PALACE CAPITAL plc

EXPERTS IN REGIONAL PROPERTY

PALACE CAPITAL PLC
APRIL 2020 INVESTOR UPDATE

EXPERTS IN REGIONAL PROPERTY

Palace Capital are experts in regional property.

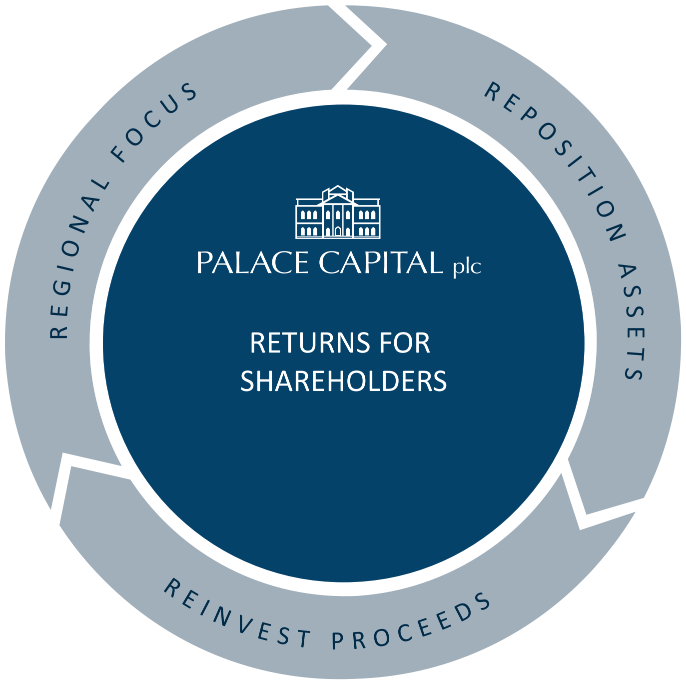
Focused on unlocking value to deliver attractive total returns.

REGIONAL STRATEGY

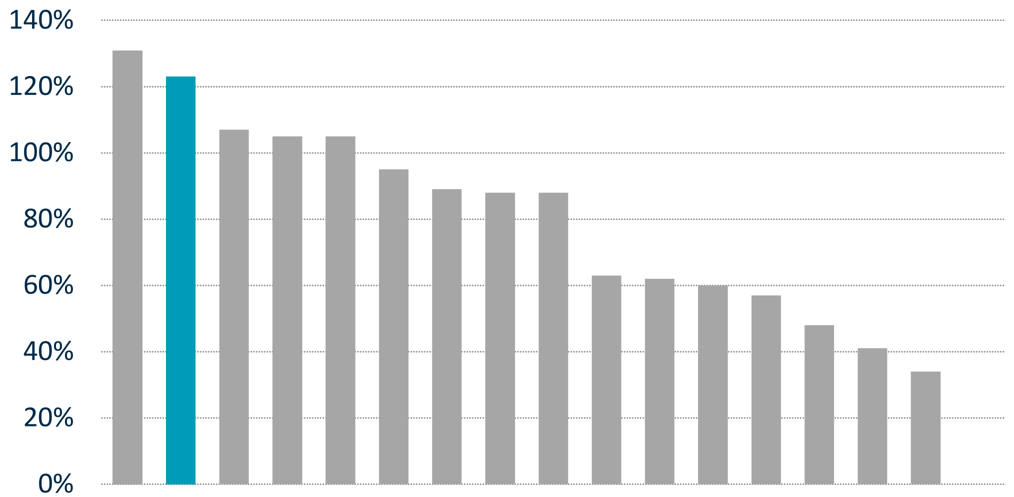
Experts in regional property

Palace Capital plc (PCA) is a property investment & development company with a regional focus delivering attractive total returns

- Management has a deep knowledge of the UK regions focusing on the office and industrial sectors
- We drive income and capital growth through refurbishment and redevelopment
- Occupational market has been strong, driving our letting activity
- Strong track record delivering attractive returns



6 Year Total Accounting Return vs peer group
(EPRA NAV growth + dividends as at 30 September 2019)



Source: Arden Partners plc

ECONOMY

COVID-19 Impact

- Our priority has remained the health and well-being of our colleagues & tenants, whilst protecting the long-term value of the company
- Support for our occupiers, particularly smaller, independent brands that are less resilient to the enforced closure of their space
- We have limited retail exposure and only 2 leisure centres, the latter comprising 14.5% of our portfolio
- Requests for rent deferrals, monthly payments and waivers are being reviewed on a case by case basis
- March 2020 rent quarter collection is as expected down on same quarter last year, however robust collection despite difficult circumstances
- Prudent approach to preserve cash for working capital, with Q3 dividend withdrawn to support this
- Hudson Quarter York development site still open, albeit with reduced activity as supply chain is restricted and expected completion date may extend to Q2 2021

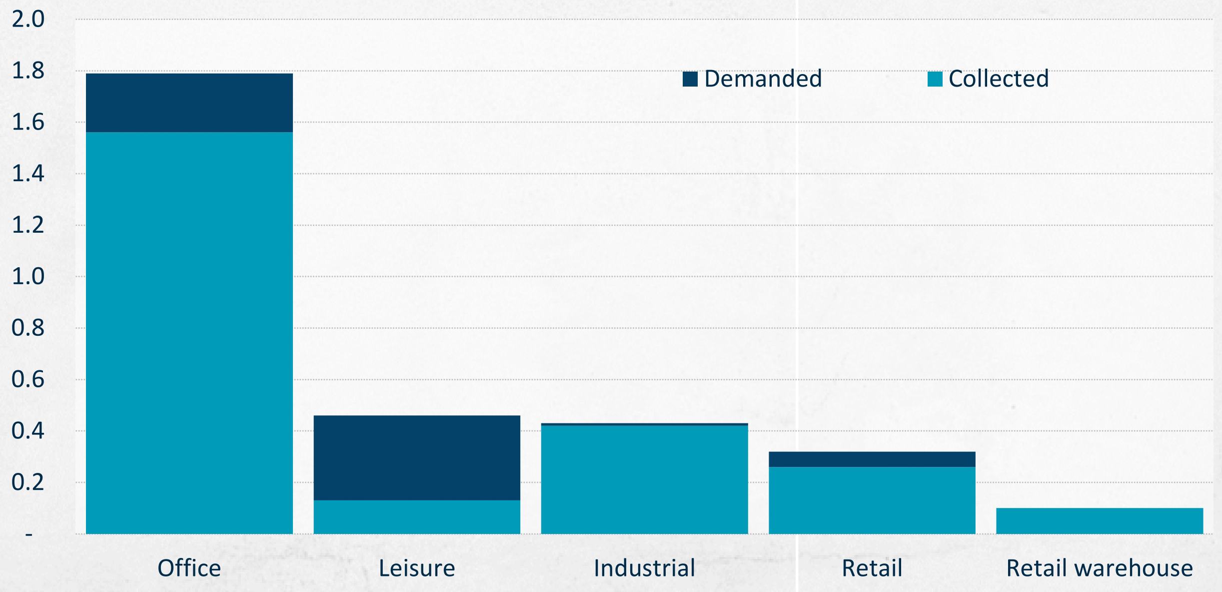
ECONOMY

COVID-19 Impact

Q1 March 2020 Rent Collection

- As expected, March 2020 rent quarter collection down on same quarter last year but robust
- 70% collected as at 1 April adjusted for monthly payers and deferrals agreed or being discussed
- At 20 April this had risen to 80% with further increases expected over the coming weeks
- Strong collection stats across all sectors other than leisure as expected – given closures due to Government requirements

