

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

Trading Update and Net Asset Value as at 31 December 2023

Picton announces its Net Asset Value for the quarter ended 31 December 2023.

Lena Wilson CBE, Chair of Picton, commented:

“The real estate market showed continued resilience from an occupational perspective, with all three core sectors showing positive rental growth for the year. With capital values having seen on average a 25% write down since their 2022 peak, the outlook, assuming interest rates have peaked, will become supportive and as such we expect a stabilisation of values in 2024.”

Michael Morris, Chief Executive of Picton, commented:

“This quarter we have agreed some significant rental increases, which have mitigated the impact of outward yield movements, against a backdrop of rising interest rates in 2023. We have maintained a well covered dividend over the period and made good progress on specific asset management initiatives. These will enable us to improve earnings as we reposition our portfolio, to ensure it continues to meet evolving occupier needs. As we start 2024, we are already encouraged by portfolio activity.”

Financial Highlights

- Net assets of £524.3 million (30 September 2023: £537.1 million).
- NAV/EPRA NTA per share decreased by -2.5% to 96.0 pence (30 September 2023: 98.5 pence).
- Total return for the quarter of -1.6% (30 September 2023: 0.0%).
- LTV of 27.7% (30 September 2023: 27.7%).

Operational Highlights

- Like-for-like portfolio valuation movement of -1.5% over the quarter, with the industrial sector showing most resilience.
- Secured a 33% increase against the previous passing rent from four rent reviews in the industrial and retail sectors, with an annual rent of £2.3 million, which was 5% ahead of the September 2023 ERV or the ERV at the time of the review if prior.
- Renewed / regearred two leases in the industrial sector, with a combined annual rent of £0.1 million, an increase of 101% against the previous passing rent and in line with the September 2023 ERV.
- Completed five lettings in the industrial and office sectors, securing a combined annual rent of £0.5 million, in line with the September 2023 ERV.
- Secured valuable residential permitted development rights at Angel Gate EC1, in order to maximise future disposal proceeds.
- Stable occupancy at 90% (30 September 2023: 90%).

Dividend

- Interim dividend of 0.875 pence per share declared in respect of the period 1 October 2023 to 31 December 2023 and to be paid on 29 February 2024 (1 July 2023 to 30 September 2023: 0.875 pence per share).
- Annualised dividend equivalent to 3.5 pence per share, delivering a dividend yield of 5.3%, based on the share price at close of business on 26 January 2024.
- Dividend cover for the quarter of 108% (30 September 2023: 115%).



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

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About Picton

Picton, established in 2005, is a UK REIT. It owns and actively manages a £745 million diversified UK commercial property portfolio, invested across 49 assets and with around 400 occupiers (as at 31 December 2023).

Through an occupier focused, opportunity led approach to asset management, Picton aims to be one of the consistently best performing diversified UK focused property companies listed on the main market of the London Stock Exchange.

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

NET ASSET VALUE

The unaudited Net Asset Value ('NAV') of Picton as at 31 December 2023 was £524.3 million, or 96.0 pence per share, reflecting a -2.5% decline over the quarter or -1.6% 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 2023, including income for the quarter, but does not include a provision for the dividend this quarter, which will be paid in February 2024.

	31 Dec 2023	30 Sept 2023	30 Jun 2023	31 Mar 2023
	£million	£million	£million	£million
Investment properties*	728.3	740.0	744.1	749.6
Other assets	23.6	26.6	25.1	23.4
Cash	21.6	17.2	20.7	20.0
Other liabilities	(21.3)	(19.9)	(20.9)	(20.9)
Borrowings	(227.9)	(226.8)	(227.1)	(224.5)
Net Assets	524.3	537.1	541.9	547.6
Net Asset Value per share	96.0p	98.5p	99.4p	100.4p

*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 30 September 2023	537.1		98.5
Movement in property values	(13.3)	(2.5)	(2.5)
Net income after tax for the period	5.1	0.9	0.9
Dividends paid	(4.8)	(0.9)	(0.9)
Other	0.2	-	-
NAV at 31 December 2023	524.3	(2.5)	96.0

DIVIDEND DECLARATION

A separate announcement has been released today declaring a dividend of 0.875 pence per share in respect of the period 1 October 2023 to 31 December 2023 (1 July 2023 to 30 September 2023: 0.875 pence).

Dividend cover over the quarter was 108% (30 September 2023: 115%).

DEBT

Total borrowings at 31 December 2023 were £227.9 million. The majority is drawn under long-term fixed rate facilities with only £16.4 million drawn under the revolving credit facility.

