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U.K. REITs

At Indur-Vishni Wealth Management LLC we like to present our reports in a novel way. We take the numbers seriously and we carry out a certain amount of thorough research (dude, life's too short to scrutinise every piece of guff released by the company!) but we don't obsess over it and we certainly don't lose ourselves in 'jargon diarrhoea'! The object of the year-end survey is to entertain and enlighten, not bore. So, we're going to wrap up our report in a couple of pages.

We do things differently at I-VWM: we have our own recommendations. We don't use the conventional 'Buy', 'Hold' and 'Sell'. Instead, we prefer the far more colourful 'Stay The F**k Away' (S.T.F.A.), 'G.T.F.O' (you can probably figure out what the acronym stands for, especially if you liked Extreme's Get The Funk Out.) and, because we're classy and we had an expensive, private education 'Carpe'!

We pride ourselves on thinking differently from the herd. In fact, if we don't like the prospects of any stocks in a particular sector we won't hesitate in consigning the entire sector on to the rubbish heap.

We want our readers and clients to read 'em and weep (with laughter) but without losing sight of the fact that we'd like them to invest wisely and to not only retain their capital but also get a return on their capital. But, if you were dumb enough to buy any of these stocks at inflated prices you won't find this report amusing. We advise you to click the 'X' at the top right hand of the page!

This week we bust the door down on the U.K.'s Real Estate Investment Trusts (REITs).

A Handful of REITs In A Pool of Wrongs.

Assura Plc gets things going. This healthcare-focused REIT finished the year with a sore ass, down just over 17% for 2018. We're bearish on the property sector in the U.K. for the next few years so we recommend **S.T.F.A.** and **G.T.F.O**. Don't fall for the 4.6% dividend (which works out to 2.5p per share!).

Big Yellow's performance was anything but big. It just about managed a half-per cent gain for the year. Why on earth the stock currently trades close to a 52-week high is anybody's guess. We think there's a lot of froth here and it will get blown away in due course. **S.T.F.A./G.T.F.O**.

British Land may have crash-landed to the tune of 22% but this is one REIT we feel is worth a nibble once it drops below 500 (not long to go!). We think 475 is a good buy-in price, especially if the 5% dividend is maintained. Given the company's exposure to the U.K.'s retail sector (or, what's left of it!), we wouldn't be surprised if the dividend is eventually cut. Keep an eye on developments. Remember, just a nibble; don't get greedy. The future of the British economy doesn't inspire us enough to recommend any of the REITs without qualifications. **Carpe**.

Great Portland Estates might sound (pseudo?) aristocratic but both its performance (down just over 18%) and dividend (a pathetic 1.5%) were more akin to slum-dogs. This REIT is possibly the biggest waste-of-time and doesn't deserve another second of our time…or yours. **S.T.F.A./G.T.F.O**.

With a drop of just under 9% **Derwent**, like a crack-whore, went nowhere but down. Like British Land, the REIT is overly focused on London. Not only are all the eggs in one proverbial basket but the wolves are closing in on the coop. **S.T.F.A./G.T.F.O**.

Getting hammered by just under 40%, **Hammerson** gets our vote for 'Runner Up Prison Bitch' of the REIT sector (the prize? Anal reconstructive surgery!). It's far too exposed to the rapidly degrading retail sector so normally we'd say S.T.F.A. However, a dividend yield of 7% and the fact that it's trading close to 52-week lows makes us want to grab a handful. This is a **Carpe** at 200.

And now, the moment we always look forward to, it's time to introduce the 'Prison Bitch' of the sector. That honour falls upon **Intu**, which crashed over 55% by the time Santa came. Surprise, surprise…these guys are also exposed to the retail/shopping centre sector. We think the prospects are bleak but if you want to milk this cow for its 14% dividend (and jumping ship just before the dividend is slashed) then go right ahead. **Carpe**.

Land Securities, with free-fall of 20%, had a far-from-secure 2018. And, yes, like the other REITs it's over-exposed to retail/leisure/office spaces. While there will always be some demand for offices, we see demand for retail and leisure spaces dwindling and all REITs with portfolios in those two sectors are basically f*cked. Land Securities currently has a dividend just under 5% but we don't see the dividend being maintained once the post-Brexit fear and loathing tighten their grip. **S.T.F.A./G.T.F.O**.

London-centric **Londonmetric Properties**, like its peers, finished the year lower than where it began although, with a fall of just over 7%, it got away fairly lightly. We're not in the least excited by the dividend yield (3.76%) or long-term prospects. **S.T.F.A./G.T.F.O**.

New River found itself up the creek without a paddle with a fall of 37% and, yes, the REIT is exposed to retail properties but what makes it stand out from the peers is its ownership of pubs. Now, if you've spent any time in Britain you'll know that pubs are where Brits come to drown their sorrows, socialise and generally rub along in that chummy, matey, superficial way that they're so good at. We think Brits will be drowning their sorrows a lot more once a post-Brexit recession arrives. New River earns a counter-intuitive **Carpe** from us. Oh, and the 9% dividend is the icing on the bukake!

Healthcare specialist **Primary Healthcare Properties** had a stellar year, finishing up just under 16%, in contrast to Assura. The dividend could be better (it's just over 4%) but we think this REIT will keep giving, especially as it relies on the British Government for its contracts. We say jump aboard the gravy train. **Carpe**.

