



Occupier focused, Opportunity led.



Picton Property Income Limited
Shareholder Update - June 2020



Whilst Picton is not immune from wider market conditions, the industrial element of the portfolio has performed well and as such we are able to report only a small decline in NAV this quarter. The rent collection level is encouraging and we expect to make further progress on this over the quarter. The higher dividend cover reflects our lower distribution policy as we manage through and assess the overall impact of Covid-19 on the portfolio; however, we intend to keep the dividend under review.



Nicholas Thompson
 Chairman, Picton



This has been a particularly challenging quarter, with activity impacted through Covid-19 and the corresponding lockdown. Despite this, we have pursued a number of asset management transactions that have mitigated its impact and in addition we have refinanced our revolving credit facility.



Michael Morris
 Chief Executive, Picton

Quarterly highlights

Financial

- Net assets of £503.2 million (31 March 2020: £509.3 million).
- NAV/EPRA NAV per share reduced by 1.3% to 92.2 pence (31 March 2020: 93.4 pence).
- Total return for the quarter of -0.6% (31 March 2020: -1.0%).
- LTV of 22.4% (31 March 2020: 21.7%).
- New £50 million revolving credit facility secured.

Portfolio

- Positive valuation growth in industrial sector offset by weakness in office, retail and leisure sectors.

	Sector weighting	Valuation movement
Industrial	48.6%	0.7%
Office	33.6%	(1.3)%
Retail and Leisure	17.8%	(3.7)%
Total	100%	(0.8)%

- All industrial assets removed from independent valuers' 'material uncertainty' clause, in line with RICS guidelines.
- Stable occupancy of 89% (31 March 2020: 89%).
- 85% of the June 2020 rents have been collected or are expected to be received under monthly payment plans prior to quarter end. This rises to 90% when including rents expected to be received under agreed, longer-term payment plans.
- 86% of March 2020 quarter rents are now received, which is expected to increase to 95% on receipt of income from agreed, longer-term payment plans.
- In respect of the remaining rent outstanding, ongoing discussions and active management opportunities are expected to further improve either the income or capital position. The NAV includes a provision of £1.3 million against this balance.

- All Picton managed buildings fully operational.
- Work at all previously suspended refurbishment projects now restarted on site.

Dividend

- Dividend of 0.625 pence per share declared and to be paid on 28 August 2020 (31 March 2020: 0.625 pence per share).
- Annualised dividend equivalent of 2.5 pence per share, delivering a dividend yield of 3.8%, based on 22 July 2020 share price.
- Dividend cover for the quarter of 118% (31 March 2020: 90%).

Corporate statistics

£503m

Net assets

£370m

Market capitalisation

£167m

Borrowings

3.8%

Dividend yield

1.0%

Cost ratio

22%

Loan to value

Portfolio statistics

47

Number of assets

4.2m

Area square feet

£659m

Property value

89%

Occupancy

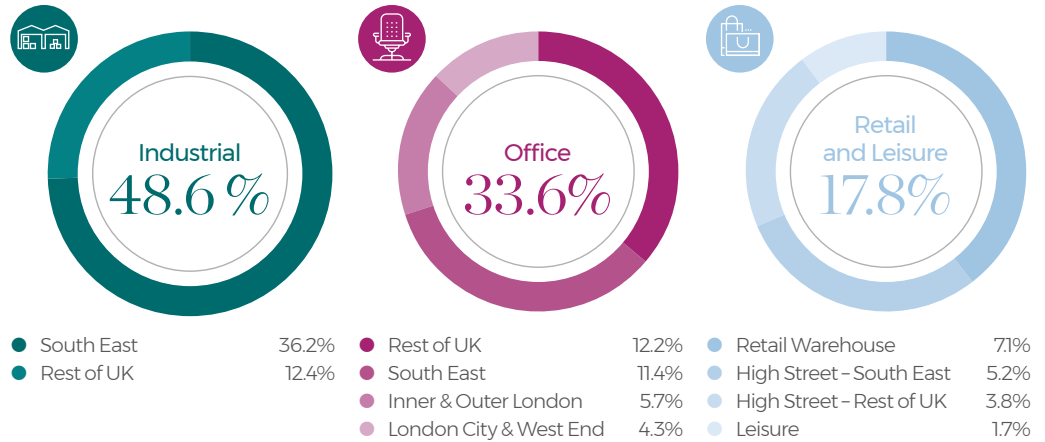
4.9%

Net initial yield

6.4%

Reversionary yield

Portfolio update and market background



Portfolio update

As at the 30 June 2020 valuation date, the material valuation uncertainty clause introduced in March 2020 has been removed for the industrial and logistics assets (49% of portfolio); however, this clause still applies to the balance of the portfolio.

Like-for-like, the portfolio valuation decreased by 0.8% or £5.3 million, and £1.3 million of capital expenditure was incurred across the portfolio during the period, primarily relating to the ongoing refurbishment of Stanford Building. Positive performance in the industrial sector on the back of active management and proven rental growth of 1% was offset by a slight decrease in the office sector, with ERVs stable in the regions and reducing by 1% in London. There was a more marked decline in the retail and leisure sector, which has been significantly impacted by the Covid-19 lockdown, with ERVs declining by 3%. More broadly, the valuation also reflected where rents remain unpaid.

As at 30 June 2020, the portfolio had a net initial yield of 4.9% (allowing for void holding costs) or 5.1% (based on contracted net income) and a net reversionary yield of 6.4%. The weighted average unexpired lease term, based on headline rent, was 5.4 years.

Occupancy was maintained at 89%.

Transactional activity was unsurprisingly more muted, but the key highlights were:

- Secured an average increase of 17% against the March ERV from six lease events (renewals, regears and two rent reviews), with a combined annual rent of £1.3 million.

- Completed two lettings in line with the March ERV, with a combined annual rent of £0.2 million.
- Removed or varied two break options, securing income of £0.3 million for a further period.

Market background

According to the MSCI Monthly Index, the All Property total return was -2.2% for the quarter to June 2020, compared to -1.3% for the previous quarter.

Capital growth was -3.5% (March 2020: -2.6%) and rental growth was -1.0% for the quarter (March 2020: -0.3%). A more detailed breakdown of the MSCI Monthly Digest is shown below:

MSCI capital growth

	Quarterly growth	Number of MSCI segments	
		Positive growth	Negative growth
Industrial	-1.7%	0	7
Office	-2.5%	0	10
Retail	-6.6%	0	20
All Property	-3.5%	0	37

MSCI rental growth

	Quarterly growth	Number of MSCI segments	
		Positive growth	Negative growth
Industrial	0.2%	5	2
Office	-0.3%	2	8
Retail	-3.0%	0	20
All Property	-1.0%	7	30

Top ten assets

The top ten assets, which represent 54% 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, City Road, London EC1
Sector: Office
Location: London
- 4** Stanford Building, London WC2
Sector: Retail
Location: London
- 5** Tower Wharf, Bristol
Sector: Office
Location: South West
- 6** 50 Farringdon Road, London EC1
Sector: Office
Location: London
- 7** Shipton Way, Rushden, Northants
Sector: Industrial
Location: East Midlands
- 8** Datapoint Business Park,
London E16
Sector: Industrial
Location: London
- 9** Lyon Business Park, Barking
Sector: Industrial
Location: Outer London
- 10** Colchester Business Park,
Colchester
Sector: Office
Location: South East

Key dates

Financial year end: 31 March
Half year: 30 September
Dividend payments: August/
November/February/May

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