

Drum Income Plus REIT plc ("Drum" or the "Company")

Unaudited Net Asset Value as at 31 December 2018

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value ("**NAV**") as at 31 December 2018.

Highlights

Period from 30 September to 31 December 2018

- Fair value independent valuation of property portfolio as at 31 December 2018 of £56.7m (30 September 2018: £57.4m).
- NAV per share at 31 December 2018 of 91.6p (30 September 2018: 93.8p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 31 December 2018 were 1.0p.
- Dividend paid during the quarter of 1.50p.
- NAV total return (NAV movement plus dividend paid) of -0.7%.

Introduction

The Company aims to provide shareholders with a regular dividend income plus the prospect of income and capital growth over the longer term. The Company invests in smaller UK commercial properties, principally in the office, retail (including retail warehouses) and industrial sectors, which have the potential to offer a secure income stream, to create value through active asset management and have strong prospects for future income and capital growth.

Unaudited NAV (As at 31 December 2018)

	<i>£m</i>	<i>Pence per Share</i>
NAV as at 30 September 2018	35.8	93.8
Valuation change in property portfolio	(0.6)	(1.7)
Income earned for the period	1.1	2.9
Expenses for the period*	(0.5)	(1.4)
Interest paid	(0.2)	(0.5)
Dividend paid	(0.6)	(1.5)
Unaudited NAV as at 31 December 2018	35.0	91.6

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 31 December 2018 and income for the period, but does not include a provision for the fourth interim dividend, which will be paid in February 2019. The earnings per share for the period from 1 October 2018 to 31 December 2018 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.0p.

* Prior to 30 September 2018 an unsolicited approach was made by a potential purchaser with a view to acquiring the entire share capital of the Trust. The initial terms discussed were deemed by both parties to be acceptable and diligence was instructed by both parties in October 2018. Following a period of extensive due diligence, satisfactory final terms could not be agreed between the parties and the transaction was aborted in November 2018. Costs of £252K were incurred by the Trust in the period October to November 2018 in relation to the aborted transaction.

As at 31 December 2018, the Company had cash balances of £1.4 million and borrowings of £22.7 million (loan to value of 40.0%).

Current Portfolio

Location	Sep-18		Dec-18	
	Value	% Weighting	Value	% Weighting
North East	£16,100,000	27.78%	£16,150,000	28.18%
Scotland	£18,850,000	32.53%	£18,250,000	31.85%
North West	£19,000,000	32.79%	£18,900,000	32.99%
South West	£4,000,000	6.90%	£4,000,000	6.98%
	£57,950,000	100.00%	£57,300,000	100.00%
Sector	Value	% Weighting	Value	% Weighting
Office	£24,800,000	42.80%	£25,300,000	44.15%
Shopping Centre	£13,700,000	23.64%	£13,750,000	24.00%
Retail	£17,300,000	29.85%	£16,750,000	29.23%
Industrial	£2,150,000	3.71%	£1,500,000	2.62%
	£57,950,000	100.00%	£57,300,000	100.00%

The properties were valued at £57,300,000 as at 31 December 2018 (30 September 2018: £57,950,000) by Savills (UK) Limited ('Savills'), in their capacity as external valuers adjusted for lease incentives of £574,000. (30 September 2018: £599,000).

Key KPIs		
	Sep-18	Dec-18
Total Number of Units	108	105
Total Number of Tenants	87	87
Total SQFT	336,303	336,303
Vacancy (% SQFT)	10.10%	10.80%
Vacancy (% ERV)	1.90%	4.50%
WAULT (Expiry)	6.14	6.25
WAULT (Breaks)	4.95	5.07

Differentiated Investment Strategy

- Target lot sizes of £2m - £15m in regional locations.
- Sector agnostic – opportunity driven.
- Entrepreneurial asset management.
- Risk-controlled development.
- Dividend paid quarterly.
- Fully covered dividend policy.

Portfolio Attributes

In the context of the market uncertainty, the Board believes it is helpful to shareholders to highlight some key attributes of the Company's property portfolio:

- The Company has no exposure to Central London markets, which may take the brunt of any Brexit-related market weakness.
- The weighted average unexpired lease term (WAULT) to expiry is 6.25 years.
- The portfolio yield is 7.1% (based on 31 December 2018 valuation).
- The occupancy rate is high at greater than 95% by ERV
- Gearing - the loan-to-value ratio of 40.0% is directly in line with the stated intended target of 40%.
- Further asset management angles to exploit.

Asset Management Overview and Update

3 Lochside Way, Edinburgh

New tenant now in occupation which maintains the buildings occupancy at 100%. Rental on the new letting is £20psf which is a new level for the building.

Arthur House, Manchester

A letting of c 3,500sqft to IJ Tours Limited on the fifth floor has been concluded at a level of £18.50 per sqft for a period of 9 years with a break at the end of the 3rd and 6th years of the term.

The proposed refurbishment works of the 6th floor has been approved by the Board and these works will be instructed in the first quarter of 2019.

Eastern Avenue, Gloucester

An Agreement for Lease has been entered into with Home Bargains for the former Office Outlet unit on a subject to planning basis. The planning application is due to be determined in the first quarter of 2019.

There is interest in the former Maplin unit from two potential tenants.

Dividends

The Board is targeting a fully covered annual dividend of 6.0p per share in respect of the year ending 30 September 2019*. At the current share price of 94.5p this would represent an annualised dividend yield of 6.3%.

**Target returns only and not a profit forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of expected or actual current or future results.*

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