

2 July 2018
AIM: SGM



SIGMA CAPITAL GROUP PLC
(“Sigma” or the “Company”)
The private rented sector and urban regeneration specialist

Re: The PRS REIT plc – Fourth Quarter Update

Sigma, the private rented sector (“PRS”), residential development and urban regeneration specialist, notes that The PRS REIT plc (“PRS REIT”) has issued an update for the fourth quarter of its maiden financial year to 30 June 2018.

Sigma PRS Management Limited, a subsidiary of Sigma, is the investment advisor to the PRS REIT, sourcing investments, managing assets and providing advice on a day-to-day basis.

A copy of the PRS REIT’s announcement can be found below.

Enquiries:

Sigma Capital Group plc	Graham Barnet, Chief Executive Malcolm Briselden, Finance Director	T: 020 3178 6378 (today) T: 0333 999 9926
KTZ Communications	Katie Tzouliadis, Emma Pearson	T: 020 3178 6378
N+1 Singer (NOMAD and Broker)	James Maxwell, Liz Yong	T: 020 7496 3000

NOTES TO EDITORS

About Sigma Capital Group plc
(www.sigmacapital.co.uk)

Sigma Capital Group plc is a private rented sector, residential development, and urban regeneration specialist, with offices in Edinburgh, Manchester and London. Sigma’s principal focus is on the delivery of large scale housing schemes for the private rented sector. It has a well-established track record in assisting with property-related regeneration projects in the public sector, acting as a bridge between the public and private sectors. Its subsidiary, Sigma PRS Management Limited, is Investment Adviser to The PRS REIT plc.

2 July 2018
PRSR.L



The PRS REIT plc
("Company" or "PRS REIT")

Fourth Quarter Update

The PRS REIT, the closed-ended real estate investment trust established to invest in new-build homes in the Private Rented Sector ("PRS"), is pleased to provide an update for the final three months of its maiden financial year to 30 June 2018.

KEY POINTS

Maiden Financial Year Closes With:

**c.£248m of Completed and Contracted Development, and
c.£437m of Committed Development,
Providing for Total of c. 4,600 New Rental Homes**

Development Activity

- Construction commenced on three new sites in Q4, for a further c.238 new rental homes, with total gross development cost ("GDC") of c. £34.4m
 - estimated rental value ("ERV") of these homes is c. £2.2m when fully let
- Two additional development sites were purchased at the end of Q4. Once fully developed these sites will add a combined c.160 homes at a total GDC of c. £25.0m, with construction commencing this month
 - ERV of these homes is c. £1.5m when fully let
- At the end of Q4, total development activity (completed, contracted and committed*), amounted to c.4,600 new homes, with GDC of c. £685m
 - c.£248m of completed and contracted* development and c.£437m of committed* development
- There were some site-specific delays in Q4, nonetheless, the overall timetable for the delivery of the full portfolio of c. 6,000 new homes utilising the proceeds from the two equity fundraisings and full potential gearing remains on track

Purchase of Completed PRS Site

- An additional, newly-completed and fully-let PRS site was acquired from Sigma Capital Group plc, in Q4, for a total consideration of c. £9.1m, following an independent valuation. The site comprises 59 new homes, providing a rental income of c.£0.54m p.a.

Rental Income

- Annualised rental income at the end of Q4 stands at c. £3.63m from 405 completed new homes (31 March 2018: £2.4m)
- ERV from completed and contracted* sites (c. 1,710 new homes) at the end of Q4 is c. £15.6m

Interim Dividend

- An interim dividend of 2.5 pence per share is expected to be declared around the end of July, taking the total dividend for the period from launch to 30 June 2018 to the Company's target of 5.0 pence per share – for full commentary see below

Construction Resource

- Recent major scaling of construction resource – allows the Company's Investment Adviser to map out continuing delivery and expansion with significantly greater clarity, and supports geographic expansion
 - facilitated by new Framework Agreement signed in June 2018 between Sigma Capital Group plc (parent company of the Investment Adviser) and Countryside Properties PLC

Debt Finance

- Final terms concluded for an initial £200m of debt facilities, from Scottish Widows and Lloyds Bank, with blended 'all-in' interest cost of 2.65% and average term, including extension, of 9.5 years

Net Asset Value

- An announcement reporting the Company's audited Net Asset Value as at 30 June 2018 is expected to be published in September at the same time as the audited financial statements

**see Definitions*

FOURTH QUARTER UPDATE

Introduction

The Board is pleased to provide a fourth quarter update in the PRS REIT's maiden financial year ended 30 June 2018.

