abrdn Property Income Trust (API) – AGM Presentation

Presented by

Jason Baggaley – Fund Manager
Mark Blyth – Deputy Fund Manager

June 2023

Contents

API Team

API Team

Experienced and dedicated fund management team with expert support

Independent Board

Risk management

RE ESG* Team Supported by centralised ESG team, providing strategic direction to portfolio decisions

Development team
- Deal structuring
- Review / negotiation of funding agreements

Abrdn Investment Companies team
- Knowledge Hub
- Dedicated marketing and sales team

Name	Role
Jason Baggaley	Fund Manager
Mark Blyth	Deputy Fund Manager
Michelle McKeown**	Financial Controller
Craig Gregor	Fund Controller
Gordon Smart	Fund Accountant
Matthew Ody	Asset Manager
Sarah MacDougall	Asset Manager
George Hale	Asset Manager
Fraser Green	Rural expert

Research and Strategy team
- Global macro
- Quarterly real estate house view
- Investment Strategy Committee oversight

Finance and Tax team
- Fund and deal structuring
- Tax Planning
- Banking Relationships

Real Estate Fund Accountancy
- Financial and Management Accounts
- IFRS reporting
- Reconciliations

Research / underwriting

*Environmental, Social and Governance **On maternity leave
Source: abrdn, 31 March 2023

2022
A review of the year

2022 API Summary

Year of two halves reflected rapid repricing, particularly within the industrial sector

NAV as at 31 December 2022 84.8p
- H1 2022 NAV increase 9.6%
- H2 2022 NAV decrease 23.4%
- 2022 NAV total return -12.8%

