


REGIONAL REIT

Investor Presentation - Half Year to 30 June 2016

September 2016




Introduction to Regional REIT Limited

- Listed in November 2015; initial portfolio of £386m - 128 properties, 512 tenants and 713 units
- Combination of 2 commercial property investment funds
- Joint venture between London & Scottish Investments and Toscafund Asset Management
- Strategy is to take advantage of an over-correction in the commercial property market and strong economic growth prospects for the UK's regions

- Invests in a diversified portfolio of good secondary offices and industrial assets in the principal regions of the UK outside of the M25
- Acquires mis-priced or under-managed, principally income-producing, properties
- Property management is intensive and granular, close to the tenant, with each property modelled and planned
- Assets managed by an experienced and established team

- Premium listed on the LSE's Main Market and included in the FTSE All Share and EPRA/NAREIT Developed Europe indices
- UK REIT with market capitalisation of c. £300m, governed by an experienced independent Board
- Targeting 7–8% dividend return (on IPO price, 100p), 10–15% annual total return, net LTV ratio of c. 35%

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

Highlights – First-half 2016

- Business performing well – delivering good income growth
- Strong dividend return for Shareholders
- Repositioning of the portfolio - completed £128.1 million of acquisitions, with £41.2 million of disposals
- Ongoing active and intensive management of the property portfolio
- Continued opportunities in the UK's regional office and industrial commercial property markets

Acquisitions Growth in the First-half 2016

2 major portfolio acquisitions of 17 properties (£117.5m); total acquisitions (19) of £128.1m

- **Targeted acquisitions strategy**
  - Deals remain under active consideration with risks and opportunities identified and managed
- **Wing and Rainbow office/industrial portfolios**
  - Extensive asset management opportunities from reducing voids and refurbishments in progress

Wing portfolio

- 4 offices/1 industrial site
- Acquired for £37.5m, completed March 2016
  - 8.5% net initial yield
- Refurbishments and letting vacant space, change of use application ongoing
- Occupancy
  - On acquisition: 78.2%
  - Current*: 85.2%
- Office/industrial (by value): 82.4%/17.6%

Rainbow portfolio

- 5 offices/7 industrial sites
- Acquired for £80.0m, completed March 2016
  - 8.2% net initial yield
- Lease re-gears, lettings and significant refurbishments of vacant space
- Occupancy
  - On acquisition: 77.2%
  - Current*: 78.2%
- Office/industrial (by value): 47.5%/52.5%

*September 2016

Active and Intensive Management of the Portfolio

Growing the revenue stream

67 new lettings this year (20 since 23 June)
New lettings of c. 474,155 sq. ft.
When fully income producing will provide a rental of c. £3.9m pa

Quality enhancement programme for assets
Capital expenditure of £7.8m net year to date; to increase achievable rents and reduce periods of void

Disposal of £41.2m of mature/non-core assets
Sale of Blythswood House for £17.4m. Exited on 5.0% yield; a 83% gain on invested capital

Low rents and capital rates
Offices (average): £12.8psf, £118.50psf
Industrial sites (average): £3.7psf, £34.97psf

Increased borrowings and loan refinancings on improved terms

Borrowings increased to c. £218m
Cost of debt reduced to 3.8%; loan maturities extended to 2021
Conservative net LTV of c. 38%

Delivering on our IPO Commitments

Rebalancing the portfolio

Diversified business base
128 properties, 974 units and 719 tenants

Office/Industrial focus; balancing the regions
Increased Office/Industrial exposure to 91.6% (by value) (IPO, 83.7%); increased England & Wales exposure to 73.5% (IPO, 64.6%)

Limited single exposure
Largest tenant 5.3% (by rental income); largest property 6.6% (by value)
Limited financial sector exposure

Full Year 2016

2016 H2 business momentum

Major letting at Tay House and improving portfolio voids
Increased occupancy through Q2 2016; like-for-like anticipated to be around 85% by year end – towards target of 90%

Funding growth
Further bank refinancings in prospect
Funding options under consideration

Prospects
Occupier demand evident across all key markets
Anticipate higher rental income and improved voids by year end; costs remain point of focus

Diversified Investment Portfolio

UK property portfolio provides high returns in a stable structure (30 June 2016)

Property

£501.3m gross property assets

- **62.5% - Offices** (31 Dec'15, 59.4%; IPO, 58.4%)
- **29.1% - Industrial** (31 Dec'15, 24.7%; IPO, 25.3%)
- **8.0% - Retail** (31 Dec'15, 11.2%; IPO, 11.3%)
- **0.4% - Other** (31 Dec'15, 4.7% - inc Student Accomm; IPO, 5.0%)
- **Combined contracted rent roll – c. £43.7m**
  (31 Dec'15, £35.9m; IPO, £37.2m)

WAULT & Voids

- **5.0 years to lease expiry**
  (31 Dec'15, 6.1 years; IPO, 5.8 years)
- **3.6 years to first break**
  (31 Dec'15, 4.4 years; IPO, 4.6 years)
- **81.8% occupancy**
  (31 Dec'15, 83.9%; IPO, 84.1%)

High valuation yields*

- **Net initial: 7.1%**
  (31 Dec'15, 7.6%; IPO, 8.3%)
- **Equivalent : 8.5%**
  (31 Dec'15, 8.3%; IPO, 8.6%)
- **Reversionary: 9.3%**
  (31 Dec'15, 9.0%; IPO, 9.8%)

Financials

Debt

- **Drawn: £217.8m**
  (31 Dec'15, £128.6m; IPO, £130.2m)
- **Cash: £23.7m**
  (31 Dec'15, £24.0m; IPO, £26.2m)
- **Average cost of debt: 3.8%****
  (31 Dec'15, 4.5%; IPO, 4.8%)
- **Maturity: 3.4 years**
  (31 Dec'15, 3.4 years; IPO, 3.8 years)

Conservative leverage

- **Net LTV ratio: 38.1%**
  (31 Dec'15, 25.4%; IPO, 26.4%)
- Target net LTV: 35%
- Max net LTV: 50%

Net asset value

- **EPRA : £296.2m (108.0p per share)**
  (31 Dec'15: £295.7m, 107.8pps;
  IPO, £274.2m, 100pps (pre costs of listing))
- **IFRS: £293.7m (107.1p per share)**
  (31 Dec'15: £295.3m, 107.7pps;
  IPO, £273.8m, 100pps (pre costs of listing)

*Net yields are after voids, irrecoverable costs and based on standards purchasers costs of approximately 6.8%
**Including hedging and interest costs, but before the amortisation of loan arrangement fees

Financial Position Secures Income

	Six months ending 30 June 2016	Period ending 31 December 2015*
Rental income	**£19.699m (6 months)**	£5.361m (56 days)
Costs ratio	**32%**	39%
Operating profit before gains/losses on property assets/other investments	**£13.436m**	£3.255m
EpS	**2.2pps**	7.7pps
EPRA EpS (loss)	**3.3pps**	(1.1)pps
Dividend declared for the period	**3.50pps (of which PID 2.8592 pps)**	1pps (of which PID 0.6572 pps)

- Income momentum up in the second quarter. Rent roll of £51.9m pa on full occupation
- Costs ratio impacted by H1'16 acquisition activity, including voids, and additional costs associated with becoming a public company. Efficiencies from improving occupancy and active in-house asset management to be realised
- EpS and PBT impacted by £2m charge for derivatives fair value movement (non cash item)
- DpS in line with commitment – catch-up dividend for the fourth quarter

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

Financial Position Underpins Strength

	As at 30 June 2016	As at 31 December 2015*
Gross property asset value	**£501.3m**	£403.7m
NAV	**107.1pps**	107.7pps
EPRA NAV	**108.0pps**	107.8pps
Bank borrowings**	**£217.8m**	£128.6m
Net Loan-to-value	**38.1%**	25.4%
Occupancy like-for-like	**83.0%**	82.7%

