

To: Company Announcements
Date: 17 May 2024
Company: Balanced Commercial Property Trust Limited
LEI: 213800A2B1H4ULF3K397

**Balanced Commercial Property Trust Limited (the "Company" or "BCPT")
NAV (unaudited) and Company Update**

Headlines

- Net Asset Value total return of -1.1 per cent for the quarter ended 31 March 2024.
- Share Price total return of +14.3 per cent for the quarter ended 31 March 2024.
- Disposal of two office assets completed, raising proceeds of £54.6m at an aggregate discount to valuation of 0.4 per cent (both disposals announced previously).
- 18 leases and tenancy agreements completed or renewed over the quarter.

Net Asset Value: total return of -1.1 per cent for the quarter

The unaudited net asset value ('NAV') per share of the Company as at 31 March 2024 was 107.3 pence. This represents a decrease of 2.3 per cent from the audited NAV per share as at 31 December 2023 of 109.8 pence and a NAV total return for the quarter of -1.1 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 2024 and is calculated after deduction of all dividends paid prior to that date.

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 2023 to 31 March 2024 (including the effect of gearing):

	£m	Pence per share	% of opening NAV per share
NAV as at 31 December 2023	770.0	109.8	
Unrealised decrease in valuation of property portfolio	(11.4)	(1.6)	(1.5)
Realised losses on property sales	(2.8)	(0.4)	(0.4)
Other net revenue	6.0	0.8	0.7
Dividends paid	(9.3)	(1.3)	(1.1)
NAV as at 31 March 2024	752.5	107.3	(2.3)

The EPRA Net Tangible Assets per share as at 31 March 2024 was 107.3 pence per share (31 December 2023: 109.8 pence per share).

Market Commentary

Whilst uncertainty on the outlook and timing for interest rate cuts has weighed on real estate capital markets, the pace of declines in valuations has moderated. At the market level, the MSCI UK Quarterly Index recorded capital growth of -0.7 per cent over the first quarter of 2024. However, at the sector level performance is significantly nuanced as those sectors supported by strong occupational fundamentals, such as industrial & logistics and retail warehousing, delivered capital growth.

Occupational markets have remained resilient, despite the economic challenges, delivering income growth of 3.4 per cent and rental value growth of 3.5 per cent over the 12 months to March.

Asset management update

Over the first quarter, 18 leases and tenancy agreements have been completed or renewed. Notable transactions include:

- **St Christopher's Place, Central London**– Sunday in Brooklyn have committed to a 15-year lease on a newly created anchor unit, at a rent in line with estimated rental value ('ERV') and with the potential for a further rental top-up based on the restaurant's turnover. Recent F&B lettings have increased the estate's exposure to the sector to 42 per cent by capital value. Currently 44 per cent of the space available at the estate is under offer.
- **Cowdray Centre, Colchester**– following the completion of a substantial refurbishment, MKM Building Supplies have signed a new 20-year lease at a rent in line with the unit's ERV.
- **17A Curzon Street, London W1**– the newly refurbished top-floor suite of this multi-let West End office holding has been let on a new 5-year lease to Turcan Connell at a rent of £131.50 per square foot, representing a marginal premium to ERV.
- **7 Birchin Lane, London EC3**– this multi-let City of London holding has been subject to a phased refurbishment programme which has now completed with the leasing of the final suite. The ground floor suite has been let to Exquitech on a new 5-year lease at a rent of £64.50 psf. The rent represents a marginal premium to the suite's ERV, and a 9.5 per cent premium to the pre-refurbishment ERV.

The portfolio vacancy rate increased marginally over the quarter, rising from 6.7 per cent to 6.8 per cent by ERV. Of this, 4.6 per cent is attributed to Stockley Park, Uxbridge, which is held as a repurposing opportunity and 0.9 per cent is contractually committed to occupiers.

Portfolio valuation

Over the quarter, the Company's portfolio recorded a valuation decline of 1.6 per cent, with valuation yields moving as set out below:

Portfolio yield (%)	December 2023	March 2024
Net initial yield	5.5	5.6
Equivalent yield	6.5	6.7

Offices saw a valuation decline of 4.3 per cent amid prevailing weak investor sentiment towards the sector. The equivalent yield on the office portfolio increased by 92 basis points to 9.1 per cent.

St Christopher's Place experienced a valuation decline of 3.3 per cent. The primary cause of this was the administration of The Body Shop, who have ceased trading from their store at 372/374 Oxford Street. This prominent corner unit is being actively marketed and has received several offers to occupy, which are under negotiation.

The retail warehouse assets experienced a 2.4 per cent increase in value, as prime market yields compressed over the quarter amid strong levels of investor and occupational demand. The Company's retail parks in Newbury and Solihull are fully leased and offer an attractive and robust grocery, discount and convenience-led tenant roster. The equivalent yield on the retail warehouses sharpened by 12 basis points to 6.1 per cent.

