25 October 2017

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

Unaudited Net Asset Value as at 30 September 2017

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value (**"NAV"**) as at 30 September 2017.

Highlights

Period from 1 July to 30 September 2017

- Fair value independent valuation of property portfolio as at 30 September 2017 of £58.2m (30 June 2017: £58.2m).
- NAV per share at 30 September 2017 of 94.0p (30 June 2017: 94.5p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 30 September 2017 were 1.8p.
- Dividend paid during the quarter of 1.375p fully covered by earnings for the period.
- £0.4m (0.9 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.
- Successful asset management initiatives, which have reduced the vacancy rate and increased the WAULT.
- NAV total return (NAV movement plus dividend paid) of +1.0%.

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 2017)

	£m	*Pence per Share*
NAV as at 30 June 2017	36.1	94.5
Capital expenditure	(0.4)	(0.9)
Valuation change in property portfolio	-	-
Income earned for the period	1.2	3.0
Expenses for the period	(0.3)	(0.7)
Interest paid	(0.2)	(0.5)
Dividend paid	(0.5)	(1.4)
Unaudited NAV as at 30 September 2017	35.9	94.0

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 30 September 2017 and income for the period, but does not include a provision for the fourth interim dividend, which will be paid in November 2017. The earnings per share for the period from 1 July 2017 to 30 September 2017 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.8p.

As at 30 September 2017, the Company had cash balances of £0.7 million and borrowings of £22.8 million (loan to value of 39.1%)

Market Overview

Following four consecutive months of no movement in the Savills prime yield series July and August have seen a hardening of 10bps and the average yield reach 4.65%, the lowest level since May 2016. Following the unexpected UK general election, markets are now seeing an uptick in activity. This, combined with relatively low levels of investment stock, has seen pricing for a number of sectors move in following months of downward pressure. July saw yields shift inwards for UK logistics, the sector remains in vogue for investors driven by the well documented structural change in the retail sector which is driving occupier demand. Coupled with the fact that speculative development levels are low and headline rents are maintaining their upward trajectory, investors have been keen to deploy capital into the sector. Indeed at the half year point in 2017 investment volumes in the sector have reached £2.3bn, almost £1bn higher than the same period in 2016 and 150% higher than the long term average.

Prime yields for foodstores sharpened in August reaching their lowest level since the end of 2014. With a more robust occupational story assisted by retailer merger and acquisition and the fact foodstores offer long term indexed linked income and potential asset management opportunities led by residential or mixed use development means the sector has become increasingly attractive, particularly to currency sensitive overseas investors and income driven local authorities.

Whilst year to date investment volumes by value are on par with 2016, the actual number of transactions taking place has increased, a feature of the market that is supportive of the Company's investment strategy.

Office based employment across the regional cities is forecast to grow by 4.6% over the next five years, equating to a net additional 55,000 jobs and indicating a need for around five million sq ft. The strongest growth is expected to be seen in the administrative and professional, science and tech sectors. The development pipeline remains limited, with 49% of space already pre-let. Savills estimate 3.5 million sq ft of speculative development to complete by end 2019.

Current Portfolio

	Jun-17		Sep-17	
Location	**Value**	**% Weighting**	**Value**	**% Weighting**
North East	£15,775,000.00	27%	£15,925,000.00	27%
Scotland	£18,250,000.00	31%	£18,300,000.00	31%
North West	£18,900,000.00	33%	£18,900,000.00	33%
South West	£5,300,000.00	9%	£5,100,000.00	9%
	£58,225,000.00	**100%**	**£58,225,000.00**	**100%**
Sector	**Value**	**% Weighting**	**Value**	**% Weighting**
Office	£23,625,000.00	41%	£23,775,000.00	41%
Shopping Centre	£13,250,000.00	23%	£13,400,000.00	23%
Retail	£18,750,000.00	32%	£18,550,000.00	32%
Industrial	£2,600,000.00	4%	£2,500,000.00	4%
	£58,225,000.00	**100%**	**£58,225,000.00**	**100%**

Key KPIs		
	Jun-17	**Sep-17**
Total Number of Units	104	104
Total Number of Tenants	88	92
Total SQFT	336,303	336,303
Vacancy (% SQFT)	7.60%	5.80%
Vacancy (% ERV)	3.90%	1.60%
WAULT (Expiry)	6.23	6.40
WAULT (Breaks)	5.05	5.13

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 of the portfolio has increased to 6.4 years, which reduces the impact of any uncertainty in occupational markets.
- The portfolio yield is 8.0% (based on 30 September 2017 valuation).
- The occupancy rate is high at greater than 98%.
- Gearing - the loan-to-value ratio of 39.1% directly in line with the stated intended target of 40%.
- Further asset management angles to exploit.

Asset Management Overview and Update

We have just passed the second anniversary of our first acquisition Mayflower House, Gateshead which was acquired in August 2015. This acquisition was quickly followed by Duloch Park and Gosforth Shopping Centre. From these first acquisitions we now have a portfolio of 10 assets and 92 tenants spread across the UK. The Total rent roll is now circa £4.9m pa. As we enter this next period of the Business Plans for each asset we are beginning to see the benefits of the asset management undertaken to date. Valuations across the portfolio have increased by c £2.5m since the first asset was acquired.

Since last quarter we have reduced the Vacancy rate and also witnessed an increase in the weighted unexpired lease term.

The Board and the Investment Advisor remain committed to the strategy of investing in regional assets where value can be unlocked via entrepreneurial asset management.

Duloch Park, Dunfermline

- Unit 3 Greggs 2013 Rent Review settled at £23,300 pa, circa £1,500 ahead of Business Plan

Gosforth Shopping Centre

- Following completion of 3 new Kiosk units at a total cost of c £40,000, Kiosks 1 and 2 have now been let for a period of 5 years at an annual rent of £14,000 pa.
- Unit 19 is currently under offer and the Agreement for Lease should be completed imminently.

3 Lochside Way

- Nucanna have taken 2 separate leases for a total of c 5,500 sq ft at a rent ahead of business plan.
- We now only have 1 suite available at Lochside Way which is currently under offer.

Arthur House

- Gordon Levy have relocated within the building on a 5 year lease at a Headline rent of £18.50 per sq ft pa.
- We have secured vacant possession of the 6th floor and after a short marketing campaign this suite is under offer to one occupier, cementing the business plan.

Eastern Avenue, Gloucester

- Following the acquisition of Staples by Hilco we have secured a new 10 year lease with SUK Retail Limited.

Dividends

The Board has declared fully covered aggregate quarterly dividends of 5.5p per share in respect of the year ending 30 September 2017, and is targeting 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.]*

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