Occupier focused
Opportunity led

Picton Property Income Limited
Shareholder Update – December 2024

> In my last update as Chair, I am delighted that we are delivering a NAV uplift, which is driven by property portfolio growth. This is a reflection of our continued upgrading and investment into the portfolio, proactive asset management and ability to capture rental growth. Our dividend remains fully covered and we have a strong balance sheet.

Lena Wilson CBE
Chair

> This was a strong quarter and reflects both progress at a portfolio level and our hands-on approach to improving income and creating value. We are now expecting completion of our asset disposals prior to the March year end, which will reduce our office exposure to below 25% and will further improve our portfolio occupancy to 95%.

Michael Morris
Chief Executive

Quarterly highlights

Financial

/ Net assets of £536.8 million (30 September 2024: £524.8 million)

/ NAV/EPRA net tangible assets per share increased by 2.3% to 98.5 pence (30 September 2024: 96.3 pence)

/ Total return for the quarter of 3.2% (30 September 2024: 1.3%)

/ Weighted average interest rate on debt, fixed at 3.7% (30 September 2024: 3.7%), with weighted average maturity of 7.0 years

/ Loan-to-value ratio (LTV) of 25.3% (30 September 2024: 25.3%)

Dividend

/ Interim dividend of 0.925 pence per share declared for the period 1 October 2024 to 31 December 2024 and to be paid on 28 February 2025 (1 July 2024 to 30 September 2024: 0.925 pence per share)

/ Annualised dividend equivalent to 3.7 pence per share, delivering a dividend yield of 5.8%, based on the share price at close of business on 31 December 2024

/ Dividend cover for the quarter of 111%

Full details of the Company's December NAV
https://www.picton.co.uk/investors/shareholder-centre/nav-statements

Portfolio

/ Like-for-like portfolio valuation increase of 2.2% over the quarter, with asset management driving strong growth in the retail warehouse sub-sector in particular. Across the portfolio there was a 0.1% improvement in equivalent yield and 1% rental growth

/ Significant capital investment into the portfolio of £4.3 million, principally upgrading office assets in Bristol, Chatham, Colchester and Marlow. The like-for-like portfolio valuation increase, net of capital expenditure, was 1.6%

/ Exchanged contracts for the disposal of a part-vacant office asset for £13.1 million, 5% ahead of the September 2024 valuation; and completed the section 106 agreement in Cardiff enabling both disposals to complete before the March year end

/ Acquisition of a unit adjacent to an existing asset for £0.5 million, reflecting a net initial yield of 7.7%

/ Completed three active management transactions – upsizing existing occupiers, removing break clauses and restructuring leases, to secure £1.5 million of income, 15% ahead of September 2024 estimated rental value (ERV)

/ Completed nine new lettings with a combined annual rent of £1.3 million, 6% ahead of the September 2024 ERV

/ Renewed six leases with a combined annual rent of £1.1 million, an increase of 44% on the previous passing rent and 7% ahead of the September 2024 ERV

/ Occupancy of 92% (September 2024: 92%) or 95% excluding assets contracted to be sold

Corporate summary

£537m
Net assets

£349m
Market capitalisation

£210m
Borrowings

5.8%
Dividend yield

25%
Loan-to-value

Portfolio summary

48
Number of assets

£737m
Property value

5.1%
Net initial yield

6.9%
Reversionary yield

92%
Occupancy

4.7m sq ft
Area

Industrial weighting
62%

South East	**44%**
Rest of UK	**18%**

Office weighting
27%

Rest of UK	**9%**
South East	**8%**
Central London	**7%**
Alternative use	**3%**

Retail and Leisure weighting
11%

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

Portfolio update

Valuation

On a like-for-like basis, the independent property valuation increased by 2.2% to £737.4 million. With significant investment into key office assets, the valuation uplift was 1.6% net of capital expenditure and acquisitions. The valuation gains were driven by a small change (-6bps) in equivalent yield, rental growth of 1% and leasing and active management activity.

The property portfolio has a net initial yield of 5.1% and a reversionary yield of 6.9%.

The current portfolio value is 14% below the estimated replacement cost.

During the quarter a process to appoint a new independent valuer commenced, with a change expected to be effective from June 2025. This is a requirement of the RICS regulations introduced in 2023.

Industrial

We have completed the acquisition of a freehold retail warehouse at 90 Bristol Road, Gloucester, for £0.5 million, funded through cash resources. The property comprises 5,100 sq ft and is located adjacent to our Mill Place Trading Estate ownership. The acquisition will improve the estate's overall roadside frontage to Bristol Road. The off-market transaction was structured as a sale and leaseback and reflects a net initial yield of 7.7%, increasing to 8.7% in year six, based on a fixed rental uplift. The purchase price reflects a low capital value of £98 per sq ft, which is less than half of the estimated replacement cost.

We have also increased income through lease renewals and new lettings with a number of asset management transactions in Gloucester, Harlow, London and Luton.

Office

During the quarter we have made good progress with our alternative use strategy, including exchanging contracts to sell Charlotte Terrace, London W14, having successfully secured residential planning consent for a significant part of the void. We have also progressed planning permissions for Longcross, Cardiff. Both disposals are expected to complete before March 2025.

We continue to make good progress on a number of sustainability led office refurbishments, which will deliver enhanced occupier amenities, as well as transitioning from gas to electric air conditioning and improving EPC ratings to A or B rated. These include projects in Bristol, Chatham, Colchester and Marlow.

Retail

During the period we have re-let two retail warehouse units, in line with the September 2024 ERV at Gloucester Retail Park and Angouleme Retail Park, Bury. In Sheffield we also extended a lease with one of our top five occupiers for a further ten years.

Occupancy

Occupancy is 92%, but will rise to 95% after the period end, following completion of the agreed asset disposals.

Market background

The MSCI UK Monthly Property Index showed a positive total return for All Property for the three months to December 2024 of 2.6%, comprising an income return of 1.4% and capital growth of 1.2%.

All Property rental growth was 0.9% for the three months to December 2024 (September 2024: 0.9%). On a rolling three-month basis, All Property rental growth has remained positive since February 2021.

All of the industrial, retail warehouse and shopping centre segments saw positive capital growth in the period. Although still negative, office capital growth at -0.7% was the best since August 2022, and three office segments saw positive growth for the period. All standard retail capital growth turned positive in the quarter for the first time since May 2022. In terms of rental growth, over 80% of all segments were positive for the three months to December 2024.

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Key dates

Financial year end: 31 March
Half year: 30 September

Dividend payments:
February/May/August/November

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Further information

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-2024/

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

Latest NAV
https://www.picton.co.uk/investors/shareholder-centre/nav-statements/