

**Investing in  
UK property for  
Income into a  
Recovering market**

# **Custodian Property Income REIT**

*“Aiming to be the REIT of choice for private and institutional investors seeking high and stable dividends from well diversified UK commercial real estate”*

November 2024





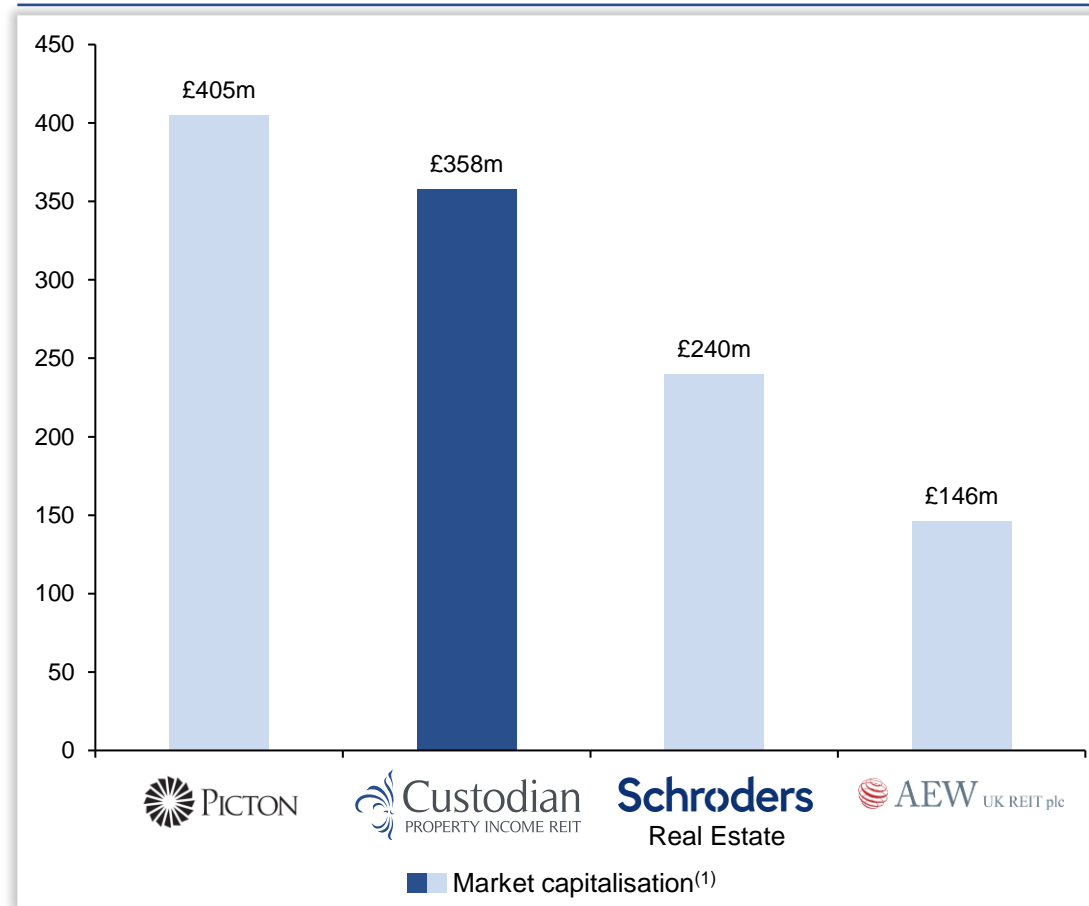
# Recovering Market (Timing)

# Significant change in the diversified property universe

CUSTODIAN PROVIDES A UNIQUE EXPOSURE TO UK COMMERCIAL PROPERTY



## UK diversified property sector



### Consolidated

- UK Commercial Property REIT
- LXi REIT  
*Long Indexed Income*
- SECURE INCOME REIT PLC
- COLUMBIA THREADNEEDLE INVESTMENTS  
CT Property Trust
- TRITAX EUROBOX (2)

### Taken private

- ediston  
*The Retail Warehouse Specialist*
- abrdn  
Property Income (2)
- COLUMBIA THREADNEEDLE INVESTMENTS  
Balanced Commercial Property (2)

### Private Equity active in the market

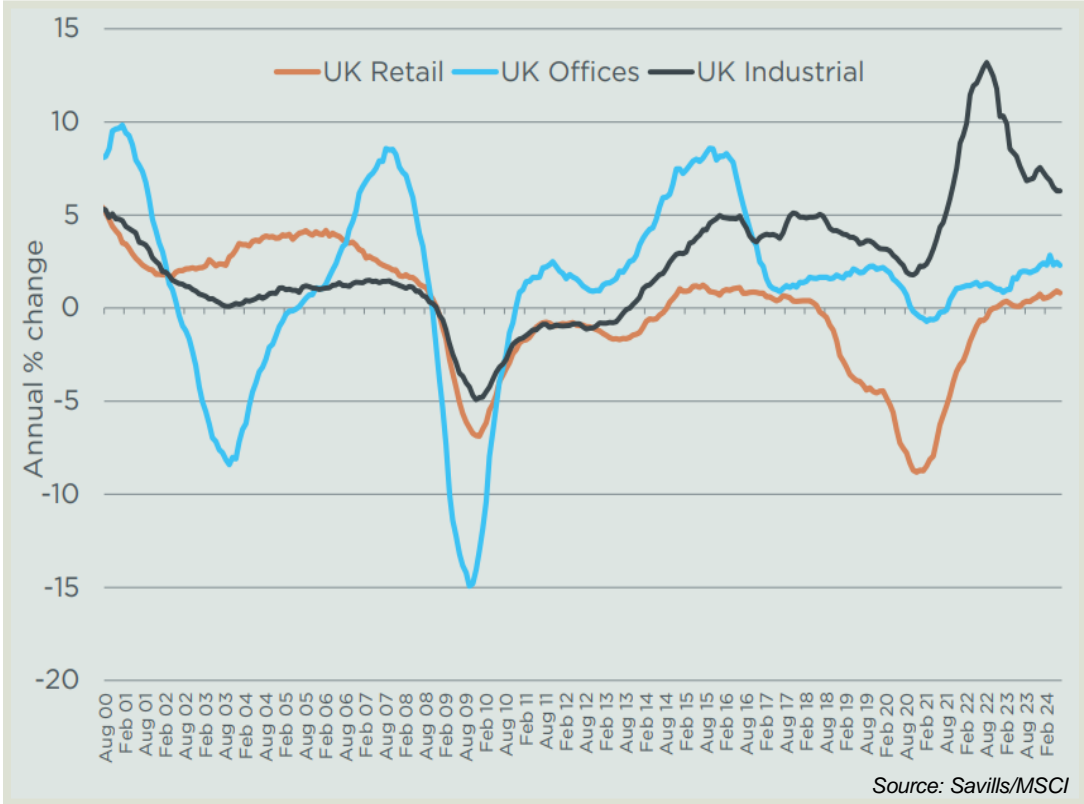
- Starwood
- Blackstone
- Lone Star
- Ares Management
- TT Group
- KKR
- Brookfield

