abrdn Property Income Trust

Actively managing UK real estate looking for higher yield and capital growth

Performance Data and Analytics for Quarter 3, 2023

Investment Objective

To provide an attractive level of income together with the prospect of income and capital growth.

The Company invests in a diversified portfolio of UK commercial real estate assets in the industrial, office, retail and "other" sectors, where "other" includes leisure, data centres, student housing, hotels and healthcare. Investment in property development and investment in co-investment vehicles, where there is more than one investor, is permitted up to a maximum of 10% of the property portfolio.

- Net asset value ("NAV") per ordinary share was 82.2p (Jun 2023 – 83.8p), a decrease of 1.9% for Q3 2023, resulting in a NAV total return, including dividends, of -0.7% for the quarter.
- The portfolio valuation decreased by 0.8% on a like for like basis during the quarter, whilst the MSCI Quarterly Index fell by 1.7% over the same period.
- LTV[A] of 29.9%. The Company currently has financial resources available for investment of £22.8 million (in the form of the Company's revolving credit facility).

Portfolio Performance (%)

	Q3 2023	1 Year	3 Year	5 Years
Portfolio Performance (Total Return cumulative)	0.32	(12.40)	18.32	18.83
Benchmark (Total Return cumulative)	(0.66)	(11.98)	6.90	6.11

Discrete Performance (%)

	30/09/23	30/09/22	30/09/21	30/09/20	30/09/19
Direct portfolio Total return	(12.40)	14.52	17.95	(4.73)	5.41
NAV Total return	(18.91)	18.34	23.28	(8.32)	4.06
Share Price Total Return	(17.86)	(5.52)	62.28	(43.99)	3.31
MSCI Benchmark	(11.98)	9.74	10.68	(2.84)	2.17

Past performance is not a guide to future results.
Benchmark : MSCI UK Quarterly Index.
For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.

Key Statistics as at 30 September 2023

Fund Manager	Jason Baggaley
Launch Date	19 December 2003
Sedol	3387528
Reuters/Epic/ Bloomberg code	API
Portfolio Value	£449.6m (at 30/09/2023)
Market Capitalisation	£186.4m (at 30/09/2023)
Management Fee	0.60% per annum on total assets up to £500 million, 0.50% per annum on total assets over £500 million.
Current Gross Quarterly Dividend	1.00 pence per share
Ordinary Share Price	48.9 pence (as at 30/09/2023)
NAV per Ordinary Share	82.2 pence (as at 30/09/2023)
Loan to Value[B]	29.9% (as at 30/09/2023)

Portfolio Information
Sub Sector Weightings (Company%)

Properties	%
ROUK Industrial	46.9
Retail Warehouse	14.6
SE Industrial	8.6
Other Commercial	8.5
ROUK Offices	7.8
South East Offices	5.8
Central London Office	4.2
High St Retail	1.7
Land[B]	1.9

[A] LTV calculated as Debt less cash divided by portfolio value.
[B] The land on the Ralia estate is presented as "Land", having previously been presented as "Other Commercial", now that MSCI has confirmed that classification.

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need a explanation of the terms used.

All sources (unless indicated): abrdn: 30 September 2023.

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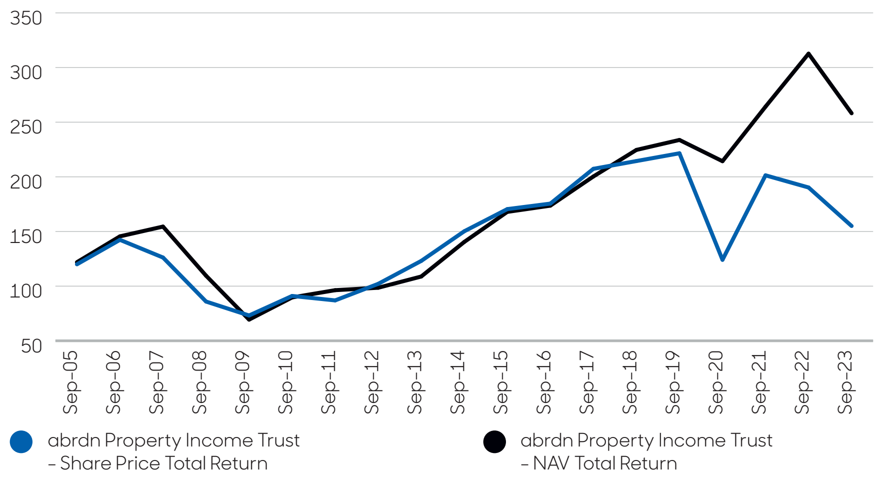
NAV and Share Price Total Return



