



Investor Presentation – Half year to 30 June 2018
September 2018

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

- Introduction
- Financials and Portfolio
- Market Overview and Outlook



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- EPRA NAV – diluted £426.5m(+8%), asset management initiatives delivering, revaluation increases of £27.9m and disposal gains of £7.2m
- EPRA NAV – diluted 113.6pps (+7.7pps)
- LTV 41.2% (reduced by 380bps), proactive and disciplined approach to capital management
- Total Accounting Return since IPO 32%, annualised 11%, in line with target to deliver 10%+
- Dividend declared for H1 2018 3.70pps (H1 2017: 3.60pps) (+3%), dividend continues to grow
 - Board committed to a FY 2018 dividend of 8.05pps

Post 30 June 2018

£50m Retail Eligible Bond admitted 6 August to trading on London Stock Exchange

Tay House, Glasgow



- Sold 20 properties for £60.4m* (after costs) at a weighted average net initial yield of c.4.9%
- Bought 7 properties for £40.1m (before costs) with a weighted average net yield of c.8.4%
- Property portfolio £758.7m increase of £21.4m from 31 Dec 17
- Occupancy by value increased to 85.5% from 85.0% as at 31 Dec 17
- Capital rate per sq. ft.
Office: £129.86 per sq. ft.
Industrial: £42.75 per sq. ft.
- Scotland exposure reduced to 21.9% from 22.4% as at 31 Dec 17

Post 30 June 2018

Sale - Arena Point, Leeds £12.2m development site (30 June 18 valuation £3.9m)

Sale - Wardpark, Cumbernauld £26.4m multi-let industrial (+21.1% over 31 Dec 17 valuation, +7.6% over 30 June 18 valuation)

Sale – Turnford Place, Cheshunt, £17.25m office (+20.6% over 31 Dec 17 valuation, +6.2% over 30 June 18 valuation)

Acquisition £31.4m office regional portfolio, reflecting a net initial yield of 8.7%

Sales reduce Scotland exposure further to c.18% of portfolio

Arena Point, Leeds



*Figure includes 4 part property sales

Financials and Portfolio

Portfolio change -
targeted and opportunistic
acquisitions; disposals when asset
management initiatives achieved



	Dec 2017	June 2018	Change*
Investment Property	£737.3m	£758.7m	+£21.4m
Acquisitions before costs	£228.1m	£40.1m	+£188.0m
Acquisition Net Initial Yield	7.9%	8.4%	+50bps
Disposals net	£16.9m	£60.4m	+£43.5m
Disposal Net Initial Yield	6.3%	4.9%	(140 bps)

Portfolio exposure -
continued reduced exposure to
Scotland by value



Office and Industrial	90.6%	91.3%	+70bps
Scotland**	22.4%	21.9%	(50bps)

Debt -
proactive and disciplined approach



Weighted Average Cost of Debt	3.8%	3.8%	0bps
Weighted Average Duration	6.0yr	5.4yr	(0.6yrs)

Return -
continued strong returns with a
progressive dividend policy



Total Accounting Return since IPO***	19.9%	32.0%	+1210bps
Total Annual Accounting Return	8.8%	11.0%	+220bps
Dividends declared (2017: 7.85pps)	3.6pps (30 June 17)	3.7pps	+0.1pps

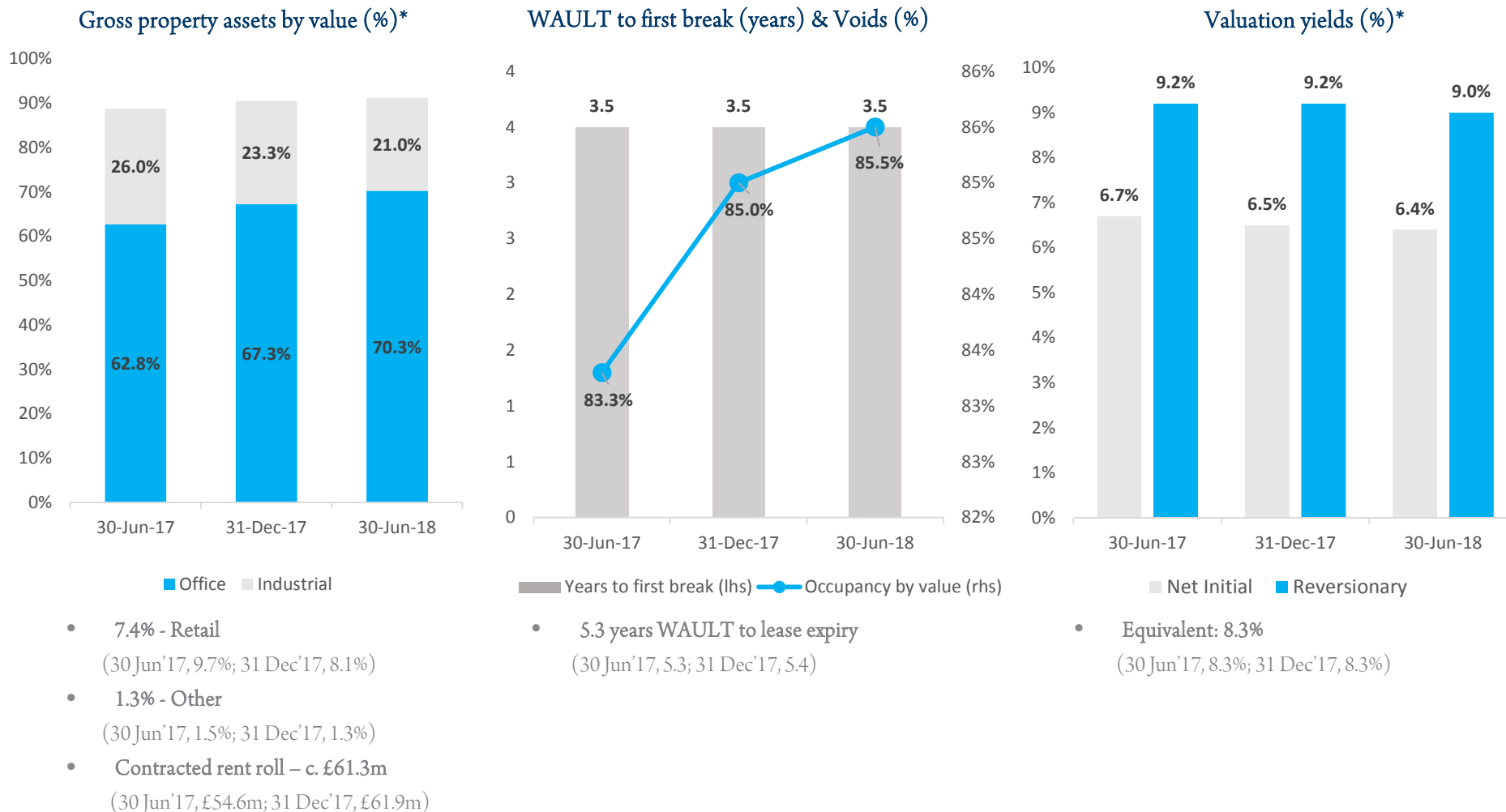
*Rounded to whole numbers

** Exposure to Scotland continues to be reduced with a long-term target of 15%

***IPO 6 November 2015 - NAV plus dividend

Diversified office-led portfolio focussed on the UK regions

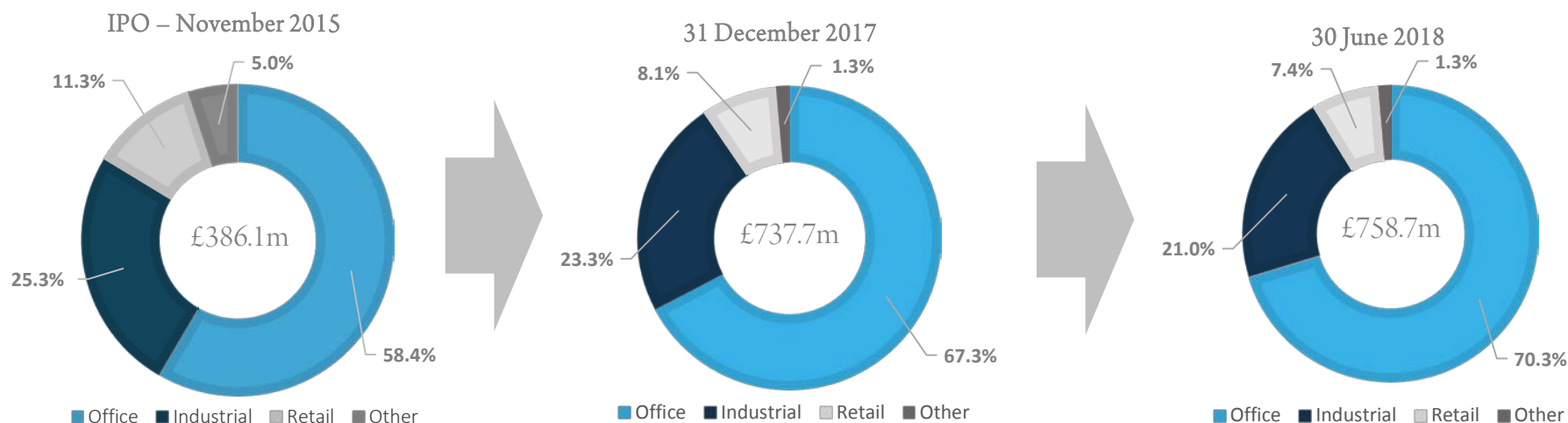
Property - £758.7m gross investment properties



