Picton Property Income

A 13.5% Q1 shareholder return

Q126 trading update

Real estate

21 August 2025

Picton Property Income (PCTN) delivered a 1.9% NAV total return in Q126, a combination of dividends (116% covered by EPRA earnings) and modest NAV growth. Lease events continue to unlock reversionary rent potential and portfolio repositioning continues. Share repurchases have contributed to strong share price gains in the year to date, but the discount to NAV remains 25% and is, in our view, an attractive opportunity.

Year end	Net rental income (£m)	EPRA earnings (£m)	EPRA EPS (p)	DPS (p)	NAV/share (£)	Yield (%)	P/NAV (x)
3/24	37.9	21.7	4.0	3.55	0.96	4.7	0.79
3/25e	37.7	22.8	4.2	3.70	1.00	4.9	0.76
3/26e	38.7	23.2	4.4	3.80	1.03	5.0	0.74
3/27e	39.6	23.6	4.5	3.90	1.05	5.1	0.72

Note: EPRA earnings exclude revaluation gains/losses and other exceptional items. NAV measure is net tangible assets (NTA), currently the same as IFRS NAV.

Realising reversionary rent potential

Q126 NAV per share grew 1%, driven by retained earnings and a fourth consecutive quarter of positive property revaluation movements. The shareholder total return was 13.5% (Q425: 13.5%), with the share buyback programme seeming to have a positive impact. In the year to date, Picton's shares have risen 18% compared with an average 2% for its small group of close peers. Leasing events continue to unlock reversionary potential (£7.5m or 15% of passing rent at end-FY25), especially in the industrial sector. Lease renewals, with a combined rent of £1.2m, were at an average 13% above the previous market rent, while new lettings secured an annual rent of £0.4m, 11% above the March ERV. Our EPS forecasts are little changed, showing further growth in earnings and DPS in FY26 and FY27.

Successful performance underappreciated

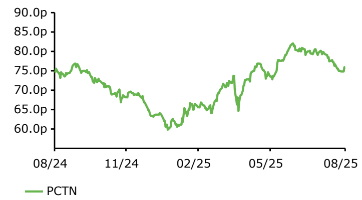
Among the few remaining sector-diversified, predominantly regionally focused REITs available to investors, Picton's track record of performance and the value embedded in its portfolio seem underappreciated. It successfully targets total returns, albeit it with an income focus, but value-generating reinvestment in the portfolio means that dividends are not as high as for peers. At the portfolio level, it has outperformed the MSCI UK Quarterly Property Index in each of the past 12 years and has delivered upper-quartile total return performance since launch in 2005. NAV total return (without reinvestment of dividends) is 6.9% per year over the past 10 years, a period of challenge for the sector, with pandemic lockdowns soon followed by rising interest rates. There is significant reversionary potential in the portfolio to be unlocked through active asset management. Meanwhile, capital recycled out of lower-yielding assets has been used to pay down more expensive debt, for accretive share buybacks and for value-creating portfolio investment. We expect further recycling to also focus on maintaining and enhancing the income-generating asset base, with redeployment from lower- to higher-yielding properties.

Valuation: Property outperformance at a discount

FY26e DPS of 3.8p, fully covered, represents a yield of 5.0%, and we believe the remaining c 25% discount to NAV should be seen as an opportunity.

Price	**75.80p**
Market cap	**£397m**
Net cash/(debt) at 30 June 2025	£(182.2)m
Shares in issue	523.6m
Code	PCTN
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(4.2)	4.6	8.2
52-week high/low		82.0p	57.3p

Business description

Picton Property Income is an internally managed UK REIT that invests in a diversified portfolio of commercial property across the UK. It is total return driven with an income focus and aims to generate attractive returns through proactive management of the portfolio.

Next events

Interim results	12 November 2025

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Further details from the quarterly update

During Q126, Picton reported property gains of £2.8m, including £2.4m in respect of a lease restructure at a hotel in Carlisle. Retained earnings (dividends were 116% covered) were offset by share repurchases and EPRA NTA reduced slightly from £533m at end-FY25 to £530m. In per share terms, EPRA NTA increased 1% to 100.9p, reflecting a lower number of shares in issue. Share repurchases at below NTA added 0.4p.