# Market conditions are set for a recovery

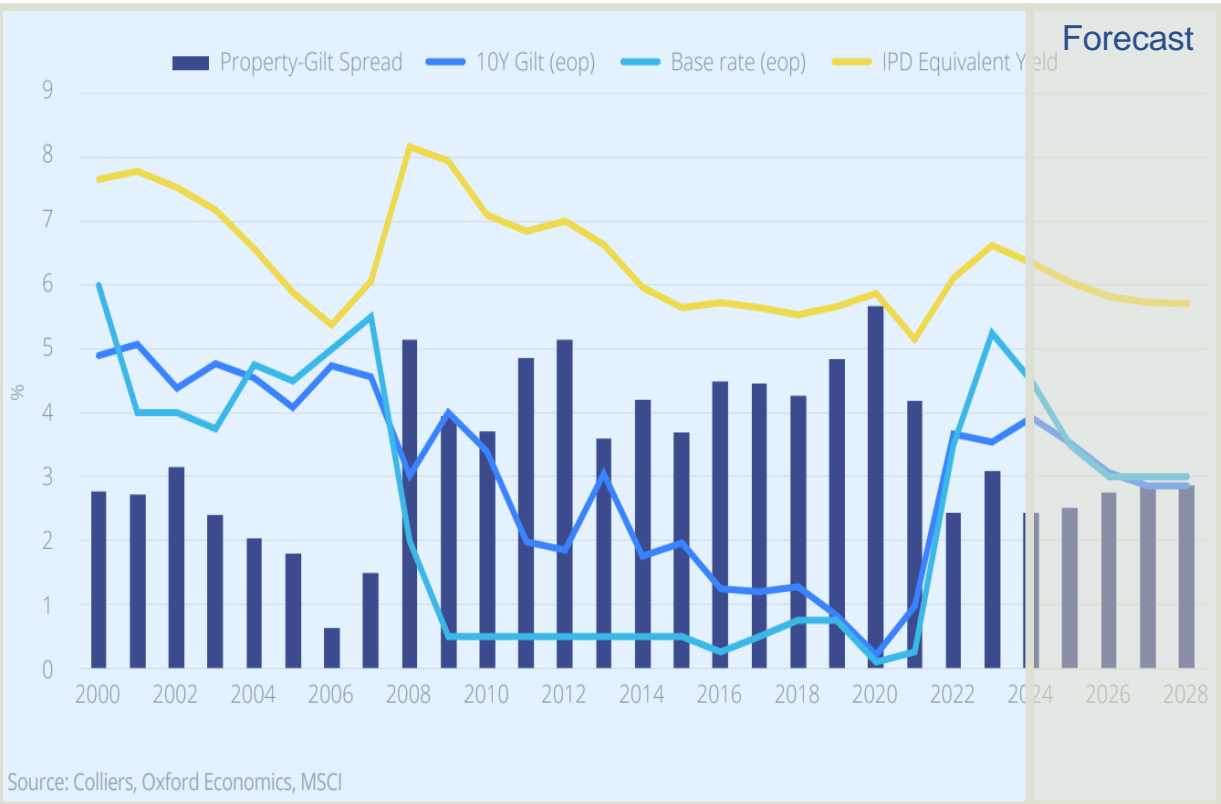
RENTAL RECOVERY IS WELL UNDERWAY AND BASE RATE IS FORECAST TO FALL FURTHER



Average Rental Growth is positive for all sectors



Equivalent yields have normalised and finance costs are falling



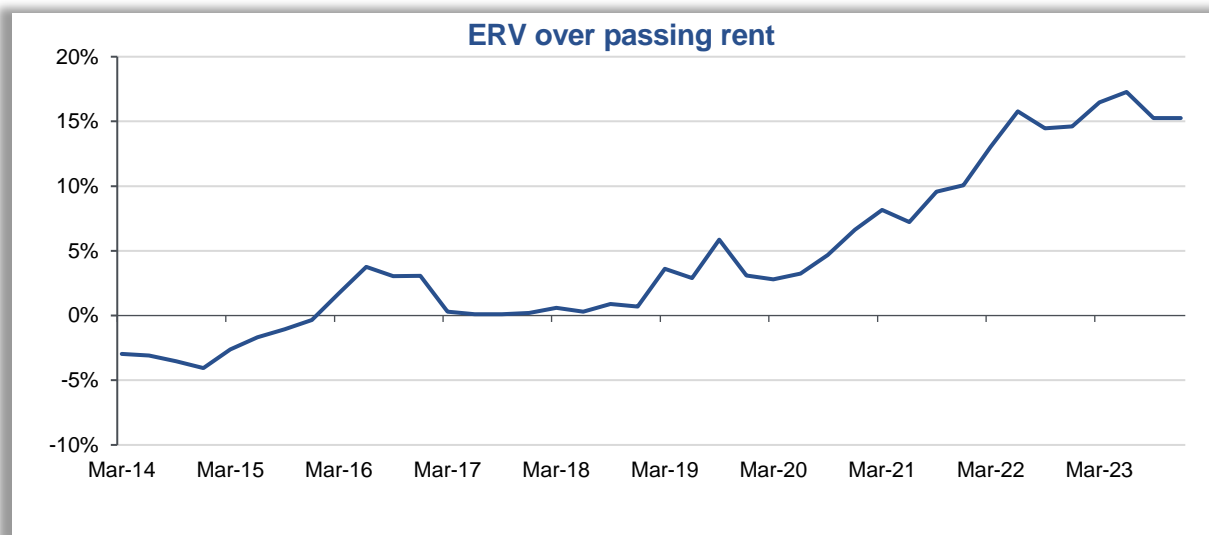
# Impact on Custodian Property Income REIT

