

Custodian Property Income REIT plc

("Custodian Property Income REIT" or "the Company")

All-share Acquisition of £22m Property Portfolio

- *Strategic acquisition of a highly complementary diversified portfolio of small lot-size UK assets*
- *Accretive transaction delivers day one earnings enhancement and the potential for value creation through asset and portfolio management opportunities*
- *Underscores the effectiveness of the Company's listed REIT structure facilitating the all-share acquisition of an ungeared family property company:*
 - *Tax efficient solution for the sellers*
 - *Share register augmented by the sellers' retained ownership interests in the Company*
 - *Reduces the Company's loan-to-value and ongoing charges ratios*

Custodian Property Income REIT (LSE: CREI), which seeks to deliver an enhanced income return by investing in a diversified portfolio of smaller, regional properties with strong income characteristics across the UK, is pleased to announce the purchase of a £22.1m portfolio via the all-share acquisition of a family property company ("the Transaction").

The Transaction provides the Company with a £19.4m portfolio of 28 smaller lot-size regional UK investment properties (the "Investment Portfolio") which are highly complementary to the Company's existing assets, as well as c. £2.7m of newly built housing stock, the ongoing sale of which is expected to conclude in the next few months, generating additional cash for the Company.

The Investment Portfolio, with an average lot-size of £0.7m, is primarily located in the East Midlands and generates an annual aggregate passing rent of £1.7m reflecting a net initial yield of c.8.1%, from 99% occupancy. The Investment Portfolio is 46% weighted by income towards the industrial sector, in line with the Company's existing portfolio, with the remaining income spread broadly evenly between generally well-located offices and retail properties, both high street and edge of town retail parks.

The Investment Portfolio's top ten assets cover c. 75% of rent and value, with the top 15 occupiers accounting for 50% of the annual contracted rental income, and no single tenant comprising more than 5% of the total rent roll.

The Investment Manager has already identified a number of opportunities to drive further value from the Investment Portfolio by utilising its asset and portfolio management expertise to increase rental income from lease events and improve certain properties' environmental credentials.

Transaction structure and consideration

The Company is acquiring the entire issued share capital of Merlin Properties Limited ("Merlin") which will be satisfied through the issuance of 22.9m new shares in the Company as initial consideration on an adjusted net asset value ("NAV") for NAV basis (the "Initial Consideration"). A further c. 1.7m new shares are expected to be issued on finalisation of completion accounts within the next six months (the "Deferred Consideration"). Total expected consideration represents approximately 5.6% of the Company's current issued share capital.

Commenting on the Transaction, Richard Shepherd-Cross, Managing Director of Custodian Capital Limited "Custodian Capital"), the Company's Investment Manager, said: *"We have been clear that a key element of our strategy is to seek opportunities to scale the business through corporate and/or portfolio acquisitions. In an environment where current market conditions make further capital raisings through the stock market challenging, this strategic transaction via an all-share acquisition on an adjusted NAV-for-NAV basis allows us to circumnavigate that issue and continue to grow. In addition to enhancing earnings per share and decreasing net gearing, the Transaction provides us with a portfolio that is both a strong fit with our income-focused strategy and highly complementary to our existing property portfolio, augmenting our regional, industrial bias and adding further diversification by tenant.*

"For Custodian Property Income REIT shareholders, the Transaction also offers compelling economic benefits for the Company versus acquiring the properties directly, demonstrating our commitment to enhancing shareholder value and securing economies of scale through growth.

"The Transaction presented an attractive opportunity for the sellers to solve a family succession issue, defer crystallisation of a latent capital gain and obtain a more liquid investment, whilst maintaining the focus of their family wealth on regional real estate investments with attractive income characteristics.

"We believe many other family property companies in the UK will face similar succession and tax issues and we hope to use the Transaction as a blueprint for further opportunities to achieve scale in the current environment."

David MacLellan, Chairman of Custodian Property Income REIT, added: *"I am confident the Transaction will benefit both our new and existing shareholders, delivering increased earnings and supporting a fully covered dividend. The property portfolios of each company are highly complementary*

and will further enhance tenant diversification, offering defensiveness of income to help mitigate against downside risk, as well as reducing our ongoing charges ratio."

Hubert Lynch, Founder Director of Merlin Properties Limited, said: *"Operating the Merlin portfolio, which our family has compiled and managed over the last 40 years, has become increasingly demanding in today's complex environment. We have undertaken the Transaction in a tax efficient manner to ensure our family's continued exposure to property investment both currently and for future generations through a professionally managed fund with a strong track record. As already significant, supportive shareholders of Custodian Property Income REIT we have a strong relationship with the Investment Team which we look forward to continuing for many years."*

Gearing

Merlin has no borrowings and once the expected sale of c. £2.7m of housing stock completes during the coming months, the Transaction will decrease the Company's pro-forma net gearing from 27.1% LTV to 25.8%.

Directors and employees

On completion of the Transaction, the Merlin Board will resign as directors with immediate effect. Rob Field, Merlin's Property Manager, will be retained and transfer to the Custodian Capital team, allowing the Company to benefit from his wealth of expertise and knowledge of the Investment Portfolio, whilst providing further experience and strength in depth for Custodian Capital.

Rationale

The Custodian Property Income REIT Board believes there is a compelling strategic rationale for the Transaction:

- Merlin's portfolio is complementary to the Company's, based on its smaller lot-size, diversified property strategy and current sector and geographical weightings;
- The Transaction is expected to enhance earnings per share and dividend cover, increase tenant diversification and reduce both the Company's ongoing charges ratio and net gearing.
- Opportunity for further value creation from the Investment Portfolio through asset and portfolio management by utilising Custodian Capital's experience.
- As the Transaction is structured as a corporate acquisition, neither SDLT in England and Northern Ireland, nor LBTT in Scotland will be payable on acquiring the Investment Portfolio, leading to savings of approximately £0.2m (net of stamp duty payable by the Company on the acquisition of the Merlin shares) compared to an equivalent property acquisition.

Issue of equity

An application has been made for 22,928,343 New Ordinary Shares in relation to the Initial Consideration to be admitted to the premium segment of the Official List, and to trading on the London Stock Exchange's Main Market for listed securities ("Admission"). It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence at 8am on 4 June 2025. The New Ordinary Shares will rank pari passu with the ordinary shares already in issue.

Following Admission, the Company's issued share capital will consist of 463,778,741 ordinary shares. Therefore, the total number of voting rights of the Company is 463,778,741 and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or of a change to their interest in, the Company under the FCA's Disclosure and Transparency Rules.

- Ends -

Further information:

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

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Notes to Editors

Custodian Property Income 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 throughout the UK and is principally characterised by smaller, regional, core/core-plus properties.

The Company offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. By principally targeting smaller, regional, core/core-plus 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 custodianreit.com and custodiancapital.com.