Exhibit 1: Summary of NAV movement

	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Pence per share	**Q125**	**Q225**	**Q325**	**Q425**	**Q126**
Opening NAV/EPRA NTA	**96.1**	**96.0**	**96.3**	**98.5**	**100.0**
Movement in property values	0.0	0.1	2.0	0.6	0.5
Net income after tax	0.9	1.2	1.0	1.2	1.1
Dividends paid	(0.9)	(1.0)	(0.9)	(1.0)	(0.9)
Share buyback	0.0	0.0	0.0	0.7	0.4
Share based awards/other	(0.1)	0.0	0.1	(0.0)	(0.2)
Closing NAV/EPRA NTA	**96.0**	**96.3**	**98.5**	**100.0**	**100.9**
Dividend cover	102%	120%	111%	115%	116%
LTV	24.9%	25.3%	25.3%	24.1%	25.1%

Source: Picton Property Income data

The EPRA NTA total return in the quarter was 1.8% (or 1.9% assuming reinvestment of dividends). Over the 12 months to 30 June, the total return was 9.0%.

Exhibit 2: NAV total return

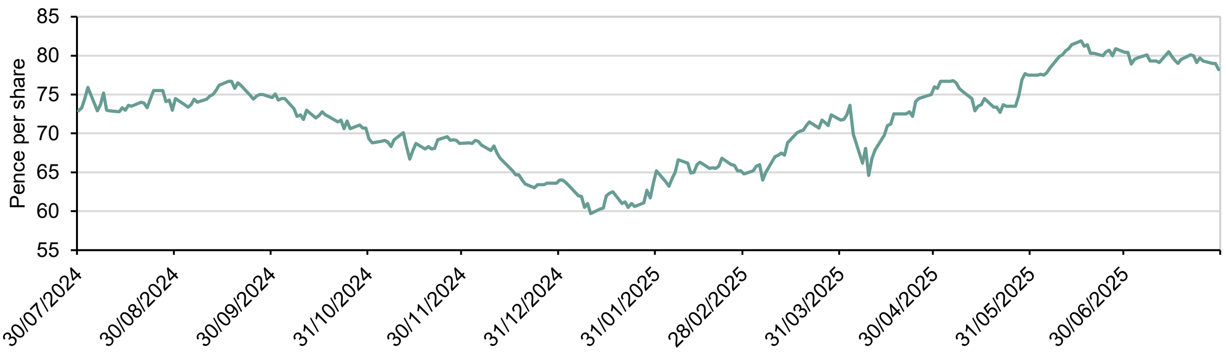
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Pence per share	**Q125**	**Q225**	**Q325**	**Q425**	**Q126**
Opening EPRA NTA/NAV per share	96.1	96.0	96.3	98.5	100.0
Opening EPRA NTA/NAV per share	96.0	96.3	98.5	100.0	100.9
Change in EPRA NTA/NAV per share	(0.1)	0.3	2.2	1.5	0.9
Dividend per share paid	0.925	0.925	0.925	0.925	0.925
EPRA NTA/NAV total return	0.9%	1.3%	3.2%	2.4%	1.8%

Source: Picton Property Income data, Edison Investment Research

Share buybacks have supported shareholder total returns

Given the continued rise in the share price, the shareholder total return in Q126 was 13.5% (Q425: 13.5%). Picton's share price has risen by 18% year to date, with all the gain coming since the share buyback programme commenced on 30 January. The small group of close peers shown in Exhibit 8 has seen an average increase of 2% year to date. During Q126 the share price increased by a little over 12%. Among peers, Custodian Income REIT has recently begun to repurchase shares, announcing a programme of up to £5m on 17 July.

Exhibit 3: One year share price performance



Source: LSEG Data & Analytics

Further share repurchases expected

The initial repurchase programme was for up to £10m. On 4 April this was increased to £12.5m, with a further increase to £17.5m announced on 22 May, enabling the programme to run until the AGM that was held on 30 July.

During Q126, the company repurchased and cancelled £6.9m of shares at an average of 75p per share, an accretive 25% discount to the June 2025 NAV. As of 31 July, the company had repurchased and cancelled c 24m shares, c 4.5% of the total outstanding at the start of the programme, for a consideration of c £17.3m, at an average c 72p.

