Picton Property Income

FY26 results and update on potential bid

Picton Property Income (PCTN) has published results for the year ended 31 March 2026 (FY26). Against a challenging market backdrop it delivered a solid financial performance including increased NAV and DPS, a 6.1% NAV total return and a 12.6% shareholder total return. There was progress in capital recycling, out of the office sector and lower-yield assets, funding capex in portfolio enhancement and accretive share buybacks. Operationally, the number of leasing transactions was up 27% versus the prior year, and, by rental value, completed lettings were up 35%.

Year end	Net rental income (£m)	EPRA earnings (£m)	EPRA EPS (p)	DPS (p)	NAV/share (£)	Yield (%)	P/NAV (x)
3/23	36.3	21.3	3.9	3.50	1.00	5.0	0.70
3/24	37.9	21.7	4.0	3.55	0.96	5.1	0.73
3/25	37.7	22.9	4.2	3.70	1.00	5.3	0.70
3/26e	35.8	20.9	4.0	3.80	1.02	5.4	0.69

Note: Net rental income is net property income as defined by Picton. NAV per share is EPRA net tangible assets (NTA) per share.

Significant reversionary opportunity

NAV per share increased 2% to 102p, driven by property revaluation gains and accretive buybacks. DPS of 3.8p was 2.7% higher and was 103% covered by EPRA EPS, which nonetheless reduced to 4.0p versus 4.2p in FY25. With administrative and financial costs held flat, lower EPRA earnings were the result of a decline in net property income, primarily reflecting increased vacancy despite strong leasing activity and offsetting reversionary capture. The reduction in EPRA occupancy to 84% (end-FY25: 94%) primarily reflects two key industrial lease events and office space taken back and under refurbishment. With an end-FY26 estimated rental value (ERV) that is £13.2m above contracted rent, there is a strong opportunity to increase income through leasing vacant space (£8.8m) and capturing rent reversion to market (£4.4m) through leasing events. Management notes that most of the vacancy is short-term and relates to assets under refurbishment and reports positive leasing interest in vacant space across all sectors. Proposals have been made or negotiations are ongoing on more than £5m of ERV.

Strategic review process ongoing

The strategic review and sale process initiated by Picton in January 2026, to explore options to maximise value for shareholders, is ongoing. In May, Picton received a non-binding indicative all-share offer from LondonMetric and Schroder Real Estate Investment Trust, acting as a consortium, the terms of which can be seen at the end of this report. The consortium is yet to make a firm offer for Picton, but on 16 June it announced that it had progressed confirmatory due diligence. Based on closing share prices as at 15 June, the terms of the proposed offer represented a value of £396m for Picton or 76.9p per share, a 9.0% premium to the closing share price of Picton at the same date.

For the purposes of the Takeover Code, Edison is deemed to be connected with Picton Property Income REIT as a provider of paid-for research.

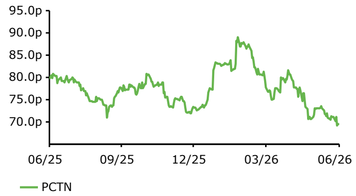
FY26 results and corporate update

Real estate

22 June 2026

Price	**69.90p**
Market cap	**£359m**
Net cash/(debt) as at 31 March 2026	£(164.8)m
Shares in issue	513.8m
Code	PCTN
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(2.4)	(12.2)	(10.0)
52-week high/low		89.9p	68.0p

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

Exp July 2026	June NAV

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Edison profile page

Picton Property Income is a research client of Edison Investment Research Limited

Review of the results and portfolio

Company presentation

Picton published results to 31 March 2026 (FY26) on Friday 12 June. A recording of its investor presentation, hosted on the Investor Meet Company website, can be found here.

Summary of EPRA earnings performance

FY26 EPRA earnings of £20.9m were £2.0m lower than in FY25. This was driven by net property income, with administrative and financial costs showing no material change.