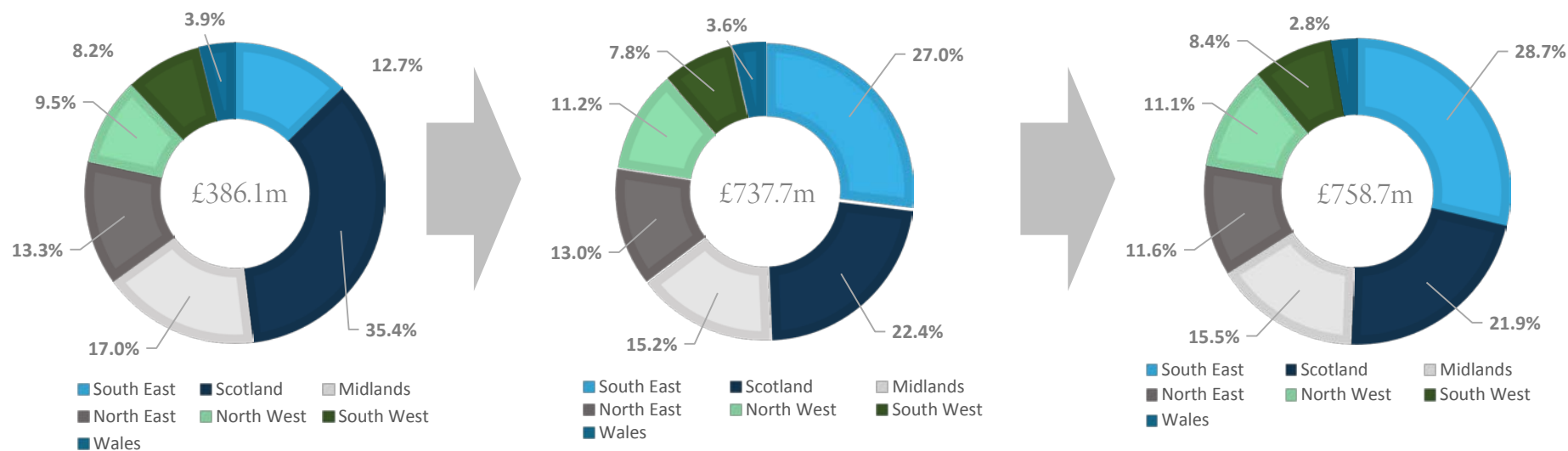
*Figures based on Cushman & Wakefield and JLL valuations as at 30 June 2018

£758.7m Property Portfolio as at 30 June 2018

SECTOR SPLIT (% by value)



REGIONAL SPLIT (% by value)

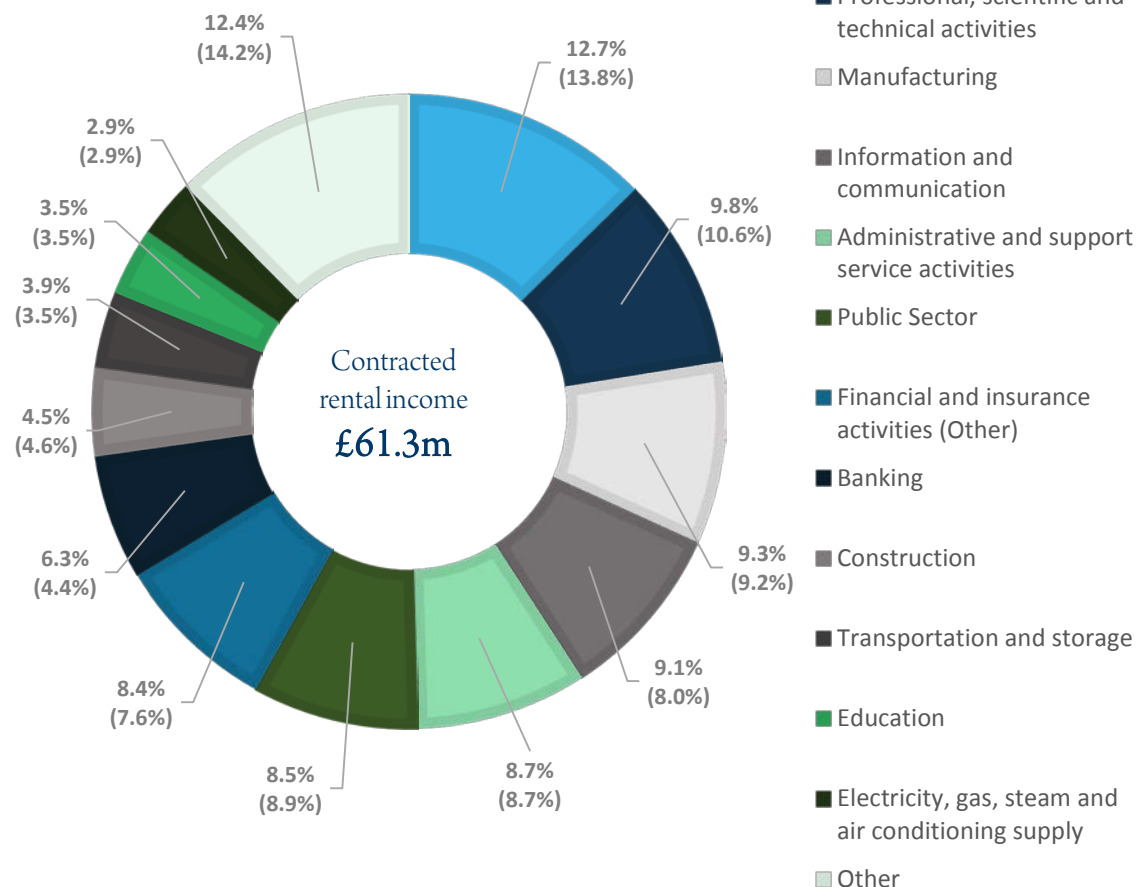


Tenant Profile

- Large mix of tenants across a variety of sectors offers income diversification and security of lease renewals.
- No tenant represents more than 2.7% of the Group's contracted rent roll as at 30 June 2018
- Top 15 tenants represent only 23.9% of the Group's contracted rent roll.

IPO- November 2015	30 June 2018
517 Tenants	950 Tenants
713 Units	1,294 Units

TENANTS BY SIC CODES, as a % of gross rent



Charts may not sum due to rounding

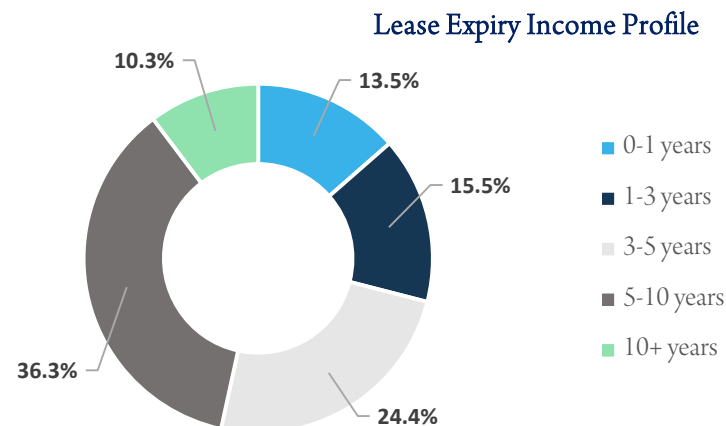
	Half year ending 30 June 2017	Half year ending 30 June 2018	Change*
Rental income	£23.0m	£30.6m	+£7.6m
EPRA cost ratio	37.7%	41.8%	+410bps
Adj. EPRA costs ratio (excl. Performance Fee)	33.7%	28.1%	(560bps)
Operating profit before gains/losses on property assets/other investments	£14.3m	£17.6m	+£3.3m
EPS (fully diluted)	5.6pps	12.0pps	+6.4pps
EPRA EPS (fully diluted)	2.9pps	2.6pps	(0.3pps)
EPRA EPS (excl. Performance Fee)	3.2pps	3.8pps	+0.6pps
Dividend declared for the period	3.6pps	3.7pps	+0.1pps

- Rental income stable for the six months to 30 Jun 2018. Rent roll at the 30 Jun 2018 on full occupation £73.4m pa. (30 Jun 2017: £65.1m pa; 31 Dec 2017: £73.8). Second half 2018 rental income is likely to be impacted by property sales and the timing of capital deployment.
- EPRA cost ratio 30 Jun 2018 impacted predominately by the property disposals and gain on revaluations in the period, resulting in an increased performance fee. Excl. performance fee operating efficiencies are being achieved.
- Profit before tax 30 Jun 2018 £45.3m (30 Jun 2017: £16.2m; 31 Dec 2017: £28.7m) including gain on the disposal of investment properties £7.3m (30 June 2017: negligible; 31 Dec 2017: £1.2m); and change in fair value of investment properties £27.9m (30 Jun 2017: £7.5m; 31 Dec 2017: £5.9m).
- EPS (fully diluted) – 30 Jun 2018 12.0pps paying a H1 2018 dividend 3.70pps up 2.8% on the six months to 30 Jun 2017 3.60pps.

