

Fund manager
Richard Kirby


Manager Commentary

Portfolio Valuation

Over the quarter, the Company's portfolio recorded a valuation decline of 2.6 per cent. At the sector level, the portfolio's office assets saw a valuation decline of 5.4 per cent as the equivalent yield on the portfolio moved out by 30 basis points to 8.2 per cent. Weak investor sentiment towards the sector in general, particularly the out-of-town business park segment, can be contrasted against an occupational market that continues to demonstrate resilience for high quality assets in stronger locations.

Retail warehouse assets experienced a valuation fall of 4.6 per cent, driven by market-led yield shifts as the valuer moved prime sector yields out by 25 basis points. The equivalent yield on these holdings is now 6.2 per cent. The Company's retail parks are fully occupied by a discount/convenience-led tenant roster, and benefit from affluent catchments, offering an attractive and sustainable income profile.

St Christopher's Place saw a valuation decline of 1.5 per cent over the quarter driven by its office and residential exposures. The active repositioning of traditional retail to food & beverage uses continues to gather momentum, lending support to both capital and rental values within the retail and leisure segments of the holding.

Industrial assets experienced a capital fall of 0.9 per cent, with marginal yield softening being offset by continued rental value growth, as the equivalent yield on the portfolio moved out by 14 basis points to 6.0 per cent. However, there remain strong occupational dynamics in the industrial portfolio, offering a valuation income reversion in excess of 40 per cent of the current passing rent, which the Company will look to crystallise through active asset management.

Transactional Activity

The Company successfully completed the sale of three office holdings during December and January as part of its stated strategy to reduce the portfolio's exposure to the office sector. The sales completed at an aggregate price of £42.8 million, representing a 0.3% discount to the September 2023 independent valuation, the latest valuation prior to the assets being launched to market. The pricing achieved on these disposals reflects the quality of the real estate in the portfolio which has strong underlying fundamentals, supporting relative resilience and liquidity.

The Manager is continuing to actively review a pipeline of further disposals from both the office and other sectors, targeting assets where value can be crystallised following the successful delivery of asset business plans, as part of the Company's strategy to enhance the portfolio's exposure to structurally supported growth sectors and assets.

Key risks

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Income may be achieved by foregoing future capital growth. The value of property related securities are likely to reflect valuations determined by professional valuers. Such valuations are the opinion of valuers at a particular point in time and are likely to be revised. Property and property related assets can sometimes be illiquid. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. If markets fall, gearing can magnify the negative impact on performance.

Key facts

Trust aims: To provide ordinary shareholders with an attractive level of income with the potential for income and capital growth from investing in a diversified UK commercial property portfolio.

Fund type:	Investment Trust
Launch Date:	18 March 2005
Total assets:	£1,059.4 million
Share price:	72.5p
NAV*:	109.8p
Discount/Premium(-/+):	-34.0%
Dividend payment dates:	Monthly
Dividend yield:	6.8%
Actual gearing**:	24.4%
Vacant property:	6.7%
Weighted average lease length:	4.6 years
Management fee rate***:	0.55%
Ongoing charges***:	0.86%
Ongoing charges including property costs***:	1.39%
Year end:	31 December
Sector:	Property Direct - UK
Currency:	Sterling
Website:	balancedcommercialproperty.co.uk

***Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

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Asset Management Update

We remain in an environment of constrained capital growth where income drives total returns and relative outperformance is predicated on active asset management delivering both income and capital growth.

Importantly the 12 occupational transactions completed over the quarter resulted in a 1.2 per cent increase in portfolio passing rent (on a like-for-like basis). Of particular note:

- **Strategic Park, Southampton** – the speculative refurbishment of this two-unit logistics scheme completed in October 2023 and both units have now been committed at rents ahead of proforma ERVs. The refurbishment resulted in an uplift of 27.5 per cent to the previous combined passing rent and generated capital growth of 15.7 per cent over a twelve-month period. There were also significant ESG enhancements with A-rated EPCs, a BREEAM Very Good certification and a full solar photovoltaic system installed on the roof. The solar installation is forecast to produce an additional operational income return of circa 7.5 per cent.
- **7 Birchin Lane, London EC3** - this City of London office holding is subject to a phased 'Plug & Play' refurbishment to enhance occupier demand, rental tone and ESG credentials. Redmayne Bentley have completed a new 5-year lease (break in year 3) of the newly refurbished 1st floor with the rent at a premium of 17.6 per cent to the suite's ERV prior to the refurbishment.

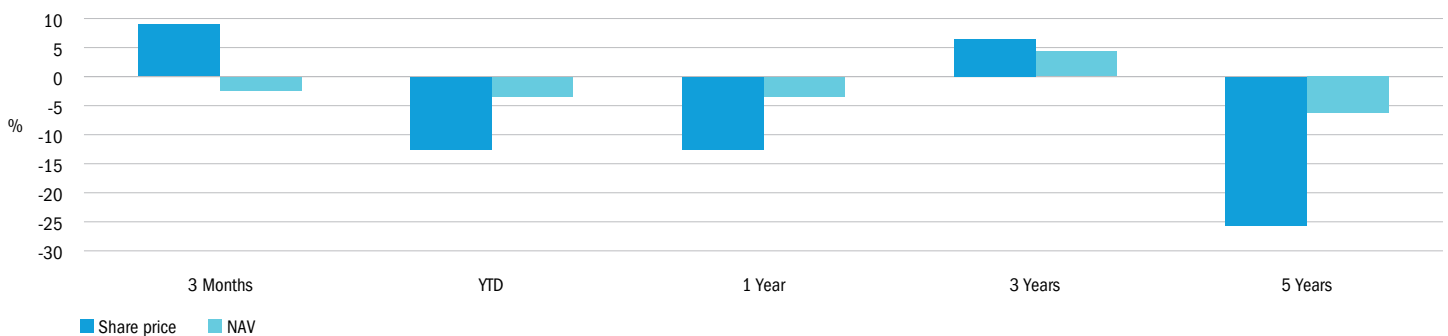
- **The Cowdray Centre, Colchester** – a multi-let industrial estate where The Range have renewed and entered into a new 15-year lease at a rent representing a 9.1 per cent premium to ERV, in exchange for a 14-month rent free period taken as a stepped rent. The Cowdray Carpet Centre also completed a lease renewal, taking a new 10-year lease (5th year break) at a rent representing a 106 per cent uplift to the previous passing rent, in exchange for a 6-month rent-free period.

