

Alpha Real Trust

9 March 2017

ALPHA REAL TRUST LIMITED ("ALPHA REAL TRUST")

Alpha Real Trust notes the annual results of Industrial Multi Property Trust plc ("IMPT") for the year ended 31 December 2016 published on 24 February 2017.

The adjusted Net Asset Value ("Adjusted NAV") per ordinary share of IMPT as at 31 December 2016 is reported at 307.4p which is 2.5% higher than the offer of 300p per ordinary share for the entire issued ordinary share capital of IMPT by Hansteen Holdings PLC ("Hansteen").

IMPT's portfolio valuation increased by 5.6%* in the year on a like for like basis, and Adjusted NAV increased by 18.0%*. The Board of Alpha Real Trust believes that the portfolio, and therefore the Adjusted NAV, has the potential to continue to increase in value in 2017 supported by the views of independent property consultants: *"2016 proved to be another strong year for the UK Industrial & Logistics markets with investor demand again surpassing available investment product. We see strong performance in the sector continuing in 2017 with rental growth remaining the key driver of total returns."* (Colliers International, 22nd February 2017).

The Hansteen 300p offer is below the 31 December 2016 reported Adjusted NAV of 307.4p per ordinary share. Furthermore, in the IMPT announcement of 17 February 2017, the Independent Directors of IMPT stated that they evaluated a number of unsolicited proposals including the proposal from Hansteen: the Alpha Real Trust board observes that it is unclear whether a competitive bidding process had been run prior to the IMPT directors' recommendation of the Hansteen offer.

Included within IMPT's circular dated 1 December 2016, there is a letter from Jones Lang LaSalle Limited ("JLL") which notes the following two points which a purchaser may take into account when negotiating a property acquisition:

- stamp duty land tax: this is payable on a direct sale of assets, with any value for potential stamp duty land tax savings (which occur when a purchaser acquires the company or special purpose vehicle in which asset(s) are held, rather than direct acquisition of the assets) estimated in the case of IMPT by Jones Lang LaSalle Limited ("JLL") to be up to £2 million (equivalent to 23.8p per IMPT ordinary share): *"In this instance, the benefit to the seller could be in the order of £1.5-2 million assuming a 50 per cent share with a purchaser"* (JLL in IMPT's circular dated 1 December 2016); and
- portfolio premium: *"We are of the opinion that for the right portfolio, such as this package of properties, if we were to market the portfolio today, we would hope to achieve a premium over current valuation"* (JLL in IMPT's circular dated 1 December 2016), although no specific value for a potential premium was provided by JLL.

Furthermore, regarding UK tax losses: the Alpha Real Trust board notes that IMPT has *"unused UK tax losses and capital allowances of £10.5 million"** which have not been represented as a deferred tax asset as at 31 December 2016. This could represent of a deferred tax asset of c.£2.1 million

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assuming the current 20% UK income tax rate applicable to non-resident landlords (equivalent to 25.0p per IMPT ordinary share), in the event that IMPT has taxable income in future years, against which these tax losses and capital allowances could be offset.

In summary, the current Adjusted NAV of 307.4p per ordinary share, together with the potential stamp duty land tax savings and available UK tax losses and capital allowances totalling up to £4.1 million (48.8p per IMPT ordinary share), equates to 356.2p per IMPT ordinary share – which is in excess of the Hansteen offer of 300p per IMPT ordinary share. In addition, whilst JLL comments on a potential portfolio premium, no estimate for this amount was provided.

Alpha Real Trust also notes that IMPT's financial adviser and broker, Stockdale Securities Limited, in February 2016 suggested that the net asset value of IMPT could rise to in excess of 600p per share by 2019:

“Given the recovery that we are seeing in the UK we assign a 40% probability to the event that the NAV of the fund rises considerably, close to replacement costs, which we have estimated to be £66 per sqft. In addition, we assume that the company refinances its debt and recommences the payment of a dividend. In such an event, we estimate that the NAV could rise to 604p.” (Stockdale Securities research note dated 10 February 2016, being the latest available research publication making reference to a specific potential NAV estimate that ART is aware of).

The Board of Alpha Real Trust believes that the 31 December 2016 financial results published by IMPT, together with the items summarised above, demonstrate that the offer by Hansteen continues to grossly undervalue IMPT and have resolved to reject the offer.

**Source: Industrial Multi Property Trust plc Annual Report and Consolidated Financial Statements for the year ended 31st December 2016 announced 24th February 2017*

- *IMPT's portfolio valuation increased by 5.6% in the year on a like for like basis, and Adjusted NAV increased by 18.0%: page 1*
- *Unused UK tax losses and capital allowances of £10.5 million: page 44*

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