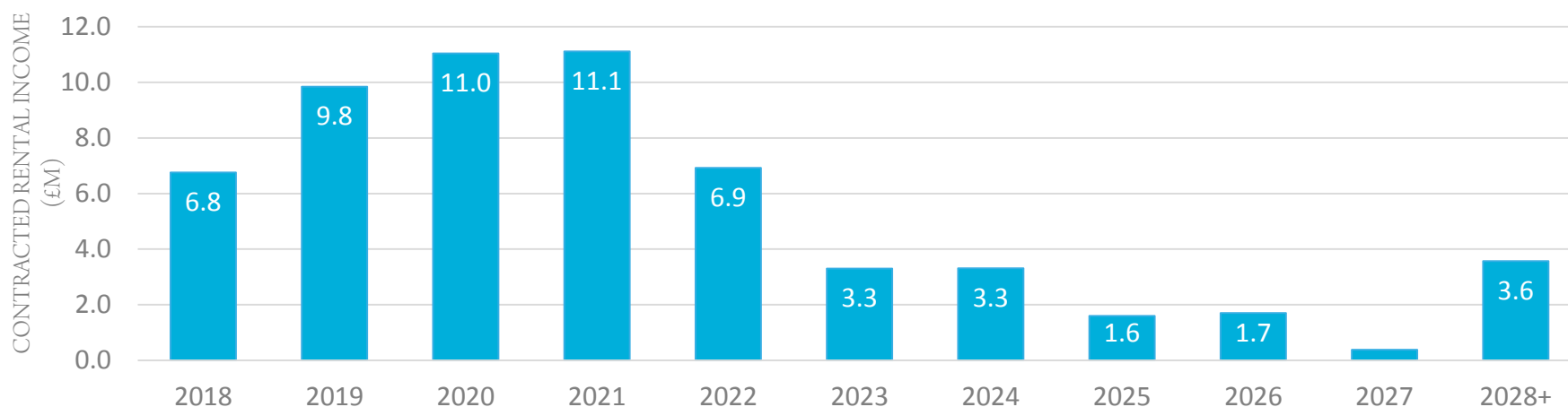
Stable Income Profile - Lease Expiries as at 30 June 2018

A large number of tenants offers income diversification, combined with intensive asset management, and security of lease renewals

- Number of units: 1,294
- Number of tenants: 950
- Contracted rent roll: £61.3m
- WAULT of 5.3 years
- WAULT to first break of 3.5 years
- 72% renewal rates, 74% continuity of income



Lease Expiry Income Profile to First Break



Financial Position Remains Strong, Flexible and Defensive

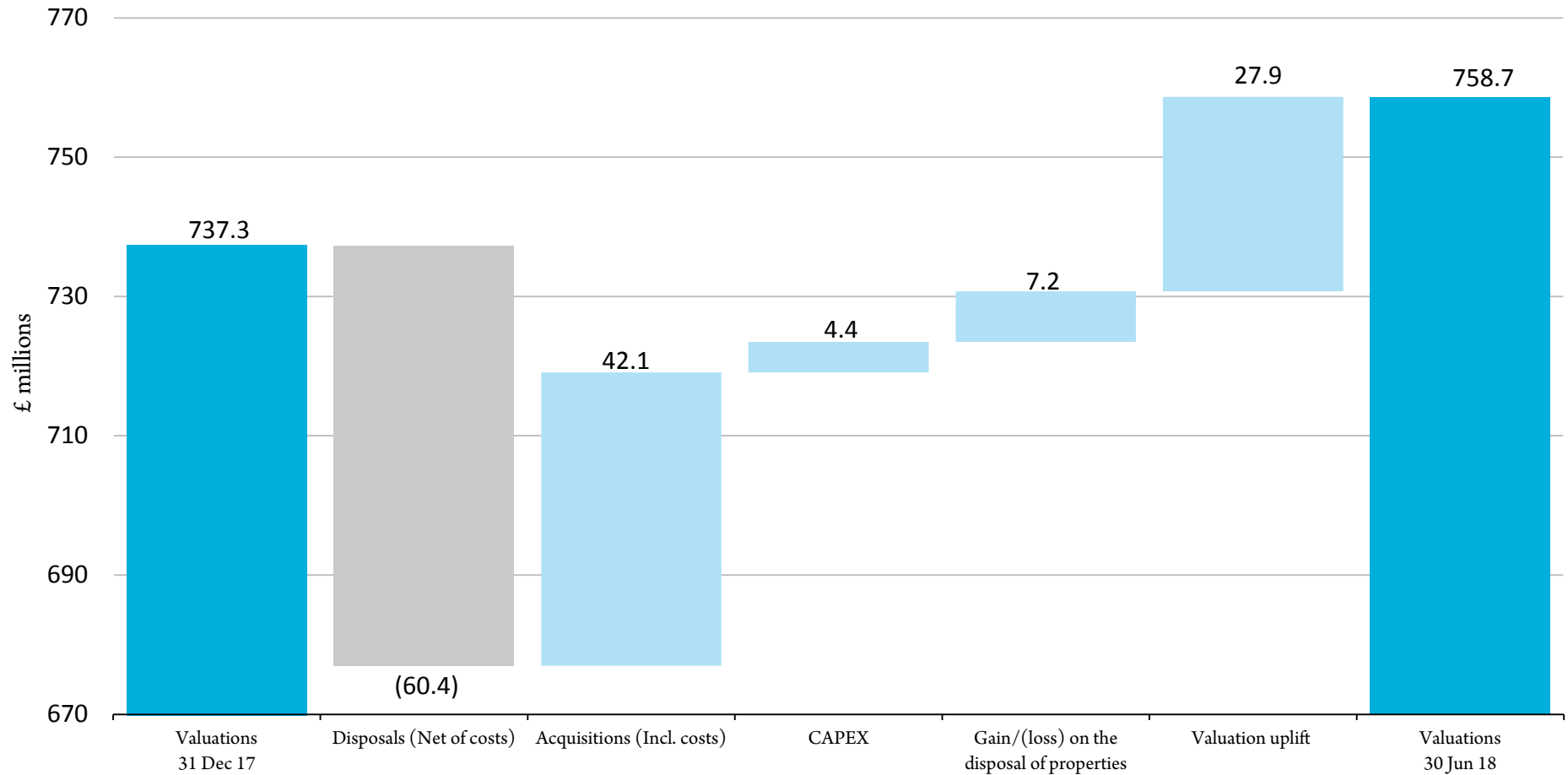
	As at 31 December 2017	As at 30 June 2018	Change**
Investment Property Asset Value	£737.3m	£758.7m	+£21.4m
NAV (fully diluted)	105.1pps	112.9pps	+7.8pps
EPRA NAV (fully diluted)	105.9pps	113.6pps	+7.7pps
Bank borrowings (incl. zero dividend preference shares)*	£376.5m	£391.9m	+£15.4m
Weighted average cost of debt (inc. hedging)	3.8%	3.8%	0bps
Net Loan-to-value	45.0%	41.2%	(380bps)
Occupancy by value	85.0%	85.5%	+50bps
Occupancy by value like-for-like	86.1%	84.8%	(130bps)
Contracted rent roll like-for-like	£58.8m	£57.7m	£1.1m

- Gross investment property value includes +4.5% like-for-like valuation improvement, adjusting for capital expenditure, acquisitions of £40.1m (before costs) and disposals of £60.4m net.
- EPRA NAV-diluted increase of 7% from 31 Dec 2017 to 113.6pps. Predominately from change in the fair value of investment properties £27.9m and gains on the disposal of investment properties £7.2m
- Borrowings increased by net £15.4m with the acquisition on 2 May 2018 of a £35.2m regional portfolio.
- Net LTV decreased as a result of realised gains on the disposal of investment properties coupled with the portfolio revaluation.
- Occupancy remains stable. Granular asset management initiatives continued to be executed across the portfolio
- Total accounting returns to shareholders since IPO of 32.0%. Annualised total accounting rate of return 11.0%, in line with our 10% target

