

Downwards valuation adjustment but tenants still leasing space.

WHO WE ARE

Ediston Property Investment Company is a UK-listed Real Estate Investment Trust (REIT) investing in commercial property throughout the UK, with a focus on the retail warehouse sector. It has a strong track record of, and continued focus on, improving value through intensive asset management.

We can invest in all the principal commercial property sectors, but without regard to a traditional property market relative return benchmark. However, we do not diversify for diversification's sake. There is no constraint in the prospectus limiting the maximum weighting in any of the principal property sectors. Instead, we always focus on asset performance.

WHAT WE DO

Our investment objective is to provide shareholders with an attractive level of income together with the prospect of income and capital growth.

FOCUSSED REGIONAL APPROACH

The portfolio contains properties located throughout the regions of the UK. For the foreseeable future, the investment focus is on the retail warehouse sector, a sector in which our Investment Manager has experience as a developer, investor and asset manager.

In constructing the portfolio we have avoided the herd mentality of many investors and selected assets we believe are right for our strategy, without being forced into stiff pricing competition. The outcome is a portfolio of quality assets which offer a robust income stream, but with opportunities to enhance and improve it.

KEY FINANCIAL FACTS AT 31 DECEMBER 2022

Portfolio value

£203.1m

EPRA NAV per share

80.93p

Market capitalisation

£125.5m

Share price

59.4p

EPRA vacancy rate

6.7%

Annual dividend per share

5.00p

Annualised dividend yield

8.4%

NAV total return*

-5.8%

WAULT

5.1 years

Gearing (debt to total assets)

39.1%

* 12 months to 31 December 2022

ediston-reit.com

Investment Manager: Ediston Properties Limited

Launch date: 28 October 2014

SEDOL: BNGMZB6

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During the period, commercial property values fell across all sub sectors. The market continued to adjust to the repriced gilt market, rising interest rates and general negative economic conditions and outlook.

According to the MSCI UK Monthly Index, 'All Property' capital values declined by 16.5% over Q4 2022. The Company was unable to buck this negative trend and saw its property portfolio decline in value by 12.3%, resulting in a NAV fall of 14.7%. The decline was driven by outward yield movement, partially offset by the completion of asset management activity and the fact that there were no new voids or rental value falls within the portfolio.

ACTIVE ASSET MANAGEMENT

During the quarter, four asset management deals completed, in line with or ahead of the independent valuer's estimated rental values (ERVs), securing £829,500 of rental income per annum.

At Widnes Shopping Park, Poundland signed an Agreement for Lease (AFL). Poundland is an existing tenant that is increasing its trading footprint from 4,998 sq. ft. to 11,295 sq. ft. To facilitate the deal, we served notice to break on New Look, a tenant that was paying below the market rent following its most recent Company Voluntary Arrangement (CVA).

The new rent is 43% ahead of the rent being paid by New Look and 12% ahead of the independent valuer's ERV of the unit. On completion of the five-year lease, which is subject to vacant possession and the completion of landlord works, we will have one unit of

4,998 sq. ft. available to let. Given its location on the terrace and the strong tenant line-up, we are confident of securing a new tenant to lease it.

At Kingston Retail Park, Hull, Mamas and Papas signed a five-year lease extension on its 4,693 sq. ft. unit. The rent, which is in line with the valuer's ERV, remains unchanged.

At Wombwell Lane Retail Park, Barnsley, B&M extended its lease by 10-years. It now expires in September 2037. The passing rent increased by 6.0% and is in line with the valuer's ERV.

At Springkerse Retail Park, Stirling, Bensons For Beds (Bensons) 'rightsized' from a unit of 11,916 sq. ft. to one of 9,977 sq. ft. and signed a 10-year lease (without break). The annual rent being paid by Bensons on the new unit is 48% higher than under its old lease and is 11.5% higher than the valuer's ERV.

