



Custodian
REIT PLC

Annual Review - Year to 31st March 2021

“REIT of choice for private and institutional investors seeking high and stable dividends from well diversified UK real estate”

OVERVIEW

- Impact of the Pandemic
 - Operations
 - Rent collection
 - Asset values
 - Dividends
 - Borrowings
- Lessons learned
- Board changes
- Environmental, Social and Governance

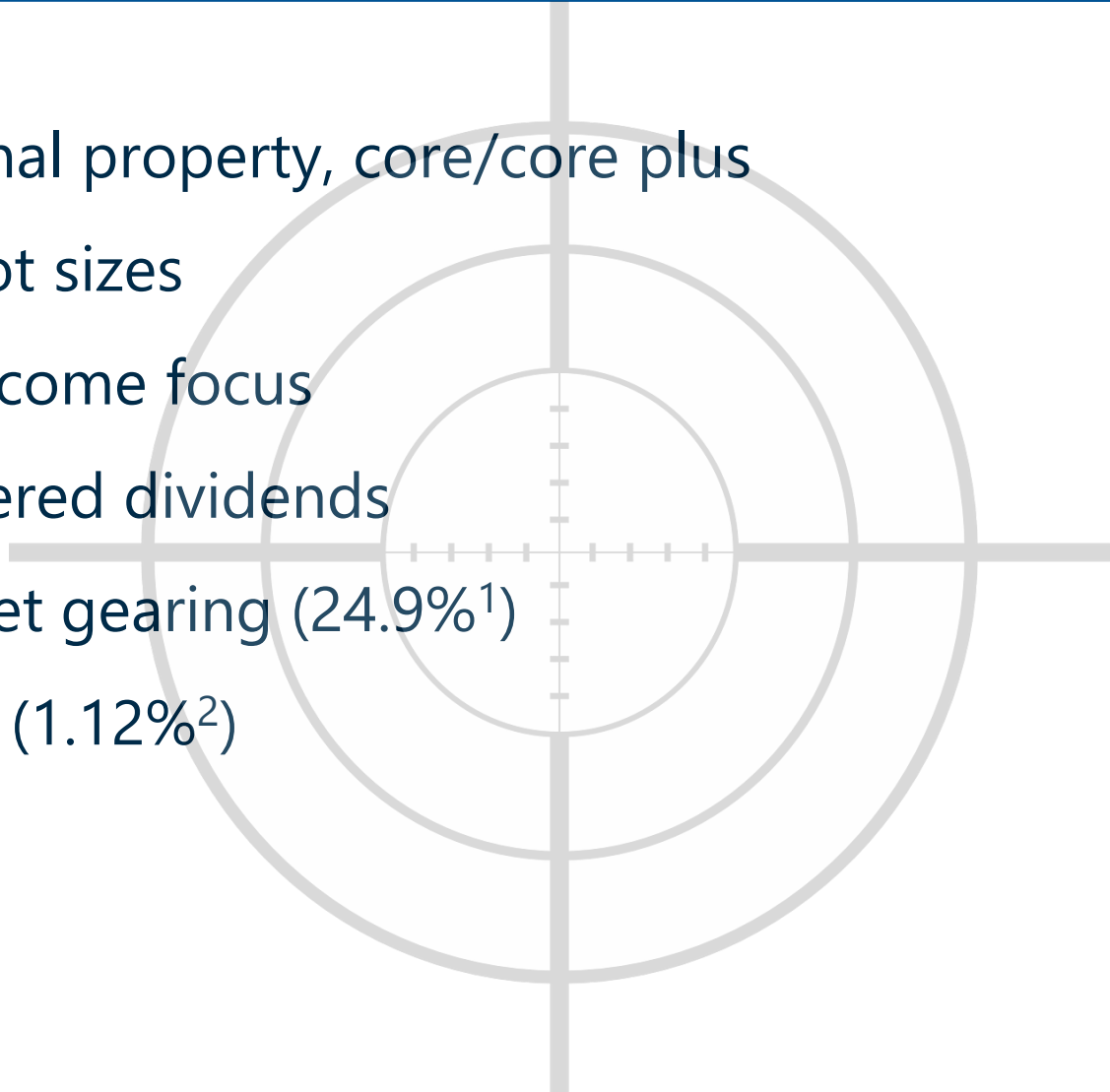




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Regional, small lot size specialist

INVESTMENT STRATEGY

- 
- UK regional property, core/core plus
 - Smaller lot sizes
 - Strong income focus
 - Fully covered dividends
 - 25% target gearing (24.9%¹)
 - Low OCR (1.12%²)

1. As at 31st March

2. Excluding direct property costs



PROPERTY STRATEGY

- 
- Regional focus
 - Diversified
 - Maintain weighting to industrial and logistics
 - Retail warehousing let off low rents
 - Selective regional offices
 - Drive thru' expansion – acquisition/development
 - Refurbishment of existing property
 - All opportunities to support ESG goals