Exhibit 1: EPRA earnings summary

£m unless stated otherwise	FY26	FY25
Rental & other income	41.2	43.5
Void costs	(7.5)	(6.5)
Other income	2.1	0.7
Net rental income	**35.8**	**37.7**
Admin expenses	(7.1)	(7.1)
Net financial expense	(7.8)	(7.7)
EPRA earnings	**20.9**	**22.9**
EPRA EPS (p)	**4.0**	**4.2**
DPS (p)	**3.8**	**3.7**
Dividend cover (x)	**103%**	**113%**

Source: Picton Property Income

Exhibit 2 tracks the change in net property income by sector. In the industrial sector, reversionary capture through leasing events added £1.1m, but this was offset by two key lease events in H2. In the office sector, space was taken back and is under refurbishment. In the retail & leisure sector, lease regears saw a reduction in rents in return for longer lease terms, with a positive impact on valuation.

Exhibit 2: Reconciliation of the movement in net property income

£m	
FY25 net property income	**37.7**
Impact of disposals	-
Rushden occupier break	(1.2)
Industrial net property income movement exc. Rushden	1.1
Office net property income movement	(1.0)
Retail & leisure net property income movement	(0.8)
FY26 net property income	**35.8**

Source: Picton Property Income

Industrial leasing events

As discussed below, Picton's industrial portfolio in particular offers significant rent reversion potential. Over the year it completed £6.5m of lease transactions at an average of 4% above the March 2025 ERV. Of these, £1.8m were new lettings, 6% ahead of ERV[1], £2.8m were lease renewals or regears, 7% ahead of ERV and 32% ahead of the previous rents. A further £1.3m of rent reviews were completed, securing a rental uplift of £0.3m, 6% ahead of ERV and 31% ahead of the previous rent. In addition, five break options were removed, securing £0.6m.

Offsetting this were two significant lease events. The occupier of Picton's logistics warehouse at Rushden exercised its break option. This reduced occupancy and passing rent but now represents the largest single reversionary opportunity within the portfolio, with an ERV more than 50% above the previous passing rent. Picton received a payment of £2.5m in accordance with the lease terms, which will enable upgrade works to the building ahead of re-leasing.

1. Estimated rental value (ERV) is the rent a property is expected to achieve in the open market, based on current market conditions, location, size, condition and comparable rental evidence.

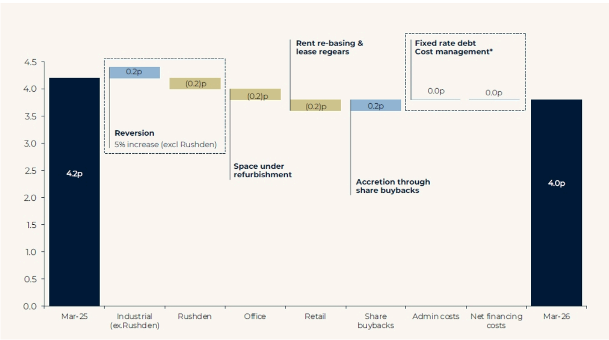
At the Parkbury Industrial Estate in Radlett, an occupier vacated a unit, with Picton receiving £1.1m in lease surrender and dilapidations payments, where the ERV is more than 20% above the previous passing rent.

Management notes that these are high-quality, well-located assets and that marketing has commenced for both units with a good level of interest. Radlett and Rushden make up more than 40% of Picton's vacancy and represent the two largest opportunities to capture reversionary upside in the portfolio and drive income growth. At Radlett, negotiations are well advanced to upsize an existing occupier, subject to landlord works and planning consent.