The portfolio vacancy rate remained stable over the quarter at 6.7 per cent, of which 0.6 per cent is contractually committed and 4.3 per cent is attributable to Stockley Park, Uxbridge, which is held for strategic repurposing.

Dividend

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

Fund performance as at 31.12.23



Cumulative performance as at 31.12.23 (%)

	3 Months	Year to date	1 Year	3 Years	5 Years
Share price	8.9	-12.5	-12.5	6.4	-25.6
NAV	-2.4	-3.3	-3.3	4.3	-6.2

Discrete annual performance as at 31.12.23 (%)

	2023/22	2022/21	2021/20	2020/19	2019/18
Share price	-12.5	-11.7	37.8	-28.3	-2.4
NAV	-3.3	-9.2	18.9	-8.1	-2.1

Past performance is not a guide to future performance. Source: Refinitiv Eikon and Columbia Threadneedle Investments. Basis: Percentage growth, total return, bid to bid price with income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority.

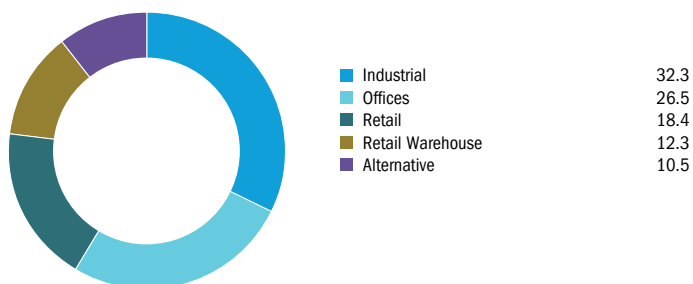
Trust codes

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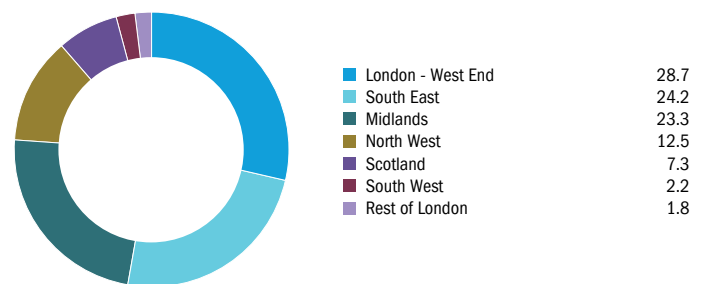
Top 10 property investments (%)

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

Sector breakdown (%)



Geographical breakdown (%)



Net dividend distributions pence per share

	2017	2018	2019	2020	2021	2022	2023	2024
January	0.5	0.5	0.5	0.5	0.35	0.375	0.4	0.44
February	0.5	0.5	0.5	0.5	0.35	0.375	0.4	
March	0.5	0.5	0.5	0.5	0.35	0.375	0.4	
April	0.5	0.5	0.5	0.0	0.35	0.375	0.4	
May	0.5	0.5	0.5	0.0	0.35	0.4	0.4	
June	0.5	0.5	0.5	0.0	0.35	0.4	0.4	
July	0.5	0.5	0.5	0.0	0.35	0.4	0.4	
August	0.5	0.5	0.5	0.25	0.35	0.4	0.4	
September	0.5	0.5	0.5	0.25	0.35	0.4	0.4	
October	0.5	0.5	0.5	0.25	0.35	0.4	0.44	
November	0.5	0.5	0.5	0.25	0.375	0.4	0.44	
December	0.5	0.5	0.5	0.35	0.375	0.4	0.44	
Total	6.0	6.0	6.0	2.85	4.25	4.70	4.92	0.44

Structure

The Company's capital structure consists of Ordinary Shares. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange. Stock Code: BCPT.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Group's assets after repayment of its borrowings. The Company has a £260 million term loan with L&G due to expire on 31 December 2024. In September 2023, the Company also signed up to a £260 million term loan with Barclays/HSBC which can only be used to pay down the L&G loan.

There is also a £60 million revolving credit facility with Barclays/HSBC (£30 million of which is drawn down). This is available until September 2025 with the availability of two 1-year extensions.

To find out more visit columbiathreadneedle.com



All data as at 31.12.2023 unless otherwise stated.

All information is sourced from Columbia Threadneedle, unless otherwise stated. All percentages are based on gross assets. *The NAV is calculated under International Financial Reporting Standards. **(borrowings-cash)/total assets (less trade and other payables and cash). ***Ongoing charges as a percentage of NAV as at 31 December 2022. An additional Ongoing Charge figure is calculated which includes direct operating property costs however these are variable in nature and tend to be specific to lease events occurring during the period. Columbia Threadneedle Investment Business Limited is entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion).

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Balanced Commercial Property Trust is an investment trust and its Ordinary Shares are traded on the main market of the London Stock Exchange.

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