

ABRDN PROPERTY INCOME TRUST LIMITED

(an authorised closed-ended investment company incorporated in Guernsey with registration number 41352)

LEI Number: 549300HHFBWZRKC7RW84

(The “Company”)

2 May 2024

Unaudited Net Asset Value as at 31 March 2024

Net Asset Value and Valuations

- Net asset value (“NAV”) per ordinary share was 76.4p (Annual Report and Financial Statements – 78.2p), a decrease of 2.2% for Q1 2024, resulting in a NAV total return, including dividends, of -1.4% for the quarter;
- The Company saw an overall fall in the value of the portfolio of 0.9% over the quarter on a like for like basis driven mainly by the office sector. Valuation changes and capex on the assets accounted for 1p of the 1.8p decline in the NAV over the quarter.
- The Q1 NAV was impacted by further costs associated with the strategic review and subsequent abortive corporate activity of 0.4p per share. Further strategic review costs of 0.5p per share will crystallise if the managed wind-down is voted for by shareholders.
- The portfolio capital value decline of 0.9% on a like for like basis during the quarter was broadly in line with the MSCI Monthly Index decline of 0.8% over the same period.
- The portfolio ERV of £33.3m is £7.4m (28.8%) above the current contracted rent, demonstrating the significant reversionary potential.
- Rent Collection remained robust with 99% collected so far for Q1. Since the beginning of 2021 quarterly rent collection has been consistently at or above 99%.
- EPRA Earnings excluding non-recurring items have decreased by £300,000 in the period compared to Q4 (£132,000 increase) primarily due to movements in lease incentives.

Investment activity.

- Two sales completed during the quarter totalling £16.55m and a further two sales completed after the quarter end totaling £13.2m.

Financial Position

- Robust balance sheet with financial resources available for investment of £33.2 million (from the Company’s revolving credit facility) net of current cash after dividend and other financial commitments.

Occupancy / Void / WAULT

The Company had a vacancy rate of 7.9% as at end Q1 2024 (Q4 2023 7.6%). The largest vacancy is of a logistics unit that became vacant in November 2023, and had been under offer to sell to an owner occupier, but that is no longer progressing.

Debt Facility and Gearing

API currently has two facilities with RBSI, an £85m term loan (fully drawn) and an £80m Revolving Credit Facility (RCF) of which £44.5m was drawn as at 31st March. Both facilities are at a margin of 150bps over SONIA and an interest rate cap on SONIA has been put in place at 4% over the term loan (all-in rate of 5.5%). As at 31 March 2024, the Company had a Loan to Value (LTV) of 29.0%*. The all-in cost of debt is 5.9% and the focus remains on repaying the RCF to reduce this further.

*LTV calculated as debt less all cash divided by investment portfolio value

Dividends

A dividend of 1p will be paid for the quarter which means that the dividend is therefore being maintained at an annualised rate of 4p per share. The dividend cover for Q1 2024 excluding exceptional items associated with Corporate Activity is 75.4% (Dec 23 - 83.4%). The Board has provided guidance of its intention to maintain the current dividend level. This guidance will be revisited after the wind-down vote.

Net Asset Value (“NAV”)

The unaudited net asset value per ordinary share at 31 March 2024 was 76.4p. The net asset value is calculated under International Financial Reporting Standards (“IFRS”).

The net asset value incorporates the external portfolio valuation by Knight Frank LLP at 31 March 2024 of £420.6 million.

Breakdown of NAV movement

Set out below is a breakdown of the change in the unaudited NAV calculated under IFRS over the period 31 December 2023 to 31 March 2024.

