The following replaces the announcement released earlier today where the NAV total return for the Period should have read 6.0% rather than 7.3%, with a capital increase of 4.2% rather than 5.5%. The amended announcement is detailed in full below.

27 July 2021

**Custodian REIT plc**

("Custodian REIT" or "the Company")

**Unaudited net asset value as at 30 June 2021 and dividend update**

Custodian REIT (LSE: CREI), the UK commercial real estate investment company, today reports its unaudited net asset value ("NAV") as at 30 June 2021, highlights for the period from 1 April 2021 to 30 June 2021 ("the Period") and dividends payable.

**Financial highlights**

- Dividend per share approved for the Period of 1.25p (quarter ended 31 March 2021: 1.25p), fully covered by net cash receipts with 95% of rent collected relating to the Period, adjusted for contractual rent deferrals
- Target dividend per share of not less than 5.0p for the year ending 31 March 2022, based on rent collection levels remaining in line with expectations
- £0.6m of new equity raised during the Period at a premium of 5.9% to dividend adjusted NAV per share
- EPRA earnings per share[1] for the Period decreased to 1.4p (quarter ended 31 March 2021: 1.5p) due to a £0.3m increase in the doubtful debt provision during the Period
- NAV total return per share[2] for the Period of 6.0%, comprising 1.8% dividends paid and a 4.2% capital increase
- NAV per share of 101.7p (31 March 2021: 97.6p)
- NAV of £427.7m (31 March 2021: £409.9m)
- Net gearing[3] of 24.3% loan-to-value (31 March 2021: 24.9%)

**Portfolio highlights**

- Property portfolio value of £575.4m (31 March 2021: £551.9m):

- £19.0m aggregate valuation increase for the Period (3.4% of property portfolio), comprising £1.4m from successful asset management initiatives and £19.0m of valuation increases in the industrial sector, partially offset by £1.4m aggregate decreases in the retail, office and other sectors
- Acquisition of an industrial asset in Knowsley, Liverpool for consideration of £4.325m[4]
- Disposal of a high street retail unit in Nottingham at valuation for consideration of £0.7m
- Since the Period end the Company has disposed of a children's day nursery in Basingstoke for £0.6m, £0.1m ahead of valuation

- EPRA occupancy[5] improved to 92.4% (31 March 2021: 91.5%) through letting four vacant properties during the Period

[1] Profit after tax excluding net gains or losses on investment property divided by weighted average number of shares in issue.
[2] NAV per share movement including dividends paid during the Period.
[3] Gross borrowings less cash (excluding rent deposits) divided by portfolio valuation.
[4] Before acquisition costs of £0.3m.
[5] Estimated rental value ("ERV") of let property divided by total portfolio ERV.

**Net asset value**

The unaudited NAV of the Company at 30 June 2021 was £427.7m, reflecting approximately 101.7p per share, an increase of 4.1p (4.2%) since 31 March 2021:

| | Pence per share | £m |
|---|---|---|
| NAV at 31 March 2021 | 97.6 | 409.9 |
| Issue of equity (net of costs) | - | 0.6 |
| Valuation movements relating to: | | |
| - Asset management activity | 0.3 | 1.4 |
| - General valuation increases in the industrial sector | 4.5 | 19.0 |
| - General valuation decreases in the retail, office and other sectors | (0.3) | (1.4) |
| Net valuation movement | 4.5 | 19.0 |
| Acquisition costs | - | (0.3) |
| | 4.5 | 18.7 |
| Income earned for the Period | 2.2 | 9.3 |
| Expenses and net finance costs for the Period[5] | (0.8) | (3.4) |
| Interim dividend paid[6] relating to the previous quarter | (1.3) | (5.3) |
| Additional interim dividend paid[7] relating to the previous financial year | (0.5) | (2.1) |
| NAV at 30 June 2021 | 101.7 | 427.7 |

[6] A fourth interim dividend of 1.25p per share relating to the quarter ended 31 March 2021 was paid on 28 May 2021.
[7] A fifth interim dividend of 0.5p per share relating to the financial year ended 31 March 2021 was paid on 30 June 2021.