At the AGM, shareholders renewed the company's authority to repurchase up to a further 15% of the outstanding shares in issue and Picton indicated that it expects to continue to make share repurchases in the coming year where this remains value creating. Despite share buybacks in the period, the Q126 cash position remained healthy at c £27m (end-FY25: c £35m) and gearing moderate, with a net loan-to-value ratio of 25.1% (end-FY25: 24.1%). All debt is long term and at an average fixed rate of 3.7%, and an undrawn £50m revolving credit facility provides additional flexibility.

Broader capital recycling measures

Material portfolio rent reversion (see below) is a significant opportunity to drive earnings and dividend growth, but capital recycling is making an important contribution and will continue to do so. The repurposing and disposal of three partially occupied, low-yielding office properties in FY25 enabled Picton to repay its more expensive floating rate debt in full, undertake value-creating capital investment (to increase the quality of the assets, their appeal to occupiers and enhance their income and capital value potential) and buy back shares at a material discount to NAV. We expect the company to pursue similar repositioning opportunities (including at 50 Farringdon Road, London EC1, one of the larger office assets in the portfolio, where Picton has secured planning approval to create an additional floor of residential accommodation above the offices) but also to seek opportunities to recycle capital out of a broader range of lower-yielding assets. The capital released can support further buybacks and capital investment, but we think it important that it maintain its income and dividend paying base by also reinvesting in higher-yielding assets. While some of the office assets in Picton's portfolio have been lower yielding because of low occupancy, other assets in the portfolio are lower yielding because of their quality, occupier appeal and rental growth prospects. The average equivalent yield, which better reflects the reversionary upside, in Picton's industrial portfolio at end-FY25 was 5.6% compared with a portfolio average of 7.4%. Management is well aware of the risks of chasing yield where this may be detrimental to portfolio quality, longer-term income growth and income security. These considerations will drive recycling activity on a property by property basis rather than any particular sector view.

Rental growth, capital growth and significant reversionary potential

While the portfolio reversionary yield is 7.4%, the portfolio valuation reflects a net initial yield of 4.9%, a good indication of the income potential in the portfolio. At end-FY25, the estimated rental value (ERV) of the portfolio of £55.7m was £7.5m or 15% above the annualised contracted rent of £48.2m. In the office sector there remains significant room to reduce voids. In the industrial sector there is a wide gap between current rents and market rents, which should be captured progressively by lease events.

During Q126, eight lease renewals, with a combined rent of £1.2m, were at an average 13% above the previous market rent, while three new lettings secured an annual rent of £0.4m, 11% above the March ERV.

Highlighting the reversionary upside in the industrial sector, where occupancy remains high at 98%, five lease renewals, representing £0.4m of annual rent, were at a 28% premium to the previous passing rent and 3% above the end-Q425 ERV. Since the end of the quarter, a significant lease extension with a top 10 occupier, at an annual rent of £1.0m, was at a 23% premium to the end-FY25 ERV and a 23% premium to the previous passing rent.

In the office sector, while progress was made in letting recently refurbished or high-quality vacant space, overall occupancy reduced to 78% from 86%, primarily due to asset management activity; securing vacant possession of space at 50 Farringdon Road; and a lease surrender at Chatham, where a premium of £0.8m was received, providing an opportunity to refurbish.

The main activity in the retail & leisure portfolio was the Carlisle hotel lease restructure, with occupancy stable at 94%.

Overall portfolio occupancy reduced to 91% from 94% at end-FY25, representing an ERV of c £1.6m, primarily related to the office sector asset management initiatives that are expected to have a short-term impact.

During Q126, the externally assessed value of the property portfolio increased by £2.8m to c £726m. The carried value in the balance sheet is lower, having been adjusted for lease incentives, owner occupied property and assets held under finance leases. The 0.4% like-for-like uplift included capital expenditure of £2.6m and the £2.4m Carlisle lease restructure payment, which IFRS accounting treats as a capital payment, although it was received in cash. As it was received in cash, it did not contribute to the £2.8m uplift in portfolio value, which therefore substantially reflects the capex in the period.

The lease restructure extended the lease that was due to expire in 2031 to a new 99-year lease but at lower rent than previously. The increased affordability of the rent to the tenant and longer lease maturity reduces income risk to Picton, in addition to the immediate cash sum it has received.

