


Regional REIT Limited

Investor Presentation, Full Year 2015
April 2016



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Right Time to Invest in Regional Commercial Property

Attractive Investment Opportunity

- Valuation re-rating; yield differential between London and the regions remains well above average
- Underlying UK domestic economy remains strong
- Tenant and investor interest in UK regional property continues to rise

Regional REIT Offers Best In Class

- Diversified portfolio of offices (59% by valuation) and industrial sites (29%); c. 130 properties, c. 970 units and approximately 700 tenants*
- Efficient business with conservative financials; a competitive cost ratio and a moderate net LTV ratio
- Secure income stream, providing one of the best dividend yields in the sector
- Experienced and professional asset manager, with a strong reputation in the property sector
- RGL is targeting further growth opportunities in 2016

High dividend distribution UK REIT, offering an unique exposure to the regional commercial property market with active asset management by an experienced Asset Manager

**As at 31 March 2016*

Financial Position Underpins Income and Capital Growth

For the period ending/as at 31 December 2015

Rental income	£5.361m (56 days)
Adjusted costs ratio	c. 26%*
Operating profit before exceptionals	£3.255m
Exceptional item Launch costs	£5.296m
Profit before tax (including fair value gain on investment properties)	£21.124m
EpS	7.7p per share
EPRA EpS (loss)	(1.1)pps
Dividend (post year end)	1pps (of which PID 0.6572 pps)

Gross property asset value	£403.7m
NAV	107.7 pps (after launch costs)
EPRA NAV	107.8 pps (after launch costs)
Bank borrowings	£128.6m**
Cash balances	£24.0m
Net Loan-to-value	25.4%

Regional REIT Limited was incorporated on 22 June 2015 but did not begin trading until 6 November 2015 when an acquisition was completed and the shares were admitted to trading on the Premium segment of the London Stock Exchange

*Adjusted costs/rental income ratio is adjusted for certain costs on a pro rata basis. The adjusted cost base (irrecoverable costs and expenses) is estimated by the Group to be c. £1.4m for the 56 day period
**Including unamortised debt issue costs

Delivering on our Commitments

At the IPO (November 2015) we made a number of commitments for the year ahead:

6 targeted acquisitions of up to c. £250m	**Property asset base increased c. 31%*** 3 targeted acquisitions since IPO amounting to £120.5m
Disposal of some existing non-core assets	**Profit on property disposals of c. 23%*** disposals of £27.4m with a profit of £5.1m on June 2015 valuations
Increasing the office and industrial exposure	**Office and industrial exposure increased c. 4.3 percentage points*** c. 88% (by market value) versus 83.7% at IPO
Reducing the Scottish property exposure	**Scottish property exposure reduced c. 5.4 percentage points*** c. 30% (by market value) versus 35.4% at IPO
Reducing the cost of debt funding	**Cost of debt financing reduced c. 1.1 percentage points*** c. 3.7% versus 4.8% at IPO
Increasing dividend payment frequency from bi-annual	**Policy to pay a quarterly dividend** from 1 January 2016

**As at 31 March 2016*

Overview - Investment Opportunity

Unique exposure to the dynamic UK regional high-yielding commercial property market

The market

The right time for the regions

- Capital inflows to the regions increasing
- Secondary to outperform prime commercial property
- Stronger UK economy – increasing tenant demand is outweighing limited office and industrial supply

Valuations yet to re-rate

- Yield differential between London and the regions remains well above average
- Property agents forecasting yield compression and rental growth

Strong future outlook

- Forecast total returns for all UK commercial property*:

	2016	2017
Office	9%	5%
Industrial	9%	6%

- Scope for further improvements - occupancy gains, rental growth, debt cost reduction and untapped firepower

The Group

High returns

- Targeting returns of:
  - 7-8% pa dividend yield (100p listing price)
  - 10-15% annual total return

Secure income stream (31 Mar'16)

- **Diversified portfolio**
- **c. 700 tenants**
  (31 Dec'15, 531; IPO, 512)
- **c. 130 properties; c. 970 units**
  (31 Dec'15, 123, 712; IPO, 128, 713)
- **Top tenants include: Barclays, E.ON, TUI and Aviva**

Efficient structure

- Conservative leverage with firepower from borrowing and disposals
- Externally managed with a competitive cost ratio of:
  - Adjusted ratio, c. 26% of gross rental income**

*Source: The Investment Property Forum UK Consensus Forecasts, February 2016
**Adjusted costs/rental income ratio is adjusted for certain costs on a pro rata basis. The adjusted cost base (irrecoverable costs and expenses) is estimated by the Group to be c. £1.4m for the 56 day period

Overview – Investment Portfolio

Diversified UK property portfolio to provide high returns in a stable structure

Property

c. £500m portfolio (31 Mar'16)

- **59.1% - Offices** (31 Dec'15, 59.4%; IPO, 58.4%)
- **29.0% - Industrial** (31 Dec'15, 24.7%; IPO, 25.3%)
- **8.0% - Retail** (31 Dec'15, 11.2%; IPO, 11.3%)
- **3.9% - Student Accomm. & other**
  (31 Dec'15, 4.7%; IPO, 5.0%)
- **Combined contracted rent roll – c. £43.5m**
  (31 Dec'15, £35.9m; IPO, £37.2m)

WAULT & Voids (31 Mar'16)

- **5.8 years to expiry**
  (31 Dec'15, 6.1 years; IPO, 5.8 years)
- **4.2 years to first break**
  (31 Dec'15, 4.4 years; IPO, 4.6 years)
- **80.9% occupancy**
  (31 Dec'15, 83.9%; IPO, 84.1%)

High valuation yields (31 Dec'15)*

- **Net initial: 7.6%**
  (IPO, 8.3%)
- **Equivalent : 8.3%**
  (IPO, 8.6%)
- **Reversionary: 9.0%**
  (IPO, 9.8%)

Financials

Debt (31 Mar'16)

- **Drawn: £226m**
  (31 Dec'15, £129m; IPO, £130m)
- **Cash: £26m**
  (31 Dec'15, £24m; IPO, £26m)
- **Average cost of debt: 3.7%****
  (31 Dec'15, 4.5%; IPO, 4.8%)
- **Maturity: 3.3 years**
  (31 Dec'15, 3.4 years; IPO, 3.8 years)

Conservative leverage (31 Mar'16)

- **Net LTV ratio: c. 40%**
  (31 Dec'15, 25.4%; IPO, 26.4%)
- Target net LTV: 35%
- Max net LTV: 50%

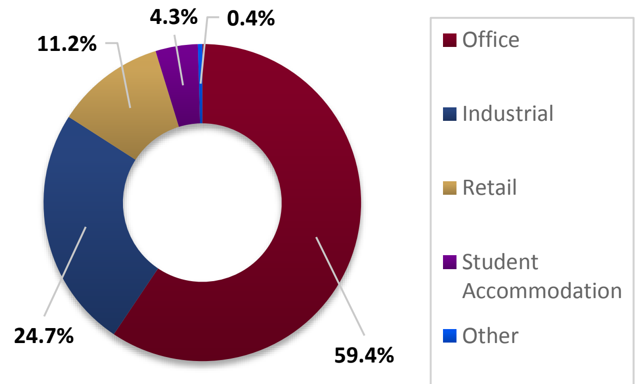
Net asset value (31 Dec'15)

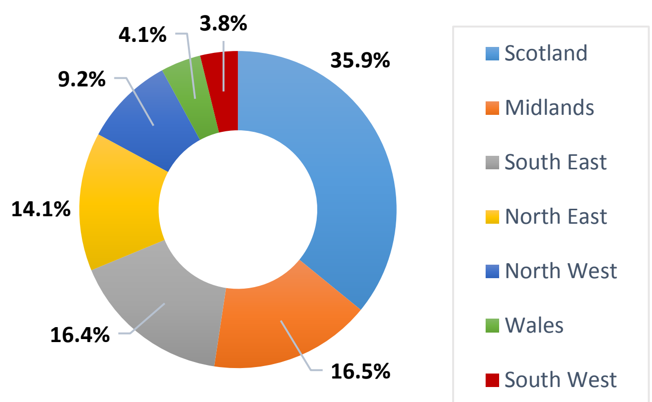
- **EPRA : £295.7m (107.8p per share)**
  (IPO, £274.2m, 100p per share (pre costs of listing))
- **IFRS: £295.3m (107.7p per share)**
  (IPO, £273.8m, 100p per share (pre costs of listing))

*Net initial yields are after voids, irrevocable costs and based on standards purchasers costs of 5.8% in England and Wales, and 6.3% in Scotland
**Including hedging and other borrowing costs

£403.7m Property Portfolio as at 31 December 2015

Diversified office-led portfolio – unique exposure in the UK listed property market





Note: Churchill Plaza, Basingstoke and Blythswood House, Glasgow have been sold since 31 December 2015