*Before unamortised loan arrangement fees

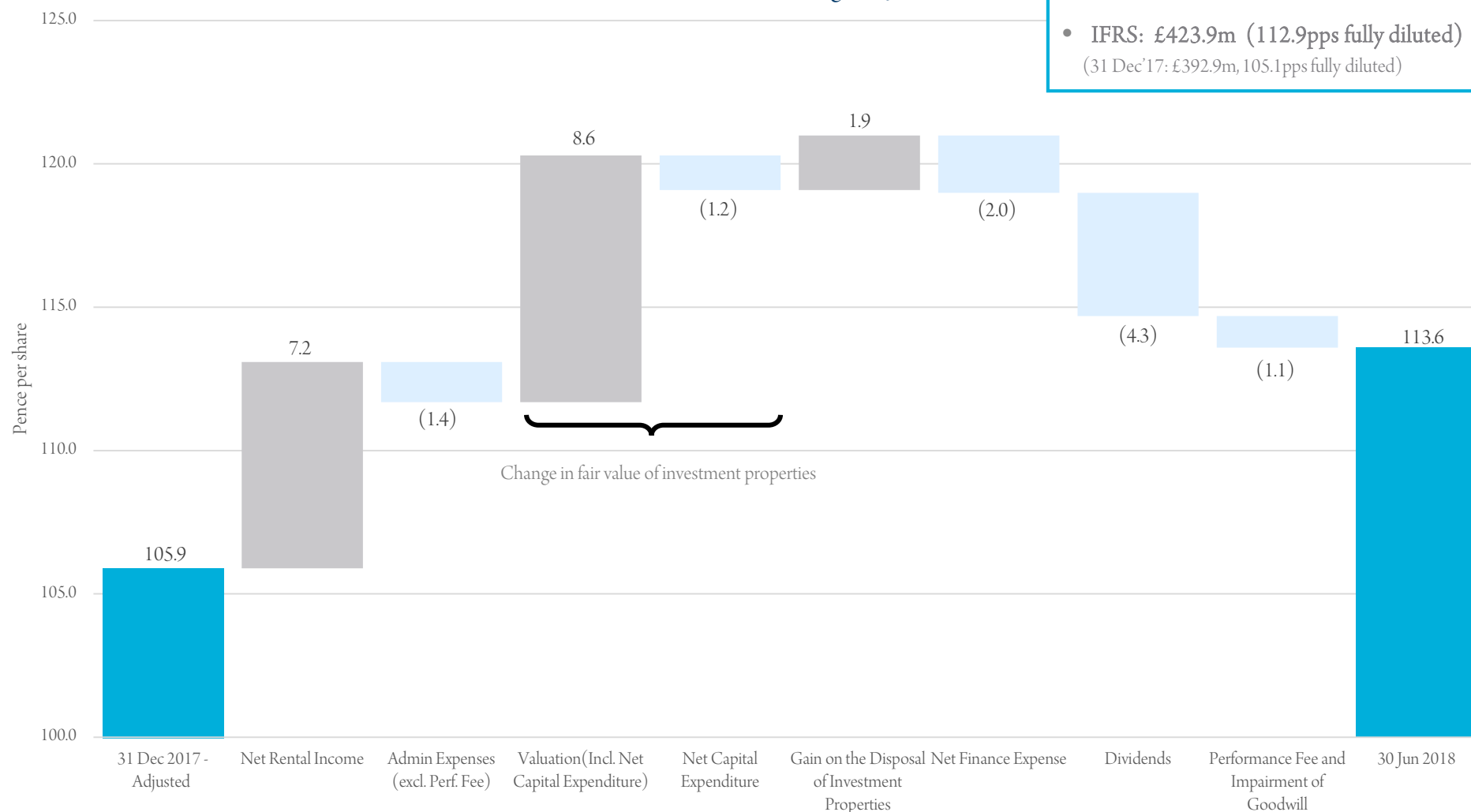
**Rounded to whole numbers

Investment Properties Bridge 30 June 2018

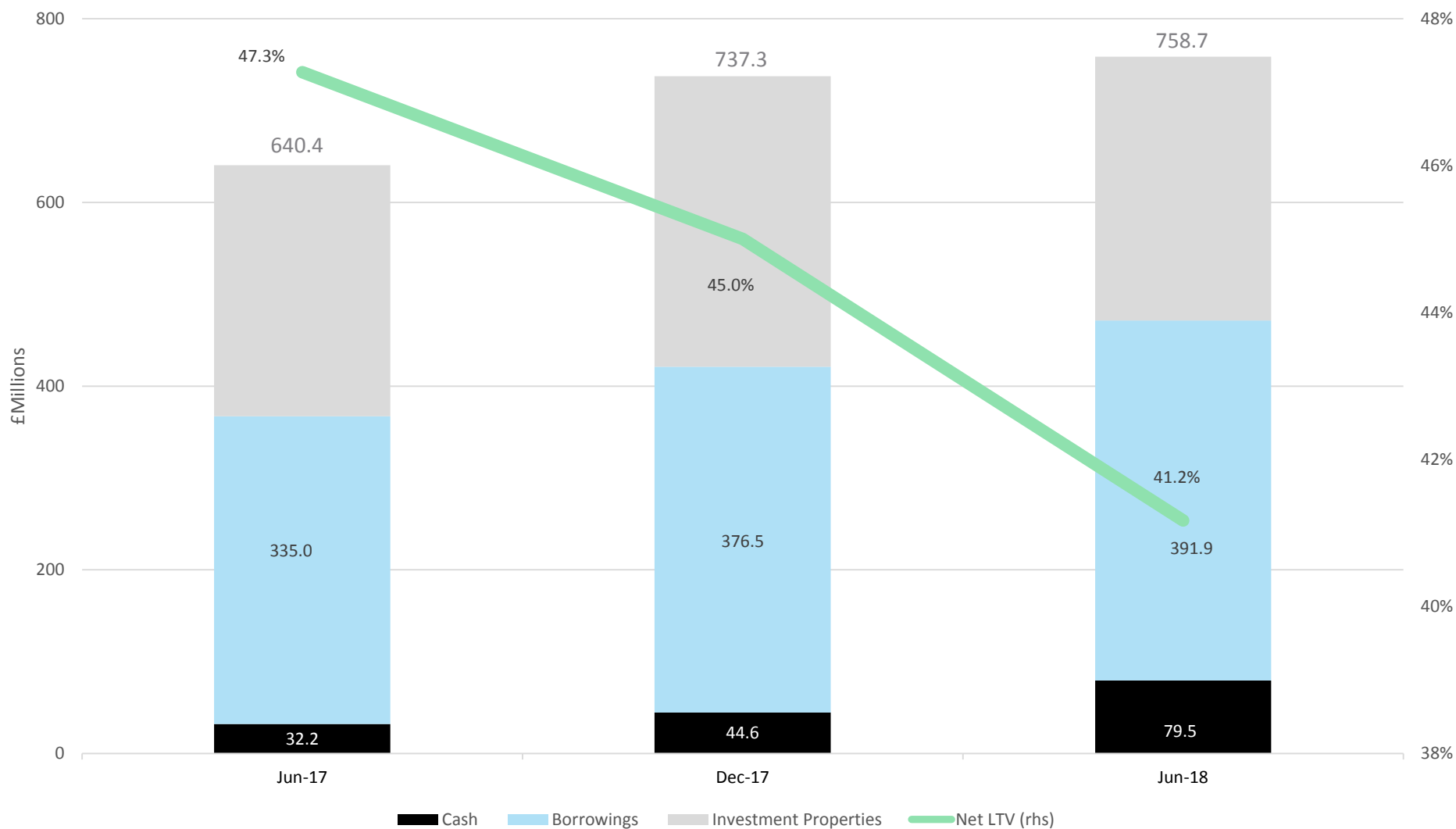


Delivering Returns to Shareholders

EPRA Net Asset Value - diluted Bridge 30 June 2018



- EPRA : £426.5 (113.6pps fully diluted)
(31 Dec'17: £395.7m, 105.9pps fully diluted)
- IFRS: £423.9m (112.9pps fully diluted)
(31 Dec'17: £392.9m, 105.1pps fully diluted)



Debt - Profile and LTVs as at 30 June 2018

Borrowing strategy remains prudent and defensive with long maturity

Lender	Original Facility	Outstanding Debt*	Maturity Date	Gross Loan to Value**		Annual Interest Rate	Amortisation	Swaps\Caps: Notional Amounts	Rates
	£'000	£'000							
ICG Longbow Ltd	£65,000	£65,000	Aug-19	41.0%	5.00%	Fixed	None	n/a	
Royal Bank of Scotland	£34,295	£34,295	Dec-20	46.7%	2.00%	over 3mth £ LIBOR	Mandatory Prepayment	8,688	1.34%
								8,688	1.34%
HSBC	£20,797	£20,797	Dec-21	51.1%	2.15%	over 3mth £ LIBOR	Mandatory Prepayment plus qtlly instalments of £100,000	-	
Santander UK	£68,269	£68,269	Nov-22	41.7%	2.15%	over 3mth £ LIBOR	Mandatory Prepayment	35,350	1.605%
								35,350	1.605%
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	£165,000	£165,000	Dec-27	46.0%	3.28%	Fixed	Mandatory Prepayment	n/a	
	£353,361	£353,361							
Zero Dividend Preference Shares	£39,879	£38,524	Jan-19	NA	6.50%	Fixed	None	n/a	
	£393,240	£391,885							

*£50m Retail Eligible Bond 4.5% 2024 was admitted to trading on the London Stock Exchange on the 6 August 2018.

* Before unamortised debt issue costs

** Based on Cushman and Wakefield and Jones and Lang LaSalle property valuations

Disposals

Bluebell Portfolio (Phase 1)

- Portfolio comprised of 15 industrial property assets, 54 units, and 42 tenants amounting to 610,620 sq ft.
- The sale price represents an uplift of 24.1% against the December 2017 valuation.
- Three properties still to complete: Grecian Crescent, Bolton, Thames Trading Estate, Manchester, and Imperial Business Park, Gravesend.

Disposals post H1

Bluebell Portfolio (Phase 2)

- Three properties still to complete: Grecian Crescent, Bolton, Thames Trading Estate, Manchester, Imperial Business Park, Gravesend, accounting for c. £5.0m of original sale price.
- Additional disposal of industrial estate in Walsall now included in portfolio. This is due to complete in H2 2018 at a sale price of c. £7.6m, bringing total sale price of portfolio to £46.7m.

Podium Site at Arena Point, Leeds

- Following the acquisition, London and Scottish Investments recognised the potential for the repositioning of part of this asset for alternative use and agreed to a joint venture with Unite Students.
- Having successfully worked with Unite to obtain planning consent for a large-scale student housing development, Regional REIT has achieved a final sale price of £12.2m for the site – an increase from the £10.5m announced in November 2017. Sale completed in August 2018.
- Regional REIT retains the 19 storey Arena Point office building currently valued at £8.6m (June 18).

The Point, Glasgow

- Following completion of business plan, the Group sold the property into strong investment market at premium to December 2017 valuation of 5.6%, reflecting a net initial yield of 6.6%.

Wardpark, Cumbernauld

- The sale price of £26.4m was 21.1% above the December 2017 year end valuation.

Turnford Place, Cheshunt

- The sale price of £17.25m was 20.6% above the December 2017 year end valuation.

Acquisitions

Purchase of six regional assets from Kildare Partners for £35.2 million in an off-market transaction

- Portfolio consists of five regional offices and one office/distribution property located in Telford, Rotherham, Macclesfield, Dundee, Chelmsford and Bedford.
- The assets total circa 320,000 sq. ft. let to 12 tenants.
- Since acquisition:
 - Regear of lease at Clearblue Innovation Centre, Bedford - SPD Development Company Limited extended current lease to 2030, with break option in 2025. Headline rent of £825,000pa indicates an uplift of 15.8%.
 - International House, Telford - Lease to Simmonds Transport Ltd regearred from July 2018 for a further 15 years
 - The Courtyard, Macclesfield – Income from Elio UK Services Ltd now secured until 2024 at the earliest following the removal of break option in 2019.
 - Wren House, Chelmsford - NHS Property Services Ltd did not exercise break in September 2018. No further opportunity to break – lease expiry in 2023. This is in line with our business plan.