Movement in EPS

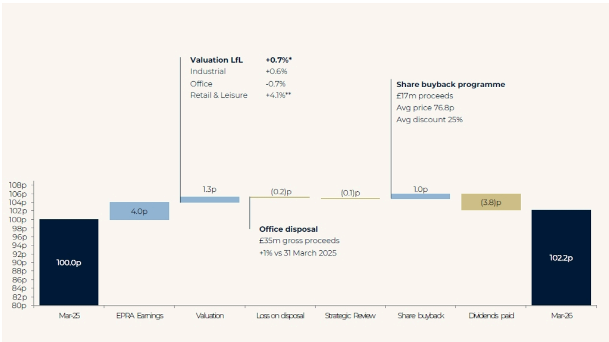
Exhibit 3 shows the components of the change in EPRA EPS during the year. Industrial sector rent reversion and the accretive impact of share buybacks was offset by the lease regears and the lower office and industrial occupancy. EPRA net tangible assets (NTA) were reduced by share repurchases, but these were accretive to NTA per share. Property revaluation gains also had a positive impact on NTA per share, which increased to 102p from 100p. Shares with a value of c £17.3m were repurchased at an average c 25% discount to NTA, adding c 1p to NTA per share. Like-for-like valuations increased across each sector, by an average 0.7%, adding c 1.3p to NTA per share.

Exhibit 3: EPRA earnings per share bridge



Source: Picton Property Income

Exhibit 4: NAV per share bridge



Source: Picton Property Income

Strong balance sheet

Picton's balance sheet remained strong, with all debt fixed rate at a blended 3.7% and average duration of 5.7 years. Adjusted for cash of c £43m, net debt of c £165m represented a loan-to-value ratio (LTV) of c 24%.

EPRA net disposal value reflects the fair value of Picton's debt, with a fixed rate below market levels, and was 107p per share at year end.

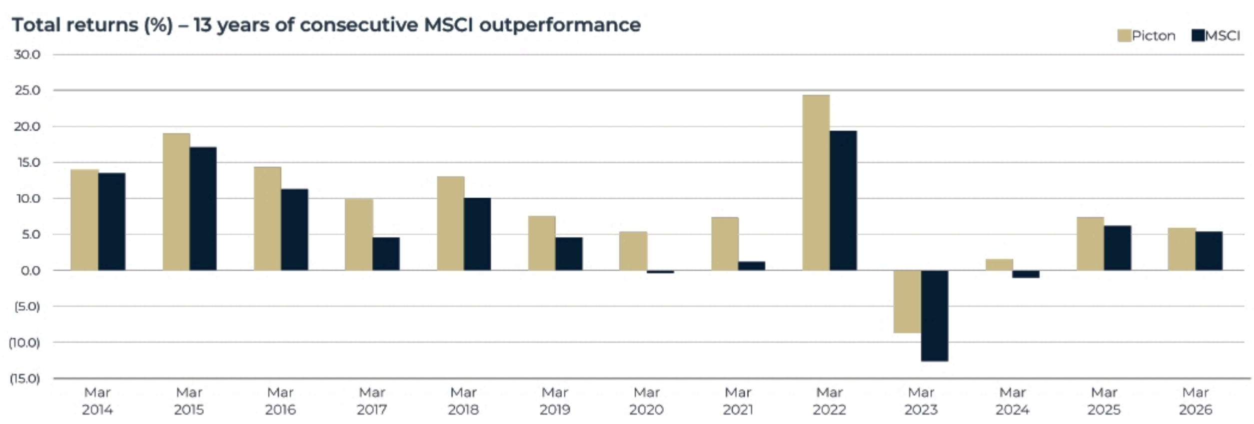
Capital allocation in line with strategy

At the start of FY26, Picton said it would look to reduce its exposure to the office sector and to lower-yielding assets and redeploy the capital in a way that would enhance returns. The sale of Stanford House, the lowest-yielding and most highly valued office property in the portfolio, at a small premium to the start of the year valuation, achieved both. The net proceeds of just under £33m were used to fund share repurchases (£17.3m) and £8.8m of reinvestment into the portfolio to enhance its quality, occupier appeal and rent potential. Part of the capex (72%) went to five major projects, for which the company provides an indicative return on cost in the range of 10–15%. Share repurchases were halted with the strategic review as were potentially accretive acquisitions. The relatively high cash position was a drag on earnings.