Strong Growth Opportunities

Potential acquisitions pipeline under review

- Currently reviewing a large number of deals. Group remains opportunistic and pro-active in its approach
- Untapped firepower from cash and leverage. Much reduced cost of borrowing
- Potential sales of some existing non-core assets adds to available firepower
- Strong track record of delivering on deals means that the Group is well positioned with a wide range of vendors, including banks, receivers and major UK institutional investors
- Seen as a recognised ‘player’ in the regional office and industrial investment markets

Strategy, Management and Shareholder Returns

Concept

- Invest in high quality commercial properties in the principal UK regions, outside of the M25 motorway
- Focus on UK offices and light industrial sites
- Opportunistic timing in a distressed market, now showing clear signs of improvement
- Diversified portfolio of office and industrial properties across the UK
- Conservative target net LTV ratio of 35%
- UK REIT status

Management

- Assets managed by an experienced and established team
- Property management is intensive and granular, close to the tenant and with each property modelled and planned

Shareholder Returns

- Intention for 7-8% pa dividend yield on placing price (100p), covered by recurring earnings
- Target 10-15% annual total return

Appendix 1

Debt Financing and Summary Financials

Debt Profile and LTVs as at 31 December 2015

Listing expected to bring further sources of finance

Lender	Total Facility	Outstanding Debt	Maturity Date*	LTV	Annual Interest Rate	Amortisation	Hedging and Swaps: Notional Amounts/Rates**
Santander UK	£35,000,000	£31,605,902	Dec-18	29.2%	2.7% over 3mth LIBOR	Mandatory Prepayment basis	£11m/1.867%
Santander UK	£13,500,000	£9,587,485	Dec-18	17.7%	2.7% over 3mth LIBOR	Mandatory Prepayment basis	£4.65m/2.246%
Royal Bank of Scotland	£15,600,000	£15,600,000	Jun-19	29.7%	2.75% over 3mth LIBOR	None	£14.04m/1.79%
ICG Longbow Ltd	£65,000,000	£65,000,000	Aug-19	48.9%	5.0% pa for term	None	n/a
Santander UK	£7,000,000	£6,850,000	Feb-18	46.2%	2.0 % over 3mth LIBOR	£50,000 per qtr	£5.48m/1.444%
	£136,100,000	**£128,643,387**					

* Including unamortised debt issue costs

** **Hedging arrangements**: As at 31 December 2015, the swap notional amount was £35.2m. Under the swap agreements, the notional amount reduces on a quarterly basis. The annualised cost of the swap arrangements as at 31 December 2015 was £0.4m, 3mth LIBOR was 0.59%.

Note: As at 31 March 2016 the Group's outstanding debt amounted to approximately £226m, with an average cost of 3.7% per annum (including hedging and other borrowing costs) and a net LTV ratio of c. 40%

Financials - Group Income Statement – 6 Nov’15 to 31 Dec’15

Regional REIT Limited was incorporated on 22/06/15 but did not begin trading until 06/11/15	Group 22 June 2015 to 31 December 2015
	£'000
Rental income	5,361
Non recoverable property costs	(754)
Net rental income	**4,608**
Administrative & other expenses	(1,353)
Operating profit (loss) before gains/losses on property assets/other investments	**3,255**
Gains on the disposal of investment properties	87
Change in fair value of investment properties	23,784
Operating profit/(loss) before exceptional items	**27,126**
Exceptional items	(5,296)
Operating profit/(loss) after exceptional items	**21,829**
Net finance income/expense and net movement in fair value of derivative financial instruments	(705)
Profit/(loss) before tax	**21,124**
Income tax expense	-
Profit/(loss) for the period (attributable to equity shareholders)	**21,124**
Earnings/(losses) per share - basic/ diluted	7.7p
EPRA earnings/(losses) per share - basic/diluted	(1.1)p

Regional REIT Limited was incorporated on 22 June 2015 but did not begin trading until 6 November 2015 when an acquisition was completed and the shares were admitted to trading on the Premium segment of the London Stock Exchange

Exceptional items are in relation to Launch costs

Numbers may not cast due to rounding

Financials - Group Balance Sheet – 31 December 2015

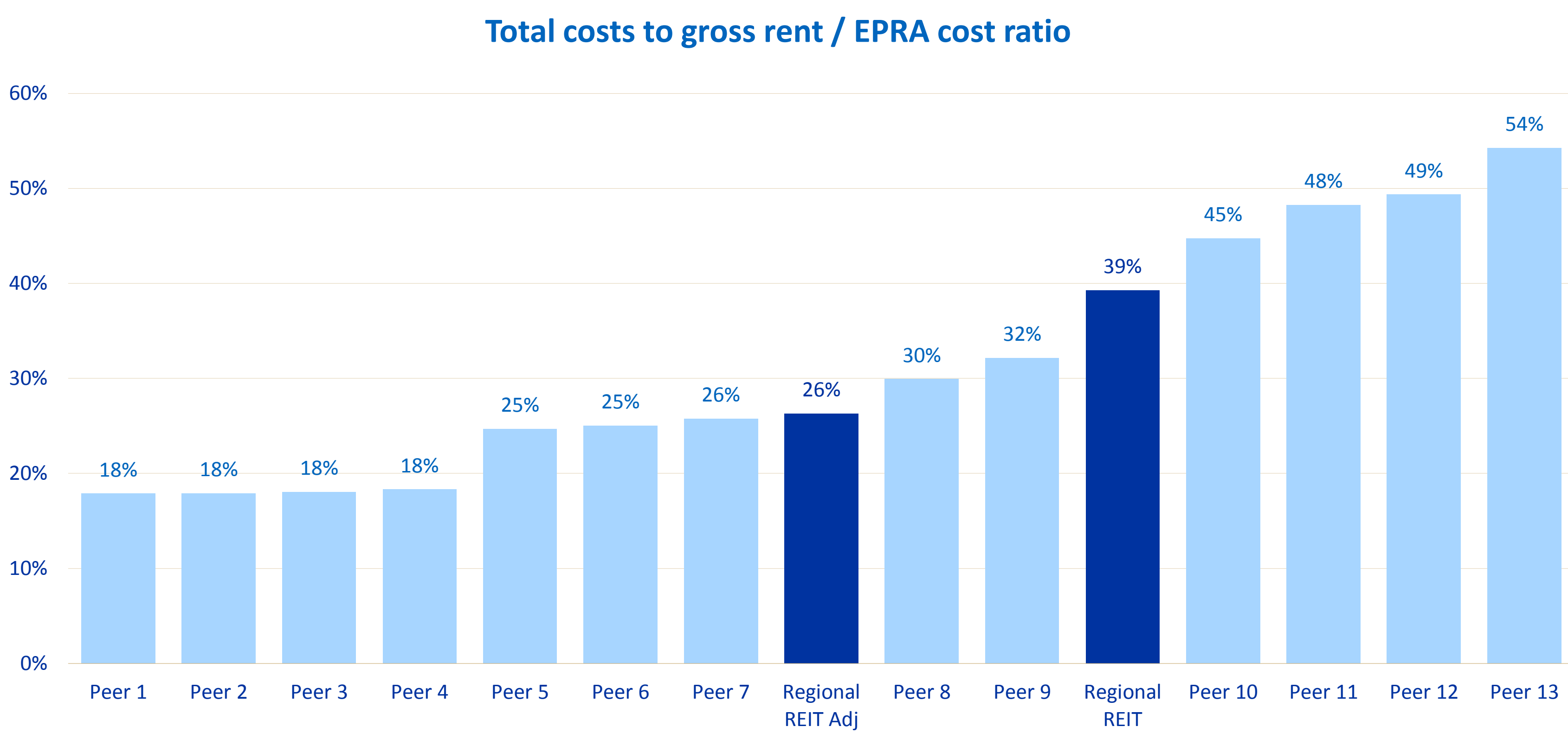
Regional REIT Limited was incorporated on 22/06/15 but did not begin trading until 06/11/15	Group as at 31 December 2015
	£'000
Assets	
Non-current Assets	
Investment properties	403,703
Goodwill	2,786
Other non-current assets	1,004
Current assets	
Cash and cash equivalents	23,954
Other current assets	11,848
Total assets	**443,295**

	Group as at 31 December 2015
	£'000
Liabilities	
Current liabilities	
Bank and loan borrowings - current	200
Other current liabilities	21,285
Non-current liabilities	
Bank and loan borrowings – non current	126,469
Total liabilities	**147,954**
Net assets	**295,341**
Equity	
Share premium	274,217
Retained earnings/Accumulated (losses)	21,124
Total equity	**295,341**
Net assets per share - basic and diluted	107.7p
EPRA net assets per share - basic and diluted	107.8p

Regional REIT Limited was incorporated on 22 June 2015 but did not begin trading until 6 November 2015 when an acquisition was completed and the shares were admitted to trading on the Premium segment of the London Stock Exchange

Financials - Cost Efficiency

Cost efficiency despite number and spread of properties and in-house management



Regional REIT costs/rental income ratio is based on the reported results of the Group for the period ending 31 December 2015.
Regional REIT Adjusted costs/rental income ratio is adjusted for certain costs on a pro rata basis. The adjusted cost base (irrecoverable costs and expenses) is estimated by the Group to be c. £1.4m for the 56 day period.

