



Occupier focused,  
Opportunity led.



**Picton Property Income Limited**  
Shareholder Update - June 2023



**The modest reduction in NAV over the period confirms a trend observed in March that the rate of valuation decline in our portfolio has stabilised since December 2022. This is reflective of a number of factors including the macroeconomic backdrop and the current level of investment activity across the UK real estate sector.**

Lena Wilson CBE Chair, Picton



**It is encouraging to see that the portfolio valuation has stabilised relative to previous quarters, supported by positive movements in the industrial and retail sectors. In addition, the team has made progress on a number of fronts which has resulted in new lettings and extending leases with existing occupiers ahead of the independent ERVs.**

Michael Morris Chief Executive, Picton



## Quarterly highlights

### Financial

- Net assets of £541.9 million (31 March 2023: £547.6 million).
- NAV/EPRA NTA per share decreased by -1.1% to 99.4 pence (31 March 2023: 100.4 pence).
- Total return for the quarter of -0.2% (31 March 2023: -0.9%).
- LTV of 27.1% (31 March 2023: 26.7%).

### Dividend

- Interim dividend of 0.875 pence per share declared in respect of the period 1 April 2023 to 30 June 2023 and to be paid on 31 August 2023 (1 January 2023 to 31 March 2023: 0.875 pence per share).
- Annualised dividend equivalent to 3.5 pence per share, delivering a dividend yield of 4.8%, based on the share price at close of business on 24 July 2023.
- Dividend cover for the quarter of 96% (31 March 2023: 111%).

### Portfolio

- Like-for-like portfolio valuation movement of -0.7% over the quarter, with modest positive valuation movements in the industrial, retail and leisure sectors.

	Sector weighting	Valuation movement	Average equivalent yield movement
Industrial	58.0%	0.5%	+2 bps
Office	31.2%	-3.2%	+26 bps
Retail and Leisure	10.8%	0.5%	0 bps
<b>Total</b>	<b>100%</b>	<b>-0.7%</b>	

- Renewed/regeared nine leases across the office and industrial sectors, with a combined annual rent of £0.8 million, an increase of 18% against the previous passing rent and 3% ahead of the March 2023 ERV.
- Completed three lettings in the industrial sector, securing a combined annual rent of £0.2 million, 5% ahead of the March 2023 ERV.
- Secured an increase of 24% against the previous passing rent from a 2022 rent review in the industrial sector, with an annual rent of £0.1 million, which was 5% ahead of the ERV at the time of the review.
- Occupancy at 90% (31 March 2023: 91%).



**Full details of the Company's June NAV**

<https://www.picton.co.uk/investors/shareholder-centre/nav-statements/>

## Corporate summary

£542m

Net assets

£401m

Market capitalisation\*

£227m

Borrowings

4.8%

Dividend yield\*

1.1%

Cost ratio

27.1%

Loan to value

\*As at 24 July 2023

## Portfolio summary

49

Number of assets

£761m

Property value

5.0%

Net initial yield

6.8%

Reversionary yield

90%

Occupancy

4.8m sq ft

Area

## Portfolio update and market background



Industrial  
weighting

58%

South East	42%
Rest of UK	16%



Office  
weighting

31%

Central London	13%
Rest of UK	10%
South East	8%



Retail and Leisure  
weighting

11%

Retail Warehouse	7%
High Street Rest of UK	2%
Leisure	2%

### Portfolio update

On a like-for-like basis, the portfolio valuation movement was -0.7%, principally reflecting upward yield movement in the office sector whilst stabilising in the industrial, retail and leisure sectors.

Whilst we saw modest valuation increases in the industrial and retail and leisure assets, office assets and particularly those in London were subject to further decline, reflecting the more limited investor demand in that sector currently.

We continue to see rising rental values and have captured further ERV growth from the portfolio. This includes the letting of a unit at our largest industrial estate in Radlett where the passing rent is £0.2 million per annum, in-line with the March 2023 ERV and 11% ahead of ERV when the letting was agreed. The letting followed a comprehensive refurbishment, which included the provision of solar roof panels, for which there will be an additional revenue stream linked to the renewable electricity generated and used.

