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Supermarket Income REIT

Real estate

20 July 2026

Profitably building scale

Supermarket Income REIT (SUPR) has raised gross proceeds of £100m through a placing and retail offering of new shares. The net proceeds, combined with leverage, will fund the acquisition of nine assets for approximately £216m. The acquisitions enable SUPR to leverage its cost-efficient and scalable platform and deep grocery real estate knowledge, and are expected to be EPS accretive in the first full year. In addition, in a market where scale matters, the issue should benefit share trading liquidity and wider shareholder appeal. SUPR expects to announce results for the year ended 30 June 2026 in September and says that performance is in line with its expectations.

A robust platform for growth

120.5m new shares, around 10% of the pre-existing share capital, have been issued at 83p, a c 5% discount to December 2025 (end-H126) EPRA net tangible assets (NTA) per share of 87.7p, conditional on approval at a general meeting on 3 August, with trading expected to commence on 5 August. In combination, SUPR expects the issue and successful purchase of the identified assets to be accretive to earnings per share from the first full financial year with minimal NTA dilution. The loan-to-value (LTV) ratio will increase but the company remains committed to a maximum 45%, while the net debt-to-EBITDA cover ratio is expected to be a comfortable 7–8x.

Immediate progress with identified acquisitions

Immediately following the share placing, SUPR exchanged contracts to acquire three well-established UK supermarkets with strong trading histories for an aggregate £118m, at a net initial yield (NIY) of 6.9%, well above the current c 6% portfolio yield. The acquisition pipeline contains a further six UK grocery assets, with a combined value of £98m, comprising five supermarkets and SUPR's first grocery distribution centre, all predominantly let to investment-grade tenants on long leases. Completion is expected within three months. In aggregate, the nine assets have a NIY of 6.6% with a long weighted average unexpired lease term (WAULT).

Valuation: Attractive yield with capital upside

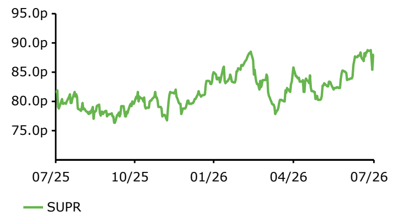
Following successful execution on a series of strategic initiatives, SUPR shares have increased 27% since the beginning of 2025, with a total return including dividends of more than 40%. Although the discount to NTA has narrowed materially, the shares still yield an attractive c 7%. DPS has increased each year since listing and the company targets an acceleration in fully covered DPS growth to at least 2% per year from FY27.

Consensus forecasts					
Year end	EPRA EPS (p)	NAV/share (£)	DPS (p)	Yield (%)	P/NAV (x)
6/25	6.0	0.88	6.12	7.0	1.00
6/26e	5.6	0.89	6.20	7.0	0.99
6/27e	6.3	0.92	6.20	7.0	0.96
6/28e	6.5	0.94	6.40	7.3	0.94

Note: Forecast data is market consensus as supplied by the company.

Price	**88.05p**
Market cap	**£1,097m**

Share price performance



Share details

Code	SUPR
Listing	LSE
Shares in issue	1,246.2m
Net debt at 31 December 2025 (including share of JV)	£(925.0)m

Business description

Supermarket Income REIT, listed on the premium segment of the LSE, with a secondary listing on the JSE, invests in grocery property, let to leading supermarket operators in the UK and Europe on long, inflation-linked leases. The investment objective is to provide an attractive level of income, with the potential for capital appreciation over the longer term.

Bull points

- Specialist investor with deep industry knowledge.
- Structurally supported sector.
- Low cost ratio.

Bear points

- Relatively high gearing in a sector context.
- Over-renting risk requires skilled management.
- Historically modest dividend growth.