Peers include: CLS, Custodian, Ediston, Hansteen, London Metric, McKay, Mucklow, NewRiver, Picton, Real Estate Investors, Redefine, Town Centre, Tritax.
Source: Peel Hunt and company analysis

Appendix 2

Time to Invest in Regional Property

Expecting Regional Property Returns to Outperform

Average property total returns forecast for the UK market (including London)*:

Offices	**+9% for 2016**	**and**	**+5% for 2017**
Industrial	**+9% for 2016**	**and**	**+6% for 2017**

We expect the secondary regional commercial property markets to outperform these levels:

1) Growing capital inflows into the regions

2) Secondary to continue to outperform prime

3) Stronger UK wide economy – increasing tenant demand to outweigh office and industrial supply

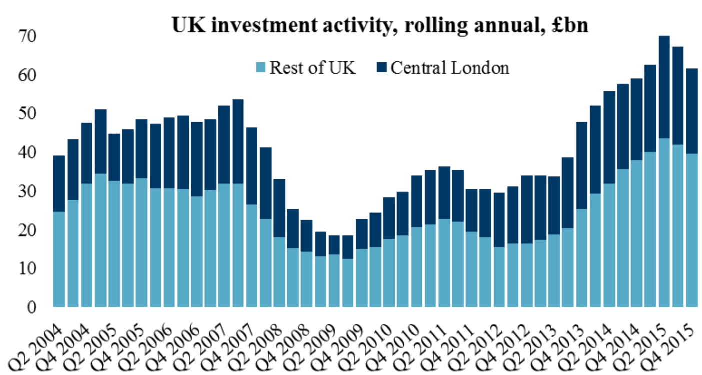
Summary average by sector

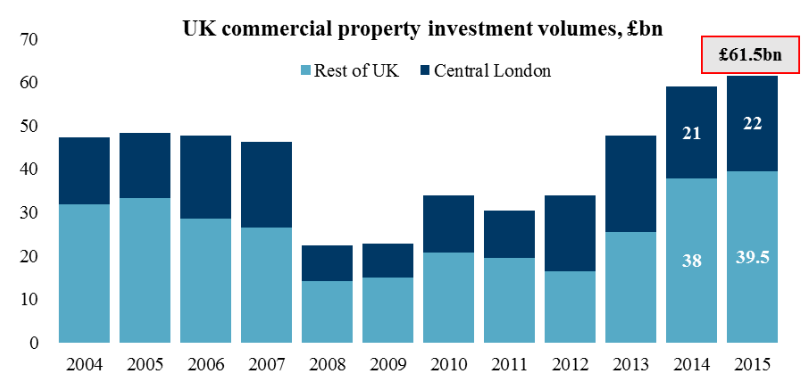
	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Office	5.2	3.1	1.8	2.1	4.9	0.8	-0.5	0.5	9.2	5.1	3.9	4.9
Industrial	3.5	2.9	2.3	2.3	3.9	1.1	1.0	1.2	9.3	6.4	6.3	6.6
Standard Retail	2.5	2.4	2.2	2.1	2.7	0.6	0.8	0.9	7.4	5.2	5.5	5.7
Shopping Centre	1.2	1.8	1.8	1.7	1.6	-0.2	0.3	0.3	6.7	4.9	5.3	5.4
Retail Warehouse	1.5	1.8	1.8	1.8	1.2	-0.1	0.2	0.3	6.7	5.4	5.8	5.9
All Property	**3.2**	**2.6**	**2.0**	**2.1**	**3.0**	**0.5**	**0.2**	**0.7**	**7.9**	**5.4**	**5.2**	**5.6**

* Source: The Investment Property Forum UK Consensus Forecasts, February 2016

1) Growing Capital Inflows into the Regions

- As the Asset Manager had predicted, there has been a significant rise in investment into the regional commercial property markets. This followed years of stagnation, as investors recognised the opportunity for better returns outside of London
- Weight of capital continues, with record levels of investment in UK regional assets in 2016 - capital moving towards the UK's regions and away from London
- In 2015, investment in property reached a record £61.5bn
- Regional commercial property markets are now in the driving seat, reaching a record investment volume of £39.5bn in 2015
- Global capital targeting the UK is set to continue, which will further drive performance in the regions





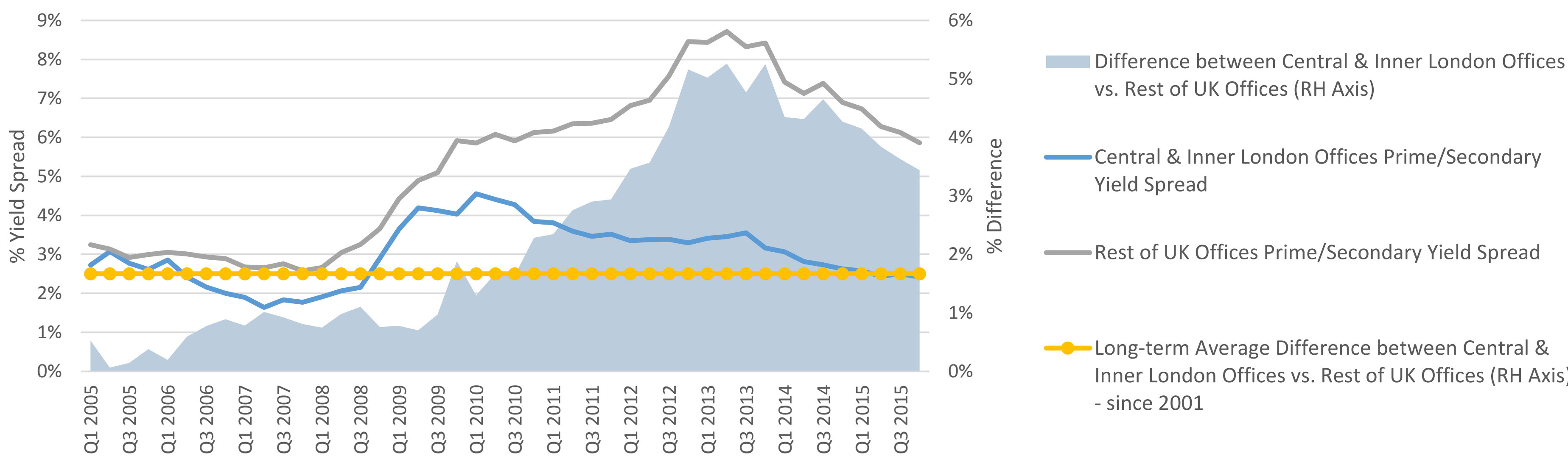
Source: Cushman & Wakefield Research (Dec 2015)

2) Secondary Set to Outperform Prime

Yield spread narrows towards long-term average

- The spread between prime and secondary commercial property yields started to fall in the last 12-18 months from historic highs in 2013-14
- However, the spread still remains well above long-term average levels
- There remains significant opportunities for high-quality secondary to outperform in the short- to medium-term

London vs. UK Regions Prime/Secondary Yield Spread



Source: Cushman & Wakefield, IPD/MSCI (Dec 2015)

3) Stronger UK-wide Economy

Supports strong tenant demand

There is growing tenant demand for regional property:

- UK economy continues to grow, with average consensus forecasts published by HM Treasury predicting GDP will rise 2.0% in 2016 and 2.1% in 2017
- Increased economic confidence has led to a steady rise in employment, particularly office-based, resulting in increased tenant demand for regional commercial property
- Interest rates look set to remain at lower levels for longer
    - Combined with lower energy prices, this is generally supportive for business as it results in lower operating costs
    - Higher-yielding assets will also remain particularly attractive in a low interest rate environment

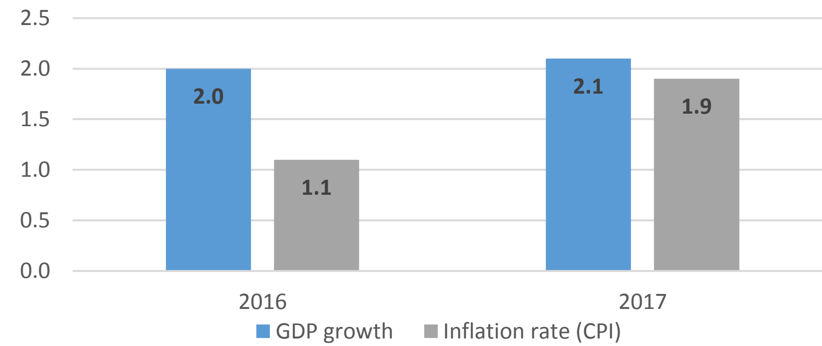
Combined with a lack of supply:

- Regional real estate development in recent years has been low or declining, with a particular lack of supply in the regional office and industrial sectors

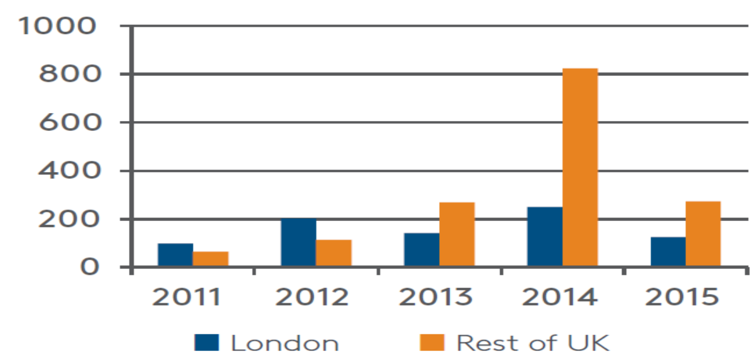
An opportunity for occupancy, then rents to rise:

- The increase in demand from tenants has created a mismatch between supply and demand, resulting in rising rental values in selected areas and sectors

Consensus GDP and inflation (CPI) Forecasts - %*



New Job Creation (000s)†



* Source: HM Treasury "Forecasts for the UK economy: a comparison of independent forecasts" (Mar 2016)

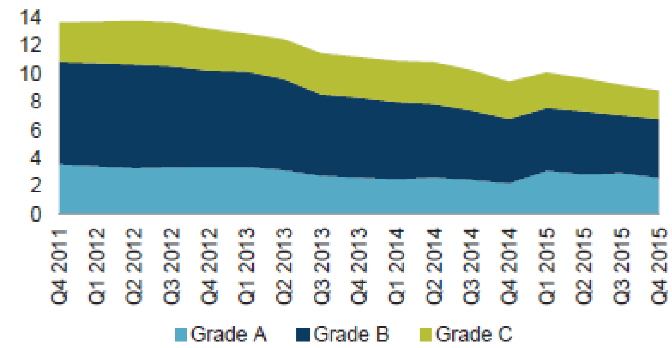
† Source: Oxford Economics, CoStar (Dec 2015)

4) Opportunity for Regional Offices

Demand increasing – Supply limited

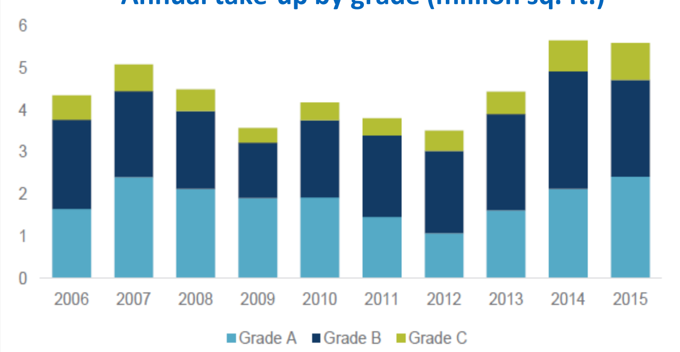
- Record UK employment rate in 2015 and increase in office employment has had a direct impact on take-up in the office market
- Take-up of office space reached 5.6 million sq. ft. in 2015 within the main regional markets, the second highest volume on record after 2014
- Office supply remained constrained in the main regional markets, with a shortfall in developments
- There was a decline in availability and vacancy rates across all grades as high take-up levels have continued

Availability of office by grade (million sq. ft.)



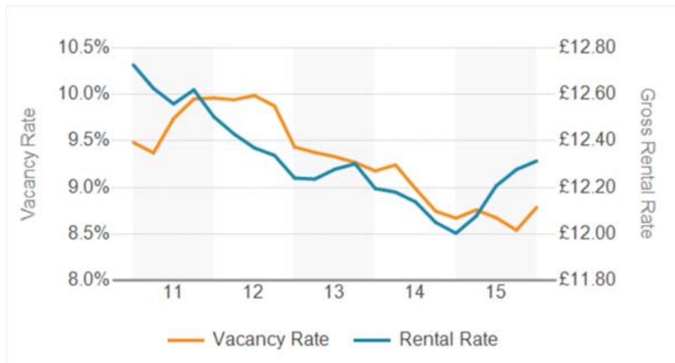
Source: Cushman & Wakefield Research (Feb 2016)

Annual take-up by grade (million sq. ft.)



Source: Cushman & Wakefield Research (Feb 2016)

Rent levels and vacancy rate in regional secondary offices



Source: CoStar (Feb 2016)

4) Opportunity for Regional Offices (continued)

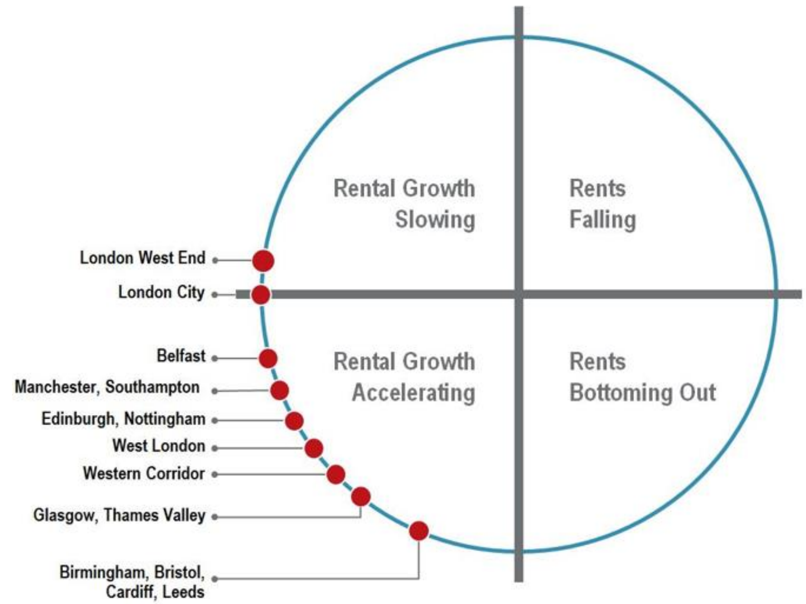
Rental growth accelerating in regional markets

- Against a backdrop of rising demand and limited supply and availability, all regional office markets are showing nascent signs of rental growth

- JLL estimates that:
    - Prime rental growth across the core 8 regional office markets increased by an average of 5.3% in 2015
    - Headline rental growth across the UK expected to average 2.7% pa over the period 2016-19

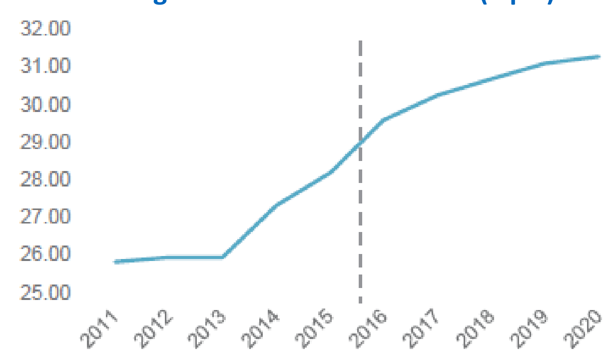
- With the very low vacancy rates within prime properties, the Asset Manager expects the demand for high quality secondary properties to increase, which will put upward pressure on rents and downward pressure on rent incentives

UK office rental growth (Q4 2015) – The JLL Property Clock SM



Source: JLL (Feb 2016)

Regional office headline rent (£ psf)



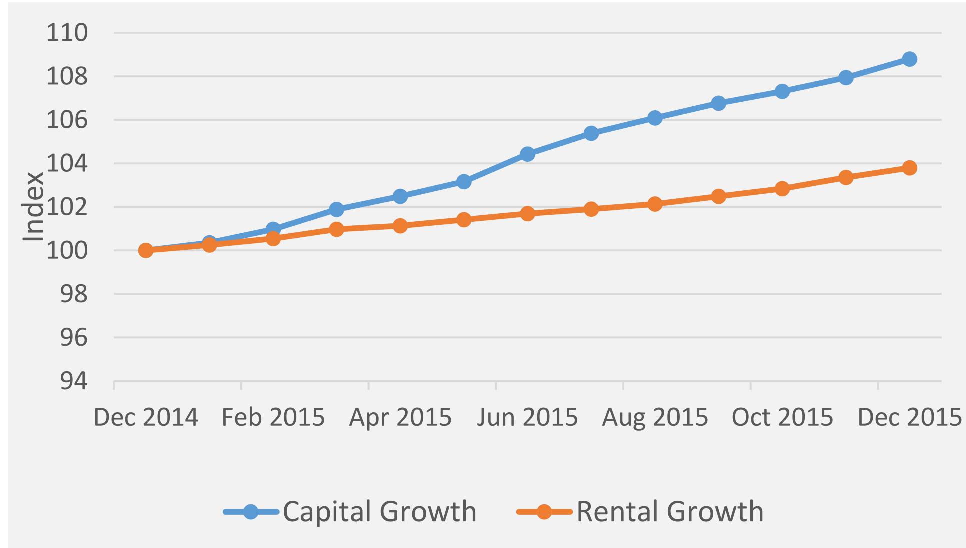
Source: Cushman & Wakefield Research (Dec 2015)