The like-for-like increase in valuation compares with average 0.3% growth, across all sectors, for the MSCI UK Monthly Property Index (and a total return of 1.7%). Similar to data published by MSCI, Picton saw the strongest gains in industrial sector assets, which continue to experience rental growth and leasing events in excess of the valuers' ERV. Office sector assets also increased, predominantly driven by capital investment and the upgrading of assets. The 1.1% like-for-like reduction in retail and leisure reflects the impact of the hotel lease restructure, where the valuation impact of the rent reduction, partly offset by the extended maturity, was £1.2m.

Exhibit 4: Q126 portfolio summary

	Portfolio value by sector	Like-for-like valuation change	Capital expenditure
Industrials	**64%**	0.6%	£0.8m
o/w South East	45%		
o/w Rest of UK	19%		
Office	**24%**	0.5%	£1.5m
o/w London City & West End	8%		
o/w South-East	7%		
o/w Rest of UK	9%		
Retail & Leisure	**12%**	-1.1%	£0.3m
o/w Retail Warehouse	8%		
o/w High Street Rest of UK	2%		
o/w Leisure	2%		
Portfolio total	**100%**	**0.4%**	**£2.6m**

Source: Picton Property Income

Forecast update

The FY25 results published in May were in line with our forecasts for EPRA EPS, DPS and EPRA NTA per share.

We have updated our FY26 forecasts, with no change to EPRA EPS but reflecting the increase in quarterly DPS, and have extended the forecast period to FY27, when we expect further growth in earnings and DPS. While FY26e EPS is unchanged, this is based on a lower average number of shares and aggregate earnings is £1.1m lower at £23.2m, primarily reflecting lower net interest income.

In turn, the reduction in FY26e net interest income is largely explained by the ongoing asset management activity in the office sector, where the opportunity to enhance total value creation requires a period of vacant possession, with income foregone. Aside from this, underlying our forecasts is the assumption of only modest like-for-like growth in ERV, and only limited reversionary capture. These assumptions may prove to be prudent but recognise the continuing level of economic uncertainty. As a result, the estimated potential upside from contracted rent to ERV remains high at c £7m.

Importantly, we have not assumed ongoing share buybacks, although these are to be expected and are accretive of NAV. Nor have we assumed any asset disposals and recycling of capital, either into buybacks or into higher-yielding assets.

Exhibit 5: Forecast update

	Reported	Forecasts		Previous forecasts		Reported vs forecast	Change in forecast
£m unless stated otherwise	**FY25**	**FY26**	**FY27**	**FY25e**	**FY26**	**FY25a vs FY25e**	**FY26**
Rental & other income	44.2	45.1	45.8	44.8	46.1	(0.6)	(1.0)
Void costs	(3.9)	(3.6)	(3.4)	(3.4)	(3.1)	0.0	(0.5)
Other property costs	(2.6)	(2.8)	(2.8)	(3.1)	(3.1)	0.0	0.3
Net rental income	**37.7**	**38.7**	**39.6**	**38.3**	**39.9**	**(0.6)**	**(1.2)**
Admin expenses	(7.1)	(7.3)	(7.5)	(6.8)	(7.1)	(0.3)	(0.2)
Net financial expense	(7.7)	(8.2)	(8.5)	(8.5)	(8.5)	0.8	0.3
EPRA earnings	**22.8**	**23.2**	**23.6**	**23.0**	**24.3**	**(0.2)**	**(1.1)**
EPRA EPS (p)	4.2	4.4	4.5	4.2	4.2	(0.0)	0.2
DPS (p)	3.7	3.8	3.9	3.7	3.7	0.0	0.1
Dividend cover (x)	114%	117%	116%	114%	116%		
EPRA NTA total return	7.9%	6.5%	5.9%	8.0%	7.6%		
EPRA NTA per share (p)	100	103	105	100	104	(0)	(1)
LTV	24.1%	25.7%	25.6%	23.8%	23.5%		

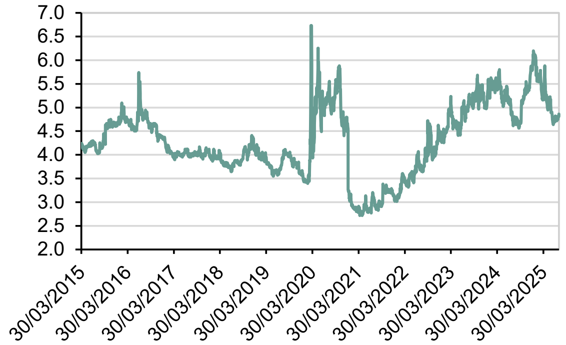
Source: Picton Property Income FY25 reported data, Edison Investment Research forecasts

Valuation does not reflect asset management opportunities

The level of quarterly DPS (0.95p) represents an annualised rate of 3.8p or a 5.0% yield. We forecast an increase to 3.9p for FY27.

