

9 November 2023

REGIONAL REIT Limited
("Regional REIT", the "Group" or the "Company")
Q3 2023 Trading Update, Dividend Declaration & ESG Update

6.2% uplift in rent renewal income

Regional REIT Limited (LSE: RGL), the regional property specialist, is pleased to announce a trading update for the period from 1 July 2023 to 30 September 2023 and a dividend declaration for the third quarter of 2023. Additionally, the Group provides an update on its positive ESG progress, with a notable strengthening of its EPC and GRESB rating.

Q3 2023 Trading Update

The Group continued to trade well during the period under review and has made good progress, completing a number of lease renewals during the quarter. Retention remained high with 73.2%* of units up for renewal let to the same tenants. Renewals achieved a 6.2% uplift in rental income.

Since 1 January 2023, the Group has exchanged on 56 leases to new tenants totalling 96,355 sq. ft. and £1.6m per annum ("pa") of rental income when fully occupied, achieving a rental uplift of 11.3% against December 2022 ERVs. Of this total, 13 leases have been exchanged since 30 June 2023, totalling 25,859 sq. ft. and will provide £0.4m pa of additional rental income.

Including the letting announced on 31 October 2023 at Norfolk House to Global Banking School Ltd the year-to-date total let space amounted to 125,738 sq. ft., providing £2.1m pa of additional rental income.

* Includes tenants that are currently holding over, lease renewals, and the acquisition of new replacement tenants.

Portfolio Highlights as at 30 September 2023:

- 150 properties, 1,533 units and 1,021 tenants, totalling c.£752.9m** of gross property assets value
- Offices (by value) were 92.9% of the portfolio (31 December 2022: 91.8%), Retail 3.5% (31 December 2022: 3.6%), Industrial 2.1% (31 December 2022: 3.1%) and Other 1.5% (31 December 2022: 1.4%)
- Group cost of debt (incl. hedging) 3.5% pa (31 December 2022: 3.5% pa) - 100% fixed and hedged ensuring the maximum cost of debt will not exceed 3.5%
- Rent roll of £68.0m (30 June 2023: £69.8); ERV £88.7m (30 June 2023: £88.9m)
- England & Wales represented 83.5% (31 December 2022: 83.3%) of the portfolio with the remainder in Scotland
- EPRA Occupancy (by ERV) 80.7% versus 82.5% as at 30 June 2023; 30 September 2023 like-for-like (versus 30 September 2022) EPRA occupancy was 80.7% (85.5%)
- Average lot size c. £5.0m (31 December 2022: c. £5.1m)
- Net loan-to-value ratio c. 52.6%** (30 June 2023: 51.9%)
- Weighted average debt duration 3.8 years, with the earliest borrowing maturity date being August 2024
- Cash and cash equivalent balances £32.6m (31 December 2022: £50.1m)
- Gross borrowings £428.5m (31 December 2022: £440.8m)

** Gross property assets value based upon Colliers valuations as at 30 June 2023, adjusted for subsequent acquisitions, disposals and capital expenditure in the period.

Q3 2023 Dividend Declaration

As previously indicated, the Company is pleased to declare that it will pay a dividend of 1.20 pence per share ("pps") for the period 1 July 2023 to 30 September 2023, (1 July 2022 to 30 September 2022: 1.65pps). The entire dividend will be paid as a REIT property income distribution ("PID").

Shareholders have the option to invest their dividend in a Dividend Reinvestment Plan ("DRIP"), and more details can be found on the Company's website <https://www.regionalreit.com/investors/investors-dividend/dividend-reinvestment-plan>.

The key dates relating to this dividend are:

Ex-dividend date	16 November 2023
Record date	17 November 2023
Last day for DRIP election	19 December 2023
Payment date	12 January 2024

Further to the announcement made on the 12 September 2023, the Board will target a dividend of 5.25pps for the full year 2023 (2022: 6.6pps), which equates to an annualised dividend yield of 19.2% at the closing price per share on 8 November 2023.

ESG Update

During the quarter the portfolio EPC ratings continued to improve, and the Company remains on target to achieve EPC B rating by 2030 in accordance with current guidelines.

