

Regulatory Story

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Matrix European Real Estate Inv Tst
20 March 2008

The Board of Matrix European Real Estate Investment Trust Limited announces the highlights of the Company's results for the year ended 31st December 2007

20th March 2008

Highlights

? Conversion from open-ended collective investment scheme to a closed-ended Guernsey registered investment company with limited liability on 25 April 2007.

? Shares admitted to the Official List of UK Listing Authority on 4 June 2007.

? Placing and public offer on 4 June 2007 raised gross proceeds of •170.8 million through the issue of an additional 25.3 million shares.

? IZD office tower in Vienna was acquired for gross consideration of •175.0 million on 12 June 2007.

? Secured lettings of vacant space in IZD to take the occupancy level to 99% compared to 88% at acquisition.

? Portfolio of four buildings acquired in Spain for •35.7 million on 30 March 2007.

? Office development in Montpellier completed in January 2008 and the building is fully let to Groupama.

? NAV per share (basic) up 3.7% since 31 December 2006 to •6.53 as at 31 December 2007

? NAV per share (adjusted) up 6.0% since 31 December 2006 to •6.67 as at 31 December 2007.

? Three dividends totalling 23.625p per share have been paid in respect of the period from IPO to 31 December 2007, representing an annualised dividend of 6% on issue price of •6.75.

Chairman's Statement

I am pleased to report that the Company has performed well in operational terms through 2007, despite testing market conditions in the latter part of the year.

Markets worldwide have suffered since the credit crunch emerged in summer 2007 and the UK commercial property market has endured a difficult year. We have seen the end of several years of significant yield compression and capital values started to reduce during the second half of 2007, with a substantial reduction in values during the final quarter.

In Europe the market reaction has been comparatively muted. Investment activity has slowed and recent sales have generally not achieved prices that would have been secured in the first half of 2007. However, there has not been the sharp decline in values in continental Europe that has been seen in the UK. For this reason, the Company's portfolio, as assessed by the independent valuers, has largely maintained its value over the year.

In common with other London Stock Exchange investment property companies, shares

in the Company are trading at a discount to NAV. The discount gap has followed the general trend and is currently in line with the peer group.

Although the Board is keeping the discount under close scrutiny, the Company's main aim is to deliver an attractive income return and capital growth. The Company's adjusted NAV per share has increased throughout the year rising from •6.30 at 31 December 2006 and •6.47 at 4 June 2007 (IPO) to •6.67 at 31 December 2007.

The Company has made a 6% per annum distribution, based on the issue price of •6.75 per share. This is in line with the stated intention made at the initial public offering ("IPO") and the Board expects to maintain this level of distribution.

The Company has determined to introduce a Dividend Re-Investment Plan (DRIP) to take effect for the 2008 second quarter dividend. Further details will be provided in a letter to shareholders to be sent shortly.

The Company has achieved a total return (as detailed on the Statement of Recognised Income and Expense) of •11.6 million for the year ended 31 December 2007, including •21.3 million of foreign exchange gains on translation of foreign operations.

It was the Company's intention at IPO to utilise the Commercial Mortgage Backed Securities debt market ("CMBS") to reduce the cost of borrowing across the portfolio. The reduction of liquidity across finance markets has meant that this has not been possible. The costs relating to this exercise have been written off.

Whilst this was expected to have improved the Company's cost of borrowing, the Board believes that the Company's financing position is sound. The overall cost of debt in the portfolio is circa 4.7% (as at 31 December 2007). 89% of the overall debt is hedged with a weighted average expiry date of April 2011 and the first refinancing is not due until December 2009.

A common issue that some property investment funds (particularly UK invested funds) are currently facing is the headroom between property values and their loan to value covenants. The Company is currently operating well within its limits and will continue to take appropriate measures to ensure that this remains the case. The weighted average loan to value limit across the Portfolio, as determined by bank covenants, is 73.5%, which is substantially in excess of the actual loan to value ratio of 60.4% as at 31 December 2007. This is also below the 65% target as set out at the time of the IPO.

This is one of the reasons that no deals have been undertaken within the Dynamic joint venture. The Board considers it unwise to undertake highly geared transactions, such as were envisaged within Dynamic, in the present market. On the other hand, active management has and will continue to play an important role in the maintenance of value during a weakening market.

This is clearly illustrated by the IZD Tower in Vienna, where we have seen great success in the letting of vacant space. Occupation has increased from 88% at IPO to almost 100%. Your Board believes that the lettings already completed and the lease extensions with major tenants that are being negotiated are key to maximising value. Whilst the IZD Tower, at 32% of the portfolio, is a large exposure, the Board is content to hold the property given its quality and proven appeal in the occupier market.

