

PICTON PROPERTY INCOME LIMITED
(“Picton”, the “Company” or the “Group”)
LEI: 213800RYE59K9CKR4497

Net Asset Value as at 31 December 2019

Picton announces its Net Asset Value for the quarter ended 31 December 2019.

Highlights during the quarter included:

NAV growth and strengthened balance sheet through debt reduction

- Net assets increased to £519.1 million (30 September 2019: £510.7 million).
- NAV/EPRA NAV per share rose 1.7% to 95.2 pence (30 September 2019: 93.6 pence).
- Total return for the quarter of 2.6% (30 September 2019: 1.6%).
- LTV reduced to 22.4% (30 September 2019: 24.5%).

Dividend declared

- Dividend of 0.875 pence per share declared and to be paid on 28 February 2020 (30 September 2019: 0.875 pence per share).
- Annualised dividend equivalent to 3.5 pence per share, delivering a dividend yield of 3.5%, based on 30 January 2020 share price.
- Dividend cover for the quarter of 114% (30 September 2019: 114%).

Further valuation uplift driven by asset management

- Like-for-like increase in property portfolio valuation for the quarter of 1.4% (30 September 2019: 0.7%) driven primarily by industrial and regional office sector gains.
- £3.3 million invested in over 10 refurbishment and repositioning projects.
- Secured an average increase of 11% against the September ERV from nine lease events (renewals, regears and one rent review), with a combined annual rent of £3.0 million.
- Completed nine lettings on average 3% ahead of the September ERV, with a combined annual rent of £0.5 million.
- Agreed to pre-lease Shipton Way, Rushden, to Whistl UK Limited at an annual rent of £1.6 million who will become the Company’s largest single occupier from October 2020, when the existing occupier vacates.
- Completed the disposal of an office building in Croydon for £18.2 million.
- Stable occupancy of 88% (30 September 2019: 88%).

Nick Thompson, Chairman of Picton, commented:

“We have delivered another positive uplift in net assets, whilst at the same time reducing borrowings and increasing the amount available under our revolving credit facilities to capitalise on any emerging opportunities.”

Michael Morris, Chief Executive of Picton, commented:

“The asset management activity over the quarter, driven by a number of key leasing and regear transactions, has delivered further growth. Our primary focus is our refurbishment programme and corresponding leasing activity to drive both income and value.”



This announcement contains inside information.

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Note to Editors

Picton, established in 2005, is a UK REIT. It owns and actively manages a £685 million diversified UK commercial property portfolio, invested across 48 assets and with around 350 occupiers (as at 31 December 2019). Through an occupier focused, opportunity led approach to asset management, Picton aims to be one of the consistently best performing diversified UK focused property companies listed on the main market of the London Stock Exchange.

For more information please visit: www.picton.co.uk

NET ASSET VALUE

The unaudited Net Asset Value ('NAV') of Picton, as at 31 December 2019, was £519.1 million, reflecting 95.2 pence per share, an increase of 1.7% over the quarter, or 2.6% on a total return basis.

The NAV attributable to the ordinary shares is calculated under IFRS and incorporates the independent market valuation as at 31 December 2019, including income for the quarter, but does not include a provision for the dividend this quarter, which will be paid in February 2020.

	31 Dec 2019	30 Sept 2019	30 Jun 2019	31 Mar 2019
	£million	£million	£million	£million
Investment properties*	675.3	683.2	679.0	676.1
Other assets	16.4	19.5	17.0	15.8
Cash	21.9	17.1	21.6	25.2
Other liabilities	(19.2)	(22.0)	(21.8)	(23.0)
Borrowings	(175.3)	(187.1)	(187.4)	(194.7)
Net Assets	519.1	510.7	508.4	499.4
Net Asset Value per share	95.2p	93.6p	93.0p	92.7p

*The investment property valuation is stated net of lease incentives.

The movement in Net Asset Value can be summarised as follows:

	Total	Movement	Per share
	£million	%	Pence
NAV at 30 September 2019	510.7		93.6
Movement in property values	7.7	1.5	1.4
Net income after tax for the period	5.5	1.1	1.0
Dividends paid	(4.8)	(0.9)	(0.8)
NAV at 31 December 2019	519.1	1.7	95.2

DIVIDEND DECLARATION

A separate announcement has been released today declaring a dividend of 0.875 pence per share in respect of the period 1 October 2019 to 31 December 2019 (1 July 2019 to 30 September 2019: 0.875 pence).

Post-tax dividend cover over the quarter was 114% (30 September 2019: 114%).

DEBT

In the period the Company repaid £11.8 million of debt. Its total borrowings at 31 December 2019 were £175.3 million, 96% of which is fixed under long-term facilities, with the remainder at variable rates. The net gearing ratio, calculated as total debt less cash, as a proportion of gross property value, is 22.4% (30 September 2019: 24.5%).

The weighted average debt maturity profile of the Group is approximately 9.8 years and the weighted average interest rate is 4.2%.

The Company has £41.5 million available under its revolving credit facilities.

PORTFOLIO UPDATE

Like-for-like, the portfolio valuation increased by 1.4% or £9.6 million, including £3.3 million of capital expenditure across the portfolio during the period. The industrial and regional office sectors delivered the strongest growth, on the back of active management and proven rental growth. The London office sector saw a slight increase and the retail and leisure sector valuation declined over the quarter, principally impacted by continued weak sentiment in the regional retail and retail warehouse sectors.

