



Regional Smaller Property
Specialist

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

February 2023
Trading Update





Earnings and Net Asset Value

Headlines – Q3 2022/23

- EPRA Earnings

- 1.5p (1.4p Q2)
- 7% increase
- 6.0p (annualised)

- Dividend per share
5.5p (annualised)

- Fully covered by earnings (102%)

- NAV 99.8p

- -11.0% Q2-Q3

- Robust Earnings

£18m of net investment in Q2 and ongoing positive asset management

- Leasing momentum continues to support rents and fully covered dividends
10 new lease agreed in Q3, securing £1.2m of rent for av. 7.3 years
4 new leases post 31 Dec, securing £0.8m of rent for av. 12 years

- Rental growth at review

2 rent reviews settled at aggregate 18% increase adding £0.4m of rent

- Accretive asset management added £3.0m to valuation
But, like for like valuation decline of 9.1%

- £14m of disposals during quarter and post period end, ahead of valuation
1 Shopping Centre, 1 Industrial unit, 1 Office and 1 High Street Shop

- Occupancy 89.9% (89.3% Sept 22)

48% subject to refurbishment/redevelopment

8% let, post period end and a further 8% put under offer

Relative performance

- Low volatility
- Diversified portfolio
- Income focused return

Valuation net initial yield **6.5%**

- | | |
|--------------------|------|
| • Industrial | 5.5% |
| • Retail Warehouse | 7.1% |
| • Other | 6.9% |
| • Office | 7.2% |
| • Retail | 9.7% |

12 months to 31st December

- Aggregate share price total return for UK listed real estate **-34%**
- Custodian Property Income REIT **-2%**

6 months to 31st December

- UK commercial property market values **-18%**
- Custodian Property Income REIT **-15%**

3 months to 31st December

- UK industrial and logistics values **-20%**
- Custodian Property Income REIT **-11%**

Balance Sheet Strength – 31 December 2022

Loan to Value 27.1%

- Portfolio value £613m
- Low gearing
- Significant borrowing headroom
- Insulated from rising rates

