UK Commercial Property REIT (UKCM)

Capturing Earnings Growth via a Portfolio of Diversified UK Commercial Property

AGM June 2023

abrdn.com

2022 Overview

Portfolio benefits from strong underlying fundamentals to generate earnings growth

- Quality actively managed portfolio of £1.3bn
- Significant 30% rental reversion opportunity including £6.8m from developments*
- Positive implementation of ESG and Net Zero Carbon strategy
- Market yield rerating resulting in annual NAV decline of 21.9% (-18.1% NAV total return). Q4 NAV down 21.5% (-20.8% NAV total return)
- 11% increase in ordinary dividends paid. In addition a £25m special dividend paid in August 2022. Annual Dividend cover 97%
- Controlled group gearing at 20%**
- Barclays RCF extended to January 2026, average Group loan maturities of 5.2 years
- Continued strong leasing momentum

*Based on developments at Bolney, Leamington Spa and stabilised rent at Leeds
**Calculated under AIC guidance
ESG = Environmental, Social and Governance
Source: abrdn, December 2022.

+19%

EPS

3.15p 2022

+11%

2022 dividend increase

97% dividend cover

98%

Portfolio occupancy at 31 Dec 2022

+10%

Increase in annual passing rent since December 2021

Past performance does not predict future returns. Past dividends are not a guide to future dividends

Overview Q1 2023

Quality portfolio focussed on earnings growth

- **Portfolio valuations have stabilised** after Q4 2022 correction leading to mild Q1 2023 NAV increase
- **Prudent gearing** with blended interest cost of 3.93% (**68% of which fixed rate**)
- Portfolio weighted towards sectors benefiting from structural changes
- Focus on driving earnings by capturing portfolio reversion and development completions
- Positive, **thoughtful** implementation of **ESG**** and **Net Zero Carbon strategy**

£1.3bn
portfolio

Weighted to rental growth industrial & logistics

6.2%
Dividend yield*

95% dividend cover

98%
Portfolio occupancy Q1 2023

20%
Prudent Gearing

Source: abrdn, March 2023
*at close 14 June 2023; 95% dividend cover
** Environmental, Social & Governance

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UK Commercial Property REIT

Experienced and dedicated fund management team with specialist support

Independent Board

Risk Management

Credit Management team
Monitors financial health of existing and prospective tenants

Development team
Deal structuring
Review/ negotiation of funding agreements

Finance & Tax team
Fund & deal structuring
Tax planning
Banking relationships

Lead Manager
Will Fulton

Deputy Fund Manager
Jamie Horton

UKCM Real Estate Team
David Rodger
Michael Clements

UKCM Finance Management Team
Peter Taylor
Michelle Reid

Research/underwriting

Research & Strategy team
Global macro assumptions
Quarterly real estate house view

Transactions team
Transactions support

Wider abrdn Capabilities
Multi-Asset Investing team, Global Strategy, Global Equity and Fixed Interest teams

Source: abrdn, May 2023

UK real estate outlook

abrdn outlook suggests three market stages with Phase 1 well advanced

PHASE 1

Re-valuation, relative value to risk free rate and recession

PHASE 2

Investment Recovery – Inflation to drop back and rate cutting to follow

PHASE 3

Positive Rental Outlook – Supply to remain constrained in sectors with structural growth drivers