Acquisitions Post H1

Purchase of eight regional assets for a consideration of £31.4m

- The portfolio consists of eight offices located in Hull, High Wycombe, Stockton-on-Tees, Ipswich, Clevedon, Wakefield, Deeside and Lincoln.
- The assets total c. 275,000 sq. ft., let to 24 tenants.
- The assets are expected to provide a net income of approximately £2.81 million per annum, which equates to a net initial yield of 8.66%.

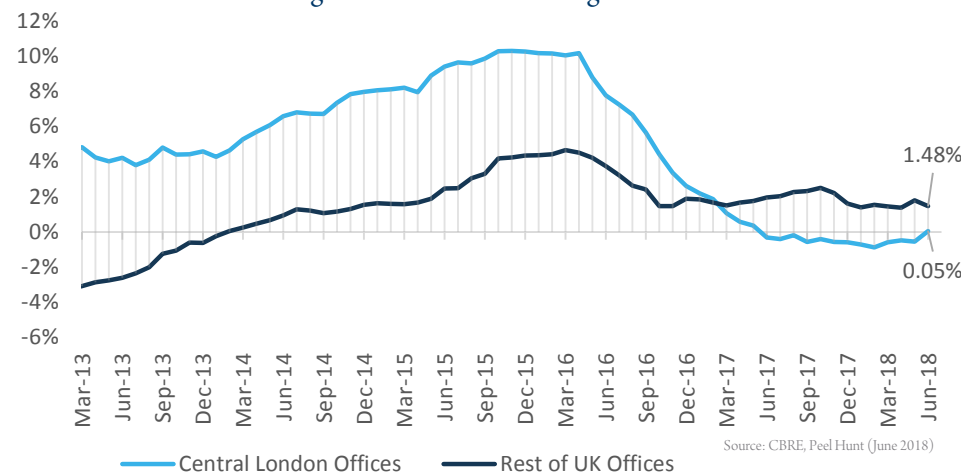


Market Overview and Outlook

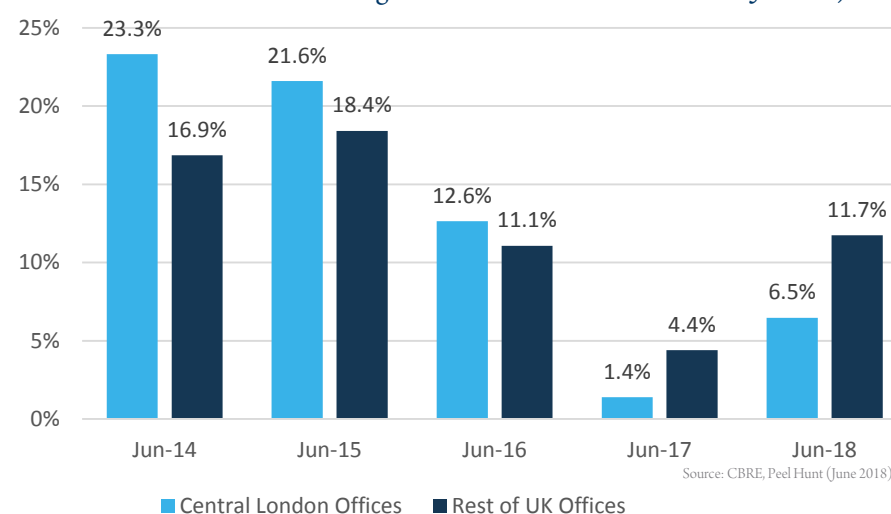
Outperformance of regional offices

- Research from CBRE indicates that regional offices have outperformed in comparison to central London offices, delivering superior returns of 11.7% in the 12 months to June 2018 in comparison to Central London office returns of 6.5%
- This trend that has been witnessed over the past two years
- Rental value growth for rest of UK office markets in the 12 months to June 2018 was 1.5%, considerably higher than the 0.05% rental growth for central London offices.
- Savills research indicates that supply of vacant office space decreased each year for the last ten consecutive years, with 12.9 million sq. ft. remaining – 33% lower than 2009 level of 19.1 million sq. ft.
- Of the 7.4 million sq. ft. of office space under construction, approximately 55% is already pre-let.

Rolling 12 month rental value growth rates

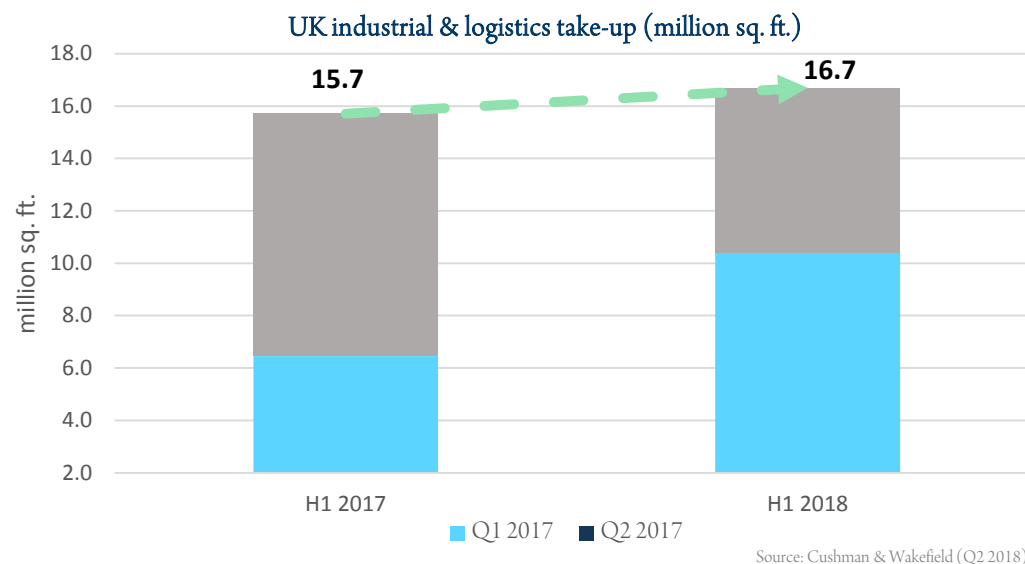


Central London & regional office returns 12 months to June 18)



Growing demand and limited supply for multi-sized, multi-let industrial sites

- Cushman and Wakefield estimate that take-up in H1 2018 totalled 16.7 million sq. ft., 6.3% higher than the same period in 2017.
- The Investment Property Forum UK Consensus Forecast, May 2018, anticipates rental growth of 3.6% in 2018.
- In comparison, the IPF UK Consensus Forecast predicts that the all property average annual rental value growth expected for 2018 is 1.0%.
- In terms of development, although supply remains constrained, some regions have experienced an increase in speculative development, with this figure expected to reach 8.7 million sq. ft., 6% lower than the record levels in 2016. (Cushman & Wakefield)



	Rental value growth (%)				Capital value growth(%)				Total return (%)			
	2018	2019	2020	2018/22	2018	2019	2020	2018/22	2018	2019	2020	2018/22
Industrial	3.6	2.4	2.0	2.4	5.4	1.0	-0.1	1.3	10.2	5.8	4.8	6.3
All Property	1.0	0.6	1.0	1.2	0.4	-1.4	-0.7	-0.1	5.2	3.4	4.2	4.8

Source: IPF UK Consensus Forecast (May 2018)

Regional commercial property – remains an attractive opportunity

- Investment demand for regional assets continues to be strong, with regional offices outperforming Central London on both capital and income metric (Source: CBRE)
- Regional economic and business fundamentals remain positive – continued limited supply of office and industrial properties due to re-purposing, increased commercial demand and little new development
- Our core markets continue to experience beneficial supply-demand dynamics

Regional REIT income security and capital gains underpin performance strength

- Proven, experienced and professional local asset management team, with a strong reputation in the sector, underpinning business growth
- Continue to focus on occupancy and improvement from modest rents and capital values
- Continued opportunistic strategy of disposals and acquisitions when individual asset management initiatives have been delivered and pricing achieved at a substantial premium to valuations

Appendix

- Financial and Debt Review
- Property Portfolio
- Overview of Regional REIT and External Management

Financial and Debt Review

Financial - Statement of Comprehensive Income

	Half year-end June 2017 (£'000)	Half year-end June 2018 (£'000)	Change*
Rental Income	22,964	30,626	7,662
Non-recoverable property costs	(3,480)	(3,716)	(236)
Net rental income	19,484	26,910	7,426
Administrative & other expenses	(5,166)	(9,288)	(4,122)
Operating profit (loss) before gains/losses on property assets/other investments	14,318	17,622	3,304
Gains on the disposal of investment properties	(41)	7,226	7,267
Change in fair value of investment properties	7,504	27,936	20,432
Operating profit/(loss)	21,781	52,784	31,003
Net finance income/expense, impairment of goodwill and net movement in fair value of derivative financial instruments	(5,597)	(7,517)	(1,920)
Profit/(loss) before tax	16,184	45,267	29,083
Income tax expense	(11)	(355)	(344)
Profit/(loss) after tax for the period (attributable to equity shareholders)	16,173	44,912	28,739
Earnings/(losses) per share - basic	5.6p	12.0p	6.4p
Earnings/(losses) per share - diluted	5.6p	12.0p	6.4p
EPRA earnings/(losses) per share - basic	2.9p	2.6p	(0.3p)
EPRA earnings/(losses) per share - diluted	2.9p	2.6p	(0.3p)