The NAV attributable to the ordinary shares of the Company is calculated under International Financial Reporting Standards and incorporates the independent portfolio valuation as at 30 June 2021 and net income for the Period. The movement in NAV reflects the payment of fourth and fifth interim dividends totaling 1.75p per share during the Period, but does not include any provision for the approved dividend of 1.25p per share for the Period to be paid on 31 August 2021.

**Market commentary**

Commenting on the market Richard Shepherd-Cross, Managing Director of Custodian Capital Limited (the Company's discretionary investment manager) said:

"UK commercial property investment activity in the first half of 2021 has been at levels last seen in the first half of 2018, according to a recent report by Carter Jonas, with over £20bn of investment. Market demand has been focused on the industrial and logistics sector where rising prices continue to indicate record low yields, but demand for office investment is resurgent, with Q2 outstripping Q1 and the retail warehouse market is also showing a sharp recovery in investment activity. Colliers reported £1bn of investment into retail warehousing in the first half of the year and, in common with the office sector, Q2 was stronger than Q1.

"Investment demand has been matched by occupier activity. In the industrial and logistics sector there is a depth of demand from a range of occupiers which, along with limited supply, restrictive planning and build-cost inflation constraining the pipeline of new development, is leading to sustained rental growth. These factors have resulted in a £20.2m (7.5%) increase in valuation during the Period. In strong regional office locations, where office space is well-matched to occupier demand, rental growth is taking place and many occupiers are starting to plan for post-pandemic working practices. Demand for retail warehousing let off low rents is robust despite, or perhaps due to, pandemic-restricted shopping habits. Challenges remain on the high street, but on prime and good secondary high streets, rents are finding a level which can attract occupiers and maintain occupancy.

"Despite the extension of legislation granting tenants a moratorium against eviction for non-payment of rent, which contributed to a £0.3m increase in the doubtful debt provision during the Period, it is pleasing that most tenants have stood by their contractual rental commitments.

"The asset management of the portfolio, discussed below, including granting new leases over vacant space and agreeing lease renewals demonstrates the clear demand for commercial property across all sectors. While the pandemic has had wide ranging implications for real estate, the levels of continuing demand support cash flow which in turn supports a fully covered dividend."

**Rent collection**

95% of rent relating to the Period, net of contractual rent deferrals, has been collected as set out below:

| | £m | |
|---|---|---|
| Rental income (IFRS basis) | 9.3 | |
| Lease incentives | (0.3) | |
| Cash rental income expected, before contractual rent deferrals | 9.0 | |
| | | |
| Contractual rent deferred until subsequent periods | (0.1) | |
| Contractual rent deferred from prior periods falling due during the Period | 0.6 | |
| Cash rental income expected, net of contractual deferrals | 9.5 | 100% |
| | | |
| Outstanding rental income | (0.5) | (5%) |
| | | |
| Collected rental income | 9.0 | 95% |

Outstanding rental income remains the subject of discussion with various tenants, and some arrears are potentially at risk of non-recovery due to disruption caused by the COVID-19 restrictions in place during the Period and from CVAs or Administrations.

**Dividends**

During the Period the Company paid fourth and fifth interim dividends of 1.25p and 0.5p per share relating to the quarter ended 31 March 2021 and the financial year ended 31 March 2021 respectively. These dividends were fully covered by net cash collections and EPRA earnings for the respective periods.

The Board is pleased to approve an interim dividend per share of 1.25p for the Period which is fully covered by net cash receipts, 114% covered by EPRA earnings and is in line with the Board's current policy of paying dividends at a level broadly linked to net rental receipts.

