

Custodian Property Income REIT

Immediately accretive strategic growth

Corporate acquisition

Real estate

Custodian Property Income REIT (CREI) has completed the £36m corporate acquisition of a highly complementary, diversified family-owned portfolio (Grove Court Properties), which is its second such transaction in the past nine months. The acquisition has been financed by the issuance to the vendor of new CREI shares (75%) on an adjusted NAV for NAV basis and cash (25%). It delivers immediate earnings enhancement, improved dividend cover and offers the potential for value creation through asset and portfolio management opportunities. CREI has also published its Q326 update, with a NAV total return of 2.3%, taking the year-to-date total to 8.4%.

Year end	Net rental income (£m)	EPRA earnings (£m)	EPRA EPS (p)	NAV/share (£)	DPS (p)	P/NAV (x)	Yield (%)
3/24	39.1	25.7	5.8	0.93	5.80	0.96	6.5
3/25	39.5	26.8	6.1	0.96	6.00	0.93	6.7
3/26e	40.7	27.9	6.2	0.98	6.00	0.91	6.7
3/27e	41.6	28.6	6.3	1.00	6.12	0.90	6.8

Note: EPRA earnings excludes revaluation gains/losses and other exceptional items. NAV is defined as EPRA net tangible assets (EPRA NTA) throughout this report.

Earnings accretive and builds scale

The acquisition of Grove Court Properties follows the similar £19m acquisition of Merlin Properties in May 2025. In addition to the financial benefits to CREI shareholders, the transaction allows the vendor to resolve succession issues and manage a potentially significant capital gains tax liability. CREI believes that similar transactions are possible with other high-net-worth and family offices. The Grove Court portfolio comprises seven assets, located in close proximity to the M25 motorway on the eastern outskirts of Greater London. The average lot-size is £5.3m (CREI: £3.9m). It adds c 6% to CREI's annualised rental income and has been acquired for a 6.8% net initial yield. Like the Merlin acquisition, although the portfolio has a high level of occupancy (97%), CREI has identified a number of opportunities to drive increased rental income and value from lease events.

Q326: Asset management and rental growth

Q326 EPRA EPS of 1.7p, fully covering DPS of 1.5p. EPS included 0.2p from a non-recurring lease surrender premium on an industrial asset, which CREI expects to relet at a higher rent after refurbishment, funded by a dilapidations receipt. Estimated rental value (ERV) continues to increase, with above 0.5% like-for-like in Q3 and 2.5% in FY26 to date and, at £52m per year, 14% ahead of current passing rent. Leasing events are the trigger for unlocking reversion and during Q3, new lettings, lease renewals and rent reviews were all at or above ERV and/or passing rent. NAV per share increased 0.9% to 99.8p, the sixth consecutive quarterly increase, and, adding back DPS paid (but not reinvested), the NAV total return was 2.3%.

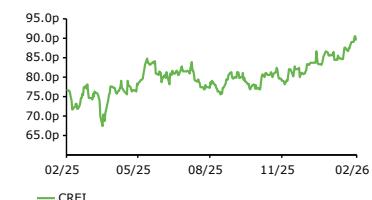
Attractive yield and accelerating capital growth

We will review our forecasts but note that the Q3 NAV per share is already above our end-FY26 forecast. FY26e DPS represents an attractive yield of 6.7% and, despite an improving outlook for capital growth, the shares continue to trade at an 11% discount to Q326 NAV.

20 February 2026

Price	89.50p
Market cap	£415m
Net cash/(debt) at 31 December 2025	£(163.8)m
Shares in issue	459.3m
Code	CREI
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	5.6	16.5	28.9
52-week high/low	90.6p	59.8p	

Business description

Custodian Property Income REIT is a London Main Market-listed REIT focused on commercial property in the UK outside London. It is income-focused, with a commitment to pay a high but sustainable and covered dividend.

Next events

Q4 trading update Estimated May 2026

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Interview with the fund manager

Below is a short interview with Richard Shepherd-Cross in which he talks about the Grove Court acquisition in detail, as well the outlook for further, similar transactions.

Executive interview: Richard Shepherd-Cross



Source: Edison Investment Research

Further details on the Q326 financial performance

During Q326, NAV per share increased 0.9p or 0.9%, comprising retained earnings of 0.2p, revaluation movements of 0.6p and a positive impact of share repurchases at a discount to NAV of 0.1p.

