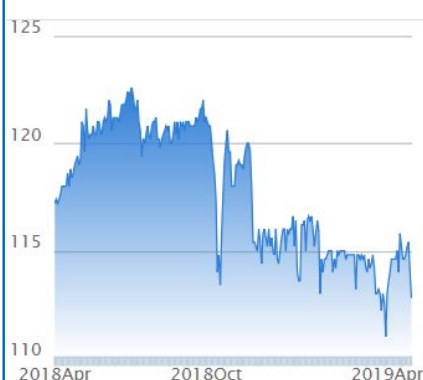


Real Estate Investment Trusts

52-WEEK HIGH	114.40p
52-WEEK LOW	104.00p
PRICE	112.80p
MARKET CAP MLN	449.17
NET DEBT (MLN)	£137.00

Share Price



Major Shareholders

Mattioli Woods	6.0%
Blackrock	3.4%
Shares in issue	398,203,332
Primary Index	FTSE AS
Next Key Announcement	June 2019

Company Information

Address: 1 New Walk Place, Leicester LE1 6RU
Website: www.custodianreit.com

Analyst Details

Ed Stacey
ed.stacey@proactiveinvestors.com

Custodian REIT - Consistent income to shareholders

Net asset value update

Custodian REIT (LON:CREI) released its quarterly net asset value (NAV) update on April 30. The release shows a NAV of £426.6m, unchanged versus December 2018, and NAV total return per share (definition in the release) of 5.9%. Occupancy remains high at 95.9%.

The property portfolio valuation is down by £5m during the quarter at £527.7m. This is due to a reduction in the valuation of the high street retail portfolio, which we believe is not a surprise to the market. We note that high street retail now comprises 12% of the overall portfolio weighted by income.

The release describes a subdued environment for investment activity in the UK non-residential property market, due to political uncertainties, but continued resilient economic activity supporting leaseings, particularly in the Industrial market (38% of portfolio) and regional offices (11%).

Dividend - strong yield, safe yield

Custodian has announced a target dividend of 6.65p for FY March 2020e, continuing a run of dividend increases since listing in 2014. Custodian now offers a 5.8% dividend yield for FY Mar 2019, versus 3.4% for the sector, as benchmarked by the iShares UK Commercial Property ETF (LON:IUKP).

We consider Custodian's dividend to be well supported by a number of factors:

- Dividend fully covered by net rental earnings
- Low balance sheet gearing
- Low portfolio concentration, with no tenant comprising more than 3.5% of rental income

We consider some of these metrics in more detail on p2.

Conclusion - quality income play

Custodian offers a high dividend yield supported by strong rental yields and a lean cost base. We argue that Custodian ranks among the safest dividend yields in the UK REIT space.

Year end Mar 31	2017	2018	Current	2020
Value of investment properties	415.8	528.9	572.7	631.1
Revenue from property (£M)	27.6	34.8	39.0	42.5
EPRA EPS* (GBp)	6.6	6.9	7.3	7.4
DPS (GBp)	6.35	6.45	6.55	6.65
Dividend yield	5.6%	5.7%	5.8%	5.9%

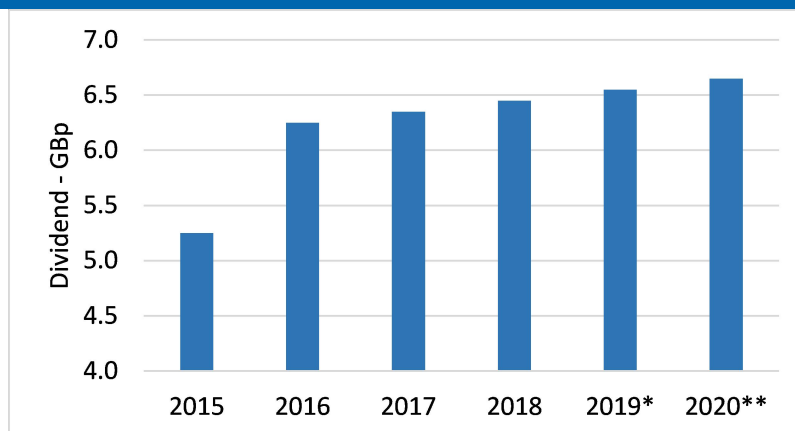
Richard Shepherd-Cross, Fund Manager.