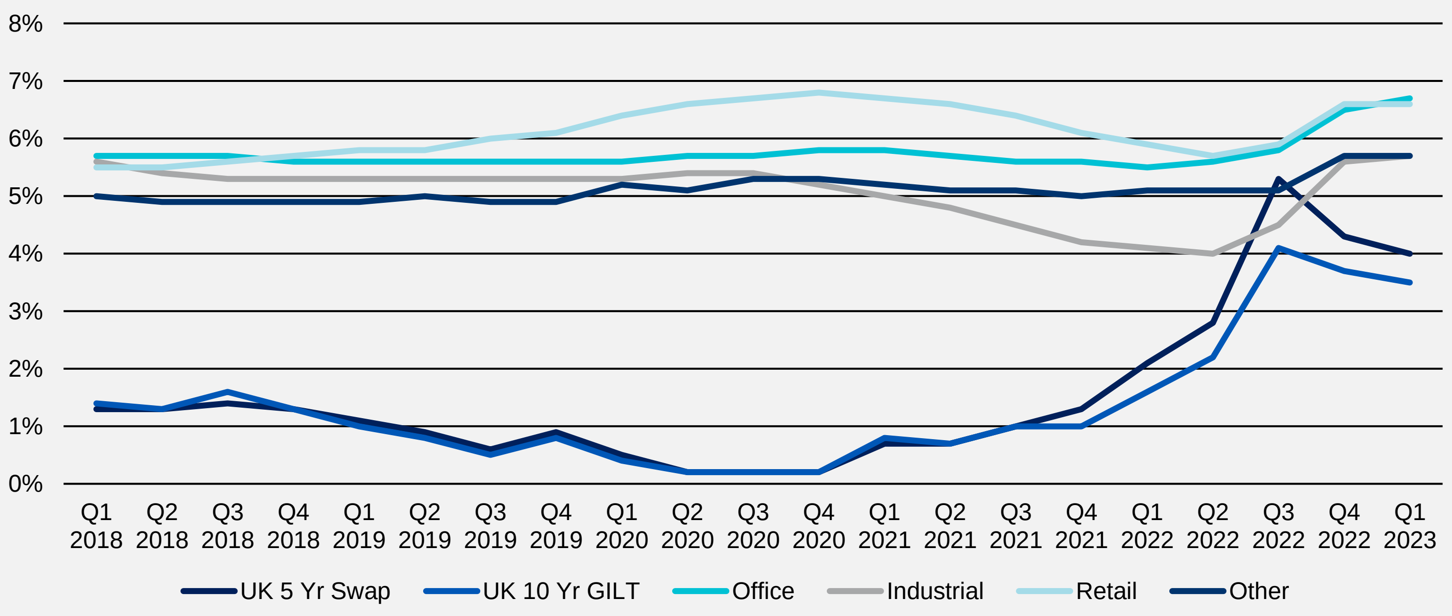
Share price Total Return of -19.0%

Direct Portfolio Total Return of -14.2%

Loan to value of 22.6%

Quarterly Dividend maintained at 1p per share

Margin over Gilts/Swap rates: All Sectors



Source: Refinitiv Datastream, MSCI Q1 2023

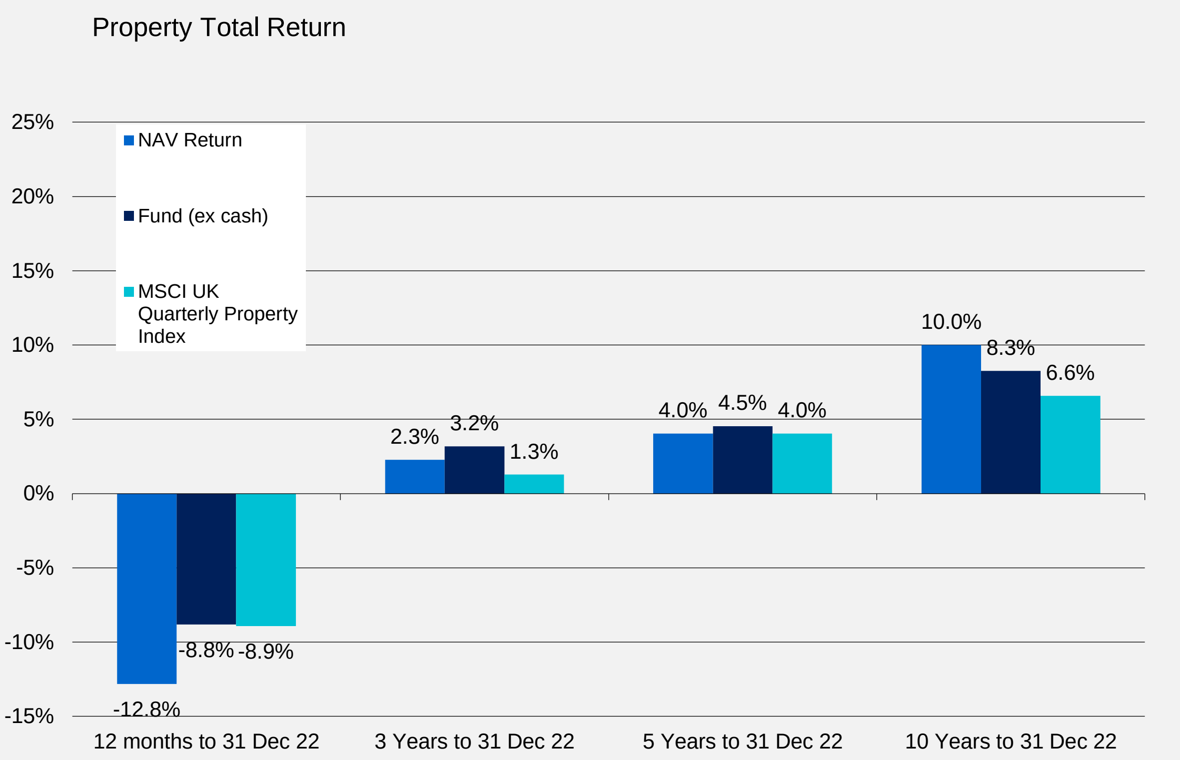
Source: abrdn, 31 March 2023

Real Estate like other asset classes impacted in 2022 by global changes to interest rates and bond yields

2022 API Summary

Focussed on providing a sustainable income

- 2022 rent collection 98.9%
- Occupancy Rate 90.2%
- Share Buybacks £12.4m
- 6 Rent Reviews settled securing an additional £237,560 p.a.
    - Average increase of 11% on previous passing rent
- 6 Lease Renewals and Regears securing £567,954 p.a. in rent
- 16 Lettings (including Agreements for Lease) securing rent of £1,980,737 p.a.
- 4 Sales completed for a combined £41.76m, reflecting an overall 2.5% premium to valuation
- 1 Purchase completed for £5m