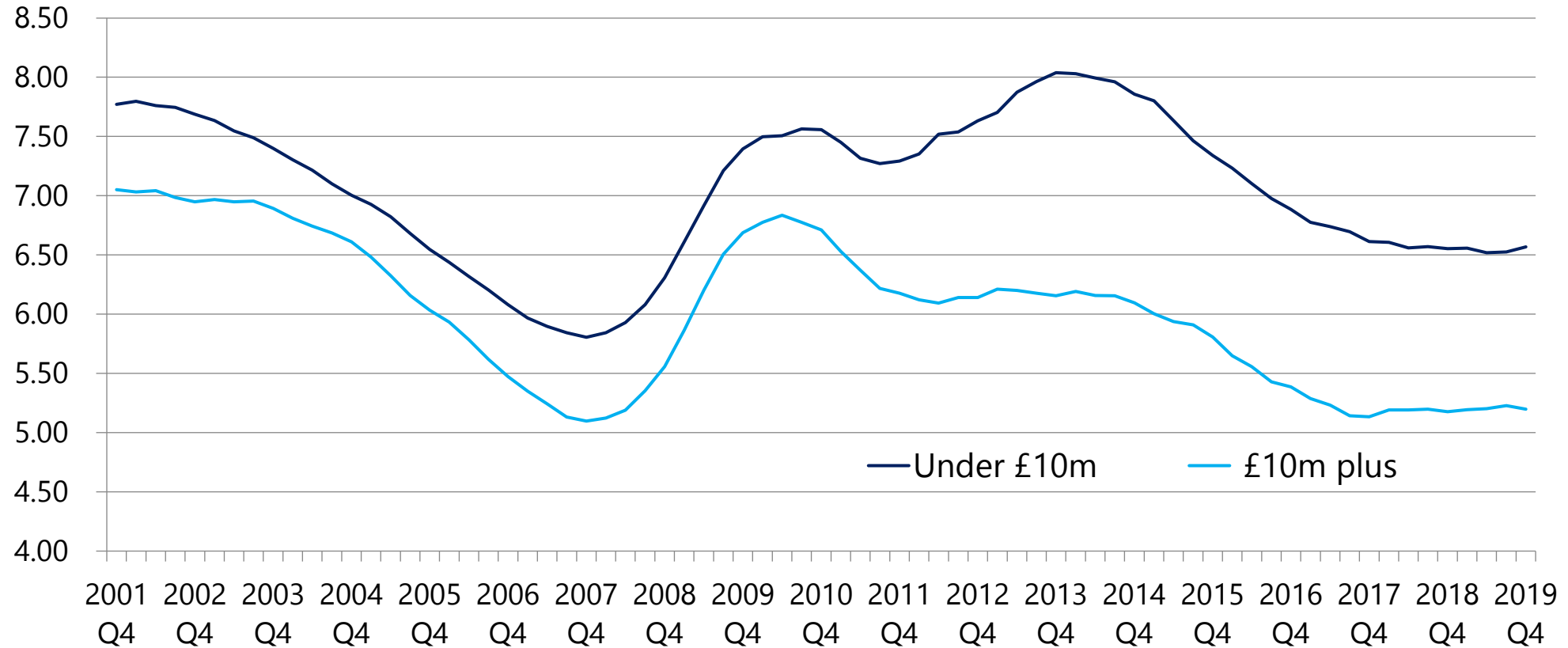
GROWTH STRATEGY

- Organic growth through issuance
- Broaden shareholder base, platform penetration
- Take market share from open-ended funds
- Strategic portfolio acquisitions
- Corporate acquisitions
- Property fundamentals central to all decisions
- Natural choice for private clients and wealth managers



