

Fund manager
Richard Kirby


Manager Commentary

Asset Management Update

Over the first quarter, 18 leases and tenancy agreements have been completed or renewed.

Notable transactions include:

- **St Christopher's Place, Central London** – Sunday in Brooklyn have committed to a 15-year lease on a newly created anchor unit, at a rent in line with estimated rental value ('ERV') and with the potential for a further rental top-up based on the restaurant's turnover. Recent F&B lettings have increased the estate's exposure to the sector to 42 per cent by capital value. Currently 44 per cent of the space available at the estate is under offer.
- **Cowdray Centre, Colchester** – following the completion of a substantial refurbishment, MKM Building Supplies have signed a new 20-year lease at a rent in line with the unit's ERV.
- **17A Curzon Street, London W1** – the newly refurbished top-floor suite of this multi-let West End office holding has been let on a new 5-year lease to Turcan Connell at a rent of £131.50 per square foot, representing a marginal premium to ERV.
- **7 Birch Lane, London EC3** – this multi-let City of London holding has been subject to a phased refurbishment programme which has now completed with the leasing of the final suite. The ground floor suite has been let to Exquitech on a new 5-year lease at a rent of £64.50 psf. The rent represents a marginal premium to the suite's ERV, and a 9.5 per cent premium to the pre-refurbishment ERV.

The portfolio vacancy rate increased marginally over the quarter, rising from 6.7 per cent to 6.8 per cent by ERV. Of this, 4.6 per cent is attributed to Stockley Park, Uxbridge, which is held as a repurposing opportunity and 0.9 per cent is contractually committed to occupiers.

Portfolio valuation

Over the quarter, the Company's portfolio recorded a valuation decline of 1.6 per cent. Net initial yield moved from 5.5 per cent at 31 December 2023 to 5.6 per cent at 31 March 2024. Equivalent yield moved from 6.5 per cent at 31 December 2023 to 6.7 per cent at 31 March 2024.

Key risks

Values may fall as well as rise and investors may not get back the full amount invested. Income from investments may fluctuate. Income may be achieved by foregoing future capital growth. The value of property related securities are likely to reflect valuations determined by professional valuers. Such valuations are the opinion of valuers at a particular point in time and are likely to be revised. Property and property related assets can sometimes be illiquid. A fund investing in a specific country carries a greater risk than a fund diversified across a range of countries. If markets fall, gearing can magnify the negative impact on performance.

Key facts

Trust aims: To provide ordinary shareholders with an attractive level of income with the potential for income and capital growth from investing in a diversified UK commercial property portfolio.

| | |
|---|----------------------------------|
| Fund type: | Investment Trust |
| Launch Date: | 18 March 2005 |
| Total assets: | £1,014.8 million |
| Share price: | 81.4p |
| NAV: | 107.3p |
| Discount/Premium(-/+): | -24.1% |
| Dividend payment dates: | Monthly |
| Dividend yield: | 6.5% |
| Actual gearing**: | 20.4% |
| Vacant property: | 6.8% |
| Weighted average lease length: | 4.5 years |
| Management fee rate***: | 0.55% |
| Ongoing charges***: | 0.96% |
| Ongoing charges including property costs***: | 1.54% |
| Year end: | 31 December |
| Sector: | Property Direct - UK |
| Currency: | Sterling |
| Website: | balancedcommercialproperty.co.uk |

***Ongoing charges calculated in accordance with AIC recommendations. Please refer to the latest annual report as to how the fee is structured.

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Offices saw a valuation decline of 4.3 per cent amid prevailing weak investor sentiment towards the sector. The equivalent yield on the office portfolio increased by 92 basis points to 9.1 per cent.

St Christopher's Place experienced a valuation decline of 3.3 per cent. The primary cause of this was the administration of The Body Shop, who have ceased trading from their store at 372/374 Oxford Street. This prominent corner unit is being actively marketed and has received several offers to occupy, which are under negotiation.

The retail warehouse assets experienced a 2.4 per cent increase in value, as prime market yields compressed over the quarter amid strong levels of investor and occupational demand. The Company's retail parks in Newbury and Solihull are fully leased and offer an attractive and robust grocery, discount and convenience-led tenant roster. The equivalent yield on the retail warehouses sharpened by 12 basis points to 6.1 per cent.

Industrial assets saw capital values fall marginally by 0.2 per cent as the equivalent yield on the portfolio assets remained broadly stable at 6.1 per cent.