Rent collection vs demanded (£m)



ECONOMY

COVID-19 Impact

Cash, Debt Facilities & Covenants

- The Board believes that maintaining maximum liquidity at this time is a prudent approach, in order to comply with its lenders' loan covenants
- Investment portfolio is highly cash generative - rental income would have to fall by over 40% on average for the ICR covenants to require some form of curing
- Values last reported at 30 September 2019 would need to fall 20% before any cash is utilised to reduce loan balances
- We have been reassured by our lenders that they will stand by us during this unprecedented time should this prove necessary
- As at 31 March, there are no debt facility maturity dates in the next two years
- The Company is conservatively geared at 34% LTV (as at 30 Sep 2019 last published valuations)
- £14.7 million of cash in the bank and a further £5.0 million which can be drawn down imminently from the NatWest revolving credit facility
- Hudson Quarter, York is now fully funded by the Barclays development facility
- For the time being we have put all other major capital expenditure on hold

ICR covenants range
225% - 250%

LTV covenants range
57.5% - 61.7%

£19.7m cash available

Diversified and sustainable portfolio

By tenant and industry

Top 20 tenants make up 45% of passing rents

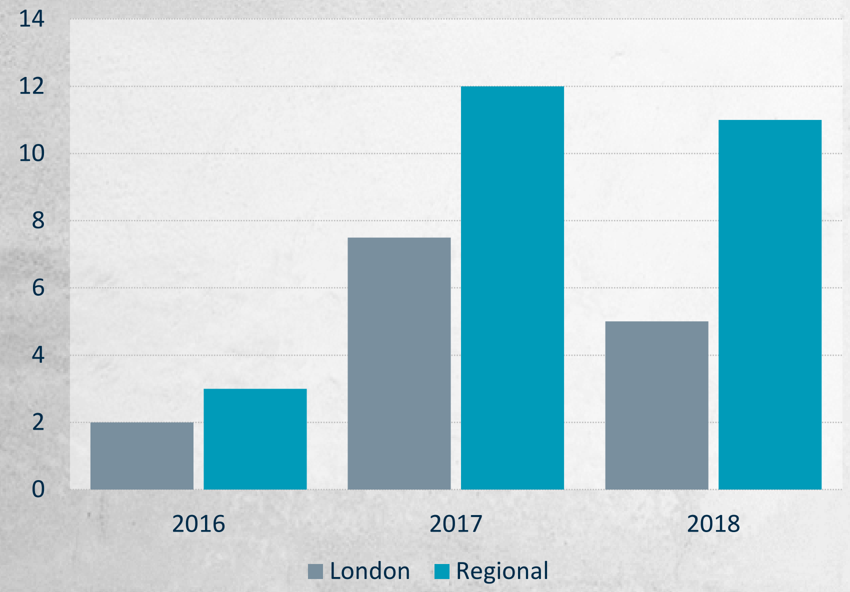
Tenant	Industry	Contracted Rent £'000	Tenant	Industry	Contracted Rent £'000
vue	Leisure	913	D YOUNG & CO INTELLECTUAL PROPERTY	Legal	310
Rockwell Automation	Auto	544	BRAVISSIMO	Retail	294
ACCOR HOTELS	Hotel	510	ALDI	Retail	291
LOTTERY FUNDED	Charity	444	Sutton	Local Authority	283
brose Technik für Automobile	Auto	432	QUADRANT SYSTEMS	Aviation	280
Eldon	Insurance	409	NHS Calderdale and Huddersfield NHS Foundation Trust	Health	262
Wickes	Retail	401	BOOKER	Retail	246
BLAKE MORGAN	Legal	360	serco	Public Services	246
exela TECHNOLOGIES	Technology	355	Redland	Construction	240
APCOA PARKING	Car Parking	345		Automobile Repair	227

As at 30 Sep 2019

Good income visibility with broad spread across diverse tenant base

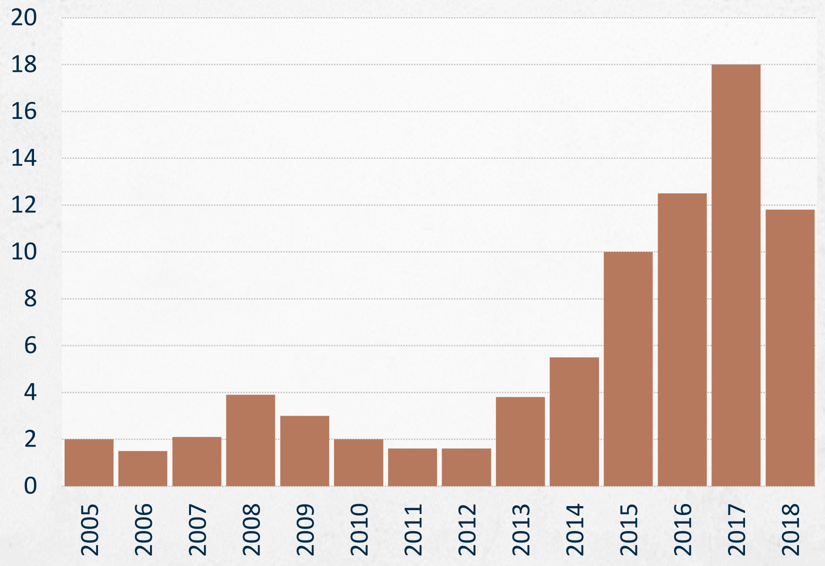
Regional returns outperforming London

London vs. regional UK office
(% p.a. total property returns)



Source: MSCI

Office conversion to residential
(England) (million. sq. ft.)



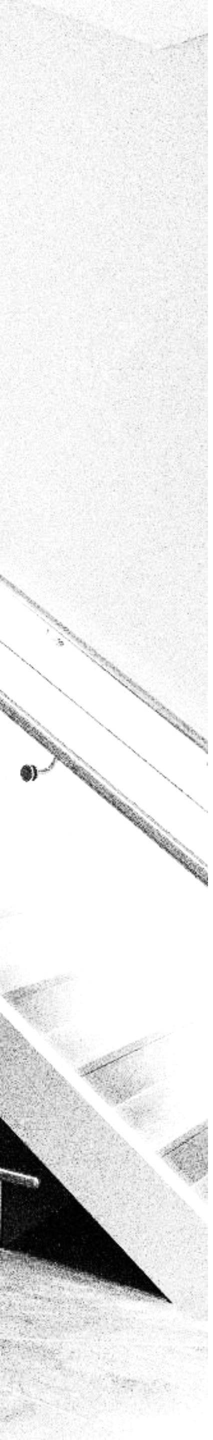
Source: Ministry of Housing, Communities, Local Government

Regional office returns have exceeded those generated by London every year since 2016.

Regional offices (48% of our portfolio) provide the strongest, risk-adjusted sector in the UK.

Reduction in office supply is driving rental value.