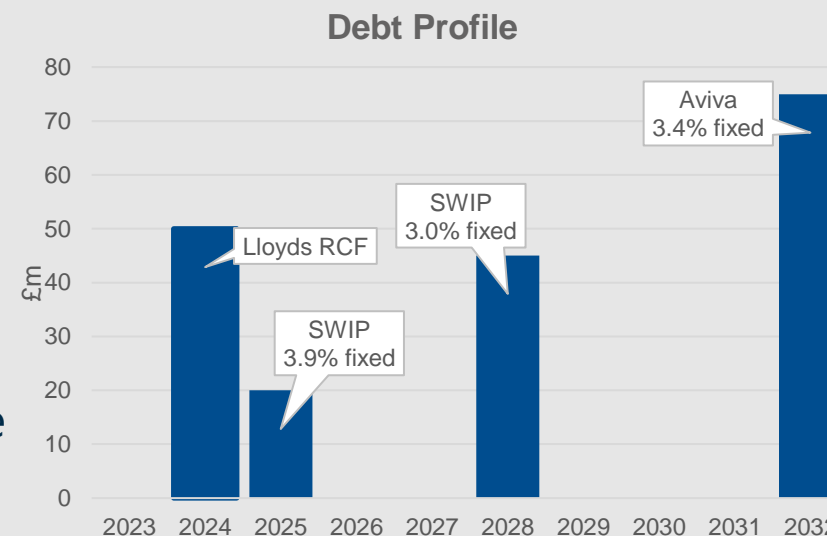
- Total borrowing facilities £190m

- Total drawn £175m

- 80% of drawn facilities fixed rate

- Weighted average cost of debt of 3.7%

- Weighted average maturity of 6 years



Earnings History

Robust earnings

- Fully covered dividends

Rising weighted average cost (WAC) of debt

- Floating rate RCF

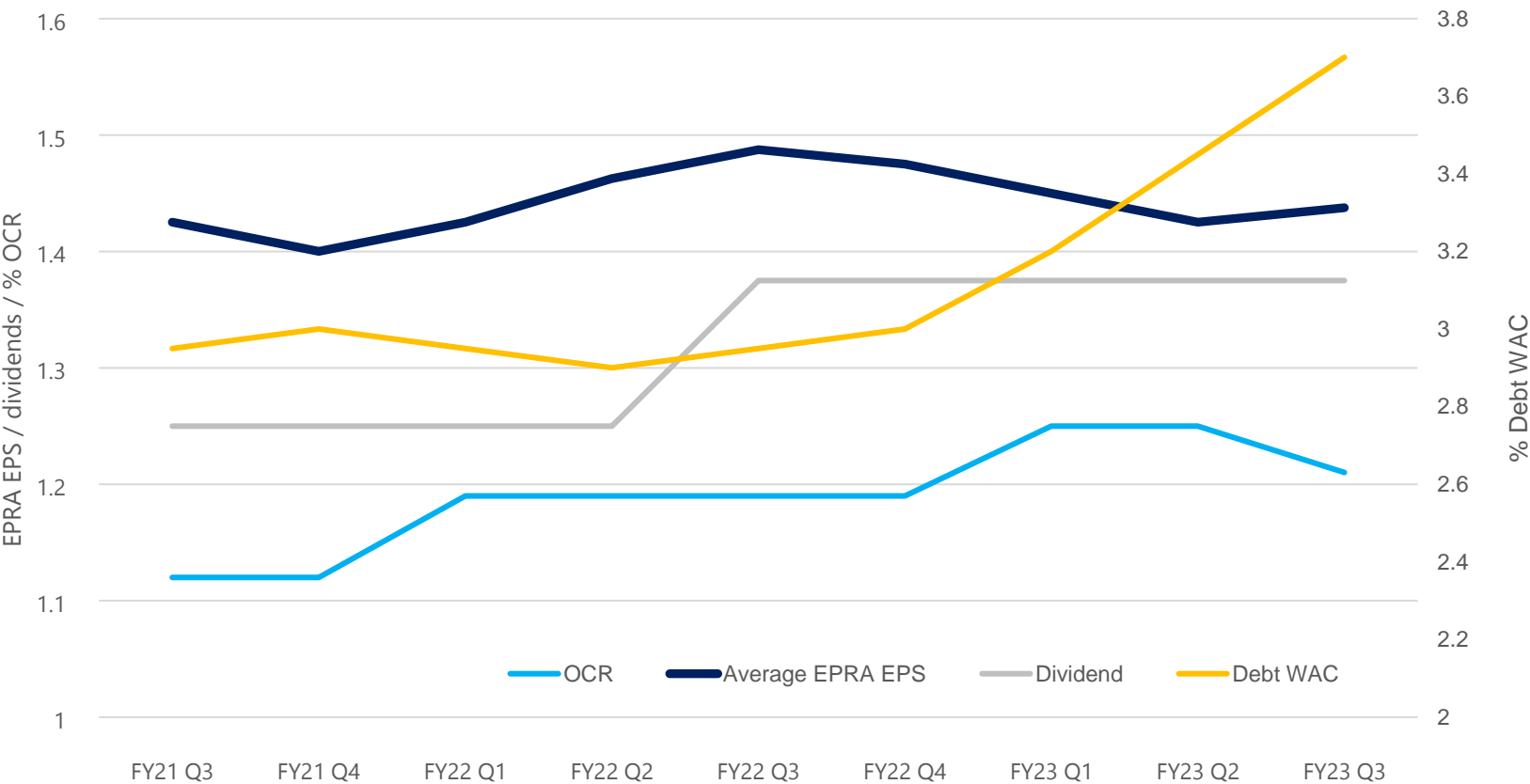
Ongoing Charges Ratio (OCR)