DEBT

As at 31 December 2022, the average loan-to-value across the Company's two debt facilities was 39.4% and gearing (debt to total assets) was 39.1%. The Company is compliant with its debt covenants and there are no imminent refinancing events, with £56.9 million maturing in 2025 and £54.2 million in 2027.

SUMMARY

Despite the valuation readjustment and consequent NAV decline, we take considerable comfort from the operational performance of the portfolio.

During the quarter the effect of the asset management initiatives has been to improve the rental value of the portfolio and increase the WAULT. In addition, rent collection remains strong (99.9% of rent expected to be collected for the period) and there are no new voids in the portfolio.

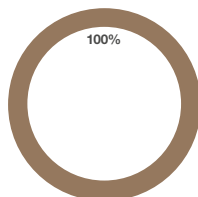
There is good tenant demand for our assets, as evidenced by ongoing discussions with multiple retailers across the portfolio who want to lease vacant space or extend leases on existing units. Completing these transactions should increase the WAULT of the property portfolio and reduce the EPRA Vacancy Rate.

Clearly there are concerns about the effect of a recession on the occupier base. However, the retail warehousing format appears to be working well and is a good platform for delivering retailers' omnichannel strategies. The sector appears less vulnerable, off its rebased rents, compared to other sectors of the real estate market.

We remain comfortable with the investment strategy of focusing on the retail warehouse sector. The attraction of the sector is a view shared by others. According to the IPF Consensus Forecast published on 30 November 2022, the retail warehouse sector is again forecast to be the top performing property sub-sector, on a total return basis, over the period 2022 to 2026.

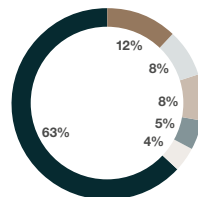
Sector exposure at 31 December 2022

■ Retail warehouse



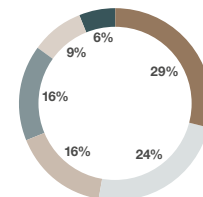
Tenant exposure at 31 December 2022

■ B&Q Ltd
■ B&M Retail Ltd
■ Marks & Spencer plc
■ Boots UK Ltd
■ Pets at Home Limited
■ Tenants <3.9%



Location exposure at 31 December 2022

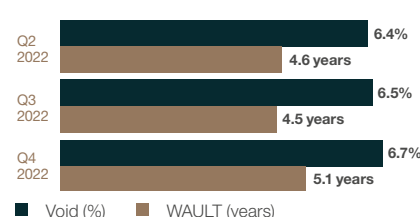
■ Scotland
■ Wales
■ Yorkshire
■ North West
■ North East
■ East Midlands



PROPERTY PORTFOLIO AS AT 31 DECEMBER 2022

Location	Name	Sub-sector	Market Value Range (£m)	Tenure
Widnes	Widnes Shopping Park	Retail Warehouse	30-35	Leasehold
Stirling	Springkerse Retail Park	Retail Warehouse	25-30	Heritable
Prestatyn	Prestatyn Shopping Park	Retail Warehouse	20-25	Freehold
Hull	Kingston Retail Park	Retail Warehouse	20-25	Freehold
Coatbridge	B&Q	Retail Warehouse	15-20	Heritable
Sunderland	Pallion Retail Park	Retail Warehouse	15-20	Freehold
Rhyl	Clwyd Retail Park	Retail Warehouse	10-15	Freehold
Wrexham	Plas Coch Retail Park	Retail Warehouse	10-15	Freehold
Haddington	Haddington Retail Park	Retail Warehouse	10-15	Heritable
Daventry	Abbey Retail Park	Retail Warehouse	10-15	Leasehold
Barnsley	Wombwell Lane Retail Park	Retail Warehouse	10-15	Freehold

EPRA Vacancy rate and weighted average unexpired lease term (WAULT)



Lease expiries illustrating revenue impact on portfolio at 31 December 2022