Source: Thomson Reuters Datastream, abrdn.
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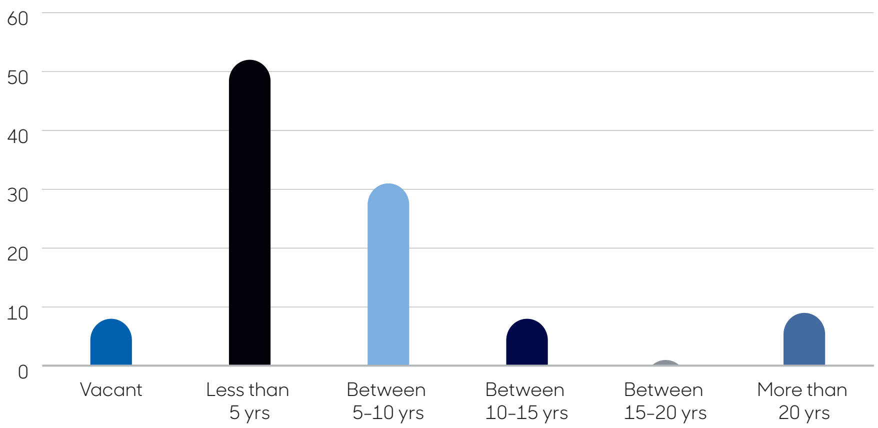
Lease Expiry/Break Profile



Average unexpired lease term to earliest of break or lease expiry is 6.10 years.

Top Ten Holdings

Property/ Direct Investment	Location	Sector	Value Band
B & Q	Halesowen	Retail	£20-25m
54 Hagley Road	Birmingham	Office	£20-25m
Symphony	Rotherham	Industrial	£20-25m
Morrisons	Welwyn Garden City	Retail	£15-20m
Whitehorse Business Park	Shellingford	Industrial	£15-20m
Building 3000 Birmingham Business Park	Birmingham	Other	£15-20m
Hollywood Green	London	Other	£10-15m
3 Earlstrees Road	Corby	Industrial	£10-15m
Tetron 141	Swadlincote	Industrial	£10-15m
Rainhill Road	Washington	Industrial	£10-15m

Factsheet

Receive the factsheet by email as soon as it is available by registering at www.invtrusts.co.uk/signup
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Investment Review & Outlook

UK Real Estate Market outlook – Q4 2023

- Sizeable revisions to gross domestic product (GDP) data suggest the economy recovered more quickly from the pandemic shock than was originally thought. The economy suffered a slightly smaller supply-side shock and productivity growth was better. However, the risk of the economy entering a formal recession even earlier than we had expected is increasing.
- The annual rate of inflation fell to 6.7% in August but then remained at that level in September. CPI is expected to fall further this year due to energy price caps, however the recent rise in fuel prices might limit the downside, and wage growth is still running above the target-consistent rate. The conflict in the Middle East has the scope to further disrupt supply lines and push up fuel prices.
- The Investment Manager believes the BoE's decision to keep interest rates on hold at 5.25% means that the bank rate has peaked. If wage growth and services inflation were to surprise on the upside, then a hike in future is still possible, however we think these conditions are unlikely to be met. The BoE wants to guide market expectations towards a 'Table Mountain' profile for interest rates, which sees rates staying elevated for an extended period. This view is designed to keep a grip on current financial conditions, and we expect rate cuts to start around the middle of next year.
- UK real estate pricing has been stabilising during 2023, following the significant correction in the sector in late-2022. However, performance has been asymmetric across sectors, with those benefiting from structural and thematic tailwinds proving more resilient in the face of a weaker macroeconomic environment.

