



Occupier Focused Opportunity Led

QUARTERLY SHAREHOLDER UPDATE

DECEMBER 2017

WHO WE ARE

Picton Property Income Limited is an award-winning property investment company which invests in commercial property throughout the United Kingdom. We own and actively manage a property portfolio of 51 assets across the industrial, office, retail and leisure sectors. Established in 2005, Picton has a premium listing on the London Stock Exchange.

INVESTMENT OBJECTIVE

Our aim is to provide shareholders with an attractive level of income together with the potential for capital growth.



VIEW FROM THE CHAIRMAN

“The Company has concluded 2017 strongly as we have continued to deliver robust NAV growth, increased our dividend to shareholders, improved dividend cover and reduced gearing. We are well placed as we start 2018 and finalise plans to enter the UK REIT regime.”

Nicholas Thompson, **Chairman, Picton Property Income Limited**



VIEW FROM OUR CEO

“We are pleased with these results, having maintained occupancy and delivered good portfolio valuation growth, particularly in the industrial sector. Encouragingly, post quarter end we have also got off to a busy start with a double letting success at our recent Bristol acquisition.”

Michael Morris, **Chief Executive, Picton Capital Limited**

PORTFOLIO UPDATE AND MARKET BACKGROUND

Portfolio Update

The portfolio valuation increased by 2.1% or £13.6 million, with the industrial sector delivering the strongest growth followed by the office sector. The retail and leisure sector valuation saw a modest decline over the quarter. Performance over the period came from asset management and tenant retention, ERV growth and further yield compression on certain assets.

The portfolio consists of 51 assets with an average lot size of £13.2 million, 4% higher than September. The valuation movements over the quarter are shown below:

Sector	Like-for-like valuation change
Industrial	3.5%
Offices	2.2%
Retail and Leisure	-0.5%
Total	2.1%

Occupancy remained unchanged at 95%.

Market Background














According to the MSCI IPD Monthly Index, the All Property total return was 3.4% for the quarter to December 2017, compared to 2.7% for the previous quarter. Capital growth was 2.0% (September 2017: 1.3%) and rental growth was 0.6% (September 2017: 0.6%).

REIT Conversion

In 2018, the Company intends to bring forward proposals to enter the UK REIT regime as set out in the 2017 Half Year Report. This follows the changes to the taxation of non-resident landlord companies announced in the November Budget. At the same time it will seek to change its technical listing status to that of a commercial company.

It is expected that following publication of the Company's audited full year results in June, it will seek shareholder consent at a General Meeting with a view to effect the changes by 1 October 2018.

PORTFOLIO COMPOSITION

Industrial	40.7%		Offices	35.7%		Retail and Leisure	23.6%	
South East	28.1%		Rest of UK	12.1%		Retail Warehouse	9.6%	
Rest of UK	12.6%		South East	10.7%		High Street – Rest of UK	6.6%	
			Inner and Outer London	8.8%		High Street – South East	5.4%	
			London City and West End	4.1%		Leisure	2.0%	

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HIGHLIGHTS DURING THE QUARTER INCLUDED:

Financial

- Increase in Net Assets to £477.4 million (30 September 2017: £463.8 million).
- NAV/EPRA NAV per share rose 3.1% to 88.6 pence (30 September 2017: 85.9 pence).
- Total return for the quarter of 4.1% (30 September 2017: 3.5%).
- Reduction in net gearing to 27.4% (30 September 2017: 28.2%).

Portfolio

- Like-for-like increase in property portfolio valuation for the quarter of 2.1% (30 September 2017: 1.9%).
- Completed the disposal of one non-core asset for £0.6 million, in line with the September valuation.
- Completed five lettings, seven rent reviews and five lease renewals, securing additional annual income of £0.26 million, on average 1.9% ahead of the September ERV.
- Occupancy maintained at 95% (30 September 2017: 95%).

Dividend

- Increased quarterly dividend of 0.875 pence per share declared (30 September 2017: 0.85 pence per share).
- Annual dividend equivalent to 3.5 pence per share, delivering a dividend yield of 4.0%, based on 22 January 2018 share price.
- Dividend cover for the quarter of 126% (30 September 2017: 119%).

OUR KEY NUMBERS

Property Value ¹ £665.3 million	Number of Properties 51	Average Lot Size £13.2 million	Average Lease Length 5.2 years
Market Capitalisation £451.4 million	Share Price 83.75 pence	Shares in Issue 540.1 million	Ongoing Charges ³ 1.1 per cent
Net Assets £477.4 million	Net Asset Value per share 88.6 pence	Quarterly Dividend 0.875 pence	
Current Debt £216.3 million	Net Gearing ² 27.4 per cent	Weighted Average Interest Rate 4.1 per cent	(at 31 December 2017)

¹ Adjusted for lease incentives and finance leases.

² Net gearing is calculated as total debt less cash deposits as a proportion of gross property asset value.

³ Calculated as annualised recurring management and corporate expenses as a proportion of the average net asset value in the preceding 12 months.

TOP TEN ASSETS

The top ten assets, which represent 48% of the portfolio by capital value, are detailed below.

1 Parkbury Industrial Estate, Radlett, Hertfordshire

Sector: Industrial
Location: South East

2 River Way Industrial Estate, Harlow, Essex

Sector: Industrial
Location: South East

3 Angel Gate Office Village, City Road, EC1

Sector: Office
Location: London

4 Stanford House, Long Acre, WC2

Sector: Retail
Location: London

5 50 Farringdon Road, London, EC1

Sector: Office
Location: London

6 Shipton Way, Rushden, Northants

Sector: Industrial
Location: East Midlands

7 Tower Wharf, Bristol

Sector: Office
Location: South West

8 Pembroke Court, Chatham, Kent

Sector: Office
Location: South East

9 Colchester Business Park, Colchester

Sector: Office
Location: South East

10 Parc Tawe North, Swansea

Sector: Retail Warehouse
Location: South Wales



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KEY DATES

Launch date

25 October 2005

Financial Year End

31 March

Half Year

30 September

Dividend Payments

August/November/February/May

Stock Code: PCTN

www.picton.co.uk

IMPORTANT INFORMATION

This newsletter is issued by Picton Property Income Limited ("Picton"). It is based on information supplied by the Investment Manager, Picton Capital Limited. In reliance on Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, this newsletter is intended for shareholders of Picton only and should not be passed to any person other than an existing shareholder of Picton. It is not a recommendation to deal or refrain from dealing in the shares of Picton. Any shareholder who requires advice on their investment in Picton should contact their stockbroker, bank or independent financial adviser.



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