- ESG regulation
- JLL appointment
- NAV decreases

Core/Core plus strategy

- Lower running yield

Quarterly EPRA Earnings



Diversification

MINIMISING PROPERTY SPECIFIC RISK

165 properties

300+ tenancies

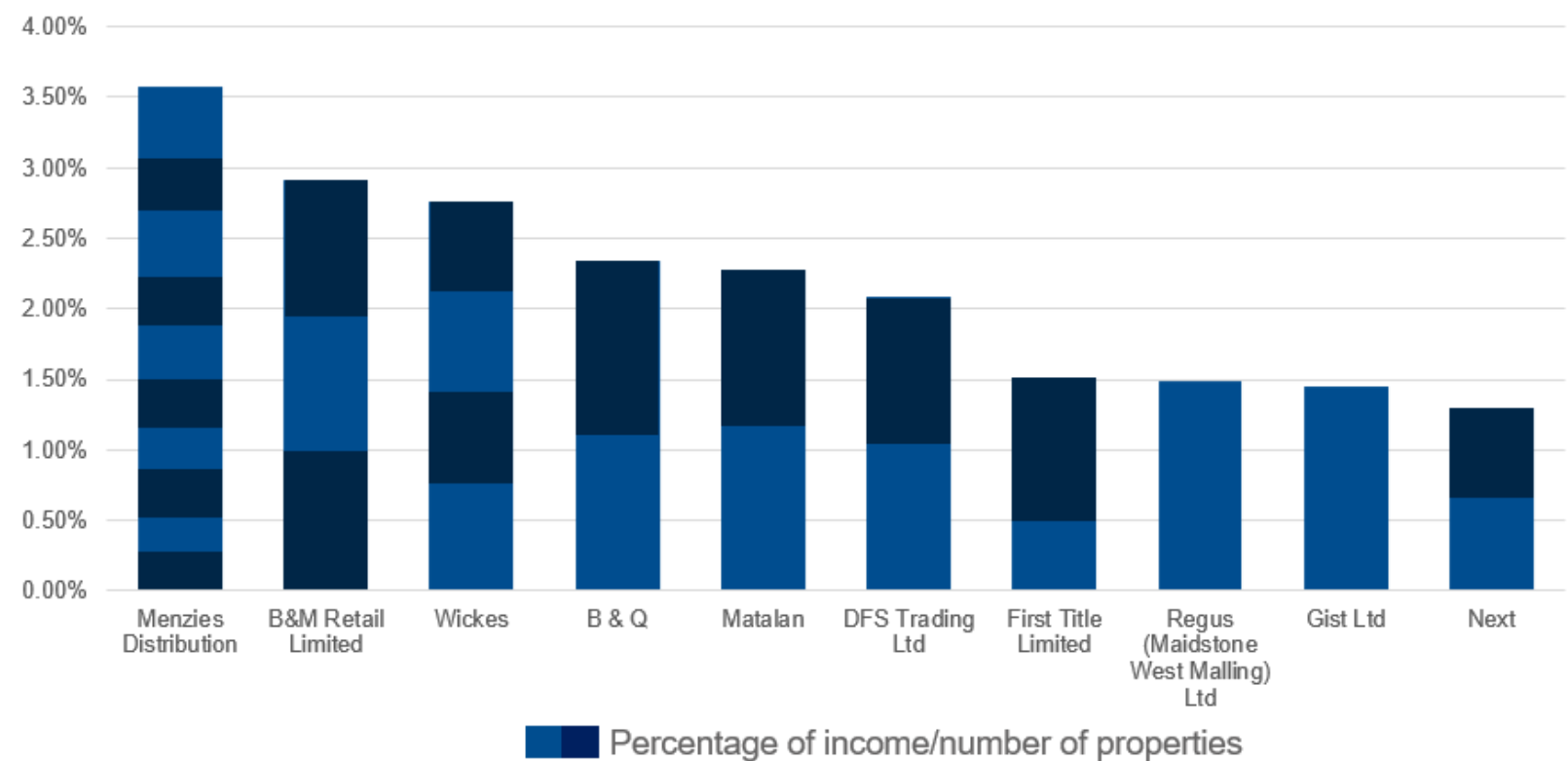
Top 10 tenants

- 22% of income
- 28 properties

Diversity of:

- Tenant
- Property
- Sector
- Location

Top 10 tenants % of income



