EDISTON PROPERTY
INVESTMENT COMPANY PLC

Quarterly Update | June 2016

Delivering asset management

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

"This quarter we continued to improve the Company's income stream, delivering two asset management deals at St. Philips Point in Birmingham."

Calum Bruce
Director of Investment,
Ediston Real Estate

Key Financial Facts
at 30 June 2016

£182.3m Portfolio value	4.58p Dividend per share
107.79p EPRA NAV per share	5.31% Annualised dividend yield
£132.7m Market capitalisation	5.17% EPRA NAV total return
103.5p Share price	8.1years WAULT
4.7% EPRA vacancy rate	28.75% Loan to value

Portfolio

Asset management

During the period two asset management initiatives were completed at the office property in Birmingham, St Philips Point.

US retailer David's Bridal has agreed to lease 15,000 sq. ft. of retail space in the lower ground floor of the building. The destination retailer will transform the shopping mall which was predominantly vacant when the asset was acquired. David's Bridal is taking a 10-year lease at a rent of £225,000 per annum. The lease will be on full repairing and insuring (FRI) terms and will benefit from upwards-only rent reviews, based on annual RPI compounded and applied in year five, with an annual collar and cap of 1% and 3% respectively.

In a second deal, AXA Insurance UK plc, an existing tenant, has restructured its existing leases over the fourth to sixth floors and has expanded its operation by leasing the vacant seventh floor. AXA now occupies 27,667 sq. ft. in St Philips Point, which is c. 32% of the office accommodation. Each lease is for a term of ten years with a five year tenant break option. AXA is paying an annual rent of £664,008.

This activity results in the property being 95% let with only 5,328 sq. ft. of office accommodation available on the eighth floor. The deals illustrates our style of asset management: unlocking value from redundant space while transforming the retail offer, and building on relationships with existing tenants. Both deals improve the income stream and capital value of the asset and underscore the quality of the product on offer.

We continue to work on other initiatives which we believe will improve the quality of income within the portfolio.

ediston-reit.com

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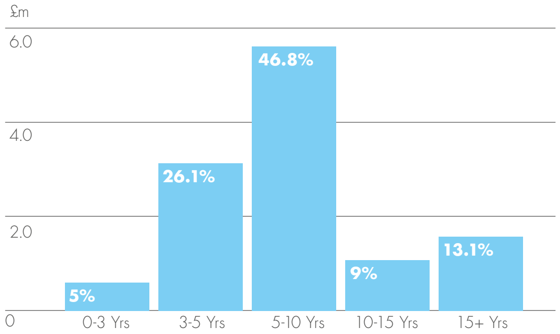
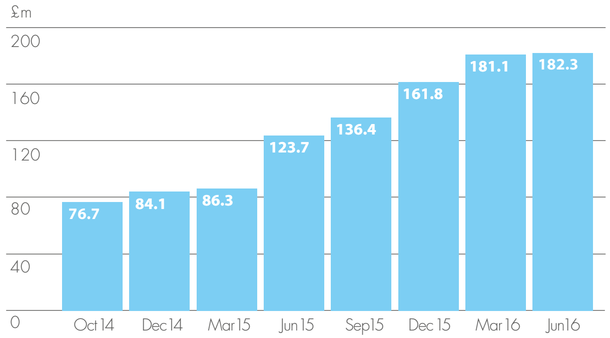
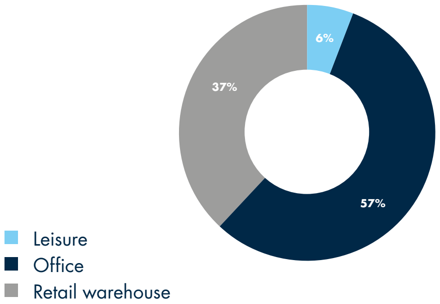
Lease expiries illustrating the revenue impact on the portfolio at 30 June 2016