Industrial assets saw capital values fall marginally by 0.2 per cent as the equivalent yield on the portfolio assets remained broadly stable at 6.1 per cent.

Investment activity

As previously announced, the Company successfully completed the disposal of two office holdings in the first quarter:

- 2-4 King Street, London SW1 – a multi-let freehold of 15,000 sq ft in London's West End.

- The Leonardo Building, Crawley – a headquarters office building of 110,000 sq ft, located on an out-of town business park.

The sales completed at an aggregate price of £54.6m, reflecting a discount to the preceding valuation of 0.4 per cent. The pricing achieved on these disposals reflects the quality of the real estate in the portfolio which has strong underlying fundamentals.

The Manager is continuing to actively review a pipeline of further disposals from the office sector, as part of the Company's strategy to enhance the portfolio's exposure to structurally supported growth sectors and assets.

Share Price

As at 31 March 2024, the share price was 81.4 pence per share, which represented a discount of 24.1 per cent to the NAV per share. The share price total return for the quarter to 31 March 2024 was 14.3 per cent.

Cash and Borrowings

The Company had £66.1 million of available cash as at 31 March 2024.

The Company has a £260 million term loan in place with L&G which matures in December 2024. The Company signed up to a new debt facility in September 2023 which has been provided by incumbent lender, Barclays Bank plc, and HSBC UK Bank plc. This facility has been structured with two tranches, being (a) a £60 million Revolving Credit Facility ('RCF') and (b) a £260 million Term Loan, which can only be drawn to refinance the existing L&G Loan. Further to the sales highlighted above, the £30 million drawn down at 31 December 2023 was repaid during the quarter and as at 31 March 2024, the £60 million RCF remained undrawn.

As at 31 March 2024, the Company's loan to value, net of cash was 20.4 per cent.

Dividend

The Company paid three monthly property income distributions at a rate of 0.44 pence per share during the quarter.

Portfolio Analysis – Sector Breakdown

	Portfolio Value at 31 March 2024 £m	% of portfolio at 31 March 2024	% capital return (adjusted for sales and CAPEX)
Industrial	331.7	34.7	-0.2
South-East	59.0	6.2	0.8
Rest of UK	272.7	28.5	-0.5
Offices	206.8	21.6	-4.3
West End	54.7	5.7	1.7
South-East	15.9	1.7	-8.4
South-West	20.6	2.2	-11.2
Rest of UK	97.0	10.1	-5.8
City	18.6	1.9	-0.9
Retail	183.0	19.1	-3.4
West End	157.6	16.5	-3.9
South-East	25.4	2.6	-0.4
Retail Warehouse	129.0	13.5	2.4
Alternatives	106.5	11.1	-1.9
Total Property Portfolio	957.0	100.0	-1.6

Portfolio Analysis – Geographic Breakdown

	Market Value £m	% of portfolio as at 31 March 2024
West End	259.0	27.1
Midlands	238.3	24.9
South East	222.4	23.2
North West	127.5	13.3
Scotland	70.6	7.4
South West	20.6	2.2
Rest of London	18.6	1.9
Total Property Portfolio	957.0	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, Units 6 and 8 Revolution Park	Industrial
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Markham Vale, Orion 1 & 2	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	957.0	136.4	127.2
Adjustment for lease incentives	(14.7)	(2.1)	(2.0)
Fair Value of Property Portfolio	942.3	134.3	125.2
Trade and other receivables	26.1	3.7	3.4
Cash and cash equivalents	66.1	9.4	8.8
Current liabilities	(19.7)	(2.8)	(2.6)
Current interest-bearing loan	(259.8)	(37.0)	(34.5)
Total Assets less current liabilities	755.0	107.6	100.3
Non-current liabilities	(2.5)	(0.3)	(0.3)
Net Assets at 31 March 2024	752.5	107.3	100.0

The next quarterly valuation of the property portfolio will be conducted by CBRE Limited during June 2024 and it is expected that the unaudited NAV per share as at 30 June 2024 will be announced in July 2024.

Subsequent events

On 15 April 2024, the Company announced that it had commenced a strategic review process (the 'Strategic Review Announcement'). A copy of the Strategic Review Announcement has been made available, subject to certain restrictions relating to persons resident in restricted jurisdictions, on the Company's website (<https://www.balancedcommercialproperty.co.uk>).

Following the quarter ended 31 March 2024, the Company published its annual report and audited consolidated financial statements in respect of the financial year ended 31 December 2023 ('2023 Annual Report'). The 2023 Annual Report is also available for inspection on the Company's website.

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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