

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

Trading Update and Net Asset Value as at 30 June 2024

Picton today announces its Net Asset Value (‘NAV’) for the quarter ended 30 June 2024.

Lena Wilson CBE, Chair of Picton, commented:

“For the second consecutive quarter we have seen a stabilisation in our net asset value. With a fully covered dividend, increased by nearly 6% in May, and with 100% long-term fixed financing, we are in a strong position to capitalise on improving market conditions”.

Michael Morris, Chief Executive of Picton, commented:

“It is encouraging that, at a portfolio level, we have delivered a positive valuation movement for the quarter, the first since June 2022. We have also been able to improve occupancy, with our industrial, warehouse and logistics assets continuing to support income growth.

During the period we have reduced our office exposure through our alternative use repositioning strategy and used the proceeds to repay floating rate debt to reduce financing costs. We continue to invest in our portfolio, future proofing and upgrading assets to unlock value”.

Financial highlights

- Net assets of £524.1 million (31 March 2024: £524.5 million)
- NAV/EPRA net tangible assets per share decreased by -0.1% to 96.0 pence (31 March 2024: 96.1 pence)
- Total return for the quarter of 0.9% (31 March 2024: 0.9%)
- Reduced total outstanding debt from £227.5 million to £210.8 million
- Reduced the weighted average interest rate on our debt to 3.7%
- Reduced loan-to value ratio (LTV) to 24.9% (31 March 2024: 27.9%)

Operational highlights

- Like-for-like portfolio valuation increase of 0.4% over the quarter, with the industrial, warehouse and logistics assets continuing to show the most resilience
- Reduction of office exposure, through completion of part vacant asset disposal, 2% ahead of March 2024 valuation
- Completed four active management transactions 7% ahead of the March 2024 estimated rental value (ERV) – three enabling existing occupiers to expand, securing an additional annual rent of £0.4 million, and one early lease regear, securing annual rent of £1.6 million until 2039
- Completed three new lettings in the industrial and office sectors with a combined annual rent of £0.5 million, 7% ahead of the March 2024 ERV
- Renewed five leases in the industrial, office and retail sectors, with a combined annual rent of £1.0 million, an increase of 45% on the previous passing rent and 1% below the March 2024 ERV
- Settled three rent reviews in the industrial sector with a combined annual rent of £0.6 million, 45% ahead of the previous passing rent and 1% ahead of the ERV at the review date
- Invested £1.9 million into upgrading projects across the portfolio to enhance asset quality and improve environmental credentials, facilitating occupier retention and new lettings
- Improved occupancy to 93% (31 March 2024: 91%) or 95% excluding two assets where an alternative use is being progressed

Dividend

- Interim dividend of 0.925 pence per share declared for the period 1 April 2024 to 30 June 2024 and to be paid on 30 August 2024 (1 January 2024 to 31 March 2024: 0.925 pence per share)
- Annualised dividend equivalent to 3.7 pence per share, delivering a dividend yield of 5.5%, based on the share price at close of business on 30 June 2024
- Dividend cover for the quarter of 102% reflecting the dividend increase effective May 2024

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE UK MARKET ABUSE REGULATION

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About Picton

Established in 2005, Picton is listed on the main market of the London Stock Exchange and is a constituent of a number of EPRA indices including the FTSE EPRA Nareit Global Index.

Picton owns and actively manages a £718 million UK commercial property portfolio, invested across 48 assets and with around 350 occupiers (as at 30 June 2024).

Through an occupier focused, opportunity led approach, Picton aims to be one of the consistently best performing diversified UK REITs and has delivered upper quartile outperformance and a consistently higher income return than the MSCI Quarterly Property Index since launch.

With a portfolio strategically positioned to capture income and capital growth, currently weighted towards the industrial sector, Picton's agile business model provides flexibility to adapt to evolving market trends over the long-term.

Picton has a responsible approach to business and is committed to being net zero carbon by 2040.