Overall, the PRS REIT continued to make encouraging progress in the fourth quarter, with significant new development activity commenced and a major new Framework Agreement that will support the PRS REIT's continuing delivery and expansion, as well as its geographic diversification plans. This new Agreement is discussed in more detail below. However, there was also some delay with certain development activity in the period, owing to site scheduling and planning consents, although it is not expected to affect the overall timetable for the completion of the full planned portfolios of c. 6,000 new homes utilising the proceeds from the two equity fundraisings and full gearing. The fourth quarter closed with c. £248m of completed and contracted* development and c.£437m of committed* development, which together equate to c.4,600 new homes, when construction completes.

With regard to the interim dividend, which during the Company's development phase is paid out of the special distributable reserve, a dividend of 2.5 pence per share is expected to be declared around the end of July. This will take the total dividend for the Company's maiden year to its target of 5.0 pence per share. We note that once paid, the effect will be to lower the Company's net asset value ("NAV") to below £0.98 per share, being the opening net asset value at flotation. The Board expects the NAV to recover during the development period, as revaluations on completed portfolio development sites make a meaningful contribution to the Company's balance sheet.

The Company continues to target a total dividend of 5.0 pence per ordinary share¹ for the year from 1 July 2018 to 30 June 2019 and, upon full investment of the capital and associated gearing, a dividend of 6.0 pence or more¹ at stabilisation of the PRS portfolio.

An announcement reporting the Company's audited net asset value as at 30 June 2018 is expected to be published in September at the same time as the audited financial statements for period ended 30 June 2018.

Progress on Delivery of New Homes

In the period, the PRS REIT commenced construction on three sites, with c.238 new family homes planned, at a GDC of c.£34.4m. The estimated rental value ("ERV") of these homes is c.£2.2m when fully let. At the end of the quarter, the Company also acquired a further two development sites. Together, these two new development sites will deliver an additional c. 160 high quality, new homes for rent, at a gross development cost ("GDC") of c. £25.0m. The estimated rental value ("ERV") of these homes when fully let is c. £1.5m.

As at 30 June 2018, the Company has 405 properties, across sites in North West, South Yorkshire, and the Midlands, which generate a combined annualised rental income of c. £3.63m (31 March 2018: £2.4m). The PRS REIT's ERV from completed and contracted sites (c.1,710 new homes), as at 30 June 2018, is c. £15.6m.

A newly completed PRS site was acquired in Q4 from Sigma Capital Group plc ("Sigma"), for a total consideration of c.£9.1m, following an independent valuation on behalf of the PRS REIT by Savills. The site adds a further 59 new family homes, with a rental value of c.£0.54m p.a. The number of completed PRS sites that the PRS REIT has acquired over its first year of operation now totals five sites.

Up to a third of the PRS REIT's properties are anticipated to be sourced through the purchase of fully completed PRS sites, and Sigma has a further three sites that are expected to be fully completed by the end of 2018 for purchase by the PRS REIT upon completion, with additional sites underway that are expected to be acquired by the PRS REIT from Sigma in 2019. The PRS REIT retains exclusive access to Sigma's PRS Platform, the key source of completed PRS sites. All such sites are independently valued on behalf of the PRS REIT.

As previously highlighted, the Company's aim is to deliver family homes near key centres of employment, with convenient access to the transport infrastructure, and close to good primary schools. There is continued strong demand for the Company's homes and forecast demand continues to outstrip supply, particularly for family homes, the PRS REIT's major focus.

The Investment Adviser continues to believe that the Company is the leading provider of new privately rented homes for families in the UK. Importantly, the Company's costs in the management of the assets is within budget.

