Ediston Property Investment Company plc

(LEI: 213800JRL87EGX9TUI28)

Net Asset Value ("NAV") as at 30 September 2019

Ediston Property Investment Company plc (LSE: EPIC) (the "Company") announces its unaudited NAV as at 30 September 2019, the Company's year-end.

Quarter Summary

- Completed asset management transactions securing £412,000 of income per annum
- EPRA vacancy rate reduced to 2.9% (from 3.4%).
- Fully covered dividend, with cover of 116% for the quarter to 30 September 2019.
- Annualised dividend yield of 6.7% based on an annual dividend per share of 5.75 pence and share price of 85.40 pence (at 30 September 2019).
- Fair Value independent valuation of the property portfolio as at 30 September 2019 of £319.2 million, a like-for-like decrease of 1.4% compared to the valuation at 30 June 2019.
- NAV per share at 30 September 2019 of 108.72 pence (30 June 2019: 111.03 pence), a decrease of 2.1%.
- NAV total return (including dividends) for the quarter of -0.8%, resulting in a NAV total return for the year to 30 September 2019 of -0.8%.

Net Asset Value

The unaudited NAV of the Company at 30 September 2019 was £229.76 million, or 108.72 pence per share, a decrease of 2.1% on the Company's NAV per share as at 30 June 2019. The decline is attributed to the continuing weakness in the market for all retail assets. The extent of the decline has been partly mitigated by the continued asset management activity described below.

	Pence Per Share	**£ million**
NAV at 30 June 2019	**111.03**	**234.63**
Valuation of property portfolio	(2.24)	(4.73)
Capital expenditure	(0.22)	(0.47)
Income earned	2.43	5.13
Expenses & finance costs	(0.84)	(1.76)
Dividends paid	(1.44)	(3.04)
NAV at 30 September 2019	**108.72**	**229.76**

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 2019 and undistributed income for the quarter but does not include a provision for any accrued dividend.

Fully covered dividend

The Company paid a dividend of 0.4792 pence per share in each of July, August and September 2019, resulting in a cumulative dividend payment in the quarter of 1.4376 pence per share. The monthly dividend rate of 0.4792 pence per share equates to an annualised dividend of 5.75 pence per share.

The Board remains committed to paying a monthly dividend which is covered and sustainable. It looks to grow dividends over the longer term. The annual dividend is expected to be fully covered, in the absence of unforeseen circumstances, with cover for the quarter to 30 September 2019 of 116%.

Asset management

In the twelve months to the September quarter end, the financial year of the Company, 21 leasing transactions have been completed across the retail warehouse portfolio. There has been activity on nine of the Company's ten retail warehouse parks involving 16 different tenants and a contracted rent of £3.1m per annum. The total contracted retail warehouse rent has increased from £16.0m to £16.2m over the last 12 months. The EPRA vacancy rate over the twelve months has reduced from 5.7% to 2.9% achieving one of the Company's strategic objectives set out in last year's report and accounts.

During the last quarter, the Investment Manager has completed three leasing transactions:

At Widnes Shopping Park, JD Sports Gyms ('JD') has leased 23,725 sq. ft. on the lower ground floor. JD has signed a 15-year lease with a break option at year 10. JD will pay £135,000 per annum and was granted a nine-month rent free period as part of the transaction. The park is now fully let, and with the potential of further development, discussions are underway with other occupiers seeking representation.

At Barnsley East Retail Park, Dunelm (Soft Furnishings) Limited ('Dunelm') has recommitted to the location by signing a new 10-year lease on unit 1, which extends to 25,370 sq. ft. Dunelm will pay an annual rent of £213,600 per annum and received a rent-free incentive of 12 months.

At Plas Coch Retail Park, Wrexham, Costa Limited completed a 15-year lease on a 1,800 sq. ft. pod unit constructed by the Company. Costa is paying an annual rent of £63,000 which is subject to five-yearly rent reviews to RPI with a 1% collar and 3% cap.

During the period, planning permission was granted for the construction of two pod units of 1,800 sq. ft. and 2,750 sq. ft. respectively at Coatbridge, Glasgow. Agreements for Lease (AFLs) were previously signed with Costa Coffee and Burger King with a total annual rent of £160,000. Construction is expected to start in the first quarter of 2020.

The Company has signed conditional AFLs with Costa Coffee, Home Bargains, Aldi, Iceland and Euro Garages for its proposed 50,000 sq. ft. convenience-led development at Haddington, to the south of Edinburgh. Lease terms vary from 10 to 25 years and the average rent per sq. ft. is £15.83 for the retail warehouse and pod accommodation. The development is subject to planning with construction potentially starting in Q1 2020.

Assuming the development initiatives are completed, and leases granted as per the signed AFLs, they will generate £1.1 million of additional income per annum for the Company.

Reducing vacancy

As a result of Ediston's active asset management, the EPRA vacancy rate at the period end reduced to 2.9% (30 June: 3.4%). This was split between 1.2% in the retail warehouse sector and 1.7% in the office portfolio.

Portfolio sale

As reported last quarter as a post quarter end event, the Company sold its leisure asset at Knotty Ash, Liverpool during the period. The property was let to Mecca Bingo Limited until September 2022. The sale price was £2,915,000, which was in line with the valuation.

The Investment Manager believes it can reinvest the sale proceeds in a way which is value accretive for investors, either by carrying out asset management on existing properties or by acquiring an asset.

Market Commentary

The retailing environment remains challenging for both landlords and tenants. Many landlords are being forced to face up to the consequences of owning poorly configured space in the wrong locations, let at rents significantly above market levels. The value at risk becomes magnified when net income is eroded by high vacancy and there is a long-term structural imbalance between supply and demand in centres too large for modern retailing needs. Retailers are having to struggle with over-geared balance sheets, retail formats that do not chime with what customers want and an oversized and often over-rented bricks and mortar estate.

However, it is important to emphasise that retail is not in terminal decline. It is evolving, not disappearing as an economic activity. This is an opportunity for landlords, such as the Company, who can provide accommodation to occupiers that meets the demands of this new retail world, and for investors who recognise this.

Despite the difficulties in the wider retail market, over the 12 months to 30 September 2019 the Company's income has been resilient. The contracted rent across the retail warehouse portfolio has increased from £16.0 million per annum to £16.2 million per annum. Total contracted portfolio income is £21.4 million per annum.

Outlook

Despite the current uncertainty in the economic and political outlook, the investment market is continuing to function, albeit at lower levels of transactional activity. Nevertheless, values have drifted downwards, with the retail sector hit the hardest.

We remain cautious about markets in the short term whilst this uncertainty persists. However, we remain confident about the performance of the Company's assets in the medium term given the attractive yield currently on offer, which is secured on affordable rents on parks where most tenants trade well.

Portfolio Composition

Sector

Sector	Exposure (%)
Retail warehouse	64
Supermarket	8
Office	25
Other commercial	2
Development	1

Geography

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

Sector	Exposure (%)
Wales	30
North East	16
North West	13
West Midlands	13
Yorkshire	12
Scotland	10
East Midlands	4
South West	2

William Hill, Chairman, commented:

"Another busy quarter of asset management activity proving conclusively that retail is changing, not dying. The Company's contracted retail warehouse income is higher than 12 months ago and in a good position to rise further if the signed agreements for lease can be successfully converted into lettings."

Forthcoming Events

The next scheduled independent quarterly valuation of the property portfolio will be conducted by Knight Frank LLP as at 31 December 2019 with the unaudited NAV per share at that date expected to be announced in January 2020.

The Company intends to publish a factsheet shortly which will be made available on the Company's website at www.ediston-reit.com.

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.

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