The sector weightings at 31 December 2019 and valuation movements over the quarter are shown below:

Sector	Portfolio Weightings	Like-for-like Valuation change
Industrial	48.9%	3.2%
South East	34.4%	
Rest of UK	14.5%	
Offices	32.8%	1.4%
London City and West End	4.2%	
Inner and Outer London	5.7%	
South East	11.5%	
Rest of UK	11.4%	
Retail and Leisure	18.3%	(3.0)%
Retail Warehouse	7.3%	
High Street – Rest of UK	4.3%	
High Street – South East	4.9%	
Leisure	1.8%	
Total	100%	1.4%

As at 31 December 2019, the portfolio had a net initial yield of 4.6% (allowing for void holding costs) or 4.8% (based on contracted net income) and a net reversionary yield of 6.3%. The weighted average unexpired lease term, based on headline rent, was 5.4 years.

Occupancy was maintained at 88%.

The top ten assets, which represent 52% of the portfolio by capital value, are detailed below.

Asset	Sector	Location
Parkbury Industrial Estate, Radlett	Industrial	South East
River Way Industrial Estate, Harlow	Industrial	South East
Angel Gate, City Road, EC1	Office	London
Stanford Building, Long Acre, WC2	Retail	London
50 Farringdon Road, EC1	Office	London
Tower Wharf, Cheese Lane, Bristol	Office	South West
Shipton Way, Rushden, Northants	Industrial	East Midlands
Lyon Business Park, Barking	Industrial	Outer London
30 & 50 Pembroke Court, Chatham	Office	South East
Colchester Business Park, Colchester	Office	South East

Key highlights in the quarter included:

Industrial

At Shipton Way, Rushden, we agreed to pre-lease the entire building to Whistl, the UK's leading delivery management company. They will take a new 10-year lease, subject to a break in 2025, at an annual rent of £1.6 million. They will become the Company's largest single occupier from October 2020, when the existing occupier vacates.

At Parkbury, Radlett, we extended a lease with the largest occupier on the estate which was due to expire in November 2020. This secures a new 10-year reversionary lease, subject to a break in 2025, with stepped rental increases to £1.0 million per annum.

At Trent Road, Grantham, we extended a lease that was due to expire in 2023 until 2029, subject to a break in 2026, at £1.2 million per annum.

We let units in Barking, Epsom and Wokingham, for a combined £0.2 million per annum, in line with the September ERV.

A lease was surrendered at Datapoint, London E16, and is currently being refurbished along with the adjoining unit that came back on a lease expiry during the period. We expect to secure new lettings at rents significantly ahead of the previous passing rent and already have good interest. As a result of this transaction, Picton received £0.2 million of additional income.

The £2.3 million refurbishment of the distribution unit in Rugby, our second largest void, is due to complete in Q1 2020 and we have good interest.

Office

At Tower Wharf, Bristol we moved a break option due in August 2020, securing at least another three years term certain. The rent review was agreed at the same time, securing a 29% uplift to £0.4 million per annum, 4% ahead of the September ERV.

At Waterside House in Leeds, following refurbishment works, we completed a lease of the whole building with a Government department, securing 10 years term certain at a rent of £0.3 million per annum, in line with the September ERV.

We let units in Colchester, Glasgow and Marlow, for a combined £0.2 million per annum, 4% ahead of the September ERV.

The £0.6 million refurbishment of the common areas and 4th floor at Metro, Manchester is now complete, and we have already identified an occupier for the vacant floor, subject to contract.

The sale of Citylink, Croydon, completed for £18.2 million. The 48,000 sq ft detached office building, constructed in 1986, is let to RBS and Fairfield School of Business. The building was sold with 10% vacancy and the potential for vacant possession in 2022. The sale price reflects a net initial yield of 4.8% and was 3% ahead of the September 2019 valuation. The property was acquired in 2005 for £9.1 million.

Retail and Leisure

At Parc Tawe in Swansea, Lidl relocated to the refurbished former Homebase and we entered into an Agreement for Lease in respect of their old unit with Farm Foods on a 15-year lease at a rent of £0.1 million per annum, in line with the September ERV. The £0.4 million common area refurbishment works will complete in Q1 2020.

The £0.7 million refurbishment of Angouleme Retail Park in Bury is due to complete in Q1 2020 and we have good interest in one of the two vacant units.

The refurbishment of the retail and office accommodation at the renamed Stanford Building in Covent Garden, is progressing as planned with completion due in April 2020.

MARKET BACKGROUND

According to the MSCI Monthly Index, the All Property total return was 0.3% for the quarter to December 2019, compared to 0.7% for the previous quarter.

Capital growth was -1.0% (September 2019: -0.6%) and rental growth was -0.2% for the quarter (September 2019: 0.2%). A more detailed breakdown of the MSCI Monthly Digest is shown below:

MSCI rental growth

	Quarterly growth	Number of MSCI segments	
		Positive growth	Negative growth
Industrial	0.7%	7	-
Office	0.5%	9	1
Retail	-1.7%	-	20
All Property	-0.2%	16	21



MSCI capital value growth

		Number of MSCI segments	
	Quarterly growth	Positive growth	Negative growth
Industrial	0.7%	5	2
Office	0.3%	6	4
Retail	-4.4%	1	19
All Property	-1.0%	12	25

ENDS