abrdn Property Income Trust

(formerly Standard Life Investments Property Income Trust)

Actively managing UK real estate looking for higher yield and capital growth

Performance Data and Analytics for Quarter 1, 2022

Investment 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.

- Net asset value ("NAV") per ordinary share was 106.6p (Dec 2021 – 101.0p), an increase of 5.5%, resulting in a NAV total return, including dividends, of 6.6% for Q1 2022.
- The portfolio valuation (before CAPEX) increased by 4.4% on a like for like basis, whilst the MSCI Monthly Index increased by 4.4% over the same period.
- LTV[A] of 18.6%. The Company currently has £45 million in the form of the Company's low cost, revolving credit facility available for investment to take advantage of suitable opportunities that become available in the near future.

Portfolio Performance (%)

	Q1 2022	1 Year	3 Years	5 Years
Portfolio Performance (Total return cumulative)	5.43	24.82	30.70	58.93
Benchmark (Total return cumulative)	5.30	22.47	23.88	43.79

Discrete Performance (%)

	31/03/22	31/03/21	31/03/20	31/03/19	31/03/18
Direct portfolio total return	32.29	-1.18	7.70	12.88	6.09
NAV Total return	30.63	6.80	-3.78	7.37	16.13
Share Price Total Return	48.71	-23.52	-0.67	5.74	7.73
MSCI Benchmark	24.60	-0.57	5.00	10.54	3.36

Past performance is not a guide to future results.
Benchmark : UK Monthly Index Funds Quarterly Property Index.
For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.

Key Statistics as at 31 March 2022

Fund Manager	Jason Baggaley
Launch Date	19 December 2003
Sedol	3387528
Reuters/Epic/ Bloomberg code	API
Portfolio Value	£521.8m (at 31/03/2022)
Market Capitalisation	£341.4m (at 31/03/2022)
Management Fee	0.70% per annum on total assets up to £500 million, 0.60% per annum on total assets over £500 million.
Dividend[B]	Annual gross dividend 4.059 pence per share
Ordinary Share Price	86.0 pence (as at 31/03/2022)
NAV per Ordinary Share	106.6 pence (as at 31/03/2022)
Loan to Value[A]	18.6% (as at 31/03/2022)

Portfolio Information
Sub Sector Weightings (Company %)

Properties	%
ROUK Industrial	42
SE Industrial	13
South East Offices	10
Retail Warehouse	10
ROUK Offices	10
Other	7
Central London Office	5
High St Retail	2
Land	1

[A] LTV calculated as Debt less cash divided by portfolio value.
[B] Based on last 12 months dividends (settled May-21, Aug-21, Nov-21 and Feb-22)

This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need a explanation of the terms used.

All sources (unless indicated): abrdn: 31 March 2022.

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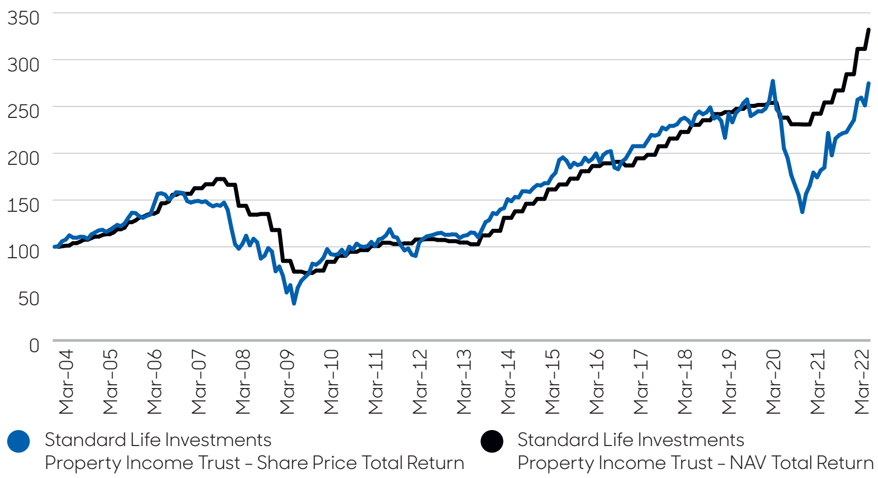
NAV and Share Price Total Return



