

NAV, DIVIDEND DECLARATION & PORTFOLIO VALUATION

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Alternative Income REIT PLC

(the "Company" or "Group" or "AIRE")

NET ASSET VALUE, DIVIDEND DECLARATION AND PORTFOLIO VALUATION UPDATE TO 30 JUNE 2023

**Total annual dividend of 6.045pps for the year ended 30 June 2023,
an increase of 9.9% on the prior year**

Resilient portfolio well-placed to continue to provide secure, inflation-linked income with the potential for capital growth

The Board of Directors of Alternative Income REIT PLC (ticker: AIRE), the owner of a diversified portfolio of UK commercial property assets, predominantly let on long leases with inflation-linked rent reviews, provides a trading and business update and declares an interim dividend for the quarter ended 30 June 2023.

Simon Bennett, Non-Executive Chair of Alternative Income REIT plc, comments:

"The Board is pleased to declare a fourth interim dividend of 1.92 pence per share ("pps") for the quarter ended 30 June 2023. As a result, the dividend target of 5.70pps for the year ended 30 June 2023 has been met. In addition, the Board has agreed to distribute to shareholders an extra 0.345pps in respect of non-rental income that has been received in the year following the successful settlement of a historical legal case. This brings the total annual dividend to 6.045pps, an increase of 9.9% on the 5.50pps annual dividend declared in the prior year. The total annual dividend is 106.3% covered by cash earnings.

The Group's portfolio composition delivers income growth each quarter (1.86% Q2 2023) due to the 97% inflation linked rent review profile, with 45% of this rental income reviewed annually. Our portfolio is 100% let with an enviable track record of 100% rent collection at the due dates. Whilst many commercial real estate portfolios, and businesses in general, are struggling with the impact of rising debt costs on their profitability, the Group benefits from the security of a fixed low rate of 3.19% until October 2025.

The second quarter of 2023 has been relatively secure with the value of the Group's portfolio increasing by £0.3 million or 0.3% to £107 million (31 March 2023: £106.7 million) over the period, and our portfolio's net initial yield remaining unchanged at 6.6%. This quarter's valuation growth has come from the industrial and retail warehouse sectors driven by growth in their rent and underlying ERVs. At 30 June 2023, the Group's unaudited NAV increased 0.7% over the quarter to £67.8 million or 84.2pps, due to the increase in the portfolio valuation. When combined with the dividend paid for the quarter, this produces an unaudited NAV total return for the quarter of 2.4%.

We continue to actively manage the portfolio, and this quarter we successfully completed a lease renewal with Pets at Home at the Droitwich Retail Park, three rent reviews and two fixed rental uplifts. Working closely with our occupiers, we have an active programme of analysing EPC recommendations to drive ESG initiatives and EPC improvements across the portfolio.

Looking to the future, for the period to 30 September 2023, 20% of the Group's income will be reviewed, one annual index-linked rent review and two periodic index-linked rent reviews, with five years since the previous reviews. The

Board remains confident that the Company is well-positioned for the future, with a resilient portfolio well-placed to continue to provide secure, inflation-linked income with the potential for capital growth."

Overview of Key Financials

	At 30 June 2023 (unaudited)	At 31 March 2023 (unaudited)	Change
Net Asset Value ("NAV")	£67.8 million	£67.3 million	+0.7%
NAV per share	84.2p	83.5p	+0.7%
Share price per share	64.7p	67.2p	-3.7%
Share price discount to NAV	23.1%	19.6%	+3.5%
Investment property fair value (based on external valuation)	£107.0 million	£106.7 million	+0.3%
Loan to gross asset value ("GAV") ^{A B}	36.8%	37.0%	

	Quarter ended 30 June 2023 (unaudited)	Quarter ended 31 March 2023 (unaudited)	Change
EPRA earnings per share ^A	1.7p	1.6p	+8.2%
Adjusted earnings per share ^A	1.6p	1.5p	+2.6%
Dividend cover ^A	81.8%	110.9%	-29.1%
Total dividends per share	1.92p	1.375p	+39.6%
Dividend yield (annual) ^{A C}	9.4%	8.8%	+0.6%
Earnings per share	2.0p	0.6p	+245.1%
Share price total return ^A	-1.7%	+2.8%	
NAV total return ^A	+2.4%	+0.7%	
Annualised passing rent	£7.6 million	£7.5 million	+1.3%
Ongoing charges ^A (annualised)	1.4%	1.5%	-0.1bps

^A Considered to be an Alternative Performance Measure.

^B The loan facility at 30 June 2023 of £41.0 million (31 March 2022: £41.0 million) with Canada Life Investments, matures on 20 October 2025 and has a weighted average interest cost of 3.19%.

^C The ratio of Group's annual dividends per share divided by the Group's share price for the period.

Dividend Declaration, Earnings Per Share and Dividend Cover

The Board is pleased to declare a fourth interim quarterly dividend of 1.92pps for the quarter ended 30 June 2023. This dividend will be distributed as a Property Income Distribution ("PID") and will be paid on 25 August 2023 to shareholders on the register on 11 August 2023. The ex-dividend date will be 10 August 2023.