Funded by asset sales, on average well ahead of book value, during the quarter c 3.5m shares were repurchased. In aggregate, since the buyback programme commenced during Q2, 5.7m shares have been acquired at an average 79.1p for £4.5m. The prevailing discount to NAV at which the shares were acquired was c 18%, much wider than the current 11% discount at which the shares are trading. The initial buyback programme is for up to £5.0m and may be increased so long as the board considers them an attractive use of property disposal proceeds that will create value for shareholders.

Exhibit 1: Q326 NAV movement

	Pence per share	£m
NAV at 30 September 2025 (Q226)	98.9	456.3
Shares repurchased	0.1	(1.8)
Net income for the quarter	1.7	7.7
Dividends paid	(1.5)	(6.9)
Property valuation movements and depreciation	0.6	2.9
NAV at 31 December 2025 (Q326)	99.8	458.2

Source: CREI

NAV total return has been positive in each of the last eight quarters, including growth in NAV over the past six quarters.

Exhibit 2: Quarterly financial performance to 31 December 2025 (Q326)

	Q125	Q225	Q325	Q425	FY25	Q126	Q226	Q326	FY26 YTD
£m unless stated otherwise	Jun-24	Sep-24	Dec-24	Mar-25	Mar-25	Jun-25	Sep-25	Dec-25	Dec-25
Opening NAV	411.8	410.3	412.7	416.1	411.8	423.5	448.7	455.3	423.5
Issue of equity for Merlin						20.3		0.0	20.3
Share repurchases							(1.7)	(1.8)	(3.5)
Valuation movement	(1.0)	2.6	3.0	7.1	11.7	3.9	9.1	2.9	15.9
Profit/(loss) on disposal	0.2	(0.1)	0.3	0.0	0.4	0.7	0.1	0.0	0.8
Acquisition costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPRA earnings	6.7	6.5	6.7	6.9	26.8	6.9	7.1	7.7	21.7
Dividends paid	(7.4)	(6.6)	(6.6)	(6.6)	(27.2)	(5.6)	(7.0)	(6.9)	(20.5)
Closing NAV	410.3	412.7	416.1	423.5	423.5	448.7	456.3	458.2	458.2
NAV per share (p)	93.1	93.6	94.4	96.1	96.1	96.7	98.9	99.7	99.7
EPRA EPS (p)	1.5	1.5	1.5	1.6	6.1	1.5	1.5	1.7	4.7
DPS declared (p)	1.5	1.5	1.5	1.5	6.0	1.5	1.5	1.5	4.5
NAV total return (based on DPS paid but not reinvested)	1.5%	2.1%	2.3%	3.4%	9.5%	2.2%	3.8%	2.3%	8.4%

Source: CREI, Edison Investment Research. Note: NAV total return is quoted by the company on the basis of dividends reinvested.

Property revaluation movements (not including depreciation of fixed assets) added £3m to NAV, representing like-for-like growth of 0.5%. The EPRA topped up net initial yield was unchanged at 6.7%.

Exhibit 3: Custodian portfolio summary at 31 December 2025 (Q326)

	Valuation (£m)	Weighting by value	Weighting by income	Q3 valuation movement (£m)	Q3 valuation movement (£m)
Industrial	321.1	51%	43%	2.1	0.7%
Retail warehouse	137.2	22%	22%	0.3	0.2%
Other*	82.9	13%	14%	1.0	1.2%
Office	54.1	9%	14%	(0.4)	-0.7%
High street retail	31.4	5%	7%		
Portfolio total	626.7	100%	100%	3.0	0.5%

Source: CREI. Note: *Other comprises drive-through restaurants, car showrooms, trade counters, gyms, restaurants and leisure units.

Positive leasing activity during the quarter comprised:

- eight new leases, with £0.7m of new annual rental income added to the rent roll, in aggregate, 10% ahead of ERV;
- nine lease renewals/regears at a combined average of 6% ahead of passing rent and in line with ERV; and
- two rent reviews at an aggregate average of 7% ahead of previous passing rent.