FY26 continued the long-term record of property outperformance

FY26 was the 13th consecutive year of property-level outperformance versus Picton's chosen benchmark, the MSCI UK Quarterly Property Index. During the year to 31 March 2026, Picton generated a total property return of 5.9% for the year (compared with 5.4% for the index), comprising an income return of 5.2% (MSCI: 4.8%) and capital growth of 0.7% (MSCI: 0.6%). Since launch in 2005, it has delivered upper-quartile performance versus the index and a consistently higher income return.

Exhibit 5: Track record of outperformance



Source: Picton Property Income, MSCI

Strong potential to enhance rental income

The end-FY26 externally assessed ERV for Picton's portfolio was £56.4m compared with a passing rent of £37.0m, the rent currently paid by tenants, and contracted rent of £43.1m, adjusted for lease incentives (rent-free periods) and agreed rent step-ups. ERV has continued to increase, by 4.8% on a like-for-like basis in FY26.

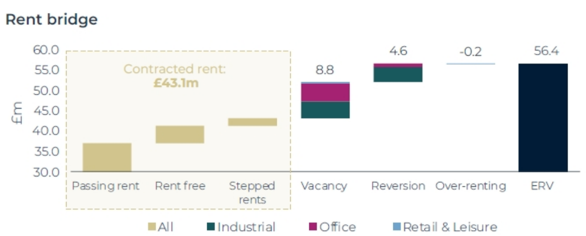
While a degree of rent-free periods should be considered normal, the £13.2m gap between contracted rent and ERV represents a significant opportunity to increase future rental income. This potential breaks down into increasing occupancy (£8.8m) and capturing the rent reversion to market level rents through leasing events (£4.4m).

The majority of the reversion potential resides in the industrial portfolio, where ERV has shown the strongest growth in recent years. Investment in asset improvement and a market shortage of quality space has also created reversion potential in Picton's office portfolio. The current year (FY27) will provide significant opportunities to capture this reversion (Exhibit 8).

In FY26, Picton completed 99 active management transactions, securing uplifted rents ahead of March 2025 ERV. This included:

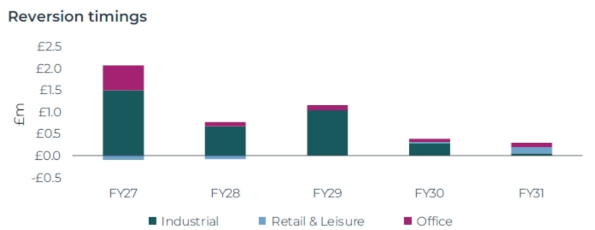
- 33 lettings or agreements for lease, securing additional rent of £3.9m per year, 4% ahead of ERV.
- 43 lease renewals or regears, securing rent of £4.7m per year, an uplift of £0.4m, 10% ahead of passing rent.
- 17 rent reviews, securing an uplift of £0.4m per year, 18% ahead of passing rent and 4% ahead of ERV.
- Six lease variations to remove occupier break options, securing £0.6m per year and extending the average lease term by four years.

Exhibit 6: ERV bridge



Source: Picton Property Income

Exhibit 7: Timing of reversion capture opportunities



Source: Picton Property Income

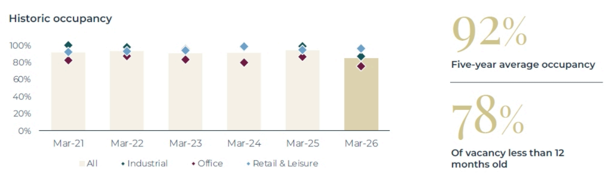
EPRA occupancy ended the year at 84%, having been 94% at the start of the year and compared to a five-year average of 92%, primarily reflecting the lease breaks at Rushden and Radlett in the industrial portfolio and reduced office occupancy at Farringdon Road, London, Chatham and Metro, Manchester, where the space has undergone, or is undergoing, refurbishment for re-leasing. The contribution of these assets can be seen clearly in Exhibit 9. The exhibit also distinguishes between the high share of shorter-term vacancy (78% of the total being vacant for less than one year), primarily for refurbishment ahead of re-letting, versus the relatively low level of longer-term, more structural vacancy.

