



Results analysis: Picton Property Income

PCTN delivers capital and income growth.

Update
14 November 2025

- Picton Property Income's (PCTN) interim results to 30/09/2025 show a NAV total return of 3.4% and profits of 2.9 pence per share. The property portfolio total return was 3.2% compared to 2.7% for the MSCI UK Quarterly Property Index, extending by another six months PCTN's run of 12 consecutive years outperforming the index. Net assets were £528m at the period end (31/03/2025: £533m).
- NAV per share increased 2% to 102p (31/03/2025: 100p). Dividends for the half year totalled 1.9p, with the quarterly dividend amount increased by 2.7% in May 2025. Cover was 106% (2024 FY: 114%). PCTN's discount stood at 23% at the period end, narrowing from 28% at 31/03/2025. The dividend yield at the current share price is 4.8%.
- PCTN's largest holding, an office asset, was sold for £34.5m, a 1% premium to its March 2025 valuation, building upon a series of transactions over the last two years at or above valuation. Following this the portfolio is 68% industrial, 20% office and 12% retail and leisure.
- PCTN's gearing was 22% LTV (31/03/2025: 24%). All £209m of debt is fixed rate with a weighted average interest rate of 3.7% (2024: 3.9%) and weighted average maturity of 6.2 years. In addition, PCTN has an undrawn revolving credit facility of up to £50m.
- In January 2025 PCTN initiated a share buyback programme, committing to a total of £30m. At the period end £18.1m of this had been completed, with a further £2.4m post-period end. Buybacks have been completed at mid-twenties discounts to NAV and are accretive to NAV and earnings. For context, PCTN's market cap is £410m.
- During the period over 50 asset management transactions secured £6.1m of contracted rent 2.8% above the March 2025 estimated rental value (ERV). The like-for-like ERV grew 3.7% in the six-month period.
- PCTN has strong reversionary potential, with a net initial yield of 5.2% and reversionary yield of 7.2% (31/03/2025: 5.2% and 6.8%). PCTN's occupancy rate is 90% (31/03/2025: 94%) and about half of the reversionary potential comes from vacancies. Post-period end PCTN received £3.6m from two occupiers vacating industrial assets

Analysts:

Alan Ray

alan@keplerpartners.com



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(£2.3m of dilapidations and £1.3m of additional income). These represent the two largest reversionary opportunities within the portfolio with an estimated rental value more than 40% above the previous passing rent.

- Michael Morris, chief executive said: "Recent asset management activity and our pipeline of leasing progress across all sectors is already starting to unlock our £10 million of reversion, relative to contracted rents. This is underpinned by our weighting to the industrial sector, where we continue to reset rents to higher levels, as well as the upgrading of our office portfolio to support occupier retention and ERV growth."

Kepler View

The chart below shows **Picton Property Income's (PCTN)** NAV per share over the last seven years or so. It's a really striking 'rear view mirror' on just how hot the commercial property market was running in 2022, and for what a short period of time those peak



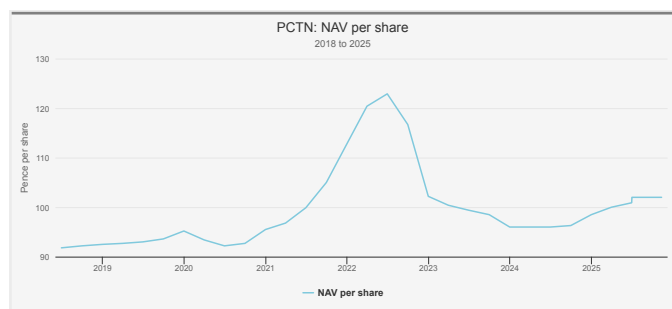
valuations persisted. Behavioural psychologists in years to come will no doubt find this an interesting study in our collective post-pandemic reaction. In the meantime, it's a simplistic analysis for sure, but one can see on this chart that PCTN's NAV progression looks like it is back on the longer-term trend.

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Fig.1: PCTN NAV Per Share



Source: Picton Property Income

While the NAV looks to be back 'on trend', the hangover from that more than 20% peak to trough fall remains written in the discount, which is currently (at 11/11/2025) around 23%. One of the achievements of the last six months is PCTN's simultaneous reduction in gearing, eliminating the last of its more expensive RCF, alongside share buybacks which, in our view, have contributed to a narrowing of the discount. The practical upshot for investors is a c. 9% rise in share price, or a 12% return adding on the 1.9p of dividends paid in the period.

But perhaps understandably given the nature of interest rate moves and their consequences for property valuations and REIT share prices over the last three years, investors have perhaps not yet reacquainted themselves with the operating performance that PCTN has quietly delivered over this period, growing the covered dividend, eliminating short-term debt and undertaking a significant realignment of the portfolio, rotating out of lower yielding and potentially more problematic office assets and into higher-yielding industrial and logistics, now 68% of the portfolio. At the end of the period PCTN's estimated rental value was £10m higher than the total contracted rent and to put that into context, that's about 1.9 pence per share, which is equivalent to another 50% on top of the current annual dividend rate. Unlocking that potential is, of course, a multi-year process, but about half of the total is from vacancies including some significant industrial assets currently planned for refurbishment in a market where there is strong demand, so it's completely conceivable that a proportion of that overall ERV could be released over the next year or two. And ultimately what will unlock the discount will be dividend and NAV growth, both of which appear to be back on trend.



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