UK Commercial Property REIT

A diversified portfolio of high quality real estate, built for the future

Performance Data and Analytics for Quarter 2, 2023

UK Commercial Property REIT

Investment Objective

To provide an attractive level of income together with the potential for capital and income growth by investing in a diversified portfolio of UK commercial property.

Cumulative Performance (%)

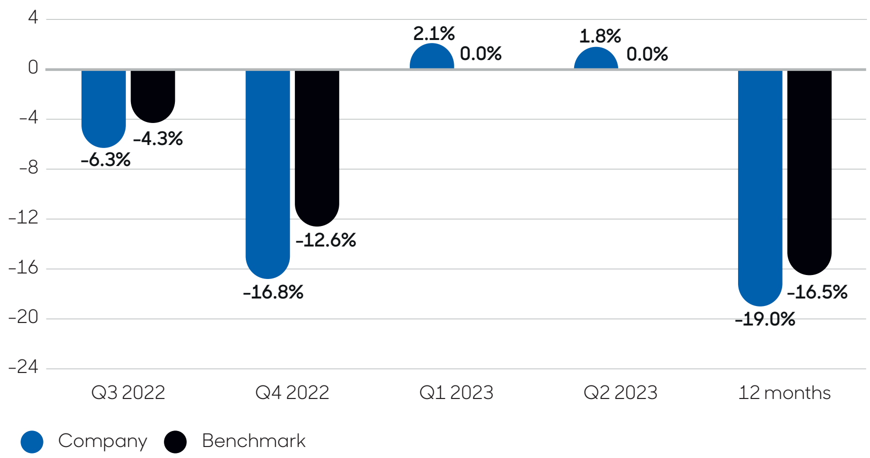
	Q2 2023	1 yr	3 yrs	5 yrs
NAV Total Return	1.7	(24.2)	8.1	3.4
Share Price Total Return	(4.4)	(30.0)	(5.8)	(30.4)
Direct Portfolio Total Return	1.8	(19.0)	14.4	13.4

Discrete Performance (%)

	30/06/23	30/06/22	30/06/21	30/06/20	30/06/19
NAV Total Return	(24.2)	28.2	10.7	(6.7)	2.5
Share Price Total Return	(30.0)	1.5	32.5	(29.4)	4.6
Direct Portfolio Total return	(19.0)	26.8	11.4	(4.1)	3.3
MSCI Benchmark	(16.5)	19.8	7.4	(2.2)	3.8

Source: abrdn as at 30/06/2023. MSCI Quarterly Benchmark Report to end June 2023.
Total Return, calculated by adding dividends paid in the period to the increase or decrease in share price/NAV. Dividends are assumed to have been reinvested at the ex-dividend date, excluding transaction costs.
Past performance is not a guide to future results.

Portfolio Capital & Income Returns



Source: MSCI; Benchmark: UK Balanced Portfolios Quarterly Property Index.
Past performance is not a guide to future results.

Key Statistics as at 30 June 2023

Launch date	20 Sep 2006
Lead Fund Manager	Will Fulton
Total Assets	£1.31bn
Net Asset Value	£1.05bn
Share price (per closing LSE price)	48.4p
NAV per share	81.1p
Premium/(Discount) to NAV	(36.2)%
Occupancy levels	96.0%
Average lease length	8.3 years
Gearing	15.6%[A]
Gross dividend yield	11.0%[B]
Annualised dividend yield	7.0%
Dividend pay dates	Feb, May, Aug, Nov
Management fees	From 1 April 2022, 0.525% on gross assets up to £1.75 billion, (excluding any cash held over £50 million) 0.475% on gross assets over £1.75billion
Stock code	UKCM
Sedol	B19Z2J5

[A] Gearing is calculated as gross borrowings less cash divided by portfolio value.
[B] Based on last 12 months dividends (settled Nov-22, Feb-23, May-23 and Aug-22 including special dividend settled Aug-22).

All sources (unless indicated): abrdn plc: 30 June 2023.