CONTINUED STRONG LEASING AND OUTLOOK CONFIDENCE ENABLED DIVIDEND INCREASES



## Highlights

- Fully covered dividend - 7.3% dividend yield<sup>(1)</sup>
- Resilient occupational - Up from 91% to 92%, post year end 94%
- Valuation - Stable since Dec 23
- Significant reversionary potential:



FY25 dividend target

**6.0pps**

FY24: 5.8p  
FY23: 5.5p

High occupancy

**93.5%**

FY24: 91.7%  
FY23: 90.3%

Like for like rental growth <sup>(2)</sup>

**+5.6%**

Loan to Value<sup>(3)</sup>

**27.9%**

FY24: 27.9%  
FY23: 27.4%

# Asset Management

- Resilient occupational demand
- Limited supply
- Build cost inflation
- Rental growth

## Industrial and Logistics

STRONG MARKET DYNAMICS



	Warrington Reversionary lease	+64%		Farnborough Reversionary lease	+22%
	Warrington Lease renewal	+62%		Biggleswade New Letting	+21%
	Leeds Reversionary lease	+43%		Stevenage Rent review	+19%
	Normanton Rent review	+42%		Grangemouth Rent review	+13%
	Salford Rent review	+33%		Erdington Rent review	+12%
	Nuneaton Rent review	+31%		Oldbury Rent review	+12%

# Asset Management

Office demand is very location specific, but can offer strong rental growth

Long leases demonstrate confidence from occupiers

Retail warehousing is in short supply and offers great potential for rental growth

Rental growth has returned to prime high street locations

## Offices, Retail and Other sectors

SCENE IS SET FOR RECOVERY

### Offices



Oxford  
Lease renewal

+58%



Leeds  
Lease renewal

+45%

### Other



Loughborough  
Rent review  
Car showroom

+13%



Milton Keynes  
New letting  
Tenpin Bowling

25 yr  
lease



Crewe  
New letting  
Tenpin Bowling

25 yr  
lease

### Retail Warehouse



Leighton Buzzard  
New letting

+15%

### Retail



Shrewsbury  
New Letting

+38%



Edinburgh  
New letting

+26%

ENTRANCE



**B&Q**

**Income**



# Seeking higher risk adjusted yields from diversified, regional, commercial real estate: Our DNA

INCOME DRIVEN TOTAL RETURN

To provide access to diversified, regional, UK commercial real estate in an institutional grade package

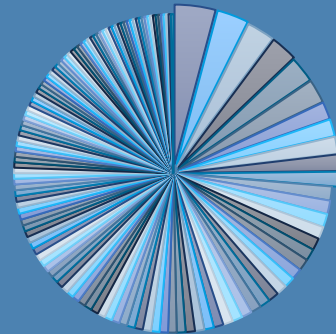
To benefit from high, risk adjusted, income returns

## UK, diversified, regional commercial property

### Diversified Income

150 properties

Over 300 tenancies



### Fully Covered Dividend since inception

6.0 pps / 7.3% yield<sup>(1)</sup>

In prospect



### Reversionary Potential

Passing rent £43m

ERV £49m

15% reversion



# Long term yield advantage of diversified, regional property

AVERAGE LOT SIZE OF SUB £4M



Well-positioned to capture yield advantage

Av. net initial yield:

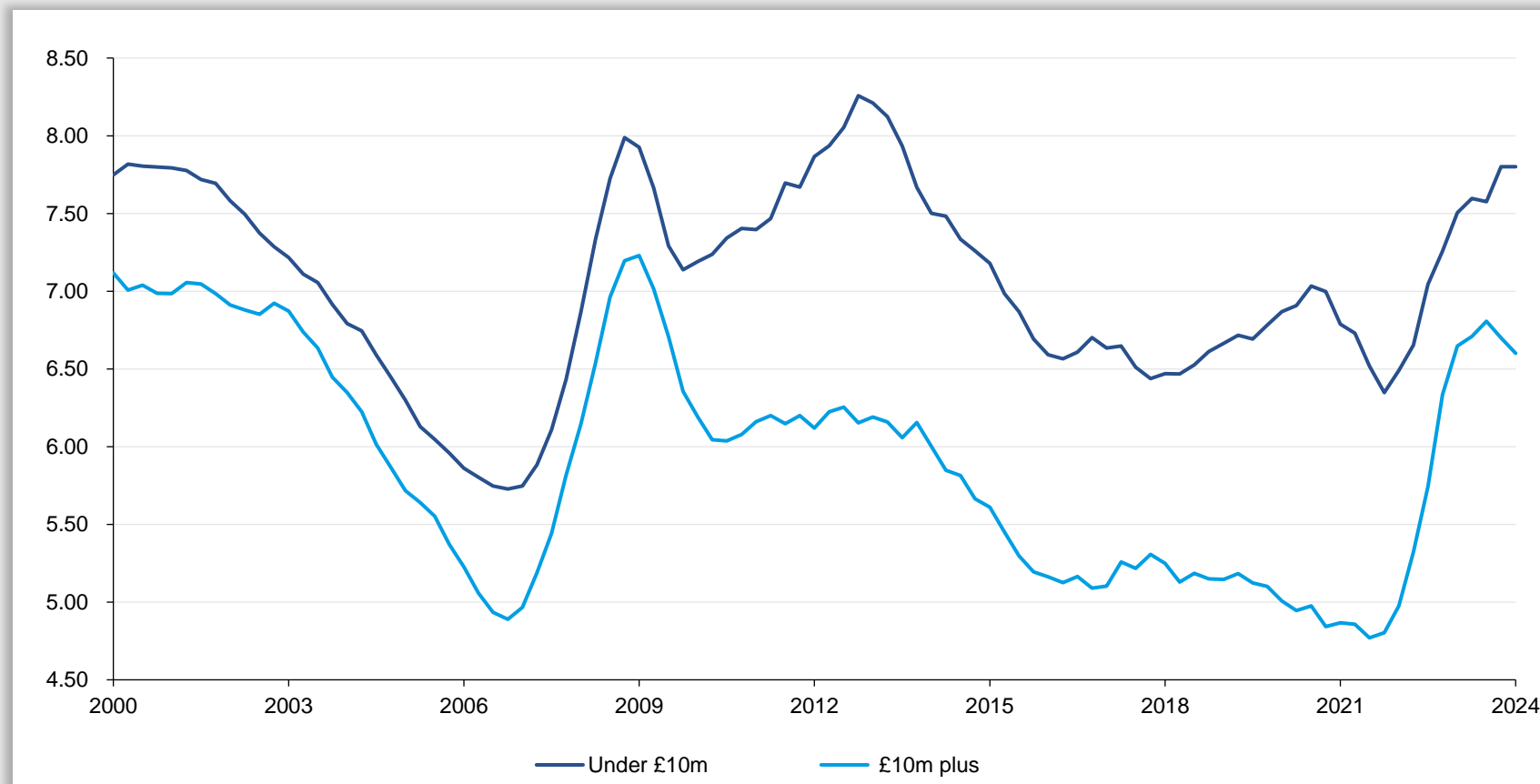
- 7.1% sub £10m
- 5.6% +£10m<sup>(1)</sup>

Lower volatility

Q4 21 - Q4 23

- 25% sub £10m lot-size versus
- 40% +£10m<sup>(2)</sup> lot-size

## 1 year rolling average transaction yield %



# Long-term commitment to a fully covered and growing dividend

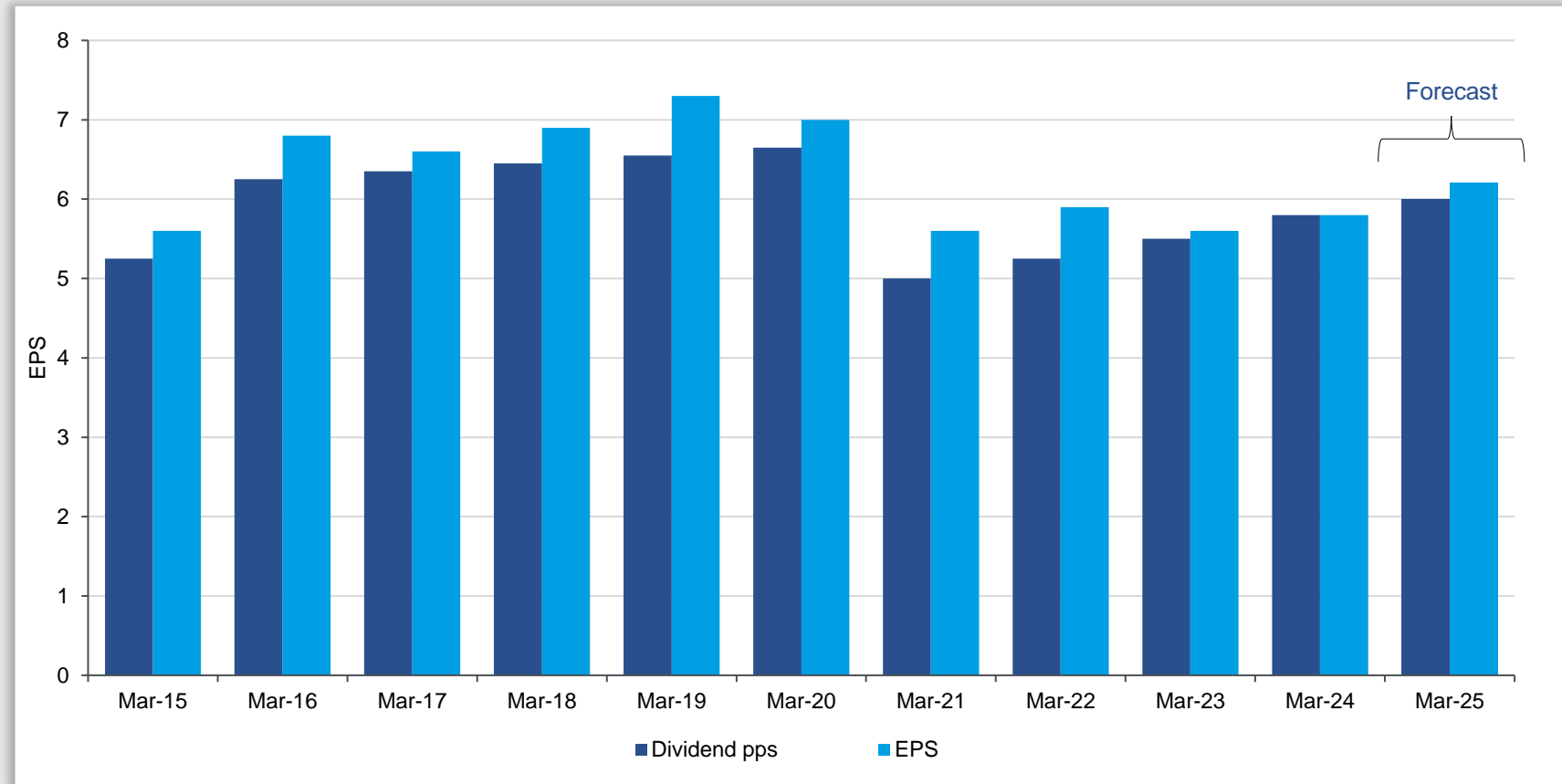
CONSISTENTLY HIGH DIVIDEND



## Dividend increase:

- +9% FY24-FY25
- Mar 24: 5.5-5.8 pps
- Prevailing target dividend of 6p
- Dividend cover: 100-116%
- Prospective dividend yield 7.3%<sup>(1)</sup>