Source: abrdn, May 2023

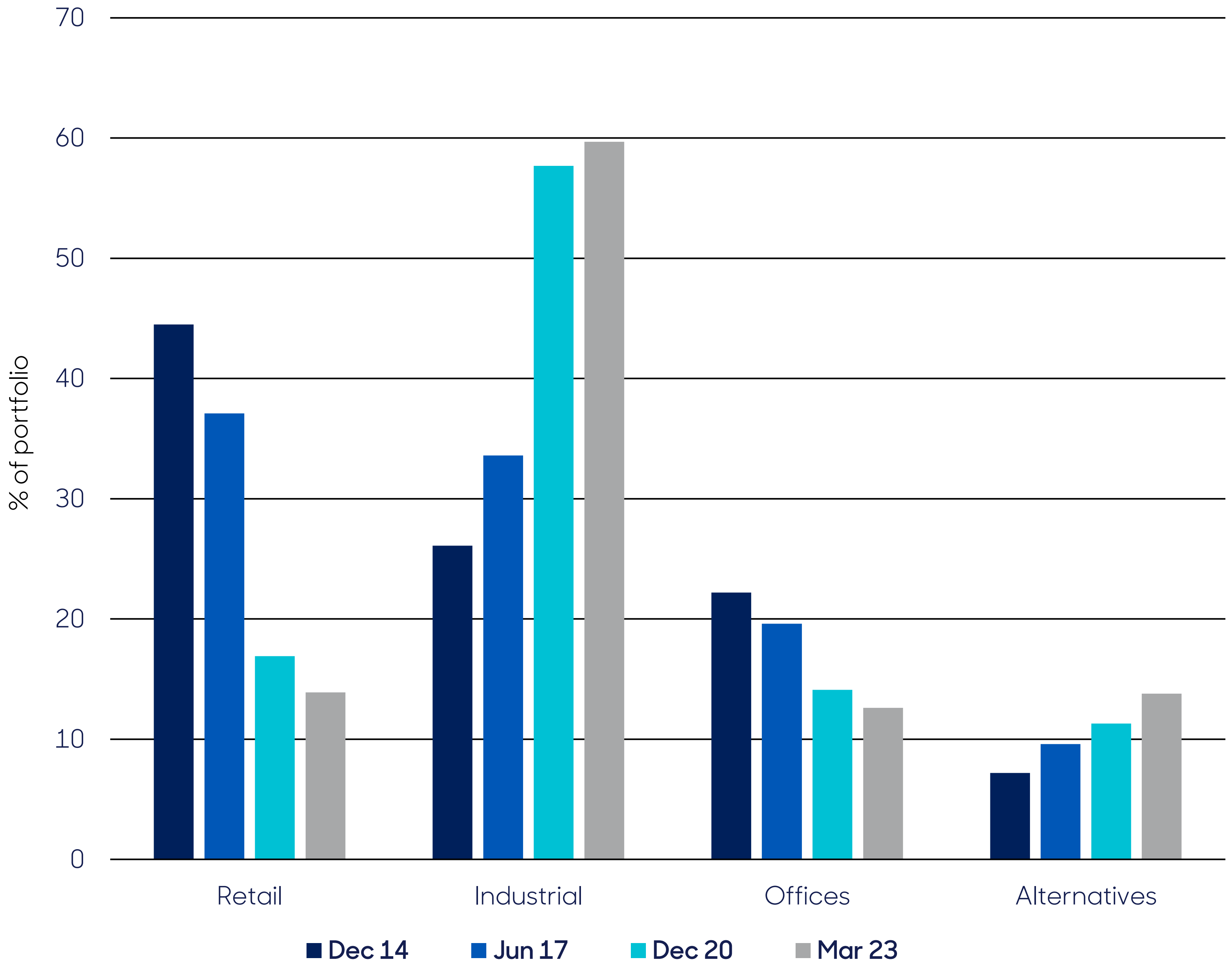
Asset evolution

Significant strategic portfolio restructuring seen since December 2014

Allocations have materially moved:

- Industrials up from 26% to 60%
- Retail decreased from 45% to 14%
- Offices down from 22% to 13%
- Alternatives adjusted from 7% to 14%

Source: abrdn, March 2023.



