29 July 2019

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

Net Asset Value as at 30 June 2019

Picton (LSE: PCTN) announces its Net Asset Value for the quarter ended 30 June 2019.

Highlights during the quarter included:

NAV growth and enhanced balance sheet through fundraising

- Net Assets increased to £508.4 million (31 March 2019: £499.4 million).
- NAV/EPRA NAV per share rose 0.3% to 93.0 pence (31 March 2019: 92.7 pence).
- Raised £7.1 million of new equity at a 1.9% premium to the March NAV.
- LTV reduced to 24.1% (31 March 2019: 24.7%)
- Total return for the quarter of 1.3% (31 March 2019: 1.2%).

Dividend declared

- Dividend of 0.875 pence per share declared and to be paid on 30 August 2019 (31 March 2019: 0.875 pence per share).
- Annualised dividend equivalent to 3.5 pence per share, delivering a dividend yield of 3.7%, based on 25 July 2019 share price.
- Dividend cover for the quarter of 100% (31 March 2019: 113%).

Valuation uplift primarily driven by asset management initiatives

- Like-for-like increase in property portfolio valuation for the quarter of 0.5% (31 March 2019: 0.2%) driven primarily by industrial sector gains.
- Completed seven lease renewals / regears and uplifts secured on three rent reviews, on average 7% ahead of the March ERV, with a combined annual rent of £1.6 million.
- Completed four lettings on average 5% ahead of the March ERV, with a combined annual rent of £0.6 million.
- Active management completed to remove or extend four break options, securing £1.2 million of income the majority of which was at risk in the next 12 months.
- Stable occupancy of 90%, with a number of refurbishment projects underway (31 March 2019: 90%).

Nick Thompson, Chairman of Picton, commented:

“We have delivered another positive set of results during a quarter in which we also raised equity on a non-dilutive basis. This equity has been used initially to reduce borrowing from our revolving credit facilities ahead of it being deployed in a timely and cost-efficient manner into asset enhancing projects.”

Michael Morris, Chief Executive of Picton, commented:

“Overall the portfolio has responded well to our various asset management initiatives and fluctuations in the market. During the period, we have invested nearly £1 million into refurbishment and repositioning projects, which will now enable us to improve income. Furthermore, leasing transactions over the quarter have completed ahead of the independently derived rental valuations and we are continuing to make good progress on several value-enhancing asset management initiatives, which all bodes well for the future.”

This announcement contains inside information.

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Note to Editors

Picton is a UK REIT established in 2005. It owns and actively manages a £688 million diversified UK commercial property portfolio, invested across 49 assets and with around 350 occupiers (as at 30 June 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 of 30 June 2019, was £508.4 million, reflecting 93.0 pence per share, an increase of 0.3% over the quarter.

	30 Jun 2019 £million	31 Mar 2019 £million	31 Dec 2018 £million	30 Sept 2018 £million
Investment properties*	679.0	676.1	674.7	673.9
Other assets	17.0	15.8	16.7	18.8
Cash	21.6	25.2	22.8	20.1
Other liabilities	(21.8)	(23.0)	(22.2)	(21.4)
Borrowings	(187.4)	(194.7)	(193.9)	(194.3)
Net Assets	**508.4**	**499.4**	**498.1**	**497.1**
Net Asset Value per share	**93.0p**	**92.7p**	**92.5p**	**92.2p**

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

The NAV attributable to the ordinary shares is calculated under IFRS and incorporates the independent market valuation as at 30 June 2019, including income for the quarter, but does not include a provision for the dividend this quarter, which will be paid in August 2019.

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

	Total £million	Movement %	Per share Pence
NAV at 31 March 2019	499.4		92.7
Movement in property values	2.0	0.3	0.3
Share issue (net of costs)	7.0	-	-
Net income after tax for the period	4.7	0.9	0.9
Dividends paid	(4.7)	(0.9)	(0.9)
NAV at 30 June 2019	**508.4**	**0.3**	**93.0**

DIVIDEND DECLARATION

A separate announcement has been released today declaring a dividend of 0.875 pence per share in respect of the period 1 April 2019 to 30 June 2019 (1 January 2019 to 31 March 2019: 0.875 pence).

Post-tax dividend cover over the quarter was 100% (31 March 2019: 113%). Whilst remaining fully covered, the lower position relative to last quarter primarily reflects the timing of certain costs, alongside the current occupancy position.

DEBT

In the period the Company repaid £7.0 million of debt. Its total borrowings at 30 June 2019 were £187.4 million, 90% 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 24.1% (31 March 2019: 24.7%).

The weighted average debt maturity profile of the Group is approximately 9.8 years and the weighted average interest rate is 4.1%.

The Company has £30 million available under its revolving credit facilities.

