

9th August 2024

abrdn PROPERTY INCOME TRUST LIMITED (LSE: API)

LEI: 549300HHFBWZRKC7RW84

Unaudited Net Asset Value as at 30 June 2024

Net Asset Value and Valuations

- Net asset value ("NAV") per ordinary share was 73.3p (Mar 2024 – 76.4p), a decrease of 4.1% for Q2 2024, comprising a NAV total return of -2.8% and dividends paid of -1.3%. The main components of NAV total return are -0.5% due to a reduction in property values, -2.3% attributable to a change in accounting basis and -0.8% due to further strategic review costs, partially offset by net income of 1.1%;
- On a like-for-like basis, the Company saw a fall in the value of the portfolio of 0.5% over the quarter with valuation declines in the office and retail sectors. This accounted for 0.5p of the 3.1p decline in the NAV over the quarter.
- Following the Shareholder vote on the 28 May 2024, the Company is now in a managed wind-down and therefore no longer prepares its financial information on the going concern basis of accounting. This has reduced the NAV by 2.3% (1.8p) mainly due to the estimated costs of realising the portfolio.
- The Q2 NAV was also impacted by costs associated with the strategic review (0.7% of the Q1 NAV) which had not been incurred by 31 March 2024.
- Rent Collection remained robust with 99.8% collected so far for Q2. Since the beginning of 2021 quarterly rent collection has been consistently at or above 99%.
- EPRA Earnings excluding non-recurring items have increased by £300,000 in the period compared to Q1 (£300,000 decrease) primarily due to movements in lease incentives and backdated credits associated with rates relief.
- The Company has formally agreed revised fee terms with the Investment Manager. Effective from 31 May 2024, the Investment Manager is entitled to a fee of 0.20% per annum on the average total assets payable each quarter, and a fee of 0.40% of the gross disposal proceeds payable in two tranches after 90% of the Portfolio has been disposed of; this was previously 0.6% of the total assets excluding long term financing.
- The Board, with the Managers, are presently assessing a number of strategies for disposing of the property portfolio to maximise value for shareholders. This includes the potential for selling most of the portfolio in a single transaction, which were it to proceed, would likely be at a discount to the NAV, reflecting the value of a more immediate return of capital and the reduction of risk associated with individual sales. There can be no certainty that a portfolio sale can be achieved on acceptable terms.

Investment activity.

- As reported previously, two sales completed during the quarter totaling £13.2m.

Financial Position

- The Company is in a robust financial position as it has sufficient cash to meet ongoing obligations, and through the managed wind down will be able to repay debt and return capital to shareholders. The intention is to use sale proceeds to repay the RCF as a priority before returning capital to shareholders.

Occupancy / Void / WAULT

The Company had a vacancy rate of 10.5% as at end Q2 2024 (Q1 2024 7.9%). Over 50% of the vacancy is held in two logistics units, with just under 40% in offices spread across 5 assets.

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 £38.9m was drawn as at 30th June. 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 30 June 2024, the Company had a Loan to Value (LTV) of 28.7%*. The all-in cost of debt is 5.8% and the focus remains on repaying the RCF.

*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 Q2 2024 excluding costs associated with Corporate Activity is 83.1% (Mar 24 - 75.4%). As previously indicated, the Board intends to move to a dividend based on each quarter's net income from the fourth quarter of 2024 and thereafter.

Net Asset Value ("NAV")

The unaudited net asset value per ordinary share at 30 June 2024 was 73.3p. The net asset value is calculated under International Financial Reporting Standards ("IFRS") as amended for the Company operating on a non-going concern basis.

The net asset value incorporates the external portfolio valuation by Knight Frank LLP at 30 June 2024 of £405.5 million.

Breakdown of NAV movement

Set out below is a breakdown of the change in the unaudited NAV over the period 31 March 2024 to 30 June 2024.

	Per Share (p)	Attributable Assets (£m)	% Opening NAV	Comment
Net assets as at 31 March 2024	76.4	291.2	100.0	As per Audited Annual Report
Unrealised movement in valuation of property portfolio	-0.5	-1.9	(0.7)	Like for like decrease of 0.5% in portfolio value.
Loss on sale	0.0	-0.1	(0.0)	
Estimated costs of disposal of portfolio	-1.8	-6.7	(2.3)	Following the vote to wind up the company the costs of selling the portfolio are now included in the NAV. This includes a 40bps fee payable to the Investment Manager and projected sales costs of 1.25%.
CAPEX in the quarter	-0.1	-0.5	(0.2)	
Non-recurring items associated with Corporate Activity	-0.6	-2.1	(0.7)	
Net income in the quarter after dividend	-0.1	-0.6	(0.2)	Rolling 12-month dividend cover 80% excluding non-recurring items associated with Corporate Activity.
Interest rate hedge mark to market revaluation	0.0	0.1	0.0	Interest rate cap valuation movement
Other movements in reserves	0.0	0.1	0.0	Movements in lease incentives.
Net assets as at 30 June 2024	73.3	279.5	95.9	

European Public Real Estate Association ("EPRA")

	30 Jun 2024	31 Mar 2024
EPRA Net Tangible Assets	£278.1m	£289.8m
EPRA Net Tangible Assets per share	73.0p	76.0p

The Net Asset Value per share is calculated using 381,218,977 shares of 1p each being the number in issue on 30 June 2024.

Investment Manager Review and Portfolio Activity

During Q2 the shareholders of the Company voted in favour of a change in investment strategy to sell all the assets in the Company and return capital to investors. The Investment Manager is aligned with the Board to achieve this and maximise risk adjusted returns to shareholders and fee arrangements have been changed accordingly.

