

To: Company Announcements
Date: 2 August 2023
Company: Balanced Commercial Property Trust Limited
LEI: 213800A2B1H4ULF3K397

Subject: Unaudited NAV release for Balanced Commercial Property Trust Ltd (the "Company" or "BCPT")

Headlines

- Net Asset Value total return of -0.3 per cent for the quarter ended 30 June 2023.
- Share Price total return of -18.5 per cent for the quarter ended 30 June 2023.
- Three monthly dividends of 0.4 pence per share, equating to an annual dividend yield of 7.3 per cent based on 30 June 2023 share price.
- Key letting at Hurricane 52, Estuary Business Park, Liverpool, a recently completed development.
- Twenty-four leasing initiatives contracted over the quarter, demonstrating strong levels of occupier activity across the portfolio.

Net Asset Value

The unaudited net asset value ('NAV') per share of the Company as at 30 June 2023 was 117.1 pence. This represents a decrease of 1.3 per cent from the unaudited NAV per share as at 31 March 2023 of 118.7 pence and a NAV total return for the quarter of -0.3 per cent.

The NAV has been calculated under International Financial Reporting Standards ('IFRS'). It is based on the external valuation of the Company's property portfolio which has been prepared by CBRE Limited.

The NAV includes all income to 30 June 2023 and is calculated after deduction of all dividends paid prior to that date. The EPRA Net Tangible Assets (NTA) per share as at 30 June 2023 which is adjusted to remove the fair value of the interest rate swap, was 117.1 pence per share.

Analysis of Movement in NAV

The following table provides an analysis of the movement in the unaudited NAV per share for the period from 31 March 2023 to 30 June 2023 (including the effect of gearing):

| | £m | Pence per share | % of opening NAV per share |
|--|--------------|-----------------|----------------------------|
| NAV as at 31 March 2023 | 833.1 | 118.7 | |
| Unrealised decrease in valuation of property portfolio | (11.9) | (1.6) | (1.3) |
| Movement in fair value of interest rate swap | (0.4) | (0.1) | (0.1) |
| Other net revenue | 9.2 | 1.3 | 1.1 |
| Dividends paid | (8.4) | (1.2) | (1.0) |
| NAV as at 30 June 2023 | 821.6 | 117.1 | (1.3) |

Portfolio valuation

Inflationary and interest rate pressures have weighed on investor sentiment and investment volumes remain significantly constrained by historic standards. Following the sharp repricing in Q4 2022, real estate values have remained steady with the MSCI Monthly Index registering a

marginal capital decline of -0.4 per cent over the quarter. The Company's portfolio valuation recorded a capital fall of -1.1 per cent.

The picture is nuanced at the sub-sector level, with investors favouring high quality assets and those sectors with the strongest outlook for resilience. Consequently, the industrial sector, which retains robust occupier demand and strong rental growth prospects, and the retail warehousing sector, which generates an attractive and sustainable income return, saw yields compressing over the quarter.

The Company's retail warehousing assets had the strongest capital performance at 3.5 per cent, driven by both income growth from accretive asset management and yield compression. The equivalent yield on this sub-sector sharpened by 20 basis points. The industrial assets experienced capital appreciation of 1.9 per cent underpinned by growth in estimated rental values across the company's holdings, alongside marginal yield compression.

The office holdings were the cause of the portfolio's overall fall in capital value, decreasing by 5.9 per cent over the quarter. Despite the portfolio's office exposure being focussed on high-quality assets in resilient markets, the portfolio experienced a softening in the equivalent yield of 42 basis points amid continued illiquidity and poor sentiment to the sector.

The mixed-use holding at St Christopher's Place in Central London also experienced a valuation decline of -1.4 per cent, driven primarily by the asset's office exposure which accounts for circa 16 per cent of value.

Portfolio activity

The Company's portfolio continues to demonstrate good levels of occupational activity, resulting in an increase in portfolio income of 1.9 per cent over the quarter.

The conversion of rental growth into income performance remains a key strategic priority for the Company. While all sectors had positive leasing activity over the quarter, the portfolio's industrial assets remained the key driver of income growth.

- Hurricane 52 at Estuary Business Park in Liverpool, a development completed late last year, was let on a new 10-year lease to Montirex Limited. This letting followed a competitive best bids process between three occupiers and the contracted rent was at a 7.2 per cent premium to the estimated rental value at the time terms were agreed.
- An Agreement for Lease has been exchanged with MKM Building Supplies at The Cowdray Centre in Colchester. The 20-year lease will complete following refurbishment works which will significantly enhance the unit's specification, including targeting a minimum B-rated EPC.
- A rent review with Rexel UK, also at the Cowdray Centre, was agreed at a 42 per cent uplift to the previous passing rent.

The repositioning from traditional retail towards the food & beverage ('F&B') sector continues to gather momentum at the portfolio's largest asset, the mixed-use St Christopher's Place Estate. An Agreement for Lease was exchanged with Mildreds, a well-established vegan restaurant, who will be taking a 15-year lease on a reconfigured anchor unit. The estate's exposure to F&B is now more than 30 per cent by capital value, with F&B operators taking longer leases, paying higher rents and therefore achieving sharper valuation yields than traditional retail. Additionally on the estate, the refurbishment of office suites to fully fitted accommodation is meeting occupier demand, reducing voids and enhancing rental values.

