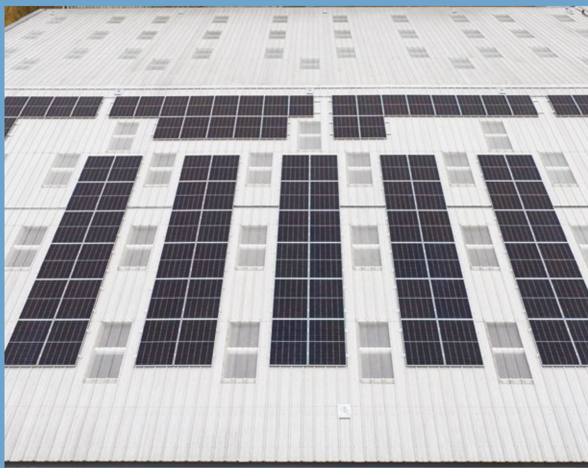
PICTON



Occupier focused, Opportunity led.

Picton Property Income Limited
Shareholder Update – December 2023

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.

Lena Wilson CBE Chair, Picton

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.

Michael Morris Chief Executive, Picton

Quarterly highlights

Financial

- 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%).

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%).

Portfolio

Like-for-like portfolio valuation movement of -1.5% over the quarter, with the industrial sector showing most resilience.

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%**	

- 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/regeared 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%).

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

Corporate summary

£524m
Net assets

£365m
Market capitalisation*

£228m
Borrowings

5.3%
Dividend yield*

1.2%
Cost ratio

27.7%
Loan to value

* As at 26 January 2024

Portfolio summary

49
Number of assets

£745m
Property value

5.3%
Net initial yield

7.0%
Reversionary yield

90%
Occupancy

4.8m sq ft
Area

Portfolio update and market background

Industrial weighting

59%

South East	**42%**
Rest of UK	**17%**

Office weighting

30%

Central London	**8%**
Rest of UK	**9%**
South East	**8%**
Alternative Uses	**5%**

Retail and Leisure weighting

11%

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

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.

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 Queen's 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.

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.

Market performance for the 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

Key dates

Financial year end: 31 March
Half year: 30 September

Dividend payments:
February/May/August/November

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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/

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Annual reporting
https://www.picton.co.uk/investors/annual-report-2023/

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

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