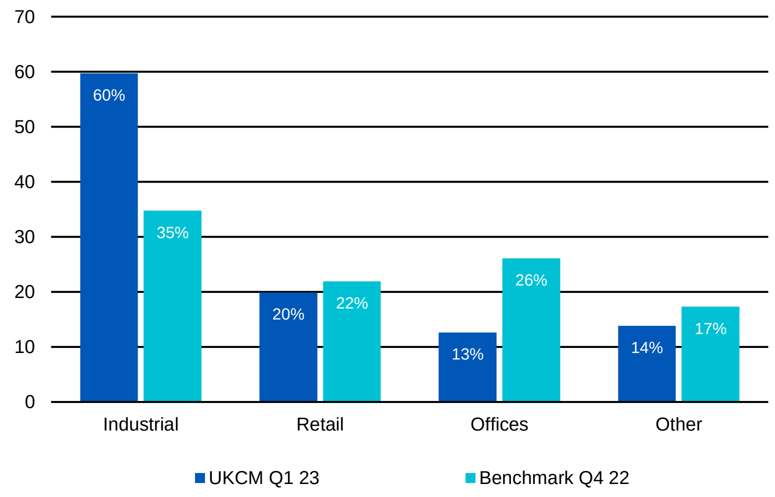
Past performance does not predict future returns

Portfolio structure

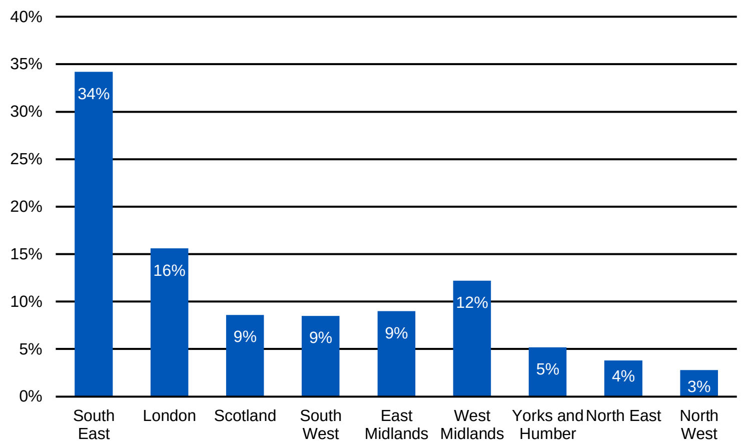
- Industrial weighting positions the portfolio towards earnings growth
- Growing portfolio of alternatives
- Low vacancy position maintained with overall portfolio occupancy at 98%
- Strong tenant base with 199 tenancies and increasing operational income
- Balanced income risk with Top 10 tenants accounting for 35% of passing income
- Rent collection maintained at 99% Q2 2023 in line with 2022 levels.

Source: abrdn, March 2023. Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

Portfolio sector weighting (by Market Value)



Capital value by geography



Top 5 tenants

By passing rent	% of passing rent
1. Ocado	5.7%
2. Public Sector	5.1%
3. Amazon UK	4.0%
4. Armstrong Logistics	3.5%
5. Total UK	3.1%

UKCM Portfolio Examples (May 2023)

Ventura Park, Radlett

Axiom, Leamington Spa

Junction 27 Retail Park, **Leeds**

Maldron Hotel, Newcastle

Source: abrdn

Development Activity

UKCM development programme well advanced with significant completions in h1 2023

Forecast to deliver £6.9m per annum of additional rent on completion

- Hill View Place, Exeter – student housing development completed Q1 2023
- **Sussex Junction, Bolney** – completed Q1 2023
- Precision Park, Leamington Spa – industrial development forecast completion Q2 2023
- **Hyatt, Leeds** – forecast completion mid-2024.

Source: abrdn, March 2023. Forecasts are not a reliable indicator of future results and there can be no guarantee that these will be achieved
[1] Based upon maximum commitment.