TARGET LOT SIZE SUB-£10M

2 year rolling average transaction yield %

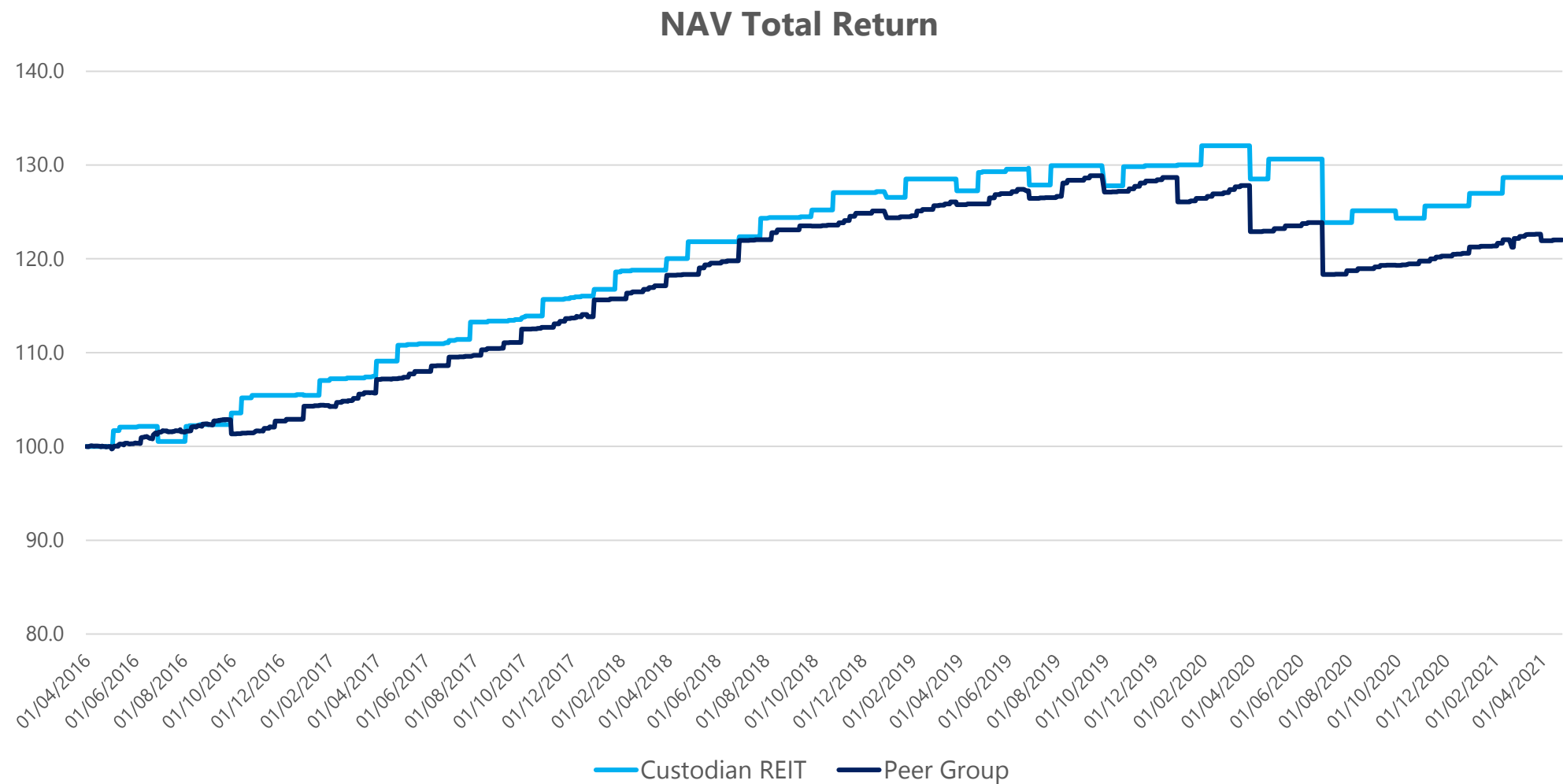


Source: Lambert Smith Hampton



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IMPACT OF STRATEGY ON RETURNS



Source date: Numis



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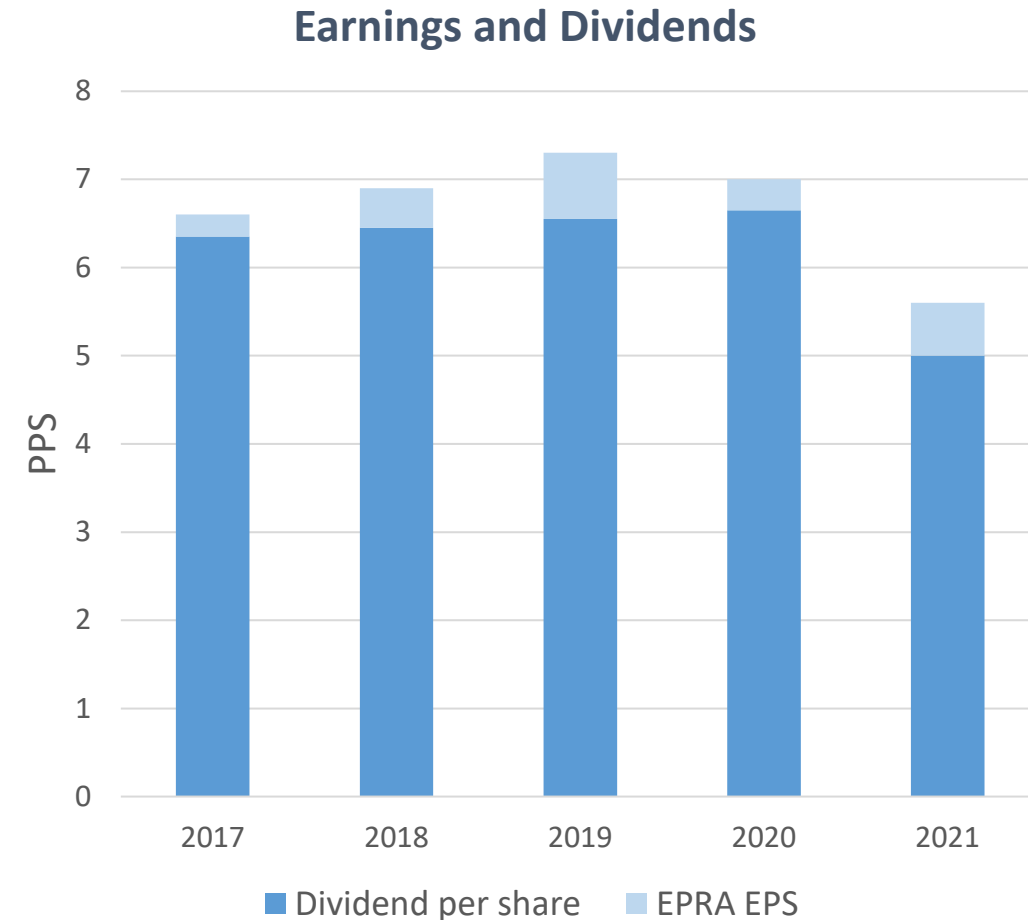