In the office sector we renewed the leases on a single leased building in Colchester, two small suites in Glasgow and an ancillary residential unit in Covent Garden, securing a combined £0.5 million per annum, which is 6% ahead of the March 2023 ERV. Using permitted development rights, we have secured further changes of use from office to residential on vacant office space at our scheme in Islington. In total, permission has now been secured for 28 units (45 bedrooms) and have applications pending on a further 7 units (21 bedrooms). We are also progressing further repositioning initiatives in Cardiff and Hammersmith and updates will be provided as appropriate.

In the retail and leisure sector, we completed an Agreement for Lease at a unit in Carlisle where a national restaurant chain will take a new 15-year lease at £0.1 million, in line with March 2023 ERV, once planning consent is obtained and landlord's works complete later this year.

As at 30 June 2023, the portfolio had a net initial yield of 5.0% (allowing for void holding costs) or 5.3% (based on contracted net

income), an equivalent yield of 6.6% and a net reversionary yield of 6.8%. The weighted average unexpired lease term, based on headline rent, was 4.5 years.

Occupancy was 90%, reflecting slightly lower leasing activity over the quarter, combined with a specific asset management led surrender.

### Market background

According to the MSCI Monthly UK Property Index, the All Property total return was 0.9% for the quarter to June 2023, compared to 0.2% for the previous quarter. MSCI capital growth over the three months to June 2023 was -0.4% (March 2023: -1.2%). This decline was driven by -4.0% in the office sector, offset by growth in the industrial and retail sectors of 1.2% and 0.1% respectively.

Rents at an All Property level grew 1.0% in the quarter according to MSCI (March 2023: 0.8%). ERV growth was driven by the industrial sector at 1.8%, with offices at 1.0% and 0.0% in the retail sector.

Occupancy was 89.6% (March 2023: 89.7%).

A more detailed breakdown of the MSCI Monthly Index for the quarter to June 2023 is shown below:

### MSCI capital growth

	Quarterly movement	Number of MSCI segments	
		Positive growth	Negative growth
Industrial	1.2%	7	0
Office	-4.0%	0	10
Retail	0.1%	8	11
<b>All Property</b>	<b>-0.4%</b>	<b>15</b>	<b>21</b>

### MSCI estimated rental value growth

	Quarterly movement	Number of MSCI segments	
		Positive growth	Negative growth
Industrial	1.8%	7	0
Office	1.0%	9	1
Retail	0.0%	7	12
<b>All Property</b>	<b>1.0%</b>	<b>23</b>	<b>13</b>



## Key dates

Financial year end: 31 March  
Half year: 30 September

Dividend payments:  
February/May/August/November

## Contacts

### Picton Property Income Limited

Stanford Building  
27A Floral Street  
London  
WC2E 9EZ

**T** 020 7628 4800  
**E** enquiries@picton.co.uk

### Company Secretary

Northern Trust International Fund  
Administration Services (Guernsey) Limited

Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3QL

**T** 01481 745001  
**E** team\_picton@ntrs.com

### Brokers

JP Morgan Securities Limited  
Stifel Nicolaus Europe Limited

### Media

Tavistock Communications  
18 St Swithin's Lane  
London  
EC4N 8AD

**T** 020 7920 3150

## Further information

### [www.picton.co.uk](https://www.picton.co.uk)

Visit our website for details of our:



#### Top ten assets

<https://www.picton.co.uk/about-us/our-top-10-properties/>



#### Top ten occupiers

<https://www.picton.co.uk/about-us/our-top-10-occupiers/>



#### Annual reporting

<https://www.picton.co.uk/investors/annual-report-2023/>



#### Sustainability reporting

<https://www.picton.co.uk/sustainability/performance-and-reporting/>



#### Latest NAV

<https://www.picton.co.uk/investors/shareholder-centre/nav-statements/>

### IMPORTANT INFORMATION

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