10 annual Retail Prices Index-linked rent reviews across 10 electric vehicle charger leases contributed to the £0.1m of revenue generated in the period (Q2: £0.2m) from solar panel arrays across 12 assets. The renewable electricity that these generate is sold to tenants with any excess exported to the grid.

The Grove Court acquisition

The Grove Court properties are spread across a number of sectors, complementary to the existing CREI portfolio and fit the company's income-focused strategy well. Around half the portfolio comprises a diverse range of 'other' sub-sectors, in addition to office and high street retail. The average lot size is £5.3m (CREI: £3.9m) and the portfolio (97% let) generates £2.7m of annual rental income, equivalent to c 6% of CREI annualised contracted rent. The portfolio net initial yield of 6.8%.

The 'other' sector represents 14% of CREI's current income, comprising gyms, drive-through restaurants, motor trade, pubs and restaurants, leisure, trade counters, day nurseries and hotels.

Exhibit 4: Grove Court investment portfolio at acquisition

Sector	Annual passing rent (£000s)	% of portfolio income
Total other	1,286	48%
- Motor trade	690	26%
- Residential	467	17%
- Leisure	129	5%
Office	897	34%
High street retail	593	18%
Portfolio total	2,776	100%

Source: CREI

The Grove Court tenant base is also diversified, with the top five tenants representing 57% of total rents. The largest, Vertu Motors, with a car showroom in Beaconsfield, accounts 26% of the total. Vertu Motors' annual rent is £0.7m or c 1.4% of the enlarged CREI portfolio. CREI's largest tenant is Menzies Distribution, one of the UK's leading urban logistics businesses, and accounted for a little under 4% of passing rent prior to the Grove Court acquisition, spread over eight individual assets.

Exhibit 5: Grove Court Properties top five tenants at acquisition

	Annual passing rent (£000s)	% of portfolio income
Vertu Motors	690	26%
BP Collins	364	14%
Rouse Partners	275	10%
M&S Simply Food	111	4%
Anytime Fitness	85	3%
Total top five	1,525	57%

Source: CREI

Similar to the Merlin acquisition (although the portfolio has been acquired with a high level of occupancy), CREI has identified a number of opportunities to drive further value from the Grove Court portfolio by using its asset and portfolio management expertise to increase rental income from lease events.

Transaction consideration

The initial consideration for Grove Court Properties comprises the issue to the vendors of 24.1m new shares, calculated on an adjusted NAV for NAV basis, and £9.0m of cash.

On finalisation of the Grove Court Properties accounts (expected during the next six months), CREI expects to issue a further 0.8m shares. A cash overage payment of £0.3m, based on the outcome of a pending rent review and a pending lease renewal, is expected during the next three to six months.

The transaction is tax efficient for the sellers and, as a corporate acquisition, CREI avoids stamp duty land tax. The loan-to-value ratio is maintained at around 25% (Q326: 26.2%).

Forecasts are under review

We will review the forecasts shown below for the quarterly data and the immediately earnings accretive Grove Court Properties acquisition.