Supported by structural drivers and accelerating urbanisation trends.



NON-COVID-19 PRESS

‘Boris Bounce’ positive for the Midlands and the North

- Government confirms ‘Notice to proceed’ on High Speed 2 (15th April)
- ‘Goldman Sachs appoints JLL for move to regions’ – Estates Gazette
- ‘KPMGs pension arm seeking offices in up to 9 regional cities’ – React News
- ‘Hiscox to move 300 jobs across UK from London’ – Insurance Post
- ‘Boris, Burnham and the £80bn Northern Infrastructure Boost’ – Bisnow
- ‘BBC to move two-thirds of jobs outside London by 2027 as it doubles down on regions’ - CityAM
- York office market remains tight; Hudson Quarter includes the first speculative office redevelopment in York of over 30,000 sq ft in over 30 years
- Ever increasing activity in Liverpool with trend for occupiers relocating from out of town to city centres e.g. Sony, (65,000 sq ft) along with 1m sq ft of office space lost since 2014

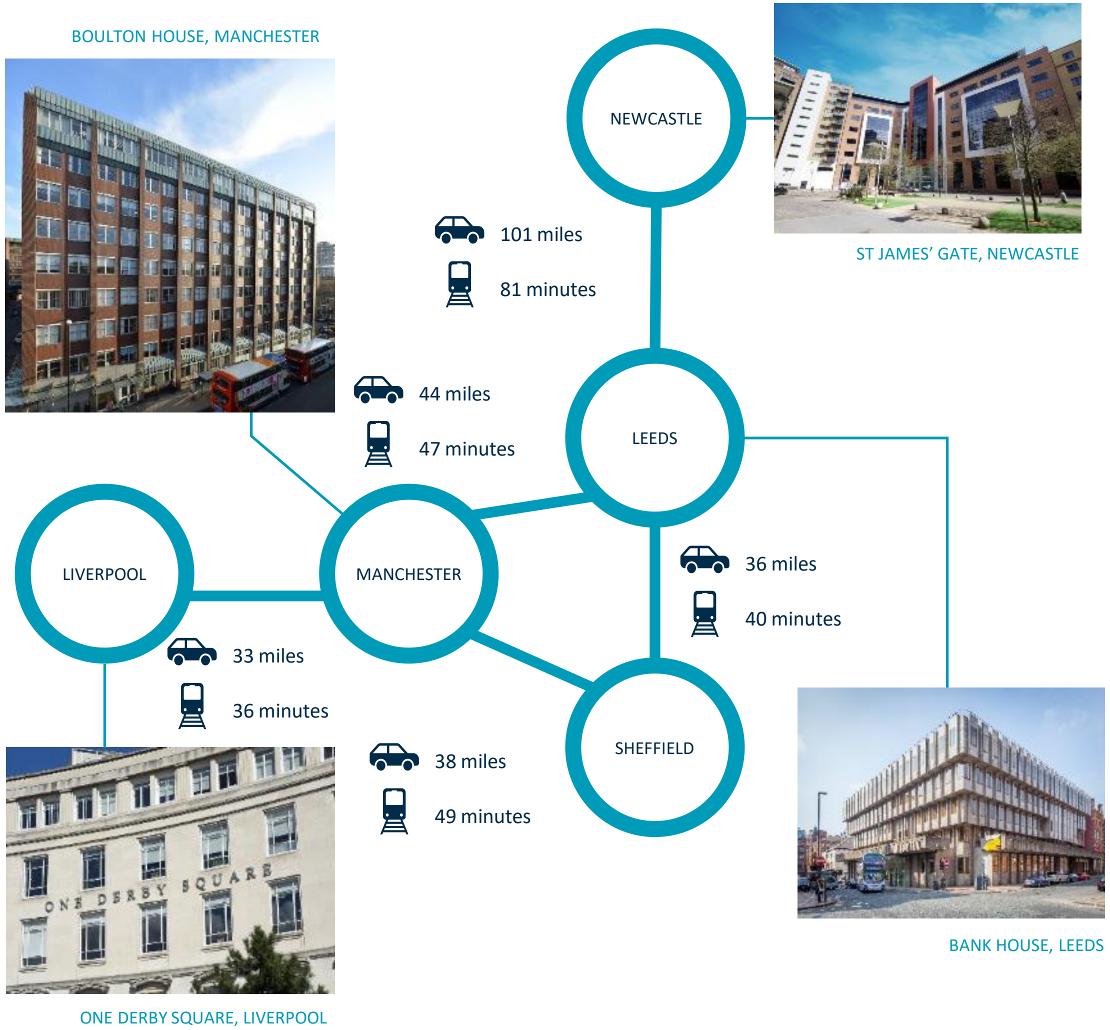
REGIONAL STRATEGY

Positive impact of urbanisation and increased connectivity

The Northern Powerhouse is a prime example of a growth hub, where investment in road and rail connectivity is expected to support rising rents and growth.

Graduate retention is high in strong regional cities and we are seeing a definite trend for companies moving into strong inner-city locations as staff turnover is far lower than out-of-town locations.

Palace has targeted acquisitions to capitalise on these trends, with office buildings in city centres across the Northern Powerhouse.



Financial track record

Solid growth of the portfolio driving earnings

Balance Sheet	FY16	FY17	FY18	FY19	HY20
Property portfolio	£173.4m	£183.2m	£276.7m	£286.3m	£275.8m
Net assets	£106.8m	£109.6m	£183.3m	£180.3m	£178.7m
EPRA NAV per share	414p	443p	415p*	407p	391p**
Group LTV	37%	37%	30%	34%	34%

Income Statement					
Adjusted profit before tax***	£5.6m	£6.7m	£8.5m	£8.9m	£3.9m
Adjusted EPS	18.9p	22.2p	21.2p	17.3p	8.5p
Dividend per share	16.0p	18.5p	19.0p	19.0p	9.5p
Dividend cover	1.2x	1.2x	1.1x	0.9x	0.9x

* *EPRA NAV in FY18 diluted as a result of £70m equity fundraise at 340p – October 2017*

** EPRA NAV per share has reduced in HY20 partly as a result of crystallizing a tax payment on the disposal of the non-core residential portfolio and partly down to the timing of £10m capex in the period without a corresponding uplift in property valuations.