- Gross property asset value includes +1.8% like-for-like valuation improvement, acquisitions of £128.1m and disposals of £41.2m
- NAV and EPRA NAV impacted by 2.5pps for acquisition related costs and increased stamp duty
- Bank borrowings and LTV reflect increased borrowings to finance acquisitions. LTV broadly in line with long-term target

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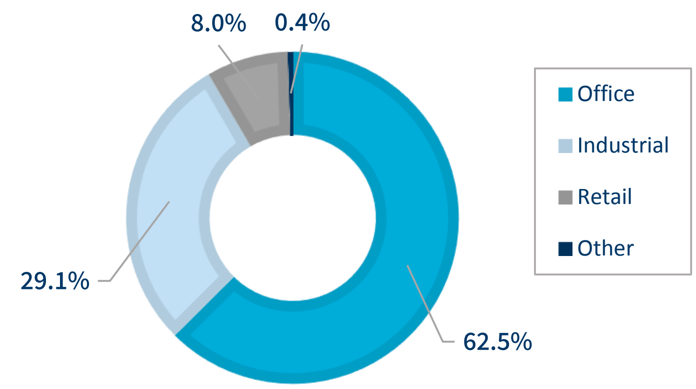
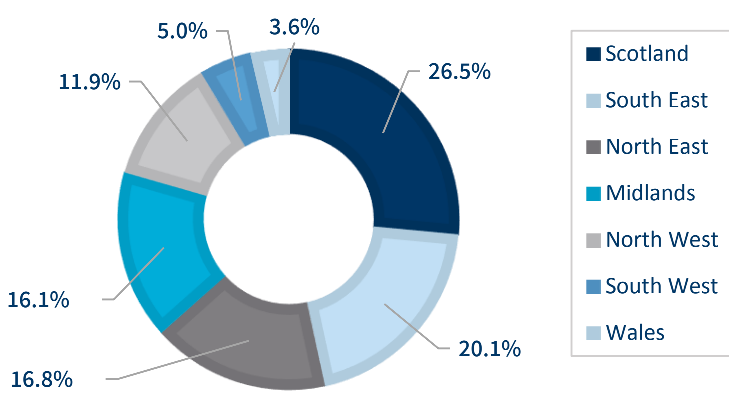
** Before unamortised loan arrangement fees

£501.3m Property Portfolio as at 30 June 2016

Diversified office-led portfolio – unique exposure to the UK regional property market (split by value)





Continued Opportunities in UK Regional Commercial Property

Pipeline of potential acquisitions under review

- Opportunities to scale the business
- Group remains opportunistic and pro-active in its approach in the current environment
- Will seek EpS accretion and medium-term NAV growth with acquisitions
- Group is well positioned with vendors, including banks, receivers and major UK institutional investors
- Recognised 'player' in the regional office and industrial property markets

Management initiatives for organic growth

- Continuing tenant demand and very limited supply across all of the main regional markets
- Support from limited supply for anticipated reduction in voids
- Quality enhancement programmes and capex underway to increase achievable rents and reduce voids
- Improving rents on existing let stock and rising occupancy across the portfolio will drive rental income and reduce void costs

Summary

Attractive investment opportunity

- Yield differential between the regions and London remains well above average; continuing capital inflows to the regions
- Regional economic opportunities – business fundamentals remain strong and structural factors provide support
- Tenant interest in regional industrial and office property continues – lower rental levels and earlier in their cycle

Regional REIT offers best in class

- Diversified portfolio of offices (62.5%, by valuation) and industrial sites (29.1%); 128 properties, 974 units and 719 tenants
- Efficient business with conservative financials and a secure income stream, providing one of the sector's best dividend yields
- Potential for improving occupancy (from 81.8%) and support of modest rents
- Experienced and professional asset manager, with a strong reputation in the sector, underpinning organic business growth
- Continued opportunistic targeting of acquisition growth

Appendix 1

Debt Financing and Summary Financials

Debt Profile and LTVs as at 30 June 2016

Additional borrowing and refinancings substantially reduce cost of debt

Lender	Original Facility	Outstanding Debt*	Maturity Date	LTV	Annual Interest Rate	Amortisation	Hedging and Swaps:Notional Amounts/Rates**
Santander UK	£48,300	£45,669	Dec-18	43.5%	2.00% over 3mth LIBOR	Mandatory Prepayment basis	£8m/1.867% & £16.15m/1.014%
Santander UK	£25,343	£11,865	Dec-18	31.8%	2.00% over 3mth LIBOR	Mandatory Prepayment basis	£3.9m/2.246% & £8.77m/1.010%
Royal Bank of Scotland	£25,000	£24,450	Jun-19	42.9%	2.15% over 3mth LIBOR	None	£14.04m/1.790%
ICG Longbow Ltd	£65,000	£65,000	Aug-19	44.2%	5.00% pa for term	None	n/a
Santander UK	£30,990	£30,990	Jan-21	47.8%	2.15% over 3mth LIBOR	Mandatory Prepayment basis	£9.375m/1.086% & £6.84m/1.203% & £5.4m/1.444%
Royal Bank of Scotland	£40,000	£39,848	Mar-21	49.5%	2.40% over 3mth LIBOR	Prepayment basis	£19.9m/1.395%
	£234,633	£217,822				Mandatory	

* Including unamortised loan arrangement costs
** Hedging arrangements: As at 30 June 2016, the swap notional amount was £92.4m (31 December 2015: £35.2m). Under the swap agreements, the notional amount reduces on a quarterly basis

Note: As at 30 June 2016 the Group's outstanding debt (including unamortised loan arrangement costs) amounted to c. £218m, with an average cost of 3.8% (31 December 2015: 4.5%) per annum (including hedging and other borrowing costs) and a net LTV ratio of 38.1% (31 December 2015: 25.4%)

Financials - Group Income Statement

Group Income Statement

£'000	1 January 2016 to 30 June 2016	22 June 2015 to 31 December 2015*
Rental income	19,699	5,361
Non recoverable property costs	(2,328)	(753)
Net rental income	**17,371**	**4,608**
Administrative & other expenses	(3,935)	(1,353)
Operating profit (loss) before gains/losses on property assets/other investments	**13,436**	**3,255**
(Loss)/Gain on the disposal of investment properties	(75)	86
Change in fair value of investment properties	(1,254)	23,784
Operating profit/(loss) before exceptional items	**12,107**	**27,126**
Exceptional items	-	(5,296)
Operating profit/(loss) after exceptional items	**12,107**	**21,829**
Net finance income/expense and net movement in fair value of derivative financial instruments	(6,160)	(705)
Profit/(loss) before tax	**5,947**	**21,124**
Income tax expense	-	-
Profit/(loss) after tax for the period (attributable to equity shareholders)	**5,947**	**21,124**
Earnings/(losses) per share - basic/ diluted	2.2p	7.7p
EPRA earnings/(losses) per share - basic/diluted	**3.3p**	**(1.1)p**

Exceptional items are in relation to 2015 Launch costs
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Financials - Group Balance Sheet

Group Balance Sheet

£'000	As at 30 June 2016	As at 31 December 2015*
Assets		
Non-current Assets		
Investment properties	**501,255**	403,702
Goodwill	**2,786**	2,786
Other non-current assets	**610**	1,004
Current assets		
Cash and cash equivalents	**23,739**	23,955
Other current assets	**11,845**	11,848
Total assets	**540,235**	443,295

£'000	As at 30 June 2016	As at 31 December 2015*
Liabilities		
Current liabilities		
Bank and loan borrowings - current	**-**	200
Other current liabilities	**31,717**	21,285
Non-current liabilities		
Bank and loan borrowings – non current	**214,771**	126,469
Total liabilities	**246,488**	147,954
Net assets	**293,747**	**295,341**
Stated capital	**274,217**	274,217
Retained earnings/Accumulated (losses)	**19,530**	21,124
Total equity	**293,747**	**295,341**
Net assets per share - basic and diluted	**107.1p**	107.7p
EPRA net assets per share - basic and diluted	**108.0p**	**107.8p**