Source: Thomson Reuters Datastream, abrdn.
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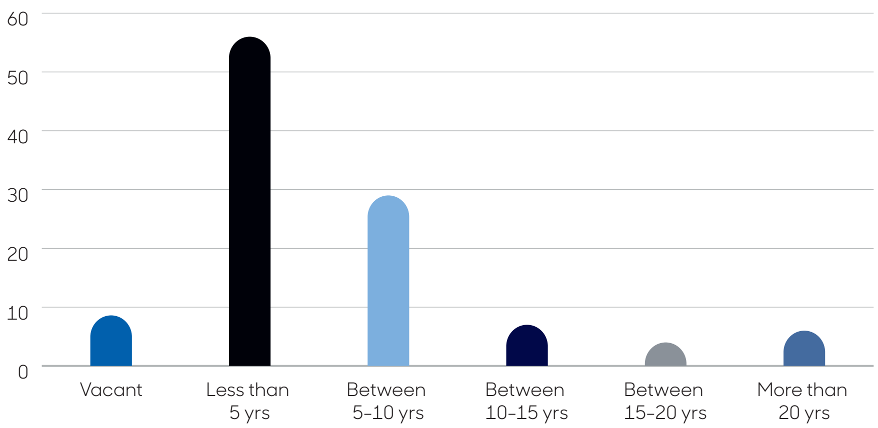
Lease Expiry/Break Profile



Average unexpired lease term to earliest of break or lease expiry is 5.9 years.

Top Ten Holdings

Property/ Direct Investment	Location	Sector	Value Band
B & Q	Halesowen	Retail	£26-28m
54 Hagley Road	Birmingham	Office	£26-28m
Symphony	Rotherham	Industrial	£24-26m
Marsh Way	Rainham	Industrial	£22-24m
Timbmet	Shellingford	Industrial	£18-20m
Solihull Parkway	Birmingham	Other	£16-18m
Tetron 141,	Swadlincote	Industrial	£16-18m
Thyssenkrupp	Preston	Industrial	£16-18m
Hollywood Green	London	Other	£14-16m
CEVA Logistics	Corby	Industrial	£14-16m

Factsheet

Receive the factsheet by email as soon as it is available by registering at www.invtrusts.co.uk/#signup
abrdnpit.co.uk

Contact

Private investors
0808 500 0040

Institutional investors
InvestmentTrustInvestorRelations-UK@abrdn.com
+44 (0)20 7463 5971
+44 (0)13 1222 1863

Investment Review & Outlook

UK property market – Occupier Trends

- Office demand has been relatively robust in difficult market conditions, but very focused on the best quality accommodation as employers seek to encourage workers to return to the office. Looking forward, we expect occupational demand to continue to narrow on best-in-class office accommodation, as wellness and ESG factors become increasingly important factors in occupier decision making. The weaker economic environment is also likely to lead to poorer business sentiment and reduced job growth, leading to a fall in overall office demand. These factors will serve to expedite the polarisation of the office sector and secondary office accommodation is likely to suffer as a result.
- The industrial and logistics sector continues to benefit from a positive supply/demand dynamic and, according to CoStar data, UK leasing activity topped 110m square feet in 2021, 20% higher than the previous year. With the UK-wide vacancy rate understood to be around 3% and development availability remaining constrained, we expect robust rental growth to continue within this sector.
- The retail sector surprised to the upside in January 2022 as total retail sales rose by 1.9%, despite the impact of the Omicron variant. The proportion of non-food online retail sales continued to trend downwards falling to 21.4% in February 2022, down

from the February 2021 peak of 43%. However, rising inflation and the cost-of-living increases are likely to impact consumer spending and this will be most patently felt in the discretionary end of the market. In contrast, budget and discount retailers are in line to benefit. We expect occupier sentiment to weaken as a result and the prospect for rental value growth remains remote.