	Per Share (p)	Attributable Assets (£m)	Comment
Net assets as at 31 December 2023	78.2	298.1	As per Audited Annual Report
Unrealised movement in valuation of property portfolio	-0.5	-2.0	Like for like decrease of 0.9%.
Loss on sale	-0.1	-0.5	
CAPEX in the quarter	-0.5	-2.3	Predominantly final payment at Knowsley.
Non-recurring items associated with Corporate Activity	-0.4	-1.1	
Net income in the quarter after dividend	-0.3	-1.0	Rolling 12-month dividend cover 78% excluding non-recurring items associated with Corporate Activity.
Interest rate hedge mark to market revaluation	0.1	0.2	Interest rate cap valuation movement
Other movements in reserves	-0.1	-0.2	Movements in lease incentives.
Net assets as at 31 March 2024	76.4	291.2	

European Public Real Estate Association ("EPRA")

31 Mar 2024

31 Dec 2023

EPRA Net Tangible Assets £289.8m

£297.6m

EPRA Net Tangible Assets per share 76.0p

78.1p

The Net Asset Value per share is calculated using 381,218,977 shares of 1p each being the number in issue on 31 March 2024.

Investment Manager Review and Portfolio Activity

The first quarter of the year is normally the slowest, for both occupier and investment activity, and 2024 has felt no different. The asset management completed in the quarter continues to demonstrate the underlying strength of the portfolio.

Two rent reviews were completed in the quarter, an industrial unit at Sandy where the lease has indexation and so the settlement was in line with valuation expectations, and a retail warehouse unit where the rent was settled 4.6% above the December 2023 valuation assumption. We also completed a lease renewal on a retail park of a fast-food drive through, where the increase in rent was 16.7% above the December valuation assumption. Two sales were completed in the quarter totalling £16.55m, and since the quarter end two further sales completed for £13.2m (details of all sales have already been reported) and a letting of two units completed at our multi let industrial scheme in Aberdeen.

The vacancy rate has increased slightly, in part due to the sales completed. The vacancy rate of 7.9% excludes the recently completed speculative development which represents 2.5% of ERV. That and the logistics unit in Swadlincote (3.3% of ERV) are key opportunities to drive value and we are marketing the units to owner occupiers and tenants.

Following completion of several sales the RCF has reduced over the quarter, with a drawn balance of £45.5m at quarter end (following further repayments in April, this is £31.6m as at 2nd May) As a result, at the quarter end the LTV was 29%. It is intended that sale proceeds will be reduced to repay the RCF as a priority.

The Board will shortly be issuing a circular to recommend a change of Investment Strategy to enable the Company to enter a managed winddown through the disposal of its assets leading to a liquidation of the Company over the next 18-36 months.

Investment Manager's UK Real Estate Market Outlook – Q1 2024

- Although the UK economy contracted over the second half of 2023, briefly entering a technical recession, it is expected to return to moderate growth over the course of this year. Indeed, the monthly GDP for January was positive at 0.2%. Housing activity is picking up, while the return of positive real income growth has helped to boost sentiment and spending.
- The annual consumer price index (CPI) declined to 3.2% in March. We expect headline inflation to fall well below 2% by the middle of the year, because of base effects and lower energy prices. That said, underlying inflation pressures are likely to remain stickier. We believe the idea of the UK being an outlier on the upside of inflation is over, as the focus now shifts to the Bank of England (BoE) and the timing of its cuts.

- At its March meeting, the BoE showed it was more aligned in its direction to maintain monetary policy pressure than during prior months. The prospect of further rate hikes has largely left investors' minds, but expectations of the timing and extent of cuts remain uncertain. Gilt yields have remained over 4% during the quarter, and the risk-free rate of return along with high debt costs continues to impact on real estate pricing.
- The decline in UK real estate capital values moderated over 2023. Despite further pressure on values, downward movements in pricing were nowhere near those in 2022. There are signs of stabilisation in light of a brighter macroeconomic picture, although this may be slower to materialise in out-of-favour sectors. Capital declines continued in Q1 2024 with the MSCI Monthly Index showing an all-property capital decline of 0.8% and total return of 0.6%.
- Industrial (logistics) remains the favoured sector, and it appears the period of retail being shunned is coming to an end. Offices are the out of favour sector, apart from the best city centre assets. We expect to see continued valuation falls in the office sector even as interest rates start to fall, and the general market conditions improve.
- UK investment volumes remain subdued, as liquidity has become a major limiting factor. Activity has been slow as investors await an improvement in the macroeconomic environment. We expect a muted first half of 2024 as most investors have little motivation to sell. Activity should pick up later in the year as more conviction returns to the market.
- UK real estate looks poised for a modest recovery, following a collection of positive movements in the economic landscape. With inflation seemingly under control and the first interest rate cuts expected later in 2025, we expect to see an increase in UK real estate performance from 2025.
- We expect any areas of distress to be quite localised as debt maturities filter through, rather than as a result of any systemic breaches in covenants. These pockets of stress will largely be focused on poor-quality assets with significant capital expenditure requirements. Such assets could provide opportunities for cash-ready investors, as the outlook for the wider market improves.