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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	**-1.4% for 2016**	**-1.9% for 2017**	**+4.5% for 2018**
Industrial	**+2.4% for 2016**	**+2.6% for 2017**	**+7.0% for 2018**

The outcome of the EU referendum resulted in a decline in the total returns forecast for all sectors

1) Capital inflows to the regions increasing

2) Secondary regional commercial property expected to continue to outperform prime

3) Tenant demand to outweigh office and industrial supply

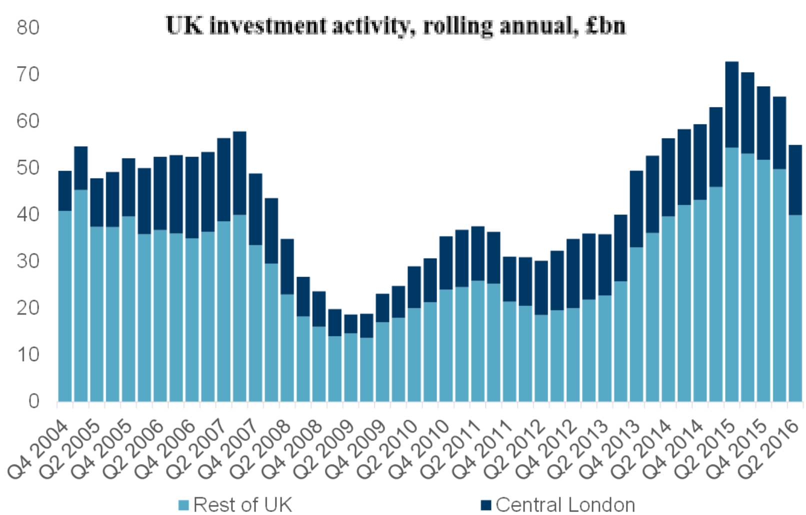
Summary average by sector

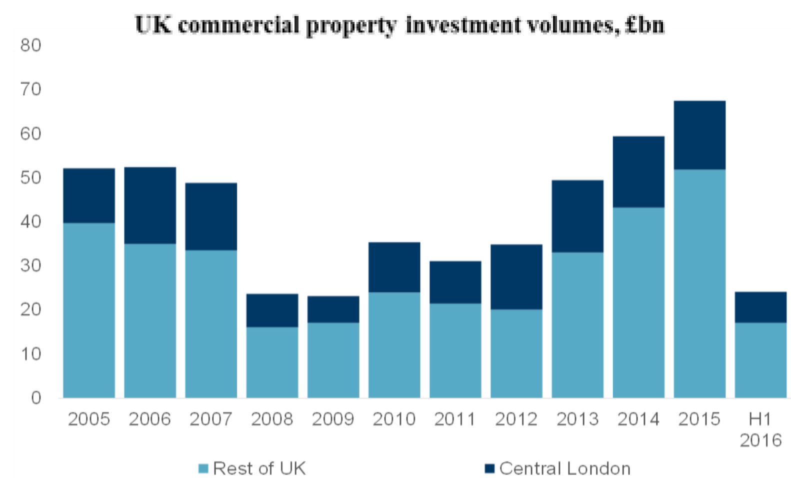
	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2016	2017	2018	2016/20	2016	2017	2018	2016/20	2016	2017	2018	2016/20
Office	1.6	-2.2	-1.1	0.0	-5.6	-6.4	-0.4	-2.0	-1.4	-1.9	4.5	2.7
Industrial	2.2	0.7	0.7	1.2	-3.0	-3.0	1.2	-0.3	2.4	2.6	7.0	5.3
Standard Retail	0.9	-0.2	0.3	0.7	-4.3	-4.3	1.0	-0.8	0.3	0.6	6.1	4.1
Shopping Centre	0.7	-0.2	0.3	0.6	-5.9	-4.3	0.5	-1.4	-1.0	0.9	6.0	3.9
Retail Warehouse	0.6	0.1	0.5	0.7	-6.3	-4.2	1.0	-1.2	-1.0	1.5	6.9	4.5
All Property	1.3	-0.7	0.0	0.6	-5.3	-4.4	0.5	-1.2	-0.4	0.6	5.7	3.9

* Source: The Investment Property Forum UK Consensus Forecasts (August 2016)

1) Capital Inflows into the Regions

- There has been a slowdown in the level of investment activity over the course of the first half of 2016, with investor caution being attributable to the mounting uncertainty generated by the EU referendum
- In H1 2016, total investment in commercial property reached £24.2bn; regional commercial property was £17.1bn
- Currently occupational market sentiment remains robust and investors continue to be positive
- Capital continues moving towards the UK's regions





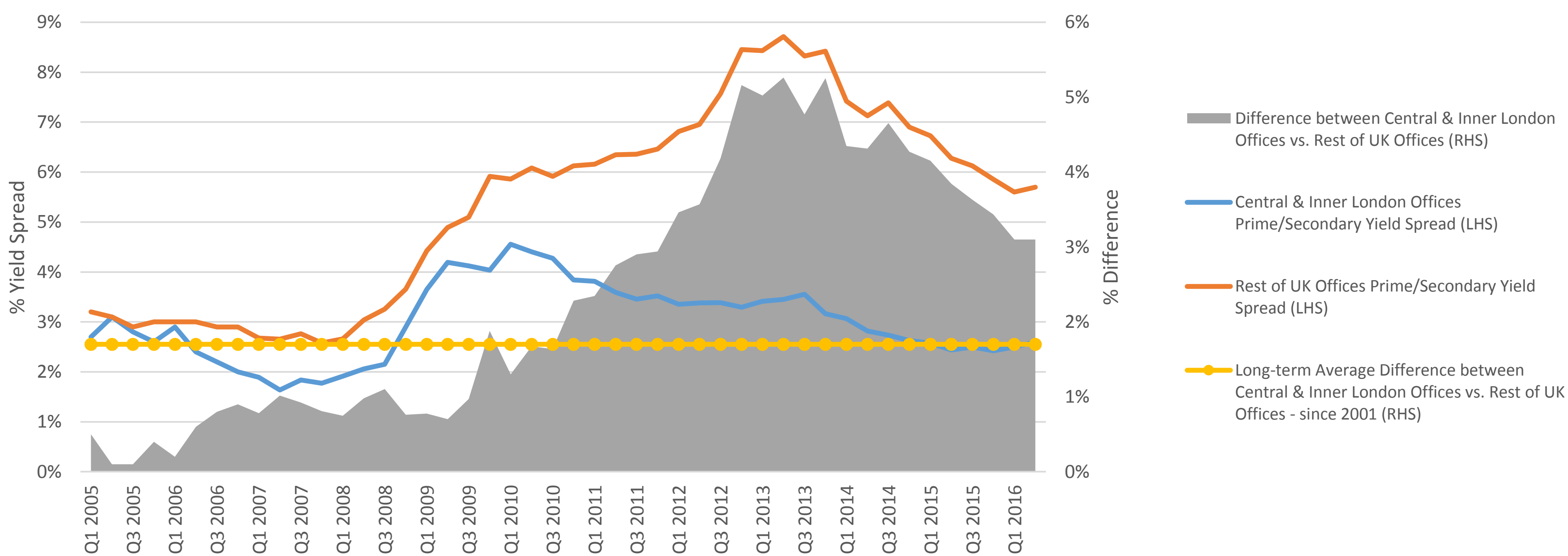
Source: Cushman & Wakefield Research (August 2016)

2) Secondary Set to Outperform Prime

Yield spread narrows towards long-term average

- **The spread between prime and secondary commercial property yields has fallen from the historic highs of 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 (August 2016)

3) Stronger UK-wide Economy

Supports strong tenant demand

There is growing tenant demand for regional property:

- UK economy continues to grow - consensus forecasts published by HM Treasury have GDP rising 1.6% in 2016 and 0.7% in 2017
- A substantial uplift resulted in an employment rate of 74.5% (July 2016), the highest since 1971. Was largely service-based, resulting in increased tenant demand for regional commercial office properties
- The Bank of England's Monetary Policy Committee cut interest rates to 0.25% in August 2016
  - 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