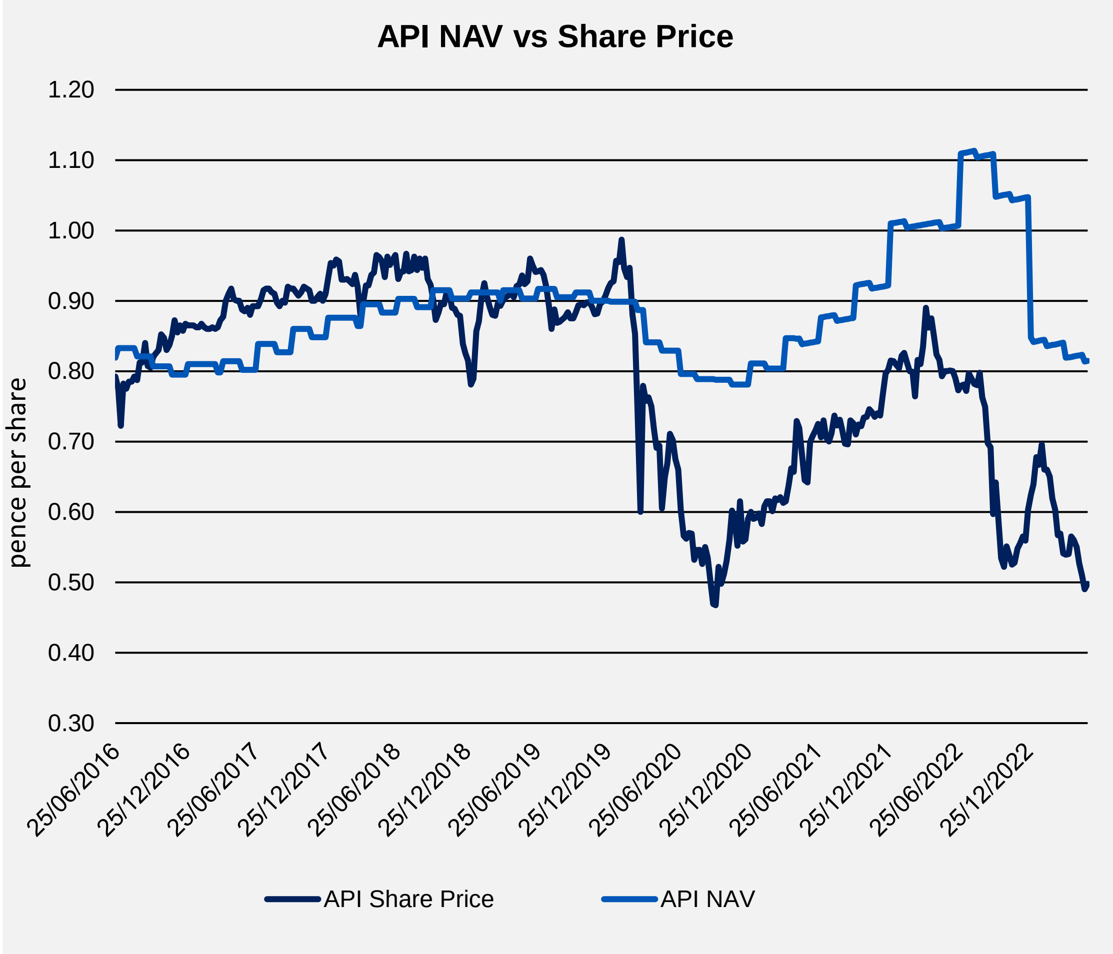
Source: abrdn, values at 31 December 2022

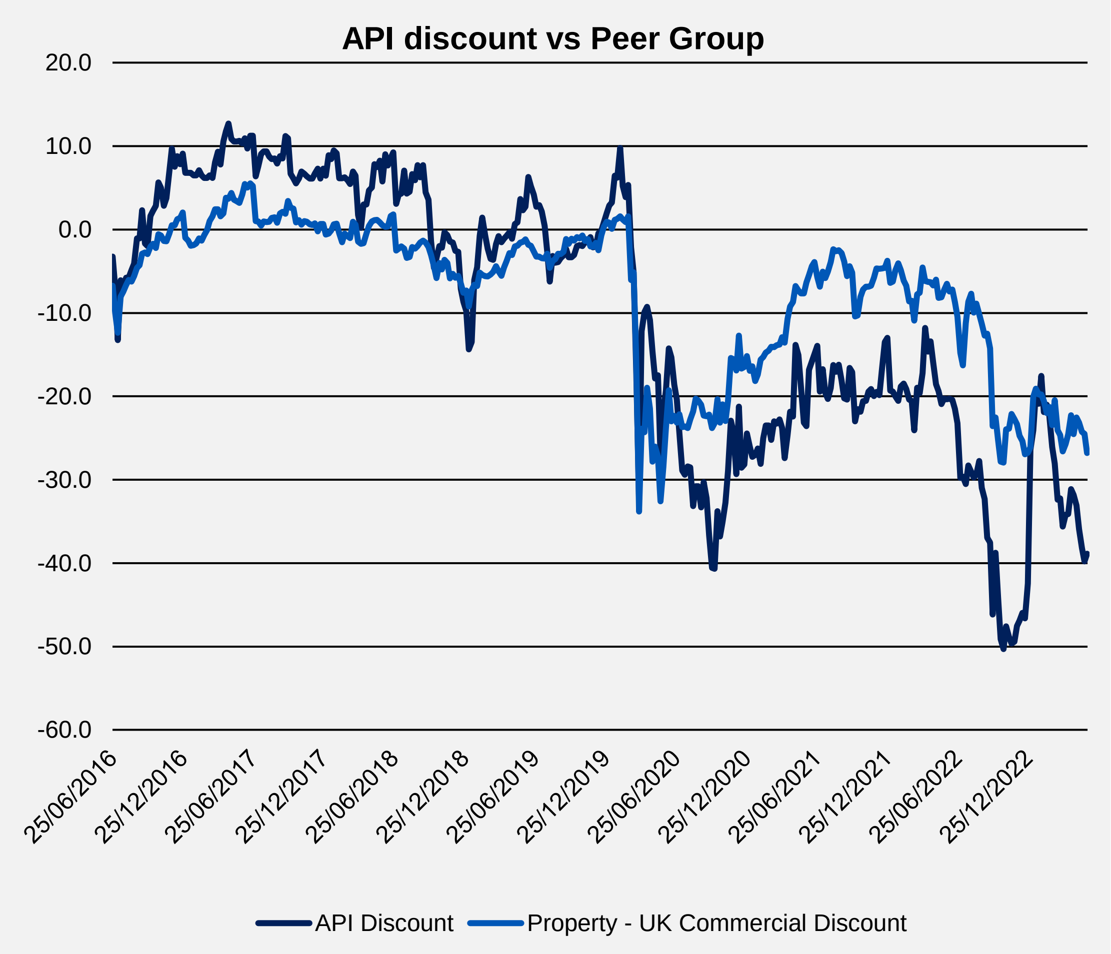
Source: abrdn, 31 March 2023. **Past performance does not predict future returns**

