19 July 2017

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

Unaudited Net Asset Value as at 30 June 2017

Drum Income Plus REIT plc (LSE: DRIP) announces its unaudited net asset value (**"NAV"**) as at 30 June 2017.

Highlights

Period from 1 April to 30 June 2017

- Fair value independent valuation of property portfolio as at 30 June 2017 of £58.2m (31 March 2017: £49.2m).
- On a like-for-like basis, this represents an increase of £0.4m in the value of the property portfolio.
- NAV per share at 30 June 2017 of 94.5p (31 March 2017: 96.5p).
- Earnings per share (excluding revaluation gains and losses on fair value of investments) for three months ended 30 June 2017 were 1.4p.
- Dividend paid during the quarter of 1.375p fully covered by earnings for the period.
- NAV total return (NAV movement plus dividend paid) of -0.6%.
- Acquisition of Kew Retail Park, Southport for £8.65m, which represents a Net Initial Yield of 8.78%. Costs relating to the acquisition of Kew equate to £0.6m (1.5p per share of the NAV).
- Arthur House - £0.4m (1p per share of the NAV) of capital expenditure was invested in this building during the quarter. The investment performance in terms of rental growth, quality of occupational tenants and lease length will now drive valuation uplifts.

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 30 June 2017)

	£m	*Pence per Share*
NAV as at 31 March 2017	36.9	96.5
Capital expenditure and acquisition costs	(1.1)	(2.9)
Valuation change in property portfolio	0.3	0.9
Income earned for the period	1.2	3.1
Expenses for the period	(0.5)	(1.3)
Interest paid	(0.2)	(0.4)
Dividend paid	(0.5)	(1.4)
Unaudited NAV as at 30 June 2017	36.1	94.5

The NAV has been calculated in accordance with International Financial Reporting Standards and incorporates the independent portfolio valuation as at 30 June 2017 and income for the period, but does not include a provision for the second interim dividend, which will be paid in August 2017. The earnings per share for the period from 1 April 2017 to 30 June 2017 (excluding revaluation gains and losses on fair value of investments and expenses charged to capital) were 1.4p. Acquisition costs on new property purchases have been written-off.

As at 30 June 2017, the Company had cash balances of £1.0 million and borrowings of £22.8 million (loan to value of 39.1%).

Market Overview

During the quarter to end June 2017 there are a number of sectors noting improved investor appetite, however, there was no change in prime yields in April or May. What did change was the number of sectors reporting downward pressure. While this is little to write home about, it does highlight the continued appetite for UK real estate in the face of Brexit and further political issues. As previously noted the issues we currently face are political and not financial. This is apparent in Q1 transaction volumes which totalled £12.8bn, largely driven by activity in the London office and industrial markets, 20.5% higher than the 10 year first quarter average.

The weaker Pound post the EU Referendum has renewed overseas investor interest in UK real estate, particularly those from Asia Pacific. The rolling 12-month total for overseas investment was up 4.9% on a quarterly basis in Q1 with activity from Asia Pacific investors up 22.1%. UK acquisition volumes by this group totalled £2.9bn in Q1, almost double that reported in Q1 2016 and is the highest quarterly total seen since Q4 2013.

With currency forecasts from Oxford Economics suggesting that the Pound will remain relatively weak against the Euro and Dollar over the short term, overseas investor interest in the UK is likely to continue over the course of 2017. The weight of money from overseas investors is helping to maintain current pricing and may even translate into yield compression in some sectors over the remainder of 2017. This is also being supported by the amount of undeployed capital sat in PE funds. Dry powder for private equity (PE) real estate funds reached a new high in March of $247bn, with $63bn of this related to European funds.

Within the regions, rising construction costs have squeezed developer margins over the past 18 months, and with build cost inflation set to reach 2.9% during 2017, developers have switched their attention to refurbishments and the market is starting to see a "new generation" of refurbishments which offer a much higher quality product than ever before. Similarly a lack of appetite from investors for speculative new development has given rise to a growth in refurbished product.

Current Portfolio

	Mar-17		Jun-17	
Location	**Value**	**% Weighting**	**Value**	**% Weighting**
North East	£15,725,000	32%	£15,775,000	27%
Scotland	£18,050,000	37%	£18,250,000	31%
North West	£10,150,000	21%	£18,900,000	33%
South West	£5,300,000	10%	£5,300,000	9%
	£49,225,000	**100%**	**£58,225,000**	**100%**
Sector	**Value**	**% Weighting**	**Value**	**% Weighting**
Office	£23,425,000	48%	£23,625,000	41%
Shopping Centre	£13,100,000	27%	£13,250,000	23%
Retail	£10,100,000	21%	£18,750,000	32%
Industrial	£2,600,000	4%	£2,600,000	4%
	£49,225,000	**100%**	**£58,225,000**	**100%**

Key KPIs		
	Mar-17	**Jun-17**
Total Number of Units	94	104
Total Number of Tenants	82	88
Total SQFT	282,651	336,303
Vacancy (% SQFT)	8.00%	7.60%
Vacancy (% ERV)	8.70%	3.90%
WAULT (Expiry)	5.83	6.23
WAULT (Breaks)	4.44	5.05

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 of the portfolio is 6.23 years, which reduces the impact of any uncertainty in occupational markets.
- The portfolio yield is 8.0% (based on 30 June 2017 valuation).
- The occupancy rate is high at greater than 95%.
- Gearing - the loan-to-value ratio of 39.1% directly in line with the stated intended target of 40%.
- Further asset management angles to exploit.

Asset Management Update

<u>Monteith House, Glasgow</u>

- LS Buchanan served notice to extend two leases over the 5th and 6th floors for a further year. Lease expiry now January 2019.
- Lift refurbishment works due to complete
- Common parts refurbishment initiated

<u>Duloch Park, Dunfermline</u>

- 2013 Rent Review agreed with Subway, showing a c10% increase in the passing rent

<u>Arthur House, Manchester</u>

- The reception works are now complete and have been well received by the tenants.
- Tony Gee have now taken occupancy of the 4th floor at a rent of £17.50psf
- Vacant possession of the 6th floor has now been agreed and we have significant interest in this space currently.
- Capital expenditure has been invested in this building and the majority of these works are now complete. The investment performance in terms of rental growth, quality of occupational tenants and lease length will now drive value.

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.]*

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