Net Asset analysis as at 31 March 2024 (unaudited)

	£m	% of net assets
Industrial	244.0	83.8
Office	59.9	20.6
Retail	72.0	24.7
Other Commercial	36.5	12.5
Land	8.2	2.8
Total Property Portfolio	420.6	144.4
Adjustment for lease incentives	-9.3	-3.2
Fair value of Property Portfolio	411.3	141.2
Cash	7.5	2.6
Other Assets	18.0	6.2
Total Assets	436.8	150.0
Current liabilities	-16.7	-5.7
Non-current liabilities (bank loans)	-128.9	-44.3
Total Net Assets	291.2	100.0

Breakdown in valuation movements over the period 01 January 2024 to 31 March 2024

	Portfolio Value as at 31 Mar 2024 (£m)	Exposure as at 31 Mar 2024 (%)	Like for Like Capital Value Shift (excl transactions & CAPEX)	Capital Value Shift (incl transactions (£m))
			(%)	
External valuation at 31 Dec 23				439.2
Retail	72.0	17.2	(0.7)	(0.4)
South East Retail		1.8	(1.3)	(0.1)

Retail Warehouses		15.4	(0.6)	(0.3)
Offices	59.9	14.2	(4.5)	(12.7)
London City Offices		0.0	0.0	(9.9)
London West End Offices		1.8	(3.8)	(0.3)
South East Offices		5.2	(4.5)	(1.0)
Rest of UK Offices		7.2	(4.7)	(1.5)
Industrial	244.0	58.0	(0.5)	(6.1)
South East Industrial		9.2	0.2	0.0
Rest of UK Industrial		48.8	(0.6)	(6.1)
Other Commercial	36.5	8.7	1.5	0.6
Land	8.2	1.9	0.0	0.0
External valuation at 31 Mar 24	420.6	100.0	(0.9)	420.6

Yields

	Initial Yield (%)	Equivalent Yield (%)	EPRANIY (%)
Portfolio	5.8	7.2	4.8%

Top 10 Properties

	31 Mar 24 (£m)
Halesowen, B&Q	20-25
Rotherham, Ickles Way	20-25
Birmingham, 54 Hagley Road	15-20
Welwyn Garden City, Morrison's	15-20
Shellingford, White Horse Business Park	15-20
Swadlincote, Tetron 141	10-15
London, Hollywood Green	10-15
Washington, Rainhill Road	10-15
Corby, 3 Earlstrees Road	10-15
St Helens, Stadium Way	10-15

The top ten assets represent 39.5% of portfolio value

Top 10 tenants

Tenant Name	Passing Rent	% of total Passing Rent
B&Q Plc	1,560,000	6.0%
Public Sector	1,365,203	5.2%
WM Morrisons Supermarkets Ltd	1,252,162	4.8%

The Symphony Group Plc	1,225,000	4.7%
Schlumberger Oilfield UK plc	1,138,402	4.4%
Timbmet Limited	904,768	3.5%
Atos IT Services UK Limited	872,466	3.4%
CEVA Logistics Limited	840,000	3.2%
ThyssenKrupp Materials (UK) Ltd	643,565	2.5%
Hermes Parcelnet Ltd	591,500	2.3%
Top ten tenants	10,393,066	39.9%

Regional Split

South East	23.8%
West Midlands	19.4%
North West	14.8%
East Midlands	13.8%
North East	12.6%
Scotland	10.3%
South West	3.5%
London West End	1.8%

Except as described above, the Board is not aware of any significant property events or transactions which have occurred between 31 March 2024 and the date of publication of this statement which would have a material impact on the financial position of the Company.

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.

Details of the Company may also be found on the Investment Manager's website at: www.abrdnpit.co.uk

For further information:-

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