Elsewhere in the portfolio, rental uplifts have been secured from rent reviews on office holdings at Cathedral Square in Bristol and King Street in Manchester.

The headline level of portfolio vacancy has risen to 7.2 per cent over the quarter (6.3 per cent at March 2023), however this is expected to reduce to 5.2 per cent with a number of vacant units under offer to occupiers or having let post-period. Excluding the asset at Stockley Park, Uxbridge where redevelopment opportunities are being actively pursued alongside prospective occupiers, the void rate as at 30 June reduces to 2.7 per cent.

Share Price

As at 30 June 2023, the share price was 66.2 pence per share, which represented a discount of 43.5 per cent to the NAV per share. The share price total return for the quarter to 30 June 2023 was -18.5 per cent.

Cash and Borrowings

The Company had £54.8 million of available cash as at 30 June 2023. There is a £260 million term loan in place with L&G which matures in December 2024. The Company also has a £50 million term loan with Barclays, along with an additional undrawn £50 million revolving credit facility which expires on 31 July 2024. As at 30 June 2023, the Company's loan to value, net of cash was 23.7 per cent.

Dividend

The Company continued to pay monthly property income distributions at a rate of 0.4 pence per share during the quarter.

Portfolio Analysis – Sector Breakdown

| | Portfolio Value at 30 June 2023 £m | % of portfolio at 30 June 2023 | % capital value shift (including purchases and CAPEX) |
|---------------------------------|------------------------------------|--------------------------------|---|
| Offices | 322.1 | 29.6 | -5.9 |
| West End | 86.6 | 8.0 | -2.3 |
| South East | 48.9 | 4.5 | -6.0 |
| South West | 24.7 | 2.3 | -3.1 |
| Rest of UK | 142.8 | 13.0 | -9.4 |
| City | 19.1 | 1.8 | -1.2 |
| Retail | 188.9 | 17.3 | -0.8 |
| West End | 163.0 | 15.0 | -0.5 |
| South East | 25.9 | 2.3 | -2.8 |
| Industrial | 325.3 | 29.9 | 1.9 |
| South East | 51.5 | 4.8 | 1.9 |
| Rest of UK | 273.8 | 25.1 | 1.9 |
| Retail Warehouse | 137.5 | 12.6 | 3.5 |
| Alternatives | 115.1 | 10.6 | -0.4 |
| Total Property Portfolio | 1,088.9 | 100.0 | -1.1 |

Portfolio Analysis – Geographic Breakdown

| | Market Value £m | % of portfolio as at 30 June 2023 |
|---------------------------------|--------------------|---|
| West End | 301.4 | 27.7 |
| South East | 255.2 | 23.4 |
| Midlands | 243.7 | 22.4 |
| North West | 131.4 | 12.1 |
| Scotland | 113.5 | 10.4 |
| South West | 24.7 | 2.3 |
| Rest of London | 19.0 | 1.7 |
| Total Property Portfolio | 1,088.9 | 100.0 |

Portfolio Equivalent Yield - 6.2 per cent

Top Ten Investments

| | Sector |
|---|------------------|
| Properties valued in excess of £200 million | |
| London W1, St Christopher's Place Estate * | Mixed |
| Properties valued between £50 million and £70 million | |
| Solihull, Sears Retail Park | Retail Warehouse |
| Newbury, Newbury Retail Park | Retail Warehouse |
| Properties valued between £40 million and £50 million | |
| London SW19, Wimbledon Broadway ** | Mixed |
| Winchester, Burma Road | Alternative |
| Properties valued between £30 million and £40 million | |
| Chorley, Unit 6 and 8 Revolution Park | Industrial |
| Markham Vale, Orion 1 & 2 | Industrial |
| Birmingham, Unit 8 Hams Hall Distribution Park | Industrial |
| Liverpool, Unit 1, G.Park, Portal Way | Industrial |
| Daventry, Site E4, Daventry International Rail Freight Terminal | Industrial |

* Mixed use property of retail, office and residential space.

** Mixed use property of retail and leisure space.

Summary Balance Sheet

| | £m | Pence per share | % of Net Assets |
|--|----------------|-----------------------|-----------------------|
| Property Portfolio | 1,088.9 | 155.2 | 132.5 |
| Adjustment for lease incentives | (21.3) | (3.0) | (2.6) |
| Fair Value of Property Portfolio | 1,067.6 | 152.2 | 129.9 |
| Trade and other receivables | 30.8 | 4.4 | 3.7 |
| Cash and cash equivalents | 54.8 | 7.8 | 6.7 |
| Current liabilities | (20.0) | (2.9) | (2.4) |
| Total Assets less current liabilities | 1,133.2 | 161.5 | 137.9 |
| Non-current liabilities | (2.3) | (0.3) | (0.3) |
| Non-current interest-bearing loans | (309.3) | (44.1) | (37.6) |
| Net Assets at 30 June 2023 | 821.6 | 117.1 | 100.0 |

The next quarterly valuation of the property portfolio will be conducted by CBRE Limited during September 2023 and it is expected that the unaudited NAV per share as at 30 September 2023 will be announced in November 2023.

Important information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

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