*Rounded to whole numbers

Financial - Statement of Financial Position

	Year-end 2017 (£'000)	Half year-end June 2018 (£'000)	Change*		Year-end 2017 (£'000)	Half year-end June 2018 (£'000)	Change*
Assets Non-current Assets				Liabilities Current liabilities			
Investment properties	737,330	758,653	21,323	Bank and loan borrowings – current**	(400)	(400)	-
Goodwill	1,672	1,393	(279)	Other current liabilities(Incl. ZDPs)	(42,244)	(88,670)	(46,426)
Other non-current assets	1,926	1,493	-	Non-current liabilities			
Current assets				Bank and loan borrowings - non current	(333,981)	(348,265)	(14,284)
Other current assets	21,947	20,567	(1,813)	Zero dividend preference shares	(37,239)	-	37,239
Cash and cash equivalents	44,640	79,520	34,880	Other	(752)	(434)	318
Total assets	807,515	861,626	54,111	Total liabilities	(414,616)	(437,769)	(23,153)
				Net assets	392,899	423,857	30,958
				Share capital	370,318	370,316	(2)
				Retained earnings/accumulated (losses)	22,581	53,541	30,960
				Total equity	392,899	423,857	30,958
				Net assets per share - basic	105.4p	113.7p	8.30
				Net assets per share - diluted	105.1p	112.9p	7.80
				EPRA net assets per share - basic	106.1p	114.4p	8.30
				EPRA net assets per share - diluted	105.9p	113.6p	7.70

*Rounded to whole numbers

** HSBC Bank Facility Quarterly £100k repayment term

Property Portfolio

High Yielding & Highly Diversified Actively Managed Portfolio

Portfolio details at 30 June 2018

Sector	Properties	Valuation (£m)	% by valuation	Sq. ft. (mil)	Occupancy (by value) (%)	Occupancy (by area) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent £psf	ERV (£m)	Capital rate £psf	Net Initial Yield (%)	Equivalent Yield (%)	Reversionary Yield (%)
Office	97	533.4	70.3%	4.11	84.4%	83.2%	3.0	43.2	12.65	53.0	129.86	6.4%	8.4%	9.2%
Industrial	25	159.1	21.0%	3.72	87.6%	87.9%	4.7	12.3	3.75	14.1	42.75	6.3%	7.9%	8.4%
Retail	27	56.3	7.4%	0.55	89.4%	86.9%	4.3	5.1	10.53	5.5	101.65	7.5%	8.3%	8.8%
Other	2	9.9	1.3%	0.12	94.9%	59.1%	8.8	0.7	9.85	0.8	80.28	6.7%	7.6%	7.3%
Total	151	758.7	100.0%	8.51	85.5%	85.1%	3.5	61.3	8.46	73.4	89.20	6.4%	8.3%	9.0%

Region	Properties	Valuation (£m)	% by valuation	Sq. ft. (mil)	Occupancy (by value) (%)	Occupancy (by area) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent £psf	ERV (£m)	Capital rate £psf	Net Initial Yield (%)	Equivalent Yield (%)	Reversionary Yield (%)
Scotland	42	166.0	21.9%	2.59	83.5%	81.4%	3.5	15.1	7.14	18.3	64.06	7.3%	9.2%	10.3%
South East	30	217.9	28.7%	1.51	94.4%	94.0%	2.7	17.5	12.30	19.0	143.90	6.7%	7.3%	7.9%
North East	19	88.2	11.6%	1.24	85.9%	89.2%	3.0	7.2	6.49	8.8	71.35	6.7%	8.9%	9.5%
Midlands	30	117.4	15.5%	1.38	86.5%	88.1%	3.6	9.6	7.88	10.4	85.09	6.8%	8.4%	8.6%
North West	17	84.5	11.1%	1.12	79.3%	79.3%	5.5	6.2	7.02	8.7	75.54	5.4%	8.8%	9.3%
South West	11	63.8	8.4%	0.42	68.9%	74.1%	3.2	4.1	13.30	6.4	151.87	3.6%	8.2%	9.3%
Wales	2	20.9	2.8%	0.25	88.6%	78.7%	7.0	1.6	8.33	1.8	85.20	6.9%	7.3%	7.6%
Total	151	758.7	100.0%	8.51	85.5%	85.1%	3.5	61.3	8.46	73.4	89.20	6.4%	8.3%	9.0%

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. Tables may not sum due to rounding

Top 15 Investments (market value) as at 30 June 2018

Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (Sq. Ft)	Let by area (%)	Let by rental value (%)	Annualised gross rent (£m)	WAULT to first break (years)
Tay House, Glasgow	Office	Barclays Bank Plc, University of Glasgow	32.8	4.3%	156,933	87.7%	87.5%	2.5	3.0
Juniper Park, Basildon	Industrial	A Share & Sons Ltd, Schenker Ltd, Vanguard Logistics Services Ltd	27.4	3.6%	277,228	98.4%	97.0%	2.0	1.6
Genesis Business Park, Woking	Office	Wick Hill Ltd, Alpha Fry Ltd, McCarthy & Stone Retirement Lifestyles Ltd	24.9	3.3%	98,359	100.0%	100.0%	1.9	3.2
Buildings 2 & 3 HBOS Campus, Aylesbury	Office	Scottish Widows Ltd, Agria Pet Insurance Ltd, The Equitable Life Assurance Society	24.4	3.2%	140,676	92.5%	92.8%	2.2	4.5
Wardpark Industrial Estate, Cumbernauld	Industrial	Thomson Pettie Ltd, Cummins Ltd, Balfour Beatty WorkSmart Ltd	22.2	2.9%	686,940	87.2%	86.2%	2.2	2.2
Hampshire Corporate Park, Eastleigh	Office	Aviva Health UK Ltd, The Royal Bank of Scotland Plc, Utilita Energy Ltd, Daisy Wholesale Ltd	19.1	2.5%	85,422	99.2%	99.5%	1.4	2.2
One and Two Newstead Court, Annesley	Office	E.ON UK Plc	16.4	2.2%	146,262	100.0%	100.0%	1.4	2.1
Turnford Place, Cheshunt	Office	Countryside Properties (UK) Ltd, Pulse Healthcare Ltd, Poupart Ltd	16.3	2.1%	59,176	99.5%	100.0%	1.1	2.9
800 Aztec West, Bristol	Office	-	16.2	2.1%	71,651	0.0%	0.0%	0.0	-
Road 4 Winsford Industrial Estate, Winsford	Industrial	Jiffy Packaging Ltd	15.6	2.1%	246,209	100.0%	100.0%	0.9	16.3
Columbus House, Coventry, Coventry	Office	TUI Northern Europe Ltd	14.5	1.9%	53,253	100.0%	100.0%	1.4	5.5
The Point, Glasgow, Glasgow	Industrial	SeeWoo Foods (Glasgow) Ltd, University of Glasgow, Screwfix Direct Ltd, Euro Car Parts Ltd	14.1	1.9%	169,190	94.1%	100.0%	1.0	5.6
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Ltd, Hill Rom UK Ltd, Alstom Power Ltd	13.6	1.8%	91,752	100.0%	100.0%	1.1	2.3
Portland Street, Manchester	Office	New College Manchester Ltd, Darwin Loan Solutions Ltd, Mott MacDonald Ltd	13.0	1.7%	54,959	100.0%	96.9%	0.8	2.9
Arena Point, Leeds	Office	The Foundation for Credit Counselling, Interserve Working Futures Ltd, Urquhart-Dykes & Lord LLP, JD Wetherspoon Plc	12.5	1.6%	82,498	90.1%	87.4%	0.8	2.4
Total			282.8	37.3%	2,420,508	91.2%	89.6%	20.7	3.7

Table may not sum due to rounding. Rows in grey refer to buildings and part buildings that were sold post 30 June 2018.

Top 15 Tenants (share of rental income) as at 30 June 2018

Tenant	Property	Sector	WAULT to first break (years)	Lettable area (Sq Ft)	% of Gross rental income
Barclays Bank Plc	Tay House, Glasgow	Financial and insurance activities	3.4	78,044	2.7%
E.ON UK Plc	One & Two Newstead Court, Annesley	Electricity, gas, steam and air conditioning supply	2.1	146,262	2.4%
TUI Northern Europe Ltd	Columbus House, Coventry	Professional, scientific and technical activities	5.5	53,253	2.3%
Scottish Widows Limited	Buildings 3 HBOS Campus, Aylesbury	Financial and insurance activities	3.4	79,291	2.2%
The Scottish Ministers	Templeton On The Green, Glasgow Calton House, Edinburgh Quadrant House, Dundee The Courtyard, Falkirk	Public sector	2.9	111,076	2.2%
The Royal Bank of Scotland Plc	Hampshire Corporate Park, Eastleigh Cyan Building, Rotherham	Financial and insurance activities	3.2	88,394	1.9%
Jiffy Packaging Ltd	Road 4 Winsford Industrial Estate, Winsford	Manufacturing	16.3	246,209	1.5%
Fluor Limited	Brennan House, Farnborough	Construction	0.9	29,707	1.2%
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	2.3	58,167	1.2%
The Secretary of State for Transport	St Brendans Court, Bristol Festival Court, Glasgow	Public sector	3.5	55,586	1.1%
A Share & Sons Ltd	1-4 Llansamlet Retail Park, Swansea Juniper Park, Basildon	Wholesale and retail trade	5.9	75,791	1.1%
Lloyds Bank Plc	Victory House, Chatham	Financial and insurance activities	0.0	48,372	1.1%
Aviva Health UK Ltd	Hampshire Corporate Park, Eastleigh	Financial and insurance activities	0.5	42,612	1.1%
Sec of State for Communities & Local Govt	Bennett House, Hanley Oakland House, Manchester	Public sector	0.1	52,155	1.0%
Entserv UK Limited	Birchwood Park, Warrington	Information and communication	2.5	50,549	1.0%
Total			3.7	1,215,468	23.9%

Table may not sum due to rounding

Disposals

Disposal of Bluebell Portfolio

Sale of 15 Industrial Portfolio for £39.1m

Overview

- Portfolio comprised of 15 industrial property assets, 54 units, and 42 tenants amounting to 610,620 sq ft.
- The sale price represents an uplift of 24.1% against the December 2017 valuation.

