26 April 2018

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

Unaudited Net Asset Value as at 31 March 2018

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value (**"NAV"**) as at 31 March 2018.

Highlights

Period from 1 January 2018 to 31 March 2018

- Fair value independent valuation of property portfolio as at 31 March 2018 of £58.7m (31 December 2017: £58.7m).
- NAV per share at 31 March 2018 of 95.4p (31 December 2017: 95.4p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 31 March 2018 were 1.8p.
- Dividend paid during the quarter of 1.50p fully covered by earnings for the period.
- £0.1m (0.3 pence per share of NAV) invested in capital expenditure during the period. This is expected to assist in rental growth, the quality of occupational tenants and lease length to drive future valuation uplifts.
- NAV total return (NAV movement plus dividend paid) of +1.6%.

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 2018)

	£m	*Pence per Share*
NAV as at 31 December 2017	36.5	95.4
Capital expenditure	(0.1)	(0.3)
Valuation change in property portfolio	0.0	0.0
Income earned for the period	1.2	3.1
Expenses for the period	(0.4)	(0.9)
Interest paid	(0.2)	(0.4)
Dividend paid	(0.6)	(1.5)
Unaudited NAV as at 31 March 2018	36.4	95.4

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 31 March 2018 and income for the period, but does not include a provision for the second interim dividend, which will be paid in May 2018. The earnings per share for the period from 1 January 2018 to 31 March 2018 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.8p.

As at 31 March 2018, the Company had cash balances of £1.2 million and borrowings of £22.8 million (loan to value of 38.8%)

Market Overview

Following three consecutive months of no movement in the Savills prime yield series, February saw a hardening of 2bps and the average yield reach 4.50%, it now stands just 19bps from the previous peak of 4.31% in 2007. This was driven by an inward movement of prime yields for the logistics sector which now stand at 4.25%, the lowest level ever experienced. Due to continued strong interest from investors in the M25 office sector we expect the average prime yield to see continued downward pressure into 2018.

Whilst the dominance of overseas investors is well documented, it has been pleasing to note that UK institutions have increased their purchases, accounting for £10.5bn of transactions in 2017, up from £8.2bn in 2016 and higher than the long term average of £10bn. All eyes will now turn towards global macro-economic factors such as global interest rate rises, Brexit negotiations, US trade tariffs and other geopolitical issues such as North Korea and Russia and how they will impact the markets. The US Federal Reserve raised interest rates in March by a quarter of a point to 1.5% which is the sixth increase since 2015. This may signal that the era of historically low interest rates that began during the Global Financial Crisis appears to be coming to an end. With the Bank of England also suggesting that rates are expected to rise this could alter the spread between commercial real estate and risk free rate with UK 10 year gilts currently trading at 1.5%.

Regional markets remain in good health. The attraction of the regional towns and cities to both occupiers and investors continued in 2017 and DRIP REIT finds the regional commercial property markets to be in good health and increased tenant demand has been visible, although in some instances letting decisions are taking longer to execute. Office supply in regional markets remains low, with occupier take-up continuing to reduce availability, particularly of Grade A space, which should be a positive for occupier demand and rental growth in the good quality secondary space targeted by DRIP REIT.

Overall investment volumes in UK commercial property (including London) in 2017 were significantly higher than in 2016, with an increasing share taken by regional markets. Data for the office market suggests that regional offices continue to represent attractive yield compared with London, and that regional secondary office yields have room to tighten further versus prime. As a result of investor demand, the average yield spreads between the regional and London offices has continued to narrow, but remains wider than it was before recovery took hold in the London market in 2009, and is similar to the longer-term average. As London recovered, the spread of secondary over prime yields narrowed steadily, while the recovery in the regions was later to take hold such that the regional spread of secondary over prime yields remains wide despite more recent tightening.

Current Portfolio

	Dec-17		Mar-18	
Location	**Value**	**% Weighting**	**Value**	**% Weighting**
North East	£16,200,000.00	27.60%	£16,200,000.00	27.60%
Scotland	£18,350,000.00	31.26%	£18,400,000.00	31.35%
North West	£19,050,000.00	32.45%	£19,150,000.00	32.62%
South West	£5,100,000.00	8.69%	£4,950,000.00	8.43%
	£58,700,000.00	**100.00%**	**£58,700,000.00**	**100.00%**
Sector	**Value**	**% Weighting**	**Value**	**% Weighting**
Office	£24,100,000.00	41.06%	£24,250,000.00	41.31%
Shopping Centre	£13,700,000.00	23.34%	£13,700,000.00	23.34%
Retail	£18,550,000.00	31.60%	£18,400,000.00	31.35%
Industrial	£2,350,000.00	4.00%	£2,350,000.00	4.00%
	£58,700,000.00	**100.00%**	**£58,700,000.00**	**100.00%**

Key KPIs		
	Dec-17	**Mar-18**
Total Number of Units*	104	108
Total Number of Tenants	92	91
Total SQFT	336,303	336,303
Vacancy (% SQFT)	5.80%	8.00%
Vacancy (% ERV)	1.60%	4.50%
WAULT (Expiry)	6.4	6.48
WAULT (Breaks)	5.13	5.3

*increase in units due to the creation of kiosks at Gloucester

Differentiated Investment Strategy

- Target lot sizes of £2m - £15m in regional locations.
- Sector agnostic – opportunity driven.
- Entrepreneurial asset management.
- Risk-controlled development.
- Dividend paid quarterly.
- Fully 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 is 6.48 years.
- The portfolio yield is 7.9% (based on 31 March 2018 valuation).
- The occupancy rate is high at greater than 95% by ERV
- Gearing - the loan-to-value ratio of 38.8% directly in line with the stated intended target of 40%.
- Further asset management angles to exploit.

Asset Management Overview and Update

Eastern Avenue Gloucester

- Discussions continue with retailers regarding the recent demise of Maplin. Discussions are at a sensitive stage and once documents are signed we will make an announcement

Gosforth Shopping Centre, Gosforth

- Tenant interest remains strong and the long term vacancy rate is low. We continue to market the centre and engage with the local community, having recently undertaken an Easter campaign for children.

Kew Retail Park, Southport

- The asset management strategy remains in place and the currently vacant unit is being marketed by Edgerly Simpson Howe & Partners.

Arthur House, Manchester

- We have recently agreed a simultaneous surrender and re-grant of a new lease to Manchester City Council for c 1,500sqft at £16.50psf, along with the letting of 2 further suites within the building.
- A new marketing campaign is about to be launched and aligned to this is the appointment of JLL as joint letting agents.
- In the next quarter we expect to instruct the refurbishment of the 2nd, 5th and 6th floors at a total cost of c £600,000.

Burnside Industrial Estate, Aberdeen

- We have successfully agreed the surrender of unit 5 and received a surrender premium of £108,000. This surrender premium is to be utilised to refurbish the external of units 1-3 in the summer of 2018.
- Work to provide the tenants with their own utility meters was undertaken late last year and we will now undertake some common part refurbishment work including new estate signage

3 Lochside Way

- Following a period of intense letting action, the building is currently fully let, we are about to undertake a common parts refurbishment of c £50,000. The refurbishment will include new cycle racks, increased shower provision a refresh of the reception area and redecoration of common parts.

Monteith House

- We continue to invest in this asset and with potential marketing opportunities in 2019 we are about to undertake a refurbishment of the common parts including new reception area, revised signage at a cost of c £100,000.

Dividends

The Board is targeting fully covered aggregate quarterly dividends of 6.0p per share in respect of the year ending 30 September 2018*. At the current share price of 95.5p this would represent an annualised dividend yield of 6.3%.

**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