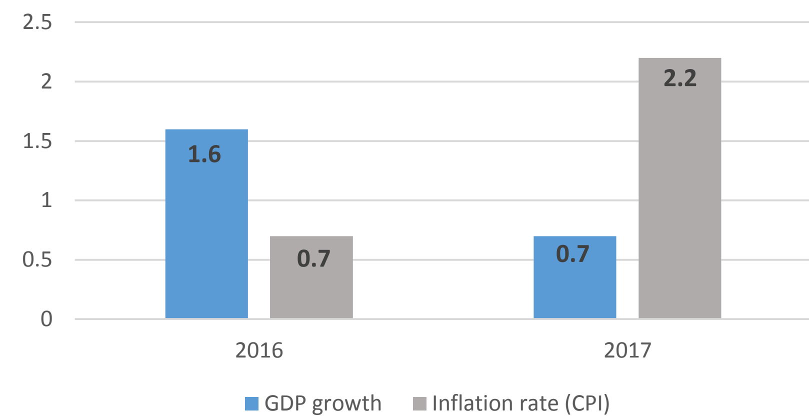
Combined with a lack of supply:

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

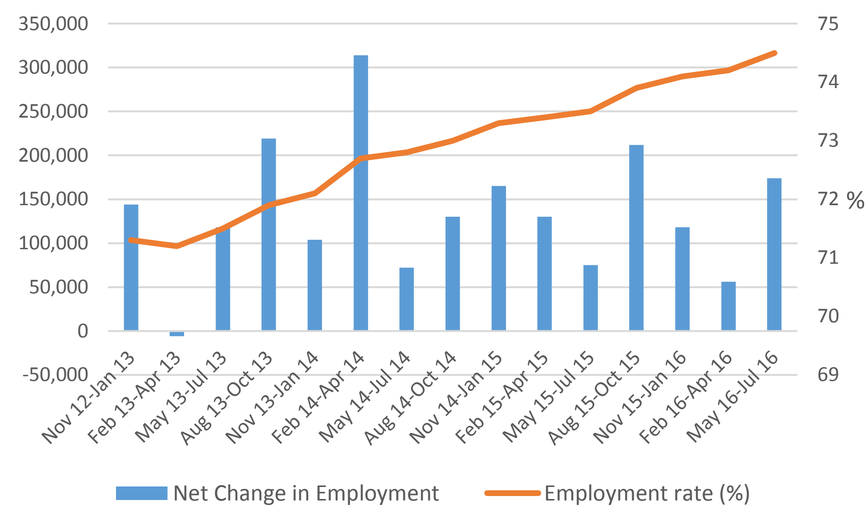
An opportunity for occupancy, then rents to rise:

- Increased 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 %*



Net Change in Employment**



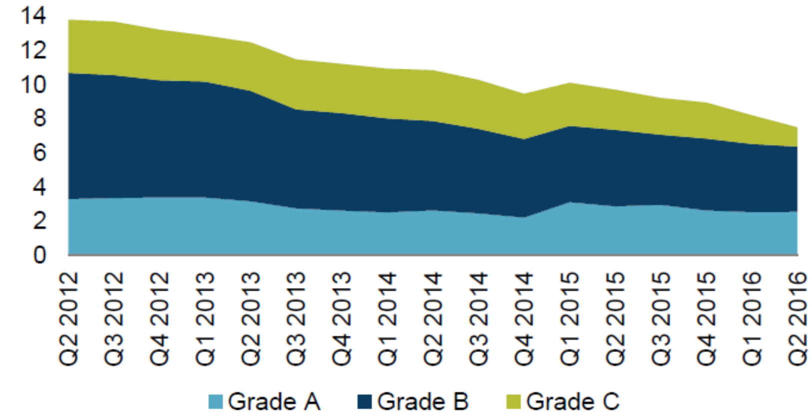
* HM Treasury "Forecasts for the UK economy: a comparison of independent forecasts" (August 2016) and Bloomberg (September 2016)
** ONS (September 2016)

4) Opportunity for Regional Offices

Demand increasing – Supply limited

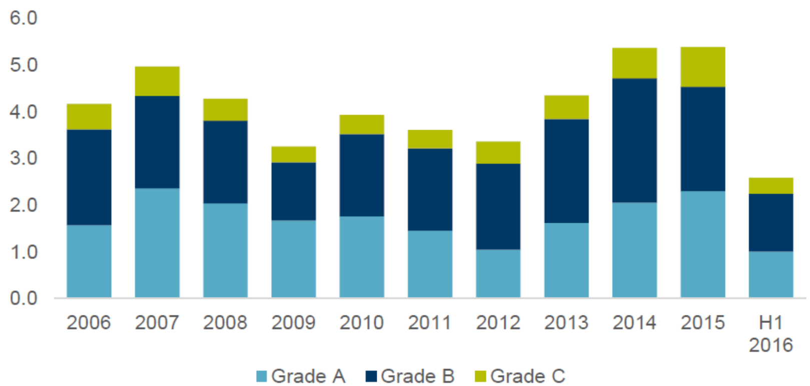
- Research from Cushman & Wakefield indicates positive market sentiment following the EU referendum across regional markets, with no sign of deals collapsing at the beginning of Q3'16
- Take-up of office space within the main regional markets reached 2.6 million sq. ft. in the first half of 2016
- Development pipeline of approximately 5.4 million sq. ft. (2017-2019) means an increase in office supply to the regions
- There was a decline in availability of 10% in the first half of 2016. Fragmented availability for Grade A space has resulted in an increase in pre-lets for larger lettings

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



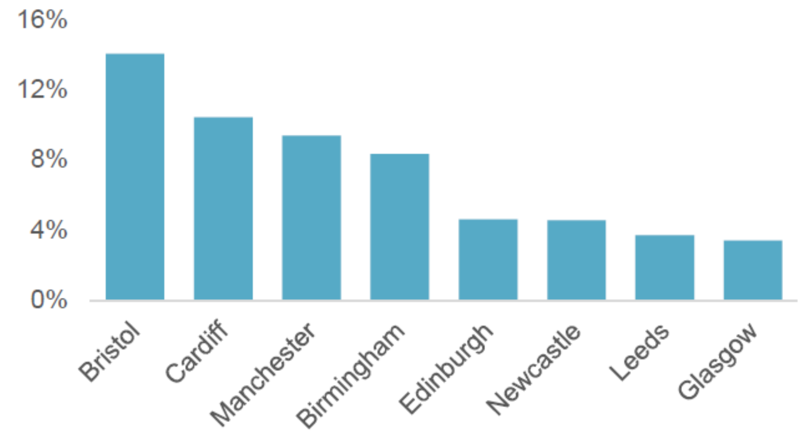
Source: Cushman & Wakefield Research (September 2016)

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



Source: Cushman & Wakefield Research (September 2016)

Three-year rental growth by regional City (%)



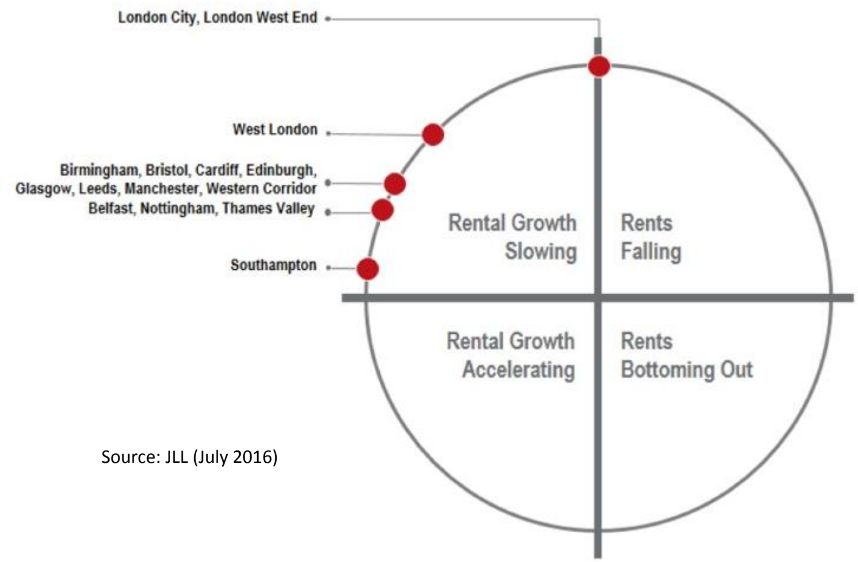
Source: CoStar (September 2016)