Continued focus on asset management through difficult market conditions

API Share Price

Share price continues to trade on a discount, as sector remains out of favour





Source: abrdn, Morningstar 01 June 2023

API tracking peer group discount, albeit currently to a larger extent

Identifying structural changes

Industrial transactions – improving quality to maximise future income potential

Constant review and active management of the portfolio

- **Purchase:** Glass Futures, St Helens (December 2021 – PC April 2023)
  - Funding of a new, high-specification unit pre-let to the local Council for 15 years
  - Index-linked rent reviews provide guaranteed rental growth
- **Sale**: Marsh Way, Rainham (October 2022)
  - disposal of lowest-yielding asset in the fund (2.84% initial yield) capturing significant capital appreciation (acquired for £7.5m, sold for £21.65m)
  - risks around yield and future capital expenditure required to maintain legislative compliance (EPCs)
- **Purchase**: Knowsley funding (February 2023)
  - speculative development of high quality building (EPC “A”, BREEAM “Excellent”)
  - anticipated higher yield and low capital expenditure following construction phase

Source: abrdn, 31 March 2023. For illustrative purposes only. **Past performance does not predict future returns**

Ensuring we own high quality assets that meet tenant needs

Identifying structural changes

Office sales - repositioning the portfolio

- Concern around office sector prompted asset review
- Higher risk assets and those not deemed “future-fit” identified
- Market liquidity reduced during and post-Covid, but early action taken
- 6 assets sold, reducing office sector weighting by 35% (31% to 20%) since March 2021
- Cumulative sale prices reflect 2.5% premium to valuation

2022 sales

- Endeavour House, Kidlington
- The Kirkgate, Epsom
- 31/32 Queen’s Square, Bristol

2021 sales

- Persimmon House, Dartford
- Chester House, Farnborough
- Anglia House, Bishop’s Stortford

Source: abrdn, 31 March 2023. For illustrative purposes only. **Past performance does not predict future returns**

High conviction on sector allocation to meet structural changes

API debt refinancing

Debt Maturity April 2023 – refinance completed October 2022

Existing Debt Facility

- **Expires April 2023**
- **Lender: RBSI**
- **Term Loan: £110m**
- **Term Loan all in cost: 2.725%**
- **Revolving Credit Facility: £55m**
- **RCF cost linked to 3-month SONIA**
- **Term fully drawn**
- **RCF is undrawn**

New Debt Facility:

- Lender: RBSI
- 3-year tenor
- Margin: 150bps (on both term loan and RCF)
- Term Loan: £85m
  - Interest rate cap at 3.96% (plus 150bps margin)
- Revolving Credit Facility (RCF): £80m
  - Floating interest rate linked to 3-month SONIA

Source: abrdn, 31 March 2023

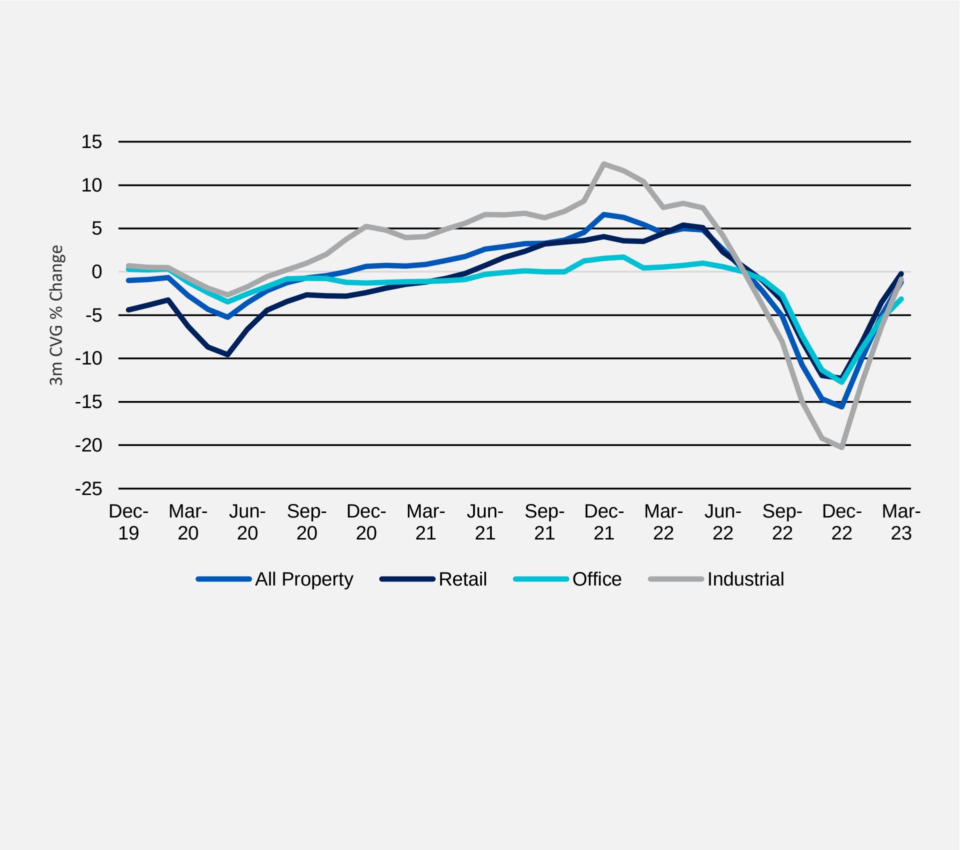
Past performance does not predict future returns