Diversification

LOW DEFAULT RISK

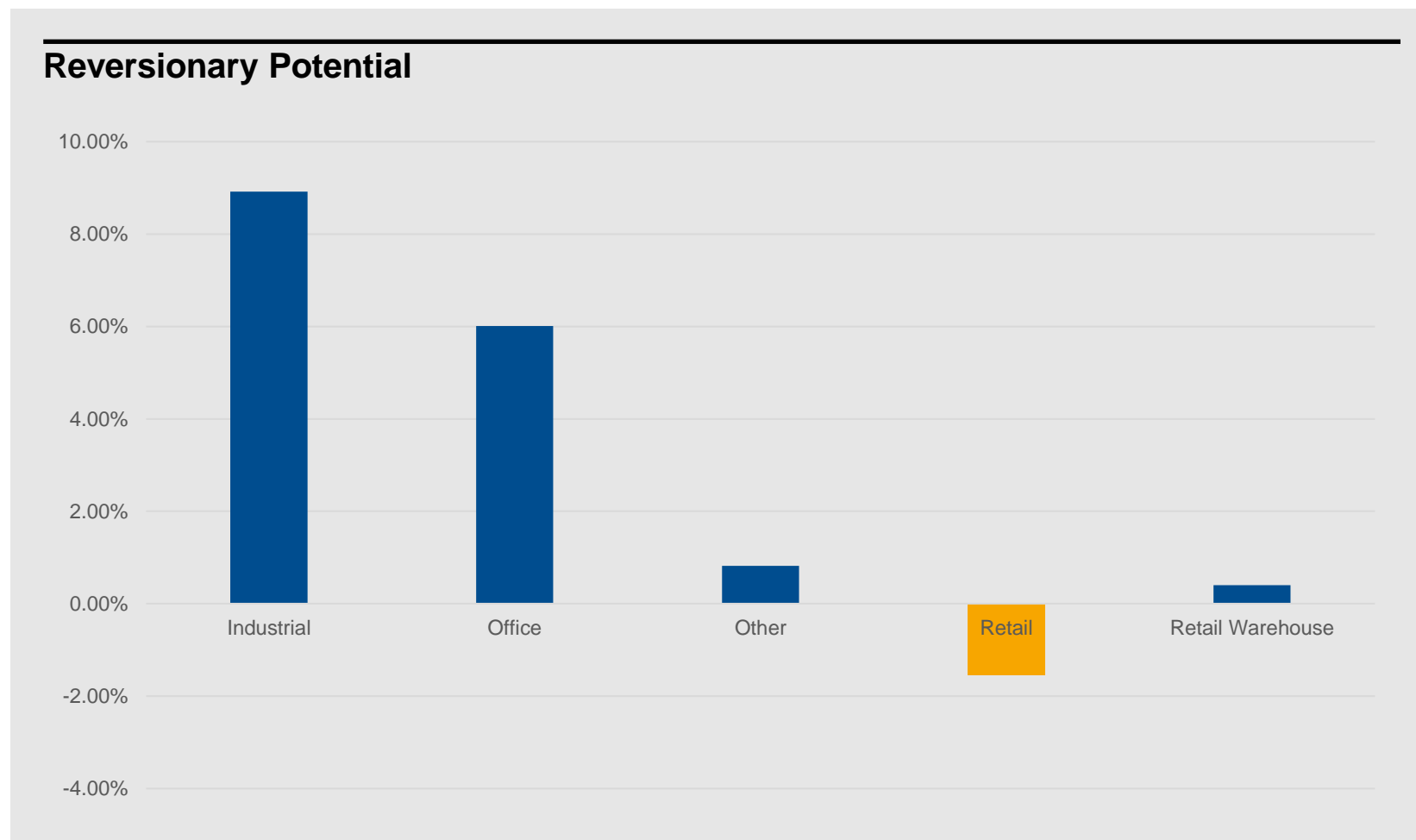
Risk	Experian score	No. tenancies	% ERV
Government	N/A	6	2.30%
Very low risk	91-100	155	59.70%
Low risk	81-90	37	12.00%
Below average risk	51-80	63	15.30%
Above average risk	26-50	24	6.40%
High risk	16-25	6	1.20%
Maximum risk	2-15	12	1.00%
Imminently failing	0-1	9	3.20%
Unknown		10	1.20%