4) Opportunity for Regional Offices (continued)

Rental growth accelerating in regional markets

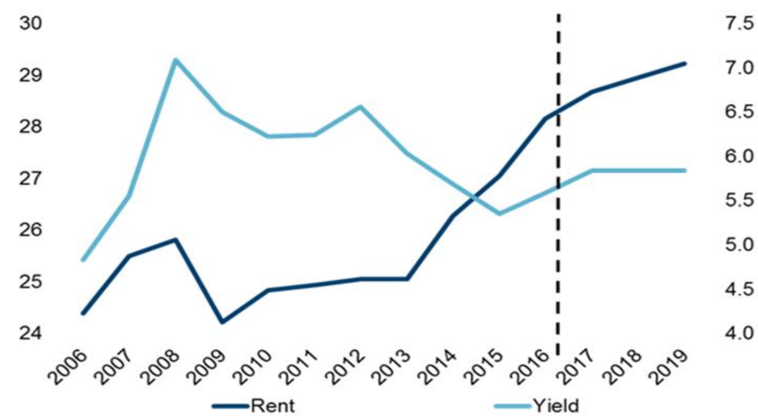
- Against a backdrop of rising demand and limited supply all regional office markets were showing nascent signs of rental growth. However, JLL now indicates that there were signs of a slowdown in rental growth in Q2 2016
- Cushman & Wakefield estimates that:
  - Overall, availability fell 8% in Q1 2016
  - Prime rental growth across the core 8 regional office markets will increase by an average 9% over the period 2016-19
- With the very low vacancy rates within prime properties, the Asset Manager still 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 (Q2 2016) – The JLL Property Clock SM



Source: JLL (July 2016)

Average rent (£ per sq. ft.) (LHS) and yield (%) forecasts (RHS)



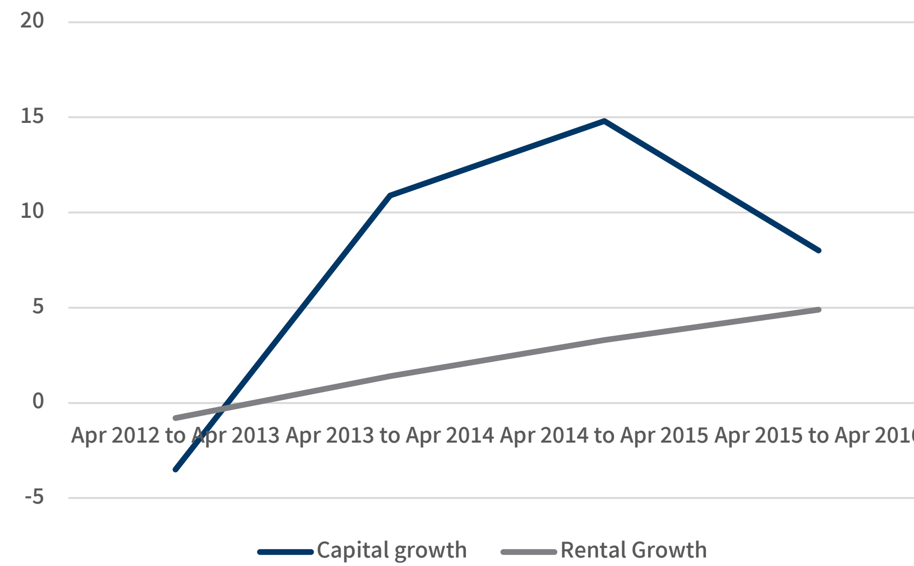
Source: Cushman & Wakefield Research (September 2016)

5) Opportunity for Regional Industrial

Demand increasing – Supply limited

- Limited supply of multi-let industrial estates under development, mainly large Grade A pre-let space. Very little additional supply of multi-sized, multi-let industrial estates
- Industrial rents now in a sustained period of growth, due to the demand-supply imbalance
- 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

Capital and rental growth – Rest of UK Industrial



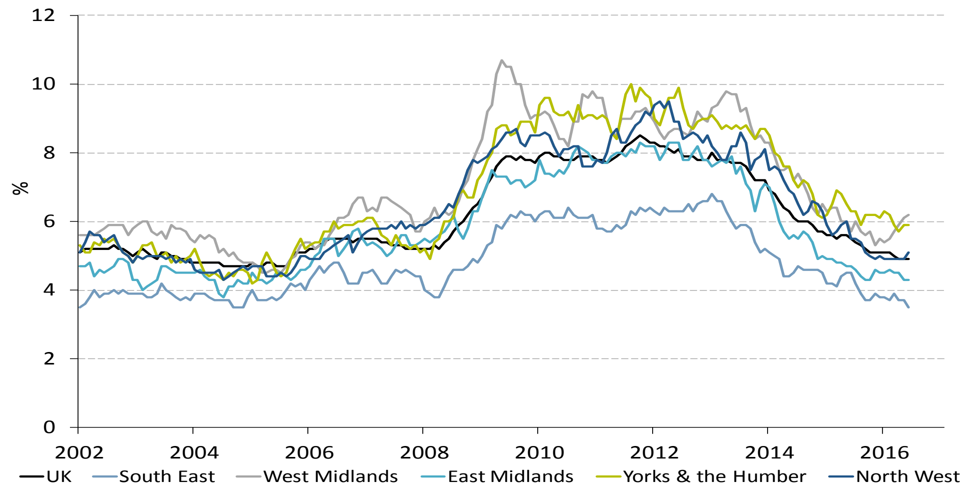
Source: IPD (July 2016)

6) 'Northern Powerhouse'

'Northern Powerhouse' – regional prospects

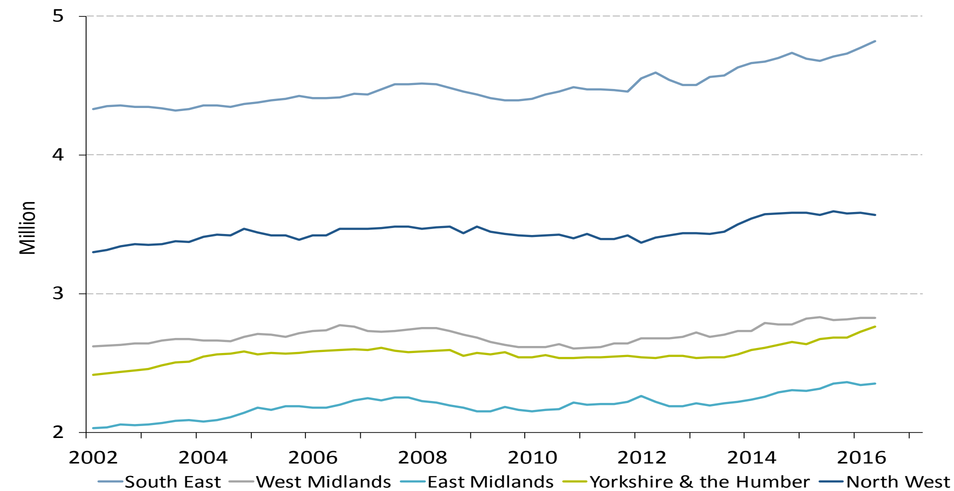
- England's Midlands and Northern regions growth case
- Sectoral exposure to more competitive Sterling
  - Car manufacturing and export-focused engineering
  - Production output grew 2.1% yoy (July 2016)
- Service sector employment is now at all time highs across almost all regions
- Higher educational institutions with exposure to foreign students
  - Non-EU 'foreign' students up 11.1% (2014-15 vs 2009-10, whole UK)
  - Total non-UK students up 7.8% (whole UK)
- Strength of regional labour market
  - Impressive declines in unemployment
  - Rises in employment
  - Increased business formation
- Relaxed fiscal and monetary policy backdrop