** Excludes non-recurring income and expenditure, property revaluations, profit/losses on disposal and fair value movements

Balance sheet

Well positioned to support growth

	30 Sep 19 £m	31 Mar 19 £m
Property portfolio	275.8	286.3
Cash	14.0	22.9
Other assets	8.8	7.1
Borrowings	(106.8)	(118.0)
Deferred tax liabilities	(0.2)	(5.6)
Other liabilities	(12.9)	(12.4)
Net assets	178.7	180.3
EPRA NAV per share	391p	407p
Group LTV	34%	34%

Cash and undrawn RCF facilities available

Debt reduced in period

Group LTV of 34% and well within our target range of 30-40%

Net assets maintained at £178.7m

£154.6m debt facilities

Strong relationship with lenders

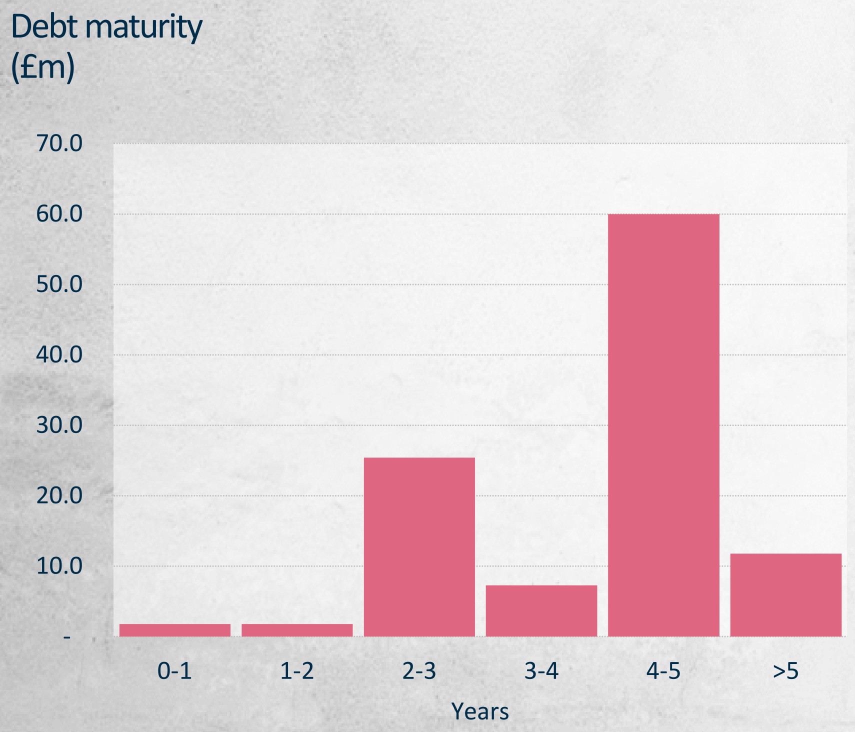
Lender	Debt Facility (£m)	Debt Drawn (£m)	Debt Maturity	Hedging
Barclays	41.3	41.3	Jun-2024	£35.1m fixed
NatWest (RCF)	40.0	20.0	Aug-2024	100% floating
Santander	26.0	26.0	Aug-2022	£19.5m fixed
Lloyds	6.9	6.9	Mar-2023	100% floating
Scottish Widows	13.9	13.9	Jul-2026	100% fixed
Barclays (development facility)	26.5	0.0	Oct-2021	100% floating
	154.6	108.1	4.5 years	

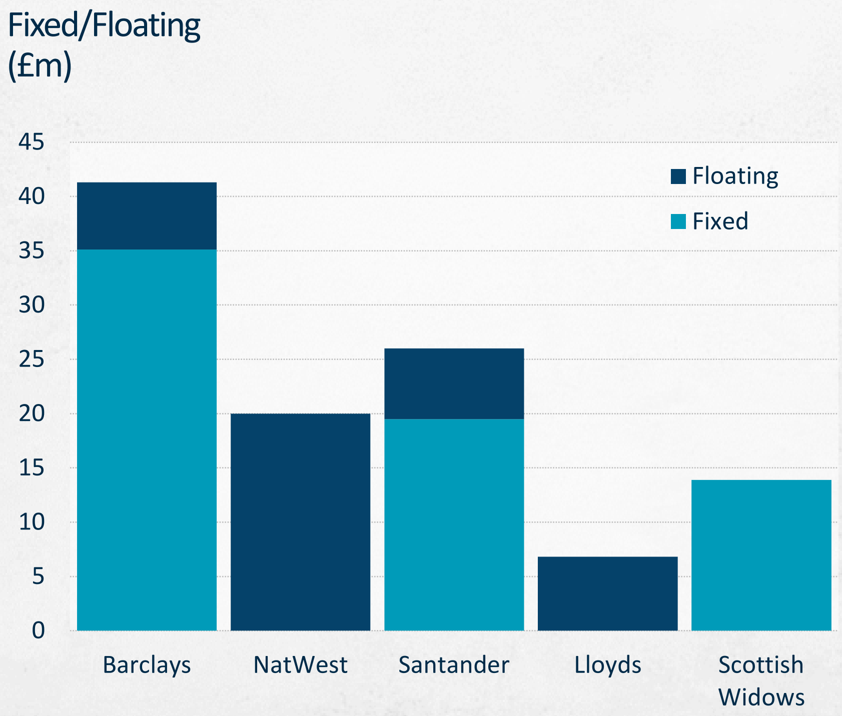
As at 30 Sep 2019

	Mar-19	Sept-19
Property portfolio	£286.3m	£275.8m
Gross debt	£119.4m	£108.1m
Net debt	£96.5m	£94.1m
Average cost of debt	3.3%	3.2%
Group LTV	34%	34%
Fixed debt	59%	63%
Interest cover	3.3x	4.5x

Debt maturity & hedging

Sustainable capital structure





As at 30 Sep 2019

Group LTV at 34%, well within target range

Average debt maturity of 4.5 years

Average cost of debt 3.2%

Fixed/hedged: 63%

Headroom on debt covenants

FINANCIALS

REIT conversion

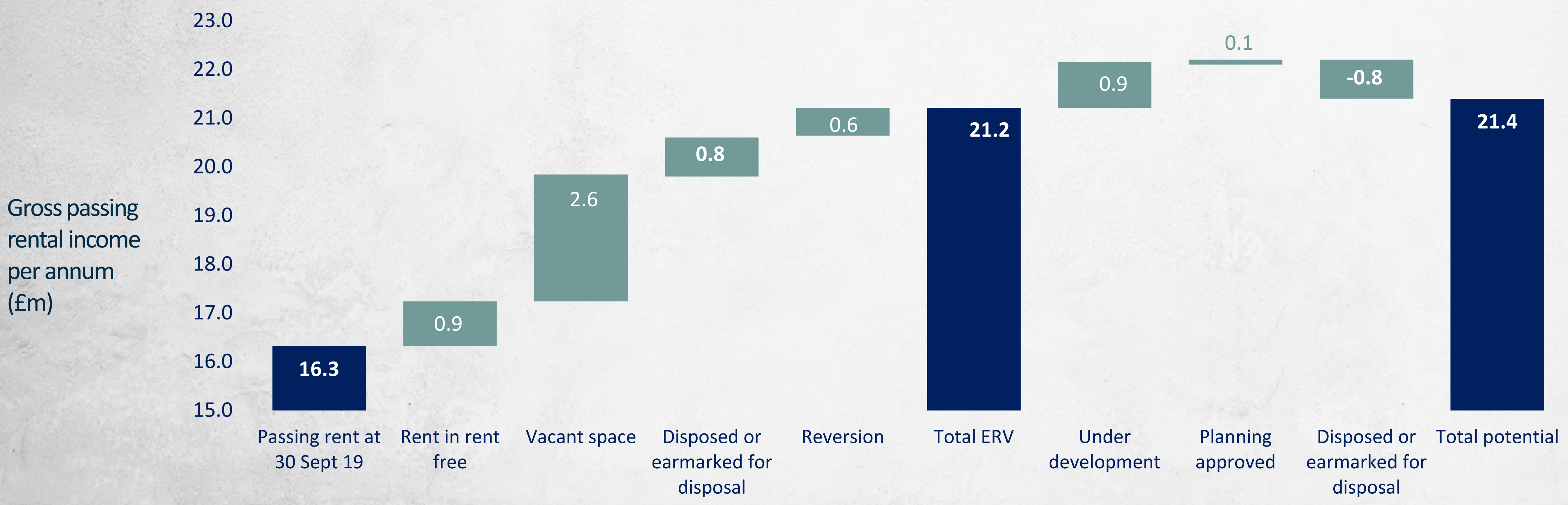
1st August 2019

- Supports our total return strategy by maximising dividends
- Eliminates tax on rental profits, saving over £1m pa, adding +2 pps to earnings
- Expected to broaden shareholder base and increase liquidity in shares
- £3.7m credit to the income statement for REIT exempt deferred tax previously recognised
- First PID paid 27 December 2019