5) Opportunity for Regional Industrial

Demand increasing – Supply limited

- There is a limited supply of multi-let industrial estates under development, mainly large Grade A pre-let space
- Occupier activity from manufacturers, particularly logistics operators, has increased and, given the shortage of new development until recently, competition for available space has increased
- Demand-supply imbalance is helping to drive rental growth
- Growth of online spending means that e-tailing is now the most influential sector in the industrial market, accounting for 38% of overall take-up in 2015

2015 capital and rental growth – Rest of UK Industrial



Source: IPD (Dec 2015)

Appendix 3

Regional REIT UK Property Portfolio

High Yielding Portfolio set for UK Regional Market Recovery

Portfolio details at 31 December 2015

	Properties	Valuation £m	% by valuation	Sq. ft. (mil)	Occupancy %	WAULT to first break (yrs)	Gross rental income £m	Net rental income £m	Average rent £psf	ERV £m	Capital rate £psf	Yield (%)		
												Net initial	Equivalent	Reversionary
Office	52	239.85	59.4%	1.98	84.4%	2.9	22.2	21.5	13.3	24.9	121.14	7.9%	8.1%	9.1%
Industrial	29	99.62	24.7%	3.15	83.9%	5.5	8.9	8.0	3.3	10.2	31.63	7.6%	9.1%	9.6%
Retail	37	45.03	11.2%	0.42	88.4%	5.4	3.8	3.3	10.5	4.3	107.21	7.1%	8.1%	8.7%
Student Accomm.	1	17.40	4.3%	0.03	100.0%	24.7	0.9	0.9	28.9	0.9	n/a	5.0%	6.1%	5.0%
Other	4	1.80	0.4%	0.04	7.4%	4.4	0.1	0.1	18.6	0.1	n/a	4.6%	7.0%	4.8%
Total	**123**	**403.70**	**100.0%**	**5.62**	**83.9%**	**4.4**	**35.9**	**33.8**	**7.6**	**40.4**	**71.83**	**7.6%**	**8.3%**	**9.0%**

	Properties	Valuation £m	% by valuation	Sq. ft. (mil)	Occupancy %	WAULT to first break (yrs)	Gross rental income £m	Net rental income £m	Average rent £psf	ERV £m	Capital rate £psf	Yield (%)		
												Net initial	Equivalent	Reversionary
Scotland	49	144.91	35.9%	2.31	83.7%	5.0	12.8	12.5	6.6	15.1	62.73	7.9%	9.0%	9.6%
Midlands	22	66.59	16.5%	0.90	76.4%	3.2	6.3	6.1	9.1	6.4	73.99	8.3%	8.1%	8.6%
South East	15	66.05	16.4%	0.61	93.5%	2.1	6.5	6.1	11.3	6.9	108.28	7.9%	7.4%	8.7%
North East	15	57.01	14.1%	0.83	83.2%	4.6	4.9	4.8	7.1	5.6	68.69	7.8%	8.2%	9.0%
North West	12	37.13	9.2%	0.63	89.9%	8.3	3.0	2.4	5.3	3.1	58.94	5.9%	7.8%	7.7%
Wales	2	16.55	4.1%	0.19	94.5%	6.6	1.3	1.0	7.7	1.4	87.11	5.7%	7.3%	7.7%
South West	8	15.46	3.8%	0.15	60.2%	2.3	1.1	0.9	12.3	1.9	103.07	5.6%	8.8%	10.2%
Total	**123**	**403.70**	**100.0%**	**5.62**	**83.9%**	**4.4**	**35.9**	**33.8**	**7.6**	**40.4**	**71.83**	**7.6%**	**8.3%**	**9.0%**

All figures are as at 31 December 2015
* Net initial yields are based on gross rental income after voids and irrecoverable costs and based on standard purchasers costs of 5.8% in England and Wales, and 6.3% in Scotland

Top 15 Investments (market value) as at 31 December 2015

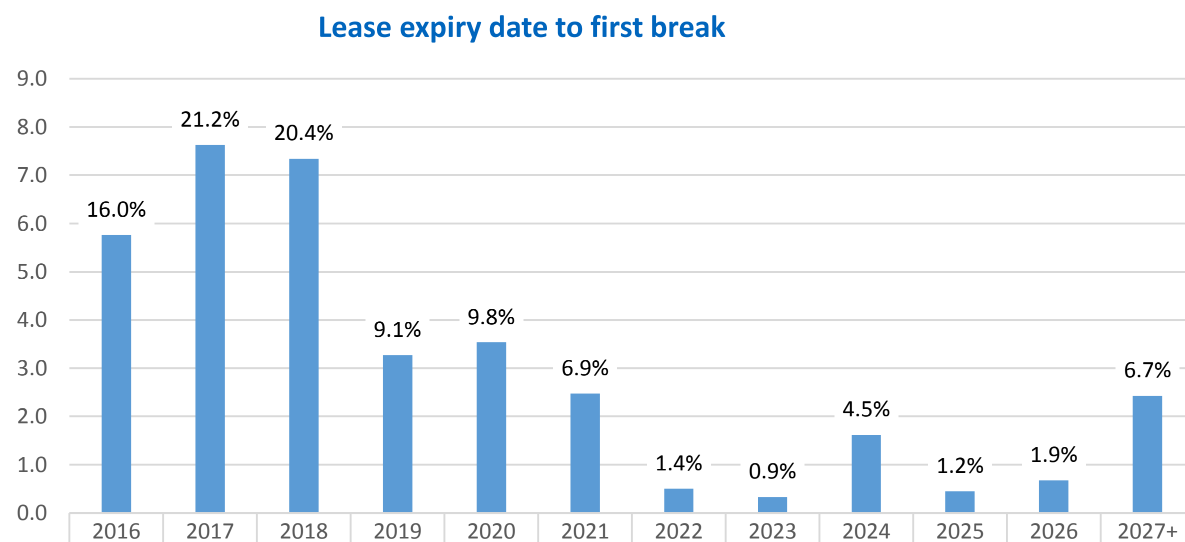
Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (Sq. ft.)	Let by area (%)	Annualised gross rent (£m)	WAULT (years)
Tay House, Glasgow	Office	Barclays Bank Plc, Glasgow University	30.5	7.6%	156,933	69.1%	2.2	9.2
Wardpark Industrial Estate, Cumbernauld	Industrial	Balfour Beatty Utility Solutions Limited, Cummins Limited	19.1	4.7%	709,816	88.1%	2.3	3.9
Blythswood House, Glasgow	Student Accom.	The Glasgow School of Art	17.4	4.3%	32,000	100.0%	0.9	24.7
Hampshire Corporate Park, Chandler's Ford, Eastleigh	Office	Aviva Health UK Limited, Royal Bank of Scotland plc	14.8	3.7%	85,422	100.0%	1.4	3.1
One and Two Newstead Court, Nottingham	Office	E.On UK plc	14.7	3.6%	146,063	100.0%	1.5	6.2
Columbus House, Coventry	Office	TUI Northern Europe Limited	14.7	3.6%	53,253	100.0%	1.1	8.0
Winsford Industrial Estate, Winsford	Industrial	Jiffy Packaging Limited	13.1	3.2%	246,209	100.0%	0.9	18.8
1-4 Llansamlet Retail Park, Swansea	Retail	Steinhoff UK Group Property Limited, Wren Living Limited, Halfords Limited	12.5	3.1%	71,615	85.7%	1.0	9.8
Churchill Plaza, Basingstoke	Office	Barclays Bank Plc	11.0	2.7%	135,362	100.0%	1.4	1.0
The Point, Glasgow	Mixed use	Howden Joinery Properties Limited, Euro Car Parts Limited	10.5	2.6%	183,861	93.9%	0.8	11.4
Templeton on the Green, Glasgow	Office	The Scottish Ministers, The Scottish Sports Council, Heidi Beers Limited	10.2	2.5%	142,758	87.4%	1.0	10.4
CGU House, Leeds	Office	Aviva Insurance Limited	9.9	2.5%	50,763	100.0%	1.0	1.7
9 Portland Street, Manchester	Office	Mott MacDonald Limited, New College Manchester	9.2	2.3%	54,959	89.8%	0.7	6.7
Chancellor Court, Leeds	Office	St James Place Wealth Management Group plc, The Legal Aid Agency	9.0	2.2%	41,818	100.0%	0.8	3.6
Marston Business Park, Tockwith, Wetherby	Industrial	Stage One Creative Services Limited, AJ Marshall (Specialist Steels) Limited	6.6	1.6%	223,043	76.7%	0.6	15.0
Total			**203.2**	**50.2%**	**2,333,875**		**17.6**	