2023
The year so far and what we are focussed on

Sectors value movements continue to diverge

Valuations stabilising, with all sectors barring Offices showing positive capital value growth in March

- **Industrial:** Following significant value falls through the latter half of 2022, Industrial values have started to stabilise. Sector fundamentals remain robust with limited supply and reasonable occupier demand, which is maintaining investor appetite. This has, in some cases, resulted in a hardening of vendors pricing aspirations through Q1
- **Offices:** Uncertainty around office occupancy continues to weigh on investor and occupier demand. A “flight to prime” is emerging for occupiers with “prime” being characterised as buildings that offer high levels of occupier amenity and environmental credentials. This will lead to a significant divergence in values across the sector
- **Retail:** The different sub-sectors continue to demonstrate varying levels of performance, with the High Street continuing to suffer and Retail Warehousing remaining resilient. Inflationary pressures are persisting and add more pressure on consumer spending, impacting the discretionary areas of the market most. Budget and food are expected to continue to be less impacted
- **Other:** As a whole, the “Other” sector has continued to be resilient across Q1. This does mask the poor performance of some sub-sectors such as Leisure. The “Living” area of the market, namely Hotels, Student Housing, Healthcare and Residential continue to perform well and drive the overall sector returns



Source: CBRE Monthly Index (March 2023), abrdn, 31 March 2023

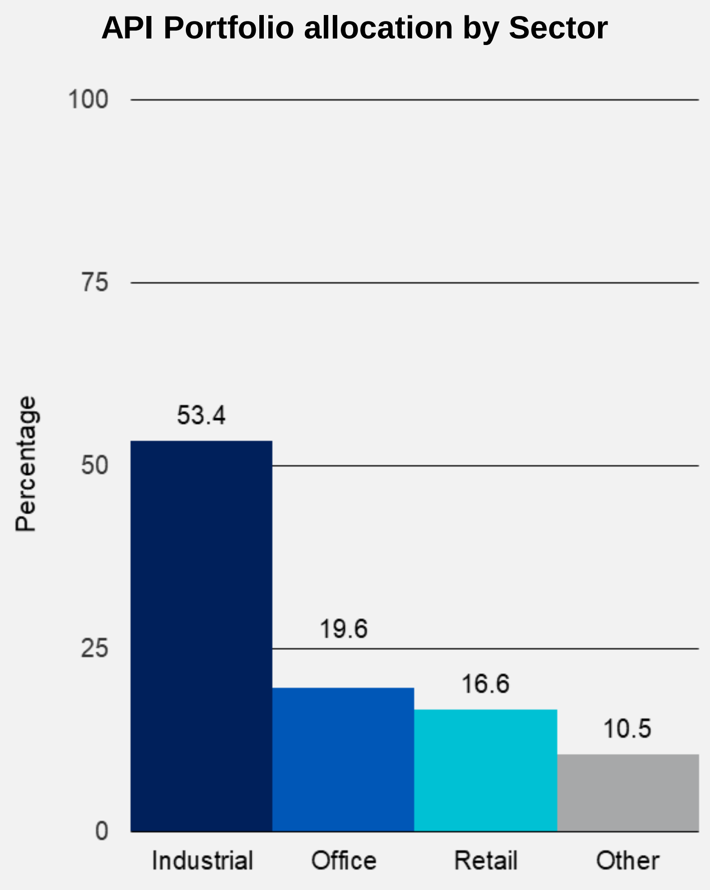
2023 API Update

Maintaining strong asset management momentum

- 2023 rent collection 97%
- 3 Rent Reviews settled securing an additional £178,549 p.a.
    - Average increase of 30% on previous passing rent
- 6 Lettings (including Agreements for Lease) securing rent of £1,549,287 p.a.
    - Occupancy Rate 90.2% as at 31 March
        - 95.4% including completed and contracted lettings