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Resilience in 2020/21

HEADLINES – YEAR TO MARCH 2021

- Dividend 5.0pps
- Prospective dividend yield 5.0%¹
- NAV total return 0.9%
- Net gearing 24.9%
- ERPA vacancy 8.5% (4.1% 2020)
 - Over 60% of vacant space under offer
- Annual EPRA earnings 5.6pps²
- Dividends fully covered by cash receipts
 - 113% covered by earnings



1. As at 30th April

2. Net of bad debt provision



REAL ESTATE RESILIENCE – IMPACT OF PANDEMIC¹

- Valuation (like for like) - 2.7%
- Passing rent -5.0%
- Occupancy -4.4%
- Estimated rental value +0.4%
- Rent collection 91% of rent collected
- Rent concessions Less than 1% of rent roll
- Administrations/CVA 3.3% of rent roll
- No short term refinancing risk – 7 year average maturity
- Compliance with banking covenants

1. Impact since March 2020

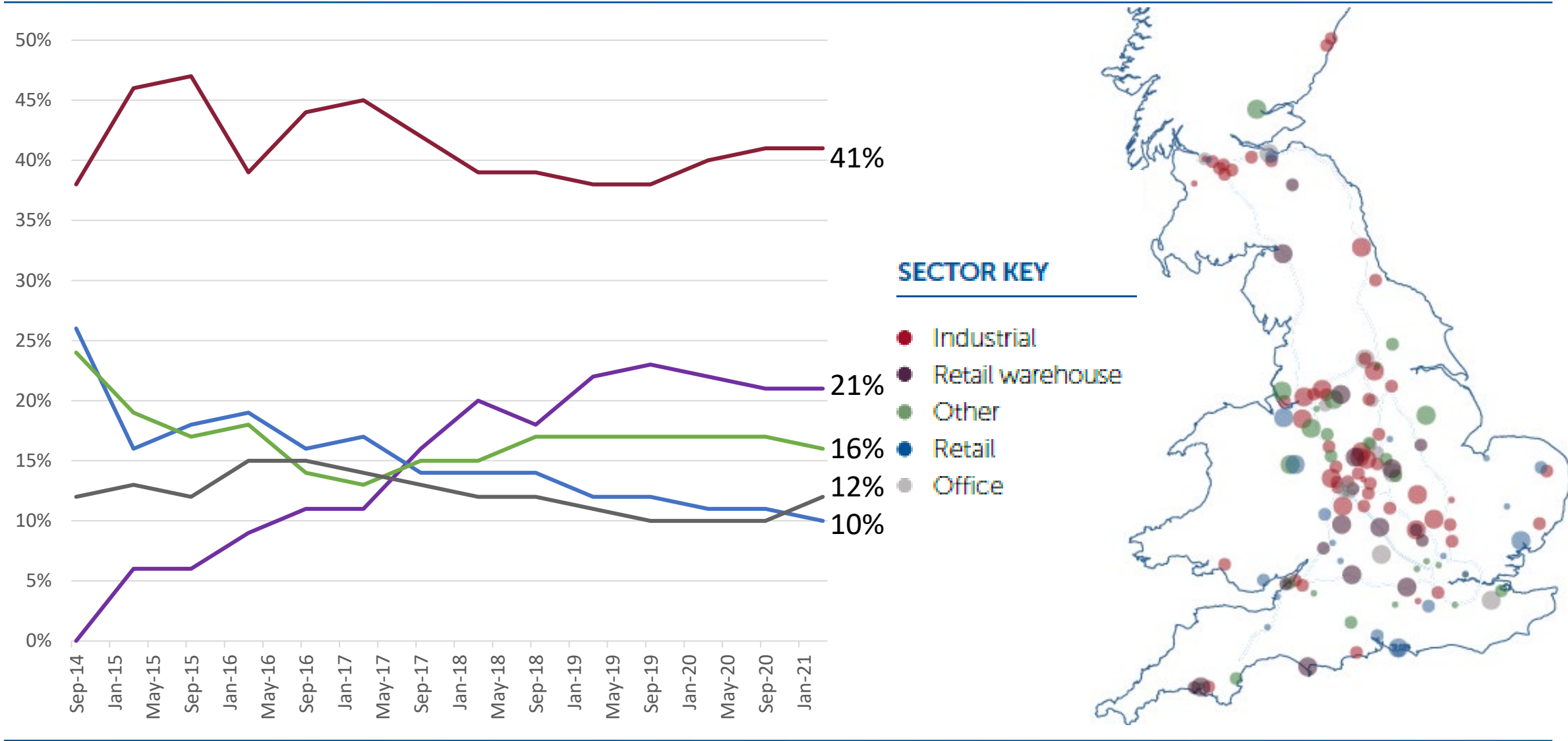




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Portfolio strategy

PORTFOLIO SPLIT OF INCOME



ACQUISITIONS & DISPOSALS

£10.7m acquired/completed in rental growth sectors



Post year end