The Board is pleased to report that the dividend target of 5.70pps for the year ended 30 June 2023 has been met. The fourth interim dividend declared includes an additional 0.345pps in respect of non-rental income received in the year, more details of which were provided in the half-yearly report. This brings the total dividend for the year to 6.045pps, representing a 9.9% increase on the previous year's total dividend of 5.50pps.

The Adjusted EPS increased 2.6% over the quarter to 1.57pps (31 March 2023: 1.53pps) giving a total of 6.43pps for the year (2022: 5.55pps), an increase of 15.9%. The dividend cover for the quarter was 81.8% (31 March 2023: 110.9%) and 106.3% for the year (2022: 101.3%).

Property Valuation

At 30 June 2023, the Group's property portfolio, comprising 19 assets, had a fair value of £107.0 million, representing a 0.3% increase from the last quarter (31 March 2023: £106.7 million). At 30 June 2023, the Net Initial Yield on the Group's portfolio remained secure at 6.6% (31 March 2023: 6.6%).

The repricing of the property investment market in the latter half of 2022 has given way to a period of relative stability in the first half of 2023, although transactional activity remains limited. With a further increase in interest rates anticipated over the summer, certain sectors of the property market are bracing themselves for further falls in value. The development and secondary market are already seeing another significant repricing, which is tending to mirror the rising cost of debt. The Group's portfolio is relatively insulated from this movement, as it benefits from being 100% let, with 100% collection of rent due, 97% inflation linked rent review profile and long dated fixed low rated debt, providing secure, growing income.

Over the past year, the value of the Group's portfolio has reduced by a total of £10.9 million or 9.2%. Once again,

AIRE has outperformed relative to most other commercial real estate portfolios, as demonstrated by MSCI who have reported a fall in their Monthly (All-Property) Index of 21% over the same period.

Net Asset Value, Share price and Share price discount to NAV

At 30 June 2023, the Group's unaudited NAV was £67.8 million, 84.2pps (31 March 2023: £67.3 million, 83.5pps), representing a 0.7% increase over the quarter, due to the increase in the portfolio valuation. When combined with the 1.92pps dividend paid for the quarter, this produces an unaudited NAV total return for the quarter of 2.4% (31 March 2023: 0.7%).

The share price decreased by 3.7% to 64.7pps and the share price total return for the quarter was -1.7%. The Company's share price discount to NAV was 23.1% at the period end.

The table below sets out the movement in NAV during the quarter.

	Pence per share	£ million
NAV at 31 March 2023	83.5	67.3
Valuation movement in property portfolio	0.3	0.2
Income earned for the period	2.7	2.2
Expenses for the period	(0.5)	(0.4)
Net finance costs for the period	(0.4)	(0.4)
Interim dividend paid during the quarter ended 31 March 2023	(1.4)	(1.1)
NAV at 30 June 2023	84.2	67.8

The NAV attributable to the ordinary shares has been calculated under International Financial Reporting Standards as adopted by the United Kingdom and incorporates both the Group's property portfolio individually valued on a 'Red Book' basis at 30 June 2023 and net income for the quarter but does not include a provision for the interim dividend declared today (see above).

The income earned for the period includes an accrual for the minimum contractual uplifts contained in the index-linked leases. In the event that inflation is greater than these minimum contractual uplifts, the actual income will be greater than the income currently accrued.

Portfolio Update

At 30 June 2023, the Group's assets are 100% let (31 March 2023: 100%). The weighted average unexpired lease term at 30 June 2023 was 17.0 years to the earlier of break and expiry (31 March 2023: 16.7 years) and 18.9 years to expiry (31 March 2023: 18.6 years).

In aggregate, 97.0% (31 March 2023: 96%) of the portfolio's income stream is reviewed periodically (45% annually) on an upward-only, inflation linked basis, subject to floors and caps. 71% of these reviews are linked to RPI and 26% to CPI. The remaining 3.0% of the portfolio's income stream is subject to fixed uplifts or expiries.

Contracted annualised rent increased by 1.9% this quarter, due to annual RPI rent reviews at Dudley & Sheffield (+4.0%) and fixed uplifts to the rents for BGEN Limited in St. Helens (+9.4%). The Group completed a lease renewal with Pets at Home in May 2023 in the Droitwich Retail Park for a further 5 years. The contracted rent is £112,500 per annum with a 9-month rent free period given by way of an incentive.

Over the period to 30 September 2023, 20% of the Group's income will be reviewed (one annual index-linked rent review and two periodic index-linked rent reviews (5 years since the previous reviews)).

Rent Collection

Rent collection remains resilient with 100% expected for the June 2023 quarter. The rents for the June 2023 quarter are split 82.8% payable quarterly in advance and 17.2% payable monthly in advance.

ENQUIRIES

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The Company's LEI is 213800MPBIJS12Q88F71.

Further information on Alternative Income REIT PLC is available at www.alternativeincomereit.com¹.

¹ Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website or any other website, is incorporated into, or forms part of, this announcement nor, unless previously published on a Regulatory Information Service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

NOTES

Alternative Income REIT PLC aims to generate a sustainable, secure and attractive income return for shareholders from a diversified portfolio of UK property investments, predominately in alternative and specialist sectors. The majority of the assets in the Group's portfolio are let on long leases which contain index linked rent review provisions.

The Company's asset manager is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. It has over 230 employees in 15 countries and territories. The team manages over 620 assets with a value of circa €6.9 billion (as at 30 June 2023).

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