

## Discount unwarranted

*TR Property reported its interim results yesterday. Whilst the NAV only rose by 0.6% on a total return basis, it outperformed the benchmark which fell 1.95%. The shares have been weak over the past month and are now trading on a wide 5% discount to NAV compared with the wider UK Real Estate sector on a 1% discount. In contrast, the outlook for the property markets in its areas of focus (UK, Germany and Sweden) remains attractive, as does its 2.7% dividend yield. We reiterate our Buy rating.*

**Valuation & rating.** Over the six months to end September 2015, the NAV of TR Property rose by 0.6% on a total return basis outperforming its benchmark at -1.95%. However, share price performance was weaker at -4.1% as the discount to NAV rose from 0% to 7% (5% currently). This compares with F&C Commercial Property Trust which is trading on a 4% premium, UK Commercial on a 3% discount and the wider UK Real Estate sector on a 1% discount. Whilst UK Commercial and F&C Commercial offer a higher 4.4% dividend yield compared with TR Property at 2.7%, we highlight that TR shares are close to their year's price low. Although the rate of capital growth in the UK property market is slowing, the fundamentals (and rental growth prospects) remain attractive in Germany and Sweden. We therefore reiterate our Buy rating.

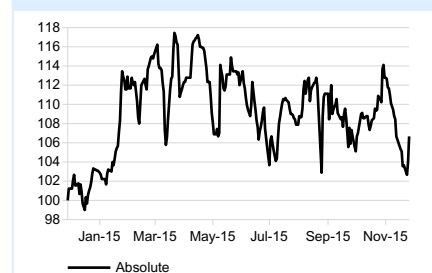
**Growing the dividend.** Management flagged previously that revenues would fall like-for-like in H1 2016 due to one-offs in H1 2015 such as the redevelopment of The Colonnades in Bayswater as well as some non-recurring receipts from companies such as Max Property. However, despite a fall in earnings from 6.05p to 5.51p, TR Property reported an interim dividend of 3.15p showing growth of 6.8% and continuing the Trust's track record of growing the dividend (in 21 of the past 22 years). A similar increase in the final dividend would suggest a full year dividend of c.8.2p but is obviously subject to any changes in the portfolio in H2.

**Taking advantage of refinancing opportunities.** TR's 11.5% debenture of £15m is due to be repaid in February 2016 and it has agreed to place a £15m 15-year loan note (coupon 3.59%) and a €50m 10-year loan note (coupon 1.92%). The loans will be drawn in February 2016. The servicing cost of these two loans is less than that on the current debenture. It will seek to renew its revolving credit facilities next year with CFD funding also providing short-term borrowing.

**Colonnades nearing completion.** The physical property portfolio (8% of assets) produced a total return of 8.8% over the six months driven by a capital return of 7.6% and a low income return of 1.3%, whilst rental income is reduced at The Colonnades during construction. The new Waitrose opened for trading in September and practical completion of the five retail/restaurant units is due this month. During the period an industrial estate in Gloucester was acquired for £6.3m, reflecting an NIY of 5.75%.

Price (25 November 2015)		294p
Changes	Previous	Current
Rating	-	BUY

### Share price performance (indexed)



### Key data

Stock code	TRY LN
Market cap (£m)	934
FTSE EPRA/NAREIT EU CAP	286
12mths perf (%)	8.2
12mth high-low (p)	325 - 270

### Key financials

Price (p)	294
NAV ex-income (p) at 25/11/15	311
Discount (%) to 25/11/15 NAV	5
Current yield (%)	2.7

Prices are as of close 25 November 2015

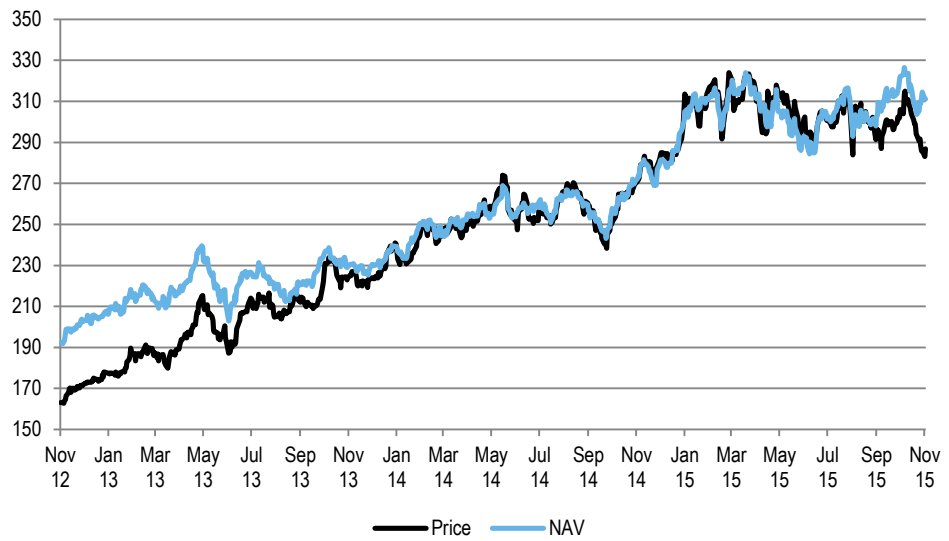
All sources unless otherwise stated: Company data, FactSet, Stifel estimates

