26 April 2017

Drum Income Plus REIT plc
("Drum" or the "Company")

Unaudited Net Asset Value as at 31 March 2017

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value (**"NAV"**) as at 31 March 2017.

Highlights

Period from 1 January to 31 March 2017

- Fair value independent valuation of property portfolio as at 31 March 2017 of £49.2m (31 December 2016: £48.8m).
- NAV per share at 31 March 2017 of 96.5p (31 December 2016: 95.3p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 31 March 2017 were 1.5p.
- Dividend paid during the quarter of 1.375p fully covered by earnings for the period.
- NAV total return (NAV movement plus dividend paid) of 2.4%.
- 1.6m shares issued at £1.00 per share.

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 31 March 2017)

	£m	*Pence per Share*
NAV as at 31 December 2016	34.9	95.3
Fundraising proceeds	1.6	0.2
Portfolio capital expenditure	(0.1)	(0.3)
Valuation change in property portfolio	0.4	1.2
Income earned for the period	1.0	2.6
Expenses for the period	(0.3)	(0.8)
Interest paid	(0.1)	(0.3)
Dividend paid	(0.5)	(1.4)
Unaudited NAV as at 31 March 2017	36.9	96.5

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 31 March 2017 and income for the period, but does not include a provision for the second interim dividend, which will be paid in May 2017. The earnings per share for the period from 1 January 2017 to 31 March 2017 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.5p. Acquisition costs on new property purchases have been written-off.

As at 31 March 2017, the Company had cash balances of £2.6 million and borrowings of £14.5 million (loan to value of 29.4%).

Market Overview

Prime yields in February sharpened slightly reaching an average of 4.79%. This was the sixth month in a row where pricing improved and we are now in the longest sustained period of lowering yields since early 2014. The main shift was in the City office market, where falling supply and continued international investor demand saw yields move to 4.00%. The pricing arbitrage between Prime and Regional assets continues to support the acquisition strategy.

A current barrier to liquidity in the market is the lack of investment stock being considered for sale. As Article 50 has now been triggered further dates for the diary include the EU Summit on April 29th, which will outline the negotiating terms, and the French Presidential Election on May 7th. Following these events the expectation was to see greater deal churn across all sectors and geographies, however, the Prime Minister’s call for a snap General Election may have an adverse effect on the quantum of deals.

Whilst some investors are adopting a wait and see attitude this has not led to inertia in the market as most sectors are reporting steady, if not spectacular, investment volumes.

Overseas investors deployed £5.8 billion into the UK’s regional commercial property market in 2016, growing to account for almost 29% of the total investment outside of London with particular interest in Edinburgh, Manchester and Cardiff. This was a rise from 27% in 2015 and well above the long term average of 19%.

This has been driven forward by continued strength in regional business space markets with 4.3m sq. ft. of office space transacted in the key big six regional markets, 17% above the long term average. The logistics market saw almost 36m sq ft of space transacted, making it the best year ever for occupier demand. For this trend to continue, opportunities to deploy significant amounts of capital will need to emerge. However, with very little speculative development in the office or logistics sector, and with continued occupational demand, pre-let fundings or refurbishment opportunities will push investment volumes forward.

Investors will continue to examine the regions for the foreseeable future as, according to RealFor, total returns between 2017 through to 2021 will reach up to 8.4% per annum for some regional office markets, outpacing what is forecast for many Central London sub-markets.

Current Portfolio

	Dec-16		Mar-17	
Location	**Value**	**% Weighting**	**Value**	**% Weighting**
North East	£15,625,000.00	32%	£15,725,000.00	32%
Scotland	£18,050,000.00	37%	£18,050,000.00	37%
North West	£9,800,000.00	20%	£10,150,000.00	21%
South West	£5,300,000.00	11%	£5,300,000.00	10%
	£48,775,000.00	**100%**	**£49,225,000.00**	**100%**
Sector	**Value**	**% Weighting**	**Value**	**% Weighting**
Office	£23,075,000.00	47%	£23,425,000.00	48%
Shopping Centre	£13,000,000.00	27%	£13,100,000.00	27%
Retail	£10,100,000.00	21%	£10,100,000.00	21%
Industrial	£2,600,000.00	5%	£2,600,000.00	4%
	£48,775,000.00	**100%**	**£49,225,000.00**	**100%**

Key KPIs		
	Dec-16	**Mar-17**
Total Number of Units	94	94
Total Number of Tenants	82	82
Total SQFT	282,651	282,651
Vacancy (% SQFT)	8.40%	8.00%
Vacancy (% ERV)	9.20%	8.70%
WAULT (Expiry)	6.03	5.83
WAULT (Breaks)	4.99	4.44

Differentiated Investment Strategy

- Target lot sizes of £2m - £15m in regional locations.
- Sector agnostic – opportunity driven.
- Entrepreneurial asset management.
- Risk-controlled development.
- 5.67% dividend yield on 31 March 2017 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 Brexit-related market weakness.
- The weighted average unexpired lease term (WAULT) to expiry of the portfolio is 5.87 years, which reduces the impact of any uncertainty in occupational markets.
- The portfolio yield is 8.7% (based on 31 March 2017 valuation).
- The occupancy rate is high at greater than 90%.
- Low gearing - the loan-to-value ratio of 29.4% provides resilience against the risk of covenant breach from significant market falls.
- Further asset management angles to exploit.

Asset Management Update

<u>Gosforth Shopping Centre</u>

- A new 10 year lease was granted on Unit 18 at a rent of £21,500pa
- Three new kiosks have been created and initial interest is strong from local retailers.

<u>Arthur House, Manchester</u>

- Tony Gee have entered into an Agreement for Lease to relocate from part of the 6th floor to 4,000 sqft on the 4th floor.
- The remodelling of the reception is underway and is anticipated to complete toward the end of June.

<u>Lakeside 5500, Cheadle</u>

- Micron have entered into a new 5 year lease, for a unit size of 8,745 sqft, at a new rent of £177,200 per annum which is ahead of the previous passing rent of £153,457.50. An increase of c 15%.

Dividends

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.]*

Enquiries:

Drum Real Estate Investment Management (Investment Manager)

Bryan Sherriff	0131 285 0050

Cantor Fitzgerald Europe (Financial Adviser and Corporate Broker)

Sue Inglis (Corporate Finance)	020 7894 8016
Richard Sloss (Sales)	0131 240 3863

Dickson Minto W.S. (Sponsor)

Douglas Armstrong	020 7649 6823

Weber Shandwick (Financial PR)

Richard Bright	0131 556 6649
Nick Oborne	020 7067 0721