Rating	30 June 2023 %	30 September 2023 %	Movement %
B plus and Exempt	26.4	34.2	+780bps
C	33.2	31.0	(220)bps
D	26.1	22.5	(360)bps
E and below	14.3	12.3	(200)bps

Excluding Scotland:

Rating	30 June 2023 %	30 September 2023 %	Movement %
B plus and Exempt	28.4	34.1	+570bps
C	33.7	32.4	(130)bps
D	26.7	23.0	(370)bps
E and below	11.2	10.5	(70)bps

Following the assessment by Global Real Estate Sustainability Benchmark ("GRESB"), the Group has increased its score noticeably to 66 in 2023 from 60 in 2022, achieving two Green Star status. The Company continues to improve and embed ESG processes throughout its operations and looks forward to announcing continued improvements to the rating for 2024.

A full update on the Company's ESG progress will be provided in the annual report and accounts, which is due to be published in 2024, including the development of the Company's pathway to net zero carbon.

Rental Collection Update

As at 3 November 2023, the Company had collected 95.9 % of the rent due for Q3 2023. This comprised rent received of 95.4%, monthly rents of 0.5% and agreed collection plans of 0.0%.

Rent received from 1 January 2023 to 3 November 2023 amounted to 98.1%, comprising of rent received of 97.9%, monthly rents of 0.2% and agreed collection plans of 0.0%. The rent received of 98.1% compares favourably with the equivalent period in 2022 of 97.2%.

Outlook

During the period under review, the challenging economic backdrop and inflationary environment remained evident with a subdued investment market; and though positive leasing momentum continued across the portfolio, the time to completion remains elongated.

In the near term, the Board remains focused upon a controlled disposal programme, to reduce the LTV back to the Company's long-term target of 40%, whilst maintaining the quarterly dividend.

Stephen Inglis, CEO of London & Scottish Property Investment Management, Asset Manager commented:

"The Company has performed robustly in the period, against a backdrop of a volatile market conditions, and continued headwind for the commercial office market.

"We again achieved strong rent collection and lease retention for the quarter, highlighting the strength and diversity of our tenant base; and although, completions were elongated we achieved an average uplift of 6.2% in rental income, providing an additional £0.4m of rental income per annum.

We continue to remain committed to a programme of asset sales to reduce net borrowings back to the Company's long term c.40% LTV target."

Summary of Activity in the Quarter to 30 September 2023:

The Group undertook several asset management projects, generating new lettings and maintaining and improving income through lease renewals and re-gears:

- **Eagle Court, Birmingham** - Virgin Media Ltd. renewed its lease to April 2033, with the option to break in 2028, at a rental income of £791,784 pa (£18.00/ sq. ft.) on 43,988 sq. ft. of space.
- **Victory House, Chatham, Kent** - Lloyds Bank Plc renewed its lease to June 2028, with the option to break in 2026, at a rental income of £548,298 pa (£11.34/ sq. ft.) on 48,372 sq. ft. of space.
- **Lightyear, Glasgow Airport, Glasgow** - Rolls-Royce has let 15,116 sq. ft. of office space to August 2033, with an option to break in 2028, at a rental income of £264,530 pa (£17.50/ sq. ft.).
- **Southgate Park, Peterborough** - Virgin Media Ltd. renewed its lease to April 2033, with the option to break in 2028, at a rental income of £143,745 pa (£15.00/ sq. ft.) on 9,583 sq. ft. of space.
- **Salamander Quay, Bankside, Harefield** - Alcatel IP Networks Limited renewed its lease to October 2033, with the option to break in 2028, at a rental income of £136,000 pa (£20.12/ sq. ft.) on 6,759 sq. ft. of space.
- **15 Davy Court, Rugby** - Morris Homes (Midlands) Ltd. renewed its lease to July 2028, with no option to break prior to the lease expiry, at a rental income of £123,050 pa (£12.19/ sq. ft.) on 10,092 sq. ft. of space.
- **Oakland House, Manchester** - Please Hold (UK) Ltd. renewed its lease to the end of August 2024, at a rental income of £110,050 pa (£10.00/ sq. ft.) on 11,005 sq. ft. of space.
- **Manchester Green, Manchester** - Assetz SME Capital Ltd. continued its commitment to existing lease (14,937 sq. ft.), guaranteeing a rental income of £272,600 pa (£18.25/ sq. ft.) to September 2027.
- **Vantage Point, Edinburgh** - Adobe Systems Europe Ltd. continued its commitment to existing lease (13,328 sq. ft.), guaranteeing a rental income of £199,920 pa (£15.00/ sq. ft.) to July 2028.
- **Miller Court, Tewkesbury** - Amiosec Ltd. continued its commitment to existing lease (10,070 sq. ft.), guaranteeing a rental income of £151,050 pa (£15.00/ sq. ft.) to August 2025.
- **Southgate Park, Peterborough** - Linden Ltd. continued its commitment to existing lease (9,816 sq. ft.), guaranteeing a rental income of £130,108 pa (£13.25/ sq. ft.) to June 2028.
- **Mere Grange, St Helens** - Portico Day Nurseries Ltd. continued its commitment to existing lease (6,181 sq. ft.), guaranteeing a rental income of £96,240 pa (£15.57/ sq. ft.) to July 2027.