In the absence of unforeseen circumstances and assuming rent collection levels remain in line with forecast, the Board intends to pay further quarterly dividends to achieve a target dividend[8] per share for the year ending 31 March 2022 of at least 5.0p.

The Board's objective is to grow the dividend on a sustainable basis, at a rate which is fully covered by projected net rental income and does not inhibit the flexibility of the Company's investment strategy.

The quarterly interim dividend for the Period of 1.25p per share is payable on 31 August 2021 to shareholders on the register on 6 August 2021 and will be designated as a property income distribution ("PID").

[8] This is a target only and not a profit forecast. There can be no assurance that the target can or will be met and it should not be taken as an indication of the Company's expected or actual future results. Accordingly, shareholders or potential investors in the Company should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable.

**Asset management**

Despite the ongoing economic uncertainty caused by the COVID-19 pandemic, the Investment Manager has remained focused on active asset management during the Period, undertaking the following initiatives:

- Completing a new five year lease with a third year break option to Green Retreats at a vacant industrial unit in Farnborough at an annual rent of £185k, increasing valuation by £0.9m;
- Completing a 10 year lease renewal with a fifth year break option with BSS Group at an industrial unit in Bristol, increasing the annual passing rent from £250k to £255k with an open market rent review in year five, increasing valuation by £0.3m;
- Simultaneously completing a new 10 year lease of the vacant ground floor and a five year extension of the first floor with Dehns at the Company's recently acquired offices in Oxford with an aggregate annual passing rent of £271k, increasing valuation by £0.2m;
- Completing a new 10 year lease to SpaMedica at a vacant office building in Leicester with annual rent of £87k and open market rent review in year five, with no impact on valuation;
- Completing a new lease with Just for Pets on a vacant retail warehouse unit in Evesham for a term of 10 years with a break in year six, at an annual rent of £95k, with no impact on valuation;
- Completing a five year lease renewal with Quantem Consulting at an office building in Birmingham, increasing the annual passing rent from £30k to £39k, with no impact on valuation; and
- Completing a 10 year lease extension with a break option in year five with Subway at a retail unit in Birmingham, maintaining the annual passing rent of £14k, with no impact on valuation.

EPRA occupancy has increased from 91.5% to 92.4% largely as a result of these new lettings.

The positive impact of these asset management outcomes has been partially offset by the Administration of Rapid Vehicle Repairs during the Period which has put £71k (c.0.2% of the Company's rent roll) rent at risk.

The portfolio's weighted average unexpired lease term to first break or expiry decreased to 5.0 years from 5.1 years at 31 March 2021 with the impact of lease re-gears, new lettings and disposals partially offsetting the natural elapse of a quarter of a year due to the passage of time.

**Borrowings**

The Company operates the following loan facilities:

- A £35m revolving credit facility ("RCF") with Lloyds Bank plc ("Lloyds") expiring on 17 September 2023 with interest of between 1.5% and 1.8% above three-month LIBOR, determined by reference to the prevailing LTV ratio of a discrete security pool. The RCF facility limit can be increased to a maximum of £50m with Lloyds' approval;
- A £20m term loan with Scottish Widows plc ("SWIP") repayable on 13 August 2025 with interest fixed at 3.935%;
- A £45m term loan with SWIP repayable on 5 June 2028 with interest fixed at 2.987%; and
- A £50m term loan with Aviva Investors Real Estate Finance comprising:
  a) A £35m tranche repayable on 6 April 2032 with fixed annual interest of 3.02%; and
  b) A £15m tranche repayable on 3 November 2032 with fixed annual interest of 3.26%.

The Company is in the process of extending the term of the RCF to expire in September 2024, which the Board expects to complete before 30 September 2021.

Each facility has a discrete security pool, comprising a number of the Company's individual properties, over which the relevant lender has security and covenants:

- The maximum LTV of the discrete security pool is between 45% and 50%, with an overarching covenant on the Company's property portfolio of a maximum 35% LTV; and
- Historical interest cover, requiring net rental receipts from each discrete security pool, over the preceding three months, to exceed 250% of the facility's quarterly interest liability.