Two asset sales completed during the quarter (as previously reported) totaling £13.2 million and a further two assets are under offer for sale. As noted above, the Board is also assessing the potential for selling most of the rest of the portfolio in a single transaction. It is likely that such a sale, were it to take place, would be at a discount to the NAV reflecting the value of a more immediate return of capital and the reduction of risk associated with individual sales over a longer period. There can be no certainty that a portfolio sale can be

achieved on acceptable terms. The Board will keep shareholders informed.

Although the main focus has been on the exit strategy, asset management remains an important area to drive returns. Seven new leases / lease regears were completed with a total annual rent of just over £1m pa.

At the end of June 2024 the Company had £38.9m (£44.5m 30 March 2024) drawn on its revolving credit facility (RCF) with RBSI. The repayment of the outstanding RCF remains a priority as assets are sold.

Investment Manager's UK Real Estate Market Outlook – Q2 2024

- The UK economy expanded faster than expected over the first quarter of 2024, rebounding from a short-lived recession at the end of 2023 to grow 0.7%. This growth has continued into Q2 and a summer of major sporting events is likely to continue to support it. A rise in consumer spending was a large driver behind this growth and, paired with increasing household savings, suggests the economy is improving. We expect real wage growth to remain strong, as nominal wage growth returns slowly to a more sustainable rate.
- The annual Consumer Price Index (CPI) returned to the Bank of England's (BoE) target rate of 2% in May, as base effects and lower energy prices fed through. Services inflation is the outlier and remains above target propelled by rising real wages. Although this poses the risk of extending inflationary pressure, robust productivity growth will help to lessen the effects. The BoE remained steadfast in maintaining a restrictive policy rate until the meeting in August when the first cut in Base Rate of this cycle was made, from 5.25% to 5%. Four of the nine voting members voted in favour of maintaining the rate at 5.25%, suggesting that further economic signals of lower inflationary pressures may be needed to see further cuts.
- We are seeing signs of stabilisation in the Industrial sector and capital value declines have slowed substantially over recent quarters. By contrast, the office sector is expected to see additional declines in capital values, especially as transactions pick up throughout the year.
- As investors await a more supportive macroeconomic environment, the investment market remains lukewarm. Total transactions over the first half of 2024 were down around 7% year-on-year to £24 billion, according to Real Capital Analytics. Around 23% of deals were in the residential sector.

Net Asset analysis as at 30 June 2024 (unaudited)

	£m	% of net assets
Industrial	232.1	83.0
Office	57.6	20.6
Retail	69.2	24.8
Other Commercial	36.6	13.1
Land	10.0	3.6
Total Property Portfolio	405.5	145.1
Adjustment for lease incentives	-8.9	-3.2
Impairment due to projected sales costs	-6.7	-2.4
Fair value of Property Portfolio	389.9	139.5
Cash	7.5	2.7
Other Assets	19.4	6.9
Total Assets	416.8	149.1
Current liabilities	-13.9	-5.0
Non-current liabilities (bank loans)	-123.4	-44.1
Total Net Assets	279.5	100.0

Breakdown in valuation movements over the period 01 April 2024 to 30 June 2024

	Portfolio Value as at 30 Jun 2024 (£m)	Exposure as at 30 Jun 2024 (%)	Like for Like Capital Value Shift (excl transactions & CAPEX)	Capital Value Shift (incl transactions (£m))
			(%)	
External valuation at				

31 Mar 24				420.6
Retail	69.2	17.1	(3.9)	(2.8)
South East Retail		1.7	(5.4)	(0.4)
Retail Warehouses		15.4	(3.7)	(2.4)
Offices	57.6	14.2	(3.9)	(2.4)
London City Offices		0.0	0.0	0.0
London West End Offices		1.8	(3.9)	(0.3)
South East Offices		5.0	(7.4)	(1.6)
Rest of UK Offices		7.4	(1.5)	(0.5)
Industrial	232.1	57.2	0.5	(11.9)
South East Industrial		9.5	0.3	0.1
Rest of UK Industrial		47.7	0.5	(12.0)
Other Commercial	36.6	9.0	0.4	0.2
Land	10.0	2.5	21.2	1.8
External valuation at 30 Jun 24	405.5	100.0	(0.5)	405.5

Yields

	Initial Yield (%)	Equivalent Yield (%)	EPRANIY (%)
Portfolio	6.0	7.6	5.7

Top 10 Properties

	30 Jun 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 40.7% of portfolio value

Top 10 tenants

Tenant Name	Passing Rent	% of total Passing Rent
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Public Sector	2,022,243	7.6%
B&Q Plc	1,560,000	5.9%
WM Morrisons Supermarkets Ltd	1,252,162	4.7%
The Symphony Group Plc	1,225,000	4.6%
Schlumberger Oilfield UK plc	1,138,402	4.3%
Timbmet Limited	904,768	3.4%
Atos IT Services UK Limited	872,466	3.3%
CEVA Logistics Limited	840,000	3.2%
ThyssenKrupp Materials (UK) Ltd	643,565	2.4%
Hermes Parcelnet Ltd	591,500	2.2%
Top ten tenants	11,050,106	41.5%

Regional Split

South East	24.2%
West Midlands	19.9%
North West	15.1%
East Midlands	14.4%
North East	11.8%
Scotland	11.2%
London West End	1.8%
South West	1.6%

Except as described above, the Board is not aware of any significant property events or transactions which have occurred between 30 June 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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