UK property market – Occupier/Investment Trends

- Industrial: The industrial and logistics sector has been buoyed by resilient occupier demand and continued positive rental growth during 2023. While the vacancy rate in the sector has trended upwards during the year – now around 4% according to CoStar – it remains low in a historical context. In addition, the supply of good-quality space, which occupiers have been targeting, remains low. With the development pipeline being constrained by rising build and debt costs, the availability of accommodation is expected to remain tight.
- Industrial pricing and performance have stabilised so far this year. But polarisation between best-in-class and secondary accommodation is growing, as both occupiers and investors focus on good-quality accommodation in strong locations. Robust rental growth continues to be recorded on such assets and investors are attracted by the opportunity to unlock further rental growth potential. However, the weaker economic environment is placing pressure on occupiers which requires an increased focus on tenant covenant strength and security of income in this environment.
- The longer-term outlook for the sector is positive, supported by structural and thematic growth drivers. Investor sentiment remains strong, as a result. While the investor pool remains smaller than before, due largely to elevated debt costs, there have been tentative signs of yield compression in some areas of the market. However, any improvement in pricing is fragile, given current economic headwinds.
- Offices: As expected, office performance weakened during the third quarter of 2023, as the sector remained under pressure from new working habits and a weak economic climate. Investor appetite towards the sector remains poor and transaction volumes have fallen, as a result. Demand, from both an occupational and investment perspective, remains focused on best-in-class accommodation in strong locations, and on assets that meet current environmental requirements. The availability of such space is low, which is allowing for instances of positive rental value growth.
- Office capital values have seen further falls and the outlook for capital growth remains negative. Falling capital values are placing pressure on debt-financing covenants. With the cost of debt remaining highly elevated, some stress is expected to appear in the office sector during the remainder of 2023 and into 2024, as borrowers struggle to refinance on accretive terms. Secondary assets are most at risk of default and, given limited investor demand, this is likely to spur greater capital declines. Good-quality assets will be more resilient, but not immune in this scenario.
- Retail: During 2023, consumer spending has proven more resilient than first forecast in the face of a cost-of-living crisis. Indeed, consumer sentiment has also been improving as inflationary pressures have started to ease. Recent data from the British Retail Consortium has shown the first monthly drop in food prices for over two years, indicating that the pressure on consumers' pockets may be beginning to ease.
- Retail investment demand is focussed on the retail warehouse sector where vacancy rates are relatively low and occupier demand is evident, even if patchy. Foodstores also remain popular, especially those let to budget retailers.

Investment Manager commentary

Following the positive letting transactions completed during the first half of the year, abrdn Property Income Trust (API) is pleased to be able to announce some further asset management activity that has secured over £1.3m p.a. in rent through new lettings and lease renewals.

In the office sector, the lease over the fourth floor at One Station Square in Bracknell has now completed, securing a rent of £132,144 p.a. At The Pinnacle in Reading, the existing tenant Egnyte Limited has upsized on the fifth floor, taking 4,174 sq.ft at an annual rent of £130,000. This rent is 11% ahead of the March 2023 valuation. The lease over the first floor at 160 Causewayside, Edinburgh has been regeared with the removal of the tenant break option. This has secured £157,000 p.a. of rent for a further 5 years.

