perils to international and cross border student demand. It is also the case that some senior institutions have now entered endangered territory as poor financial management coupled to volatility of demand, and thus income, are leading to the necessity of major cost reductions to remain viable. Even Russell Group institutions are now making rigorous revisions to their budget outgoings and future business plans to ensure their long-term viability. Further witness to this is current analysis that student take up of accommodation provided by seasoned operators in the sector are not yet at target levels for the forthcoming academic year.

In summary there remains good reason to believe that UK real estate has the potential to continue to deliver outperformance going forward but there are increased levels of risk headwinds. To address this, greater precision of identification of sub sector areas of growth will be necessary, as will rigorous asset level business plan focus on value improvement and enhancement maintain tenant interest and rental growth prospects.

The headwinds above will potentially lead to a muted H2 2025, but we are of the view this will also remain to be a period where good opportunities will be available to UK Main Fund to identify and secure new assets that will have the attributes required to support and deliver the funds return objectives in the long-term.

1 ONS data June 2025

2 Bank Of England Stats

3 CBRE – UK Real Estate Investment Q2 2025

4 MSCI data

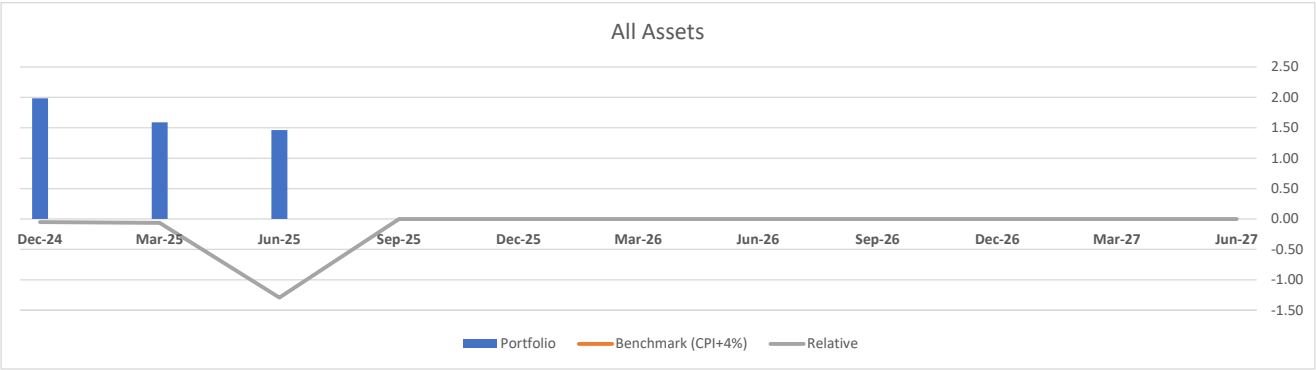
## **Portfolio Performance Summary**

The fund aims to outperform the UK Consumer Price Index (CPI) by 4% for each year on average over a 10-year period to provide growth in excess of inflation, net of all fees and expenses, including the calculation of the ACS Manager's Annual Management Charge. Over the quarter the fund underperformed the benchmark by 1.29%, delivering a total return of 1.46% relative to the Benchmark return of 2.76%. The most significant proportion of the Funds' performance was driven by income delivering 1.24% over the quarter, which was assisted by the 0.22% of capital return. The fund saw an increase in the average lot size from £16.2m last quarter to £17.09m this quarter with the purchase of 27-35 Mortimer Street, London for £48.25 million. There was an increase in the Vacancy rate in the portfolio from 3.7% to 4.5%. The WAULT on the fund reduced from 10.8 years to 10.3 years. The changes in both metrics were again impacted by the recent acquisition of 27-35 Mortimer Street, London as the property has become the largest asset in the Fund but is also approximately 20% vacant and has a comparatively short WAULT of 3.82 years to expiry.