## Dividend vs EPS



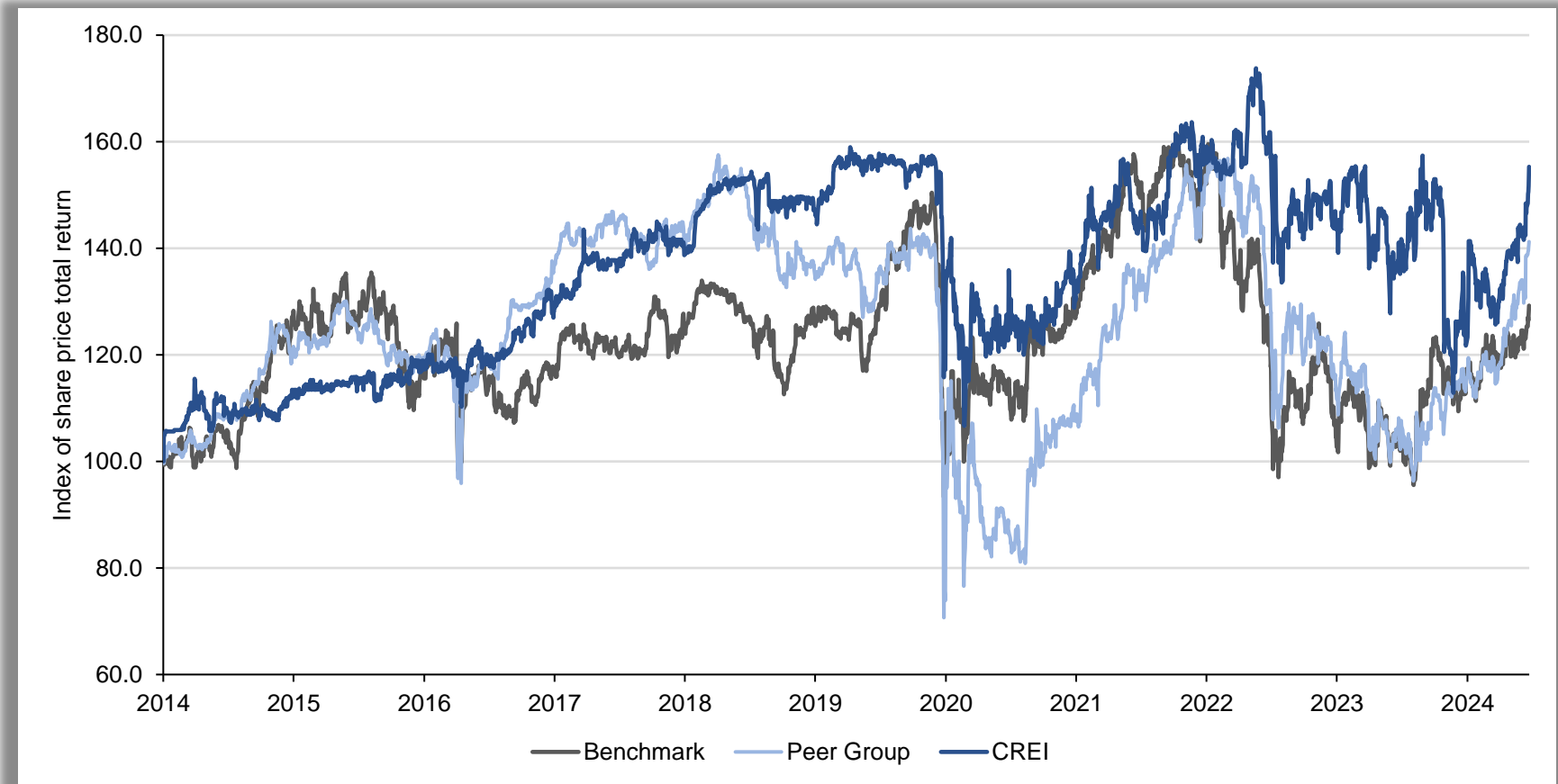
(1) Based on average share price over last month.

# Consistent, income generated outperformance since IPO

CREI has delivered superior share price total returns relative to the benchmark and its peer group since IPO<sup>(1)</sup>:

- CREI: +55%
- Peers Group<sup>(2)</sup>: +41%
- Benchmark: +29%

## Share price total return since IPO as at 16<sup>th</sup> September 2024





# Diversification of Income (Risk)

# Custodian Property Income overview

REIT OF CHOICE FOR PRIVATE AND INSTITUTIONAL INVESTORS SEEKING HIGH AND STABLE DIVIDENDS FROM WELL DIVERSIFIED UK COMMERCIAL REAL ESTATE



**Income focus**

9% increase in target dividend to 6p (FY25)