- 5 Photovoltaic (PV) installations completed and operational
    - Providing a total output of 874,888 KWh
- 2 Purchase completed for £22.2m

Source: abrdn, 31 March 2023. **Past performance does not predict future returns**

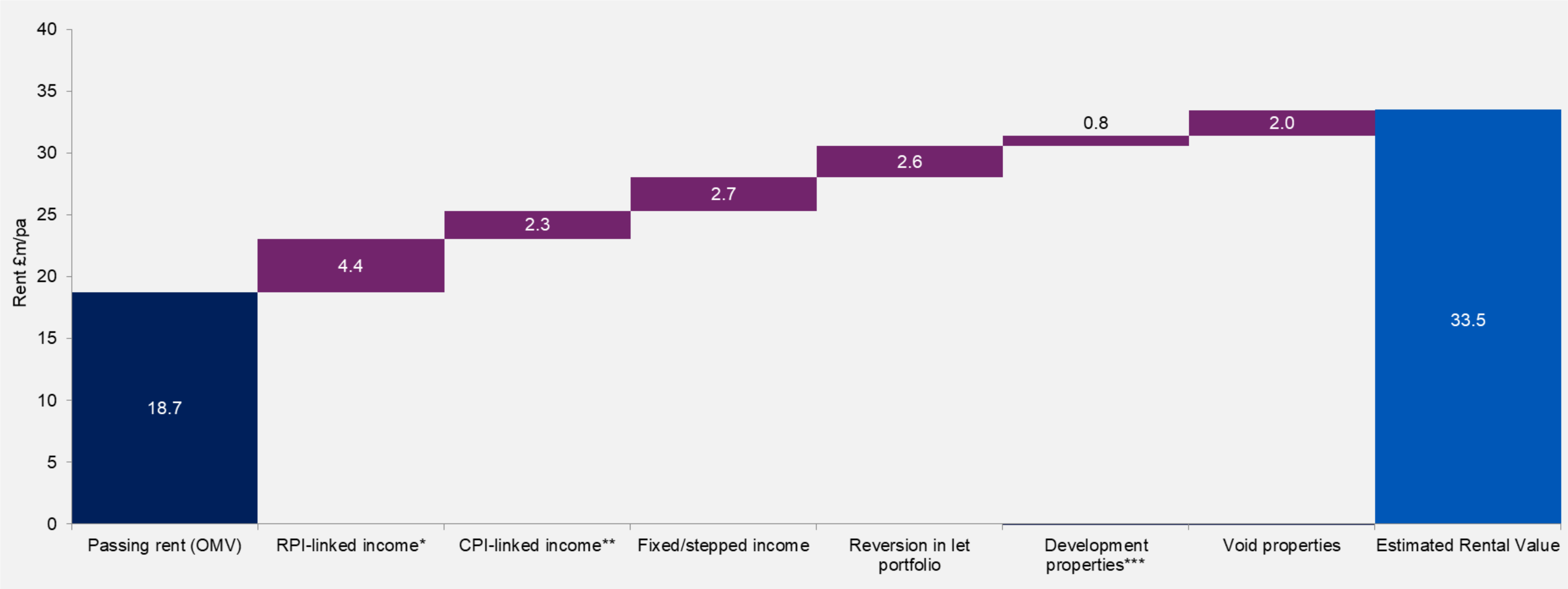


Source: abrdn, 31 March 2023

Actively managing the portfolio

API Rental Income

Significant rental income growth available from existing portfolio



RPI: Retail Price Index; CPI: Consumer Price Index; OMV: Open Market Value
* Includes Agreement for Lease at Washington ** Includes pre-let development in St Helens *** Speculative development assets
Source: abrdn, 31 March 2023

Reversionary portfolio with clear pathway to increase rental income

API Portfolio Occupation

Occupation Rate 90.2%   Vacancy Rate 9.8% (4.6% including contracted lettings)

	Area (Sq m)		ERV	ERV %
Occupied	297,542	£	29,416,283	87.7%
Vacant	25,678	£	3,290,410	9.8%
Birmingham, 54 Hagley Road	3,510	£	842,000	2.5%
Washington, Rainhill Road	13,905	£	666,500	2.0%
Manchester, 101 Princess Street	2,026	£	440,500	1.3%
Bracknell, One Station Square	1,521	£	417,250	1.2%
Crawley, Explorer	1,453	£	357,250	1.1%
Reading, The Pinnacle	603	£	189,500	0.6%
London, 15 Basinghall Street	404	£	166,660	0.5%
Aberdeen, Ocean Trade Centre	1,663	£	160,750	0.5%
Glossop, Howard Town Retail Park	412	£	26,000	0.1%
Kingston-upon-Thames, 82-84 Eden Street	24	£	12,000	0.0%
London, Monck Street	21	£	12,000	0.0%
Development Vacancy	9,941	£	830,000	2.5%
Knowsley, Villiers Road	9,941	£	830,000	2.5%
Grand Total	333,161	£	33,536,693	100.0%

Strong letting momentum in Q2

- 54 Hagley Road, Birmingham:
  - Lease completed in May at £52,986 p.a.
  - Agreement for Lease exchanged in April at £408,500 p.a.
  - Agreement for Lease exchanged in May at £125,400 p.a.
  - Building now over 90% let
- Rainhill Road, Washington:
  - Agreement for Lease exchanged in 2022 at £591,500 p.a.
- Explorer, Crawley:
  - 2 leases completed in April at £296,730 p.a.
- Basinghall Street, London:
  - Lease completed in May at £142,817 p.a.