Exhibit 6: Financial summary

Year end 31 March. £m unless stated otherwise	2022	2023	2024	2025	2026e	2027e
INCOME STATEMENT						
Gross rental & other income	39.0	40.6	43.0	44.4	45.0	45.400
Non-recoverable property costs	(3.4)	(3.5)	(3.9)	(4.9)	(4.3)	(3.800)
Net rental income	35.6	37.1	39.1	39.5	40.7	41.6
Administrative expenses	(5.5)	(6.0)	(5.4)	(5.7)	(6.0)	(6.1)
Operating Profit before revaluations	30.1	31.0	33.7	33.9	34.7	35.5
Revaluation of investment properties	94.0	(91.6)	(27.0)	11.2	8.6	7.1
Costs of acquisitions	(2.3)	(3.4)	(1.6)	(0.0)	0.0	0.0
Profit/(loss) on disposal	5.4	4.4	1.4	0.4	0.0	0.0
Operating Profit	127.2	(59.6)	6.5	45.5	43.4	42.6
Net Interest	(4.8)	(6.3)	(8.0)	(7.4)	(7.1)	(7.1)
Profit Before Tax	122.3	(65.8)	(1.5)	38.2	36.2	35.4
Taxation	0.0	0.0	0.0	0.0	0.0	0.0
Profit After Tax	122.3	(65.8)	(1.5)	38.2	36.2	35.4
Adjust for:						
Net revaluation of investment property/costs of acquisition	(97.1)	90.6	25.7	(11.4)	(8.3)	(6.8)
Other EPRA adjustments	0.0	0.0	1.6	0.0	0.0	0.0
EPRA earnings	25.3	24.8	25.7	26.8	27.9	28.6
Average Number of Shares Outstanding (m)	428.7	440.9	440.9	440.9	447.3	456.862
IFRS EPS (p)	28.5	(14.9)	(0.3)	8.7	8.1	7.8
EPRA EPS (p)	5.9	5.6	5.8	6.1	6.2	6.3
Dividend per share (p)	5.25	5.50	5.80	6.00	6.00	6.12
Dividend cover (x)	1.10	1.01	1.01	1.01	1.04	1.02
Ongoing charges ratio (excluding property expenses)	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%
NAV total return	28.4%	-12.5%	-0.3%	9.5%	8.1%	8.3%
BALANCE SHEET						
Non-current assets	665.2	614.7	581.1	599.1	621.6	638.3
Investment properties	665.2	613.6	578.1	594.4	617.2	634.1
Other non-current assets	0.0	1.1	3.0	4.7	4.4	4.1
Current assets	16.8	10.6	24.0	15.3	11.2	7.2
Debtors	5.2	3.7	3.3	5.2	5.2	5.2
Cash	11.6	6.9	9.7	10.1	6.0	2.0
Current liabilities	(39.9)	(15.1)	(15.4)	(35.2)	(15.2)	(15.2)
Creditors/Deferred income	(17.2)	(15.1)	(15.4)	(15.2)	(15.2)	(15.2)
Short term borrowings	(22.7)	0.0	0.0	(20.0)	0.0	0.0
Non-current liabilities	(114.5)	(172.7)	(177.9)	(155.7)	(168.1)	(171.5)
Long term borrowings	(113.9)	(172.1)	(177.3)	(153.6)	(166.0)	(169.4)
Other long term liabilities	(0.6)	(0.6)	(0.6)	(2.1)	(2.1)	(2.1)
Net assets	527.6	437.6	411.8	423.5	449.5	458.8
NAV/share (p)	119.7	99.3	93.4	96.1	97.9	99.9
EPRA NTA/share (p)	119.7	99.3	93.4	96.1	97.9	99.9
CASH FLOW						
Net cash flow from operating activity	28.1	24.3	23.2	25.0	26.7	27.0
Net acquisitions and disposals (including costs)	31.8	(27.5)	18.0	14.7	16.2	0.0
Capex	(3.5)	(12.6)	(19.0)	(8.2)	(6.9)	(6.0)
Net cash flow from investing activity	28.3	(40.1)	(1.0)	6.6	9.3	(6.0)
Net proceeds from share issuance	0.5	0.0	0.0	0.0	0.0	0.0
Ordinary dividends paid	(24.2)	(24.3)	(24.2)	(27.2)	(27.3)	(28.0)
Debt drawn/(repaid)	(25.1)	35.3	4.8	(4.0)	(8.0)	3.0
Net cash flow from financing activities	(48.7)	11.0	(19.4)	(31.2)	(40.3)	(25.0)
Net Cash Flow	7.7	(4.7)	2.8	0.4	(4.3)	(4.0)
Opening cash	3.9	11.6	6.9	9.7	10.1	5.8
Closing cash	11.6	6.9	9.7	10.1	5.8	(1.7)
Debt as per balance sheet	(136.6)	(172.1)	(177.3)	(173.6)	(169.0)	(166.4)
Unamortised loan arrangement fees	(1.2)	(1.4)	(1.7)	(1.4)	(1.0)	(0.6)
Total debt	(137.8)	(173.5)	(179.0)	(175.0)	(170.0)	(167.0)
Restricted cash	(1.1)	(1.5)	(2.5)	(2.2)	(2.2)	(2.2)
Closing net debt	(127.3)	(168.1)	(171.8)	(167.1)	(166.4)	(167.3)
Net LTV	19.1%	27.4%	29.2%	27.9%	26.8%	26.2%

Source: CREI historical data, Edison Investment Research forecasts

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