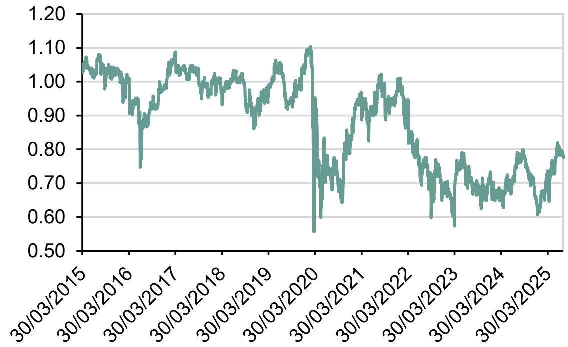
The shares trade at c 0.75x the 100.9p Q126 NAV per share, below the 10-year average of 0.9x, a period that captures the pandemic lockdowns and the rise in interest rates, both of which depressed ratings across the sector, and a high of c 1.1x.

Exhibit 6: 10-year trailing dividend yield (%)



Source: Picton Property Income data, LSEG Data & Analytics, Edison Investment Research

Exhibit 7: 10-year trailing P/NAV (x)



Source: Picton Property Income data, LSEG Data & Analytics, Edison Investment Research

The list of regionally focused, diversified REITs that represent Picton's close peers has shrunk materially as a result of corporate activity and company wind-downs. Picton's shares trade on a lower yield than the group average, primarily reflecting its greater focus on total return, balancing sustainable fully covered dividends with the capital requirements of value-creating active management. Its P/NAV ratio is below the average, suggesting that the market is not anticipating a continuation of Picton's strong track record of property-level performance despite the future income and valuation growth potential embedded in its portfolio. We also note the company's low gearing and attractive long-term, fixed-rate funding. If the fair value of Picton's debt were reflected in the balance sheet it would add c 5% to NAV per share. As it is internally managed, its administrative costs would not be directly linked to a recovery in property valuation across the market, unlike externally managed peers with fees linked to NAV.

Exhibit 8: Price performance and valuation comparison with close peers

	Price (p)	Market cap (£m)	P/NAV (x)	Trailing yield (%)	Share price performance			
					3 months	YTD	12 months	3 years
AEW REIT	105	166	0.95	7.6	2%	4%	10%	-9%
Custodian Property Income	79	364	0.82	7.6	1%	2%	0%	-28%
Schroder REIT	51	249	0.83	6.9	-1%	0%	7%	-6%
Average			**0.87**	**7.4**	**1%**	**2%**	**6%**	**-14%**
Picton Property Income	**76**	**397**	**0.76**	**4.9**	**4%**	**18%**	**3%**	**-19%**
UK property sector index	1,184				-4%	1%	-13%	-28%
UK equity market index	5,028				6%	13%	11%	21%

Source: Company data, LSEG Data & Analytics, Edison Investment Research. Note: Prices as at 31 July 2025.