Source: abrdn, 31 March 2023

Demonstrating the appeal of API assets to occupiers

Recent Purchase – Welwyn Garden City

Acquired: March 2023

Property

- Description: Morrison’s supermarket
- Size: 58,953 sq.ft
- EPC: C

Lease

- Tenant: Safeway Stores Limited, guaranteed by Wm Morrison Supermarkets Limited
- Term: 25 years to expiry (1.9 years to break)
- Rent: £1,252,162 pa
- Rent reviews: CPI-linked annually for years 1-5, then 5-yearly thereafter (0% and 4% annual collar and cap)

Purchase terms

- Acquired for £18.29m
- Purchase price reflects a net initial yield of 6.35%

Source: abrdn, 31 March 2023. For illustrative purposes only. **Past performance does not predict future returns**

Opportunities

- Committed tenant improvement works are targeting a “B” EPC
- Strong trading store, with a good specification and catchment
- Restricted planning regime means that there is likely to be strong underlying interest from alternative operators
- Perceived mis-pricing due to concerns over the Morrison’s covenant

Investing into favoured sub sectors at attractive yields

API ESG

Energy Performance – Changing Regulatory Environment

API EPC Exposure:

	% Estimated Rental Value (ERV)		
EPC Rating	Mar 2023	Dec 2022	Dec 2021
A	6%	4%	2%
B	30%	27%	21%
C	49%	42%	33%
D	8%	19%	35%
E	6%	7%	8%
F	0%	0%	0%
G	1%	1%	1%

- “E” and “G” rated assets are mostly in Scotland, where there is a different regime with no current timescale for achieving specific ratings
- “A” banding includes the development at Knowsley
- 85% of income by ERV is rated EPC “C” or better

Minimum Energy Performance Standards in the UK*

2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035

- 2021: Minimum EPC E (new leases)
- 2023: Minimum EPC E (all leases)
- 2025: Minimum EPC D (all buildings/leases)
- 2027: Minimum EPC C (all leases)
- 2030: Minimum EPC B (all leases)
- 2035: *No new gas boilers will be sold in the UK by 2035*, heating in buildings have to be from alternative sources

* for commercial premises
Source: abrdn, 31 March 2023

Environmental Social and Governance – Putting Theory into Practice

ESG is embedded in all decision-making on API

Latest update:

Photo voltaic (PV) and electric vehicle (EV) projects progressing

- 10 operational PV installations, having already produced nearly 3 million kWh of power
- 5 systems brought online so far in 2023 in Bolton, Milton Keynes, Rugby, Preston and Bardon (incl. 2 extensions of existing systems)
- We are currently on site on one project (the fund's largest to date)
- Legal documentation is signed on a further 3 schemes and 5 others are at advanced stages. A further pipeline of 11 at various stages of negotiation / due diligence
- "Fast" EV chargers have been installed across 4 office assets in Q1
- 4 "Rapid" installations are progressing across the retail warehouse portfolio, with 2 now operational and the remainder awaiting sub-station upgrades

Other ESG Initiatives

- Food bank collections across the office portfolio, benefitting local charities
- Reviewing additional recycling options across the portfolio – considering the introduction of battery recycling
- During construction of the St Helens industrial unit, 36% of the labour on site was from St Helens or the nearby surrounds, This included 30 apprentices and ensured the local community benefitted from the development

Source: abrdn / Syzygy, 31 March 2023. For illustrative purposes only

Enabling sustainable behaviours

- **Case Study: Rapid EV charging installations**
  - 24 rapid charging bays across 4 retail park locations
  - Installed with zero CAPEX via a management agreement with a leading national charge operator
  - Industry leading equipment with DC charging up to 200 kW
  - Chargers will provide added amenity to customers at these retail park locations, driving footfall and improving tenant experience. As well as providing additional revenue to the fund via electricity sold to customers and a base rent from the operators

Environmental Social and Governance – Putting Theory into Practice

Pilot Study – Natural History Museum & EY

API has formed a partnership with EY and the Natural History Museum (NHM) to pilot the museum's Biodiversity Intactness Index (BII) at Far Ralia. The BII is a science-based assessment of an area's biodiversity indicators that can be a means of assessing progress towards goals.

The BII was created in response to the challenges companies face in considering biodiversity loss. By establishing a robust methodology of measuring biodiversity it can be possible to make informed and appropriate actions to have a positive impact.

The BII produces a percentage for an area, with 100% indicating that the Biodiversity is intact, whilst <30% indicates that the area's ecosystem could be at risk. Areas assessed as 100% are incredibly rare, with >90% indicating a resilient and functioning ecosystem.

