

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

Trading Update and Net Asset Value as at 31 December 2024

Picton today announces its Net Asset Value (‘NAV’) for the quarter ended 31 December 2024.

Lena Wilson CBE, Chair of Picton, commented:

“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”.

Michael Morris, Chief Executive of Picton, commented:

“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%”.

Financial highlights

- 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%)

Operational highlights

- 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

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%

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 £737 million UK commercial property portfolio, invested across 48 assets and with around 350 occupiers (as at 31 December 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 31 December 2024 was £536.8 million, or 98.5 pence per share, reflecting a 2.3% increase over the quarter or 3.2% on a total return basis.

The NAV attributable to the ordinary shares is calculated under IFRS and incorporates the independent market valuation as at 31 December 2024, including income for the quarter, but does not include a provision for the dividend this quarter, which will be paid in February 2025.

	31 Dec 2024	30 Sept 2024	30 Jun 2024	31 Mar 2024
	£million	£million	£million	£million
Investment properties*	718.9	702.9	700.2	727.4
Other assets	26.6	25.2	26.7	26.9
Cash	23.5	28.2	32.1	19.8
Other liabilities	(22.2)	(21.1)	(24.1)	(22.1)
Borrowings	(210.0)	(210.4)	(210.8)	(227.5)
Net Assets	536.8	524.8	524.1	524.5
Net Asset Value per share	98.5p	96.3p	96.0p	96.1p

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

The movement in NAV can be summarised as follows:

	Total	Movement	Per share
	£million	%	Pence
NAV at 30 September 2024	524.8		96.3
Movement in property values	11.1	2.1	2.0
Net income after tax for the period	5.6	1.1	1.0
Dividends paid	(5.0)	(1.0)	(0.9)
Other	0.3	0.1	0.1
NAV at 31 December 2024	536.8	2.3	98.5

As at close of business on 31 December 2024, the Company's share price of 64.0 pence reflected a 35% discount to the NAV of 98.5 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 October 2024 to 31 December 2024 (1 July 2024 to 30 September 2024: 0.925 pence).

Dividend cover for the quarter was 111%.

DEBT

Total borrowings as at 31 December 2024 reduced to £210.0 million, with all debt drawn under long-term fixed rate facilities.

The weighted average debt maturity profile is approximately 7.0 years and the weighted average interest rate is fixed at 3.7%. The net LTV ratio, calculated as total debt less cash, as a proportion of gross property value, is 25.3% (30 September 2024: 25.3%).

Picton has £50 million available through its undrawn revolving credit facility. This facility expires in May 2025 and the Company has commenced the process for an orderly refinancing ahead of that date.

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.

The All Property Net Initial Yield was 5.3% in December 2024, compared to 5.5% in September 2024.

The market performance for the three months to December for All Property and the three main sectors is shown below. 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.

Three months to December 2024	All Property	Industrial	Office	Retail
Total Return	2.6%	3.5%	0.6%	3.4%
Income Return	1.4%	1.2%	1.3%	1.7%
Capital Growth	1.2%	2.2%	-0.7%	1.6%
Number of segments with positive growth	22	7	3	12
Number of segments with negative growth	10	0	7	3
ERV Growth	0.9%	1.5%	0.4%	0.7%
Number of segments with positive growth	26	7	8	11
Number of segments with negative growth	6	0	2	4

(Source: MSCI UK Monthly Property Index)

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 (-6 bps) in equivalent yield, rental growth of 1% and leasing and active management activity as detailed below.

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.

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

Sector	Portfolio allocation	Like-for-like valuation change	Comment
Industrial	61.8%	1.9%	ERV Growth +0.7%
South East	44.0%		Equivalent yield change -4bps
Rest of UK	17.8%		Capital Expenditure of £1.1m
Office	26.9%	2.3%	ERV Growth +0.9%
London City and West End	7.4%		Equivalent yield change -2bps
South East	7.7%		Capital Expenditure of £2.8m
Rest of UK	8.8%		
Alternative use assets	3.0%		
Retail and Leisure	11.3%	3.6%	ERV Growth +2.5%
Retail Warehouse	7.3%		Equivalent yield change -33bps
High Street – Rest of UK	2.3%		Capital Expenditure of £0.4m
Leisure	1.7%		
Total	100%	2.2%	

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.

