

# Significant Steps Forward

## 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 capital values.

## 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)

0131 225 5599 | [info@ediston.com](mailto:info@ediston.com)  
Ediston Real Estate, 39 George Street, Edinburgh, EH2 2HN

## KEY FINANCIAL FACTS AT 31 DECEMBER 2017

Portfolio Value

**£319.3m**

EPRA NAV per share

**111.02p**

Market capitalisation

**£231.9m**

Share Price

**110.25p**

EPRA Vacancy Rate

**3.1%**



During the quarter we transformed the Company through the acquisition of four retail warehouse assets for £144 million, in a cost efficient transaction which diversifies the portfolio and improves both tenant concentration and the scale of the Company.

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

Annual dividend per share

**5.5p\***

\* increasing to 5.75p per annum in January 2018, payable in February 2018

Annualised dividend yield

**5.0%**

NAV total return\*

**7.7%**

\* Year to 31 December 2017

WAULT

**6.6 years**

Gearing (debt to total assets)

**32.0%**



## PORTFOLIO

### Transforming the portfolio

During the quarter we completed the acquisition of a portfolio of four retail warehouse parks for £144m. They were acquired in an off-market transaction and in a very cost efficient way. Usually transaction costs are 6.8% of the purchase price, however, we were able to reduce the costs for acquiring the portfolio to just 0.7% of the purchase price, a saving of approximately £8.8 million.

The acquisition, which is a significant step forward in our growth, has transformed the shape of the Company in a positive way. Its equity base has increased by 60%, total assets have increased by 70.5% and the contracted rent has increased by 79.3%. All these changes should bring benefits to the capital and income of the Company over successive periods, as well as reducing the Total Expense Ratio. They will also help the secondary market for the Company's shares through greater liquidity and a larger capital base.

The acquisition was funded through an equity raise of £52.2m, £40.2m drawn from a new debt facility of

£54.2m, £36.5m of shares issued to the vendor and existing cash resources.

The new assets, which are located in Hull, Prestatyn, Barnsley and Widnes, all have value-add potential and suit our intensive and entrepreneurial style of asset management. Further, the new assets improve tenant diversification, increase the weighted average unexpired lease term of the Company's property portfolio, and the additional income increases the level of dividend cover.

### Debt

During the period, in order to help fund the acquisition, we secured an additional debt facility of £54.2 million, from Aviva Commercial Finance Limited. The facility, which matures in 2027, was drawn down at an 'all-in' fixed rate of 2.73%. The Company's total debt is now £111 million at an 'all-in' fixed rate of 2.86%. Gearing is 32.0% of total assets.

### Performance

After taking into account capital expenditure, and the costs associated with the equity raise and portfolio

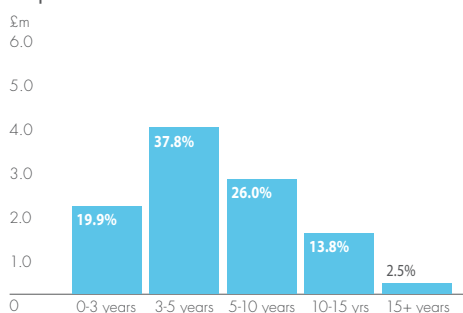
acquisition, the NAV per share decreased by a modest 0.27% to 111.02 pence (30 September 2017: 111.32 pence).

### Market view

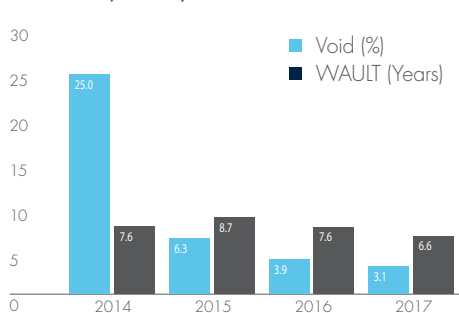
Demand for UK real estate remains strong from both domestic and international investors. However, with the possibility of headwinds from a further rise in interest rates, geopolitical uncertainty and the prospect of a slowing economy, it seems likely that the market wide reduction in property yields we have seen over recent years is at, or close to, an end.

It is expected that future returns will be generated from the resilience of portfolio income, the ability to grow income where there are supply/demand imbalances and the skill to generate new sources of income from management initiatives on assets in the portfolio. We can take advantage of this type of market and, following the acquisition, the Company has the asset base to exploit these opportunities to full advantage.

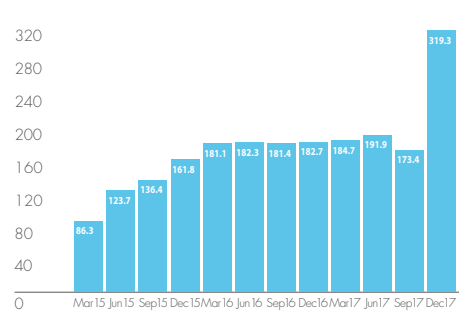
Lease expiries illustrating revenue impact on portfolio at 31 December 2017



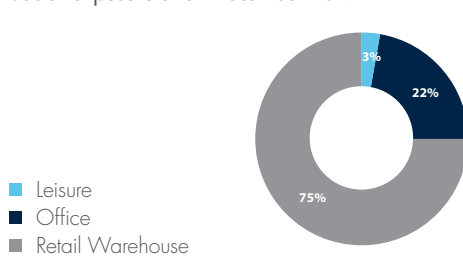
Void rate and weighted average unexpired lease term (WAULT) at 31 December



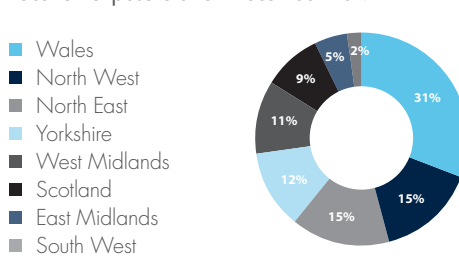
Portfolio quarterly capital value to 31 December 2017



Sector exposure at 31 December 2017



Location exposure at 31 December 2017



Tenant exposure at 31 December 2017



Property portfolio as at 31 December 2017

Location	Name	Sub-sector	Market Value Range (£)	Tenure
Birmingham	St Philips Point	Office – Rest of UK	30-35m	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	5-10m	Freehold
Prestatyn	Prestatyn Shopping Park	Retail Warehouse	50m+	Freehold
Widnes	Widnes Shopping Park	Retail Warehouse	45-50m	Leasehold
Hull	Kingston Retail Park	Retail Warehouse	25-30m	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
Barnsley	Wombwell Lane Retail Park	Retail Warehouse	10-15m	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

This document is not intended as an offer or solicitation for the purchase of shares in the Company and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. This document is intended solely for the information of the person to whom it is provided by the Company or the Fund Manager. The payment of dividends and the repayment of capital are not guaranteed by the Company. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions expressed in this document are not statements of fact and are subject to change, and neither the Company nor the Fund Manager is under any obligation to update such opinions. Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated the source of all the information contained in this document is the Fund Manager. Information contained in this document is believed to be accurate at the date of publication, but neither the Company nor the Fund Manager gives any representation or warranty as to the accuracy or completeness of the information contained in this document. This document does not contain and is not to be taken as containing any financial product advice or financial product recommendation. Neither the Company nor the Fund Manager accepts any liability whatsoever for any loss (whether direct or indirect) arising from the use of this documents or its contents.