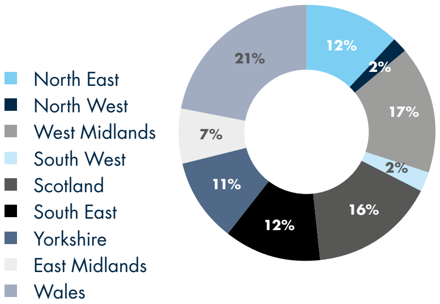
Property assets under management at 30 June 2016



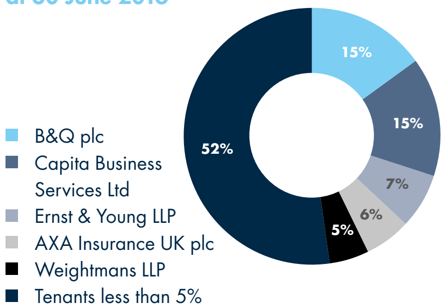
Sector exposure at 30 June 2016



Regional exposure at 30 June 2016



Tenant exposure/concentration at 30 June 2016



Top Ten Property portfolio as at 30 June 2016

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
Newcastle	Citygate 2	Offices – Rest of UK	15-20m	Leasehold
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

Portfolio Update

On the 17 June the Company was granted admission to the FTSE-All Share Index.

Performance

Over the period to 30 June 2016, the Company's EPRA NAV total return was 5.17% and its share price total return was -1.76%. Unsurprisingly, the market volatility, as a result of the vote to leave the EU, had a negative impact on the Company's share price. During the period the share price had grown to 108.5 pence, however, post vote the share price fell to 103.5 pence at close on the 30 June.

Portfolio valuation

The Company's property portfolio is valued by Knight Frank on a quarterly basis throughout the year. As at 30 June 2016 it was valued at £182.3 million, compared to £181.1 million at end March 2016. The valuation increase was principally due to the completion of the asset management initiatives at St Philips Point in Birmingham.

Knight Frank, has prepared its valuation in the immediate aftermath of the referendum result. Since the result was announced, it has not been possible for them to fully gauge the effect of the Brexit decision by reference to transactions in the market place. In line with the approach adopted by other valuers, Knight Frank has caveated its 30 June valuation accordingly.

Market Outlook

In the wake of Britain's decision to leave the EU, the financial markets have experienced significant turbulence and volatility. The consensus is that Brexit will have a negative impact on the UK property sector with property valuations being put under downward pressure.

The extent of any changes in value may take several weeks or even months to emerge as the market tries to understand what impact the referendum will have on liquidity and pricing. We expect there to be a cut back in trading activity, due to both the summer period and until investors have digested the possible implications of the outcome. We do expect to see disposals from the UK institutions, many of whom suspended trading in their open ended vehicles following an increase in the number of redemption requests they received. Whilst this course of action grabbed the headlines, it does allow the manager time to organise the sales process and prevent against a "fire sale" taking place.

Over the next few weeks more evidence will emerge which will highlight the post referendum trends, particularly in relation to pricing.

What has become apparent is that there are several buyers who are still looking to invest in UK real estate and see this as an opportunity to increase their exposure.

Portfolio Attributes

In the context of the market uncertainty, it is helpful to highlight some key attributes of the property portfolio:

- The Company has no exposure to Central London markets, which may take the brunt of any market weakness.
- The weighted average unexpired lease length of the portfolio is 8.1 years, which reduces the impact of any uncertainty in occupational markets.
- 81% of the portfolio income is secured against covenants with a D&B rating of 4A1 or better, providing security of dividend.
- Low EPRA vacancy rate of 4.7%.
- Low gearing. Loan-to-value of 28.75%, providing resilience against the risk of covenant breach from significant market falls.
- Further asset management angles to exploit.

> **"The reduced activity post Brexit is expected to lead to a re-rating of real estate prices; but at the same time could create interesting buying opportunities."**

Danny O'Neil
Chief Executive Officer,
Ediston Real Estate