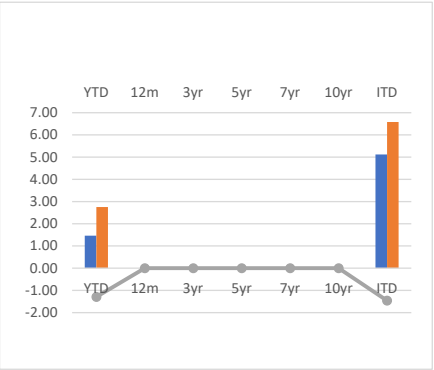
Portfolio Profile	End of Period Portfolio	Investment Activity (£m)	End of Period Portfolio	Key Statistics	End of Period Portfolio
Number of Properties	69	Net Investment	£ 73.12	Net Initial Yield (%)	4.84
Capital Value (£m)	£ 1,179.20	Total Purchase Expenditure	£ 74.42	Reversionary Yield (%)	5.71
Net Operating Income (£/m <sup>2</sup> )	£ 60.90	Improvement Expenditure	£ 0.16	Equivalent Yield (%)	5.81
Average Lot Size (£/m <sup>2</sup> )	£ 17.09	Development Expenditure	£ 0.19	Vacancy Rate (%)	4.5
		Capital Receipts	£ -	Weighted Unexpired Lease Term (Years)	10.3
		Total Sales Receipts	-£ 1.65		

Return Time Series

Quarterly



YTD & Annualized Returns



Total Return	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Portfolio	1.98	1.59	1.46								
Benchmark (CPI+4%)	2.04	1.65	2.76								
Relative	-0.05	-0.06	-1.29								

YTD	12m	3yr	5yr	7yr	10yr	ITD
1.46						5.12
2.76						6.58
-1.29						-1.46

Income Return	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Portfolio	1.27	1.28	1.24								
Capital Growth	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Portfolio	0.72	0.31	0.22								