UK Regional Rates of Unemployment (ILO Definition)



Source: ONS (September 2016)

UK Regional Workforce Numbers



Source: ONS (September 2016)

Appendix 3

Regional REIT UK Property Portfolio

High Yielding Portfolio set for UK Regional Market Recovery

Portfolio details at 30 June 2016

	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	60	313.4	62.5%	2.64	81.9%	3.3	27.7	25.1	12.8	33.2	118.50	7.2%	8.4%	9.4%
Industrial	29	145.9	29.1%	4.17	82.3%	3.7	12.7	11.0	3.7	14.8	34.97	7.0%	8.8%	9.4%
Retail	37	39.8	8.0%	0.34	84.9%	5.2	3.2	2.5	11.2	3.8	117.25	6.3%	8.1%	8.7%
Other	3	2.2	0.4%	0.04	8.7%	4.1	0.1	0.1	15.9	0.1	50.05	4.9%	7.0%	5.3%
Total	**128**	**501.3**	**100.0%**	**7.19**	**81.8%**	**3.6**	**43.7**	**38.7**	**7.4**	**51.9**	**69.63**	**7.1%**	**8.5%**	**9.3%**

	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	44	132.7	26.5%	2.36	82.2%	3.7	12.3	10.8	6.3	14.8	56.20	7.6%	9.4%	10.4%
South East	18	101.0	20.1%	0.95	85.8%	2.9	9.2	7.9	11.3	9.7	106.75	7.0%	7.3%	8.3%
North East	19	84.1	16.8%	1.36	83.9%	2.5	7.1	6.5	6.3	8.3	61.74	7.1%	8.3%	9.1%
Midlands	23	80.6	16.1%	1.07	77.9%	3.6	6.9	6.2	8.3	7.7	75.03	7.0%	8.2%	8.7%
North West	15	59.9	11.9%	1.02	87.9%	5.5	5.5	4.9	6.1	6.5	58.84	7.6%	9.3%	9.9%
South West	7	24.9	5.0%	0.22	42.1%	2.7	1.2	1.4	13.1	3.2	111.95	4.7%	8.5%	10.5%
Wales	2	18.1	3.6%	0.21	80.5%	5.2	1.5	1.0	8.6	1.7	84.21	5.4%	8.0%	8.6%
Total	**128**	**501.3**	**100.0%**	**7.19**	**81.8%**	**3.6**	**43.7**	**38.7**	**7.4**	**51.9**	**69.63**	**7.1%**	**8.5%**	**9.3%**

Net yields are based on gross rental income after voids and irrecoverable costs and based on standard purchasers costs of approximately 6.8%
Note: Reversionary yield excludes expired leases

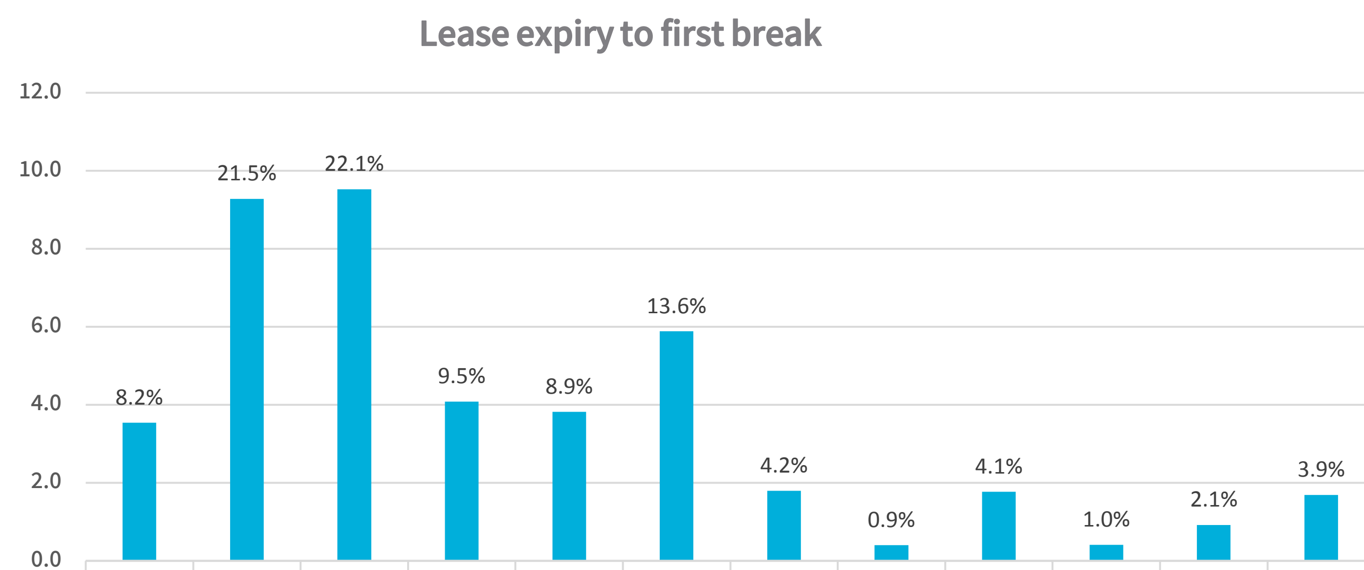
Top 15 Investments (market value) as at 30 June 2016

Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (ft²)	Let by area (%)	Annualised gross rent (£m)	WAULT to first break (years)
Tay House, Glasgow	Office	Barclays Bank Plc, Glasgow University	32.9	6.60%	156,933	69.10%	2.2	5.0
Juniper Park, Southfield Industrial Estate, Basildon	Industrial	Schenker Ltd, Vanguard Logistics Services Ltd, Telent Technology Services Ltd, Tigers Global Logistics Ltd	21.6	4.30%	296,100	70.00%	1.5	1.9
Buildings 2 & 3, Aylesbury	Office	Scottish Widows Limited	21.4	4.30%	146,936	100.00%	2.3	3.3
Wardpark Industrial Estate, Cumbernauld	Industrial	Thomson Pettie Limited, Cummins Limited, Balfour Beatty WorkSmart Limited, Bunzl UK Limited	19.6	3.90%	707,775	89.20%	2.3	2.7
One and Two Newstead Court, Nottingham	Office	E.ON UK plc	15.5	3.10%	146,063	100.00%	1.5	2.6
Hampshire Corporate Park, Chandler's Ford, Eastleigh	Office	Aviva Health UK Limited, Royal Bank of Scotland plc	15.2	3.00%	85,422	100.00%	1.4	2.6
Columbus House, Coventry	Office	TUI Northern Europe Limited	14.7	2.90%	53,253	100.00%	1.1	7.5
Road 4 Winsford Industrial Estate, Winsford	Industrial	Jiffy Packaging Limited	13.0	2.60%	246,209	100.00%	0.9	18.3
1-4 Llansamlet Retail Park, Swansea	Retail	Steinhoff UK Group Property Limited, Wren Living Limited, Halfords Limited	12.6	2.50%	71,615	85.70%	1.0	6.8
Arena Point, Leeds	Office/Retail	Grosvenor Casinos Ltd, JD Wetherspoon PLC, Expotel Hotel Reservations Ltd	12.3	2.50%	98,856	82.00%	0.8	1.9
The Point, Glasgow	Mixed use	See Woo Foods (Glasgow) Limited, Howden Joinery Properties Limited, Euro Car Parts Limited	11.0	2.20%	193,861	89.00%	0.8	6.8
Oaklands House, Manchester	Office	HSS Hire Service Group Limited, Rentsmart Ltd	10.3	2.10%	161,768	80.00%	1.1	4.3
Portland Street, Manchester	Office	Mott MacDonald Limited, New College Manchester	10.0	2.00%	54,959	94.50%	0.7	3.2
CGU House, Leeds	Office	Aviva Insurance Limited	9.7	1.90%	50,763	100.00%	1.0	1.3
Chancellor Court, Leeds	Office	St James Place Wealth Management Group plc, The Legal Aid Agency	9.2	1.80%	41,818	100.00%	0.8	3.1
Total			**229.0**	**45.70%**	**2,512,331**		**19.4**	

