2017 was an interesting year in the UK real estate world. We have continued to navigate the unchartered waters of a post Brexit economy with a mixture of caution and focused conviction and we have found, to date, those waters to be considerably calmer than most predicted. Despite understandable concern over Brexit related short term economic disruption, the more fundamental benefits of the UK (the legal system, the talent pool, the language, the time zone, the financial system... etc) have sustained the UK as a relatively safe haven for investment in the medium term, even in the face of the elected uncertainty. However, we are well aware that in the near term at least we will not just be dealing with Brexit and political distractions but also an ongoing economic and real estate ‘slow down’ that would most likely have occurred in any event. This is one of the reasons why our investment strategy is focused on demographically and systemically undersupplied ‘alternative’ areas of the real estate market rather than the more cyclically sensitive ‘traditional’ sectors. Moorfield will always retain its interest in the traditional sectors but we are very sensitive to ensuring our investment entry price and timings are carefully considered and justified.

Last year we raised well over £100m for the First Close of our fourth value-add fund MREFIV, made our first disposals out of MREFIII (ahead of business plan IRR’s and multiples), raised a further £85m for MAREF (our specialist retirement living fund) and moved to our new home at 10 Grosvenor Street, W1. We have also been fortunate in achieving some material asset management successes such as long, institutional grade leases to the Scottish Courts and the DWP at Atlantic Quay, Glasgow and full occupancy across our BTR and student schemes.

We are also now a year into our re-brand and I would like to take the opportunity to reiterate what it is we stand for and why. We summarise our brand as follows: “Moorfield takes an innovative and intelligent approach to UK real estate investment. We recognise that real estate investment is about more than just buildings – it’s about understanding people. We believe that to maximise real estate investment opportunities you must harness a detailed understanding of your customers, their lifestyle and business choices, the technology they use and the communities they are engaged in. To Moorfield, successful real estate investment analysis centres on reading and predicting the changes in human choices and behaviour on a macro level and delivering lifestyles and customer experiences at a micro level.” We have a long history of taking this approach and see it as increasingly important as trends in traditional real estate move towards shorter leases and as we focus on the customer driven BTR, student and senior living sectors.

We also pride ourselves on our value set and 2017 saw us; publish our first Corporate Social Responsibility report to demonstrate our commitment to transparent corporate responsibility (available on our website www.moorfield.com), materially improve the GRESB score of MREFIII and; sign up to support Real Estate Balance in promoting gender equality in real estate.

As we enter 2018 we would like to take this opportunity to wish everyone the happiest of New Years – and in particular to thank our investors for their ongoing support.

Best Wishes
Marc Gilbard, CEO
MREFIV Update

In October we held a first close for our fourth fund, MREFIV, reaching our target by raising over £100m.

MREFIV will have three years to invest over a period of disruption as a result of Brexit and will have an investment focus on (i) build to rent (BTR)/multifamily, (ii) student accommodation and (iii) last mile logistics, (together we expect these ‘beds and sheds’ themes to make up 75% of the Fund), with the remainder targeted at (iv) distressed mixed-use and (v) infrastructure-led real estate investments.

The Fund’s themes have compelling demographic, structural and societal drivers that are creating strong demand in markets where there is also limited supply through lack of development in recent years. These factors mean stable, inflation linked cash flows can be generated that are both defensive and offer growth opportunities. We will be creating vibrant communities and repositioning assets with a keen focus on customer service and appeal.

The fund will be seeded with a 270 unit BTR (multifamily) scheme in Manchester’s Media City (Erie Basin) and a 123,000 sqft office building in Newcastle’s Cobalt Park.

MREF III News

MREFIII is now fully invested and recently made its first disposals.

Acquisitions

MREFIII made its final investment in Q1 2017 with the acquisition of two further institutional quality logistics units, comprising over 400,000 sq ft in Huddersfield.

There are now six units within the Moorfield Logistics Partnership (MLP), which is focused on last mile locations and units that are single-let to strong covenants.

Asset Management

This has been a busy year and the early realisation of many asset management initiatives is now enabling MREFIII to make a number of disposals ahead of business plans.

BTR:
- The Keel, the first BTR scheme delivered in the UK, remains full two years after opening and we have rolled out a full suite of new tenant services.
- Development is underway at two new BTR schemes, The Forge in Newcastle (280 units) and The Trilogy in Manchester (232 units), both due to open in summer 2018.
Student Accommodation:
- Completion of the development of The Tramshed student accommodation development in Preston which opened in September 2017 and is 100% let.
- Planning achieved for the Hox Haus, a members’ club styled study and social hub for the 499 bed student accommodation scheme at Runnymede (Hox Park), which is currently under development.

Industrial/Logistics:
- At Aberdeen Energy Park, H2 (a newly developed industrial unit of 16,000 sq ft) was let on a 15 year lease with RPI uplifts to ICR Partners.

Mixed-Use:
- Letting of 66,000 sq ft to State Street Bank in Quartermile 3 prior to completion of the building.

Regional Offices:
- Two significant lettings at Atlantic Quay 3, Glasgow: (1) c. 80,000 sq ft was let to The Scottish Courts in an institutional grade lease and (2) c. 85,000 sq ft was let to the Department of Work and Pensions on a 15 year lease with RPI uplifts.

Infrastructure-led:
- Completion of the refurbishment of 52,000 sq ft of offices at Aurora, Ealing.

Disposals
MREF III is now four years into its life and over recent months we have agreed, on behalf of the Fund, the following sales:

Student Accommodation:
- Century Sq. – a 305 bed student accommodation scheme in Sheffield.

Mixed-Use:
- Quartermile – the sale of the last phase of residential units (380 units now sold for over £136m since we made the investment), the majority of the car park, the remaining retail/leisure units and the final residential plot.
- Holiday Inn, Derby Riverlights - the 105 bed hotel was sold to Starboard.

Regional Offices:
- Atlantic Quay 3 – an 80,000 sq ft office in Glasgow let to The Scottish Courts and sold for £50m.
- 100 Barbirolli Square – a 125,000 sq ft office in Manchester that is pending a full Grade A refurbishment.
Moorfield Audley Real Estate Fund (MAREF)

- A further £87m was raised in Q1 2017 to fund the acquisition of additional investment opportunities that were identified subsequent to MAREF’s initial 2015 £200m fund raise.
- Audley has started work on two new London opportunities; one for the Audley brand in Clapham and the other for Mayfield, the new mid-market brand, in Watford.
- Planning consents have been achieved in Romsey, Runnymede and for a satellite scheme adjacent to the existing village in Leamington Spa.
- 10 completed villages.
- Audley now has 14 villages as well as two held on management contracts, two satellite schemes and a strong landbank of sites across the UK.

Infrastructure-led:

- The Shipping Building - 17,000 sq ft office at The Old Vinyl Factory, Hayes let to a number of tenants including SITA, Sonos and Champ Cargo systems.

These sales have realised a c.2x equity multiple for the MREFIII investors overall and the Fund is on track to meet its 15-20% IRR and 1.5-2.0x equity multiple target.