UK property market – Investment Trends

- Over Q1 2022, UK investment volumes reached approximately £16.1 billion, according to RCA, which was 9% ahead of the 10-year quarterly average and represented the highest Q1 volume since 2015. Overseas capital continued to dominate, accounting for 59.1% of capital deployed in the quarter.
- Investor focus is showing signs of narrowing, particularly within the office sector, where investors are primarily targeting prime central London assets. Of the £5.35 billion invested in the office sector in Q1 2022, 49.9% was invested in just three central London assets, the largest of which was NPS's purchase of 5 Broadgate for £1.21 billion. Therefore, while the overall office investment numbers look positive, they do not tell the full story.
- In the industrial sector, Q1 transaction volumes totalled £4.7 billion. While this was slightly down on the same period in 2021, it is 103% higher than the 10-year quarterly average, once again demonstrating the sector's popularity. Yields have continued to tighten over the previous 12 months, with prime industrial yields in Greater London now at 2.85%, according to CBRE.
- The retail market continues to be driven by the retail warehouse sector, where yields have come in between 150-275 basis points (bps) since March 2021. Investors have been primarily focused on discount and budget-led schemes with little exposure to fashion retailers. However, as yields have compressed markedly over the last 12 months and the income yield differential between retail parks and other sought-after sectors has narrowed, there is an indication that some investors are moving up the risk curve in search of yield.

Economic outlook

- GDP grew by 0.1% in February 2022, down from 0.8% in January, according to the latest data published by ONS. Growth in GDP for February was predominantly driven by strong recovery in travel agencies, tour operators and hotels as consumers become more confident booking holidays in the UK and abroad. Tour operation and accommodation output grew by 33% and 23%, respectively. This was partially offset by a reduction in Covid-19 Test and Trace vaccination programmes. This was a major contributor to UK GDP growth at the start of the year but contributed to a 5.1% contraction across the health sector in February.
- UK GDP growth is expected to weaken from here as the recovery in consumer spending fades, largely as inflationary pressures squeeze household incomes. Growth is likely to slow sharply through this year, albeit remaining above the long-term trend: aRI forecasts UK GDP growth of 3.8% in 2022, before moderating to 1.1% in 2023.
- UK inflation rose to 7.0% in the year to March 2022, up from 6.2% in February. The most recent reading exceeded the 6.7% forecast by economists polled by Reuters and marks the highest level of consumer price index inflation since March 1992 as higher fuel, energy and food prices. aRI expects inflation to reach a peak of 8.5% in April 2022, before falling back to 6.2% by the end of the year. Inflation is expected to remain high for a prolonged period, largely as a result of rising prices in the wholesale energy markets.
- The UK labour market continued to tighten in the three months to February. While employment growth has slowed; the unemployment rate fell and now sits at 3.8%. The tighter labour market is being reflected in nominal pay growth data which increased by 5.4% in the 12 months to February 2022, according to the ONS. However, real wages are falling as pay growth is currently below inflation, with households likely to face falling income through much of this year.
- At its meeting on 16 March 2022, the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 8-1 to increase the Bank Rate by 0.25% to 0.75%. aRI now expects the Bank of England to hike rates to 1.25% by the end of this year, and to start to run down its balance sheet by selling the bonds it has built up in its Quantitative Easing (QE) processes by mid-year. Two further hikes are then expected in 2023, taking rates to 1.75%. As such, UK monetary policy will be actively slowing the economy by the end of the forecast period.

Investment Manager commentary

No new purchases completed during the quarter, although since quarter end the Company completed the purchase of a small car showroom for £5m at a yield of 6.5%. The asset is let on a 25 year lease with rent reviews every five years linked to CPI.

Six new leases were completed during the quarter securing £608,100pa, with the vacancy rate falling to 8.6%. During Q1 a logistics unit in Bolton became vacant and we are preparing a refurbishment that will make it operational net zero carbon. Terms have already been agreed to relet the unit. Two small industrial units in Aberdeen were also let in the quarter – following a period of little tenant activity in that market. Four of the new leases were on office suites in three different multi let properties.

During the quarter we embarked on several small building upgrades with the intention of moving the EPC ratings to a C, and also made progress with several of our rooftop PV schemes and electric charge point projects.

The Company's Loan to Value fell to 18.6% as the value of the portfolio increased. This is lower than our target level and we continue to progress several investment opportunities to utilise unallocated resources.

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.

Other important information:

The Company is a Closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission managed by abrdn with an independent Board of Directors. The Company trades as a UK REIT for tax purposes.

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