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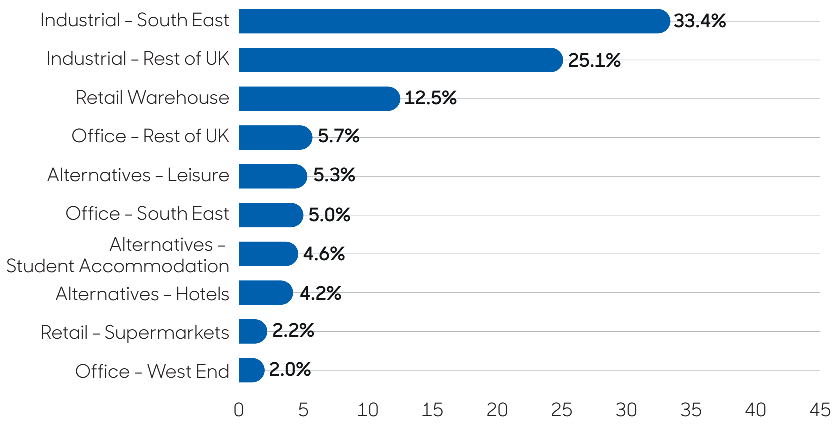
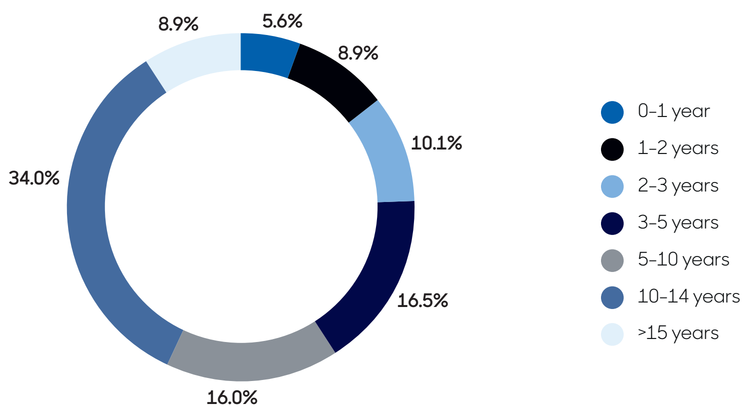
Sub Sector Weightings



Lease Expiry Profile (% of Portfolio Income)



Market Commentary

CONTINUED STABILISATION OF VALUES, POSITIVE LEASING MOMENTUM, AND LOW DEBT

Peter Pereira Gray, Chair of UKCM, commented: "These results for the second quarter of the year point to another robust performance for UK Commercial Property REIT. A further valuation increase follows that seen in the first three months of the year, together with continued positive leasing momentum, so highlighting the benefits of the Company's diversified and active management strategy. As a result, I am pleased that in my first report to shareholders that we are able to show a small increase in NAV and underlying earnings. While uncertainty surrounding future inflation and interest rates remains, there is a cautious but increasing feeling that the worst of the market valuation declines are behind us and that we can look forward with more confidence. Our team continues to drive value and income through the successful asset management of the Company's high quality portfolio and we look forward to this continuing into the second half.

Will Fulton, Lead Manager of UKCM at abrdn, said: "The Company's diversified portfolio continued to perform well during the second quarter and posted capital growth. Continued positive leasing momentum drove rents forward and occupier demand remains strong. We have also been able to resolve the potential void at our two Cineworld cinemas as a result of its US Chapter 11 process, successfully retaining them on restructured terms. While this had a one-off impact on earnings for the quarter, and resulted in a reduction in rent, the annualised income of the portfolio grew over the first six months of the year, highlighting the quality of the properties we own and the benefits of our diversified investment strategy."

Top 10 holdings

	Location	Value Band
Ventura Park	Radlett	Over £100m
Dolphin Industrial Estate	London	£50-£100m
Ocado warehouse	Hatfield	£50-£100m
Newton's Court	Dartford	£50-£100m
Junction 27 Retail Park	Leeds	£50-£100m
XDock 377	Lutterworth	£50-£100m
Emerald Park	Bristol	£25-£50m
The Rotunda	Kingston-on-Thames	£25-£50m
Trafford Retail Park	Manchester	£25-£50m
The Maldron Hotel	Newcastle	£25-£50m

Factsheet

Receive the factsheet by email as soon as it is available by registering at www.invtrusts.co.uk/#signup
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Successful sale demonstrates effective balance sheet management

In May, as previously announced and following completion of the asset management programme, the Company sold its 186,455 sq ft Wembley 180 logistics asset in London to Covent Garden IP Limited, a registered charitable company for a consideration of £74 million, which reflects a net initial yield of 3.49%, broadly in line with the 31 March 2023 valuation. UKCM owned the property since 2009 and completed a refurbishment of the asset in 2019 when it let the unit to a global e-commerce company until 2029.

The proceeds were used to enhance earnings by paying down a substantial amount of the Company's RCF.

Asset management delivering rental growth potential and high occupancy

The Company has a very low void rate of 4% which provides good visibility of future income and clearly demonstrates both the quality of the Company's portfolio and the asset management team's ability to retain income while focusing on capturing reversionary potential. This has continued with another quarter of good leasing momentum including:

- Achieving full occupancy at the Company's Emerald Park multi-let industrial estate in Bristol following the successful letting of the 22,500 sq ft Unit 101 to Northgate Vehicle Hire Ltd. Northgate has signed a new 10 year lease, subject to a tenant break in year five at £247,500 p.a. establishing a new rental tone of £11psf. The agreed rent is 31% ahead of the previous rent over the unit and in line with ERV.
- A further lease was also completed at Emerald Park with Erik's Industrial Services Ltd renewing its lease on the 8,097 sq ft. Unit 110 for a further 10 years, subject to a break option in year five. The renewal has increased the rent generated at the unit by 24% to £85,000 p.a reflecting £10.50psf, in line with ERV.
- At Gatwick Gate in Crawley, Espresso Solutions became the latest tenant at the multi-let industrial estate agreeing a new 10 year lease, subject to a five year break option, over Unit 3A. The annual rent of £144,625 p.a. equates to £13.00 psf which is in line with ERV and 25% ahead of the unit's previous passing rent. The tenant will move in following completion of landlord works which are well advanced and expected to complete in Q3 this year.
- Also within the quarter, the rent review dating from March 2022 over Units 2C/D at Gatwick Gate was agreed with International Logistics Group. The review has secured an 8% increase in the passing rent to £483,550 p.a. equating to £10.92 psf, ahead of ERV at the time of the rent review.
- At Trafford Retail Park, Manchester, a lease renewal was completed with Carpetright on Unit 4 which extends to 10,069 sq ft. The new 10 year lease was agreed at £161,100 p.a. (£16psf), representing a 13% increase on the previous passing rent in line with ERV. The lease is subject to a tenant only break option at the end of the fifth year.