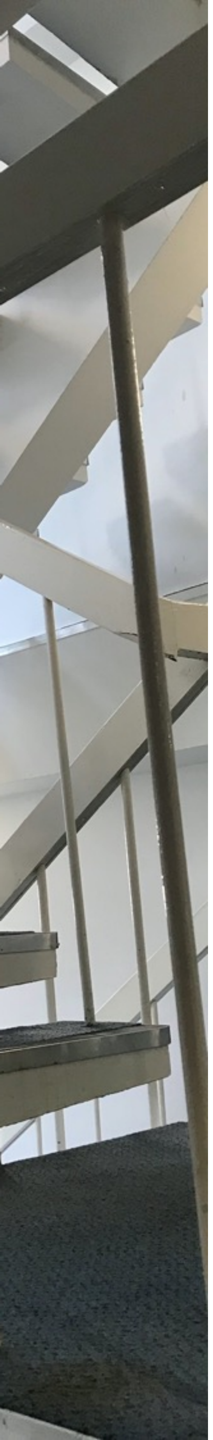
Regency House, Winchester

FINANCIALS

Substantial opportunity to grow rental income by +30%



Source: Cushman & Wakefield



PROPERTY REVIEW

Regional portfolio

Focused on office & industrial growth sectors

Core Sectors

31	10	8	2	2	2
Office	Industrial	Retail	Leisure	Retail warehouse	Development

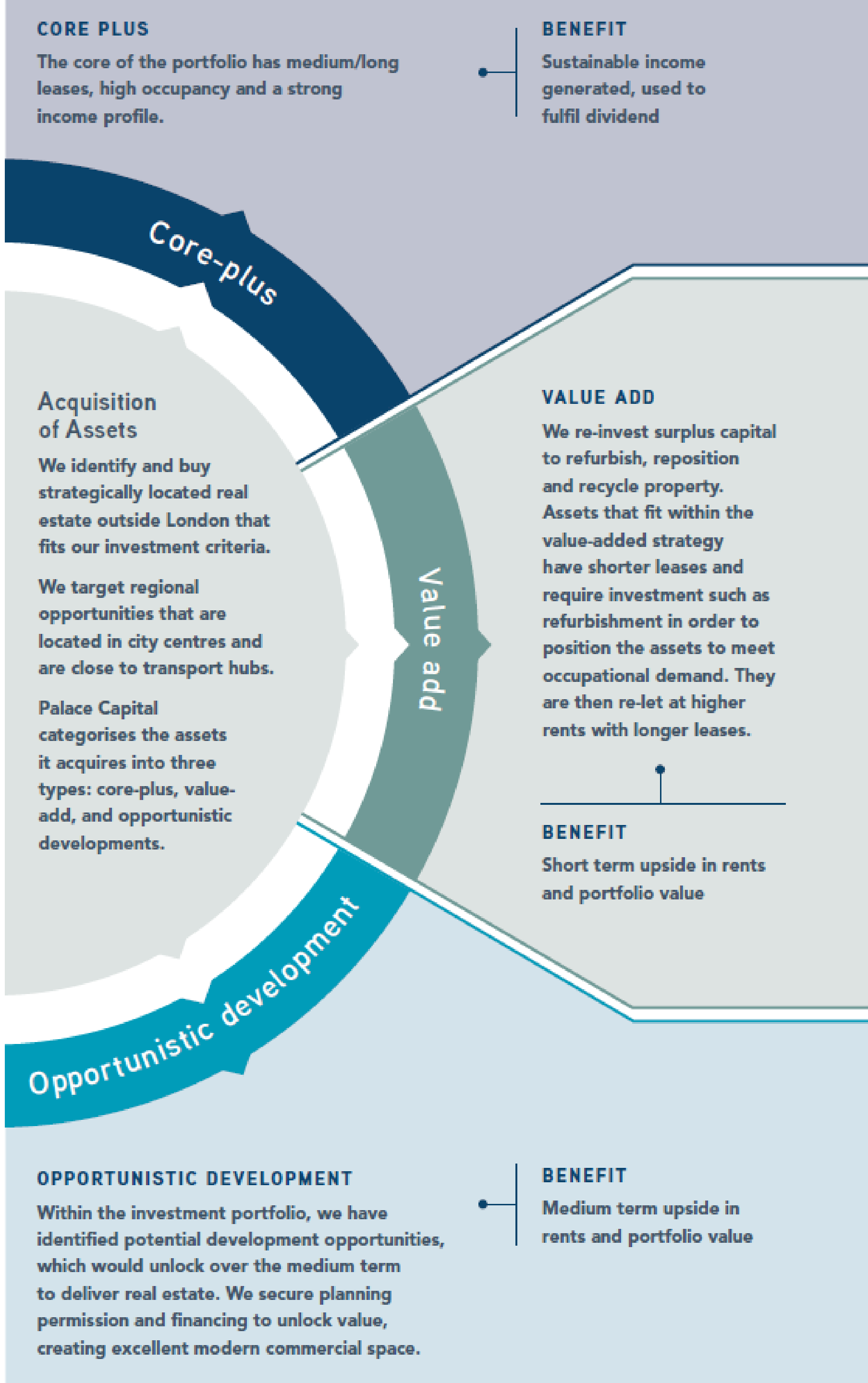
Geography

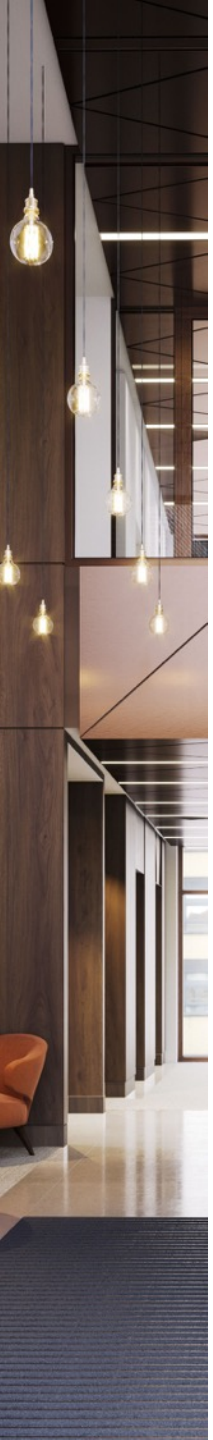
South East	30.2%
Midlands	19.0%
North East	21.9%
North West	19.1%
South West	9.8%