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Edison profile page

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Positive tailwinds and well positioned

SUPR's investment proposition is based primarily on robust and visible income growth from long weighted average lease length (WAULT) of c 12 years), upward-only, mostly inflation-linked leases with strong tenants. To sustainably achieve this, the company invests selectively in high-quality, strong-performing, primarily omnichannel stores that are critical to the operations of its tenants and which represent an essential part of the nation's food delivery infrastructure. SUPR is not affected directly by the trading performance of its stores (it does not receive turnover-linked rents), but sustainable rent growth is a function of store turnover.

Given the non-discretionary nature of most grocery sales, the UK grocery market has shown consistent growth, and SUPR's key UK tenants (Sainsbury's and Tesco) have been taking market share, as have the larger-format omnichannel stores, which remain a core part of SUPR's investment strategy. Similar trends are in place in France, which prior to the new transactions represented c 10% of its portfolio, a level that SUPR anticipates will increase. Most recently SUPR has broadened its investments to include UK regional grocery distribution centres (RDCs), a critical part of the operator supply chain.

A strategy for growth

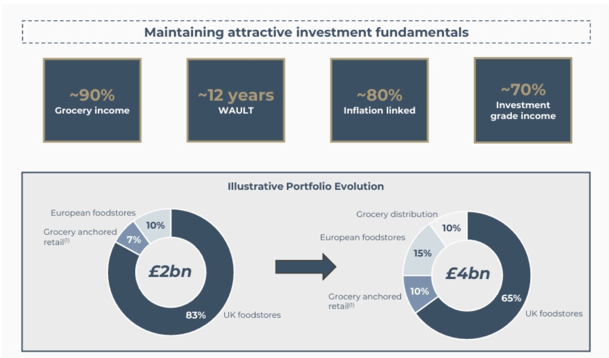
SUPR has previously made clear that it continues to see strong opportunities to grow its portfolio and leverage its cost-efficient platform and deep grocery real estate knowledge. To highlight the scale of this opportunity, with its interim results it stated an ambition to double the size of its £2bn portfolio over time and announced the appointment of two experienced senior hires, a strategy director and head of investments.

SUPR identifies opportunities across all of the existing areas in which it operates, including in Europe and in the recently identified area of RDCs, which are a crucial element of the supply chain and store network for operators.
In seeking to grow broadly on this scale, it is the company's intention to preserve the core characteristics of the portfolio, including a long WAULT, strong inflation linkage and a focus on investment-grade tenants.

Exhibit 1: Grocery real estate exposure at December 2025

Source: SUPR

Exhibit 2: Indicative growth potential



Source: SUPR

Remaining capital deployed ahead of recent transactions

Since reporting interim results, and prior to the newly announced transactions, SUPR has completed the acquisition of two stores for £41.0m (before costs), both let to Tesco, deploying its available capital at an average NIY of 6.8%. These were:

- A Tesco-anchored retail park in Newport, purchased for £21.0m at a 7.2% NIY. The property was acquired as a corporate entity, saving on stamp duty, with the yield reflecting achieved acquisition cost of 3.7% rather than the standard 6.8%. The retail park has a WAULT of 12 years and the foodstore accounts for 81% of the value of the site with five-yearly CPI-linked rent reviews (subject to a 3% cap and 0% floor).
- A Tesco store in Glastonbury, purchased for £20.0m at a 6.4% NIY. The foodstore benefits from a triple-net lease with an unexpired lease term of 11 years and annual RPI-linked rent reviews (subject to a 4% cap and 1% floor).

Immediate exchange of contracts on the first three pipeline assets

Immediately following the share placing, SUPR exchanged contracts to acquire three well-established supermarkets with strong trading histories, let to investment-grade tenants on triple-net leases, for an aggregate £118m. The blended NIY of 6.9% is well above the existing portfolio yield of 6.0% at end-H126. Completion is expected in September.