7.3% dividend yield<sup>(1)</sup>

5% p.a. dividend growth (since 2021)<sup>(2)</sup>

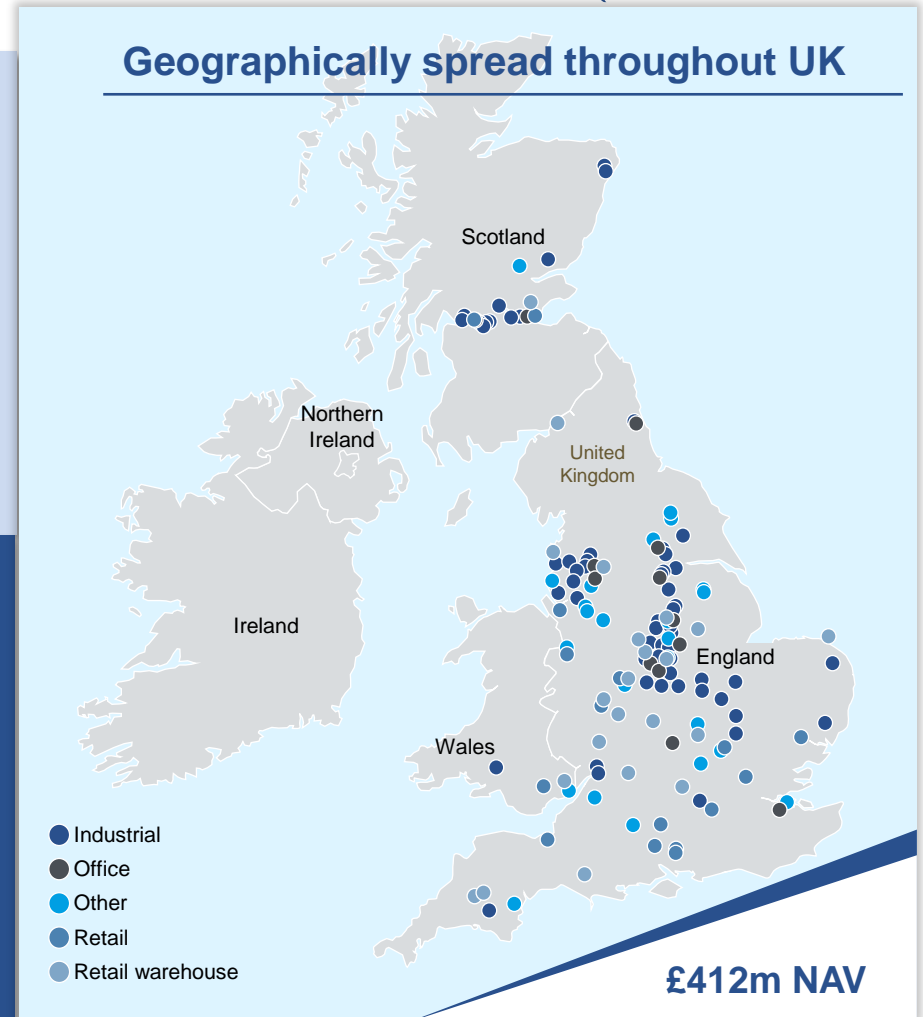
Fully covered dividends<sup>(3)</sup>

**Yield advantage from a diversified, regional portfolio**

150 assets

£3.8m average lot size

79% lower than average risk tenants<sup>(5)</sup>



# Custodian Property Income diversified portfolio

GENERALIST UK PROPERTY PORTFOLIO, DIVERSIFIED ACROSS ASSET CLASS, WEIGHTED TOWARDS SECTORS WITH MOST RENTAL GROWTH



# Diversification

MINIMISES PROPERTY SPECIFIC RISK