Churchill Plaza, Basingstoke and Blythswood House, Glasgow sold since year end 2015

Stable Income Profile - Lease Expiries as at 31 December 2015

Having a large number of tenants offers income diversification and security

- Number of units: 712
- Number of tenants: 531
- Combined contracted rent roll: £35.9m
- WAULT of 6.1 years (5.6 years excluding Blythswood House)
- WAULT to first break of 4.4 years (3.8 years excluding Blythswood House)



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027+
Headline rent £m	5.76	7.62	7.34	3.27	3.53	2.47	0.50	0.33	1.62	0.45	0.67	2.43

Top 15 Tenants (share of rental income) as at 31 December 2015

Stable income profile - income protection core to management objectives

Tenant	Property	Sector	WAULT (break if applicable) years	Sq. ft.	% of Gross rental income
Barclays Bank Plc	Churchill Plaza, Basingstoke & Tay House, Glasgow	Banking	5.8	213,406	8.2%
E.ON UK Plc	One & Two Newstead Court, Annesley	Energy	6.2 (3.1)	146,063	4.3%
TUI Northern Europe Ltd	Columbus House, Coventry	Travel and tourism	8.0	53,253	3.1%
Aviva Health UK Ltd	Hampshire Corporate Park, Chandler's Ford, Eastleigh	Insurance	2.3	64,486	2.9%
Aviva Insurance Ltd	CGU House, Leeds	Insurance	1.7	50,763	2.8%
The Glasgow School of Art	Blythswood House, Glasgow	Education	24.7	32,000	2.6%
Jiffy Packaging Ltd	Road 4 Winsford Industrial Estate, Winsford	Manufacturer of PE/PP foam	18.8	246,209	2.5%
The Secretary of State for Communities	Bennett House, Hanley & Sheldon Court, Solihull	Government	3.1 (1.6)	69,436	2.3%
Lloyds Bank Plc	Victory House, Meeting House Lane, Chatham	Banking	2.4	48,372	1.9%
The Scottish Ministers c/o Scottish Prison	Calton House, Edinburgh	Government	1.8	51,914	1.7%
Office Depot UK Limited	Niceday House, Meridian Park, Andover	Retailer of office supplies	3.1	34,262	1.6%
Severn Trent Water Limited	2800 The Crescent, Solihull	Utilities (water)	0.2	29,935	1.5%
W S Atkins (Services) Ltd	Century Way, Thorpe Park, Leeds	Consultancy (engineering)	2.6	32,647	1.4%
South Lanarkshire Council	Royal Burgh House, 380 King Street, Glasgow	Government	2.4	24,600	1.4%
Level 3 Communications Limited	Minton Place, Swindon & Rosalind House, Basingstoke	Telecommunications	4.5 (1.7)	28,120	1.3%

Churchill Plaza, Basingstoke and Blythswood House, Glasgow sold since year end 2015

All figures are as at 31 December 2015

Case Study – Office: Portland Street, Manchester

Record of delivering value from our asset base

Adding value through intensive asset management

Investment Overview

- Acquired vacant from receivership in December 2013
- Ground and six upper floors are modern offices behind listed retained stone facade extending to 54,959 sq. ft.
- Let to various tenants, including New College Manchester, Darwin Loan Solutions, Mott MacDonald Limited, Simard Limited and SF Recruitment

Investment Strategy

- Completed legacy issues from former developer's refurbishment and the building was re-launched into letting market resulting in 90% occupancy by area (85% by ERV)
- Increase in headline rent from £13.50 to £17.50 per sq. ft., with balance of space now being marketed at £19.50 per sq. ft.
- WAULT to expiry 6.7 years and to break 3.7 years
- Acquired for £3.75m, capex of £1.1m, value now £9.2m

ncg new college group

Mott MacDonald

Case Study – Industrial: Wardpark Industrial Estate, Cumbernauld

Record of delivering value from our asset base

Adding value through intensive asset management

Investment Overview

- Acquired in November 2013 as part of the Credential acquisition, for £16.5m
- Strategically located industrial estate with direct access to Central Scotland's motorway triangle, being the most recognised industrial and business area on the M80 with over 2m sq. ft. of space of which we own c. 700,000 sq. ft
- Vacancy rate of 30% by area in November 2013

Investment Strategy

- Vacancy rate now c. 12% following intensive asset management of voids
- Anchor tenants include Balfour Beatty Utility Solutions Limited and Cummins Limited
- Cummins' leases re-geared from November 2015
- Currently on the market for £22m-£24m
- A sale at £22m would generate a 33% return, with a sale of £24m generating a 45% return

Balfour Beatty Utility Solutions

Cummins

Portfolio Acquisition Q1 2016: Wing Portfolio

Investment Overview

- The portfolio consists of four multi-let office buildings in Basingstoke, Leeds, Leicester and Manchester and an industrial business park in Beverley
- Manchester, Leicester, and Beverley completed January 2016. Leeds and Basingstoke completed March 2016
- Assets total c. 703,000 sq. ft. and house around 80 tenants
- Expected to provide a net income of £3.38m per annum, equating to a net initial yield of 8.5%
- The portfolio provides the opportunity to increase value from a solid income base by way of active asset management to include, letting of already refurbished space, refurbishment of unlet space, lease restructuring and securing alternative uses

Oakland House, Manchester

Tower North, Leeds

James House, Leicester

Northern Cross, Basingstoke

Tokenspire Business Park, Beverley

Acquisition Price (£m)	37.5
Anchor tenants	BNP Paribas, Europcar, HSS Hire, Greater Manchester Police, Grosvenor Casinos and JD Wetherspoons

Portfolio Acquisition Q1 2016: Rainbow Portfolio

Investment Overview

- Portfolio comprises 12 assets - 5 offices and 7 industrial sites - totalling 1.15m sq. ft.
- Completed March 2016
- Approximately 45% of income is derived from the industrial assets with offices accounting for the remaining 55%
- Geographically spread throughout the UK in major regional urban areas, including Bristol, Manchester, Cardiff, Sheffield and the West Midlands
- 86% of the income is from assets in England (North East 17%, South West 14%, South East 49%), 8% in Scotland and 6% in Wales
- Portfolio produces a net yield of 8.2% at a capital rate of only £70 per sq. ft., well below replacement cost
- Acquisition will be earnings enhancing and offers strong capital growth prospects through the implementation of the Group's intensive asset management initiatives

Buildings 2 & 3, Aylesbury

Juniper Park, Southfield Industrial Estate, Basildon

The Genesis Centre, Warrington

800 Aztec West, Bristol

Acquisition Price (£m)	80.00
Anchor tenants	Clerical Medical, Equitable Life, Invensys, Vanguard Logistics, Schenker, Veolia and FMC Technologies

Appendix 4

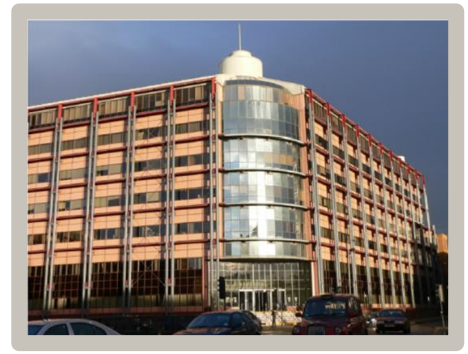
Commercial Property Sector Exposures

Regional Offices – 59.4% of portfolio at 31 December 2015

Properties	Valuation	Sq. ft.	Occupancy %	Average Lease length	Net rental income £m	Average rent £psf	ERV £m	Capital rate £psf	Yield (%)		
									Net initial	Equivalent	Reversionary
52	£239.9m	2.0m	84.4%	4.7yrs	21.5	£13.3psf	£24.9m	121.14	7.92%	8.14%	9.07%

Highlights

- 2.0m sq. ft. of UK office property
- Low average rent per square foot of £13.3psf
- Well located in UK markets to gain for up-tick in UK regional office demand



Well exposed to key UK regions	% of office portfolio by value
Birmingham	10.9%
Bristol	2.6%
Edinburgh	2.7%
Glasgow	25.8%
Leeds	11.8%
Manchester	4.6%
Total Big 6 regional office markets	58.4%
South East	21.4%
Other	20.2%

Regional Industrial – 24.7% of portfolio at 31 December 2015

Properties	Valuation	Sq. ft.	Occupancy %	Average Lease length	Net rental income £m	Average rent £psf	ERV £m	Capital rate £psf
29	£99.6m	3.2m	83.9%	7.2yrs	8.0	£3.3psf	£10.2m	31.63