The supermarkets are:

- Sainsbury's, Manchester on a 5.2 acre site comprising a 71k sq ft supermarket with a click-and-collect facility. The unexpired lease term is 12 years with rent of £34 per sq ft and annual RPI-linked rent reviews (subject to a 5% cap and 3% floor).
- Tesco, Edinburgh on an 8.8 acre site comprising a 128k sq ft supermarket with eight home-delivery vans and click-and-collect facility. The unexpired lease term is five years with rent of £33 per sq ft and annual RPI-linked rent reviews (subject to a 4% cap and 0% floor).
- Tesco, Halifax on a 5.1 acre site comprising a 41k sq ft supermarket. The unexpired lease term is eight years with rent of £35 per sq ft and annual RPI-linked rent reviews (subject to a 5% cap and 0% floor).

The properties have been acquired through a corporate entity, saving on stamp duty costs, and the NIY indicates an annualised rent roll of c £8.4m. Prior to the transaction, SUPR's portfolio had an annualised passing rent roll of £129m with a WAULT of 12 years and a NIY of 6.1% (based on the end-H126 portfolio valuations).

The WAULT of the three assets is a relatively short eight years and the average rents of £34 per sq ft are above the end-H126 portfolio average of £23. SUPR says they offer good re-gear opportunities, which play to the company's strength as a sector-specialist investor, providing the opportunity to underwrite the re-gear risks more effectively than many others. The value created by re-gear opportunities comprises a period of higher 'over-rent' for the term of the existing lease (in this case a highly attractive 6.9% NIY) followed by reversion to a lower, rebased level of rent over a newly extended term, with the increased duration of cash flow providing potential for a capital uplift.

Since reporting interim results, SUPR has agreed re-gear terms on two existing stores, extending the WAULT of seven years to 15 years at rents broadly in line with the externally assessed expected rental value (ERV), an estimate of the rent that could be achieved if the stores were let at market rents today. One of the leases was renewed at the in-place passing rent, while the other had a 15% rent reduction. No rent-free periods or other lease incentives were granted. For these assets, SUPR expects that, taken together, the revised lease terms and extended duration of income will enhance total returns.

Further pipeline expected to complete within three months

The further pipeline of six grocery assets, the acquisition of which SUPR expects to complete within three months for an aggregate £98m, includes:

- Five UK supermarkets let primarily to investment-grade tenants geographically spread across the UK, with a WAULT of 13 years and average rents of £26 per sq ft.
- A grocery distribution asset let to an investment-grade grocery tenant with an unexpired lease term of 15 years and rents of £14 per sq ft.

In aggregate, the expected NIY on all nine assets is 6.6%, implying a NIY for the additional six assets of c 5.5%.

Recent refinancing added additional visibility to funding and debt cost

At the beginning of July, SUPR completed the refinancing of the £445m of existing unsecured debt facilities due to mature over the next two years, reducing borrowing costs and extending maturity.

The agreed average margin of 1.18% above SONIA (on a drawn basis) represented an annual cost saving of £0.3m and increased the weighted average debt maturity from 2.9 years to 3.8 years. Following the refinancing, the weighted average cost of debt is 4.4% (pro-forma 4.8% at end-H126) and is 98% fixed or hedged until the first debt maturity in June 2028.

Gearing has been deliberately increased over the past two years as management has become more confident that supermarket real estate valuations are at or close to a bottom and offering attractive investment yields, while simultaneously improving its visibility about debt funding costs. At end-H126, adjusted net debt, including SUPR's share of its joint venture (JV) with Blue Owl, was £925m and the net LTV was 45% but subsequently reduced to c 42% including all post period-end transactions and transfers of assets to the JV.

Including the new transactions and equity raise, LTV will increase again, but the company remains committed to a maximum 45% and expects LTV to reduce over time, to 40% or below, for which a continuation of the revaluation growth registered in H126 would be helpful. Meanwhile, the net debt-to-EBITDA cover ratio is expected to be a comfortable 7–8x, underpinned by resilient income from predominantly investment-grade tenants.

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