Active Management Strategy

Unlocking portfolio value

- 54% of our portfolio is invested in Core-Plus, generating strong income streams to support our dividend yield
- 31% of our portfolio is invested in Value-Add assets requiring capex for refurbishment in order to capitalise on rising rents in growth locations
- 15% of our portfolio is currently focused on opportunistic development, taking assets through the planning process in order to generate significant capital growth





PROPERTY REVIEW

How we deliver value:

Hudson Quarter Development

- Construction of 127 apartments, 39,000 sq ft of offices and car parking
- Acquired for £3.8m in 2013, valued at £16m in Sep 17 when planning permission was granted
- £69m GDV, **+£10m** further surplus forecast, delivering > £20m cash on cash return
- Development fully funded through a combination of equity and £26.5m facility with Barclays
- As at 31 March 2020, 28 apartments sold valued at £7.55m, 17 under offer valued at £4.7m
- In total we have 45 apartments sold or under offer totaling £12.25m, 10 months ahead of completion and all off-plan
- Pre-let 4,500 sq ft offices on ground floor of one of the residential blocks at a record rent of £25.00 psf
- Expected completion 2021
- York voted Best Place to Live 2018 by Sunday Times

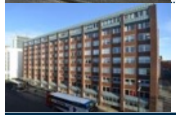
www.hudsonquarteryork.com

October 2019

Hudson Quarter, York

Opportunistic Development

Pipeline to generate capital growth

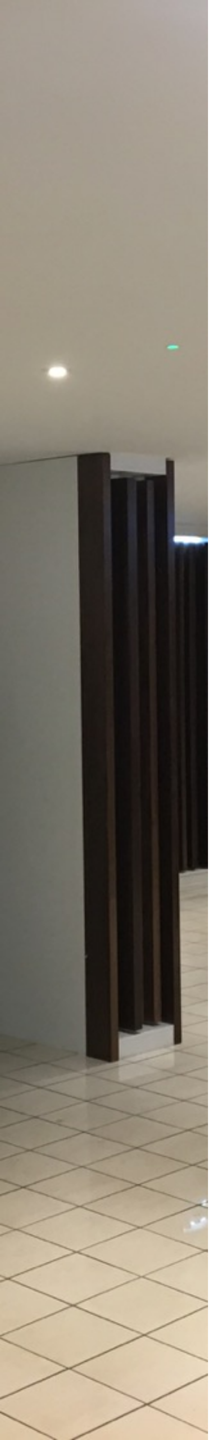
		Description and Status	Estimated build cost	Timing
	High Street, Weybridge	28 Residential Units. Planning achieved and architect appointed	£7m	Possible 2021 start
	**High Street, Uxbridge**	10 Residential Units. Planning permission applied for	£2m	Possible 2021 start or sell with planning
	**Milbarn Medical, Beaconsfield**	Mixed use development of c10,000 sq. ft B1 and 10 flats being considered	-	Tenant break December 2021
	**Midsummer Blvd, Milton Keynes**	Potential for 140,000 sq. ft. office. Design and pre-application for planning to be submitted this year	£50m	Target 2023 start
	**Bank House, Leeds**	Potential for 150,000+ sq. ft. mixed use major refurbishment	£40m	Target VP by June 2023
	**Holly Walk, Leamington Spa**	Potential 70,000 sq. ft. residential and office development	£25m	Currently let to November 2022
	**Boulton House, Manchester**	Identified as potential future development.	£25m	Target VP by June 2024

PROPERTY REVIEW

Alternative Use:
Commercial → Mixed use

- Full evaluation undertaken to maximise shareholder value in wealthy Surrey commuter town
- Planning consent granted in July 2019 for a development of 28 apartments and 4,000 sq ft of retail space
- The apartments are a mix of 1 & 2 bedrooms, which have strong demand in central Weybridge
- Development to commence 2021 pending COVID-19
- GDV of £13.5m

High Street, Weybridge



PROPERTY REVIEW

Refurbishment:

- 44% valuation uplift since acquisition in August 2016 for £10.6m, (£4.6m uplift including £0.8m part-refurbishment)
- Average rents of £12 psf at purchase, Headline rentals now £18.50 psf following refurbishment
- Revolving refurbishment programme in progress as units become vacant
- Medium term development opportunity with leases expiring during 2024

Boulton House, Manchester

Optimising Occupancy:

- Acquired in December 2019 for £14.0m reflecting a 6.75% NIY
- Average rents of £12 psf at purchase, Headline rentals now at £17.0 psf with further growth expected
- 96% occupied with a WAULT of 3.3 years to break
- Tenants include Tesco, Pret a Manger, Medicash and Exchange Chambers who contribute 50% of the income
- Broader trend of occupiers relocating from out of town properties into city centres
- Since 2014, Liverpool has lost over 1 million sq ft of office space
- Supply and demand dynamics provide support for rental growth in the medium term

PROPERTY REVIEW

Repositioning:

- 90% let following new lettings to Soo Yoga and Gravity Fitness in 2019 (21,000 sq ft being marketed)
- £226,000 per annum added to the annual rent roll, reflecting a 14% uplift on previous net passing rent
- Transformational refurbishment plans being finalised to complete turnaround of asset

Sol, Northampton

PROPERTY REVIEW

Value creation

Future upside within the next 2 years

		Status	Historic Performance	Future Potential	Timing
	Hudson Quarter, York	Construction of new development of 127 apartments, 39,000 sq ft of offices and car parking on time and budget	Acquired in 2013 for £3.8m. Uplift in value to date: £20.4m	GDV £69m Development profit £10m forecast +20pps to NAV	Forecast to complete in 2021
	**High Street, Weybridge**	Planning consent achieved for development of 28 residential units and 4,000 sq ft of retail space	Acquired in 2014 for £3.5m. 5 years of income, now predominantly vacant and upper floors being stripped out	GDV £13.5m	Forecast to complete during year ending 31 March 2022
	**Boulton House, Manchester**	Centrally located office building of 75,000 sq ft, 18% vacant space available. Further common area upgrade to be carried out.	Acquired in 2016 for £10.6m +44% uplift in value to date	£1.36m p.a ERV vs £0.87m p.a. passing net rent received showing +56% potential rental growth and positive impact on capital value	Within the next 18 months
	**One Derby Square, Liverpool**	96% let mixed-use scheme, mainly offices with retail on ground floor. Tenants include Tesco, Pret a Manger, Medicash and Exchange Chambers	Acquired in December 2019 for £14.0m reflecting a 6.75% NIY. Average rents of £12 psf at purchase, Headline rentals now at £17.0 psf with further growth expected	Supply and demand dynamics provide support for rental growth in the medium term from £1.0m p.a. passing rent to £1.3m p.a. showing +30% potential rental growth	Within the next 18 months
	**Sol, Northampton**	City centre leisure scheme of 190,000 sq ft	Acquired in 2015 for £20.7m. £4.0m surrender premium received, with current value of £16.5m	£1.65m p.a. ERV vs £1.34m p.a. passing rent. Occupancy up from 70% at the start of the year to 90% following new lettings in 2019. Transformational refurbishment plans being finalised to complete turnaround of asset	Within the next 18 months

2021-2022 Projections beyond HQ York

Disposal of HQ York residential in 2021 will release +£50m funds for deployment into earnings enhancing acquisitions