Richard is a chartered surveyor. He joined Mattioli Woods in 2009, and established Custodian Capital as a property fund management subsidiary to the group. In 2014 he led the business through its flotation as Custodian REIT PLC.

Alex Nix, Assistant Fund Manager.

Alex joined Custodian Capital in 2012, having spent 8 years with Lambert Smith Hampton. He holds a degree in real estate management, and qualified as a chartered surveyor in 2006.

Custodian REIT dividend progression



Source: Custodian REIT historical data *Announced dividend for 2019 **Target dividend for 2020

Higher dividend yield than sector peers, but also scoring very strongly on "safety"

The chart above shows the dividend progression for Custodian REIT since its first year as a listed entity.

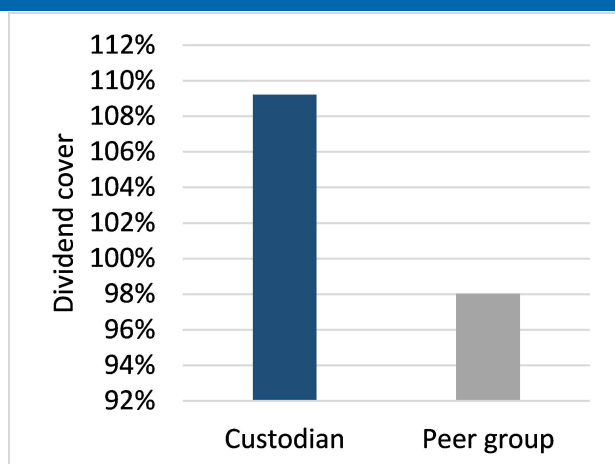
Custodian offers a higher dividend yield than the UK REIT sector average, with 2019 dividend yield of 5.8% compared with 3.4% average for the sector, as measured by the iShares UK Commercial Property ETF.

We argue that Custodian also offers one of the most dependable dividends in the sector. The charts below compare Custodian with sector peers based on:

- Dividend cover by net rental earnings
- Balance sheet net gearing as measured by loan-to-value ratio

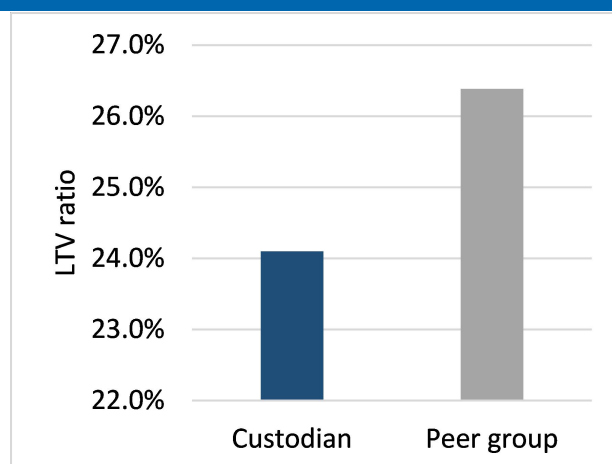
For this purpose, we have compared Custodian against some of the other high- quality diversified non-residential REITs - EPIC, SRI, PCTN, SREI, FCRE, FCPT, UKCM, RGL. Even when benchmarked against the quality names in the sector, Custodian screens favourably on these "safety" metrics.

Dividend cover



Source: Capital Network

Gearing



Source: Capital Network

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London

+44 207 989 0813
The Business Centre
6 Wool House
74 Back Church Lane
London E1 1AF

New York

+1 347 449 0879
767 Third Avenue
Floor 17
New York
NY 10017

Vancouver

+1 604-688-8158
Suite 965
1055 West Georgia Street
Vancouver, B.C. Canada
V6E 3P3

Sydney

+61 (0) 2 9280 0700
Suite 102
55 Mountain Street
Ultimo, NSW 2007