A modern office interior featuring a curved wall with vertical wood slats. Four framed abstract artworks are displayed on the wall, each with a small gold-colored light fixture above it. A large, curved, illuminated ceiling fixture provides ambient lighting. In the foreground, there are red armchairs and a large green plant. To the right, a large window offers a view of a cityscape with trees and buildings. A blue diagonal overlay covers the bottom left portion of the image.

Asset Management

Rental growth potential

- Passing rent
 - £42.2m
- Estimated rental value
 - £48.4m
- Reversion
 - £6.17m
 - 14.6%



Rental growth

Occupational demand

- Consistent rental growth
- Improving occupancy rate

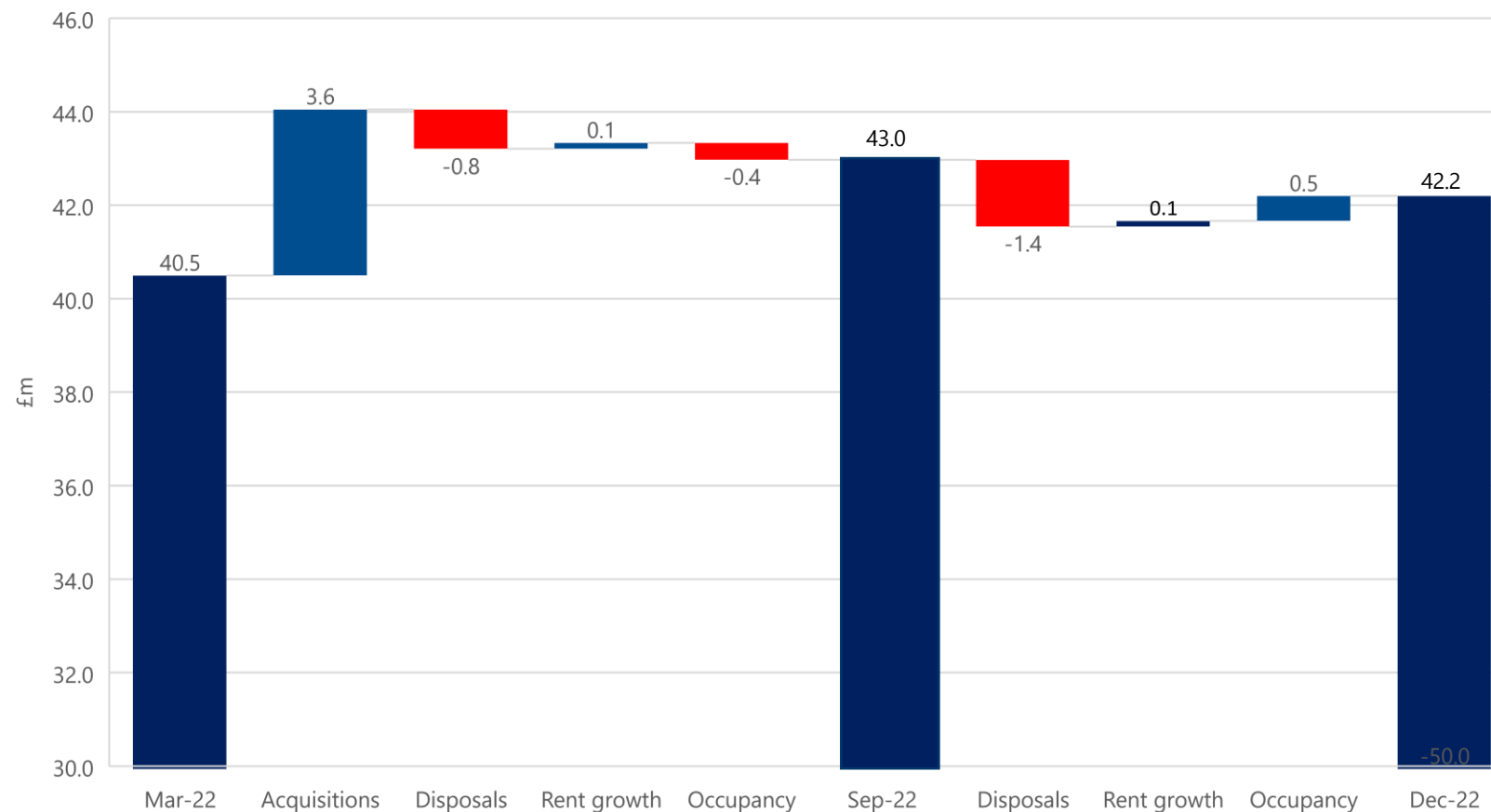
Deployment

- Disposals during the quarter to manage LTV

Growth

- £1.7m increase in passing rent since 31 March 2022

Growth in passing rent



Recent Asset Management



New letting to Ocado

20 year lease at a rent of £103,000 pa
£0.4m valuation increase

Valuation increase	Rental increase
£0.4m	37% uplift



Lease renewal

10 year lease renewal with Warburtons
Rent increase to £203,000 pa

Valuation increase	Rental increase
£0.4m	23% uplift

Recent Asset Management



Rent review

Stevenage - Morrison Utility Services

Rent increase to £271,000 pa

Valuation increase

£0.3m

Rental increase

19% uplift



Rent review

York – Karali t/a

Burger King

Valuation held

Rental increase

11% uplift



Investment Strategy

- Smaller regional properties
 - Sub £15m at acquisition
- Strong local economies
- Modern buildings
- Diversification
- Refurbishment
- 25% target gearing

Smaller Regional Property Strategy

- Enhanced yield on acquisition
 - **No need to sacrifice quality of property/location/tenant for income**
- Greater share of value in “bricks and mortar”
- Higher residual values
- Greater diversification
 - **Spread of risk**
 - **Stability of cash flow**
- Income component of total returns drives out-performance
 - **Forecastable, predictable and compounding**