Exhibit 9: Financial summary

Year end 31 March (£m)	2023	2024	2025	2026e	2027e
PROFIT & LOSS					
Rental income	43.0	43.9	43.5	44.6	45.3
Other income	0.4	1.2	0.7	0.5	0.5
Revenue (excluding service charges)	43.4	45.1	44.2	45.1	45.8
Property operating costs	(3.5)	(3.1)	(2.6)	(2.8)	(2.8)
Property void costs	(3.6)	(4.1)	(3.9)	(3.6)	(3.4)
Property expenses (excluding service charge expense)	**(7.1)**	**(7.2)**	**(6.5)**	**(6.4)**	**(6.2)**
Net rental income	**36.3**	**37.9**	**37.7**	**38.7**	**39.6**
Administrative expenses	(6.0)	(7.2)	(7.1)	(7.3)	(7.5)
EBITDA	30.3	30.7	30.6	31.4	32.1
Revaluation of investment properties	(110.8)	(26.5)	13.0	7.0	7.2
Profit on disposals	0.0	0.0	1.5	0.0	0.0
Operating Profit	(80.5)	4.1	45.1	38.4	39.3
Net finance expense	(9.0)	(8.9)	(7.7)	(8.2)	(8.5)
Debt repayment fee					
Profit Before Tax (norm)	(89.5)	(4.8)	37.3	30.3	30.8
Taxation	0.0	0.0	0.0	0.0	0.0
Profit After Tax (IFRS)	(89.5)	(4.8)	37.3	30.3	30.8
Adjust for:					
Investment property valuation movement	110.8	26.5	(12.7)	(7.0)	(7.2)
Profit on disposal of investment properties	0.0	0.0	(1.8)	0.0	0.0
Exceptional income /expenses	0.0	0.0	0.0	0.0	0.0
EPRA earnings	21.3	21.7	22.8	23.2	23.6
Average number of shares outstanding (m)	545.4	545.4	544.0	523.2	520.6
IFRS EPS (p)	(16.4)	(0.9)	6.9	5.8	5.9
EPRA EPS (p)	3.9	4.0	4.2	4.4	4.5
Dividend per share (p)	3.5	3.6	3.7	3.8	3.9
Dividends paid per share (p)	3.5	3.5	3.7	3.8	3.9
Dividend cover (x) EPRA EPS/DPS declared	112%	112%	114%	117%	116%
Total return	-13.7%	-0.9%	7.9%	6.5%	5.9%
EPRA cost ratio (excluding direct vacancy costs)	21.3%	23.0%	21.9%	22.3%	22.5%
BALANCE SHEET					
Non-current assets	749.8	691.8	704.2	718.3	732.6
Investment properties	746.3	688.3	700.7	714.8	729.1
Other non-current assets	3.4	3.5	3.5	3.5	3.5
Current assets	42.8	82.1	60.4	48.1	45.4
Debtors	22.7	62.3	25.1	28.2	28.4
Cash	20.1	19.8	35.3	19.9	17.0
Current Liabilities	(20.7)	(21.9)	(21.6)	(21.4)	(21.4)
Creditors/Deferred income	(19.6)	(20.7)	(20.2)	(20.2)	(20.2)
Current borrowings	(1.1)	(1.2)	(1.4)	(1.3)	(1.3)
Non-Current Liabilities	(224.2)	(227.5)	(209.7)	(210.1)	(210.4)
Non-current borrowings	(221.6)	(224.9)	(207.2)	(207.6)	(207.9)
Other non-current liabilities	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Net assets	547.6	524.5	533.4	534.8	546.2
NAV per share (p)	**100**	**96**	**100**	**103**	**105**
EPRA NTA per share (p)	**100**	**96**	**100**	**103**	**105**
CASH FLOW					
Operating cash flow	30.9	29.2	32.2	29.1	32.7
Net Interest	(7.9)	(9.0)	(7.3)	(7.9)	(8.2)
Tax	0.0	0.0	0.0	0.0	0.0
Net cash from investing activities	(26.8)	(4.5)	37.7	(7.0)	(7.2)
Ordinary dividends paid	(19.1)	(19.1)	(20.2)	(19.8)	(20.2)
Debt drawn/(repaid)	5.4	3.1	(17.9)	0.0	0.0
Net proceeds from shares issued/repurchased	(1.1)	0.0	(1.5)	0.0	0.0
Other cash flow from financing activities					
Net cash from financing activities	(14.8)	(16.0)	(39.6)	(19.8)	(20.2)
Change in cash	**(18.5)**	**(0.3)**	**23.0**	**(5.6)**	**(2.8)**
Opening cash	38.5	20.0	19.7	42.8	37.1
Closing cash	20.0	19.7	42.8	37.1	34.3
Debt as per balance sheet	(222.8)	(226.1)	(208.5)	(208.8)	(209.1)
Un-amortised loan arrangement fees	(1.7)	(1.4)	(1.1)	(0.8)	(0.5)
Closing net (debt)/cash	(204.5)	(207.8)	(166.9)	(172.5)	(175.3)
Net LTV	26.7%	27.9%	24.1%	25.7%	25.6%

Source: Picton Property Income historical data, Edison Investment Research forecasts

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