Description

- 3.2m sq. ft. of UK industrial property
- 226 units, of which 55 are vacant

Yield (%)	RR Ltd
Net initial	7.55%
Equivalent	9.05%
Reversionary	9.59%

Regional Retail & Other – 15.9% of portfolio at 31 December 2015

	Properties	Valuation	Sq. ft.	Occupancy %	Average Lease length	Net rental income £m	Average rent £psf	ERV £m	ERV £psf
Retail	37	£45m	0.4m	88.4%	7.0yrs	3.3	£10.5psf	£4.3m	£10.3psf
Student	1	£17.4m	0.03m	100.0%	24.7yrs	0.9	£28.9psf	£0.9m	£28.9psf
Other	4	£1.8m	0.04m	7.4%	4.4yrs	0.07	£18.6psf	£0.12m	n/a

Retail

- One retail park which includes major tenants such as Halfords, Steinhoff, Wren Kitchens, and Harveys
- Big Box Retail - tenants include Wilkinson, Dunhelm, and Carpetright
- In-Town Retail - tenants include McDonalds, Poundland, and Tesco

Student Accommodation

- Recent conversion of Blythswood House into student accommodation
- Let on a 25-year lease to Glasgow School of Art
- Sold April 2016

	Net initial	Equivalent	Reversionary
Retail	7.09%	8.14%	8.69%
Student Accom	5.00%	6.06%	5.00%
Other	4.63%	7.03%	4.76%

Appendix 5

Regional REIT Top 15 Commercial Property Assets as at 31 December 2015

Tay House, Glasgow

Investment Overview

- Grade A city building offering column free floor plates of 20,000 to 30,000 sq. ft. in Glasgow city centre
- Building underwent extensive refurbishment in 2008-2010. Opportunity to let vacant sixth floor
- Remodelling of entrance and foyer to provide full accessible access and increase scale of reception area and removed Barclays' break options in 2015 and 2017 securing income to 2021
- Let 20,000 sq. ft. 6th floor to Glasgow University from September 2015. Barclays break options in 2015 not exercised and leases re-geared securing income on all leases to 2021 at the earliest

Investment Strategy

- Undertaking refurbishment of vacant first and second floors (50,000 sq. ft.) in an improving letting market

Market value (£m) 31 Dec '15	30.50
Sector	Office
Annualised gross rental (£m)	2.23
Lettable area (ft^2)	156,933
Anchor tenants	Barclays Bank Plc, Glasgow University
Let by area (%)	69.1%
Weighted average unexpired lease term (years)	9.2

Wardpark Industrial Estate, Cumbernauld

Investment Overview

- Acquired in November 2013
- Strategically located industrial estate with direct access to Central Scotland's motorway triangle being the most recognised industrial and business area on the M80 with over 2m sq. ft. of space of which we own c. 700,000 sq. ft.

Investment Strategy

- Strategy is to let vacant space and re-gear existing leases in improving market
- Cummins' leases re-geared from November 2015
- Will be c. 10% void after completion of under offer leases. Strong investor interest

Market value (£m) 31 Dec '15	19.06
Sector	Industrial
Annualised gross rental (£m)	2.30
Lettable area (ft^2)	709,816
Anchor tenants	Balfour Beatty Utility Solutions Limited, Cummins Limited
Let by area (%)	88.1%
Weighted average unexpired lease term (years)	3.9

Blythswood House, Glasgow

Investment Overview

- Acquired in November 2013
- 1970's office building with remaining leases to HMRC to break in 2021 but with the tenant in limited occupation

Investment Strategy

- Successfully secured surrender of leases with HMRC and back-to-back refurbishment and letting agreement with Glasgow School of Art for student residences on 25 year lease agreement
- Successfully completed refurbishment works on time to allow handover for 2015/16 term

Market value (£m) 31 Dec '15	17.40
Sector	Student Accommodation
Annualised gross rental (£m)	0.92
Lettable area (ft^2)	32,000
Anchor tenants	The Glasgow School of Art
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	24.7

As announced on 6 April 2016 this property has been sold since the financial year end

Hampshire Corporate Park, Eastleigh

Investment Overview

- Acquired in January 2015
- Opportunity to re-gear leases with Aviva and RBS or to refurbish NatWest House given strong letting market and limited supply

Investment Strategy

- Potential to increase car parking for Aviva at Chilworth House and re-gear their lease beyond December 2018
- Presently preparing refurbishment proposals for NatWest House

Market value (£m) 31 Dec '15	14.84
Sector	Office
Annualised gross rental (£m)	1.36
Lettable area (ft^2)	85,422
Anchor tenants	Aviva Health UK Limited, Royal Bank of Scotland plc
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	3.1

One and Two Newstead Court, Nottingham

Investment Overview

- Acquired in May 2014 out of receivership
- Two modern high quality large office pavilions on an established business park
- Let to E.ON
- Larger building of 33,000 sq. ft. floor plates let by way of three leases with staggered expiries in July'14, Feb'15 and Jan'16
- Building 2 tenancy acquired by E.ON in 2013 with lease to March 2017

Investment Strategy

- Opportunity to re-gear leases with E.ON at a reduced level given over-renting
- Renegotiated leases of larger Building 2 with E.ON from 1 May 2015 for 10 years with tenant break at fifth year
- E.ON completed £1.2m refurbishment of first floor of Building 1 - seeking to re-gear lease beyond 2017 following completion of works

Market value (£m) 31 Dec '15	14.70
Sector	Office
Annualised gross rental (£m)	1.53
Lettable area (ft^2)	146,063
Anchor tenants	E.ON UK plc
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	6.2

Columbus House, Coventry

Investment Overview

- Acquired in August 2014
- Provides good quality building on recognised office park with improving tenant demand
- Let to Tui until 2024 on geared lease with fixed annual uplifts. Tui have now sublet 2/3rds of space to First Utility underpinning rent. Tui will exit building in full this year

Investment Strategy

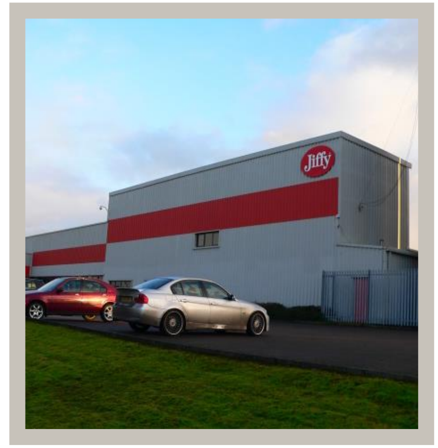
- Potential to agree lease surrender with Tui Travel with benefit of existing sublets to First Utility

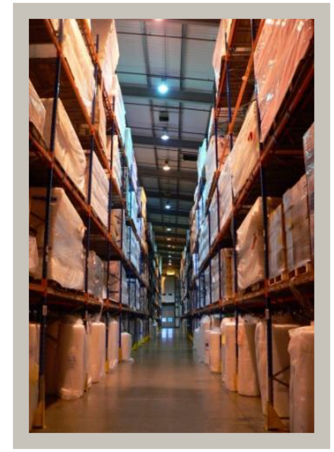
Market value (£m) 31 Dec '15	14.68
Sector	Office
Annualised gross rental (£m)	1.09
Lettable area (ft^2)	53,253
Anchor tenants	TUI Northern Europe Limited
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	8.0

Road 4 Winsford Industrial Estate, Winsford

Investment Overview

- Acquired in August 2014
- Let to Jiffy Packaging Limited until 2034





Investment Strategy

- Seek to sell with an improvement in tenant covenant

Market value (£m) 31 Dec '15	13.10
Sector	Industrial
Annualised gross rental (£m)	0.90
Lettable area (ft²)	246,209
Anchor tenants	Jiffy Packaging Limited
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	18.8

1-4 Llansamlet Retail Park, Swansea

Investment Overview

- Acquired in August 2014
- A modern retail warehouse park containing 6 retail units
- 2 of 3 remaining vacant units under offer to Steinhoff UK Group Property Ltd trading as Harveys and Wren Living Ltd at acquisition

Investment Strategy

- Let units to Harveys and Wren
- Successfully completed landlord works packages
- Planning consent being secured for drive-thru facility
- Strategy to let remaining unit and sell into strong investor market with benefit of planning

Market value (£m) 31 Dec '15	12.45
Sector	Retail
Annualised gross rental (£m)	1.00
Lettable area (ft^2)	71,615
Anchor tenants	Steinhoff UK Group Property Limited, Wren Living Limited, Halfords Limited
Let by area (%)	85.7%
Weighted average unexpired lease term (years)	9.8

Churchill Plaza, Basingstoke

Investment Overview

- Acquired August 2014
- Landmark modern office development over 13 floors and high parking ratio
- Let to Barclays Bank PLC

Investment Strategy

- Sold in February 2016 for £12m, 9.1% above the 31 December 2015 valuation and 60% above the purchase price