YTD	12m	3yr	5yr	7yr	10yr	ITD
1.28						3.83
0.31						1.26

## Performance by Property Type

## UK Real Estate

Avg capital  
Employed  
Weight

## Total Return

## Income Return

## Capital Growth

Portfolio

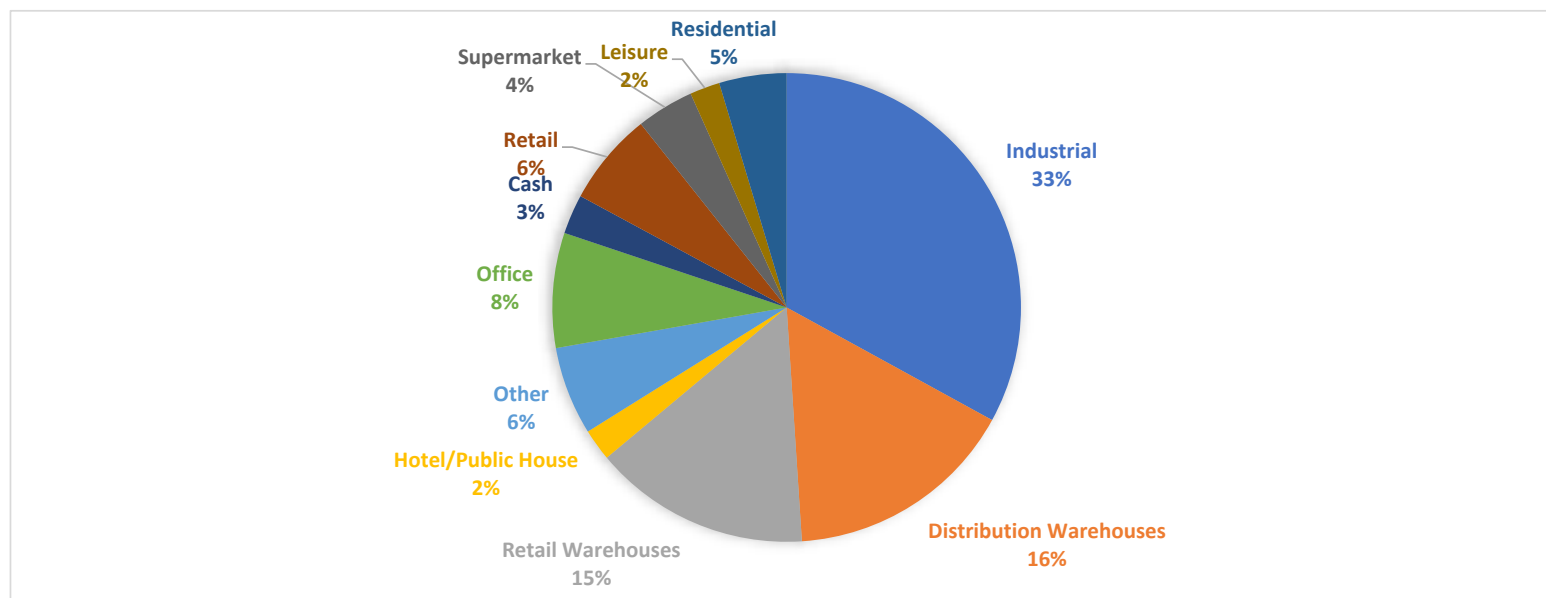
Benchmark

Relative

Portfolio

Portfolio

Industrial	32.98	2.17	2.76	-0.58	1.18	0.99
Distribution Warehouses	15.98	2.21	2.76	-0.55	1.28	0.92
Retail Warehouses	14.96	1.94	2.76	-0.81	1.60	0.34
Office	7.92	-4.63	2.76	-7.38	1.25	-5.88
Retail	6.44	1.01	2.76	-1.75	1.44	-0.44
Other	6.11	2.17	2.76	-0.59	1.35	0.82
Residential	4.65	3.60	2.76	0.85	1.33	2.27
Supermarket	3.97	2.34	2.76	-0.41	1.50	0.84
Cash	2.73	1.18	2.76	-1.58	1.18	0.00
Hotel/Public House	2.20	3.53	2.76	0.77	1.62	1.91
Leisure	2.07	1.40	2.76	-1.35	1.57	-0.17
<b>Total</b>	<b>100.00</b>	<b>1.46</b>	<b>2.76</b>	<b>(1.29)</b>	<b>1.24</b>	<b>0.22</b>



## Performance by Geography

## UK Real Estate

Avg capital  
Employed  
Weight

## Total Return

## Income Return

## Capital Growth

Portfolio

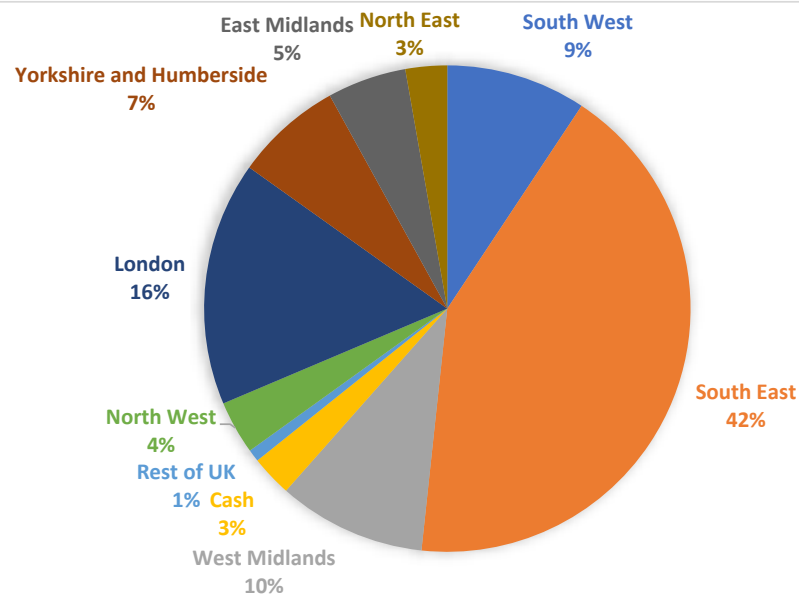
Benchmark

Relative

Portfolio

Portfolio

South East	42.38	2.22	2.76	-0.54	1.27	0.94
London	16.23	-0.88	2.76	-3.63	0.99	-1.87
West Midlands	9.84	2.25	2.76	-0.51	1.53	0.72
South West	9.31	0.99	2.76	-1.77	1.64	-0.65
Yorkshire and Humberside	7.12	2.16	2.76	-0.60	1.40	0.76
Cash	2.73	1.18	2.76	-1.58	1.18	0.00
East Midlands	5.25	2.70	2.76	-0.06	1.46	1.23
North West	3.55	2.09	2.76	-0.67	1.86	0.23
North East	2.77	1.46	2.76	-1.29	1.46	0.00
Rest of UK	0.81	1.26	2.76	-1.50	1.26	0.00
<b>Total</b>	<b>100.00</b>	<b>1.46</b>	<b>2.76</b>	<b>(1.29)</b>	<b>1.24</b>	<b>0.22</b>





