

To: Company Announcements
Date: 4 May 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 +1.2 per cent for the quarter ended 31 March 2023
- Share Price total return of -5.6 per cent for the quarter ended 31 March 2023
- Three monthly dividends of 0.4 pence per share, equating to an annual dividend yield of 5.8 per cent based on 31 March 2023 share price
- Portfolio valuation increase of 0.1% over the quarter, driven by value improvements from the Company's industrial and retail warehousing assets

Net Asset Value

The unaudited net asset value ('NAV') per share of the Company as at 31 March 2023 was 118.7 pence. This represents an increase of 0.2 per cent from the audited NAV per share as at 31 December 2022 of 118.5 pence and a NAV total return for the quarter of 1.2 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 31 March 2023 and is calculated after deduction of all dividends paid prior to that date. The EPRA Net Tangible Assets (NTA) per share as at 31 March 2023 which is adjusted to remove the fair value of the interest rate swap, was 118.7 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 December 2022 to 31 March 2023 (including the effect of gearing):

	£m	Pence per share	% of opening NAV per share
NAV as at 31 December 2022	831.5	118.5	
Unrealised increase in valuation of property portfolio	1.1	0.2	0.2
Movement in fair value of interest rate swap	(0.4)	(0.1)	(0.1)
Other net revenue	9.3	1.3	1.1
Dividends paid	(8.4)	(1.2)	(1.0)
NAV as at 31 March 2023	833.1	118.7	0.2

Valuation

There has been a notable uptick in investment activity in the first quarter of 2023, following the downward repricing of real estate witnessed in Q4 2022. This has resulted in the MSCI Monthly Index reporting a positive movement in capital values for the month of March 2023, the first monthly increase since June 2022.

There remains an air of caution and the relative recovery in sentiment and activity is nuanced as investors favour the most resilient sectors and assets. The strong occupational fundamentals

offered by the industrial and logistics and retail warehousing sectors continue to support investor demand, which saw prime yields for these key growth sectors trend stronger over the quarter. The wider market, and the offices sector in particular, remains polarised between prime and secondary assets.

Against this background, the Company's portfolio delivered capital growth of +0.1% over the quarter. This compares favourably to the MSCI Monthly Index which reported a capital value decline of -1.2% at the All-Property level over the quarter.

Portfolio

The Company's performance was driven by capital growth from its industrial and retail warehousing assets, where values increased by 0.3% and 3.6% respectively. From an occupational perspective, the underlying portfolio remains well-positioned with a low void rate of 6.3% by estimated rental value ('ERV'), strong rental collection at 98.5% for the quarter to date and attractive reversionary income potential.

In the Industrial portfolio, a conditional agreement for lease has been exchanged with a national builders' merchant at the Cowdray Centre in Colchester which, once completed following refurbishment works to the unit, will show a premium to the rent achieved on the Q4 2022 letting of the adjacent unit. The speculative development at Hurricane 52 in Liverpool has also been placed under offer following a best-bids process yielding three competitive leasing proposals. Vacancy rates within the industrial sector remain at near record lows, which we expect to support continued rental growth.

The retail warehousing sector has seen prime market yields harden by circa 25 basis points over the quarter and yields are continuing to trend downwards, while the sector's vacancy rate has fallen to circa 4.7%, the lowest level since 2018. The Company's retail parks are fully occupied by a diverse discount-convenience led tenant line-up, which is driving footfall and latent occupier demand.

The portfolio's largest holding, the mixed-use Central London estate at St Christopher's Place, continues its recovery phase. Alongside stabilisation in the West End retail market, the ongoing strategic initiative to enhance the food & beverage provision on the estate is delivering tangible progress with a conditional agreement for lease signed post-period with an exciting new restaurant anchor tenant due to open in the second half of the year.

The Company's office portfolio saw capital value falls of 1.3% over the quarter, largely driven by the two repositioning opportunities at Alhambra House, Glasgow and The Square, Stockley Park. Stockley Park is the portfolio's largest void, accounting for 4.3% of overall portfolio vacancy. Over the quarter, we have received positive pre-application planning feedback on our proposed repurposing and are progressing this key initiative alongside a prospective occupier. The wider office portfolio continues to attract occupier demand, as the Company's assets benefit from a 'flight-to-quality' amid constrained supply within core office markets. Over the quarter, Lloyds Bank have committed to a new 5-year lease at 82 King Street, Manchester, while the City of London holding at Birchin Lane saw two newly refurbished suites placed under offer at accretive rental tones ahead of valuation ERV.

The Company's exposure to the alternatives sector is primarily through the long-let student housing holding at Burma Road, Winchester, which saw a marginal value increase of 0.6% as the long income markets stabilised over the period.

Share Price

As at 31 March 2023, the share price was 82.4 pence per share, which represented a discount of 30.6 per cent to the NAV per share. The share price total return for the quarter to 31 March 2023 was -5.6 per cent.

Cash and Borrowings

The Company had £55.9 million of available cash as at 31 March 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. On 3 April 2023, the Barclays loan facility was extended by one-year and expires on 31 July 2024. As at 31 March 2023, the Company's loan to value, net of cash was 23.3 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 31 March 2023 £m	% of portfolio at 31 March 2023	% capital value shift (including purchases and CAPEX)
Offices	342.5	31.2	-1.3
West End	88.6	8.1	1.8
South East	52.0	4.7	-3.3
South West	25.5	2.3	-
Rest of UK	157.6	14.4	-2.8
City	18.8	1.7	1.1
Retail	190.2	17.3	-0.4
West End	163.6	14.9	-0.2
South East	26.6	2.4	-2.1
Industrial	318.9	29.0	0.3
South East	50.1	4.6	-0.7
Rest of UK	268.8	24.4	0.3
Retail Warehouse	132.4	12.0	3.6
Alternatives	115.6	10.5	0.6
Total Property Portfolio	1,099.6	100.0	0.1

Portfolio Analysis – Geographic Breakdown

	Market Value £m	% of portfolio as at 31 March 2023
West End	304.6	27.7
South East	255.2	23.2
Midlands	238.0	21.7
North West	133.1	12.1
Scotland	124.4	11.3
South West	25.5	2.3
Rest of London	18.8	1.7
Total Property Portfolio	1,099.6	100.0

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
Liverpool, Unit 1, G.Park	Industrial
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial

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

** Mixed use property of retail and leisure space.

Summary Balance Sheet

	£m	Pence per share	% of Net Assets
Property Portfolio	1,099.6	156.7	132.0
Adjustment for lease incentives	(21.9)	(3.1)	(2.6)
Fair Value of Property Portfolio	1,077.7	153.6	129.4
Trade and other receivables	30.9	4.4	3.7
Cash and cash equivalents	55.9	8.0	6.7
Current liabilities	(19.7)	(2.8)	(2.4)
Current interest-bearing loan	(49.9)	(7.1)	(6.0)
Total Assets less current liabilities	1,094.9	156.1	131.4
Non-current liabilities	(2.4)	(0.4)	(0.3)
Non-current interest-bearing loan	(259.4)	(37.0)	(31.1)
Net Assets at 31 March 2023	833.1	118.7	100.0

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