abrdn Property Income Trust

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

Performance Data and Analytics for Quarter 4, 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 78.4p (Sep 2023 – 82.2p), a decrease of 4.6% for Q4 2023, resulting in a NAV total return, including dividends, of -3.5% for the quarter.
- The portfolio matched the MSCI Quarterly Index capital value decline of 2.2% on a like for like basis, whilst outperforming on a total return basis over 1, 3 and 5 year time periods.
- LTV[A] of 30.8%. The Company currently has financial resources available for investment of £25.0 million (in the form of the Company's revolving credit facility).

Portfolio Performance (%)

	Q4 2023	1 Year	3 Year	5 Years
Portfolio Performance (Total Return cumulative)	(1.3)	0.7	12.6	15.9
Benchmark (Total Return cumulative)	(1.1)	(1.5)	4.7	4.1

Discrete Performance (%)

	31/12/23	31/12/22	31/2/21	31/12/20	31/12/19
Direct portfolio Total return	0.7	(8.8)	22.7	(1.8)	4.8
NAV Total return	(3.0)	(12.8)	28.6	(4.6)	4.1
Share Price Total Return	(8.2)	(19.0)	43.4	(29.8)	18.0
MSCI Benchmark	(1.5)	(8.6)	16.2	(1.9)	1.4

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 31 December 2023

Fund Manager	Jason Baggaley
Launch Date	19 December 2003
Sedol	3387528
Reuters/Epic/ Bloomberg code	API
Portfolio Value	£439.2m (at 31/12/2023)
Market Capitalisation	£202.0m (at 31/12/2023)
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	53.0 pence (as at 31/12/2023)
NAV per Ordinary Share	78.4 pence (as at 31/12/2023)
Loan to Value[B]	30.8% (as at 31/12/2023)

Portfolio Information Sub Sector Weightings (Company%)

Properties	%
ROUK Industrial	48.2
Retail Warehouse	14.8
SE Industrial	8.8
Other Commercial	8.2
ROUK Offices	7.3
South East Offices	5.2
Central London Office	4.0
High St Retail	1.7
Land[B]	1.8

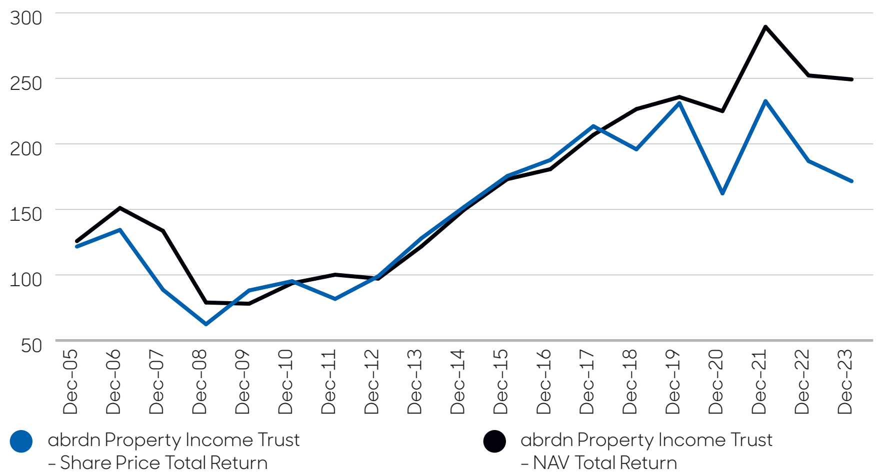
[A] LTV calculated as Debt less cash divided by portfolio value.
[B] The land on the Ralia estate is presented as "Land", having previously been presented as "Other Commercial", now that MSCI has confirmed that classification.