- **£4.35m** Industrial purchases agreed
- **£3.0m** Drive Thru' purchase agreed

£2.3m ex-growth retail sold*



*Includes Nottingham sold post period end

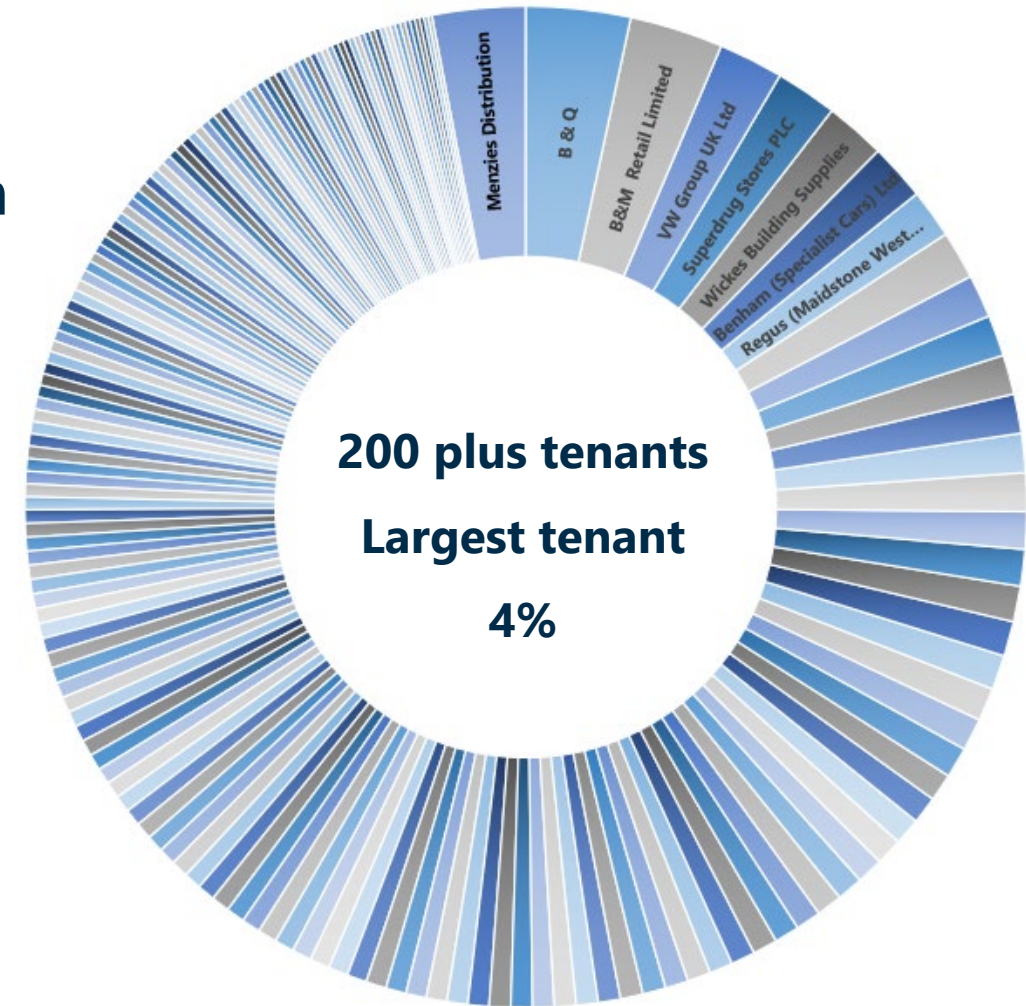


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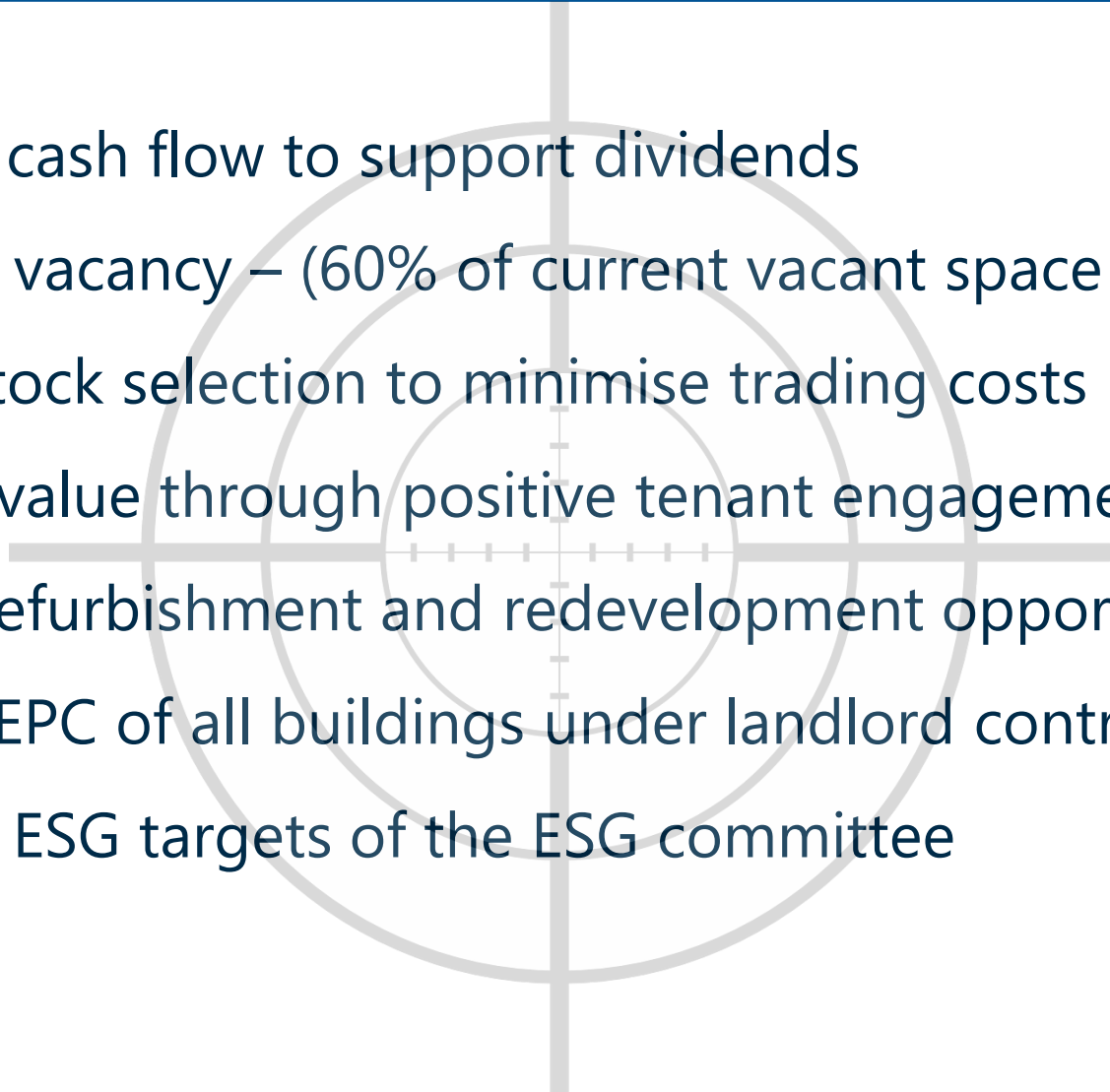
DIVERSIFICATION OF INCOME

- **Diversified** portfolio
 - By location, sector, tenant and lease term
- A focus on assets with **high residual values**
- Modern or 'fit for purpose' buildings
- Property values of **less than £10 million**

