19 January 2017

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

Unaudited Net Asset Value as at 31 December 2016

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value (**"NAV"**) as at 31 December 2016.

Highlights

Period from 1 October 2016 to 31 December 2016

- Fair value independent valuation of property portfolio as at 31 December 2016 of £48.8m (30 September 2016: £48.2m).
- NAV per share at 31 December 2016 of 95.5p (30 September 2016: 93.5p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 31 December 2016 were 2.1p.
- Dividend paid during the quarter of 1.3125p fully covered by earnings for the period.
- NAV total return (NAV movement plus dividend paid) of 3.3%.

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 2016)

	£m	*Pence per Share*
[Audited] NAV as at 30 September 2016	34.2	93.5
Fundraising proceeds	-	-
Portfolio acquisition costs	(0.1)	(0.3)
Valuation change in property portfolio	0.6	1.5
Income earned for the period	1.1	3.0
Expenses for the period	(0.2)	(0.6)
Interest paid	(0.1)	(0.3)
Dividend paid	(0.5)	(1.3)
Unaudited NAV as at 31 December 2016	35.0	95.5

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 31 December 2016 and income for the period, but does not include a provision for the first interim dividend, which will be paid in February 2017. The earnings per share for the period from 1 October 2016 to 31 December 2016 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 2.1p. Acquisition costs on new property purchases have been written-off.

As at 31 December 2016, the Company had cash balances of £1.3 million and borrowings of £14.5 million (loan to value of 29.7%).

Market Overview

In the absence of a clear sense of economic direction, the UK real estate market appears to have tentatively resumed where it left off before the referendum, with a broadly flat market punctuated by patches of strong growth. In the absence of any distressed selling, some investors have come to the conclusion that they may not get the discounts that they were hoping for and have started to bid more aggressively. Many owners are seemingly reluctant to sell at reduced post-referendum values, and therefore market yields have stabilised and in some cases have shown signs of hardening. The first quarter of 2017 may be a better indicator of the direction of pricing once the push to hit year-end targets has passed.

Current Portfolio

	Sep-16		Dec-16	
Location	**Value**	**% Weighting**	**Value**	**% Weighting**
North East	£15,375,000.00	32%	£15,625,000.00	32%
Scotland	£17,850,000.00	37%	£18,050,000.00	37%
North West	£9,712,500.00	20%	£9,800,000.00	20%
South West	£5,300,000.00	11%	£5,300,000.00	11%
	£48,237,500.00	**100%**	**£48,775,000.00**	**100%**
Sector	**Value**	**% Weighting**	**Value**	**% Weighting**
Office	£22,787,500.00	47%	£23,075,000.00	47%
Shopping Centre	£12,750,000.00	27%	£13,000,000.00	27%
Retail	£10,100,000.00	21%	£10,100,000.00	21%
Industrial	£2,600,000.00	5%	£2,600,000.00	5%
	£48,237,500.00	**100%**	**£48,775,000.00**	**100%**

Key KPIs		
	Sep-16	**Dec-16**
Total Number of Units	94	94
Total Number of Tenants	83	83
Total SQFT	282,651	282,651
Vacancy (% SQFT)	7.60	8.40
Vacancy (% ERV)	8.60	9.20
WAULT (Expiry)	6.18	6.03
WAULT (Breaks)	5.13	4.99

Differentiated Investment Strategy

- Target lot sizes of £2m - £15m in regional locations.
- Sector agnostic – opportunity driven.
- Entrepreneurial asset management.
- Risk-controlled development.
- 5.15% dividend yield on 31 December 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 Brexit-related market weakness.
- The weighted average unexpired lease term (WAULT) to expiry, including rental guarantees, of the portfolio is 6.03 years, which reduces the impact of any uncertainty in occupational markets.
- The portfolio yield is 8.7% (based on 31 December 2016 valuation).
- The occupancy rate is high at greater than 90%.
- Low gearing - the loan-to-value ratio of 29.7% 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. The Asset Management strategy for Arthur House is now firmly under way, with a planning application consented and works due to commence on site in the spring. Arthur House has also delivered a strong occupational market with a new 5 year lease completed over 2,500 sqft with a further 4,000 sqft in legals. The occupational market is strong in other locations also, notably at Monteith House in Glasgow where Land Securities Buchan have not exercised a break option over 6,400 sqft and at Gosforth Shopping Centre where WH Smith have signed a new 5 year lease at £69,500 pa.

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.]*

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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