Far Ralia assessment
The current BII for Ralia was assessed at 51.8%, below the UK average of 53%. With the proposed planting and regeneration programme, the NHM anticipated that the BII could be c73% in the short term (<30 years) and c94% over the long term (>75 years).

"The results of this ambitious regenerative plan highlight just how well nature can recover, when it is given space, time, and support!"
Lead Analyst, Dr Adriana De Palma

Source: De Palma A., Thomas G.E., Schieve H. and Purvis A. (2022), The Natural History Museum, abrdn, 31 March 2023

Far Ralia Estate, Cairngorms National Park

- **Summary**
  - 1,471 hectares of open moorland acquired in 2021
  - Project underway for 851 hectares of native woodland planting (c1.5m trees) and >150 hectares of peatland restoration
  - Forecast to remove 150,000 tonnes of carbon up to 2060, and 350,000 tonnes over the life of the project
- **Benefits**
  - Reversing biodiversity decline and reinstating a native ecosystem
  - Flood mitigation, improved soil quality and erosion protection
  - Economic boost to local communities with employment opportunities throughout the project
  - Wellbeing benefits with improved air quality and better access/engagement with nature

API Conclusion

Summary

API's aim is to provide an attractive income to investors with the prospect of income and capital growth

- Following the **significant repricing** of Q4 2022, Q1 2023 has seen a **slowing** in the **capital declines**
- Despite the **large capital value falls** experienced in 2022, the **industrial** occupational market **remains resilient** with positive rental growth
- Increasing occupancy will be a **driver of income growth**, and ensuring our portfolio is as **attractive to occupiers** as possible is key to this. The extensive work on our office portfolio is bearing fruit with over **40% of our office void leased or contracted** to be let
- A **flight to quality** is starting, with occupiers increasingly focussed on environmental credentials. Property owners not taking action on this are **likely to suffer** in the medium to long-term
- The **dedicated** API asset management team have a **forensic approach** to ESG. By utilising the in-house abrdn ESG team and also market leading consultants, ESG initiatives are **identified and incorporated** into each asset business plan
- API will continue to take an **active approach to managing the portfolio** to **maximise income** and **protect future returns** by recognising structural change in the market and offering tenants accommodation they want to occupy

Source: abrdn, 31 March 2023

The value of investments and the income from them can go down as well as up and an investor may get back less than the amount invested

Discrete Performance

To 31 March 2023

	2023	2022	2021	2020	2019
Direct Portfolio Return	(13.94)	24.82	5.99	(1.18)	7.70
NAV Total Return	(19.61)	30.63	6.80	(3.78)	7.37
Share Price Total Return	(33.50)	48.71	(23.52)	(0.67)	5.74
MSCI Benchmark	(12.60)	19.49	1.21	(0.43)	4.55

Objective

To provide an attractive level of income together with the prospect of income and capital growth. The Company invests in a diversified UK commercial property portfolio. The majority of the portfolio will be invested in direct holdings within the three main commercial property sectors of retail, office and industrial although the Group may also invest in other commercial property such as hotels, nursing homes and student housing. Investment in property development and investment in co - investment vehicles, where there is more than one investor, is permitted up to a maximum of 10% of the property portfolio.

Source: abrdn, GBP Net portfolio performance, 31 March 2023
Benchmark : MSCI UK Monthly Property Index
Please note that the figures are based on net price performance. This will include the effects of fees, charges and any share pricing swings. Costs, and performance, may increase or decrease as a result of currency and exchange rate fluctuations. This may impact what an investor gets back

Past performance does not predict future returns

Important Information

Risk factors you should consider prior to investing:

- The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested. • Past performance is not a guide to future returns.

- The value of property and property-related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of Properties will correspond exactly with the actual sale price even where such sales occur shortly after the relevant valuation date.

- Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Company and, accordingly, will have an adverse effect on the Company's ability to pay dividends to Shareholders.

- The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields. In the event of default by a tenant, or during any other void period, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveying costs in re-letting, maintenance costs, insurance costs, rates and marketing costs.

- Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value. Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the market value of the Property Portfolio and/or the rental income of the Property Portfolio. Where there are lease expiries within the Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.

- The Company may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits.

- The Company may face significant competition from UK or other foreign property companies or funds. Competition in the property market may lead to prices for existing properties or land for development being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to acquire properties or development land at satisfactory prices.

- As the owner of UK commercial property, the Company is subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If the Company owns or acquires contaminated land, it could also be liable to third parties for harm caused to them or their property as a result of the contamination. If the Company is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation, which could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Shares

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Property is a relatively illiquid asset class, the valuation of which is a matter of opinion. There is no recognised market for property and there can be delays in realising the value of assets.

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abrdn Property Income Trust Limited closed-ended investment company registered in Guernsey, with Real Estate Investment Trust ("REIT") status, which is listed on the London Stock Exchange

To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website www.abrdn.com The Prospectus also contains a glossary of key terms used in this document

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