Asset Management Initiatives:

- 218-222 Newhall Road, Sheffield - purchased as a multi-let with voids and short term tenancies and subsequently re-gearred on a single long lease to the main occupier.
- Eurotherm Unit, Faraday Close, Worthing – completed rent review in February 2017 with an agreed uplift from £292,288pa to £345,000pa.
- Grecian Crescent, Bolton – purchased with Wolesely as tenant for the rump end of a lease knowing they would vacate and then refurbished and re-let.

Phase I

- Disposal of 12 properties completed in phase I accounting for £34.1m of original sale price.

Phase II

- Three properties still to complete: Grecian Crescent, Bolton, Thames Trading Estate, Manchester, Imperial Business Park, Gravesend, accounting for c. £5.0m of original sale price.
- Additional disposal of industrial estate in Walsall now included in portfolio. This is due to complete in H2 2018 at a sale price of c. £7.6m, bringing total sale price of portfolio to £46.7m.



Sale price
£39.1m

Valuation Dec 17
£31.2m

Floor area
610,620 sq. ft

Sale price uplift against Dec 17 valuation
24.1%

Net Initial Yield
6.9%

Sale of Podium Site at Arena Point, Leeds

Completion of Podium sale to Unite

Investment Overview

- Acquired in March 2016 as part of the “Wing” portfolio.
- Phased refurbishment of vacant office floors being advanced. 50% of refurbished space already let.

Sale of Podium

- Following the acquisition, London and Scottish Investments, the Asset Manager to Regional REIT, recognised the potential for the repositioning of part of this asset for alternative use and agreed to a joint venture with Unite Students.
- Having successfully worked with Unite to obtain planning consent for a large-scale student housing development, Regional REIT has achieved a final sale price of £12.2m for the site – an increase from the £10.5m announced in November 2017. Sale completed in August 2018.
- Regional REIT retains the 19 storey Arena Point office building currently valued at £8.6m (June 2018).



Sale Price
£12.2m

Valuation Dec 17
£3.9m

Floor area
14,458 sq. ft

Sale price uplift against Dec 17 valuation
227.6%

ERV (Jun 18)
£0.16m

Sale price 5.6% above December 2017 valuation

Investment Overview

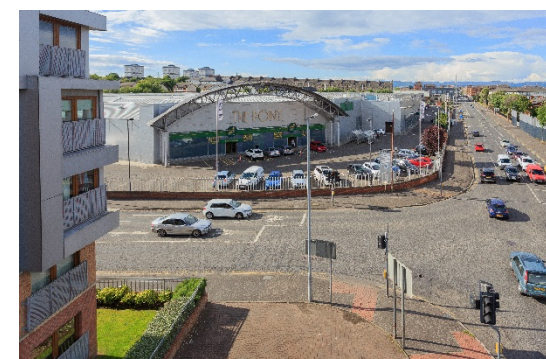
- Multi let trade counter investment located to north of Glasgow City Centre extending to 158,546 sq. ft. comprises of 11 individual units let on 10 separate leases
- Tenants include SeeWoo Foods (Glasgow) Ltd, University of Glasgow, Screwfix Direct Ltd, Euro Car Parts Ltd

Investment Strategy

- Surrendered lease of poorly performing Unit 4 (10,000 sq. ft.), split unit and re-let to trade counter users at improved rental tone
- Unit split and re-let to Travis Perkins and Toolstation at improved rental tone of £7 per sq. ft.
- Lease of Unit 8 to Glasgow University re-gearred for 10 years from January 2018 expiry at £7 per sq. ft.
- Rent review of Unit 5 settled at £8 per sq. ft. from January 2018

Disposal

- The Group sold the property into strong investment market at premium to December 2017 valuation of 5.6%
- Reflecting a net initial yield of 6.6%



Sale Price
£14.1m

Occupancy (by value)
100.0%

ERV (Jun 18)
£1.1m

Sale price uplift against Dec 17 valuation
5.6%

Net Initial Yield
6.6%

Regional REIT remains active and opportunistic – disposing of assets on completion of their business plan or when it has made strategic sense to do so

- It has been a busy period in terms of disposals, the Group has sold a number of assets with at premium to valuation.
- Sales in the first half on 2018 achieved a 15.2% premium to December 2017 valuation
- Key disposals shown in table below:

Disposals in H1 2018
achieved a 15.2%
uplift on December
2017 valuations

Disposals in H1 2018
(net of costs) amount
to
£60.4m

Net Initial Yield
4.9%

Property	Sector	Sale Price	Dec 17 Valuation	Jun 17 Valuation	Uplift on Dec 17	Uplift on Jun 17
CGU House, Leeds	Office	9,580,000	9,350,000	8,300,000	2.5%	15.4%
Lonsdale House, Birmingham	Office	2,850,000	2,850,000	1,750,000	0.0%	62.9%
Cortonwood Business Park, Rotherham	Industrial	2,750,000	2,200,000	2,200,000	25.0%	25.0%
St Georges House	Office	2,300,000	2,300,000	1,900,000	0.0%	21.1%
Units 3 & 4 Donegal House	Office	2,100,000	1,500,000	1,500,000	40.0%	40.0%
Unit 6 Centrepont, Manchester	Industrial	1,980,000	1,980,000	1,750,000	0.0%	13.1%
Gartsherrie Industrial Estate, Coatbridge	Industrial	1,525,000	1,525,000	1,300,000	0.0%	17.3%
Total		23,085,000	21,705,000	18,700,000	6.4%	23.4%

Acquisitions

Acquisition of £35.2 million regional portfolio

This acquisition highlights our disciplined approach to capital management, with disposal proceeds being promptly redeployed ensuring minimal cash drag.

Overview

- Purchase of six regional assets from Kildare Partners for £35.2 million in an off-market transaction.
- Portfolio consists of five regional offices and one office/distribution property located in Telford, Rotherham, Macclesfield, Dundee, Chelmsford and Bedford.
- The assets total circa 320,000 sq. ft. let to 12 tenants.

Since acquisition:

- Regear of lease at Clearblue Innovation Centre, Bedford - SPD Development Company Limited extended current lease to 2030, with break option in 2025. Headline rent of £825,000pa indicates an uplift of 15.8%.
- International House, Telford - Lease to Simmonds Transport Ltd regearred from July 2018 for a further 15 years
- The Courtyard, Macclesfield – Income from Elixir UK Services Ltd now secured until 2024 at the earliest following the removal of break option in 2019.
- Wren House, Chelmsford - NHS Property Services Ltd did not exercise break in September 2018. No further opportunity to break – lease expiry in 2023. This is in line with our business plan.



Purchase Price
£35.2m

Net Initial Yield
8.4%

Estimated Rental Value
£3.2m

June 2018 Valuation
£36.6m

Anchor Tenants

NHS Property Services Ltd, Swiss Precision Diagnostics, Capgemini, Elixir UK Services Ltd., The Royal Bank of Scotland Plc, The Scottish Ministers

Portfolio Updates

800 Aztec West, Bristol

- Major £6.9m “back to shell” refurbishment completed in August 2018 into active Bristol market with limited city centre supply.
- Lease completed with Edvance SAS for the entire first floor (31,549 sq. ft.) for £21.50psf (£678k pa)

Buildings 2 HBOS Campus, Aylesbury

- Concurrent re-letting of first and second floors to Equitable Life completed November 2016 for 10-years subject to tenant break options at £426,360 pa following expiry of the Lloyds Banking Group lease
- Coffee shop installed to reception to meet requirements of Equitable Life.
- First floor (13,832 sq. ft.) let to Agria Pet Insurance February 18 on 10 year lease at headline rental of £235,000 pa
- Fourth Floor - 5,721 sq. ft. was let to Identify Group Ltd for 10 years with option to break in 2023. The annual rent is c. £98,000.
- The remainder of the fourth floor (3,347 sq. ft.) is now let to Prospitalia Htrak Limited on a 10-year lease at £60,000, subject to a break option at the fifth anniversary.

Juniper Park, Basildon

- Regear of lease to Johnson Controls Building Efficiency UK Limited until 2023 at an increased headline rent of £60,610pa, an uplift of 3.8%.

Llandough Trading Estate, Cardiff

- Sold as part of Bluebell portfolio for £9.1m, indicating a 57.7% premium to December 2017 valuation.

Pitreavie Business Park, Dunfermline

- Sold as part of Bluebell portfolio for £2.7m, indicating a 18.9% premium to December 2017 valuation.



Acquisition Price
£80.0m

Valuation June 18
£90.8m

Floor area
886,971 sq. ft

Like-for-Like valuation uplift on Dec 17
12.2%

Headline rent (pa)
£5.8m

Northern Cross, Basingstoke

- Occupancy (by value) now 88.5% following letting of Suite B1 to BNP Paribas from July 2016 to 2029 with tenant break option in 2024. Lease to tie-in with the tenant's other leases in the building at a rent of £7,150 pa.
- Necessary fabric repair works completed and being recovered via service charge.
- WC refurbishment scheme to be advanced – to be funded by service charge and main tenant, BNP, contributing £60k capital in addition to their s/c contribution.

Tokenspire Business Park, Beverley

- Occupancy (by value) now 95.2% following a number of lettings since acquisition.
- Letting success continued in H1 2018, including:
 - 2,177 sq. ft let to Crossfit Barbaric Ltd at a headline rent of £7,500pa.
 - 1,905 let to Oracle Taps Ltd at a headline rent of £5,000pa.
 - Major tenants, Sargent Electrical and QDOS Entertainment continue to commit and invest in site.