Industrial Development: Sussex Junction, Bolney

- Development completion in Q1 2023
- Strategic location south of London
- Majority pre-let to geological services company CGG on a 15 year term
- One speculative unit of 46,500 sq ft. Currently under offer
- BREEAM 'Very Good' and EPC A

Purchase: £25.4m[1]

Hotel Development: Hyatt Hotel, Leeds

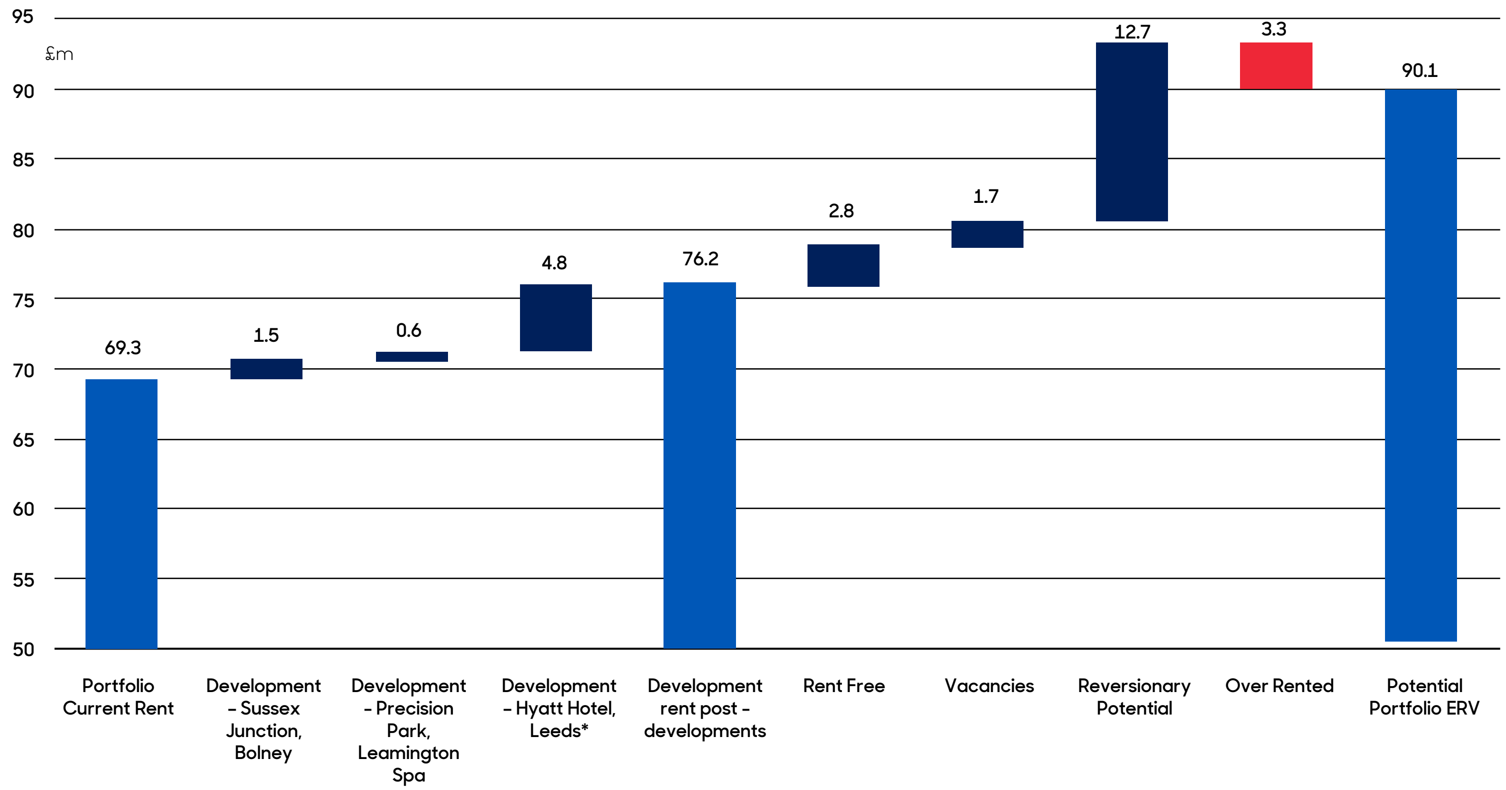
- Completion scheduled for mid-2024
- High quality hotel with international brand in an undersupplied city
- Higher income yield than traditional lease model
- Strong ESG credentials

Purchase: £63m[1]