PORTFOLIO UPDATE

The portfolio valuation increased by 0.5% or £3.1 million, primarily driven by active management and where we have been able to extend income. The industrial sector delivered the strongest growth, helped by continued rental growth. The office sector saw a slight increase, which was additionally helped by ongoing refurbishment projects. The retail and leisure sector valuation declined over the quarter, principally impacted by continued weak sentiment in the regional retail and retail warehouse sectors, however we are seeing occupational interest as detailed below.

The sector weightings at 30 June 2019 and valuation movements over the quarter are shown below:

Sector	**Portfolio Weightings**	**Like for like Valuation change**
Industrial	**46.5%**	**2.3%**
South East	32.9%	
Rest of UK	13.6%	
Offices	**34.2%**	**0.3%**
London City and West End	4.2%	
Inner and Outer London	8.2%	
South East	11.0%	
Rest of UK	10.8%	
Retail and Leisure	**19.3%**	**-3.4%**
Retail warehouse	7.7%	
High Street – Rest of UK	4.7%	
High Street – South East	5.1%	
Leisure	1.8%	
Total	**100%**	**0.5%**

As of 30 June 2019, the portfolio had a net initial yield of 4.8% (allowing for void holding costs) or 4.9% (based on contracted net income) and a net reversionary yield of 6.3%. The weighted average unexpired lease term, based on headline rent, was 5.2 years.

Occupancy was maintained at 90%.

The top ten assets, which represent 50% 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 House, Long Acre, WC2	Retail	London
50 Farringdon Road, EC1	Office	London
Tower Wharf, Cheese Lane, Bristol	Office	South West
Belkin Unit, 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 3220, Magna Park, Lutterworth we moved the break option out by three years in return for a nominal rent free period and at the same time settled a forthcoming rent review, securing an 11% uplift to £1.0 million per annum, 5% ahead of the March ERV.

We let two units at Radlett, one of which was to an existing occupier, securing five years term certain on both units, for a combined £0.2 million per annum, 10% ahead of the March ERV. One lease was renewed, securing £0.2 million per annum, 5% ahead of the March ERV. We have one small unit to let, which is being refurbished.

We settled a rent review at Datapoint, London E16, securing a 98% uplift to £0.1 million per annum, 15% ahead of the March ERV.

Office

A lease was renewed at Angel Gate, securing another five years, subject to break, at a rent of £0.1 million per annum, 4% ahead of ERV. We also moved out a break option, securing £0.1 million per annum until the end of 2020, the rent being 30% ahead of the March ERV.

Two leases were renewed and a suite let at Queen’s House in Glasgow, for a combined £0.1 million per annum, 41% ahead of the March ERV.

The common area refurbishment of 401 Grafton Gate in Milton Keynes is underway and once completed will transform the appearance of this 57,000 sq ft building opposite the train station. The building is fully occupied and we have worked with our occupiers to create a scheme that should enhance occupier retention.

The fourth floor of Metro, Salford offering 18,000 sq ft is being refurbished together with the common areas of the building providing enhanced amenities for our existing occupiers. The project is expected to finish in September.

We completed the refurbishment of Atlas House in Marlow, with one suite of 5,600 sq ft available in which we already have initial occupier interest. The refurbishment enhanced the office space and the common areas, created an enclosed garden for occupiers together with breakout space.

Retail and Leisure
Following completion of our enabling works, The Lidl lease at the former Homebase in Parc Tawe, Swansea, completed for a term of 15 years at £0.4 million per annum post incentives. Following the quarter end, we have in principle agreed terms to put their existing unit under offer to a national retailer. We have also commenced the exterior refurbishment of the park which is due for completion by the end of the year.

We have started works at Stanford House in Covent Garden which has now been stripped to shell and core. We have also secured planning permission and listed building consent to enlarge the office reception, install more office occupier amenity space, whilst reducing the retail footprint slightly. The planned refurbishment of the building is on track to complete by January 2020. We already have good occupational interest in the retail element.

Works have commenced at Angouleme Retail Park in Bury to improve the external appearance of the units and park, and are due to complete in September. As a result we have secured a new letting to Brand Interiors at a rent of £0.1 million per annum, in line with the March ERV, and in principle have agreed terms with a national retailer to renew their lease.

MARKET BACKGROUND
According to the MSCI Monthly Index, the All Property total return was 0.7% for the quarter to June 2019, compared to 0.5% for the previous quarter.

Capital growth was -0.6% (March 2019: -0.7%) and rental growth was 0.1% for the quarter (March 2019: 0.0%). A more detailed breakdown is shown below:

MSCI rental growth

		Number of MSCI segments	
	Quarterly growth	**Positive growth**	**Negative growth**
Industrial	0.8%	7	-
Office	0.4%	8	2
Retail	-0.8%	2	18
All Property	**0.1%**	**17**	**20**

MSCI capital value growth

		Number of MSCI segments	
	Quarterly growth	**Positive growth**	**Negative growth**
Industrial	0.6%	4	3
Office	-0.1%	4	6
Retail	-2.5%	-	20
All Property	**-0.6%**	**8**	**29**

*Source: MSCI Monthly Digest, June 2019

ENDS