

# WORKING THE PORTFOLIO

## WHO WE ARE

Ediston Property Investment Company is a UK-listed Real Estate Investment Trust (REIT) investing in commercial property throughout the UK. It has a strong track record of, and continued focus on, improving value through intensive and entrepreneurial asset management.

Our approach is to add value at all stages of the investment process through the expertise and skill-set of the team at our investment manager, Ediston Real Estate. We invest in the main UK commercial property sectors but without regard to a traditional property market relative-return benchmark.

## WHAT WE DO

Our goal is to provide investors with an attractive level of income through well-researched acquisitions, which offer the opportunity to improve income and add value through entrepreneurial asset management.

## FOCUSSED REGIONAL APPROACH

The portfolio contains properties located throughout the regions of the UK. While the Company's investment policy does not preclude investment in London, the current low yields on offer do not sit well with our focus on income.

In constructing the portfolio we have avoided the herd mentality of many investors and selected assets we believe are right for our strategy, without being forced into stiff pricing competition. The outcome is a well located, diversified portfolio of quality assets which offer a robust income stream but with opportunities to enhance and improve it.

Fund Manager:  
Ediston Investment Services Limited  
Launch date: 28 October 2014  
SEDOL: BNGMZB6

[ediston-reit.com](http://ediston-reit.com)

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Ediston Real Estate, 39 George Street, Edinburgh, EH2 2HN

## KEY FINANCIAL FACTS AT 30 JUNE 2017

Portfolio Value

**£191.9m**

EPRA NAV per share

**110.18p**

Market capitalisation

**£147.7m**

Share Price

**112.75p**

EPRA Vacancy Rate

**3.4%**



This quarter we completed the first sale from the property portfolio, disposing of a mature asset and acquiring an 'Ediston style' asset with attractive asset management angles to exploit.

Calum Bruce, Investment Manager  
[calum.bruce@ediston.com](mailto:calum.bruce@ediston.com)

Annual dividend per share

**5.5p**

Annualised dividend yield

**4.9%**

NAV total return\*

**7.5%**

\* Year to 30 June 2017

WAULT

**6.0 years**

Loan to Value

**29.7%**



## PORTFOLIO

### Market view

The weight of money targeting commercial real estate remains high, supporting pricing in many sectors, which has remained resilient. However, this is not market-wide with prices for secondary assets under downward pressure. Overseas investors remain active buyers and if the pound remains relatively weak against the euro and dollar, they are likely to continue to buy in the near term.

Whilst there is still a reduced level of property being offered to the market, we continue to see 'Ediston style' assets available for acquisition which suit our intensive and entrepreneurial approach to asset management.

### Working the portfolio

We have always maintained that we would sell our mature assets and reinvest the sales proceeds in properties which offer good growth potential. This quarter we have done exactly that, selling our office asset in Sheffield for £20.2m, a 2.0% premium to

valuation, 5.00% net initial yield, and simultaneously acquiring Pallion Retail Park in Sunderland for £25.6m, reflecting a net initial yield of 6.74%.

Sheffield was acquired in October 2014 as part of the seed portfolio. During the hold period we extended the lease term from 11 years to 25 years, improved the rent review provisions to annual RPI uplifts, and secured the Capita plc guarantee, all of which improved the value of the asset. The asset delivered an IRR of 14.0% per annum over the hold period, but was forecast to underperform.

Pallion Retail Park is a prominent retail park in an area which is undergoing significant infrastructure change, with the construction of the New Wear Bridge and the Sunderland Strategic Transport Corridor underway. These changes will benefit the asset.

The retail park has an open A1 (part food) planning consent, is let to tenants including B&M, Dunelm, Matalan, Iceland and Poundstretcher, and has a

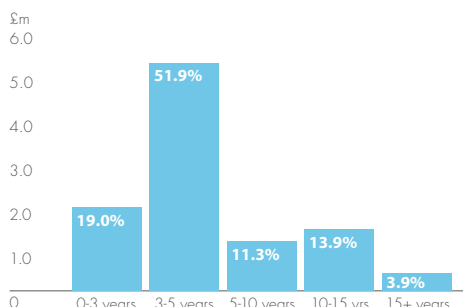
weighted average unexpired lease term (WAULT) in excess of eight years. It offers a number of asset management opportunities including lease regears, lettings, and the potential to build a Costa Coffee 'drive-thru'. These initiatives will enhance the tenant line-up, improve the already robust income stream and offers the potential for capital growth.

