19 October 2016

Drum Income Plus REIT plc

("Drum" or the "Company")

Unaudited Net Asset Value as at 30 September 2016

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value (**"NAV"**) as at 30 September 2016.

Highlights

Period from 1 July 2016 to 30 September 2016

- Fair value independent valuation of property portfolio as at 30 September 2016 of £48.2m (30 June 2016: £41.2m).
- NAV per share at 30 September 2016 of 93.8p (30 June 2016: 93.9p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 30 September 2016 were 2.2p.
- Dividend paid during the quarter of 1.3125p fully covered by earnings for the period.
- NAV total return (NAV movement plus dividend paid) of 1.3%.
- Acquisition of 3 Lochside Way, Edinburgh Park, Edinburgh, for a consideration of £4.5m (net of acquisition costs).
- Acquisition of Burnside Industrial Centre, Aberdeen for a consideration of £2.6m, £1.6m of the acquisition cost satisfied by the issue of 1.6m Ordinary Shares at the price of 100 pence per share.

Post 30 September 2016

- Fourth interim dividend of 1.3125p per share for period from 1 July 2016 to 30 September 2016 declared and payable on 2 December 2016.

Introduction

The Company aims to provide shareholders with a regular dividend income plus the prospect of income and capital growth over the longer term. The Company invests in smaller UK commercial properties, principally in the office, retail (including retail warehouses) and industrial sectors, which have the potential to offer a secure income stream, to create value through active asset management and have strong prospects for future income and capital growth.

Unaudited NAV (As at 30 September 2016)

	£m	*Pence per Share*
Unaudited NAV as at 30 June 2016	32.6	93.9
Fundraising proceeds	2.0	0.3
Portfolio acquisition costs	(0.5)	(1.3)
Valuation change in property portfolio	-	-
Income earned for the period	1.0	3.0
Expenses for the period	(0.2)	(0.5)
Interest paid	(0.1)	(0.3)
Dividend paid	(0.5)	(1.3)
Unaudited NAV as at 30 September 2016	34.3	93.8

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 30 September 2016 and income for the period, but does not include a provision for the fourth interim dividend, which will be paid on 2 December 2016. The earnings per share for the period from 1 July 2016 to 30 September 2016 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.4p. Acquisition costs on new property purchases have been written-off.

As at 30 September 2016, the Company had cash balances of £0.7 million and borrowings of £14.5 million (loan to value of 30.1%).

Market Overview

The property market appeared to have stalled in Q2 2016, with the blame initially being attributed to the hiatus created by the anticipation of the EU referendum, Q3 2016 has in turn been impacted by the decision of the UK to leave the EU and concerns over what the effects of this decision will be. The decision triggered outflows from open-ended property funds, however, this was not a problem for DRIP given its closed-ended status. With the acceptance that 'Brexit means Brexit' values have returned to a position broadly where they were prior to the referendum. The outflows experienced by the open-ended funds have turned to net inflows. Looking forward there is still caution in the market from both investors and occupiers alike.

EU Referendum Effect

In the wake of Britain's decision to leave the EU, the financial markets have experienced significant turbulence and volatility.

The Company's valuer, Savills, prepared its valuation of the Company's portfolio as at 30 June 2016 in the immediate aftermath of the referendum result. Since the result was only announced on 24 June, it was not possible for Savills to gauge fully the effect of the Brexit decision by reference to transactions in the marketplace. In line with the approach adopted by other valuers, Savills therefore provided written caveats to its 30 June valuation. These caveats have now been withdrawn for its valuation of the Company's portfolio as at 30 September 2016.

Current Portfolio

	Sep-16		*Jun-16*	
Location	*Value*	*% Weighting*	*Value*	*% Weighting*
North East	£15.4m	31.87	£15.4m	37.33
Scotland	£17.8m	37.00	£10.8m	26.22
North West	£9.7m	20.13	£9.7m	23.58
South West	£5.3m	10.99	£5.3m	12.87
	£48.2m	100.00	£41.2m	100.00
Sector	*Value*	*% Weighting*	*Value*	*% Weighting*
Office	£22.8m	47.24	£13.9m	33.82
Shopping Centre	£12.7m	26.43	£12.8m	30.96
Retail	£10.1m	20.94	£14.5m	35.22
Industrial	£2.6m	5.39		
	£48.2m	100.00	£41.2m	100.00

Key KPIs	*Sep-16*	*Jun-16*
Total Number of Units	94	79
Total Number of Tenants	83	72
Total SQFT	282,651	228,874
Vacancy (% SQFT, inc rental guarantees)	3.40	2.80
Vacancy (% ERV, inc rental guarantees)	3.20	4.70
WAULT (% Expiry, inc rental guarantees)	5.79	6.79
WAULT (% Breaks, inc rental guarantees)	4.81	5.69

Differentiated Investment Strategy

- Target lot sizes of £2m - £15m in regional locations.
- Sector agnostic – opportunity driven.
- Entrepreneurial asset management.
- Risk-controlled development.
- 5.05% dividend yield on 30 September 2016 share price.
- Dividend paid quarterly.
- Covered dividend policy – growing incrementally.

Portfolio Attributes

In the context of the market uncertainty, the Board believes it is helpful to shareholders to highlight some key attributes of the Company's property portfolio:

- The Company has no exposure to Central London markets, which may take the brunt of any market weakness.
- The weighted average unexpired lease term (WAULT) to expiry, including rental guarantees, of the portfolio is 5.79 years, which reduces the impact of any uncertainty in occupational markets.
- The portfolio yield is 7.8% (based on 30 September 2016 valuation).
- The occupancy rate is high at greater than 95%.
- Low gearing - the loan-to-value ratio of 30.1% provides resilience against the risk of covenant breach from significant market falls.
- Further asset management angles to exploit.

Asset Management Update

Significant asset management updates across the portfolio continue to be worked upon which we believe will improve the quality of the income and the portfolio returns. A new 5 year lease has been agreed at Lochside Way with Go For Finance, while new 3 year leases have been agreed at Gosforth with Costa Coffee and Amazon Lockers. The Asset Management strategy for Arthur House is now firmly under way, with a planning application due to be determined in November and interest already being received from potential occupiers.

Dividends

In the absence of unforeseen circumstances, the Company intends to pay a dividend of 1.3125p per share in respect of the quarter ending 30 September 2016*. The Board is targeting fully covered aggregate quarterly dividends of at least 5.5p per share in respect of the year ending 30 September 2017 and at least 6.0p per share in respect of the year ending 30 September 2018*.

*[*Target returns only and not a profit forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of expected or actual current or future results.]*

Equity Issuance

A 12-month placing programme opened on 24 March 2016. Any capital raising under the placing programme will be subject to prevailing market conditions.

Under the placing programme, shares will only be issued at a premium to the most recent NAV per share at the time of issue (adjusted, where appropriate, for any dividends subsequently paid). The premium will be intended to cover the direct costs of issue and will seek to contribute to the financial impact of investing the net proceeds. The price at which new shares are issued will also take into account the prevailing price of the existing shares in the market.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

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