## Top Contributors

								Weighted Contribution
Investment.Name	Property Type	Region	Capital Value	Average Capital Employed	Total Return	Income Return	Capital Growth	Absolute
Top 5 by Capital Value			(£m)	(%Last 3 months)	(%q-o-q)	(%q-o-q)	(%q-o-q)	(%q-o-q)
London, 27-35 Mortimer Street	Office	London	48.43	4.0%	-4.97	0.33	-5.30	-0.20
Egham, Thorpe Industrial Park	Industrial	London	40.58	3.3%	-1.25	1.15	-2.40	-0.04
Woking, Lion Retail Park	Retail Warehouses	South East	40.49	3.3%	1.46	1.49	-0.03	0.05
Newcastle Under Lyme, Wolstanton Retail Park.	Retail Warehouses	West Midlands	38.80	3.2%	1.68	1.68	0.00	0.05
Wakefield, Woolley Edge, Motorway Service Area	Other	Yorkshire and Humberside	37.00	3.1%	2.17	1.49	0.68	0.07
Total			205.29	16.9%	-0.07			

### Top 5 by Positive Contribution (Relative Total Return)

Slough, Langley Park	Industrial	South East	34.10	2.8%	5.44	1.16	4.28	0.15
London, Oxgate Centre	Industrial	South East	33.80	2.8%	4.23	0.63	3.60	0.12
Basildon, DC1 & DC2, Prologis Park	Distribution Warehouses	South East	29.30	2.4%	4.46	1.30	3.16	0.11
Tooting, Springfield Place, Glenburnie Road	Residential	South West	24.15	2.0%	4.99	1.34	3.65	0.10
Aylesford, Quarry Wood, Burnt Ash Trade Park	Industrial	South East	17.65	1.5%	5.15	1.39	3.76	0.08
<b>Total</b>			<b>139.00</b>	<b>11.5%</b>				<b>0.55</b>

### Assets by Negative Contribution (Relative Total Return)

London, 27-35 Mortimer Street	Office	London	48.43	4.0%	-4.97	0.33	-5.30	-0.20
Bristol, Hartwell House	Office	South West	17.45	1.4%	-11.61	2.22	-13.83	-0.17
Guildford, 58/62 High Street	Retail	South East	2.55	0.2%	-28.98	1.16	-30.14	-0.06
Egham, Thorpe Industrial Park	Industrial	London	40.58	3.3%	-1.25	1.15	-2.40	-0.04
Reading, Forbury Works	Office	South East	6.55	0.5%	-1.21	2.46	-3.68	-0.01
<b>Total</b>			<b>115.55</b>	<b>9.5%</b>				<b>-0.48</b>

Tenant Name	Rental Income (%)	Rental Income	Market Rental Value (GBP)
Sainsburys	5.4%	3,274,098.00	2,716,598.00
Moto Hospitality	3.5%	2,114,933.00	2,000,000.00
Quantum Care	2.9%	1,779,721.00	1,720,320.00
University of Chichester	2.8%	1,680,061.00	1,840,000.00
Anixter	2.8%	1,678,205.00	1,715,000.00

### **Purchase and Sales Details - Q1 2025**

During the quarter the Fund acquired 27-35 Mortimer Street, which comprises a c.67,000 sq ft West End office building for £48,250,000, representing a NIY of 3.04%, a NRY of 6.09%, a NEY of 5.59% and a Capital Value of £1,446psf. The asset is strategically located in close proximity to major transport hubs including the new Elizabeth Line Station (Crossrail) at Tottenham Court Road. It provides highly desirable office space ideally situated to meet the strong local demand. The building has a WAULT of 3.82 years to expiries and 2.38 years to break options on the let space and one vacant floor offering active asset management and value-add opportunities for the Fund.

