

**Fund manager**  
**Richard Kirby**


## Manager Commentary

### Asset Management Update

Over the second quarter, 19 leases and tenancy agreements have been completed or renewed.

Notable transactions include:

- **St Christopher's Place, Central London** – the quarter has seen further momentum in the delivery of the Food & Beverage led strategy at the estate, with Spanish concept Bar Kroketa taking a new 15-year lease.
- **Wimbledon Broadway, London SW19** – following the liquidation of former tenant Patisserie Valerie in February 2024, this prominent corner unit has been relet to Gail's Bakery on a new 15-year lease (break in year 10) at a stepped headline rent averaging a premium to ERV over the first 5 years of the term.
- **17A Curzon Street, London W1** – Isomer Capital have entered into a 3-year reversionary lease, securing the income stream and committing them to the building until 2028. The letting enhanced the asset's income stream, optimising value on the sale of the building post-period.
- **Watchmoor Park, Camberley** – Alcon Eye Care have agreed a variation of their lease to extend their commitment to the building for a further two years, delivering additional income of £1.1 million over the additional two-year period.
- **Strategic Park, Southampton** – the GB Oracle Sailing Team's 10-year lease of unit 1 completed, bringing this major refurbishment project to a successful conclusion. Over the twelve months to March 2024, this asset has delivered a total return of 18.6 per cent.

The portfolio vacancy rate increased from 6.8 per cent to 9.4 per cent over the quarter but remained below the market average for the MSCI Monthly Index as at 30 June 2024 (being 10.4 per cent.). The increase in the portfolio's vacancy rate is on account of the former JP Morgan headquarters building at Alhambra House, Glasgow becoming vacant at the end of the quarter. Excluding the two vacant HQ office buildings in Glasgow and Stockley Park, both of which are subject to the execution of asset management strategies, the portfolio vacant rate stands at 1.7 per cent.

### Portfolio valuation

Over the quarter, the Company's portfolio recorded a capital return of -1.5 per cent. Net initial yield moved from 5.6 per cent at 31 March 2024 to 5.2 per cent at 30 June 2024. Equivalent yield remained at 6.7 per cent over the quarter.

Portfolio performance was dragged by the office assets, which saw a capital return of -9.6 per cent. amid continued weakening in investor sentiment. This is particularly notable in the regional office segment, with the valuation declines on the Company's holdings in Aberdeen and Manchester equal to the net valuation decline at the portfolio level. The equivalent yield on the office portfolio increased by 95 basis points to 10.0 per cent.

### Key risks

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Income may be achieved by foregoing future capital growth. The value of property related securities are likely to reflect valuations determined by professional valuers. Such valuations are the opinion of valuers at a particular point in time and are likely to be revised. Property and property related assets can sometimes be illiquid. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. If markets fall, gearing can magnify the negative impact on performance.

## Key facts

**Trust aims:** To provide ordinary shareholders with an attractive level of income with the potential for income and capital growth from investing in a diversified UK commercial property portfolio.

|  |                                  |
|--|----------------------------------|
| <b>Fund type:</b>  | Investment Trust                 |
| <b>Launch Date:</b>  | 18 March 2005                    |
| <b>Total assets:</b>   | £999.9 million                   |
| <b>Share price:</b>  | 79.2p                            |
| <b>NAV<sup>*</sup>:</b>  | 105.1p                           |
| <b>Discount/Premium(-/+):</b>                                  | -24.6%                           |
| <b>Dividend payment dates:</b>                                 | Monthly                          |
| <b>Dividend yield:</b>   | 6.7                              |
| <b>Actual gearing<sup>**</sup>:</b>                            | 20.7%                            |
| <b>Vacant property:</b>  | 9.4%                             |
| <b>Weighted average lease length:</b>                          | 4.7 years                        |
| <b>Management fee rate<sup>***</sup>:</b>                      | 0.55%                            |
| <b>Ongoing charges<sup>***</sup>:</b>                          | 0.96%                            |
| <b>Ongoing charges including property costs<sup>***</sup>:</b> | 1.54%                            |
| <b>Year end:</b>   | 31 December                      |
| <b>Sector:</b>   | Property Direct - UK             |
| <b>Currency:</b>   | Sterling                         |
| <b>Website:</b>  | balancedcommercialproperty.co.uk |