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

NET ASSET VALUE

The NAV of Picton as at 30 June 2024 was £524.1 million, or 96.0 pence per share, reflecting a -0.1% decline over the quarter or 0.9% on a total return basis.

The NAV attributable to the ordinary shares is calculated under IFRS and incorporates the independent market valuation as at 30 June 2024, including income for the quarter, but does not include a provision for the dividend this quarter, which will be paid in August 2024.

	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sept 2023
	£million	£million	£million	£million
Investment properties*	700.2	727.4	728.3	740.0
Other assets	26.7	26.9	23.6	26.6
Cash	32.1	19.8	21.6	17.2
Other liabilities	(24.1)	(22.1)	(21.3)	(19.9)
Borrowings	(210.8)	(227.5)	(227.9)	(226.8)
Net Assets	524.1	524.5	524.3	537.1
Net Asset Value per share	96.0p	96.1p	96.0p	98.5p

*The investment property valuation is stated net of lease incentives and includes the value of owner-occupied property.

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

	Total	Movement	Per share
	£million	%	Pence
NAV at 31 March 2024	524.5		96.1
Movement in property values	(0.1)	-	-
Net income after tax for the period	5.1	1.0	0.9
Dividends paid	(5.1)	(1.0)	(0.9)
Other	(0.3)	(0.1)	(0.1)
NAV at 30 June 2024	524.1	(0.1)	96.0

As at close of business on 30 June 2024, the Company's share price of 67.7 pence reflected a 29.5% discount to the NAV of 96.0 pence per share.

DIVIDEND DECLARATION

A separate announcement has been released today declaring a dividend of 0.925 pence per share in respect of the period 1 April 2024 to 30 June 2024 (1 January 2024 to 31 March 2024: 0.925 pence).

Dividend cover for the quarter of 102% reflecting the dividend increase effective May 2024.

DEBT

Total borrowings as at 30 June 2024 reduced to £210.8 million. The outstanding balance of £16.4 million drawn under the revolving credit facility was repaid in full in the period, with all debt now drawn under long-term fixed rate facilities.

The weighted average debt maturity profile of the Group is approximately 7.5 years and the weighted average interest rate is 3.7%. The net loan-to-value ratio, calculated as total debt less cash, as a proportion of gross property value, is 24.9% (31 March 2024: 27.9%).

Picton has £50 million available through its undrawn revolving credit facility.

MARKET BACKGROUND

The MSCI UK Monthly Property Index showed a positive total return for All Property for the three months to June 2024 of 1.7%, with an income return of 1.4% and capital growth of 0.3%. (March 2024: -0.9%). This is the first consecutive three months of positive capital growth since June 2022.

All Property rental growth was 0.8% for the three months to June 2024 (March 2024: 0.8%). On a rolling three month basis, rental growth has remained positive since February 2021.

The All Property Net Initial Yield was 5.4% in June 2024, compared to 5.3% in March 2024.

The market performance for the three months to June 2024 for All Property and the three main sectors is shown below. Capital growth was positive for all industrial sub-sectors, negative for all office sub-sectors, and positive for over half of all retail sub-sectors, principally retail warehousing. Rental growth was positive for all industrial and office sub-sectors and more than half of the retail sub-sectors.

Three months to June 2024	All Property	Industrial	Office	Retail
Total Return	1.7%	2.1%	-0.3%	2.8%
Income Return	1.4%	1.2%	1.3%	1.8%
Capital Growth	0.3%	0.9%	-1.6%	1.0%
Number of segments with positive growth	16	7	0	9
Number of segments with negative growth	18	0	10	8
ERV Growth	0.8%	1.3%	0.5%	0.2%
Number of segments with positive growth	25	7	9	9
Number of segments with negative growth	7	0	0	7

(Source: MSCI UK Monthly Property Index)

PORTFOLIO UPDATE

On a like-for-like basis, the overall portfolio valuation movement was up 0.4%, the first positive quarterly movement since June 2022.

