

# Custodian REIT

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## Custodian REIT has cranked rents up by 19% on average over the last year

Custodian REIT PLC (LON:CREI) saw its net asset value per share (NAV) climb to 107.8p at the end of the second quarter.

The NAV started the quarter at 107.3p. With a dividend of 1.6375p approved for the period, the NAV total return per share for the quarter was 2.0%.

**READ:** Custodian REIT sells town centre retail unit in Dumfries  
In the absence of unforeseen circumstances, the board intends to pay quarterly dividends to achieve a target dividend per share for the year ending 31 March 2019 of 6.55p (2018: 6.45p) but stressed this is an ambition, not a profit forecast.

The real estate investment trust (REIT) remains keen on investing in industrial property but demand has pushed prices up, limiting the number of investment opportunities that the group deemed good value.

Office rents in regional markets are still growing and supply is constrained by a lack of development and the extensive conversion of secondary offices to residential, Custodian said.

Industrial sector favoured

"Investment market activity in the second quarter of 2018 has continued unabated with institutional investors keen to deploy funds into commercial property, maintaining prevailing yields at near record lows," said Richard Shepherd-Cross, the managing director of Custodian Capital Limited, the company's discretionary investment manager.

"I believe the general consensus is that industrial is the preferred sector with retail the least favoured, but this conceals a much more complex picture where the characteristics of individual assets rather than a sector focus is ever more important.

"Strong occupational demand is resulting in rental growth and by maintaining a high level of occupancy we are able to deliver performance in the portfolio which we will seek to continue in the months ahead. Across the 17 rent reviews completed in the last 12 months, we have been able to deliver 19% average rental increases. We will continue to focus on proactive asset management with our tenants on lease extensions, the removal of breaks and securing of lease renewals. We expect these initiatives to continue to enhance NAV," he added.

Real estate investment trusts (REITs) offer tax-efficient exposure to the real estate market. At the trust level, REITs are tax exempt provided they pay at least 90% of their profits to shareholders, while investors must pay ordinary income tax on their dividends and on shares...

**Price:** 117

**Market Cap:** £478.77 m

### 1 Year Share Price Graph



### Share Information

**Code:** CREI

**Listing:** LSE

52 week	High	Low
	121	111

**Sector:** Real Estate

**Website:** [www.custodianreit.com](http://www.custodianreit.com)

### Company Synopsis:

*Custodian REIT aims to be the Real Estate Investment Trust of choice for private and institutional investors seeking high and stable dividends from well-diversified UK real estate. Custodian REIT plc was launched as a main-market-listed, property investment company on the London Stock Exchange on 26 March 2014. The company was established with a seed portfolio of £95m and successful IPO, raising further 55m.*

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— Nhlanhla Nxumalo (@real88nhlanhla) July 24, 2018

Shepherd-Cross said a lack of supply is causing near-record low yields while the market appetite for industrial assets and for properties let on long leases - particularly those with inflation-linked rents - are driving the strongest prices.

"This scenario has caused us to look to the motor trade, offices and drive-through restaurants to try to find 'value', currently with a £21.5m pipeline of properties under offer; however, these sectors are not without their risks, therefore a cautious approach to stock selection and sub-sector exposure has been paramount," he said.

Shares in Custodian REIT were unchanged in early trading.

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