A breakdown of activity by sector is detailed below:

Industrial

We have completed the acquisition of a freehold retail warehouse/trade counter unit 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.

At Mill Place Trading Estate, Gloucester, we have enabled the largest occupier to expand and have extended their lease commitment by a further five years. This involved leasing a vacant unit, relocating another occupier, upgrading space and the demolition of a small unit, enabling open storage land to be leased and realised. The new lettings total £0.1 million per annum, and combined with the regear of their current leases, secures £0.3 million per annum, subject to a minimum uplift in 2026 at an open market rent review. The combined new rent is 8% ahead of the September 2024 ERV.

In Luton, after completion of a comprehensive refurbishment, delivering an A rated EPC, we let the only void unit at an annual rent of £0.2 million, 11% ahead of September 2024 ERV.

At River Way Industrial Estate, Harlow, in a back-to-back transaction, we have surrendered a lease from an occupier in financial difficulty and re-leased it to a new occupier. The new rent of £0.6 million per annum is more than 50% ahead of the previous passing rent and is 4% higher than the September 2024 ERV.

At Datapoint, London, E16 we extended the lease of the largest occupier which was due to expire in December 2024 by a further five years. The rent increased by 47% and was 3% ahead of the September 2024 ERV.

At Madleaze Trading Estate, Gloucester, where last quarter we entered into an Agreement for Lease with our largest occupier, extending their lease commitment by a further ten years, we have completed the replacement of one of their roofs in line with the regear terms previously agreed. In addition, we have leased them a further

unit on a SwiftSpace agreement in line with ERV, meaning we only have two units remaining available on the estate, with good interest.

Office

During the quarter we exchanged contracts to sell Charlotte Terrace, London W14 with completion expected shortly. The disposal was in line with our strategy of disposing of assets that have been repositioned for alternative use. We secured residential planning consent in respect of a significant part of the void office element in August this year. The disposal price of £13.1 million was in line with the December 2024 valuation and a 5% premium to the external valuation as at 30 September 2024.

In Cardiff a resolution to grant planning consent was secured in September 2024. After the period end, the Section 106 agreement was finalised and completion is due in March 2025, assuming there is no judicial review. The final sale price is £8.4 million, reflecting overage provisions in the contract. The price is a 28% premium to the valuation in September 2023, which was the valuation prior to the sale being agreed and is in line with the December 2024 valuation.

At 401 Grafton Gate, Milton Keynes, we extended two office leases, representing approximately a quarter of the space, that was due to expire in November 2025. We have agreed an immediate rental uplift of 37% to £0.4 million per annum, 17% ahead of the September ERV. As part of the transaction, we will be comprehensively upgrading the air conditioning within the building which should achieve an A rated EPC.

We are making good progress at a number of sustainability led office refurbishments, which deliver enhanced occupier amenities, a transition from gas to electric air conditioning and improved EPC ratings to A or B:

- Tower Wharf, Bristol - Comprehensive refurbishment of two office suites. Two thirds of the space has been pre let and will complete in March 2025. The remainder is fully fitted and available to lease having completed in January 2025.
- Pembroke Court, Chatham - Provision of solar and replacement of the air conditioning system in Building 50. Due to complete in March 2025.
- Colchester Business Park - Comprehensive refurbishment of Building 200, Phase 1. Due to complete in March 2025.
- Atlas House, Marlow - Refurbishment of vacant office suite. Completed January 2025.

Retail

In Sheffield, we extended a lease of a retail warehouse unit, expiring in 2027, for a further ten years at the current rent of £1.2 million per annum, subject to a minimum fixed uplift in 2029 to £1.4 million per annum. The unit is future proofed with a B rated EPC.

We let two retail warehouse units, in line with the September 2024 ERV:

- At Gloucester Retail Park, we obtained planning consent for leisure use in 2024 and secured a letting to Europe's largest trampoline park operator at £0.2 million per annum. The lease will commence next month on completion of our works.
- At Angouleme Retail Park, Bury, we secured a letting with a leading UK bed retailer at £0.1 million per annum.

Occupancy

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

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
Lyon Business Park, Barking, London	Industrial	Outer London
Shipton Way, Rushden, Northamptonshire	Industrial	East Midlands
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

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