Split of income by tenant



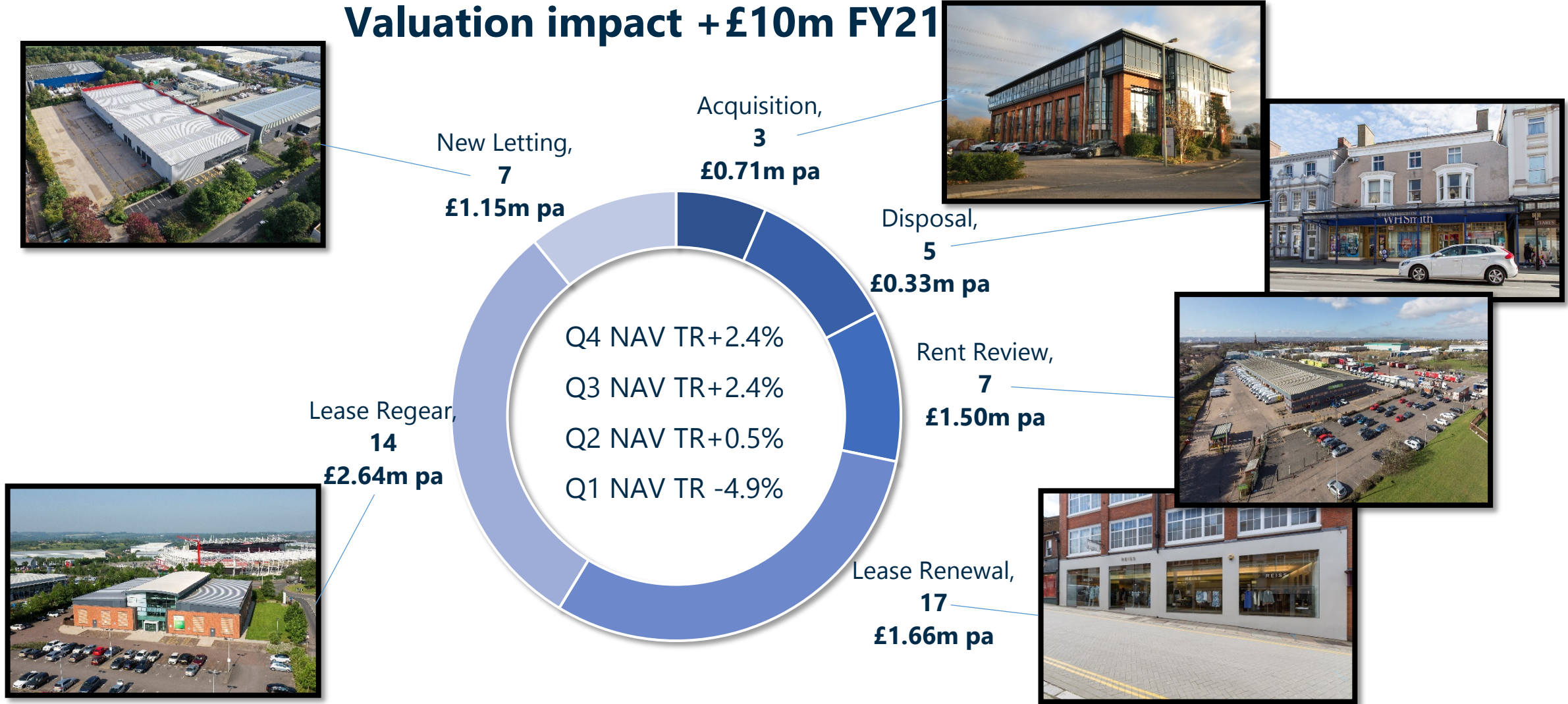
ASSET MANAGEMENT STRATEGY

- 
- Maintain cash flow to support dividends
 - Minimise vacancy – (60% of current vacant space is under offer)
 - Careful stock selection to minimise trading costs
 - Enhance value through positive tenant engagement
 - Identify refurbishment and redevelopment opportunities
 - Improve EPC of all buildings under landlord control
 - Meet the ESG targets of the ESG committee



ASSET MANAGEMENT IMPACT

Valuation impact +£10m FY21





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ESG strategy

ESG KPI's

Whole Portfolio	Emissions	Reduce portfolio emissions by 30% by 2025 Reduce energy consumption by 15% by 2025
	EPC	All 'D' EPC ratings to be removed or improved by 2027 All 'E' EPC ratings to be removed or improved by 2025 All 'F' and 'G' EPC ratings to be removed or improved by 2021
Landlord controlled	Energy	Switch to 100% renewables by 2025 Switch to green gas by 2025
	Investment	Install EV charging at all retail warehouse assets by 2025 Onsite renewables at one asset by 2025
	Waste	Zero waste to landfill by 2022 Reduce water consumption by 50% by 2025
Tenants	Engage	Incorporate sustainability clauses into new leases Engage with tenants on quarterly basis on ESG issues
Standards	Targets	Achieve EPRA Gold Standard by 2021 Report to TCFD by 2021 Incorporate ESG factors into all investment due diligence undertaken



ESG

- **ESG** committee constituted
- **Compliant** with legislation:
 - Streamlined Energy Carbon Reporting (**SECR**)
 - Energy savings opportunity scheme (**ESOS**)
- Joining leading property businesses in:
 - European Real Estate Association (**EPRA**) Sustainability Report
 - Global Real Estate Sustainability Benchmark (**GRESB**)
 - TCFD