Investment activity

As previously announced, the Company successfully completed the disposal of two office holdings in the first quarter:

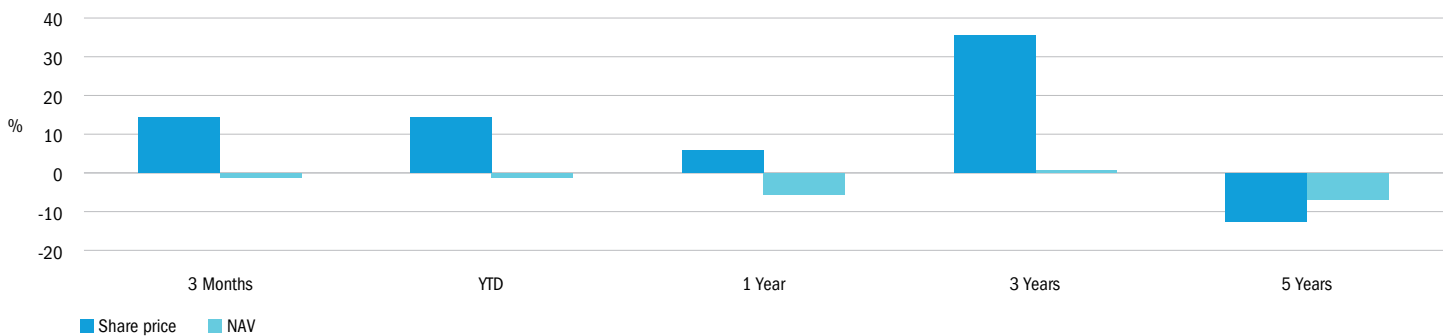
- 2-4 King Street, London SW1 – a multi-let freehold of 15,000 sq ft in London's West End.
- The Leonardo Building, Crawley – a headquarters office building of 110,000 sq ft, located on an out-of town business park.

The sales completed at an aggregate price of £54.6m, reflecting a discount to the preceding valuation of 0.4 per cent. The pricing achieved on these disposals reflects the quality of the real estate in the portfolio which has strong underlying fundamentals.

The Manager is continuing to actively review a pipeline of further disposals from the office sector, as part of the Company's strategy to enhance the portfolio's exposure to structurally supported growth sectors and assets.

Dividend

The Company paid three monthly property income distributions at a rate of 0.44 pence per share during the quarter.

Fund performance as at 31.03.24**Cumulative performance as at 31.03.24 (%)**

| | 3 Months | Year to date | 1 Year | 3 Years | 5 Years |
|-------------|----------|--------------|--------|---------|---------|
| Share price | 14.3 | 14.3 | 5.8 | 35.4 | -12.5 |
| NAV | -1.1 | -1.1 | -5.5 | 0.6 | -6.9 |

Discrete annual performance as at 31.03.24 (%)

| | 2024/23 | 2023/22 | 2022/21 | 2021/20 | 2020/19 |
|-------------|---------|---------|---------|---------|---------|
| Share price | 5.8 | -24.9 | 70.4 | -1.7 | -34.2 |
| NAV | -5.5 | -14.5 | 24.5 | -1.9 | -5.7 |

Past performance is not a guide to future performance. Source: Refinitiv Eikon and Columbia Threadneedle Investments. Basis: Percentage growth, total return, bid to bid price with income reinvested in sterling. Basis in accordance with the regulations of the Financial Conduct Authority.

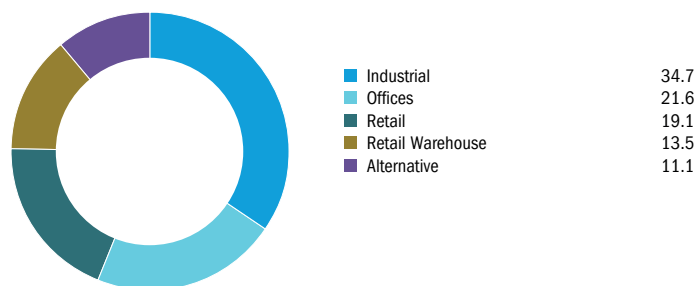
Trust codes

| | |
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| Sedol | |
| BCPT - GBP | B4ZPCJO |