Past performance does not predict future returns

2023 Rent Bridge

Potential for 30% growth in annual rent



*Refers to forecast stabilised hotel income

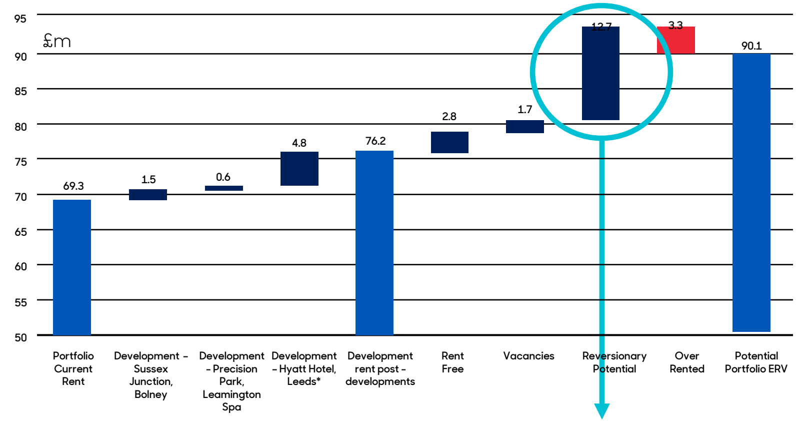
Source: abrdn, December 2022. Forecasts are not a reliable indicator of future results and there can be no guarantee that these will be achieved

Past performance does not predict future returns

2023 Rent Bridge

Portfolio reversion

- £12.7m total reversionary potential
- Opportunity to capture 46% within 3 years
- Majority of over-rented assets are let on longer leases, 51% in excess of 10 years to earliest termination



Top 5 Reversionary Properties Q4 2022*

Asset	Sector	Inc. Rent (pa)
Ventura Park, Radlett	Industrial	c.£4m
Hannah Close, Wembley	Industrial	c.£1.4m
2 Rivergate, Bristol	Office	c.£1.1m
Newton's Court, Dartford	Industrial	c.£1.1m
Gatwick Gate, Crawley	Industrial	c.£0.7m

% of reversion with lease events by year excl developments*

Year		%
2023		14%
2024		16%
2025		16%
2026		25%
2027+		29%

*Source: CBRE Valuation & abrdn, December 2022.

Past performance does not predict future returns

Q1 Activity – significant rental increases

Ventura Park, Radlett:

- Two new lettings at largest asset completed
- Collective new rent of £2.0 million pa, £800,000 pa above the previous rent. This equates to a 69% increase and is 63% ahead of ERV 12 months ago.

Ventura Park, Radlett:

- 31,803 sq ft unit let to Aerospace Reliance Ltd supplier of aircraft maintenance materials worldwide
- Rent of £558,025 per annum (£17.55psf pa), increased from £10.50 psf
- The tenant has entered into a 10 year lease with a tenant only break option in year 5

Ventura Park, Radlett:

- 85,640 sq ft unit let to Location Collective Ltd, a Film & Media Production Company
- Rent of £1,455,880 per annum (£17psf pa), increased from £10.50 psf
- The tenant has entered into a 15 year lease with a mutual break in year 12

69% INCREASE IN RENT

Emerald Park, Bristol:

- 8,764 sq ft unit let to South West Ambulance Service
- Rent of £92,022 per annum (£10.50psf pa) which is 21% ahead of the previous passing rent and also ahead of ERV.
- The tenant has entered into a 10 year lease without break

Dolphin Industrial Estate, Sunbury-on-Thames:

- 10,000 sq ft unit re-let to Webcon, a supplier of car parts
- Rent of £155,000 per annum (£15.5psf pa) representing a 63% increase in the annual rental income on the unit and 4% ahead of ERV
- The tenant has renewed on a 5 year lease

Trafford Retail Park, Manchester:

- 2,388 sq ft unit lease extension to Kentucky Fried Chicken
- Rent of £83,580 per annum (£35psf pa), reflecting a 17% increase in passing rent and a 9% premium to ERV
- The tenant has entered into a new 20 year lease term with a tenant only break option at the end of year 15