Activity since end-FY26

Management reports positive leasing interest in vacant space across all sectors, with proposals made or negotiations ongoing on more than £5m of ERV, including at the Radlett asset. Additionally, lettings have completed in the office and industrial sectors with an ERV of £0.6m, 2% ahead of the March 2026 ERV.

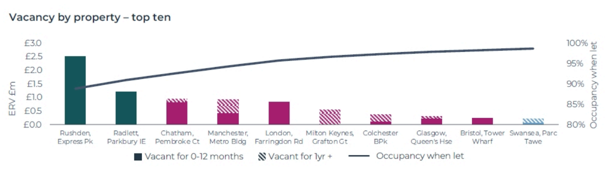
The sale of a residual asset in Cardiff, not included in the larger Longcross sale, was completed for £1.2m, 30% ahead of the March 2026 valuation.

Exhibit 8: Trend in occupancy



Source: Picton Property Income

Exhibit 9: Key vacancies



Source: Picton Property Income

Update on the non-binding proposed bid for Picton

On 13 January 2026, Picton announced a strategic review and sale process, to consider a range of options to maximise value for shareholders. This was a proactive step, enabling the company to consult with shareholders and other stakeholders, which would consider a range of options, including mergers, corporate transactions and asset sales. The board noted that despite upper-quartile property returns since launch in 2005, a strong financial position and recent asset sales to third parties in line with book value, the share price failed to adequately reflect the intrinsic value of the company and its portfolio of assets. The undisturbed share price as at 12 January of 77.5p represented a 26.9% discount to the 30 September 2025 EPRA net disposal value per share and a 24.0% discount to 30 September 2025 EPRA NTA per share.

On 11 February, in response to press speculation, Picton confirmed that it had received interest from LondonMetric Property (LMP) and that it was progressing discussions with all interested parties.

On 12 May 2026, it was announced that the boards of LMP and Schroder Real Estate Investment Trust (SREI), acting as a consortium, together with the board of Picton had reached an agreement in principle on the key financial terms of a non-binding, indicative all-share offer for the entire issued and to be issued share capital of Picton. The terms of the proposed offer were that should a bid proceed, Picton shareholders would receive 0.190 LMP shares and 0.881 shares for each Picton share. Based on the closing share prices ahead of the announcement (187.7p for LMP and 48.3p for SREI) the proposed offer represented a value of £403m for Picton or 78.2p per share, which was a 7.0% premium to the Picton share price at the same date.

Assuming that LMP and SREI proceed to a firm bid and that such a bid was successfully completed, the consortium bid structure would see the portfolio assets of Picton split between LMP and SREI.

The consortium is yet to make a firm offer for Picton, but on 16 June it announced that it had progressed confirmatory due diligence in relation to the proposed offer, that it was advancing well and that it was finalising the relevant transaction documentation with a view to announcing a firm intention to make an offer for Picton. Based on closing share prices as at 15 June (185.2p for LMP and 47.3p for SREI), the terms of the proposed offer represented a value of £396m for Picton or 76.9p per share, a 9.0% premium to the closing share price of Picton at the same date.

Based on the latest available EPRA NTA for each company (102p per share for Picton as of 31 March 2026; 199.5p for LMP as at 30 September 2025; and 61.9p for SREI as at 31 December 2025), a discount of 8.6% to the Picton EPRA NTA as at 31 March 2026.

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