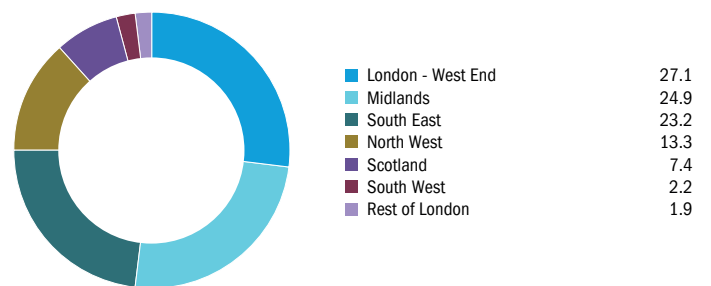
Top 10 property investments (%)

| | Holding | Location | Sector |
|---|---|---------------|------------------|
| Properties valued in excess of £200 million | London W1, St Christopher's Place Estate | West End | Mixed |
| Properties valued between £50 million and £70 million | Solihull, Sears Retail Park | West Midlands | Retail Warehouse |
| | Newbury, Newbury Retail Park | South East | Retail Warehouse |
| Properties valued between £40 million and £50 million | London SW19, Wimbledon Broadway | South East | Mixed |
| | Winchester, Burma Road | South East | Alternative |
| Properties valued between £30 million and £40 million | Chorley, Unit 6 and 8 Revolution Park | North West | Industrial |
| | Birmingham, Unit 8 Hams Hall Distribution Park | West Midlands | Industrial |
| | Markham Vale, Orion One & Two | East Midlands | Industrial |
| | Liverpool, Unit 1, G. Park, Portal Way | North West | Industrial |
| | Daventry, Site E4, Daventry International Rail Freight Terminal | East Midlands | Industrial |

Sector breakdown (%)



Geographical breakdown (%)



Net dividend distributions pence per share

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------|------|------|------|------|-------|-------|------|------|
| January | 0.5 | 0.5 | 0.5 | 0.5 | 0.35 | 0.375 | 0.4 | 0.44 |
| February | 0.5 | 0.5 | 0.5 | 0.5 | 0.35 | 0.375 | 0.4 | 0.44 |
| March | 0.5 | 0.5 | 0.5 | 0.5 | 0.35 | 0.375 | 0.4 | 0.44 |
| April | 0.5 | 0.5 | 0.5 | 0.0 | 0.35 | 0.375 | 0.4 | 0.44 |
| May | 0.5 | 0.5 | 0.5 | 0.0 | 0.35 | 0.4 | 0.4 | 0.44 |
| June | 0.5 | 0.5 | 0.5 | 0.0 | 0.35 | 0.4 | 0.4 | |
| July | 0.5 | 0.5 | 0.5 | 0.0 | 0.35 | 0.4 | 0.4 | |
| August | 0.5 | 0.5 | 0.5 | 0.25 | 0.35 | 0.4 | 0.4 | |
| September | 0.5 | 0.5 | 0.5 | 0.25 | 0.35 | 0.4 | 0.4 | |
| October | 0.5 | 0.5 | 0.5 | 0.25 | 0.35 | 0.4 | 0.44 | |
| November | 0.5 | 0.5 | 0.5 | 0.25 | 0.375 | 0.4 | 0.44 | |
| December | 0.5 | 0.5 | 0.5 | 0.35 | 0.375 | 0.4 | 0.44 | |
| Total | 6.0 | 6.0 | 6.0 | 2.85 | 4.25 | 4.70 | 4.92 | 2.20 |

Structure

The Company's capital structure consists of Ordinary Shares. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange. Stock Code: BCPT.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Group's assets after repayment of its borrowings. The Company has a £260 million term loan with L&G due to expire on 31 December 2024.

There is also a £60 million revolving credit facility with Barclays/HSBC (none of which is currently drawn down). This is available until September 2025 with the availability of two 1-year extensions.

The Company has also signed up to a £260 million term loan with Barclays/HSBC which can only be used to pay down the L&G loan.

To find out more visit columbiathreadneedle.com



All data as at 31.03.2024 unless otherwise stated.

All information is sourced from Columbia Threadneedle, unless otherwise stated. All percentages are based on gross assets. *The NAV is calculated under International Financial Reporting Standards. **(borrowings-cash)/total assets (less trade and other payables and cash). ***Ongoing charges as at 31 December 2023. An additional Ongoing Charge figure is calculated which includes direct operating property costs however these are variable in nature and tend to be specific to lease events occurring during the period. Columbia Threadneedle Investment Business Limited is entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion).

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Balanced Commercial Property Trust is an investment trust and its Ordinary Shares are traded on the main market of the London Stock Exchange.

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