The Company has £173.1m (30% of the property portfolio) of unencumbered assets which could be charged to the security pools to enhance the LTV on individual loans. The Company complied with all loan covenants during the Period.

**Portfolio analysis**

At 30 June 2021 the Company's property portfolio comprised 159 assets with a net initial yield[9] of 6.4% (31 March 2021: 6.6%). The portfolio is split between the main commercial property sectors, in line with the Company's objective to maintain a suitably balanced investment portfolio. Sector weightings are shown below:

| Sector | Valuation 30 Jun 2021 £m | Weighting by value 30 Jun 2021 | Period valuation movement £m | Period valuation movement | Weighting by income[10] 30 Jun 2021 | Weighting by income[10] 31 Mar 2021 |
|---|---|---|---|---|---|---|
| Industrial | 295.1 | 51% | 20.2 | 7.5% | 42% | 41% |
| Retail warehouse | 103.4 | 18% | 3.6 | 3.6% | 21% | 21% |
| Other[11] | 83.7 | 15% | (0.8) | (1.0%) | 16% | 16% |
| Office | 55.4 | 10% | 0.4 | 0.7% | 12% | 12% |
| High street retail | 37.8 | 6% | (4.4) | (10.5%) | 9% | 10% |
| Total | 575.4 | 100% | 19.0 | 3.4% | 100% | 100% |

[9] Passing rent divided by property valuation plus purchaser's costs.

[10] Current passing rent plus ERV of vacant properties.

[11] Comprises drive-through restaurants, car showrooms, trade counters, gymnasiums, restaurants and leisure units.

The Company operates a geographically diversified property portfolio across the UK, seeking to ensure that no one region represents more than 50% of portfolio income. The geographic analysis of the Company's portfolio at 30 June 2021 was as follows:

| Location | Valuation 30 Jun 2021 £m | Weighting by value 30 Jun 2021 | Period valuation movement £m | Period valuation movement | Weighting by income[9] 30 Jun 2021 | Weighting by income[9] 31 Mar 2021 |
|---|---|---|---|---|---|---|
| West Midlands | 120.1 | 21% | 2.5 | 2.2% | 20% | 20% |
| North-West | 98.7 | 17% | 0.9 | 1.0% | 17% | 17% |
| South-East | 79.0 | 14% | 7.4 | 10.3% | 14% | 14% |
| East Midlands | 71.3 | 12% | 1.3 | 1.8% | 14% | 14% |
| South-West | 61.2 | 10% | 0.4 | 0.6% | 10% | 10% |
| North-East | 56.7 | 10% | 3.2 | 6.0% | 10% | 10% |
| Scotland | 50.2 | 9% | 1.4 | 2.9% | 9% | 9% |
| Eastern | 32.5 | 6% | 1.6 | 5.1% | 5% | 5% |
| Wales | 5.7 | 1% | 0.3 | 5.3% | 1% | 1% |
| Total | 575.4 | 100% | 19.0 | 3.4% | 100% | 100% |

For details of all properties in the portfolio please see www.custodianreit.com/property-portfolio.

**- Ends -**

**Further information:**

Further information regarding the Company can be found at the Company's website www.custodianreit.com or please contact:

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**Notes to Editors**

Custodian REIT plc is a UK real estate investment trust, which listed on the main market of the London Stock Exchange on 26 March 2014. Its portfolio comprises properties predominantly let to institutional grade tenants on long leases throughout the UK and is principally characterised by properties with individual values of less than £10m at acquisition.

The Company offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. By principally targeting sub £10m lot-size, regional properties, the Company seeks to provide investors with an attractive level of income with the potential for capital growth.

Custodian Capital Limited is the discretionary investment manager of the Company.

For more information visit www.custodianreit.com and www.custodiancapital.com.