

Value and Indexed Property Income Trust PLC (VIP)

£5.75 million Purchases and Year End Portfolio Valuation

Value and Indexed Property Income Trust PLC (VIP) announces the acquisition of two freehold leisure investments at Ashford (Kent) and Peterborough for £5.75 million at a net initial yield of 8.1%. They are both let to Hollywood Bowl Group plc on full repairing and insuring leases without breaks to 2040, with annual rental increases in line with the Retail Price Index (RPI), capped at 3% p.a. and collared at 2% p.a.

VIP is now fully invested in direct commercial property, delivering long, strong, index-related income. Its dividend, which has risen for each of the last 37 years, is fully covered. 100% of rent due has been collected throughout the year, and 54% of rental income comes from the top 5 tenants – Marks and Spencer, Government/Local Authorities, Ten Entertainment Group, Premier Inn, and Sainsbury's.

Over the year to March 2024, three leisure properties with annual RPI-linked rent increases were bought for £11.85 million, at a net initial yield of 7.8%, rising to 8.5% in May 2024. Their average unexpired lease term was 14.4 years. Seven properties were sold – VIP's last four Stonegate pubs, two short-let petrol filling stations and an over-rented convenience store for £13.3 million, at just above their valuation total at an average net yield of 7.5%. Contracts were also exchanged for the sale of a pub to the tenant for £3.7 million, 7.2% above valuation at a net yield of 4.7%, with completion set for July 2024.

The portfolio's weighted average unexpired lease term (WAULT) is now 11.6 years to the earliest break options. 82% of the portfolio's rental income now has index-related and 14% fixed increases, and 97% of VIP's properties have an EPC (Energy Performance Rating) of A-C. Over the year, rent reviews were completed on 11 properties, adding £0.4 million (+4.9%) of rental income.

VIP has no empty properties and no offices. 29% of the portfolio is in supermarkets, 28% is in warehouses/industrials, 27% in bowling, a health club and a caravan park, and 15% in hotels and pubs.

The average interest rate payable on VIP's debt is 4.0% (93% fixed), with an average maturity of 6.9 years and a 36% Loan to Value ratio.

Portfolio Valuation

Savills' year end independent valuation of VIP's property portfolio at end March 2024 totalled £138.1 million, at a net initial yield of 6.6%, against £135.5 million (at a net yield of 6.1%) at end-September 2023. Rental income offset a capital decline of 3.4% over the past six months. So, the total return was 0.0%, which should be above our benchmark, the MSCI UK Quarterly Property Index, and -1.8% over the past year, broadly in line with the Index. Full details will be available in VIP's 2024 Annual Report after the MSCI UK Quarterly Property Index return for last quarter is published.

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