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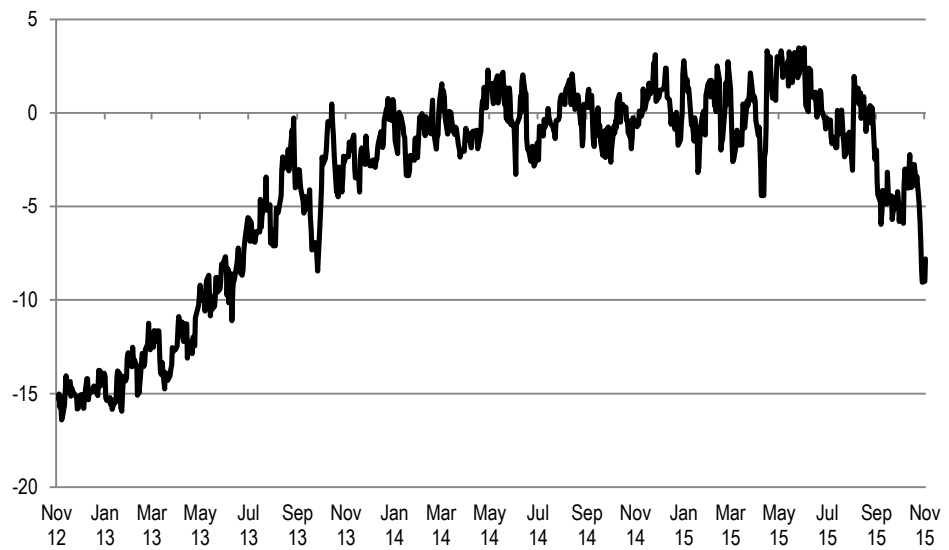
## Additional data

Figure 1: TR Property price vs. NAV over 3 year period to 24/11/15



Source: Datastream

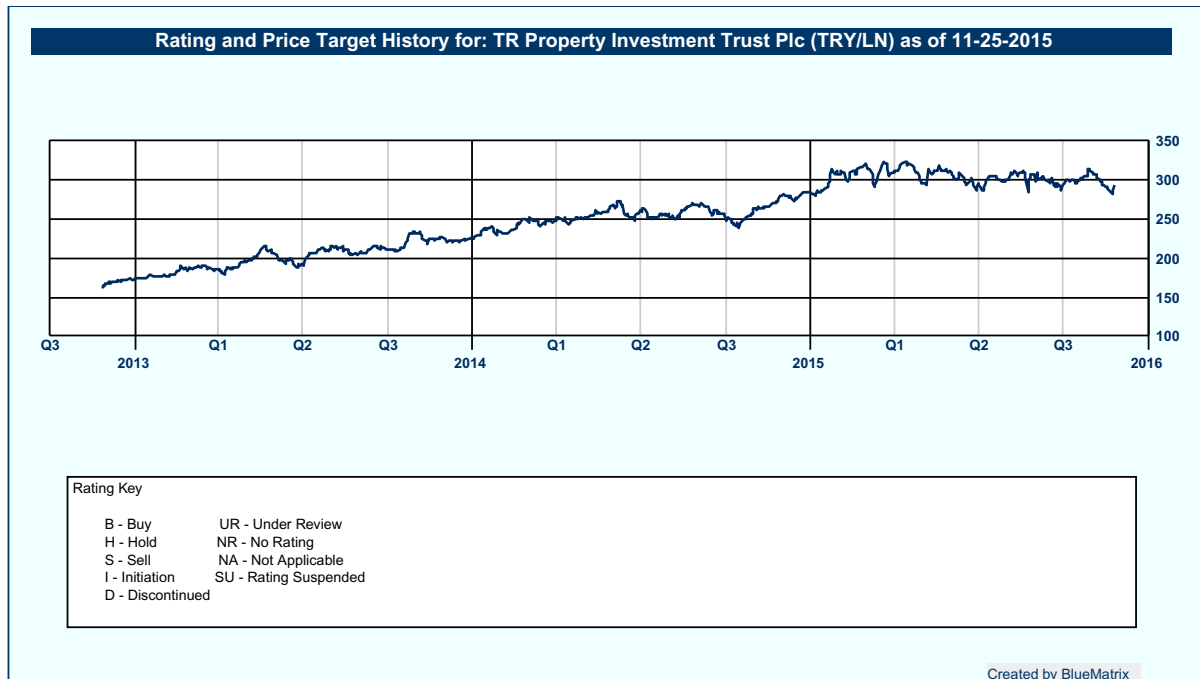
Figure 2: TR Property discount/premium over 3 year period to 24/11/15



Source: Datastream

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