<sup>\*\*\*</sup>Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

**Continued from previous page**

With the exception of the office holdings, the portfolio is generating encouraging capital performance. Most notably, the retail warehouse assets delivered capital growth over the quarter of 3.3 per cent. as the equivalent yield on the holdings sharpened by 19 basis points to 5.9 per cent. These prime holdings remain fully occupied, which is testament to the attractive occupational fundamentals that underpin the sector, while strong investor demand for the asset class, met with a lack of available stock, has driven yield compression at the market level over the quarter.

Amid a notable recovery in the wider West End retail market, the portfolio's largest asset, St Christopher's Place in Central London, returned to capital growth and delivered a valuation uplift of 0.5 per cent. over the quarter.

The valuation of the portfolio's industrial assets remained stable as the equivalent yield on the holdings held at 6.1 per cent. There is strong investor appetite for this sector, offering near-term opportunity for income growth.

The valuation of the Company's student housing block in Winchester was also stable over the quarter. The asset is subject to a long lease to the University of Winchester, the valuation of which has been closely correlated to movement in wider financial markets and gilt pricing, which have in turn remained relatively flat over the period.

**Investment activity**

As previously announced, the Company has sold three further office holdings since the June quarter end, reducing its exposure to the office sector. Offices assets sold post-period were:

- **7 Birch Lane, London EC3** – a City of London office of 22,300 sq. ft. and multi-let to 10 tenants, has completed following the successful delivery of the asset's business plan.

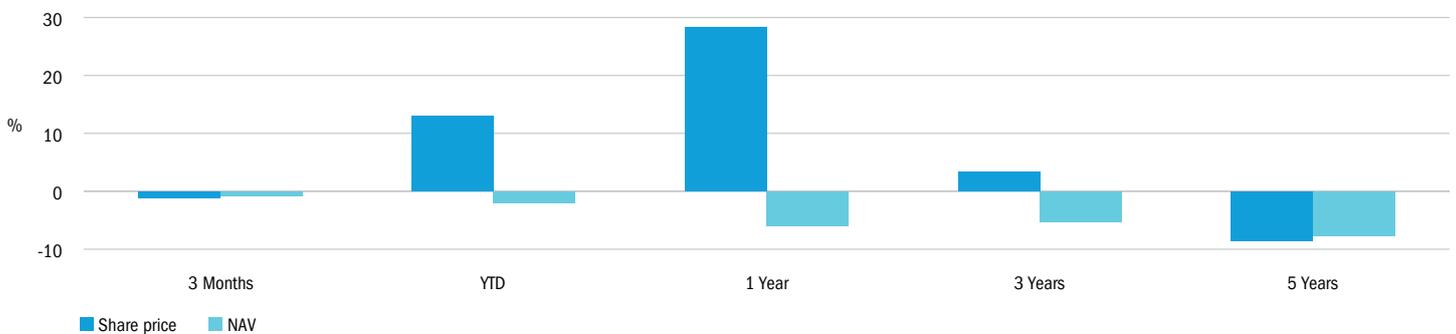
- **82 King Street, Manchester** – a capital intensive, multi-let city-centre office holding of 83,500 sq. ft. and the largest single office remaining in the portfolio. The sale has been exchanged with completion due in September 2024.
- **17A Curzon Street, London W1** – a low yielding, multi-let office of 10,800 sq ft, where a cyclical refurbishment strategy has set a record rental tone for the building, representing an optimal time within the asset's life cycle to crystallise the value created through the delivery of the holding's business plan. The sale has been exchanged with completion due in early August 2024.