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: 31 December 2023.

abrdn Property Income Trust

NAV and Share Price Total Return

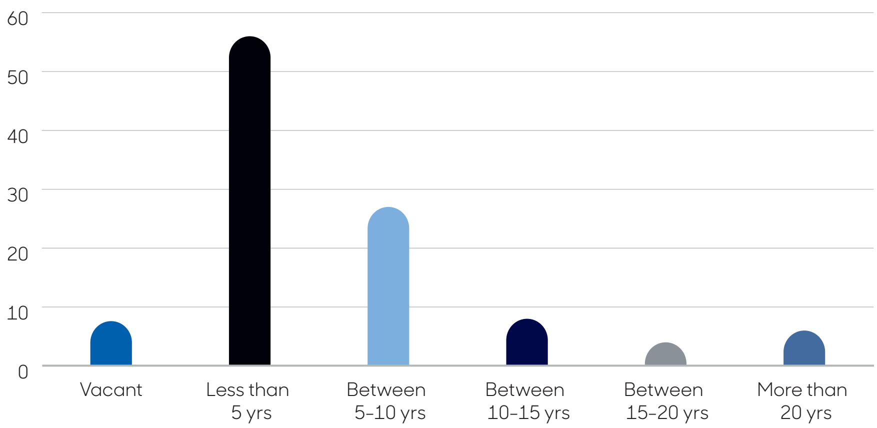


Source: Thomson Reuters Datastream, abrdn.

Past performance is not a guide to future results.

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.

Lease Expiry/Break Profile



Average unexpired lease term to earliest of break or lease expiry is 6.30 years.

Top Ten Holdings

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

Factsheet

Receive the factsheet by email as soon as it is available by registering at www.abrdn.com/trustupdates www.abrdnpit.co.uk

Contact

Private investors
trusts@abrdn.com

Institutional Investors
InvestmentTrustInvestorRelations-UK@abrdn.com

Ben Heatley
Head of Closed End Fund Sales
Ben.Heatley@abrdn.com

Investment Review & Outlook

UK Real Estate Market outlook – Q1 2024

- Monetary policy and the wider macroeconomic backdrop were in the driving seat in 2023 and we believe this will continue in 2024. Towards the end of 2023, market expectations for interest-rate cuts picked up pace as underlying inflation pressures eased. Softer economic data added weight to the argument that the BoE's 'Table mountain' profile was less likely to be sustainable. Despite the outlook for monetary policy becoming more positive from this point, an improvement in UK real estate performance is not expected until the second half of 2024. It is likely that sectors that saw the greatest outward yield shift as interest rates rose will see the strongest performance as they fall, in particular logistics assets where rental growth remains robust. Higher yield risk assets are less likely to benefit from this re-rating.
- While the macro environment will continue to dominate as we move through 2024, sector allocation will remain crucial. Polarisation in performance from both a sector and asset-quality perspective will remain key differentiators for performance. Real estate refinancing poses a risk to our outlook in 2024, but we believe this risk is more heavily skewed towards the office sector, given the amount of outstanding debt and lack of appetite for lending in this sector.

- A UK general election is mandated to occur no later than 28 January 2025, and a date in November of 2024 looks most likely at the moment. The Labour party has opened-up a 20-point lead in the polls, relative to the Conservative party. At this stage, it appears likely there will be a change of government in the UK over the next 12 months, however that does not appear to be impacting markets at the present time.
- With the increased prospect of interest-rate cuts in 2024, we expect an improvement in UK real estate performance as we move through 2024. This will be driven primarily by improved investor confidence and greater liquidity in the market. The downside risk to our forecasts remains elevated, given weaker economic growth prospects and the potential uncertainty created by the upcoming election in the UK.

