



Quarterly Update | December 2015

Further Growth

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.

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

“The portfolio continues to grow with the acquisition of the retail warehouse park in Wrexham, which completed in December.”

Calum Bruce
Director of Investment,
Ediston Real Estate



Key Financial Facts

at 31 December 2015

£161.8m

Portfolio value

1.83p

Dividend per share

107.92p

EPRA NAV per share

5.12%

Annualised dividend yield

£137.9m

Market capitalisation

2.64%

EPRA NAV total return

107.5p

Share price

8.7 years

WAULT

6.3%

EPRA vacancy rate

24.73%

Loan to value

Portfolio

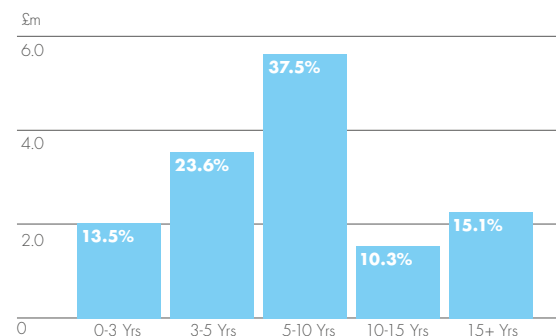
Voids and lease expiry profile

The EPRA vacancy rate is 6.3%. This falls to 1.7% if the vacant space covered by guarantees is excluded. The Company has a robust income profile with 25.4% of the income secured on leases in excess of ten years. 81.0% of the income is from tenants with a Dun & Bradstreet rating of 4A1 or better. The WAULT of the Company to earliest termination is 8.7 years.

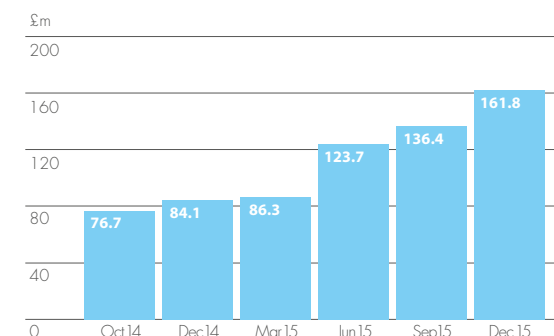
Focused regional approach

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. We have benefited from a less crowded market-place in the regional locations, allowing us to select the assets we believe are right for the strategy without being forced into stiff pricing competition, which inevitably leads to yields being driven lower.

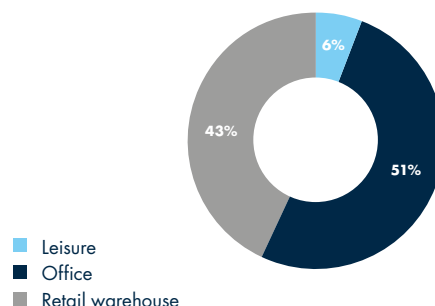
Lease expiries illustrating the revenue impact on the portfolio at 31 December 2015



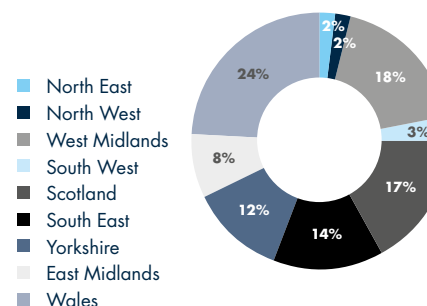
Property assets under management at 31 December 2015



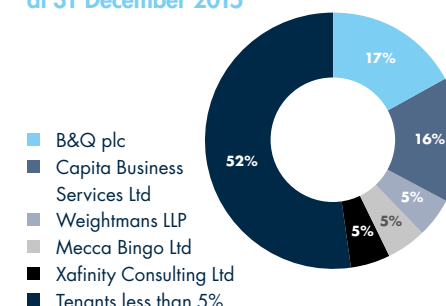
Sector exposure at 31 December 2015



Regional exposure at 31 December 2015



Tenant exposure/concentration at 31 December 2015



Top Ten Property portfolio as at 31 December 2015

| Location | Name | Sub-sector | Market Value Range (£) | Tenure |
|------------|-----------------------|-----------------------------|------------------------|-----------|
| Birmingham | St Philips Point | Office – Rest of UK | 25-30m | Freehold |
| Reading | Phoenix House | Office – Rest of South East | 20-25m | Freehold |
| Wrexham | Plas Coch Retail Park | Retail Warehouse | 20-25m | Freehold |
| Sheffield | Cutlers Gate | Office – Rest of UK | 15-20m | 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 |
| Edinburgh | 145 Morrison Street | Office – Rest of UK | 10-15m | Heritable |
| Bath | Midland Bridge House | Office – Rest of UK | 0-5m | Freehold |
| Telford | Mecca Bingo | Leisure | 0-5m | Freehold |

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Portfolio Update

We have had an active period since launch, acquiring 12 properties across the UK and delivering a number of asset management initiatives.

Portfolio valuation

The Company's property portfolio is valued by Knight Frank on a quarterly basis throughout the year. As at 31 December 2015 it was valued at £161.8 million, compared to £136.4 million at end September 2015. The valuation increase was principally as a result of the acquisition of the retail warehouse park in Wrexham.

Performance

Over the period to 31 December 2015, the Company's EPRA NAV total return was 2.64% and its share price total return was -0.16%.

Investment Activity

In December the portfolio increased in size to 12 assets with the acquisition of Plas Coch Retail Park in Wrexham for £22.4 million, reflecting 6.50% net initial yield, rising to 7.4% in March 2016 on expiry of a rent free period. It is a well-located retail park, totalling 94,245 sq. ft. and adjacent to a Sainsbury's supermarket and an Aldi foodstore. It is let to seven national tenants and benefits from a WAULT in excess of 10 years. TK Maxx has recently relocated to the park from Wrexham town centre, reinforcing the attraction of the park to retailers.



Market Outlook

2015 was another very strong year for investment, albeit it is likely that 2016 will see a reduction in trading volumes. A crash in activity is not expected, volumes will likely fall to more average levels as investors, having acquired properties, look to hold and asset manage them as opposed to trade them.

With a limited supply pipeline and a low interest rate environment we remain optimistic about the market in 2016 with the likely prospect of acquiring good-quality assets in a slightly less-crowded marketplace. However, we do continue to try and identify what the catalysts for change may be and whether the market is ignoring them or not. There is some aggressive pricing being paid for assets and there is a risk of that pricing getting ahead of itself and to a level for which rental growth will not sufficiently compensate.

We have witnessed a number of real estate analysts calling the top of the market, which may in itself have a negative impact on sentiment. However, it does not follow that every peak has a sharp drop at the other side.

There are clearly positive attributes to the sector. There may well be a yield price correction at the prime end of the market, or in a particular sub-sector or location where things get 'too hot', but the market is generally well placed to deliver returns closer to income levels.

- Investment volumes still strong but falling as investors allocate funds elsewhere.
- Moving forward, returns will be driven by income and asset management initiatives.
- Market yields may begin to soften in 2016.
- Development pipeline remains subdued.

“The Company's portfolio offers an excellent combination of high-quality assets, with attractive lease lengths and numerous asset management opportunities to be exploited to improve income and add value.”

Danny O'Neil
Chief Executive Officer,
Ediston Real Estate

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