The net loan-to-value ratio, calculated as total debt less cash, as a proportion of gross property value, is 27.7% (30 September 2023: 27.7%). The weighted average debt maturity profile of the Group is approximately 7.5 years and the weighted average interest rate is 3.9%.

Picton has £33.6 million available through its undrawn revolving credit facility (30 September 2023: £35.1 million).

MARKET BACKGROUND

The MSCI UK Monthly Property Index showed a total return for All Property for the three months to December 2023 of -1.4%, with an income return of 1.4% and capital growth of -2.7%. Rental growth was 1.2% for the three months to December 2023, compared to 0.8% for the three months to September 2023. The All Property Net Initial Yield was 5.3% in December 2023, compared to 5.1% in September 2023.

The market performance for the three months to December 2023 for All Property and the three main sectors is shown below.

Three months to December 2023	All Property	Industrial	Office	Retail
Total Return	-1.4%	0.3%	-4.2%	-1.9%
Income Return	1.4%	1.2%	1.3%	1.7%
Capital Growth	-2.7%	-0.8%	-5.5%	-3.6%
Number of segments with positive growth	1	1	0	0
Number of segments with negative growth	34	6	10	18
ERV Growth	1.2%	2.2%	0.7%	0.2%
Number of segments with positive growth	27	7	8	12
Number of segments with negative growth	8	0	2	6

PORTFOLIO UPDATE

On a like-for-like basis, the portfolio valuation movement was -1.5%, with the industrial sector showing most resilience, whilst regional office and retail warehouse sub-sectors showed more weakness over the quarter, with investment activity significantly lower than previous years.

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

Sector	Portfolio allocation	Like-for-like valuation change	Average equivalent yield movement
Industrial	58.9%	-1.0%	+11 bps
South East	42.0%		
Rest of UK	16.9%		
Office	30.4%	-2.4%	+18 bps
London City and West End	7.1%		
Inner and Outer London	1.7%		
South East	8.0%		
Rest of UK	8.9%		
Alternative use assets	4.7%		
Retail and Leisure	10.7%	-1.9%	+13 bps
Retail Warehouse	6.7%		
High Street – Rest of UK	2.4%		
Leisure	1.6%		
Total	100%	-1.5%	

Capturing rental growth in the industrial sector and extending income

At our distribution unit in Grantham, we settled a rent review at £1.6 million per annum, increasing the passing rent by 38%, 6% ahead of the September 2023 ERV.

In Harlow, we settled a rent review at £0.5 million per annum, increasing the passing rent by 29%, in line with the ERV at the time of the 2021 review.

At our largest multi-let estate in Radlett, we settled a rent review at £0.1 million per annum, increasing the passing rent by 56%, 5% ahead of the September 2023 ERV.

Two leases were renewed in Belfast and Wokingham, increasing the passing rent by 101% to £0.1 million per annum, in line with the September 2023 ERV.

In Gloucester, we let a refurbished unit with an A-rated EPC to an existing occupier for their expansion. The rent agreed was £0.1 million per annum, 9% ahead of the September 2023 ERV and we will benefit from additional income from solar installation.

At Colchester Business Park, we have let a refurbished unit with a B-rated EPC. The rent agreed was £0.3 million per annum, 1% below the September ERV, and the occupier took a 15-year lease, subject to break.

Leasing space in the office sector and retaining income

We have let three suites at Queens House, Glasgow and at Angel Gate, London on flexible SwiftSpace agreements for a combined rental income of £0.1 million per annum.

At Angel Gate we have removed two break options securing £0.2 million per annum of short-term income. In addition, we secured value accretive residential permitted development rights across the entire estate following engagement with both the local and national planning authorities during 2023, to remove the restrictive Article 4 Direction. This unlocks residential conversion potential in order to maximise future disposal proceeds.



As at 31 December 2023, the portfolio had a net initial yield of 5.3% (allowing for void holding costs) or 5.5% (based on contracted net income), an equivalent yield of 6.8% and a net reversionary yield of 7.0%. The weighted average unexpired lease term, based on headline rent, was 4.3 years.

Occupancy remained stable at 90%, or 92% excluding offices at Cardiff and Angel Gate, where alternative use strategies are being pursued.

The top ten assets, which represent 54% of the portfolio by capital value, are detailed below.

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
Shipton Way, Rushden, Northamptonshire	Industrial	East Midlands
Datapoint, Cody Road, London, E16	Industrial	London
Lyon Business Park, Barking, London	Industrial	Outer London
Angel Gate, City Road, London, EC1	Office	London
Sundon Business Park, Luton, Bedfordshire	Industrial	South East
Tower Wharf, Cheese Lane, Bristol	Office	South West
50 Farringdon Road, London, EC1	Office	London

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