

# Resilient income

## 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. We invest in the main UK commercial property sectors but without regard to a traditional property market relative-return benchmark.

## WHAT WE DO

Our investment objective is to provide shareholders with an attractive level of income together with the prospect of income and capital growth.

## FOCUSED 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.

"We continue to successfully complete asset management initiatives across the portfolio, securing and growing income and proving that despite the challenges in the market, there is tenant demand for quality buildings in the right locations."

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

**Investment Manager: Ediston Properties Limited**  
**Launch date: 28 October 2014**  
**SEDOL: BNGMZB6**

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## KEY FINANCIAL FACTS AT 31 DECEMBER 2018

### Portfolio Value

**£332.0m**

### EPRA NAV per share

**114.4p**

### Market capitalisation

**£225.1m**

### Share Price

**106.5p**

### EPRA Vacancy Rate

**6.3%\***

\*If rental guarantees and agreements for lease are considered, the vacancy rate falls to 3.7%.

### Annualised dividend per share

**5.75p**

### Annualised dividend yield

**5.4%**

### NAV total return

**8.3%**

12 months to 31 December 2018

### WAULT

**6.4 years**

### Gearing (debt to total assets)

**31.2%**

## DISCLAIMER

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**PORTFOLIO DELIVERING ASSET MANAGEMENT**

During the quarter, we delivered more asset management. We completed the renewal of The Wallpaper Warehouse lease at Pallion Retail Park in Sunderland. The lease was due to expire in December 2018, but the tenant signed a new five-year lease at a rent in excess of the old passing rent.

At Prestatyn Shopping Park a further rental increase was negotiated at rent review, this time from fashion retailer Next. We secured an increase in the annual rent of 53%. This is in addition to uplifts secured in quarter three 2018, when the annual rents received from River Island and Card Factory increased by 24% and 18% respectively.

At Plas Coch Retail Park in Wrexham, unconditional planning consent was received for the construction of a Costa Coffee Drive-Thru unit. Costa has signed an Agreement for Lease for a 1,800 sq. ft. unit. On completion of the unit in July 2019 they will enter a 15-year lease at a rent of £63,000 per annum. The rent will be reviewed five-yearly in accordance with RPI, subject to a cap and collar.

The completion of these initiatives continues the progress the Company made in the year to 30 September 2018, when it completed 13 lease transactions in the office and retail warehouse

portfolios. These secured £3.1 million of rental income per annum for the Company.

**OUTLOOK**

It is reassuring that initiatives were completed in both the retail warehouse and office sectors, and include lease renewals, rent reviews, new lettings and developments. This proves that there is still an active occupational market for retail warehouse parks, provided they are well-located and let off sensible rental levels, and that rental growth is still possible in the current retail environment.

Despite the turmoil in the high street and shopping centre markets our retail warehouse portfolio, which comprises good quality assets, with the right planning consents, let to well-trading tenants, is proving to be resilient and has seen limited impact as a result of CVAs and tenant failures. The average rent across our retail warehouse portfolio is just £15.35 per sq. ft. This provides a low base from which to launch our asset management activities and has allowed us to secure rental uplifts at rent review.

With regards to investment, there is still a market for UK real estate, but demand is likely to reduce as investors wait and see what happens with regards to Brexit. This ongoing political uncertainty could cause further adverse yield movement as the property market reacts to near-term events.

The Company's portfolio will not be immune to these changes but it has defensive qualities which will help to mitigate any downside. It is well-let to good covenants and has a weighted average unexpired lease term of 6.4 years. Most importantly, it has asset management opportunities to execute, which could benefit the Company in both capital and income terms.

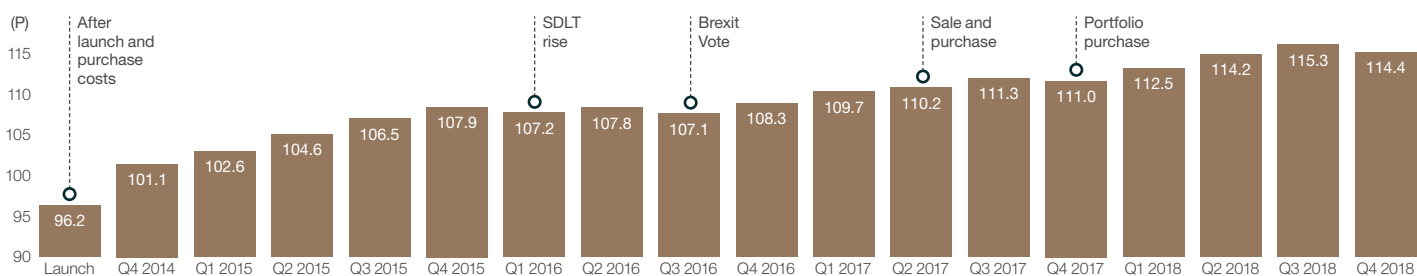
The uncertainties we are likely to face this year is a challenge that the Ediston team welcomes. We believe they could provide us with the opportunity to identify and execute further asset management initiatives and allow us to exploit market mis-pricing as investors adopt different stances on the key issues. We continue to create performance through working our property assets and are always looking at opportunities to secure and improve income, and capital values.

**PERFORMANCE**

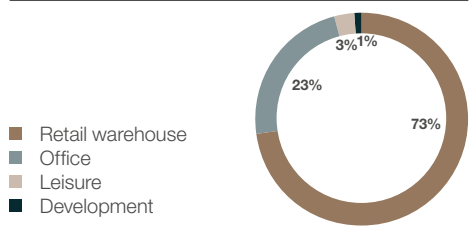
As at the 31 December 2018, the Fair Value independent valuation of the property portfolio was £332 million, a decrease of 0.6% on the 31 September 2018 valuation. In the same period, the EPRA NAV per share decreased by 0.75% to 114.4 pence.

The NAV total return (including dividends) for the quarter was 0.5%, resulting in a NAV total return for the year to 31 December 2018 of 8.3%, which was achieved despite the negative sentiment towards the retail sector.

**NAV progression**



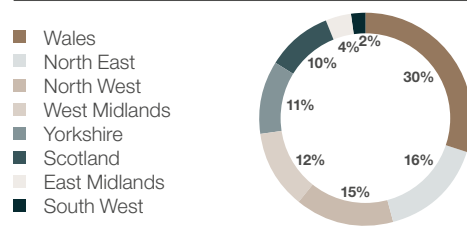
**Sector exposure at 31 December 2018**



**Tenant exposure at 31 December 2018**



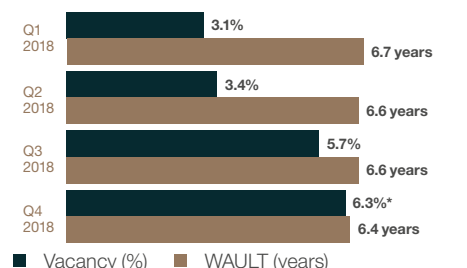
**Location exposure at 31 December 2018**



**PROPERTY PORTFOLIO AS AT 31 DECEMBER 2018**

Location	Name	Sub-sector	Market Value Range (£)	Tenure
Birmingham	St Philips Point	Office – Rest of UK	35-40m	Freehold
Newcastle	Citygate II	Office – Rest of UK	20-25m	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	Barnsley East 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
Haddington	Site	Development	0-5m	Heritable

**Vacancy rate and weighted average unexpired lease term (WAULT)**



\* If rental guarantees and agreements for lease are factored in, the vacancy rate falls to 3.7%.

**Lease expiries illustrating revenue impact on portfolio at 31 December 2018**

