18 January 2018

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

Unaudited Net Asset Value as at 31 December 2017

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

Highlights

Period from 1 October 2017 to 31 December 2017

- Fair value independent valuation of property portfolio as at 31 December 2017 of £58.7m (30 September 2017: £58.2m).
- NAV per share at 31 December 2017 of 95.4p (30 September 2017: 94.0p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 31 December 2017 were 1.9p.
- Dividend paid during the quarter of 1.375p 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 +3.1%.

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 December 2017)

	£m	*Pence per Share*
NAV as at 30 September 2017	35.9	94.0
Capital expenditure	(0.1)	(0.3)
Valuation change in property portfolio	0.5	1.3
Income earned for the period	1.2	3.1
Expenses for the period	(0.3)	(0.8)
Interest paid	(0.2)	(0.5)
Dividend paid	(0.5)	(1.4)
Unaudited NAV as at 31 December 2017	36.5	95.4

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 31 December 2017 and income for the period, but does not include a provision for the first interim dividend, which will be paid in February 2018. The earnings per share for the period from 1 October 2017 to 31 December 2017 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.9p.

As at 31 December 2017, the Company had cash balances of £1.1 million and borrowings of £22.8 million (loan to value of 38.8%)

Market Overview

Despite an undercurrent of political uncertainty, 2017 turned out to be a very positive year for economic growth in Europe. The political environment within the UK will continue to play a significant part in how the economy performs and may be a little subdued over the next three years partly due to the impact of Brexit and the uncertainty that has created.

From the evidence of economic performance in the final quarter of 2017 after the economy held up well in the first 3 quarters of 2017 it can be gleaned that spending growth probably slowed in Q4. Christmas trading is vitally important for retailers and on a non-seasonally adjusted basis, the volume of sales in December is typically 30% above its average monthly level in the rest of the year. The latest available data on households' borrowing behaviour suggests that consumers are willing and able to borrow to fund their spending with annual growth in credit card borrowing picked up again from 8.4% in October to 8.6% in November.

Data from MSCI showed that all-property rental values rose by 0.2% in November which was comparable to the average monthly rise seen over the last six months, and was enough to keep the annual and quarterly rates of rental value growth broadly unchanged compared to October, at 1.8% y/y and 0.6% 3m/3m. Both of those rates are stronger than most readings since the start of the year.

However, beneath the all-property average, the picture looks increasingly mixed. For instance, Rest of South East industrial rents rose by 0.6% in November, broadly in line with the six-month average. By contrast, at 0.2%, the rise in shopping centre rents was a clear improvement on the average fall of 0.1% recorded over the previous six months. South East Industrials and last mile logistics remain a keenly contested market sector with yields continuing to sharpen. DRIP REIT's continued strategy on core plus and value add opportunities keeps us out of this sector and looking at more entrepreneurial opportunities in, for example, the Retail Warehouse sector where value can be unlocked via the managers skills rather than just waiting on the market to add the value.

At £6bn, the value of Investment deals reported in November rose by 42% compared to October. November's rise was enough to reignite the upward trajectory in both the six- and twelve-month averages of activity. On these metrics, investment activity was stronger than at virtually any point other than the exceptional highs of 2014 and 2015. Firstly, the value of the five largest deals totalled nearly £2.2bn, around a third higher than the five-year average. Although the number of deals signed was not too far from the average seen in past Novembers, the value of deals was particularly high. The upshot is that, at just under £50m, the implied average lot size was higher than at any point since November 2010. The size of deals and equity into the market continues to be a focus where smaller assets are ignored as investors are focussed on asset allocation i.e. real estate versus say equities or bonds rather than the specific real estate opportunities.

Accounting for just over 50% of all transactions by value, the office sector attracted the largest proportion of capital. Whist the share of office investment was broadly in line with the recent trend, the shares of retail and industrial investment were low by recent standards. Meanwhile, three of the top five deals involved alternative property assets – i.e. assets outside of the office, retail and industrial sectors. For example, the largest of those saw Pandox purchase a portfolio of Jury's Inn hotels for £800m from Lone Star.

Current Portfolio

	Sep-17		Dec-17	
Location	**Value**	**% Weighting**	**Value**	**% Weighting**
North East	£15,925,000	27%	£16,200,000	28%
Scotland	£18,300,000	31%	£18,350,000	31%
North West	£18,900,000	33%	£19,050,000	32%
South West	£5,100,000	9%	£5,100,000	9%
	£58,225,000	**100%**	**£58,700,000.00**	**100%**
Sector	**Value**	**% Weighting**	**Value**	**% Weighting**
Office	£23,775,000	41%	£24,100,000	41%
Shopping Centre	£13,400,000	23%	£13,700,000	23%
Retail	£18,550,000	32%	£18,550,000	32%
Industrial	£2,500,000	4%	£2,350,000	4%
	£58,225,000	**100%**	**£58,700,000**	**100%**

Key KPIs		
	Sep-17	**Dec-17**
Total Number of Units	104	108
Total Number of Tenants	92	92
Total SQFT	336,303	336,303
Vacancy (% SQFT)	5.80%	4.90%
Vacancy (% ERV)	1.60%	2.70%
WAULT (Expiry)	6.40	6.47
WAULT (Breaks)	5.13	5.17

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 6.5 years.
- The portfolio yield is 8.2% (based on 31 December 2017 valuation).
- The occupancy rate is high at greater than 97%.
- 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

Having just published our second set of Annual Accounts for the period to September 2017 the Board and the Investment Advisor remain committed to the strategy of investing in regional assets where value can be unlocked via entrepreneurial asset and development management. Since the Company was launched in May 2015 we have assembled a strong portfolio of income producing assets which are spread across the value add and core plus sectors of the market. The asset management initiatives identified at acquisition for each asset continue to be progressed, which is reinforced by the progressive dividend policy.

Duloch Park, Dunfermline

- Due to the strength of trade on the park Greggs and Subway both decided not to serve tenant only break options.

Gosforth Shopping Centre, Gosforth

- Kiosk 3 is now let and income producing and Kiosk 4 is under offer, likely to be income producing in February.
- The legal documentation for Unit 19 is now complete and the tenant will take occupation following a short period of refurbishment.

Kew Retail Park, Southport

- As anticipated at acquisition Carpetright have chosen to vacate at Lease Expiry in January 2018. Edgerly Simspon Howe & Partners are currently marketing the unit and have received initial notes of interest.

Lakeside 5500, Cheadle Royal Business Park, Cheadle

- We have agreed the outstanding Rent Review with Agilent at £310,000. This settlement reflects an uplift in rent of c £10,000 per annum and will be backdated to March 2017. This settlement figure is ahead of the Business Plan at acquisition.

Arthur House, Manchester

- We have now secured vacant possession of the 5th and 6th floors and will undertake a review of what refurbishment specification should be delivered to the market.
- We have strong interest in the 3rd floor voids and are hopeful of announcing new lettings next quarter.

Lochisde House, Edinburgh

- Following acquisition in July 2016 we have secured 4 new tenants for the building covering c 12,000sqft which now makes the building fully occupied. Lettings have been achieved at an average rent of £18-sf, which is above business plan and the incentive packages have been lower than anticipated in the Business Plan.

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.]*

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