Cineworld Restructuring

The Company has successfully retained Cineworld at Glasgow and Swindon following negotiations in relation to its US Chapter 11 process. The agreement involved a restructuring of the leases to vary turnover and base rent terms to reduce the tenant's annual outgoings ensuring the cinemas are profitable. This variation has created an exceptional, one-off, adjustment to accounting earnings but not cashflow for the period. As noted above, the EPRA EPS excluding this adjustment is 0.86 pence and 0.64 pence including it. The restructure has also been reflected in the portfolio value and NAV and, whilst the Cineworld assets have declined in value in Q2, the portfolio as a whole increased by 0.6% illustrating the benefits of our asset selection and portfolio diversification. The Company has agreed a reduction in Cineworld's rent representing c.1% of the annualised valuation rent as at 30 June 2023. Despite this adjustment the annualised portfolio rent roll, on a like-for-like basis, remains higher than at the start of the year. The retention of Cineworld as a tenant ensures these two assets remain occupied and income producing.

Developments

- The Company completed the development of Units G&H, Precision Park in Leamington Spa during the quarter. These provide 67,700 sq ft of high-quality industrial space with flexibility of subdivision to accommodate smaller requirements. Well specified, it includes strong ESG credentials with an EPC of A and a BREEAM 'Very Good' rating and PV enablement. The completed asset is attracting encouraging levels of occupier interest.
- Excellent progress continues to be made at the Company's Hyatt-branded 305 bed hotel development at Sovereign Square in Leeds. The hotel remains on target to open in early Q3 2024.

Strong balance sheet with significant covenant headroom and flexibility

The Company's prudent approach to debt has allowed it to maintain a robust balance sheet with low gearing of 15.6% (Q1:20.0%) across three debt facilities, as calculated using AIC. All covenants are well covered and there is an additional £330 million of unencumbered property which provides further significant headroom and flexibility with respect to the Company's covenant package. The current blended interest rate is 3.35% per annum (Q1: 3.93% per annum) on drawn debt of which 88% (Q1: 68%) is at a low fixed rate.

UKCM has financial resources of £123.6 million available, after allowing for future capital commitments and the August 2023 dividend. The bulk of these resources relate to the Company's RCF which is a relatively expensive form of debt and it is therefore only likely to be deployed if a compelling and accretive opportunity arises.

Rent Collection

Rent collection rates have normalised with 99% of third quarter rents already received allowing for those tenants who have paid, by agreement, on a monthly basis.

The Company has a diverse tenant mix of quality occupiers, the largest five of which comprise resilient businesses such as Ocado (6.0% of rent), Public Sector (5.1%), Armstrong Logistics (3.7%), Total (3.2%) and Kantar (2.9%). In total the portfolio's income is secured from 193 tenancies.

Dividends

Dividend maintained at 0.85p per share for the second quarter, payable 31 August 2023. Underlying cover was 102% for the quarter and 98% over the first six months of the year. On an unadjusted basis, as a result of the one-off non-cash accounting item, cover was 75% for the quarter.

Important information

Risk factors you should consider prior to investing:

- The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future returns.
- The value of property and property-related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of Properties will correspond exactly with the actual sale price even where such sales occur shortly after the relevant valuation date.
- Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Company and, accordingly, will have an adverse effect on the Company's ability to pay dividends to Shareholders.
- The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields. In the event of default by a tenant, or during any other void period, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveying costs in re-letting, maintenance costs, insurance costs, rates and marketing costs.
- Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.
- Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the market value of the Property Portfolio and/or the rental income of the Property Portfolio.
- Where there are lease expiries within the Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.
- The Company may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits.
- The Company may face significant competition from UK or other foreign property companies or funds. Competition in the property market may lead to prices for existing properties or land for development being driven up through competing bids by potential purchasers.
- Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to acquire properties or development land at satisfactory prices.
- As the owner of UK commercial property, the Company is subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If the Company owns or acquires contaminated land, it could also be liable to third parties for harm caused to them or their property as a result of the contamination. If the Company is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation, which could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Shares.

Other important information:

The Company is a Closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 2020, as amended and the Registered Collective Investment Scheme Rules 2021 issued by the Guernsey Financial Services Commission.

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