40% INCREASE IN RENT

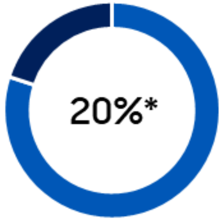
Source: abrdn, May 2023

Debt

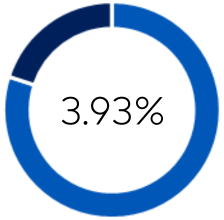
Balance sheet remains strong with prudent gearing

- Majority long-term fixed debt at low blended rate of 2.88% over the two Barings facilities
- £437m of unpledged properties providing additional headroom
- RCF provides flexibility throughout market cycle
- Post balance sheet event: Following the sale of Neasden in May, debt stack has reduced to a blended group LTV of 16% and a weighted cost of debt of 3.19%

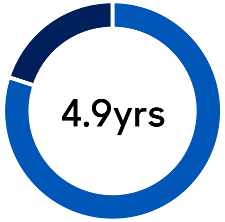
Blended Group LTV



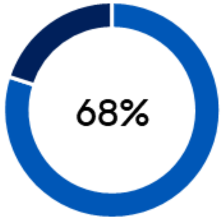
Weighted cost of debt



Blended Period to Maturity



Drawn Debt at Fixed Rate



Overall Group Debt Position	
Total debt available	£380m
Remaining available	£87m
Period to Maturity	4.9 years
All in rate	3.93%

Barclays RCF			
Total debt available	£180m	All in rate	6.2%
Remaining to draw	£87m	LTV/LTV Covenant**	17.6%/60%
Period to Maturity	2.8 years	ICR/Covenant	225%/175%
Margin	1.90%	ICR Forecast/ Covenant	255%/175%

Barings 2027			
Total debt available	£100m	Fixed all in rate	3.03%
Remaining to draw	£0m	LTV/LTV Covenant**	51%/75%
Period to Maturity	4 years	ICR/Covenant	337%/200%
Margin	1.25%	ICR Forecast/ Covenant	383%/200%

Barings 2031			
Total debt available	£100m	Fixed all in rate	2.72%
Remaining to draw	£0m	LTV/LTV Covenant**	39.9%/75%
Period to Maturity	7.9 years	ICR/Covenant	534%/200%
Margin	1.45%	ICR Forecast/ Covenant	518%/200%

*calculated under AIC guidance
**based on pledged bank valuations
Source: abrdn, March 2023.