With an end-of-year finish of just under 2%, **Safestore** was another "success story" in the REITs sector. People will always need somewhere to store their hoard and Safestore would, under normal circumstances earn a Carpe from us but the mediocre dividend and frothy price earns it **S.T.F.A/ G.T.F.O**. recommendations.

Warehouse-and-industry specialist **Segro** saw no growth for the year. Perhaps that's better than the fate of some of the other REITs. Segro is by far the biggest REIT (market cap just under 7.5 billion pounds) but we think further growth is limited and we don't see any increase coming for the dividend (2.75%). In the words of Hall & Oates, we say "no go" (we can't go for that) to Segro. **S.T.F.A./G.T.F.O**.

If you've spent any time in London's tourist traps such as Picadilly Circus, Leicester Square, Camden etc., chances are you've used a retail facility housed in a Shaftesbury property. Despite the increased tourist footfall brought about by a weak pound, **Shaftesbury** got shafted to the tune of just over 20% for the year. The crappy dividend just under 2% is insulting. We don't see it increasing although Shaftesbury will continue to rake in the pennies from gullible tourists. S.T.F.A./G.T.F.O.

U.K. Commercial Property REIT, like it says on the tin, invests in commercial property. However, as it offers no dividend, we show it the door. A drop of over 6% for 2018 could well be emulated in 2019 as we think commercial property in the U.K. could be a value trap. **S.T.F.A./G.T.F.O**.

Student accommodation-focused **Unite Group** ended the year exactly where it began. As far as 2019 and beyond go, we see limited growth. University education in England is not cheap (the average tuition fee per year is around 8,000 pounds) and middle-class families will increasingly find it difficult to educate their children. Fewer students means less income for Unite which definitely means no dividend hike. **S.T.F.A./G.T.F.O**.

WeWork wannabe **Workspace** got worked over pretty roughly to end up 20% for the year. While there might currently be a buzz about flexible working spaces, we doubt most of the companies (start-ups?) will have a happy ending. Most of the time the people use these flexi-spaces to socialise and pose and preen in their tight, fashionably ripped jeans rather than do any meaningful work. Therefore, our recommendation is **S.T.F.A/G.T.F.O**.

The bulk of the U.K.'s REITS are either based in London or focused on the retail-and-leisure sector in London and the South East or both. Our view for some time now, recently manifested in the collapse of Jamie Oliver's restaurant chain – a favourite of the British nouveaux riche – is that the U.K.'s retail-and-leisure sector is in for one almighty butt-f*cking and the ripples will spread to REITs exposed to this sector.

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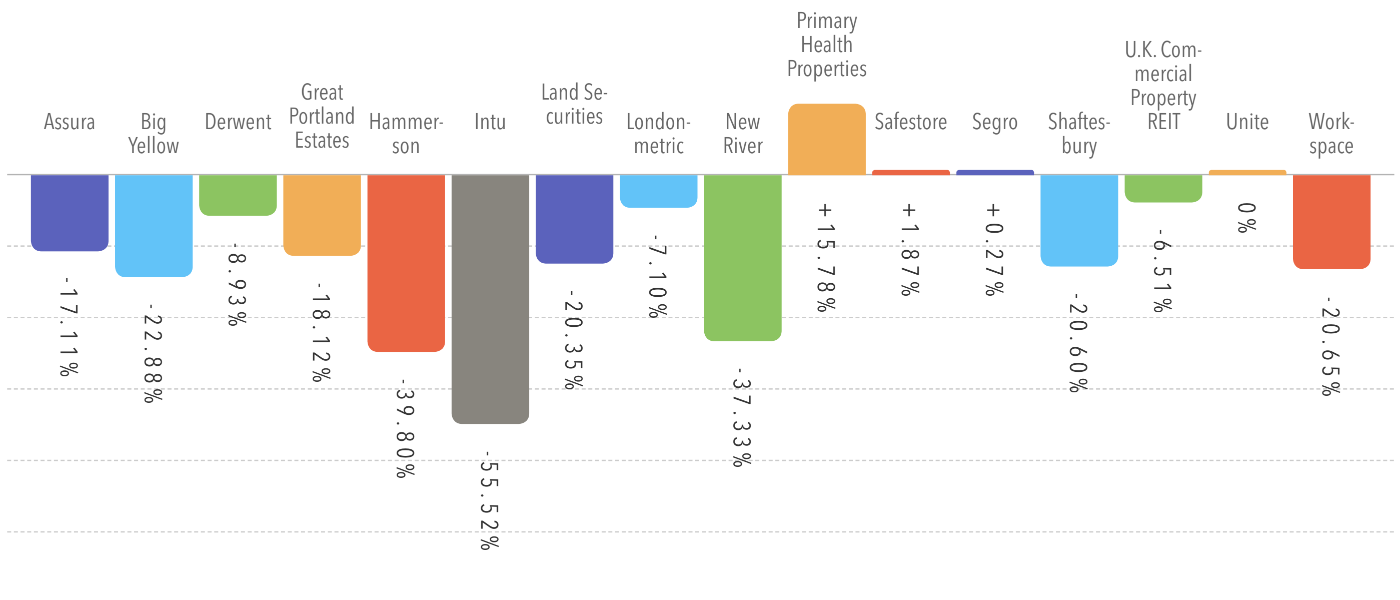

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