The breakdown of valuation movements over the quarter are shown below:

Sector	Portfolio allocation	Like-for-like valuation change
Industrial	61.7%	0.8%
South East	43.8%	
Rest of UK	17.9%	
Office	27.1%	-0.6%
London City and West End	7.5%	
South East	7.8%	
Rest of UK	9.0%	
Alternative use assets	2.8%	
Retail and Leisure	11.2%	0.6%
Retail Warehouse	7.1%	
High Street – Rest of UK	2.3%	
Leisure	1.8%	
Total	100%	0.4%

Industrial - improving and extending income and capturing reversion

In Grantham, having settled the rent review, we have now restructured the lease with our third largest occupier, securing an additional 13-year term at a passing rent of £1.6 million. As part of the transaction Picton will contribute towards upgrading the asset, including energy efficiency improvements.

At Parkbury, Radlett we renewed the lease of our second largest occupier on the estate, securing £0.8 million per annum, an increase of 56% on the previous passing rent and 1% ahead of the March 2024 ERV. We also settled two rent reviews securing a combined £0.4 million per annum, 53% ahead of the previous passing rent and 1% ahead of ERV at the time of the reviews.

In Bracknell we completed the letting of the vacant unit for £0.3 million on a 15-year lease, 8% ahead of ERV and in Warrington we let a unit for £0.1 million, 3% ahead of ERV.

At Datapoint, London E16, we surrendered a lease and simultaneously re-leased the unit to the adjacent occupier who also extended their existing lease securing a minimum of ten-years term certain on both units. The combined rent, which included the settlement of a forthcoming rent review, is £0.5 million per annum, 5% ahead of ERV and 27% ahead of the previous passing rent.

Offices - capturing ERV growth and upgrading the portfolio

At Tower Wharf, Bristol we have upsized an occupier into recently vacated space on a ten-year lease at £0.5 million, 5% ahead of ERV. The occupier has increased their space in the building by 143% and their rent will increase by £0.3 million per annum, on completion of refurbishment works.

At Atlas House, Marlow we have renewed a lease for £0.1 million, in line with ERV and 42% ahead of the previous passing rent. At Stanford Building, London WC2 we have leased a residential unit for £0.1 million per annum, 9% ahead of ERV.



Our office portfolio decarbonisation programme is progressing and at five assets we are upgrading mechanical and electrical infrastructure to meet occupier requirements, improve income and meet our net zero commitments.

Offices - delivering our alternative use strategy

As previously announced, the sale of Angel Gate, London EC1 was completed for £29.6 million, 2% ahead of the March 2024 valuation.

In Cardiff, in accordance with the sale contract, the purchaser has submitted a planning application to convert the substantially void office building into student accommodation. Completion will occur following receipt of satisfactory planning permission, due later this year, and it is expected that an additional overage payment will be made to the Company, based on the number of units achieved.

At Charlotte Terrace, London W14, we have secured planning consent for six residential units on space that is currently vacant.

Retail - high occupancy

In Swansea we settled an indexed rent review at £0.4 million, an increase of 10% ahead of the previous passing rent. Our retail portfolio is currently 98% occupied and we are in negotiations with a number of occupiers to extend leases.

Top 10 Holdings

Asset	Sector	Location
Parkbury Industrial Estate, Radlett, Hertfordshire	Industrial	South East
River Way Industrial Estate, Harlow, Essex	Industrial	South East
Stanford Building, Long Acre, London, WC2	Office	London
Datapoint, Cody Road, London, E16	Industrial	London
Shipton Way, Rushden, Northamptonshire	Industrial	East Midlands
Lyon Business Park, Barking, London	Industrial	Outer London
Sundon Business Park, Luton, Bedfordshire	Industrial	South East
Tower Wharf, Cheese Lane, Bristol	Office	South West
50 Farringdon Road, London, EC1	Office	London
Trent Road, Grantham	Industrial	East Midlands

ENDS