These three sales achieved an aggregate price of £60.7 million, reflecting a discount to the March 2024 valuations of 5.7 per cent. Since the beginning of December 2023, the Company has now executed the disposal of seven office holdings, reducing the portfolio's exposure to the office sector to 14.4 per cent and raising aggregate proceeds totalling £129.5 million at an average discount to preceding valuations of 4.1 per cent.

The pricing achieved on these disposals reflects the quality and relative liquidity of the real estate in the portfolio, enabling the sale of holdings across the office sector, including capital-heavy multi-let assets, the structurally challenged regional business park segment and the low-yielding Central London markets.

**Dividend**

The Company paid three monthly property income distributions at a rate of 0.44 pence per share during the quarter.

**Fund performance as at 30.06.24****Cumulative performance as at 30.06.24 (%)**

|             | 3 Months | Year to date | 1 Year | 3 Years | 5 Years |
|-------------|----------|--------------|--------|---------|---------|
| Share price | -1.1     | 13.0         | 28.4   | 3.4     | -8.6    |
| NAV         | -0.8     | -1.9         | -5.9   | -5.3    | -7.6    |

**Discrete annual performance as at 30.06.24 (%)**

|             | 2024/23 | 2023/22 | 2022/21 | 2021/20 | 2020/19 |
|-------------|---------|---------|---------|---------|---------|
| Share price | 28.4    | -37.2   | 28.3    | 50.6    | -41.3   |
| NAV         | -5.9    | -18.1   | 22.9    | 6.4     | -8.3    |

**Past performance is not a guide to future performance.** Source: Refinitiv Eikon and Columbia Threadneedle Investments. Basis: Percentage growth, total return, bid to bid price with income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority.

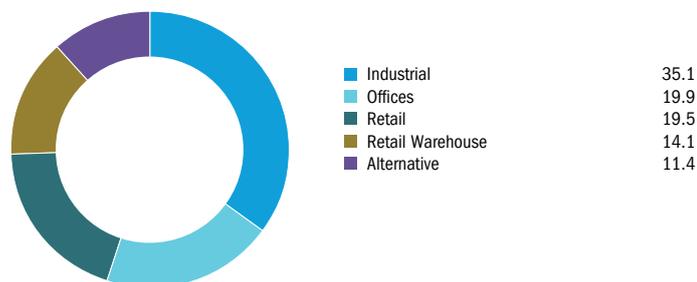
## Trust codes

|            |         |
|------------|---------|
| Sedol      |         |
| BCPT - GBP | B4ZPCJO |

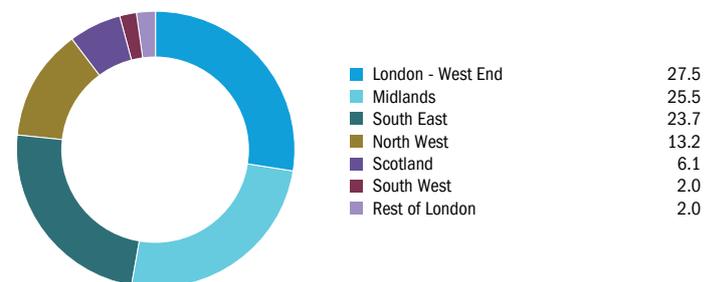
## Top 10 property investments (%)

|   | Holding   | Location      | Sector           |
|---|---|---------------|------------------|
| Properties valued in excess of £200 million           | London W1, St Christopher's Place Estate                        | West End      | Mixed            |
| Properties valued between £50 million and £70 million | Solihull, Sears Retail Park                                     | West Midlands | Retail Warehouse |
|   | Newbury, Newbury Retail Park                                    | South East    | Retail Warehouse |
| Properties valued between £40 million and £50 million | Winchester, Burma Road  | South East    | Alternative      |
|   | London SW19, Wimbledon Broadway                                 | South East    | Mixed            |
| Properties valued between £30 million and £40 million | Chorley, Unit 6 and 8 Revolution Park                           | North West    | Industrial       |
|   | Birmingham, Unit 8 Hams Hall Distribution Park                  | West Midlands | Industrial       |
|   | Markham Vale, Orion One & Two                                   | East Midlands | Industrial       |
|   | Liverpool, Unit 1, G. Park, Portal Way                          | North West    | Industrial       |
|   | Daventry, Site E4, Daventry International Rail Freight Terminal | East Midlands | Industrial       |