Projections below provide indicative growth assuming a 6% yield leveraged at 50% with a 3% cost of debt

Portfolio Growth	£276m*	→	+£315m	+15%
Rental Income	£16.3m*	→	£20.2m	+25%
Earnings per share	17.6p*	→	24.5p	+40%
Dividend Cover	0.9x*	→	1.3x	+40%

* As at 30 Sep 2019

CONCLUSION

Confident outlook for regional strategy

Income and capital growth

- We hold the right assets in the right locations in the right sectors with value-add potential
- +30% income reversion within portfolio:
  - Repositioning city centre office assets with short WAULT of 3.2yrs
  - +£5.0m pa potential future income growth
- Capital growth upside:
  - £10m surplus forecast at Hudson Quarter, York, will increase NAV per share by 5%
  - High Street, Weybridge development ready to commence 2021
  - Value creation opportunities within the portfolio identified
  - Medium term development pipeline
- Future income growth identified and coupled with REIT status provides investors with an efficient structure to access the regional growth opportunity
- Well established platform and portfolio positioned to capitalise on Boris Bounce and Government investment in the Regions, particularly in the Midlands and the North as a result of HS2 go-ahead

Regional expertise continues to deliver

PALACE CAPITAL plc

EXPERTS IN REGIONAL PROPERTY

APPENDICES

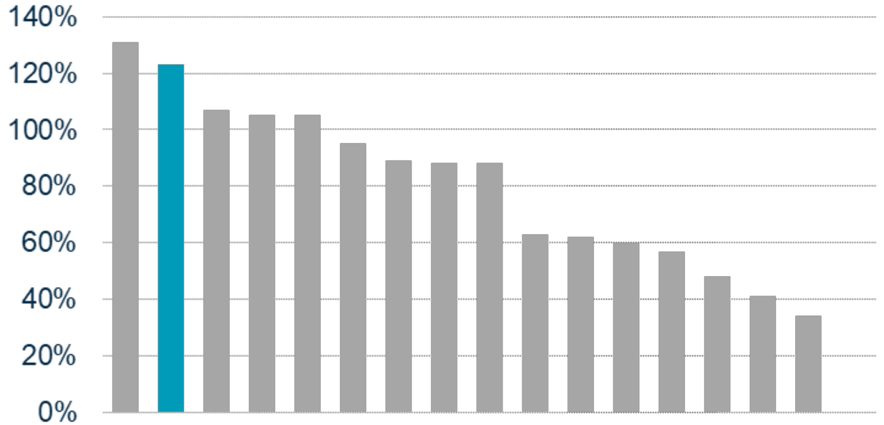
Our story so far

July 2010	Management taking Board control of the Company valued at £0.1m with a vision to invest in regional property
October 2011	Hockenhull Estates portfolio acquired for £1.8m consisting of nine properties
October 2013	Sequel portfolio consisting of 24 properties across office, industrial and retail sectors acquired for £39.25m
August 2014	Property Investment Holdings portfolio acquired for £32m consisting of 17 commercial properties across office, industrial and retail sectors
2015-2017	Seven individual property acquisitions at values ranging between £4m and £24m focussed in the office and leisure sectors.
October 2017	Acquisition of the R.T. Warren Portfolio for £68m and consisting of 21 commercial and 65 residential properties
March 2018	Completed move from AIM to a Premium Listing on the Main Market of the London Stock Exchange
May 2018	Joined FTSE Small Cap and All Share indices
December 2018	One Derby Square, Liverpool acquired for £14.0m
August 2019	Converted to a UK REIT on 1st August 2019

	31-03-2013	30-09-2019
Net asset value	£0.6m	£178.7m
Property portfolio	£2.0m	£275.8m
Contractual rental income	£0.2m	£16.3m
Total Accounting Return since 2013		123%

6 Year Total Accounting Return vs peer group

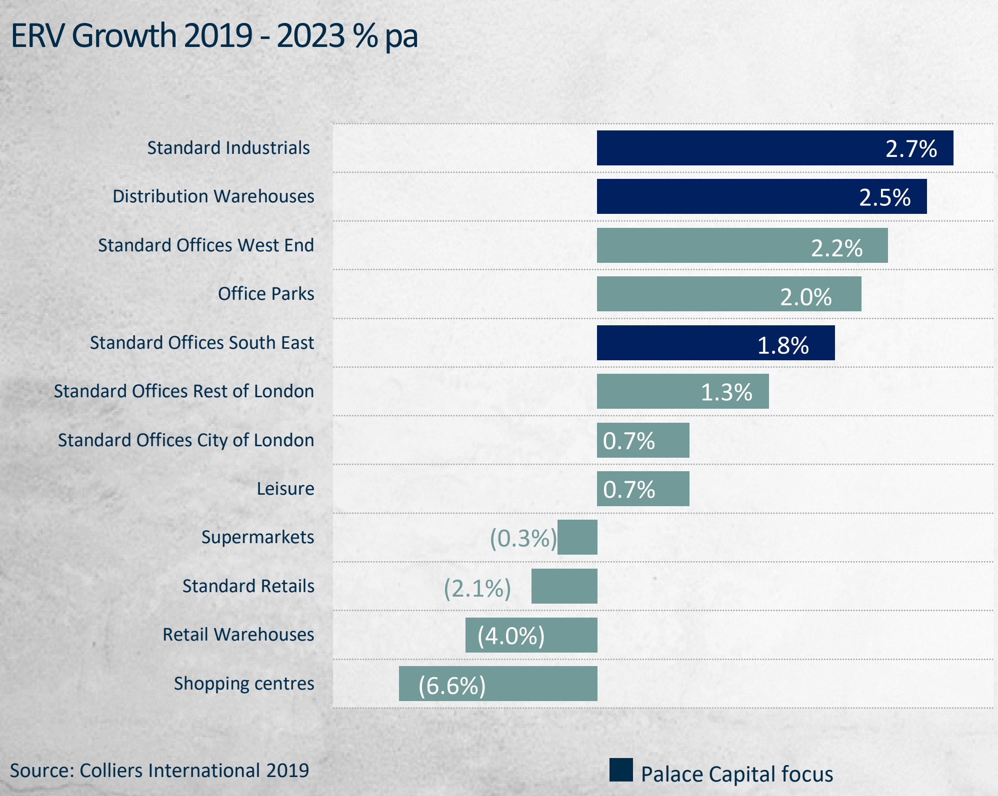
(EPRA NAV growth + dividends as at 30 September 2019)