Sales

Total disposals in the three months to 30 September 2023 amounted to £2.1m (before costs), reflecting a net initial yield of 7.2% and in line with the 30 June 2023 valuation.

Subsequent Events summary post 30 September 2023:

Since the quarter end, the Group has successfully completed the following lettings and sales:

Lettings

- **Columbus House, Coventry** - Shell Energy Retail Ltd. has taken assignment of lease and renewed for

- **Columbus House, Coventry** - SBC Energy Retail Ltd. has taken assignment of lease and renewed for a further two years from January 2024, at a rental income of £908,500 pa (£17.06/ sq. ft.) on 53,253 sq. ft. of space.
- **Norfolk House, Birmingham** - Existing tenant Global Banking School Ltd. has let an additional 29,383 sq. ft. of space at a rental income of £558,277 (19.00/ sq. ft.). The lease is to December 2037, with a break option in 2032 to be coterminous with the existing lease of ground, first and third floors.
- **133 Finnieston Street, Glasgow** - Anderson, Anderson & Brown LLP has let 19,829 sq. ft. of office space to September 2033, with an option to break in 2028, at a rental income of £356,922 pa (£18.00/ sq. ft.).

Sales

Additionally, announced separately today Venlaw and Elmbank Gardens, Glasgow has been sold for £6.25m, 26.3% above the June valuation. The 51,775 sq. ft. of office space comprises of 23 individual units let on 13 separate leases. The purchaser intends to redevelop the office space for student and residential use.

This sale brings our total disposals to £26.0m in the financial year to date (before costs) equating to 2% above their last valuation.

Forthcoming Events

22 February 2024	Q4 2023 Dividend Declaration and Portfolio Valuation
26 March 2024	Full year 2023 Preliminary Results Announcement
22 May 2024	May 2024 Trading Update and Outlook Announcement
	Q1 2024 Dividend Declaration Announcement
23 May 2024	Annual General Meeting

Note: All dates are provisional and subject to change

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About Regional REIT

Regional REIT Limited ("Regional REIT" or the "Company") and its subsidiaries (the "Group") is a United Kingdom ("UK") based real estate investment trust that launched in November 2015. It is managed by London & Scottish Property Investment Management Limited, the Asset Manager, and ARA Europe Private Markets Limited, the Investment Adviser.

Regional REIT's commercial property portfolio is comprised wholly of income producing UK assets and comprises, predominantly of offices located in the regional centres outside of the M25 motorway. The portfolio is geographically diversified, with 150 properties, 1,021 tenants as at 30 September 2023, with a valuation of c.£752.9m.

Regional REIT pursues its investment objective by investing in, actively managing and disposing of regional core and core plus property assets. It aims to deliver an attractive total return to its Shareholders, targeting greater than 10% per annum, with a strong focus on income supported by additional capital growth prospects.

The Company's shares were admitted to the Official List of the UK's Financial Conduct Authority and to trading on the London Stock Exchange on 6 November 2015. For more information, please visit the Group's website at www.regionalreit.com.

Cautionary Statement

This document has been prepared solely to provide additional information to Shareholders to assess the Group's performance in relation to its operations and growth potential. The document should not be relied upon by any other party or for any other reason. Any forward looking statements made in this document are done so by the Directors in good faith based on the information available to them up to the time of their approval of this document. However, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

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