Marginal Income from Smaller Regional Property Focus

ADVANTAGES

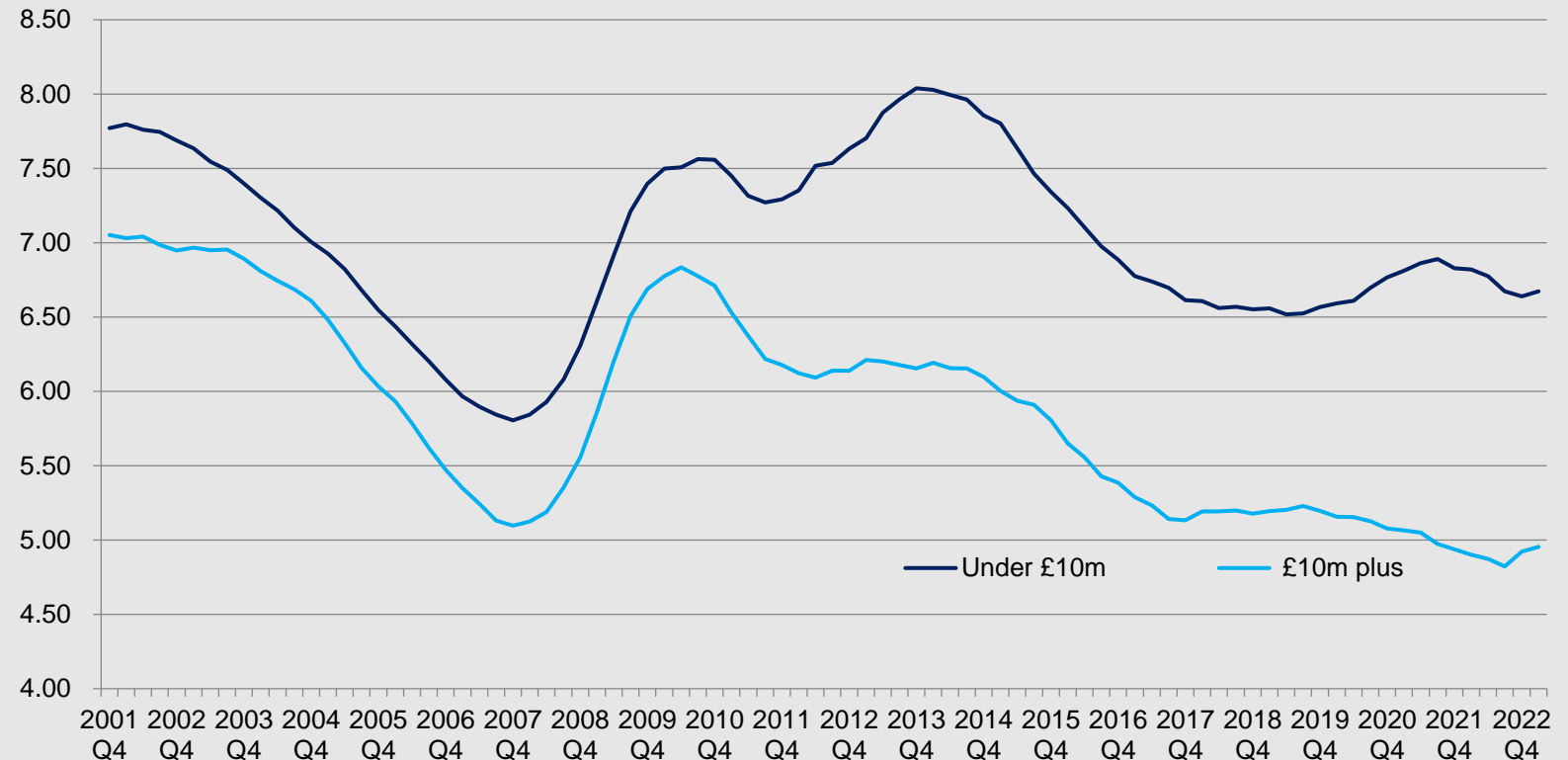


150 bps yield pick up

Margin driven by supply
vs demand not risk

No need to sacrifice
tenant covenant, location
or building quality

2 year rolling average transaction yield %



Portfolio Diversification

SECTOR SPLIT

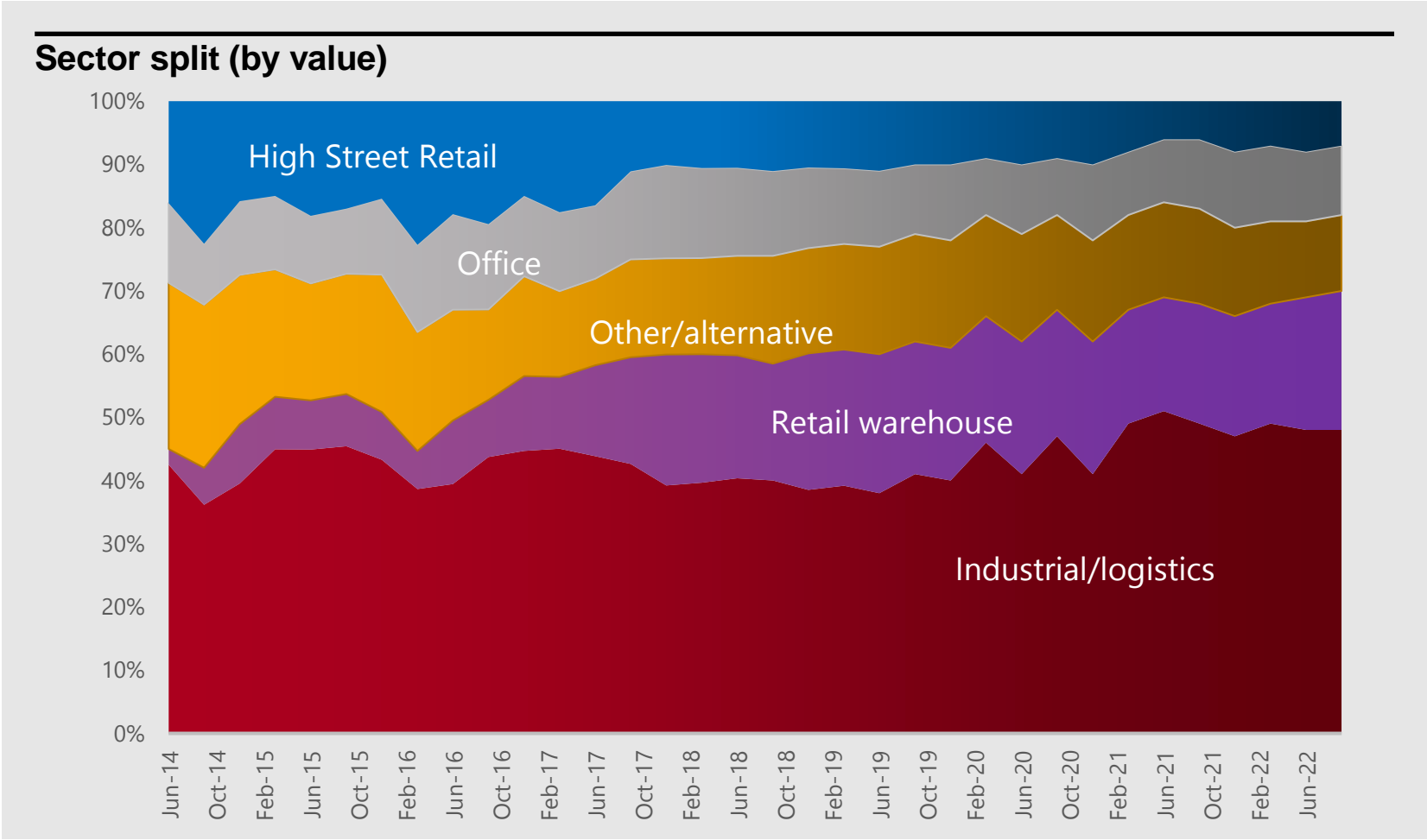
48% industrial/logistics

22% retail warehouse

12% office

12% other

6% high street retail





ESG Strategy

Custodian REIT's ESG Commitment

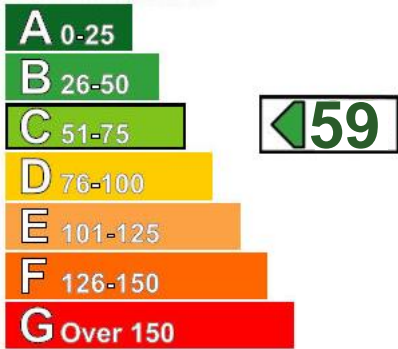
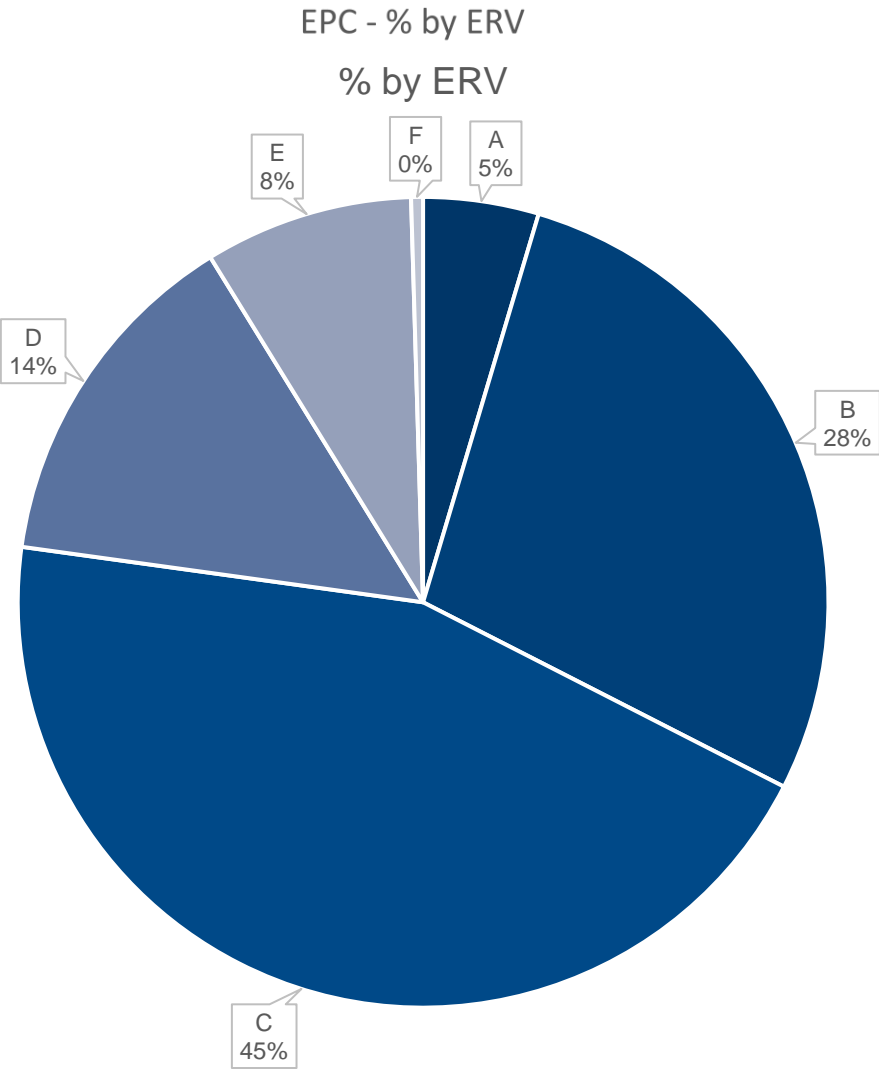


 JLL appointed as ESG advisor

- Board ESG Committee
- ESG has become “normal course” business for the manager
- Stretching Key Performance Indicators
 - See appendix
- Compliant with legislation:
 - Streamlined Energy Carbon Reporting (SECR)
 - Energy savings opportunity scheme (ESOS)



Energy performance certificates



Portfolio average EPC improved over 12 months

Action plan on EPC's over 5 years old or D and E rated

2 F ratings improvement in progress

Redevelopment and EPC improvement

TO CREATE BREEAM EXCELLENT RATED LOGISTICS UNIT



Before



Current



After

Before	After	Forecast profit £2.0m
59,500 sqft unit	60,000 sqft unit	
Mid 1980's with 2002 extension	12.5m eaves	
ERV £5 psf	BREEAM excellent, EPC A ERV £8.25 psf	



Refurbishment and EPC Improvement

LEICESTER



Before EPC D

Pizza Hut

Re-possessed following CVA

Valuation at CVA

£1.0m

Capital expenditure

£0.2m



After EPC A

New 15year lease at £140k pa with RPI linked reviews

Tim Horton's funded refurbishment and adding drive'thru lane

Valuation increase

£1.0m



Outlook

Outlook

VIEW FROM THE MANAGER



Market Forces

- Values are stabilising
 - Worst of market correction is behind us
- Interest rates
 - Bank of England appears less pessimistic
- Recession
 - Not yet but.....
- Sentiment
 - Confidence in real estate is returning

