

27 May 2016

Regional REIT Limited

May 2016 Trading Update, Dividend Declaration and AGM Outlook Statement

Regional REIT Limited (LSE: RGL) ("Regional REIT", "the Group" or "the Company") today announces its Trading Update as at 27 May 2016 and its dividend declaration for the first quarter of 2016. In addition, the Company will hold its Annual General Meeting at which the Chairman will provide a statement on the outlook for 2016.

May 2016 Trading Update

The Group has pursued its strategy of providing investors with an attractive return on a sustained and consistent basis from investing in, predominantly, offices and light industrial property in the main regional centres of the UK outside of the M25 motorway.

- As at 31 March 2016:
 - c. 130 properties, around 970 units and approximately 700 tenants, amounting to some £507m of gross property assets; a contracted rent roll run-rate c. £43.5m pa.
 - Offices (by value) were 59.1% of the portfolio (IPO 58.4%) and industrial sites 29.0% (IPO 25.3%); England & Wales represented c. 67% (IPO 64.6%) of the portfolio.
 - Occupancy (by area) 80.9%; 31 March 2016 like-for-like (versus 31 December 2015) occupancy was 82.0%, broadly in line with the year end (82.8%).
 - Average lot size increased to c. £3.8m (IPO £3.0m).
 - Gross borrowings £225.9m; net loan-to-value ratio c. 40%; cost of debt reduced to c. 3.7% pa. Cash and cash equivalent balances £24.7m.
- Summary of the First Quarter to 31 March 2016 :

In the period the Group completed a number of acquisitions,

 - Rosalind House, Basingstoke, for £3m in January.
 - Wing portfolio for £37.5m in March, comprising four multi-let office buildings - in Basingstoke, Leeds, Leicester and Manchester - and a multi-let industrial estate – in Beverley. The portfolio totals c. 703,000 sq. ft., provides a net income of £3.38 million pa and a net initial yield of 8.5%.
 - Rainbow portfolio for £80.0m, also in March. The portfolio comprised 12 assets - five offices and seven industrial sites - totalling 1.15m sq. ft., geographically spread throughout the UK's major regional urban areas, including Bristol, Manchester, Cardiff, Sheffield and the West Midlands. A net yield of 8.2% at a capital rate of £70 per sq. ft.

There were a number of disposals by the Group,

- Churchill Plaza, Basingstoke, for £12m, a 9% increase on the December 2015 valuation.
- Five retail assets for a total consideration of £4.8m, marginally ahead of the December 2015 valuation.
- 21 Blythswood Square, Glasgow, an office building, for £1.5m, in line with valuation.

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

- Tay House, Glasgow - Barclays Bank plc re-gear as the major tenant of the Grade A office building, occupying 78,044 sq. ft. This will provide a contractually guaranteed income until

October 2021. Separately, refurbishment commenced on the first and second floors amounting to 48,533 sq. ft.

- Chancellor Court, The Calls, Leeds - a five-year lease extension, from September 2016, was negotiated with the current tenant St James Place Wealth Management Limited. The lease consists of 17,896 sq. ft. of office space over two floors, providing a rent of £268,440 pa.
 - Other asset management initiatives were completed at St James Court, Bristol, at St James Court, Bath, and at Sherwood Park, Nottingham.
 - The Group undertook additional bank borrowing to support the two major portfolio acquisitions and extended and refinanced several of its existing facilities.
- Since 31 March 2016:
 - On 6 April the Group announced the sale of its student accommodation, Blythswood House, Glasgow, for £17.4m, in line with the valuation at 31 December 2015. Also, Unit A, Spectrum Business Park, Wrexham, was sold for £4.1m, 22% higher than the valuation at 30 June 2015. A new 10-year management agreement was secured with Regus for 30,000 sq. ft. at Tay House, Glasgow.
 - In late May the Group completed the purchases of a multi-let office building in Nottingham city centre for £4.3m and an office building in Sheffield city centre for £6.3m.
 - Acquisitions of £131.1m since Listing, including two regional office and industrial portfolios.
 - Non-core property disposals since Listing total £45.6m, generating profits of £5.1m.
 - In the period the office and industrial share of the portfolio has increased further to approximately 91.5% of the gross property asset value, whilst the share of England & Wales has risen to around 73%.

First Quarter 2016 Dividend Announcement

The Company will pay a dividend of 1.75 pence per share (“pps”) for the period 1 January 2016 to 31 March 2016. The dividend payment will be made on 8 July 2016 to shareholders on the register as at 10 June 2016. The ex-dividend date will be 9 June 2016.

It is the Company’s current intention to pay three quarterly dividends at approximately this level in relation to the financial year 2016 and then a fourth quarter dividend to manage compliance with the 90% minimum REIT distribution requirement.

The payment of dividends will remain subject to market conditions, the Company's performance, its financial position and the business outlook.

Annual General Meeting Outlook Statement

At the Annual General Meeting of the Company that will take place today, the Chairman, Kevin McGrath, will make the following statement on the Group’s outlook for 2016.