## Sector breakdown (%)



## Geographical breakdown (%)



## Net dividend distributions pence per share

|           | 2017 | 2018 | 2019 | 2020 | 2021  | 2022  | 2023 | 2024 |
|-----------|------|------|------|------|-------|-------|------|------|
| January   | 0.5  | 0.5  | 0.5  | 0.5  | 0.35  | 0.375 | 0.4  | 0.44 |
| February  | 0.5  | 0.5  | 0.5  | 0.5  | 0.35  | 0.375 | 0.4  | 0.44 |
| March     | 0.5  | 0.5  | 0.5  | 0.5  | 0.35  | 0.375 | 0.4  | 0.44 |
| April     | 0.5  | 0.5  | 0.5  | 0.0  | 0.35  | 0.375 | 0.4  | 0.44 |
| May       | 0.5  | 0.5  | 0.5  | 0.0  | 0.35  | 0.4   | 0.4  | 0.44 |
| June      | 0.5  | 0.5  | 0.5  | 0.0  | 0.35  | 0.4   | 0.4  | 0.44 |
| July      | 0.5  | 0.5  | 0.5  | 0.0  | 0.35  | 0.4   | 0.4  | 0.44 |
| August    | 0.5  | 0.5  | 0.5  | 0.25 | 0.35  | 0.4   | 0.4  |      |
| September | 0.5  | 0.5  | 0.5  | 0.25 | 0.35  | 0.4   | 0.4  |      |
| October   | 0.5  | 0.5  | 0.5  | 0.25 | 0.35  | 0.4   | 0.44 |      |
| November  | 0.5  | 0.5  | 0.5  | 0.25 | 0.375 | 0.4   | 0.44 |      |
| December  | 0.5  | 0.5  | 0.5  | 0.35 | 0.375 | 0.4   | 0.44 |      |
| Total     | 6.0  | 6.0  | 6.0  | 2.85 | 4.25  | 4.70  | 4.92 | 3.08 |

## Structure

The Company's capital structure consists of Ordinary Shares. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange. Stock Code: BCPT.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Group's assets after repayment of its borrowings. The Company has a £260 million term loan with L&G due to expire on 31 December 2024.

There is also a £60 million revolving credit facility with Barclays/HSBC (currently undrawn). This is available until September 2025 with the option of two 1-year extensions.

The Company has also signed up to a £260 million term loan with Barclays/HSBC which can only be used to pay down the L&G loan.

To find out more visit [columbiathreadneedle.com](https://columbiathreadneedle.com)



All data as at 30.06.2024 unless otherwise stated.

All information is sourced from Columbia Threadneedle, unless otherwise stated. All percentages are based on gross assets. \*The NAV is calculated under International Financial Reporting Standards. \*\*(borrowings-cash)/total assets (less trade and other payables and cash). \*\*\* Ongoing charges as at 31 December 2023. An additional Ongoing Charge figure is calculated which includes direct operating property costs however these are variable in nature and tend to be specific to lease events occurring during the period. Columbia Threadneedle Investment Business Limited is entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion).

The share price may either be below (at a discount) or above (at a premium) the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the Key Features document for the relevant product. Views and opinions have been arrived at by Columbia Threadneedle Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any funds that may be mentioned. The factsheet is issued and approved by Columbia Threadneedle Management Limited. Authorised and regulated in the UK by the Financial Conduct Authority.

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