*“No one property let to a single tenant represents more than 1.5% of income”*

## Portfolio split of income

155 properties

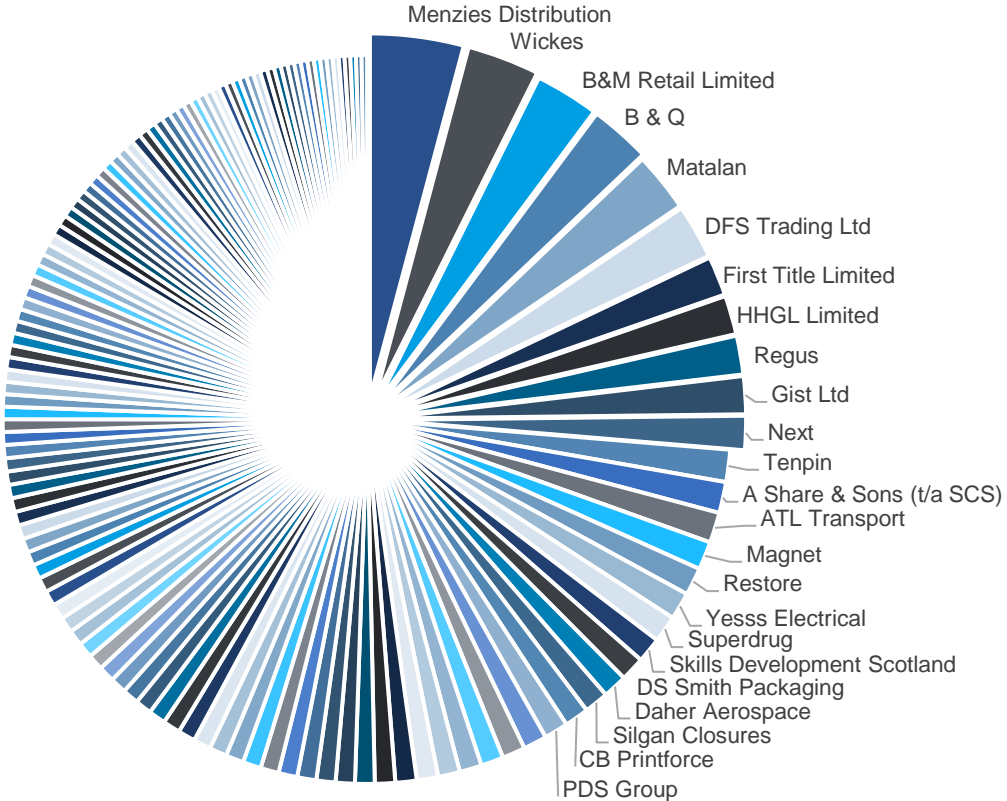
300+ tenancies

### Top 10 tenants:

- 22% of income
- 28 properties

### Top 25 tenants:

- 38% of income



**Top 10**

**Top 25**

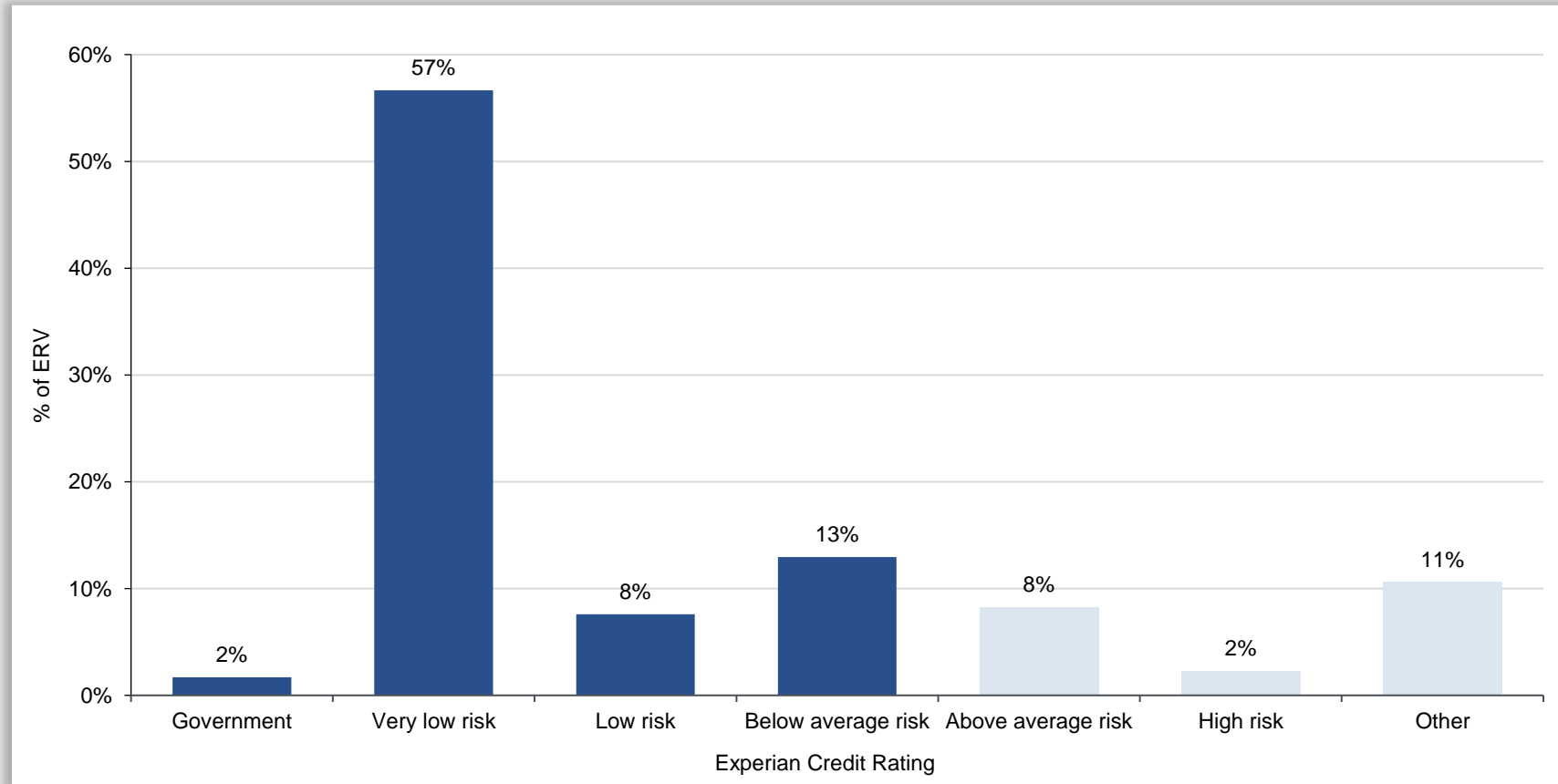


# Quality of Income

## EXPERIAN CREDIT RATING

*“81% of tenants are lower than average risk or government”*

### Tenant Risk Rating



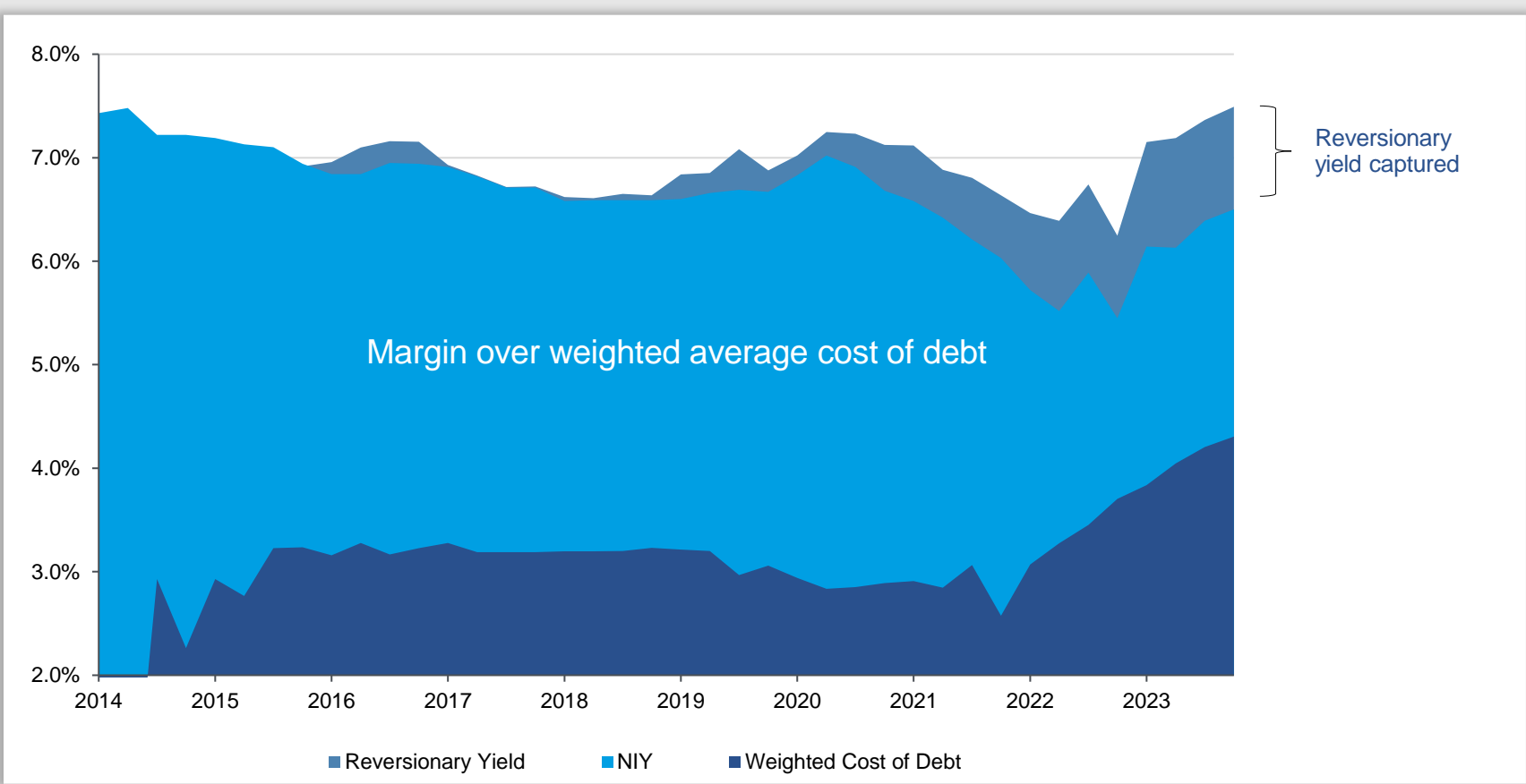
# Earnings accretion through property investment strategy