Looking forward the Board considers that the MEREIT portfolio has the potential to continue to deliver secure income at an attractive level. The Board intends to seek out opportunities in markets where it believes that shareholder value can be added through both sales and purchases.

Crispian Collins

Chairman

19 March 2008

Manager's Report

Investment Objectives

The Company's objective is to deliver attractive total returns from investment in European real estate with a strong income component. The company focuses on significant single properties or geographic concentrations where value enhancement can be achieved through active asset management.

The Company also seeks to provide a diversified exposure to European real estate with a focus on the property markets of the major stable western European economies.

Market Outlook

Looking forward, it is likely that capital value growth will be difficult to achieve in the European property markets in the immediate future and that the key drivers of performance over the next few years will be income growth and asset management.

We continue to believe that investment in European property has the potential to produce attractive income and capital returns. Whilst economic growth is slowing we still expect to see steady performance from the property markets - although this will not be uniform.

We consider that the retail market will outperform over the next few years and will be looking hard at opportunities in this sector. The office market is likely to be more difficult but there are locations that are still seeing strong occupier demand and where we expect good rental growth and the potential to actively manage to enhance returns. The logistics market should remain a strong contributor towards income with particular growth potential in the key distribution corridors.

Portfolio Overview

As at 31 December 2007 the MEREIT fund comprised 16 properties with a total value of ?813.7 million. On a like-for-like basis the value of properties has remained broadly stable, with a minimal decrease of 0.34% over the year.

It is undoubtedly a difficult time in the real estate market and there remains uncertainty as to what extent the difficulties in the UK market will impact on the continent - the high discounts to NAV affecting the quoted property sector are indicative of this. However we consider that the MEREIT portfolio is well set for the long term. The portfolio is diversified both in terms of location and sector and is invested in good quality property let to strong tenants with an average unexpired term of 7.4 years.

Activity over the Year

IPO and Listing

The principal event during the course of the year was the IPO and listing on the London Stock Exchange. The fund converted from an open-ended collective investment scheme to a closed-ended Guernsey registered investment company with limited liability in April 2007 and then undertook a placing and public offering in June, raising gross proceeds of •170.8 million through the issue of an additional 25.3 million shares.

Acquisitions

Vienna

Matrix Vienna Tower LP ("MVT"), a vehicle that owns the IZD office tower ("IZD") in Vienna was acquired in June for a gross consideration of •175 million.

Panrico Portfolio

In March a portfolio of four industrial properties was acquired in Spain for •35.7 million.

Montpellier

In July 2007, the Company invested •11.4 million into the development of a prime business park building in Montpellier, the construction of which was completed in January 2008. The investment included no third-party funding.

The Company has also committed a further •3.7 million to the development of a second building of 2,560 sqm at the same business park. These funds are committed subject to successful receipt of building approval.

Asset Management

Throughout the portfolio negotiations are currently in progress with various major tenants to extend leases and improve properties in order to enhance the value of the assets.

Significant asset management events over the course of the year include:

Vienna

The Company has successfully secured lettings on the vacant office space within the IZD Tower, including lettings to Verbund - Austrian Power Grid AG and Baxter AG. These additional lettings have resulted in an increase of the occupancy level of IZD to 99% compared to 88% at acquisition and in each case the rents agreed have been equal to or in excess of the rent guarantee provided on purchase; furthermore, this represents the highest occupancy rate of any similar building within Vienna.

Negotiations are ongoing with other significant tenants to let the remaining space and to extend leases within the building.

Montpellier

The property is now fully let to Groupama SA for, predominantly, a term of nine years.

Debt and Currency Position

Borrowings within the Company have been targeted at 65% of the consolidated gross assets with interest rate hedging applied as appropriate from time to time. The current loan to value ratio is 60.4% as compared to the average weighted portfolio limit of 73.5%. Loans mature between December 2009 and December 2014.

At present, 89% of the Group's debt is hedged at an average rate (inclusive of margin) of 4.72% with

interest-rate swaps maturing between December 2009 and November 2011.

Considering the Company's currency exposure, there is an element of natural hedging as the loans, interest payable and rental income are all in Euros.

A currency-rate hedge is in place sufficient to cover the majority of the current dividend as well as ?150 million asset hedge.

Matrix Property Fund Management (Guernsey) Limited

Manager

19 March 2008

An extract of the audited Financial Statements for the year ended 31st December 2007 is attached

www.rns-pdf.londonstockexchange.com/rns/6250q_-2008-3-20.pdf

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Regulatory

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