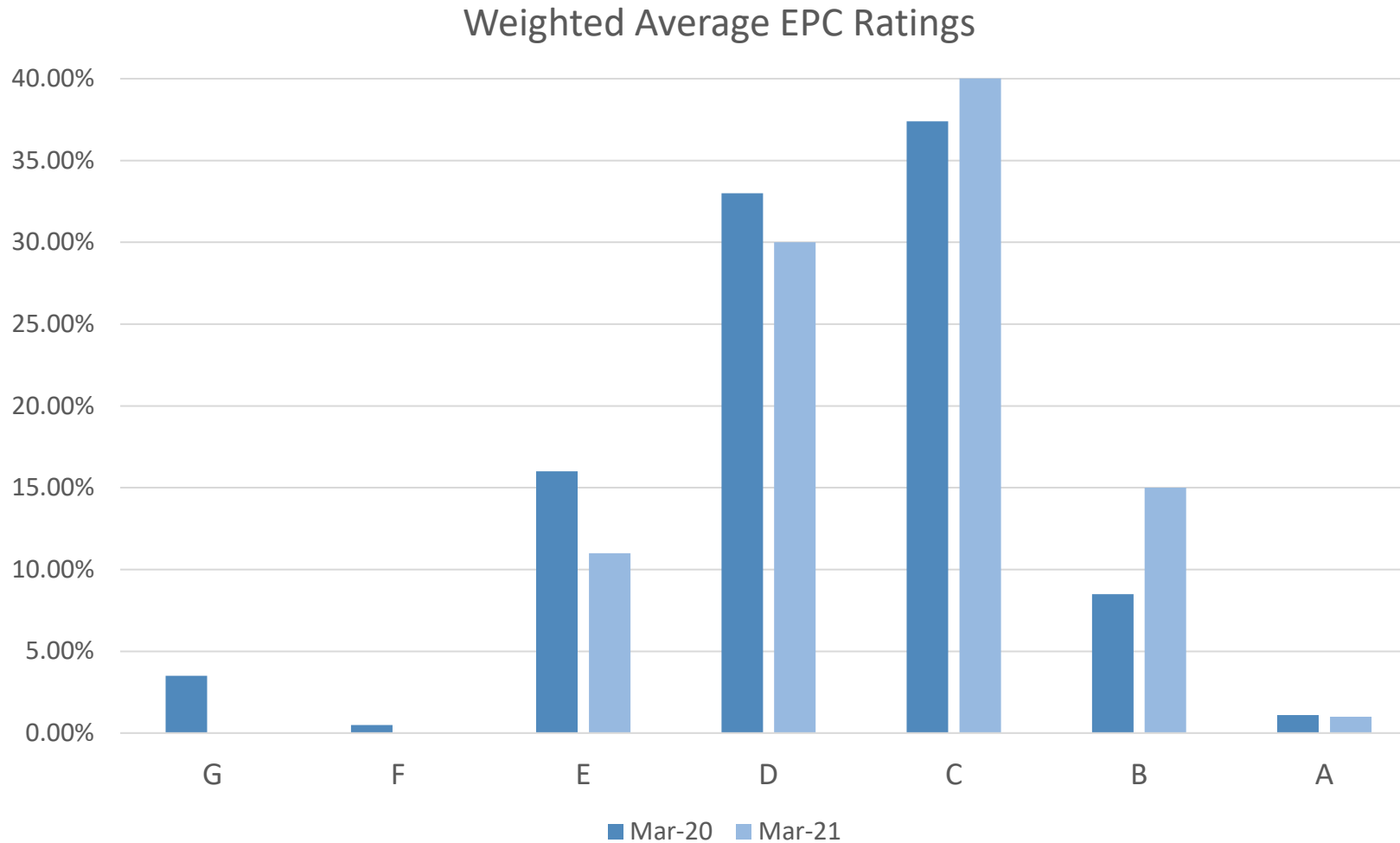


TCFD | TASK FORCE ON CLIMATE-RELATED
FINANCIAL DISCLOSURES



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EPC RATINGS



- 983,000 sqft re-rated
- 63 EPC assessments
- All F and G improved
- Aggregate improvement of 37 points per unit

REFURBISHMENT – VALUE AND EPC ENHANCEMENT

EPC - E



EPC - B



EPC - E



EPC - C



EPC - E



EPC - B



EPC - D



EPC - B





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Appendix

INDUSTRIAL/LOGISTICS OUTLOOK

- Occupational demand is robust
- Supply is tight
- Vacancy rate below the long-term average
- Latent rental growth potential
- Last mile logistics network needs to grow

- Investment demand at record levels with pricing to match



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RETAIL OUTLOOK

- Over-supply
- Rents under pressure
- CVA/Pre-pack administrations

- Preference for out of town retail
- Convenient
- Lower costs of occupation
- Complementary to on-line
- Income yield is attractive



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OFFICE OUTLOOK

- Working from home
- Video conferencing
- Offices will still be in demand
- Space requirements may increase
- Flexibility of occupation and configuration
- Health and well-being

- ESG credentials will be essential to occupiers and investors



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OTHER SECTORS OUTLOOK

- Drive thru' resilience
- Rental growth potential
- Strong investor demand



- Hospitality - recovery hopes for businesses that survive lockdown



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