During the quarter, the Fund transitioned Springfield Place, Tooting for a value of £23,300,000. Springfield Place comprises 50 new built flats (27x 1Bed, 22x 2Bed and 1x 3 Bed flats over 33,815sqft NSA) split across three contiguous buildings located in Tooting, South London. Residential is a target sector for UK Main Fund and Springfield Place is the first private rented residential asset in the Fund.

The Fund completed the sale of 79-82 Queen Street, Exeter to Skyline Capital Investment Ltd for £1,600,000. The property comprised a multi-let retail asset let to two tenants Revolution and Snappy Snaps. Revolution occupy by way of a 25-year lease expiring in March 2047, and Snappy Snaps by way of a 10-year lease expiring in January 2029. The property produces a combined total income of £151,800 pa. The property was identified in the Funds Strategic Investment Plan as a short-term hold after the hold/ sell analysis forecast that the asset would underperform the performance target. A sale at £1,600,000 represents a good result for the Fund.

## SECTION 2

# Glossary

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## Private Monitor Reporting

Investment Risk & Analytical Services

June 2025

**Average Capital Employed**

Average value of all the assets used to generate earnings

**Benchmark**

A target figure that is used to measure the performance of an investment fund.

**Benchmark Internal Rate of Return (ICM)**

A benchmark internal rate of return grows the cash flows in a private equity investment by the return they would have earned if the contributed money was kept in a marketable index (such as the Russell 3000) or if distributions were reinvested in the same index. This is an opportunity cost type measure that demonstrates if a partnership or group of partnerships have met the expectation of better than market performance.

**Capital Growth**

Investment held at a price that is higher than the initial price that was paid.

**Commercial Property Investment**

Property used for business purposes.

**Equivalent yield**

It is a weighted average of the Net Initial Yield and Reversionary Yield and represents the return a property will produce based upon the timing of the income received.

**Geography**

Physical location / region of a property

**Gross Rental Yield**

Gross rental yield is calculated using the price of the property and the income generated by the property.

**Liquidity Risk**

The risk that a buyer may not be found with a reasonable price reflecting the value of an investor's asset.

**Loan to Value Ratio**

The ratio of a loan to the value of the property

**Net Asset Value**

The value of an entity's assets minus the value of its liabilities

**Net Operating Income**

Net Operating income is revenue minus any operating expenses

**Net rental income**

Net rental income is operating income less any other non-operating expenses, such as interest and taxes.

**Net Rental Yield**

Gross Annual Income - Annual Expenses purchase price = Rental Yield

**Nominal Internal Rate of Return**

Unannualized internal rate of return.

**Portfolio**

Basket of investments by an investor

**Property Type**

Property characteristics and/or dwelling configuration

**Realized Gain Multiple**

The average of the ratios of total gain or loss to cost divided by the number of years each investment is held.

**Income Return**

Return generated by rental income of a property

**Indirect property fund**

A fund investing in indirect property vehicles including property shares, REITs, limited partnerships, or property unit trusts, etc rather than investments in direct commercial property.

**Lease**

The grant of a right to exclusive possession of another person's land for an agreed set period of time.

**Relative Return**

The return an asset or fund achieved over a period of time compared to a benchmark

**Rental Growth**

The growth of the estimated rental value of a property over a specific period of time.

**Reversion**

A process whereby a right in a property transferred by a deed of trust or mortgage is returned to the initial owner after the interest held by others on the property ends.

**Reversionary yield**

The discount rate that is applied to the reversionary income in a valuation for a term and reversion.

**REITs (real estate investment trusts)**

A REIT is a company that owns, operates or finances income-producing real estate.

**Total Return**

A share holdings growth in value over a specific period of time.

**True Equivalent yield**

An internal rate of return that an investment brings, reflecting reversions to current market rent.

**Vacancy rate**

A percentage of a portfolio that is vacant. This is calculated by dividing the total rental value of the vacant property/properties by the total rental value of the whole portfolio.

**Value Creation**

Net value of an asset calculated as Adjusted Valuation plus Distributions minus Contributions.

**Weighted Contribution**

Unit contribution margin by its proportion of total return.

**Yield**

The income that the investments generate in relation to the price.

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