

14 April 2025

PORTFOLIO REIT PLC
(the "Company" or the "REIT")

Proposed implementation of a Managed Realisation plan and adoption of New Divestment Policy

Posting of Shareholder Circular and details of General Meeting

Last September, at the time of the AGM, the Board explained that, recognising the loss-making position of the REIT and the consequent decline in net asset value ("NAV"), it was actively exploring opportunities to introduce additional capital into the REIT to address its issue of scale.

Despite recent efforts, the Board and the Property Hub Group, the Investment Advisor to the REIT, now believe that it is unlikely that sufficient additional capital can be raised on attractive commercial terms in an acceptable timescale to address the issues of scale. The investment environment remains difficult with interest rates still significantly higher than when the REIT was established and the initial equity capital was raised. The Board has also noted the decisions taken by certain other listed residential property investment companies to seek potentially to realise assets and return capital to shareholders rather than look to raise capital for growth at material discounts to asset value.

The Board recognises that the loss-making structure of the REIT, if allowed to continue, will potentially lead to further erosion of shareholder value. While the current portfolio of residential properties has the potential to deliver growth in value to offset the erosion from operating losses, there is a significant risk that shareholders will experience a further decline in the value of their investment.

BACKGROUND TO AND REASON FOR THE GENERAL MEETING

The Board committed in September that once it had clarity of the terms of and scale of any potential fundraising, the Board would consult shareholders on the future direction of the REIT in the form of a continuation vote.

Given these circumstances faced by the REIT described above, the Board believes it is in the best interests of shareholders to hold a vote (the "Continuation Vote"), seeking shareholders' decision on whether to discontinue the REIT by approving an orderly sale of all property assets and return of capital to shareholders ("the Managed Realisation Plan").

A circular will be posted today to shareholders (the "Shareholder Circular"), which includes notice of a general meeting (the "General Meeting") to approve the Managed Realisation Plan which also necessitates a change of investment policy and adoption of a new divestment policy.

As set out in the Shareholder Circular, having considered the position of the REIT, the Board's recommendation is that shareholders vote to change the investment policy of the REIT and allow it to pursue the Managed Realisation Plan.

If the Managed Realisation Plan is approved, it is the intention of the Board that, following the repayment of the Group's outstanding debt facilities and any other liabilities of the Group, capital will be returned to shareholders upon the completion of the Managed Realisation Plan.

The most appropriate timing and mechanism to make any returns of capital to shareholders will be determined in due course. As typically happens in this type of process, it is expected that the Company will, when the Managed Realisation Plan is complete, be placed into liquidation, allowing capital to be returned to shareholders.

Once all properties have been sold or completion of sale of the final remaining properties is imminent, the Board will seek shareholder approval to appoint a liquidator to the Company and its subsidiaries.

This will require a special resolution to be approved by shareholders in general meeting. The liquidator will be responsible for overseeing the final stages of the realisation process, including settling any remaining liabilities and distributing the net proceeds to shareholders.

All members of the Board have agreed to remain as directors of the Company until a liquidator has been appointed.

Distributions

If the Managed Realisation Plan is approved the Board will continue to maintain a programme of quarterly distributions to provide shareholders with income, recognising the uncertainty over the timing of property disposals and the appointment of a liquidator. However, the Board will no longer allow shareholders, who have made such an election, to reinvest net distributions received in shares as it does not believe that allowing reinvestment in shares, once the new divestment Policy has been approved, is likely to create value for those shareholders.

Change in NAV reporting methodology

If the Managed Realisation Plan is approved, the REIT will continue to report Net Asset Value ("NAV") on a quarterly basis.

However, as part of the Company's proposed transition from an investment and growth strategy to an orderly disposal of assets and subsequent liquidation, the Board and the AIFM believes it would be appropriate to make changes to the methodology used to calculate NAV.

Historically, the REIT has reported its NAV in accordance with the European Public Real Estate Association ("EPRA") Net Reinstatement Value ("NRV") measure.

However, if the REIT shifts its focus to an orderly disposal of properties, the EPRA NRV measure would no longer accurately represent the economic reality faced by Shareholders and the Board and the AIFM believes that it would be more appropriate to report NAV using the EPRA Net Disposal Value ("NDV") measure.

The NRV has historically included a Real Estate Transfer Tax ("RETT") adjustment to the IFRS NAV. The RETT adjustment reflects the Stamp Duty Land Tax ("SDLT") that would be payable if a third party sought to individually acquire all the properties in the REIT's portfolio at their appraised market value.

The impact of adopting EPRA NDV for the REIT is that this approach excludes the RETT adjustment which contributed approximately 5.5p per Share to the EPRA NRV at 31 December 2024. The estimated EPRA NDV at 31 December 2024 was 77.8p.

However, it is important to note that the EPRA NDV is not an estimate of the liquidation value of Shares or the capital per Share to be returned to Shareholders if the Managed Realisation Plan is approved.

Shareholders should note that the change in NAV methodology would not impact the actual cash proceeds the Company expects to generate from property sales.

If the Managed Realisation plan is approved, this change would take effect from the first quarter-end after the date of the General Meeting which would be expected to be 30 June 2025.

Further detail on this matter is included in the Shareholder Circular.

Venue for and time of the General Meeting

The General Meeting will be held at Fora Gridiron, 1 Pancras Square, King's Cross, London, N1C 4AG at 11:00 a.m. on Monday 12 May 2025.

The Board looks forward to welcoming shareholders to the meeting.

Publication of documents on the Company's website

The Shareholder Circular will be made available to view and download from the Company's website www.portfolio.co.uk.

All enquiries in relation to this announcement should be addressed to:

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