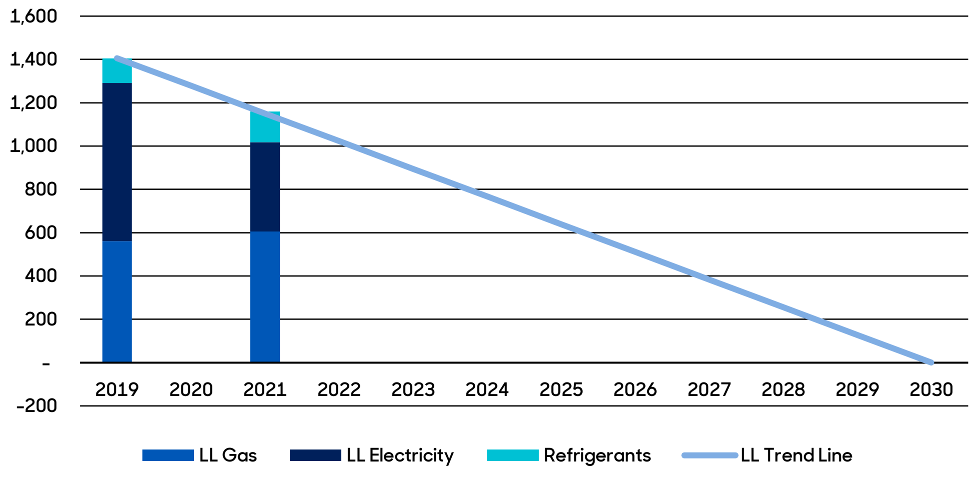
ESG* Strategy

Positive progress on NZC goals and continued EPC progress

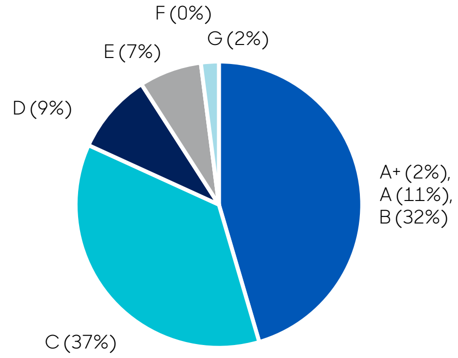
Net Zero Carbon Goals
- Scope 1 & 2 by 2030
- Scope 1,2 & 3 by 2040