PROVEN TRACK RECORD OF CAPTURING REVERSION IN A HIGHER INTEREST RATE ENVIRONMENT



- Net Initial Yield (NIY) remains well ahead of cost of debt
- Debt remains accretive to earnings
- Rental growth to create capacity for progressive dividend and/or increase in debt cost
- Opportune time to invest in UK real estate

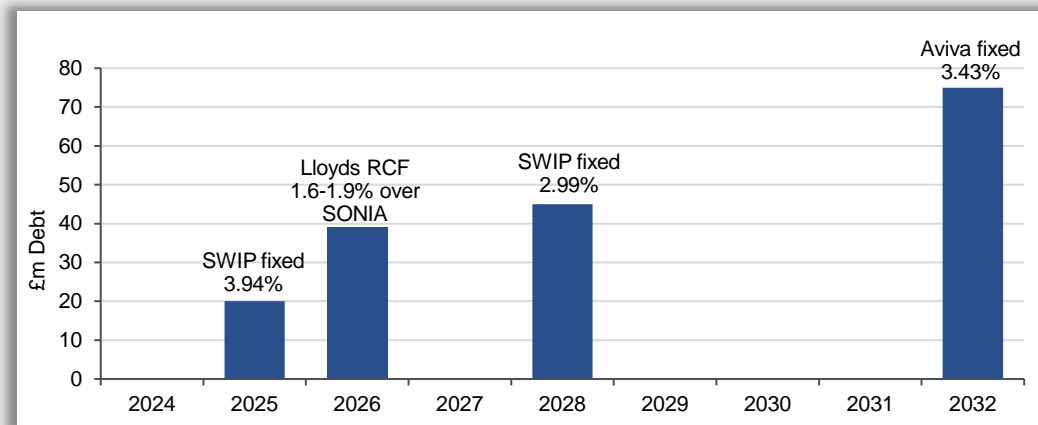
Initial and Reversionary Yield vs Weighted Average Cost of Debt



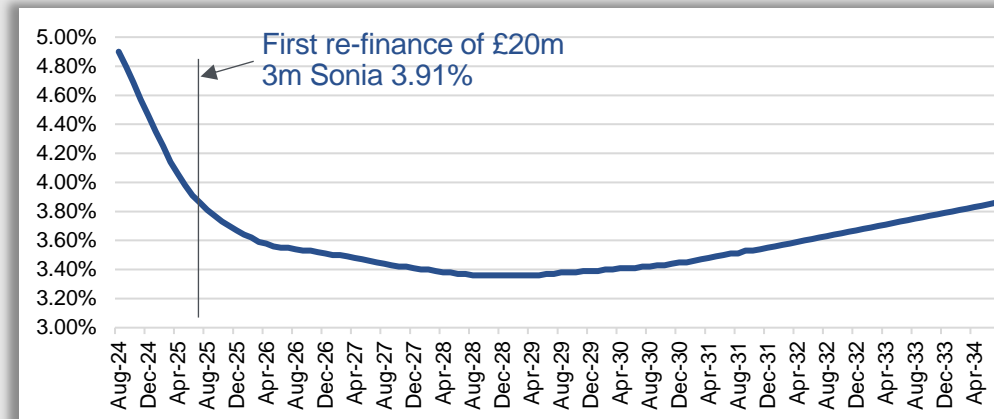
# Robust Balance Sheet

BALANCED DEBT PROFILE AND IMPROVING FINANCE OUTLOOK

## Debt Profile



## Forward Curve for 3m Sonia



## Balanced Debt Profile

- LTV 28%
- Weighted average cost of debt 4.1%
- Weighted average maturity of fixed rate debt 5.5 years

## Re-finance Risk

Re-finance risk mitigated by:

- Forecast of falling rates
- Rental growth
- EPRA topped up net initial yield of 6.5% as at 31.3.24
- Equivalent yield of 7.5%

# Conclusion

INVEST IN PROPERTY FOR INCOME TO OUTPERFORM OVER THE LONG-TERM

- **Market timing**
  - Recovery led by falling interest rates and rental growth
- **Heads you win, tails you still win....**
- **Heads:**
  - Interest rates fall
  - Income focused assets rise in value
  - Plus, you have locked into a high-income return
- **Tails:**
  - Interest rates remain high
  - Income will dominate total return
  - You are locked into income returns with rental reversion

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