Stable Income Profile - Lease Expiries as at 30 June 2016

Having a large number of tenants offers income diversification and security

- Number of units: 974
- Number of tenants: 719
- Combined contracted rent roll: £43.7m
- WAULT of 5.0 years
- WAULT to first break of 3.6 years



	2016 (6 months)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027+
Headline rent £m	3.54	9.28	9.53	4.08	3.82	5.88	1.80	0.40	1.77	0.41	0.92	1.69

REGIONAL REIT

Top 15 Tenants (share of rental income) as at 30 June 2016

Stable income profile - income protection core to management objectives

Tenant	Property	Sector	WAULT (break if applicable) years	Sq. ft.	% of Gross rental income
Scottish Widows Limited	Buildings 2 & 3, Aylesbury	Banking/ Insurance	3.3	146,936	5.30%
Barclays Bank Plc	Tay House, Glasgow	Banking	9.3 (5.4)	78,044	3.70%
E.ON UK Plc	One and Two Newstead Court, Annesley, Nottingham	Energy	5.7 (2.6)	146,063	3.50%
TUI Northern Europe Ltd	Columbus House, Coventry	Travel and tourism	7.5	53,253	2.60%
Aviva Health UK Ltd	Hampshire Corporate Park, Chandler's Ford, Eastleigh	Insurance	1.8	64,486	2.40%
Aviva Insurance Ltd	CGU House, Leeds	Insurance	1.3	50,763	2.30%
The Secretary of State for Communities & Local Government	Bennett House, Hanley, Sheldon Court, Solihull, & Oakland House, Manchester	Government	3.0 (1.1)	74,886	2.10%
Jiffy Packaging Ltd	Road 4 Winsford Industrial Estate, Winsford	Manufacturer of PE/PP foam	18.3	246,209	2.10%
The Secretary of State for Transport	St Brendans Court, Bristol, & Festival Court, Glasgow	Government	5.3 (2.3)	55,586	1.60%
Lloyds Bank Plc	Victory House, Meeting House Lane, Chatham	Banking	1.9	48,372	1.50%
The Scottish Ministers c/o Scottish Prison	Calton House, Edinburgh	Government	1.3	51,914	1.40%
Europcar Group UK Ltd	James House, Leicester	Car rental	5.0	66,436	1.40%
Schenker Ltd	Juniper Park, Basildon	Freight transport	1.0	86,548	1.30%
Office Depot UK Limited	Niceday House, Meridian Park, Andover	Retailer of office supplies	2.6	34,262	1.30%
W S Atkins (Services) Ltd	Century Way, Thorpe Park, Leeds	Consultancy (engineering)	2.1	32,647	1.20%

Case Study - Portfolio Acquisition Q1 2016: Wing Portfolio

Oakland House, Manchester

- Front of house works undertaken to improve immediate presentation to include installation of coffee facility/improvements to washroom facilities/relining all external road areas/creation of external garden/picnic area/progression of high-level external illuminated signage

Arena Point, Leeds

- Marketing campaign launched with new name (formerly Tower North Central) and branding. Application for high-level illuminated signage advanced
- 10th floor refurbished in anticipation of early letting
- Design and specification completed in respect of foyer refurbishment, creation of basement shower/cycle hub and refurbishment of ground, sixth and seventh floors
- Lease of 18th floor re-geared for 6-years from August 2016 at £41,000 pa subject to tenant break at third year
- Lock out period in place with respect of sale of podium area

Northern Cross, Basingstoke

- Suite B1 let to BNP Paribas from July 2016 to 2029 with tenant break option in 2024 to tie-in with the tenant's other leases in the building at a rent of £7,150 pa
- Progressing refurbishment of common staircase and external works to elevations

Tokenspire Business Park, Beverley

- Tenant of Unit 2a upsized from 2,000 sq. ft. to Unit 4a (3,511 sq. ft.) on a 4-year lease with a tenant break at 2-years from July. Headline rent agreed at £15,000 pa
- Unit 9a, 4,189 sq. ft., let from July for 5-year lease, tenant break at year 3, at headline rent of £9,500 pa
- Tenant of Unit 34 upsized from 3,880 sq. ft. to Unit 35 (23,897 sq. ft.) on a 5-year lease with a tenant break at year 3 from May. Headline rent agreed at £60,000 pa

Under Offer:

- Existing tenant at Unit 12 (12,166 sq. ft.) has agreed to extend at a headline rent of £27,000 pa for a period of 5-years
- Existing tenant at Unit 21 (2,990 sq. ft.) has agreed to extend their lease at an increased headline rent of £16,500 pa for a period of 3-years
- Existing tenant at Units 31 & 32 (22,586 sq. ft.) has agreed to extend for a period of 6-years with tenant break at year 2. The rent is to increase to a headline rent of £90,000 pa

Oakland House, Manchester

Arena Point, 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

Case Study - Portfolio Acquisition Q1 2016: Rainbow Portfolio

Aylesbury
- Building 2 – agreement for lease secured with Equitable Life at £426, 360 pa for the concurrent re-letting of the first and second floors on expiry of the Lloyds Bank Group lease for a 10-year term subject to tenant break options

Aztec 800, Bristol
- Design scheme nearing finalisation for refurbishment
- Interest from potential occupier

Cardiff
- Unit 10 (5,433 sq. ft.) let from June on 5-year term at headline rent of £24,426 pa
- Unit 5 (6,190 sq. ft.) let from September on 5-year term at headline rent of £27,855 pa with tenant break at third year
- Unit 16 (6,710 sq. ft.) under offer for new 5-year lease at headline rent of £31,549 pa
- Unit 12 (5,638 sq. ft.) agreed 2-year extension at £25,500 pa with existing tenant to provide concurrent lease expiry with lease of Unit 13

Pitreavie Business Park
- Tenant agreed to remove their February 2017 option to break. Expiry date is now February 2022 with the rent stepping up to a headline rate of £268,038 pa

Phoenix Business Park, Paisley
- Tenant of first Floor, Phoenix House, 4,706 sq. ft., agreed to remove their December break option subject to the headline rent being realigned to our estimated rental value of £47,060 pa. The break has been removed and the expiry date is now December 2021
- Suite One, Ground Floor, Phoenix House, 2,402 sq. ft., let from September for 5 years with a tenant break at year 3, at a headline rent of £24,020 pa
- Ground Floor, Suite One, Trojan House, 1,701 sq. ft., is currently under offer. The deal agreed is based on a 10-year lease at a headline rent of £17,000 pa

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

Case Study – Offices: Buildings 2 & 3, Aylesbury

Into a buoyant local market, adding value through new lettings, refurbishment and upgrading of voids

Investment Overview

- Acquired in March 2016 as part of Rainbow
- Two purpose built high specification ‘HQ-style’ buildings in a ‘campus style’ environment, let to Lloyds Banking Group (LBG)
- Town centre location with good transport links and proximate to key shopping centres
- Suitable for regional businesses and as a ‘well located space’ outside London

Investment Strategy

- Building 1 remains let to LBG until November 2021
- Building 2 is let to LBG, with the first and second floors sublet to Equitable Life. LBG served a Notice to Quit in March 2016 on 66,833 sq. ft.. Equitable Life’s sub-leases set to expire shortly before that of the LBG tenancy
- Agreed break terms with LBG .
- Secured new 10-year leases with Equitable Life, for £426,360 pa, for the concurrent re-letting of the first and second floors along with refurbishment of the floors in the first 2-years of the new tenancy
- Refurbishment plans for an updated contemporary entrance and an atrium with upgraded shared service facilities
- 38,409 sq. ft. to be let over the ground, third and fourth floors. Opportunity with Aylesbury at a competitive rental discount to other office markets in the area