At 54 Hagley Road in Birmingham, the previously reported lettings to the Chamber of Commerce and UK Cab have now completed following the conclusion of the landlords works. Combined, these reflect a total of 27,770 sq.ft and £538,090 p.a. in rent. The positive momentum at this building has continued with a letting of part of the 4th floor to Property Investor Network, securing a rent of £49,830 p.a. Terms have also been agreed on two further lease renewals of 9,365 sq.ft where the tenants are remaining in their existing suites and the rents are increasing by an average of just over 30% from previous levels.

Refurbishment works, as defined in the agreement for lease at the logistics unit on Rainhill Road in Washington are progressing well (including the completion of a new 1,150kWp PV scheme on the roof) and are due to complete in early November, when the new lease will commence. This letting, along with the others completed since quarter end, will reduce the void rate as at 30 September from 8% to 4.4%.

This activity demonstrates that API's investment strategy of investing in assets that tenants want to occupy remains relevant. The API office assets, which account for just under 18% of the overall portfolio, continue to be attractive to occupiers with good levels of amenity at attractive rental levels even in a market with significantly reduced demand and take-up.

In the industrial sector, API completed a lease regear at Monkton Business Park in Hebburn. Hitachi Construction Machinery (UK) Limited have taken a new 20-year lease at a passing rent of £310,500 p.a., which is an increase of 19.4% over the previous passing rent. As part of the transaction, Hitachi are obliged to carry out a package of works that are anticipated to improve the EPC rating to an "A".

The EPC on the Company's Bolton industrial unit let to DPD has recently been reassessed following completion of the letting and the landlord's refurbishment works. API took the opportunity, at the expiry of the previous lease, to carry out an extensive package of upgrades to the unit including the extension of the roof-mounted solar panel installation, an increase in on-site biodiversity and the inclusion of staff welfare facilities. Following the reassessment, the EPC has been lodged as an "A" with a score of -54. This negative score reflects the fact that the unit is operationally carbon negative.

API's speculative 107,000 sq.ft industrial development at Knowsley is progressing well, with practical completion scheduled for the turn of the year. The unit will be a best in class building with enhanced ESG credentials, and this has been reflected in the occupational interest received to date. Whilst early days, we have received proposals from two parties and are hopeful of agreeing a letting of the unit ahead of completion.

Three new PV schemes are due to complete in Q4 with a total of 2,005kWp, continuing our deployment of on-site renewable energy where it is appropriate to do so. We are also making good progress with the planting of native broadleaf trees at Far Ralia now that the grant funding has been confirmed. The valuation on this asset increased by 10% this quarter to reflect some of the progress made.

The Company again outperformed the MSCI Quarterly Index over the quarter with a capital decline of 0.8% compared to the index 1.7%. Industrials (and the land holding) saw capital growth mainly due to asset management, whilst Retail and Other remained static and Offices continued to fall in value. The Investment portfolio targets assets that will provide an attractive level of income that is sustainable and is secured against high quality assets that will deliver an above market level of total return.

Important information

Risk factors you should consider prior to investing:

- The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future returns.
- The value of property and property-related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of Properties will correspond exactly with the actual sale price even where such sales occur shortly after the relevant valuation date.
- Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Company and, accordingly, will have an adverse effect on the Company's ability to pay dividends to Shareholders.
- The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields. In the event of default by a tenant, or during any other void period, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveying costs in re-letting, maintenance costs, insurance costs, rates and marketing costs.
- Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.
- Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the market value of the Property Portfolio and/or the rental income of the Property Portfolio.
- Where there are lease expiries within the Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.
- The Company may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits.
- The Company may face significant competition from UK or other foreign property companies or funds. Competition in the property market may lead to prices for existing properties or land for development being driven up through competing bids by potential purchasers.
- Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to acquire properties or development land at satisfactory prices.
- As the owner of UK commercial property, the Company is subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If the Company owns or acquires contaminated land, it could also be liable to third parties for harm caused to them or their property as a result of the contamination. If the Company is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation, which could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Shares.

Other important information:

The Company is a Closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission managed by abrdn with an independent Board of Directors. The Company trades as a UK REIT for tax purposes.

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