“Into 2016 we have delivered on our strategy and the commitments we made at the time of the Listing, of significant acquisitions, asset management initiatives including disposals and reducing the cost of our debt financing.”

“We remain positive on the prospects for the Group in 2016, with a sustained growth in rental income and tight control of costs, accompanied by some further growth in assets and an active management of the portfolio mix. We see a strong underpinning for longer term NAV growth and returns to our Shareholders.”

Top-15 Investments as at 31 March 2016 (market values as at 31 December 2015)

Property	Sector	Market value (£m)	% of portfolio	Lettable area (sq. ft.)	Let by area (%)	Annualised gross rent (£m)	WAULT to expiry (years)
Tay House, Glasgow	Office	30.5	6.1%	156,933	69.1%	2.2	9.0
Buildings 2/3, Walton St, Aylesbury	Office	21.1	4.2%	146,936	100.0%	2.3	5.6
Juniper Park, Southfield Industrial Estate, Fenton Way, Basildon	Industrial	20.1	4.0%	296,100	70.0%	1.5	2.2
Wardpark Industrial Estate, Cumbernauld	Industrial	19.1	3.8%	709,816	88.9%	2.3	3.9
Blythswood House, Glasgow*	Student Accom.	17.4	3.5%	32,000	100.0%	0.9	24.5
Hampshire Corporate Park, Chandler's Ford, Eastleigh	Office	14.8	3.0%	85,422	100.0%	1.4	2.9
One and Two Newstead Court, Nottingham	Office	14.7	2.9%	146,063	100.0%	1.5	6.0
Columbus House, Coventry	Office	14.7	2.9%	53,253	100.0%	1.1	7.8
Winsford Industrial Estate, Winsford	Industrial	13.1	2.6%	246,209	100.0%	0.9	18.5
1-4 Llansamlet Retail Park, Swansea	Retail	12.5	2.5%	71,615	85.7%	1.0	9.6
Tower North, Leeds	Office/Retail	10.8	2.2%	98,856	82.0%	0.8	4.9
The Point, Glasgow	Mixed use	10.5	2.1%	193,861	89.0%	0.8	11.1
Oaklands House, Manchester	Office	10.2	2.0%	152,404	78.7%	1.1	14.6
Templeton on the Green, Glasgow	Office	10.2	2.0%	138,123	86.9%	1.0	10.2
CGU House, Leeds	Office	9.9	2.0%	50,763	100.0%	1.0	1.5
		229.6	45.8%	2,578,354		19.8	

*Blythswood House, Glasgow, sold in April 2016.

Debt Profile as at 31 March 2016

Lender	Original Facility £'000	Outstanding Debt £'000*	Maturity Date	Gross LTV	Annual Interest Rate	Amortisation	Hedging and Swaps: Notional Amounts/ Rates**
Santander UK	£48,673	£45,669	Dec-18	42.2%	2.0% over 3mth LIBOR	Mandatory Prepayment basis	£25.15m/1.35%
Santander UK	£25,343	£25,343	Dec-18	46.7%	2.0% over 3mth LIBOR	Mandatory Prepayment basis	£12.9m/1.43%
Royal Bank of Scotland	£25,000	£24,450	Jun-19	39.5%	2.15% over 3mth LIBOR	None	£14.0m/1.79%
ICG Longbow Ltd	£65,000	£65,000	Aug-19	43.0%	5.0% pa for term	None	n/a
Santander UK	£7,000	£6,800	Feb-18	45.8%	2.0 % over 3mth LIBOR	£50,000 per qtr	£5.44m/1.444%
Royal Bank of Scotland	£40,000	£39,848	Mar-21	50.0%	2.40 % over 3mth LIBOR	Mandatory Prepayment basis	In progress***
Santander UK	£18,750	£18,750	Jan-19	50.0%	2.0 % over 3mth LIBOR	Mandatory Prepayment basis	£9.375m/1.09%
	£229,766	£225,859					

* Including unamortised debt issue costs

** Hedging arrangements: As at 31 March 2016, the swap notional amount was £66.9m. Under the swap agreements, the notional amount reduces on a quarterly basis.

*** Since 31 March 2016 swap hedging arrangements with a notional amount of £19.9m have been executed at 1.395% in respect of this facility.

Table may not cast due to rounding.

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Cautionary Statement

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

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About Regional REIT

Regional REIT Limited (LSE: RGL) is a London Stock Exchange Main Market listed specialist real estate investment trust focused on office and industrial property interests in the principal regional locations of the United Kingdom outside of the M25 motorway.

Regional REIT is managed by London & Scottish Investments, the Asset Manager, and Toscafund Asset Management, the Investment Manager, and was formed by the combination of two existing funds previously created by the Managers as a differentiated play on the expected recovery in UK regional property, to deliver an attractive total return to shareholders and with a strong focus on income.

The Group's investment portfolio, as at 31 December 2015, was spread across more than 120 regional properties, in excess of 710 units and over 530 tenants. As at 31 December 2015, the investment portfolio had a value of £403.7m and a net initial yield of 7.6%. The weighted average unexpired lease term was approximately six years.

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