Case Study – Offices: Rosalind House, Basingstoke

Lease surrender with re-let and refurbishment, enhancing the capital value

Investment Overview
- Acquired in December 2015
- 26,448 sq. ft. out-of-town modern office building
- Let to Level 3 Communications (L3C) until September 2020, with a lease break in September 2017
- L3C not in occupation

Investment Strategy
- Agreed lease surrender with L3C, with overall settlement basis including c. £890,000 for dilapidations
- Lease agreement with New Voice Media Limited (NVM) – whose interest we knew of in advance of our purchase of the asset – for 10-years, at £394,755 pa, with a tenant break on the sixth anniversary and rent review at year 5
- Landlord refurbishment works completed ahead of occupation, at a cost of c. £820,000
- NVM lease commenced 1 June 2016
- Capital value improvement to £4.3m at 30 June 2016 (from £3.0m at 31 December 2015), a 43% increase

Case Study – Offices: The Oaks, Westwood Business Park, Coventry

Lease surrender with re-let and active management of tenant providing enhancement to the capital value

Investment Overview

- Acquired in February 2015
- Two adjacent standalone 'HQ-style' business park offices, Buildings 1 and 2
- Premier Coventry office location. Westwood Business Park includes large-scale operations of E.ON and TUI
- Building 1 occupied by the Local Government Ombudsman (LGO) – notified of intention to vacate on lease expiry, September 2015
- Building 2 occupied by Fraikin – on lease renewal in 2014 secured a very favourable re-gear with a significant reversionary position

Investment Strategy

- During due diligence ahead of acquisition we secured interest on Building 1 from a Chinese-funded school seeking a presence in the area
- Assisted school with securing relevant operational and change of use consents. Agreed 10-year lease, for £218,225 pa, with the school responsible for the capital costs of conversion
- LGO settlement on exit for dilapidations on Building 1
- Ongoing discussions with Fraikin for early renewal terms or to secure vacant possession with aim of re-letting
- Capital value improvement of £4.4m at 30 June 2016 (from £3.795m at 31 December 2015), a 16% increase

Case Study – Industrial: Thames Trading Estate, Irlam, Manchester

Adding value through intensive asset management

Investment Overview

- Acquired in August 2014
- 18-unit industrial estate with a total area of c. 31,000 sq. ft.. Unit sizes of 1,500 sq. ft. to 2,000 sq.ft.
- Estate underperforming at acquisition; 46% void rate

Investment Strategy

- Rolling programme of refurbishment enhancing the units – for example, new galvanised steel roller shutter doors – drainage repairs and agreement with adjoining owner to improve vehicle movements through the estate
- Appointed new letting agents and launched an improved marketing campaign
- Rent roll improved by 71.5%, to £120,849 pa, with the void rate reduced to 17% and still falling

Case Study – Industrial: Wardpark Industrial Estate, Cumbernauld

Letting and regears. Considering disposal on completion of asset management programme

Investment Overview

- Strategically located industrial estate with direct access to Central Scotland's motorway triangle
- 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.
- Offered for sale with strong investor interest
- Decision to retain based on outlook for stronger rental growth – proximate to the new Scottish Film Centre

Case Study – Retail: Unit 4, The Point, Glasgow

Reconfiguration in response to local market demand

Investment Overview

- Industrial warehouse unit of 11,250 sq. ft., with Class 1 retail consent. Part of Regional REIT's larger estate holding of 158,741 sq. ft.
- Let on a 25-year lease, with a break in 2026; trading as a retail plaza for the Chinese community
- Business traded unsuccessfully and had accrued substantial arrears

Investment Strategy

- Demand from two trade counter operators, Travis Perkins and Toolstation, for the unit split into two parts
- Lease surrender agreed with existing tenant, along with dilapidation works and arrears repayment plan
- Lease agreement for 10-years, with a tenant break on sixth anniversary. Improved rental, £7psf, set new headline rate for the estate
- Conversion works completed with the tenant having taken entry
- Capital value improvement of 11% at 30 June 2016
- Subsequent rent review of another unit on the estate agreed at the new headline rate

Case Study – Retail: Llansamlet Retail Park, Swansea

Completion of asset management plan and preparation for potential disposal

Investment Overview

- Acquired in August 2014
- Six unit 71,615 sq. ft. retail park with bulky goods only consent. Located on southern edge of the city adjacent to the M4 and a Tesco Extra

Investment Strategy

- Following acquisition Regional REIT completed the planned sub-division of Unit 1 into two smaller retail units which were then let
- Recently completed a 10-year lease in respect of final void (Unit 4b) to Tapi carpets, for £139,901 pa. Regional REIT will refurbish with new contemporary glazed frontage and full height external canopy, matching adjacent units to provide shell finish
- Completion of Unit 4b letting will lift site rental income c. 19%, to £858,409 pa
- Secured planning consent for a 'drive-thru' coffee shop or fast - food outlet
- Potential disposal. 30 June 2016 valuation of £12.6m

Appendix 4

Commercial Property Sector Exposures

Regional Offices – 62.5% of portfolio at 30 June 2016

	Properties	Valuation £m	% by valuation	Sq. ft. (mil)	Occupancy %	Average lease length (yrs)	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	60	313.4	62.5%	2.64	81.9%	4.83	3.3	27.7	25.1	12.8	33.2	118.5	7.2%	8.4%	9.4%

- 2.64m sq. ft. of UK office property
- Low average rent of £12.8psf
- Well located in the UK's markets to gain for uptick in regional office demand

Well exposed to key UK regions	Office portfolio by value
Birmingham	2.5%
Bristol	5.0%
Edinburgh	2.3%
Glasgow	22.5%
Leeds	14.6%
Manchester	7.2%
Total Big 6 regional office markets	54.1%
South East	20.9%
Other	25.0%

Regional Industrial – 29.1% of portfolio at 30 June 2016

Properties	Valuation	Sq. ft.	Occupancy %	Average lease length	WAULT to first break	Net rental income £m	Average rent £psf	ERV £m	Capital rate £psf
29	£145.9m	4.17m	82.3%	5.12yrs	3.7yrs	11.0	£3.7psf	£14.8m	34.97

- 4.17m sq. ft. of UK industrial property
- Low average rent of £3.7psf
- 365 units, of which 101 are vacant

Yield (%)	RR Ltd
Net initial	7.0%
Equivalent	8.8%
Reversionary	9.4%

Regional Retail & Other – 8.4% of portfolio at 30 June 2016

	Properties	Valuation	Sq. ft.	Occupancy %	Average lease length	WAULT to first break	Net rental income £m	Average rent £psf	ERV £m	ERV £psf
Retail	37	£39.8m	0.34m	84.9%	6.67yrs	5.2yrs	2.5	£11.2psf	£3.8m	£11.31psf
Other	3	£2.2m	0.04m	8.7%	4.15yrs	4.1yrs	0.1	£15.9psf	£0.1m	£2.75psf

Retail

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

	Net initial	Equivalent	Reversionary
Retail	6.3%	8.1%	8.7%
Other	4.9%	7.0%	5.3%

Appendix 5

External Managers

Roles of the Asset Manager and the Investment Manager

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 the 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 39 people, including: 20 property managers, 10 finance team and 3 support staff as at 30 June 2016

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% (can 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

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Copies of the 2015 Annual Report & Accounts of Regional REIT are available from the registered office of Regional REIT and on the Group's website at www.regionalreit.com.

Regional REIT Limited Contact Information

Website:

www.regionalreit.com

Investor Relations:

James S Johnson

+44 (0) 20 7845 6107/+44 (0) 7342 994 390

jjohnson@regionalreit.com or investor@regionalreit.com