UK property market – Occupier/Investment Trends

- UK inflation unexpectedly ticked higher in December, with the headline CPI rate increasing from 3.9% year-on-year to 4%. The increase was largely driven by an increase in tobacco duty, while food prices were once again a drag on inflation. Underlying inflation pressures were also slightly stronger than expected. Core inflation was flat at 5.1% year-on-year. Inflation may move higher again in January, following a slight uptick in the Ofgem price cap. However, the bigger picture is that headline inflation is still set to fall further over the next few months. It could be below 2% by the second quarter of 2024, aided by favourable base effects. Meanwhile, cooling wage growth should help to bring underlying inflation pressure down too.
- UK gross domestic product (GDP) growth rebounded in November, expanding 0.3% month-on-month, which was slightly better than the consensus of 0.2%. The monthly profile of GDP remains extremely volatile after a contraction of 0.3% in October, with the broad trend remaining one of sustained stagnation. Recession-like conditions look set to continue into 2024, but the prospect of further fiscal easing to be announced in March should help to limit the extent of the downturn.
- While UK real estate capital values declined over the course of 2023, the pace of decline has moderated. There are tentative signs of stabilisation for some sectors but not all. There is a risk that further price discovery in the first half of 2024 will result in softer pricing, particularly for out-of-favour sectors. Performance has been varied across sectors, with those benefiting from structural and thematic tailwinds proving more resilient in the face of a weaker macroeconomic environment. The logistics and living sectors are a clear example of this trend, both outperforming the wider market over the course of 2023.
- UK real estate capital values fell by 2.6% in the fourth quarter of 2023. This resulted in value declines of 5.6% for the year, according to the MSCI Monthly Index. In line with our expectations, the living and logistics sectors outperformed the wider market, with capital value growth of 1.9% and 0.1% during 2023. The office sector remains the laggard. It recorded a capital decline of 16.6% over the same period, as the sector struggles with changing working habits, higher financing costs, and weak investor sentiment.
- At the All-Property level, total returns for the calendar year 2023 were -0.1%. The largest negative contributor to performance was the office sector, which returned -11.9%. The residential sector was once again the strongest performing sector, returning 8.2%. The industrial sector returned 5.1% over the same period.

Investment Manager commentary

Following new leases totalling £1.3m pa in Q3 further lettings completed in Q4 totalling £1.1m pa. Despite these lettings the void rate only reduced to 7.6% from the Q3 level of 8% as we had the tenant of a logistics unit leave in late November. We have now placed the unit under offer to sell to an owner occupier. The sale figure is approximately 10% ahead of the end December valuation. The lettings demonstrate the appeal of the API assets to occupiers, but office demand remains muted, and no lettings were completed in this sector during Q4.

Just before Christmas we completed the construction of the speculative logistics unit in Knowsley. The development provides a high-quality logistics unit, and we have terms out to two parties, with several more arranging an inspection – there is still good demand and limited supply for this quality of building.

The rent reviews settled during the quarter were on industrial units and realised significant rental growth not only in real terms, but also against valuation assumptions. Despite securing over £230,000 pa of rental uplift from reviews and the lettings over the quarter the Company's portfolio still has £7m pa rental reversion based on the Q4 valuation, which represents a potential increase in annual rent of 25.7%.

Despite having one of the lowest debt margins in the sector (150bps) the Company is exposed to the high Sonia rate. The all-in cost of debt for Q4 was 6.7% (Q3 6.7%). With expectations of lower interest rates the value of the interest rate cap the Company holds on its term loan fell over the quarter by £1.2m and although there are expectations of further falls in interest rates the focus has been to reduce borrowings. We completed the sale of a small industrial estate in Livingston Scotland in December for £6.25m. The sale price was £300,000 below valuation. Terms were also agreed for the sale of our City of London office and Manchester Office for a combined £14.75m (year-end valuation £15.35m) reducing office exposure by 3.5% to 13%. Sales have also been agreed of two industrial assets for a total of £24.4m (year-end valuation £22.4m). We are also exploring the sale of the open moorland at Far Ralia with encouraging indications of value above the year-end valuation (£8.25m).

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.

An investment trust should be considered only as part of a balanced portfolio. The information contained in this document should not be considered as an offer, solicitation or investment recommendation to deal in the shares of any securities or financial instruments. It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. Nothing herein constitutes investment, legal, tax or other advice and is not to be relied upon in making an investment or other decision. No recommendation is made, positive or otherwise, regarding individual securities mentioned. This is not an invitation to subscribe for shares and is by way of information only. Investment should only be following a review of the current Key Information Document (KID) and pre-investment disclosure document (PIDD) both of which are available on www.invtrusts.co.uk. Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by abrdn*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrdn* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates. * abrdn means the relevant member of abrdn group, being abrdn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis, should not be taken as an indication or guarantee of any future performance analysis forecast or prediction. The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the 'MSCI' Parties) expressly disclaims all warranties (including without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Issued by abrdn Fund Managers Limited, registered in England and Wales (740118) at 280 Bishopsgate, London, EC2M 4AG, authorised and regulated by the Financial Conduct Authority in the UK.

For more information visit abrdn.com/trusts