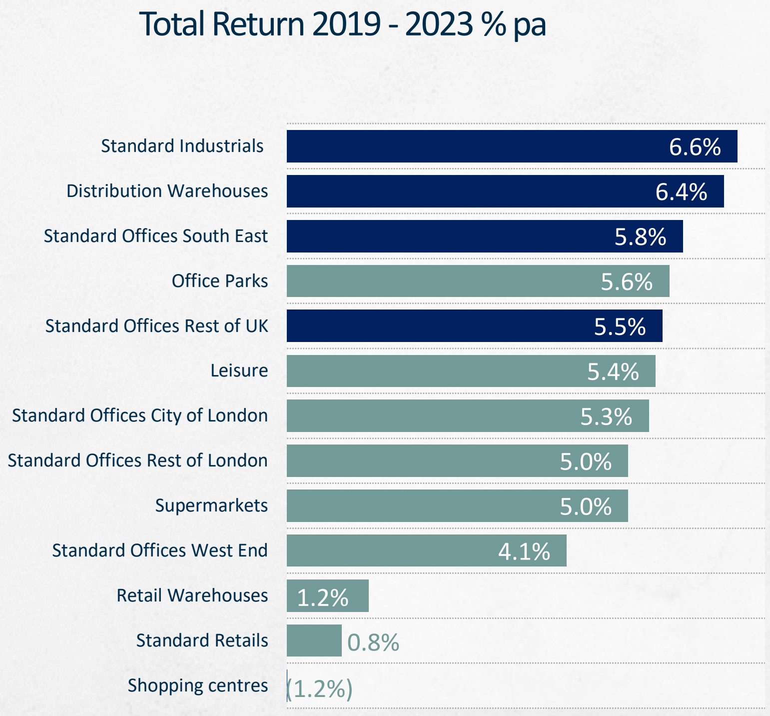


Source: Arden Partners plc

Outlook supports regional strategy

Focus on office and industrial sectors





Source: Colliers International 2019

Market outlook supports Palace Capital regional strategy.

Focus on regional office and industrial sectors which show strong forecast returns.

Our portfolio has limited exposure to retail.

Sector splits

Regional Office and Industrial focus

	Market value 30 September 2019 (£)	% of Portfolio by market value	No. properties	No. leases	Area (sq ft)	Contractual rental income p.a. (£)	ERV (£)*	WAULT (yrs)	Total ERV of void (£)
Offices	132,465,000	48.0%	31	121	789,902	7,612,960	12,091,030	3.2	2,786,397
Leisure	40,015,000	14.5%	2	21	306,970	3,427,545	3,283,049	9.6	228,418
Industrial	38,630,000	14.0%	10	34	409,593	2,425,096	2,742,190	3.8	129,300
Development	27,225,000	9.9%	2	-	-	-	-	-	-
Retail	25,395,000	9.2%	8	45	128,171	1,927,681	2,243,021	6.6	260,400
Retail Warehouses	11,310,000	4.1%	2	3	59,478	759,964	679,800	7.2	-
Car Parking	760,000	0.3%	2	2	8,660	163,132	177,000	2.7	-
Total	275,800,000	100%	57	226	1,702,774	16,316,378	21,216,090	5.2	3,404,515

* Based on Cushman & Wakefield estimated rental values

Top 10 assets by value

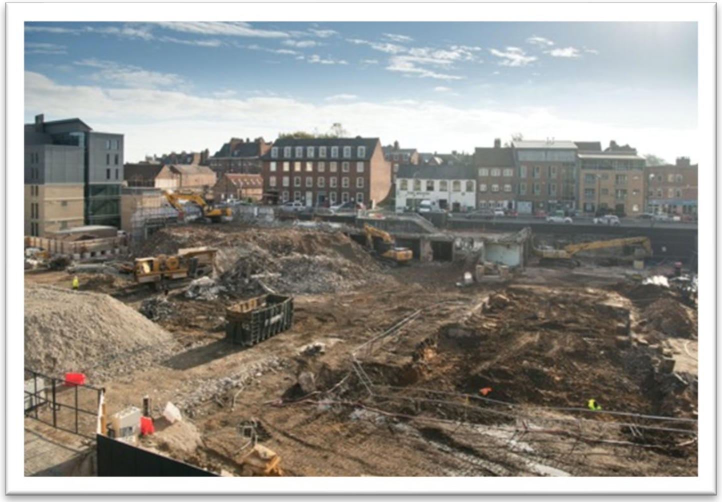
54% of total portfolio

Property Name	Area (sq ft)	Gross rental income p.a. (£)	Reversionary yield*	WAULT to break (yrs)
Hudson Quarter, York development	n/a	n/a	n/a	n/a
Broad Street Plaza, Halifax	117,767	1,765,883	6.90%	11.9
2 & 3 St James Gate, Newcastle	99,125	964,913	8.31%	4.8
Sol, Northampton	189,203	1,661,662	7.69%	7.2
Boulton House, 17-21 Chorlton Street, Manchester	74,653	666,859	7.83%	2.0
One Derby Square, Liverpool	70,161	1,046,776	8.12%	3.5
Kiln Farm, 2-4 Pitfield, Milton Keynes	52,818	663,617	7.56%	7.5
Bank House, 27 King Street, Leeds	88,036	141,157	9.44%	3.6
Units A & B, Imberhorne Lane, East Grinstead	30,672	514,018	5.68%	7.8
249 Midsummer Boulevard, Milton Keynes	49,713	431,281	8.64%	1.1
Total	772,148	7,856,166		

As at 30 Sep 2019

* Based on Cushman & Wakefield estimated rental values

Hudson Quarter Timeline



Sep 2013
Acquired as part of Quintain portfolio

Feb 2016
Planning permission granted for conversion

Aug 2017
Planning permission for development granted

Dec 2018
Demolition completed

Feb 2019
Funding secured from Barclays

2019
Ground-breaking ceremony with Archbishop of York

2021
Completion scheduled for Q1 2021

Biographies

NEIL SINCLAIR
Chief Executive

Chartered Surveyor FRICS
Neil co-founded Palace Capital and has over 50 years' experience in the property sector. He was a founder of Sinclair Goldsmith Chartered Surveyors which was admitted to the Official List in 1987 and subsequently merged with Conrad Ritblat.

STEPHEN SILVESTER
Finance Director

Chartered Accountant FCA
Stephen joined Palace Capital in 2015 and brings over 10 years' experience as a finance professional in real estate. He previously held the role of Group Financial Controller at NewRiver REIT for 3 years and prior to that was Head of Finance at St Hilliers, a construction, development and property fund management business in Australia.

RICHARD STARR
Executive Property Director

Chartered Surveyor MRICS
Richard joined Palace Capital in 2013 on the back of the Sequel acquisition and related equity raise. He has extensive experience sourcing and managing commercial investments from his previous role running his own successful boutique property consultancy and before that, four Central London property firms.

STANLEY DAVIS
Chairman

Stanley is a successful entrepreneur who has been involved in financial services and property businesses since 1977.
His founding company was company registration agents Stanley Davis Company Services which he sold in 1988.
He is Chairman of Stanley Davis Group Limited specialising in company formations, property and company searches.

Disclaimer

The information in this presentation may include forward-looking statements, which are based on current expectations and projections about future events. These forward looking statements reflect the Directors' beliefs and expectations and are subject to risks, uncertainties and assumptions about Palace Capital Plc (the 'Company') including amongst other things the development of its business, trends in its operating industry, returns on investment and future capital expenditure and acquisitions, that could cause actual results and performance to differ materially from any expected futures results or performance expressed or implied by the forward looking statements.

None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumption on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in such case of the assumptions, fully stated in the document. As a result, you are cautioned not to place reliance on such forward looking statements as a prediction of actual results or otherwise. The information and opinions contained in this document are provided as at the date of this document and are subject to change without notice. No one undertakes to update publicly or revise any such forward looking statements.

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PALACE CAPITAL plc