Sunderland was acquired in a Jersey Property Unit Trust (JPUT) which is an efficient way to acquire property as it reduces the acquisition costs, and their impact on the net asset value. Further, by simultaneously reinvesting the sales proceeds, the negative effect of cash drag was avoided.

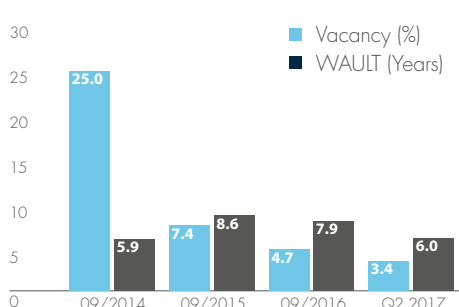
### Performance

Despite the costs of transacting assets, the Company's NAV has increased by 0.47% to 110.18 pence per share, resulting in a NAV total return of 1.7% for the quarter.

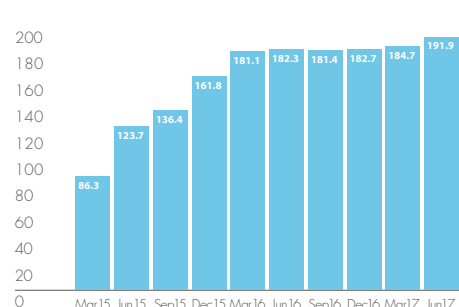
Lease expiries illustrating revenue impact on the portfolio at 30 June 2017



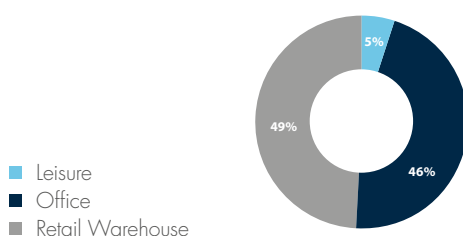
Vacancy rate and weighted average unexpired lease term (WAULT) at 30 June 2017



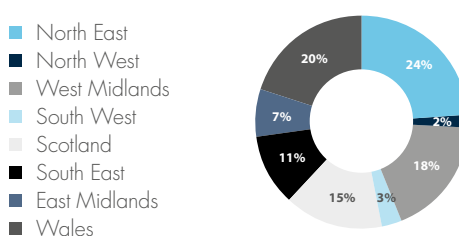
Portfolio quarterly capital value (£m) to 30 June 2017



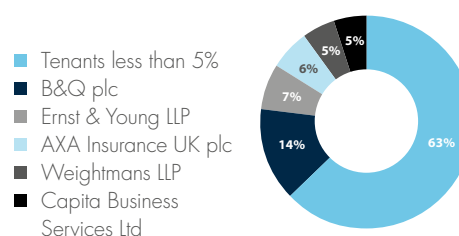
Sector exposure at 30 June 2017



Location exposure at 30 June 2017



Tenant concentration at 30 June 2017



Property portfolio as at 30 June 2017

Location	Name	Sub-sector	Market Value Range (£)	Tenure
Birmingham	St Philips Point	Office – Rest of UK	30-35m	Freehold
Reading	Phoenix	Office – South East	20-25m	Freehold
Newcastle	Citygate 2	Office – Rest of UK	15-20m	Leasehold
Edinburgh	145 Morrison Street	Office – Rest of UK	10-15m	Heritable
Bath	Midland Bridge House	Office – Rest of UK	0-5m	Freehold
Sunderland	Pallion Retail Park	Retail Warehouse	25-30m	Freehold
Wrexham	Plas Coch Retail Park	Retail Warehouse	20-25m	Freehold
Coatbridge	B&Q	Retail Warehouse	15-20m	Heritable
Rhyl	Clwyd Retail Park	Retail Warehouse	15-20m	Freehold
Daventry	Abbey Retail Park	Retail Warehouse	10-15m	Leasehold
Telford	Mecca Bingo	Leisure	0-5m	Freehold
Liverpool	Mecca Bingo	Leisure	0-5m	Freehold
Hartlepool	Mecca Bingo	Leisure	0-5m	Freehold

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