Positive EPC position – 82% A,B or C rated

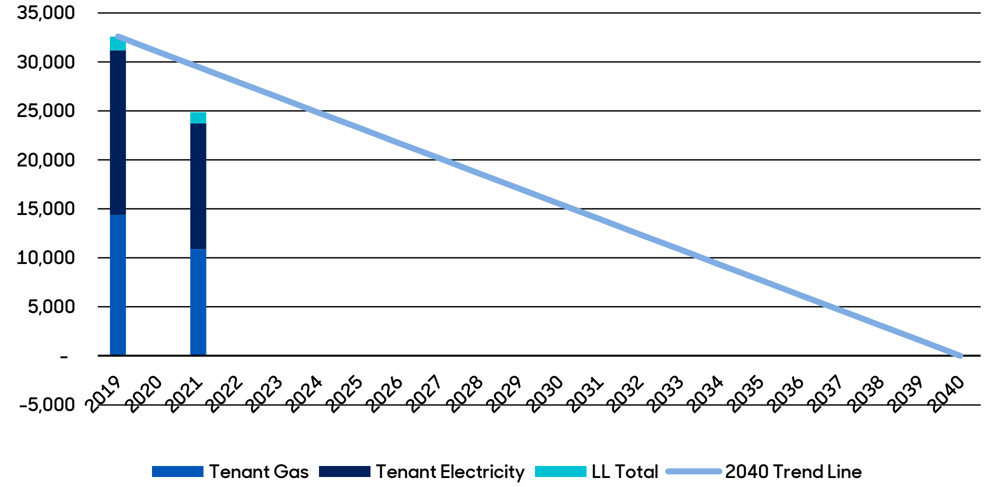
Scope 1 and 2 Total Landlord Footprint



EPC Rating



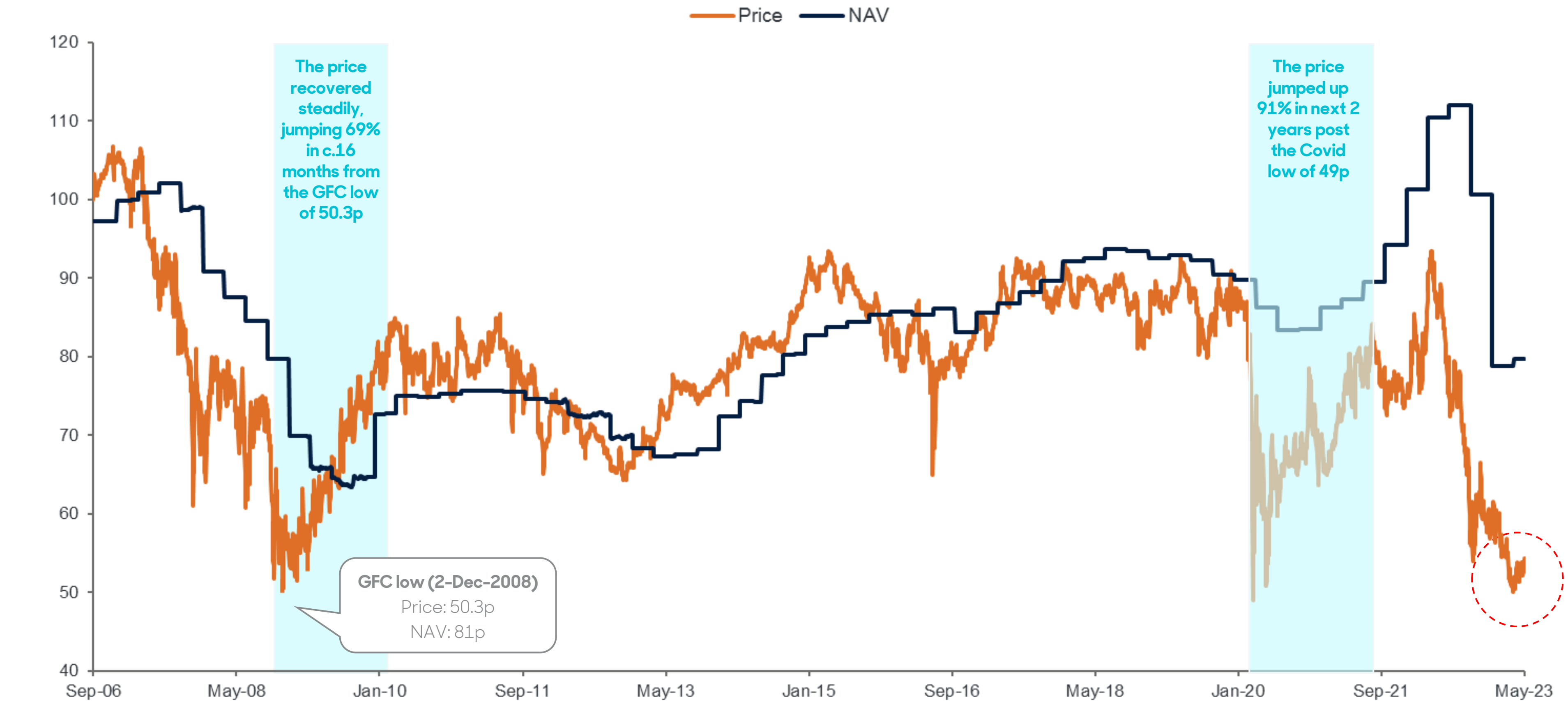
Portfolio Carbon Footprint



Past performance does not predict future returns

* Environmental, Social & Governance
Source: JLL & abrdn, March 2023.

Share price dislocation



Source: Datastream as at 15 May 2023

Past performance does not predict future returns

Overview

1. A **diversified portfolio** of UK real estate assets providing **quality income**
2. Current Annualised **Dividend Yield 6.24%***
3. **Prudent levels of debt at an attractive rate** – 3.19% for blended 4.9 years of which 91% is fixed ** following the sale of Neasden in May 2023
4. **High portfolio occupancy of 98%**
5. Strategic focus on **earnings growth**
6. On track to meet **ESG** commitments

Source: abrdn: * close 14 June 2023; ** June 2023, calculated under AIC guidance;

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

Past dividends are not a guide to future dividends

UK Commercial Property REIT

Discrete Performance

Discrete annual performance (%)	31/03/23	31/03/22	31/03/21	31/03/20	31/03/19
NAV Total Return*	-23.8	30.8	4.2	-4.4	4.5
Share Price Total Return*	-37.3	27.7	-1.1	-8.8	0.0
Direct Portfolio Total Return	-18.6	29.2	5.6	-2.4	5.6
MSCI Benchmark	-14.0	20.3	2.0	0.2	5.0

Dividend	2022	2021	2020	2019	2018
Pence per share	5.27	2.68	2.37	3.68	3.68

Investment Objective

To provide an attractive level of income together with the potential for capital and income growth by investing in a diversified portfolio of UK commercial property

Source: abrdn 31 March 2023. MSCI UK Quarterly Balanced Monthly Index Funds Quarterly Property Index (Unfrozen) * With dividends reinvested

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 does not predict 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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