Market value (£m) 31 Dec ‘15	11.00
Sector	Office
Annualised gross rental (£m)	1.35
Lettable area (ft^2)	135,362
Anchor tenants	Barclays Bank PLC
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	1.0

As announced on 9 February 2016 this property has been sold since the financial year end

The Point, Glasgow

Investment Overview

- Part of Tosca Scotland acquisition (November 2013)
- Retail warehouse and trade counter development located just one mile north of Glasgow City Centre

Investment Strategy

- Opportunity to increase rents in improving market at reviews. Re-let 5,000 sq. ft. unit in administration but subject to guarantee
- Successfully secured letting of Unit 5A to HSS Hire
- In negotiations to secure surrender of lease of Unit 4, refurbish and re-let to more suitable trade counter users at new headline level for estate

Market value (£m) 31 Dec ‘15	10.50
Sector	Mixed use (trade counter/retail)
Annualised gross rental (£m)	0.78
Lettable area (ft^2)	183,861
Anchor tenants	See Woo Foods (Glasgow) Limited, Howden Joinery Properties Limited, Euro Car Parts Limited
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	11.4

Templeton on the Green, Glasgow

Investment Overview

- Iconic Glasgow development providing c. 142,000 sq. ft. of office, studio and leisure space

Investment Strategy

- In discussion to re-gear leases to The Scottish Ministers, given lease breaks in 2016 and 2017

- Scope to let refurbished remaining space at Doges in an improving Glasgow office market

Market value (£m) 31 Dec '15	10.20
Sector	Office
Annualised gross rental (£m)	0.99
Lettable area (ft^2)	142,758
Anchor tenants	The Scottish Ministers, The Scottish Sports Council, Heidi Beers Limited
Let by area (%)	87.4%
Weighted average unexpired lease term (years)	10.4

CGU House, Leeds

Investment Overview

- Acquired in November 2013
- Prominent seven storey office building with ground floor retail element, situated in close proximity to Leeds railway station
- Let to Aviva Insurance until 2017

Investment Strategy

- Refurbishing the upper floors upon Aviva's exit in whole or in part in 2017, or earlier by agreement, and remodel existing poor entrance and foyer into strong letting market
- Retail space currently sub-let by Aviva - re-let to stronger leisure/retail operators in 2017

Market value (£m) 31 Dec '15	9.92
Sector	Office
Annualised gross rental (£m)	1.01
Lettable area (ft^2)	50,763
Anchor tenants	Aviva Insurance Limited
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	1.7

9 Portland Street, Manchester

Investment Overview

- Acquired vacant from receivership in December 2013
- Ground and six upper floors modern offices behind listed retained stone facade extending to 54,959 sq. ft.
- Let to various tenants, including Mott MacDonald Limited and New College Manchester

Investment Strategy

- Completed legacy issues from former developer’s refurbishment
- The building was re-launched into letting market resulting in 90% occupancy from a standing start and an increase in headline rent from £13.50 to £17.50 per sq. ft.
- Balance of space now being marketed at £19.50 per sq. ft.

Market value (£m) 31 Dec ‘15	9.20
Sector	Office
Annualised gross rental (£m)	0.66
Lettable area (ft^2)	54,959
Anchor tenants	Mott MacDonald Limited, New College Manchester
Let by area (%)	89.8%
Weighted average unexpired lease term (years)	6.7

Chancellor Court, Leeds

Investment Overview

- Acquired October 2013
- Modern multi let office development over two buildings with good parking ratio of 1:740 sq. ft. for Leeds city centre
- Let to various tenants including St James Place Wealth Management Group plc, The Legal Aid Agency

Investment Strategy

- Opportunity to re-gear existing leases or refurbish at staggered expiries given strong occupier demand
- Re-geared leases to St James Place Wealth Management Group for 5 years from Sept. 2016

Market value (£m) 31 Dec '15	9.01
Sector	Office
Annualised gross rental (£m)	0.84
Lettable area (ft^2)	41,818
Anchor tenants	St James Place Wealth Management Group plc, The Legal Aid Agency
Let by area (%)	100.0%
Weighted average unexpired lease term (years)	3.6

Marston Business Park, Tockwith, Wetherby

Investment Overview

- Acquired August 2014
- Established industrial estate providing 223,000 sq. ft. across a range of units
- Let to various tenants including Stage One Creative Services Limited, AJ Marshall (Specialist Steels) Limited and Biffa Waste Services

Investment Strategy

- Opportunity for active asset management to re-gear existing leases to secure longer term income and refurbish/let vacant units
- Stage One breaks now passed and ongoing discussions with them about re-gear of all tenancies on new five year terms
- Hangar 86 under offer on long lease
- Strong letting prospects and potential for refurbishment and possible new build units

Market value (£m) 31 Dec '15	6.60
Sector	Industrial
Annualised gross rental (£m)	0.57
Lettable area (ft^2)	223,043
Anchor tenants	Stage One Creative Services Limited, AJ Marshall (Specialist Steels) Limited
Let by area (%)	76.7%
Weighted average unexpired lease term (years)	15.0

Appendix 6

External Managers

Asset and Investment Managers

Highly experienced with in-depth knowledge of tenants, assets and the property market

London & Scottish Investments: Asset Manager

- Co-founder and significant shareholder
- Day-to-day management of the properties
- Identifying potential acquisitions or disposals
- Consulting tenants and sourcing new tenants
- Debt management
- Reporting on the progress and operations of the properties

Toscafund Asset Management: Investment Manager

- Co-founder and significant shareholder
- Governance oversight
- Alternative Investment Fund Management function
- Financial management oversight
- Research analytics - economics and property
- Investor relations

Management Contract

Term	**Initial period**: Fixed for 5 years with 12-month notice period (ie, notice period will run from end of year 5 for 12 months) **Thereafter**: 3 years with 12-month minimum notice period (ie, notice has to be given before the end of year 2)
Management Fees	1.1% of NAV up to £500m; 0.9% on NAV over £500m. Payable quarterly in arrears (split 50:50 between LSI and Toscafund) 4% of rental income payable quarterly in arrears (LSI only)
Incentive fee:	15% of Total Return (NAV growth plus dividends declared) over an 8% annual hurdle subject to a high-water mark (split 50:50 between LSI and Toscafund) **Initial period**: First calculation from Admission to 31/12/18 and paid 50% in cash and 50% in shares (at then market price) locked in for 1 year **Thereafter**: Incentive fee calculated annually and paid one-third in cash, one-third in shares locked in for 1 year and one-third in shares locked in for 2 years
Management lock-ins	Existing management holdings to be locked in for 1 year. Shares received in lieu of performance up to 30 June 2015 locked-in for 180 days
Internalisation	Commitment to no internalisation for first 5 years or until net assets above £750m. Thereafter, subject to independent shareholders' vote

Asset Manager, Investment Criteria and Management Approach

Highly experienced management with strict investment criteria and a hands-on approach

London & Scottish Investments – Asset Manager

- A long established property investment management company
- Senior management collectively have 150+ years of property experience and an in-depth knowledge of construction and development
- Offices in Glasgow, Manchester, Leeds and London
- Employs 36 people, including: 20 property managers, 10 finance team and 3 support staff as at 31 December 2015

Investment criteria

- Targeting high returns of 7-8% pa dividend yield (100p listing price) and 10-15% annual total return
- Net LTV target of 35% (maximum 50%)
- To expand portfolio via regional office and industrial acquisitions
- No single property to exceed 10% (may be 20% in special circumstances) of Gross Asset Value
- Minimum value of single acquisition (unless part of a portfolio) is £5m

Management approach – to improve asset quality by applying forensic attention to detail of tenants and assets:

- Lease renewals and rent reviews
- Minimising voids via aggressive marketing of vacant space
- Enhancing the tenant mix and covenant strength
- Refurbishments, extensions, changes of use, etc, to exploit potential
- Recycling of capital out of the legacy portfolio to focus on selected core markets

Managers' Track Records

London & Scottish Investments Ltd, Asset Manager

- A long established property investment management company, employing 36 (31 December 2015) people
- Senior management collectively have over 150-years of property experience with an in-depth knowledge of construction and development
- Proven track record of adding value through intensive property management, focusing on income generation
- Grew like-for-like rental income through the 2008-12 recession

Toscafund Asset Management LLP, Investment Manager

- Toscafund is an established multi-asset manager based in London, with offices in Manchester and Greenwich (US)
- The firm was founded in 2000 by Martin Hughes and is part of Old Oak Group, a large, well-capitalised, financial services business
- The investment team, many of whom have been top-rated in their analytical careers, has long-standing and in-depth industry experience
- The firm manages US$4.3bn (31 December 2015) across a range of investment funds including long/short equity, long only equity and activist funds
- First-class infrastructure with effective monitoring, evaluation and risk management
- Oversight and governance is provided by the holding company's independent board, which includes Sir George Mathewson (ex-Chairman, RBS plc) and John McFarlane (Chairman, Barclays plc)

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