

# Continuing to do deals

## 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.

## 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.

"This quarter we have reduced the vacancy rate from 6.3% to 3.1%, a fall of 51%, through completing more letting deals. This builds on the success achieved in 2018."

[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 MARCH 2019

### Portfolio Value

**£328.8m**

### EPRA NAV per share

**112.2p**

### Market capitalisation

**£218.7m**

### Share Price

**103.5p**

### EPRA Vacancy Rate

**3.1%\***

\*If rental guarantees are considered, the vacancy falls to 2.3%.

### Annualised dividend per share

**5.75p**

### Annualised dividend yield

**5.6%**

### NAV total return

**4.9%**

12 months 31 March 2019

### WAULT

**6.3 years**

### Gearing (debt to total assets)

**31.5%**

## DISCLAIMER

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**PORTFOLIO MARKET SUMMARY**

The retail warehouse portfolio has been negatively affected by the malaise in the wider retail market which has seen the valuation of some of the Company's assets fall. The Company's property portfolio is not immune to the trend of short-term negative sentiment in the market, but it has proved to be more resilient than other properties in the sector.

An increase in Land and Buildings Transaction Tax (LBTT) on Scottish properties during the period and capital expenditure invested in the portfolio to improve assets and facilitate lettings has also had a negative impact on the valuations and NAV.

Against this backdrop, the income profile of the Company has once again been resilient. We have continued to execute asset management initiatives which have secured and grown the income of the portfolio. This has reduced the vacancy rate from 6.3% at 31 December 2018 to 3.1% at the period end, a fall of 51%. It is important to note that 38% of the vacancy relates to our office property at St Philips Point in Birmingham, where we are on-site refurbishing 14,208 sq. ft. of space.

**INTENSIVE ASSET MANAGEMENT**

During the quarter, we have completed lettings on 40,213 sq. ft. of retail warehouse space across three of our assets. They were let to four tenants, 50% of

whom were new to the Company. This further increases the diversity of the income stream. The activity secured £570,240 of rental income per annum and follows on from the leasing activity at Sunderland and Prestatyn in Q4 2018.

During the quarter we completed new lettings at Sunderland, Barnsley and Hull. At Pallion Retail Park in Sunderland we completed a lease to GO Outdoors on unit 2, which extends to 11,345 sq. ft. GO has signed a ten-year lease with a five-year break option at a rent of £187,192 per annum. The annual rent is 20% higher than the rent paid by the previous tenant.

At Kingston Retail Park in Hull, three units were let to two tenants, Iceland and Sue Ryder. Iceland has leased 13,672 sq. ft. on a ten-year lease without break. Sue Ryder has leased 5,196 sq. ft. on a ten-year lease with a tenant break option at year five. These deals secure £262,736 of income per annum for the Company.

B&M has increased its occupation at Barnsley East Retail Park by 40%. B&M has leased unit B in addition to unit A and will now trade from both units which extend to 35,064 sq. ft. Unit B was previously occupied by Carpetright who completed a CVA in 2018. Under the terms of the CVA we were able to secure vacant possession of the unit to facilitate the new letting. The leases on both units will now expire in September 2027. The rent payable is £330,062 per annum.

**MARKET OUTLOOK**

The continued political uncertainty is causing the property investment market to adopt a 'wait-and-see' approach to deploying its capital. This uncertainty is also delaying potential sellers from offering properties to the market for sale.

A prolonged period of inertia will be unhelpful for the investment market, but the occupational market, particularly from our own experience, is still showing good levels of activity. Further volatility in capital values is to be expected but this can be mitigated by completing asset management initiatives which secure income, reduce vacancy and help increase the weighted average unexpired lease lengths of assets.

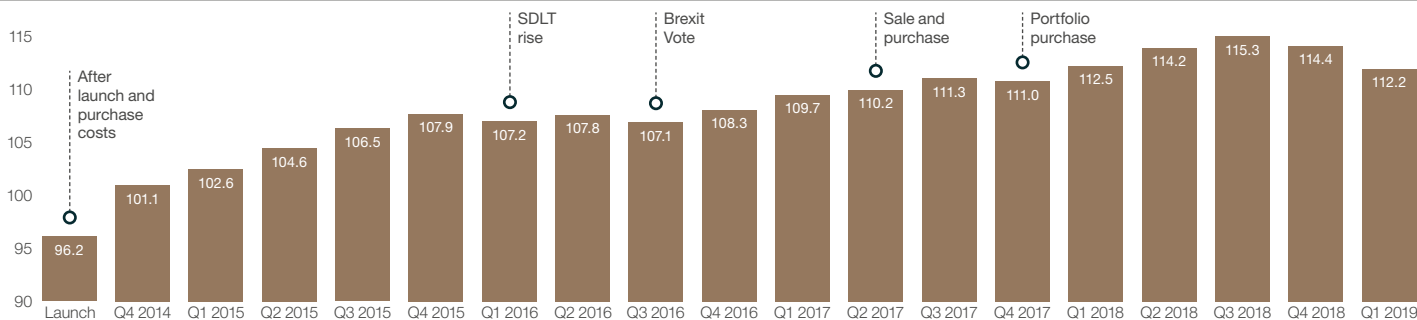
**PERFORMANCE**

As at the 31 March 2019, the Fair Value independent valuation of the property portfolio was £328.8 million, a decrease of 0.9% on the 31 December 2018 valuation. In the same period, the NAV per share decreased by 1.9% to 112.21 pence.

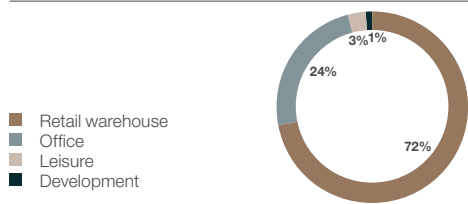
The NAV total return (including dividends) for the quarter was -0.7%, resulting in a NAV total return for the year to 31 March 2019 of 4.9%. Dividend cover for the quarter to 31 March 2019 is 115%.

The dividend yield, based on the closing share price of 103.5 pence at the period end, is 5.6%.

**NAV progression**



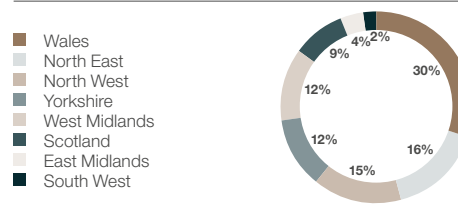
**Sector exposure at 31 March 2019**



**Tenant exposure at 31 March 2019**



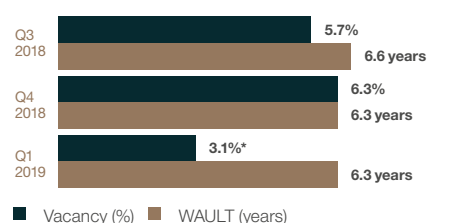
**Location exposure at 31 March 2019**



**PROPERTY PORTFOLIO AS AT 31 MARCH 2019**

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 falls to 2.3%.

**Lease expiries illustrating revenue impact on portfolio at 31 March 2019**

