

Ediston Property Investment Company plc

NAV Update for the quarter 1 July 2016 to 30 September 2016

Ediston Property Investment Company plc (LSE: EPIC) (the “Company”) announces its unaudited Net Asset Value (“NAV”) for the quarter ended 30 September 2016.

Quarter highlights

- NAV per share at 30 September 2016 of 107.07 pence (30 June 2016: 107.79 pence), a decrease of 0.67%, resulting in an NAV total return (including dividends) of 0.61% for the quarter
- Fair value independent valuation of the property portfolio as at 30 September 2016 of £181.4 million, a 0.51% like-for-like decrease on the valuation at 30 June 2016
- For the year to 30 September 2016, the NAV per share has increased by 0.54% and the value of the property portfolio on a like-for-like basis has increased by 2.21%
- Annualised dividend yield of 5.32% based on an annual dividend per share of 5.5 pence and share price of 103.38 pence (30 September 2016)
- Fully-covered dividend now achieved
- Independent valuer has removed its ‘Brexit caveat’ from the quarterly valuation

Net Asset Value

The Company’s unaudited NAV per share as at 30 September 2016 was 107.07 pence. As at 30 September 2016, the Company owned investment properties with a fair value of £181.4 million and had cash and cash equivalent balances of approximately £9.97 million. Over the quarter, there has now been sufficient transaction activity for Knight Frank to remove the caveat it included within the June 2016 valuation.

The unaudited NAV of the Company at 30 September 2016 was £137.33 million, or 107.07 pence per share, a decrease of 0.67% on the Company’s NAV as at 30 June 2016:

	Pence Per Share	£ million
NAV at 30 June 2016	107.79	138.26
Valuation decrease in property portfolio	(0.72)	(0.92)
Capital expenditure in the period	(0.29)	(0.37)
Income earned for the period	2.39	3.05
Expenses for the period	(0.73)	(0.93)
Dividends paid in the period	(1.37)	(1.76)
NAV at 30 September 2016	107.07	137.33

The NAV attributable to the ordinary shares has been calculated under International Financial Reporting Standards (“IFRS”); the EPRA NAV is not reported separately in this update as it is the same as the IFRS NAV.

The NAV incorporates the independent portfolio valuation as at 30 September 2016 and income for the quarter, but does not include a provision for any accrued dividend.

Resilient Portfolio

In the immediate aftermath of the EU referendum result, the property sector experienced a period of volatility as the market reacted to the uncertainties of Brexit. This was exacerbated by the liquidity problems faced by the daily dealt open-ended real estate vehicles, many of which were forced to close to manage redemptions and sell assets to increase cash levels.

Property values were under downward pressure after the outcome of the vote, with commentators speculating on a 10% post Brexit adjustment. Encouragingly a post Brexit market has now been established with transactions providing sufficient evidence for the Company’s valuer to remove its post Brexit qualifications. It would also appear that over the quarter valuations have on average fallen less than was first feared. However, there has been a shift in investor behaviour to risk off. As a consequence some low risk assets have increased in value and those with short leases, credit risk and voids have seen some significant mark downs.

The Company’s portfolio has fared well in relative terms as it benefits from the majority of assets being in prime locations, coupled with good secure and above average lease lengths. Some assets have very long leases to strong covenants giving very defensive qualities and resulting in valuation resilience in troubled markets. In addition the investment manager has again added value through asset management. A recent example is the previously reported reconfiguration of space and letting to David’s Bridal at St Philips Point in Birmingham. This generated further valuation gains during the quarter. The combination of defensive stock and asset management has resulted in only a small reduction in NAV over the quarter of 0.67% and a positive year on year growth in NAV of 0.54% during the financial year.

Adding value to the portfolio is the responsibility of the investment manager’s well-resourced asset management team. The team has had the time and expertise to identify, implement and execute asset management initiatives which have improved the income stream, secured a covered dividend and enhanced capital values. This activity has provided solid foundations for the growth of the Company.

Growth of the Company

The Board remains committed to growing the Company, provided it is achieved in a sustainable way and in the interest of shareholders. The Board intends to publish a new prospectus for a 12-month placing programme when market conditions allow.

It should be noted that the Company has the ability to issue up to 12.8 million shares on an ad hoc basis under its tap authority.

Outlook

The real estate market is in an interesting phase following the EU referendum result. The volatility that will occur as the Brexit process proceeds will ensure attractive buying opportunities will continue to appear. A repriced market in a sector which offers a good income return compared to other asset classes, combined with the Ediston style of asset management, make a compelling investment case. Against this backdrop, it is the investment manager's intention to speak with investors in the coming weeks about the Company's strategy for growth.

Portfolio attributes

The Board believes it is helpful to shareholders to highlight some key attributes of the Company's property portfolio:

- The Company has no exposure to Central London markets, which may take the brunt of any market weakness
- The weighted average unexpired lease term of the portfolio is 7.9 years, which reduces the impact of any uncertainty in occupational markets
- Low EPRA void rate of 4.7%
- Low gearing – the loan-to-value ratio of 28.9% provides resilience against the risk of covenant breach from significant market falls
- Further asset management angles to exploit

Portfolio Composition

Sector

Sector	Exposure
Office	57.5%
Retail warehouse	36.9%
Other commercial	5.6%

Geography

The portfolio is diversified across the regional markets and has no exposure to Central London assets.

Sector	Exposure
North East	12.2%
North West	1.7%
West Midlands	17.9%
South West	2.6%
Scotland	15.4%
South East	11.9%
Yorkshire	10.6%
East Midlands	6.6%
Wales	21.1%

Dividends

The Company paid three dividends of 0.4583 pence per share each in July, August and September 2016 in respect of the three-month period ended 31 August 2016, resulting in a cumulative dividend payment for the quarter of 1.375 pence per share. The Board intends to continue paying monthly dividends of 0.4583 pence per share, implying an annualised dividend yield of 5.5%, calculated by reference to the Company's issue price of 100p per share as set out in its October 2014 prospectus. The dividend is now fully covered as a result of the completion of the investment programme and implementation of asset management initiatives.

Calum Bruce, Investment Manager, commented:

“The Company’s property portfolio has proved to be resilient in challenging market conditions. Our stock selection and entrepreneurial approach to asset management has improved the income stream and enhanced the portfolio. It has many defensive qualities as well as further opportunities to exploit, which provide solid foundations on which the Company can grow”.

Forthcoming events

The next scheduled independent quarterly valuation of the property portfolio will be conducted by Knight Frank as at 31 December 2016, with the NAV per share at that date expected to be announced in January 2017.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

Enquiries

Will Barnett – Canaccord Genuity, 0207 523 8000

Calum Bruce – Investment Manager, Ediston Properties Limited, 0131 225 5599

Donald Cameron – Company Secretary, R&H Fund Services Limited, 0131 550 3763

James Whitmore/ Jeremy Carey – Tavistock, 0207 920 3150