Custodian Property Income REIT

- Rental growth
 - Growth is supporting revenues through inflation
- Falling vacancy rate
 - Unlocking reversionary potential
- Refurbishment and re-investment
 - £28 million across 23 projects in next 12-18 months
- Diversified earnings base
 - Fully covered dividends from low risk cash flow

Appendix



Investment Manager

RICHARD SHEPHERD-CROSS MRICS

ED MOORE FCA

Investment Manager

- Over 25 years' experience in commercial property
- National investment agency across UK regional markets with Hartnell Taylor Cook and JLL
- Set up Custodian Capital (Property Fund Management) for Mattioli Woods in 2011
- Launched Custodian REIT in 2014



Finance Director

- Qualified as a Chartered Accountant in 2003 with Grant Thornton, specialising in audit, financial reporting and internal controls across its Midlands practice
- Joined Custodian Capital in 2014
- Company Secretary to Custodian REIT since 2019



Richard Shepherd-Cross MRICS
MD/Investment Manager

Jas Riyait
Executive
Assistant

Alex Nix MRICS
Assistant Investment Manager

Ed Moore FCA
Finance Director

Tom Donnachie MRICS
Portfolio Manager

Javed Sattar MRICS
Portfolio Manager

Jeremy Wilson
Management Accountant

Priya Patel ACCA
Financial Controller

Aman Sharma MRICS
Portfolio Manager

Eoin Greenwood
Property Manager

Rob Garner
Property Accountant

Chantelle Hoolahan
Assistant Management
Accountant

Abbie Morrissey
Property Apprentice

Kailn Patel
Property Manager

KPI's

Whole Portfolio	Emissions	Reduce portfolio emissions by 30% by 2025 Reduce energy consumption by 15% by 2025
	EPC	All 'D' EPC ratings to be removed or improved by 2027 All 'E' EPC ratings to be removed or improved by 2025 All 'F' and 'G' EPC ratings were removed or improved by 2021
Landlord controlled	Energy	Switch to 100% renewables by 2023 Switch to green gas by 2023
	Investment	Install EV charging at all retail warehouse assets by 2025 Onsite renewables at one asset by 2025
	Waste	Zero waste to landfill Reduce water consumption by 50% by 2025
Tenants	Engage	Incorporate sustainability clauses into new leases Engage with tenants on quarterly basis on ESG issues
Standards	Targets	EPRA Gold Standard achieved in 2021 TCFD reporting completed in 2021 Incorporate ESG factors into all investment due diligence undertaken



New KPI's

Whole Portfolio	Investment	Target
		Increase EV charging capacity to the following by 2025: <ul style="list-style-type: none"> • 4,200 kW/h across retail warehouse and other sector assets; and • 980 kW/h across office and industrial assets
		Install onsite renewable electricity generation at 75% of redevelopments and major refurbishments
	Standards	Install smart meters across 25% of the portfolio by floor area
		All redevelopments to achieve Building Research Establishment Environmental Assessment Method ("BREEAM") Excellent rating
	Social	Achieve an annual improvement in GRESB score between 2021 and 2025
		Utilise 25% of vacant high street retail space for short-term not-for-profit lettings



Important

This document ('Document'), which relates to Custodian REIT plc ('Custodian REIT'), has been issued and approved by Custodian Capital Limited (the 'Company') which is authorised and regulated by the Financial Conduct Authority. The Company is solely responsible for this Document and its contents.

This Document does not constitute a prospectus within the meaning of Part VI of the Financial Services and Markets Act 2000 and is not an offer of, or invitation to apply for, shares in Custodian REIT and must not be relied on in connection with the acquisition of shares in Custodian REIT. Subject to its compliance with its legal and regulatory obligations, the Company gives no warranty, representation, undertaking or other assurance as to the accuracy, fairness or completeness of this Document. Copies of the prospectus of Custodian REIT are available from the registered office of Custodian REIT.

The information contained in this Document, which has not been verified by the Company, is subject to alteration without notice. To the maximum extent permitted by law, no liability is or will be accepted for such information by the Company, Custodian REIT or any of their respective directors, officers, employees, agents or advisers or any other person.

This Document should not be considered a recommendation by the Company or Custodian REIT or any of their respective directors, officers, employees, agents or advisers in connection with any purchase of or subscription for shares in Custodian REIT. Recipients should consult a financial adviser before investing in shares in Custodian REIT.

Estimated and target figures in this Document are based on unaudited information. Those figures and any other statements that are, or may be deemed, forward-looking statements which relate to, among other things, Custodian REIT's proposed strategy, plans and objectives have not been subject to formal verification. They involve known and unknown risks, uncertainties and other important factors beyond the control of the Company or Custodian REIT that could cause the actual performance or achievements of Custodian REIT to be materially different from such forward-looking statements. They do not represent and should not be regarded as representing forecasts of the performance of Custodian REIT. Accordingly, recipients should not rely on any forward-looking statements and the Company accepts no obligation to disseminate any updates or revisions to such forward-looking statements. Custodian REIT shares are admitted to trading on a public stock market and as a result the price at which shares will be tradable will vary according to market conditions and may not reflect their net asset value.