Construction Resource

The construction resource available to The PRS REIT has been substantially increased through expansion of the existing partnership between Sigma, the parent company of the Company's Investment Adviser, Sigma PRS Management Limited, and Countryside Properties PLC ("Countryside"). The recently agreed new Framework Agreement, signed between Sigma and Countryside in mid-June, supports the PRS REIT's growth objectives. It targets the delivery of a further 5,000 PRS homes over the next three years via Sigma's PRS Platform. Most importantly, this agreement allows Sigma PRS Management Limited to map out the PRS REIT's continuing delivery and expansion with significantly greater clarity. Sigma's commitment also allows Countryside to deliver homes more quickly on its larger, mixed tenure sites.

Debt Facilities

Two separate debt facilities amounting to a combined £200m were finalised in the fourth quarter with Scottish Widows and Lloyds Bank. The blended 'all-in' interest cost is 2.65% per annum and the average term, including potential extension, is 9.5 years.

The Company's Investment Adviser is exploring other structures with its banking partners for the delivery of additional debt to support the growth of the PRS REIT. Based on the equity of £500m raised so far since the PRS REIT's IPO, including the subsequent £250m placing in February 2018, the Company has the capacity to utilise a further c. £200m of debt over and above the £200m of facilities already agreed. This would bring the total resource capacity of the PRS REIT to c.£900m.

Pipeline

The Investment Adviser continues to assess further development opportunities for the Company and, as at the end of the fourth quarter, has sourced an additional £482m GDC of sites across target geographies. These opportunities are principally through Sigma's PRS Platform where there are well-developed relationships with third parties, including construction partners and local authorities.

In addition to those sites, the Investment Adviser has available for review sites with a potential GDC of £700m, which may be suitable for development for PRS, subject to further funding being available.

*DEFINITIONS

Contracted	refers to sites that have been completed, and purchased by the PRS REIT and where there is active construction underway, under a design & build contract.
Committed	refers to development sites that have been approved or are under formal appraisal by the Investment Adviser, and where planning consent is being sought, and/or are in the process of being acquired.
Pipeline	refers to sites that have been identified as being suitable for appraisal. These sites are typically sourced from Sigma's PRS Platform, and are typically under a Framework Agreement with a construction partner.

¹This 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.

This announcement is released by The PRS REIT plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 ("MAR"), encompassing information relating to the Placing described herein, and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For further information, please contact:

The PRS REIT plc

Steve Smith, Non-executive Chairman

Tel: 020 3178 6378 (c/o KTZ
Communications)

Sigma PRS Management Limited

Graham Barnett
Graeme Hogg

Tel: 0333 999 9926

N+1 Singer

James Maxwell, Liz Yong (Corporate Finance)

Tel: 020 7496 3000

Stifel

Mark Young, Neil Winward, Gaudi Le Roux

Tel: 020 7710 7600

G10 Capital Limited (AIFM)

Gerhard Grueter, Anthony Wood, Gaia Udage

Tel: 020 3696 1302

KTZ Communications

Katie Tzouliadis, Emma Pearson

Tel: 020 3178 6378

NOTES TO EDITORS

About The PRS REIT plc

(www.theprsreit.com)

The PRS REIT is a closed-ended real estate investment trust established to invest in the Private Rented Sector and to provide shareholders with an attractive level of income together with the potential for capital and income growth. In its Initial Public Offering, on 31 May 2017, the Company raised £250m gross equity capital and, on 20 February 2018, it raised a further £250m (gross) through an additional Placing. Both fundraisings were supported by the UK Government's Homes England with direct investments totaling c. £30m.

About Sigma Capital Group plc

(www.sigmacapital.co.uk)

Sigma Capital Group plc is a private rented sector, residential development, and urban regeneration specialist, with offices in Edinburgh, Manchester and London. Sigma's principal focus is on the delivery of large scale housing schemes for the private rented sector. It has a well-established track record in assisting with property-related regeneration projects in the public sector, acting as a bridge between the public and private sectors. Its subsidiary, Sigma PRS Management Limited, is Investment Adviser to The PRS REIT plc.

About Sigma PRS Management Limited

Sigma PRS Management Limited is a wholly owned subsidiary of AIM-quoted Sigma Capital Group plc and is the Company's Investment Adviser. It sources investments and manages the assets of The PRS REIT plc and advises the Alternative Investment Fund Manager ("AIFM") and the PRS REIT on a day-to-day basis in accordance with the PRS REIT's Investment Policy. The Investment Adviser is an appointed representative (reference number: 776293) of the AIFM.