Arena Point, Leeds

- Phased refurbishment of vacant office floors being advanced. 50% of refurbished space let to Interserve.
- High level illuminated signage installed marking building on cityscape.
- In H1 2018, 1,342 sq. ft was let to Kier Construction Ltd at a headline rent of £20,130pa.
- Sale of podium site Unite for £12.2m completed in August 2018.

Oakland House, Manchester

- Since acquisition front of house works have been undertaken to improve 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.
- Terms agreed for letting of half third floor with tenant having option over balance of space.
- Business lounge/co-working area to be formed on ground floor west wing to include shower facilities.



Acquisition Price
£37.5m

Valuation June 18
£40.6m

Floor area
681,845 sq. ft

Like-for-Like valuation uplift on Dec 17
1.7%

Headline rent (pa)
£3.6m

Capital Expenditure

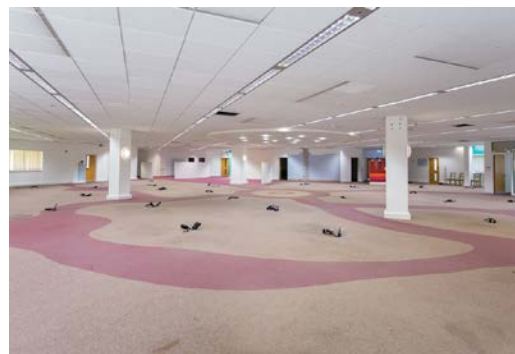
800 Aztec West, Bristol

- Acquired March 2016
- A 71,651 sq. ft. three storey office located in the Aztec West Business Park near the M4 / M5 interchange in Bristol.
- The building was previously occupied by EE whose lease expired December 2016.
- Recently undertaken a major “back to shell” refurbishment of the whole building completed in August 2018 into active Bristol market with limited city centre supply.
- Costs for the project are as follows:
 - Construction cost: £6.45m excl VAT.
 - Professional fee's: £435k excl VAT.
 - Total: £6.9m excl VAT.
- Dilapidation settlement of £2.53m
- Lease agreed with Edvance SAS for the entire first floor (31,549 sq. ft.) for £21.50psf (£678k pa)
- Positive occupier lines of enquiry being advanced for the remaining space

Before



After



Acquisition Price
£6.0m

Valuation Jun 18
£16.2m

ERV (Jun 18)
£1.6m

Valuation uplift from Dec 17
55.2%

Total Capital Expenditure
£6.9m

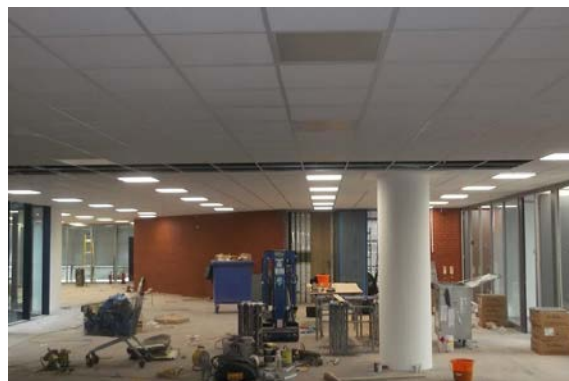
- The design and refurbishment has made a variety of significant improvements to the building including:
 - Increased the EPC rating (originally 'E 120 points' to B 36).
 - Increased lettable space (converted oversized old plantrooms on all three floors into 3,337 sq. ft. of additional office space).
 - New energy efficient services and better working environment designed on occupancy level of 1 person per 8m².
 - Increased WC provision to comply with current standards (original building was under provided for toilets, urinals and wash hand basins).
 - Flexible office arrangement for multi letting (separate metered electrical supply to each pod etc).
 - Installed new shower block, car charging points and bicycle storage to encourage green travel.
 - Brought the building and its services up to current standards and in full compliance with current Building Regulations (fire, accessibility etc).



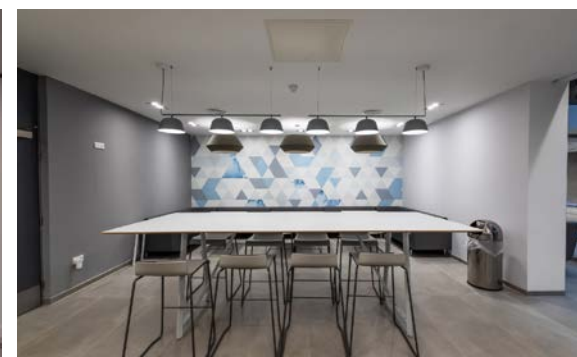
Buildings 2 & 3, HBOS Campus, Aylesbury

- The ownership comprises two imposing HQ style office buildings situated on extensive self-contained campus style grounds.
- The site is located adjacent to Aylesbury mainline railway station with regular services to London Marleybone.
- Building 2 is a 66,833 sq ft five storey steel frame building. Known locally as the 'Blue Leanie' the building is a unique design with the full height external glazed curtain walling 'leaning' at various opposing angles on each façade. The property was purpose built for Equitable Life in 1988.
- Building 3 is a large floor plate purpose built office property extending to 80,103 sq ft. The building is formed in a courtyard style and is of steel frame construction with part glazed and part brick facades.
- At acquisition, both buildings were let in their entirety to The Lloyds Banking Group (LBG) with the leases held by Scottish Widows Limited. Building 3 was wholly occupied by LBG with Building 2 part vacant and part occupied over two floors by LBG.

Before



After



Acquisition Price
£21.1m

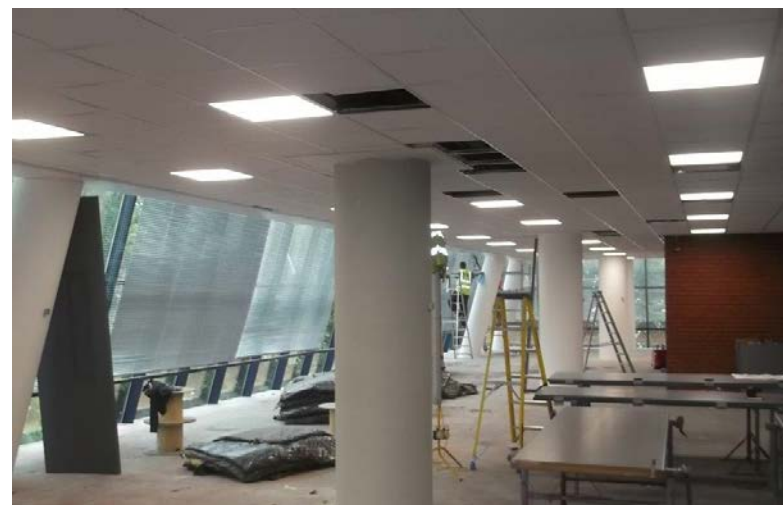
Valuation Jun 18
£24.4m

ERV (Jun 18)
£2.2m

Valuation uplift from Dec 17
4.8%

Capital Expenditure
£3.4m (gross)

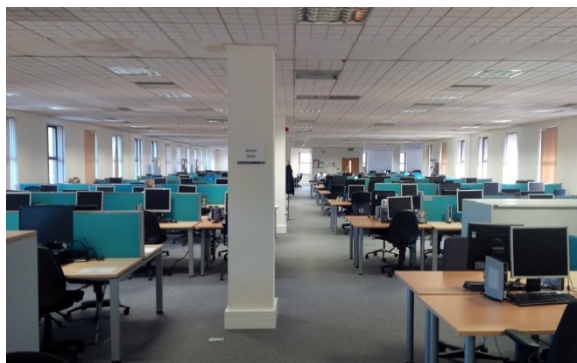
- Prior to acquisition LBG had served Notice to Quit on Building 2 as at the break option in their favour in November 2016. Our original strategy was to retain ELAS across the two floors they occupied and subsequently undertake a large scale refurbishment of the building to address the long term lack of investment in the property by LBG during their tenure and also to create an attractive product for the commercial letting market.
- We subsequently re-gearred the ELAS sub-tenancies and agreed two new 10 year leases over floors 2 and 3 at a combined rent of £426,360 per annum equivalent to £15.00 per sq ft. The lease of the second floor has a break option as at the third and fifth anniversaries to suit the expected gradual reduction of the ELAS operation.
- Refurbishment of Building 2 completed March 2018 and covered full refurbishment of all of the office floors along with the upgrading entrance, reception, common landing and stair core and lift and redecoration of framing to external curtain walling system.
- Office returned to full open plan layout with new ceilings and LED lighting.
- Dilapidations claim served against LBG - we expect to negotiate a minimum settlement of £1.1 million against the cost of the refurbishment works. The sellers had agreed a figure closer to 50% of this with LBG.
- Refurbished space on first and fourth floors now successfully let at headline rents ranging from £16.20 - £17.00 – only ground floor remains available with good levels of interest.
- The LBG lease of Building 3 expires in November 2021.





- Acquired as part of Empire Portfolio in August 2014.
- 28,896 sq ft HQ building over two floors with 140 car spaces located on premier business park in proximity to Birmingham Airport.
- Let to Severn Trent Water on lease expiring March 2016.
- The building has been substantially refurbished including a remodelled reception, lift lobby and core at ground floor level, new WC cores on both the ground and first floor and new entrance with Grade A spec – LED lighting VRF heating/cooling.
- Dilapidations agreed at £950k.
- Building positively launched to market March 18.
- Strong interest in all accommodation.

Before



After



Acquisition Price
£3.2m

Valuation Jun 18
£5.8m

ERV (Jun 18)
£0.6m

Valuation uplift from Dec 17
22.6%

Capital Expenditure
£2.4m (gross)

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