

17 November 2016

Regional REIT Limited

November 2016 Trading Update, Outlook Statement and Q3 2016 Dividend Declaration

**Continued steady progress of the business; in-line with management's expectations.
Q3 2016 dividend 1.75pps**

Regional REIT Limited (LSE: RGL) ("Regional REIT", "the Group" or "the Company"), the UK regional office and industrial property focused REIT, today announces its Trading Update as at 17 November 2016 and its dividend declaration for the third quarter of 2016.

Stephen Inglis, Group Property Director and Chief Investment Officer of London & Scottish Investments Limited, commented: *"The Group has continued to deliver on its strategy and the commitments that were made with the IPO last year. The business has maintained its progress in the third quarter of 2016 as occupancy in the UK's principal regional office and industrial markets has proved to be positive. Most evidently we can see this progress with the Wing and Rainbow Portfolios, which were acquired by the Group in the first-quarter."*

"The key focus for our business remains income – and the ability to pay dividends – underpinned by occupancy and rental growth. Whilst well positioned for organic development the Company remains opportunistic and will continue to explore opportunities to further exploit the strong presence we have in the regions."

November 2016 Trading Update

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

Since 1 January 2016 to date, the Group has exchanged on 90 new leases, including 43 since 30 June 2016, totalling 603,471 sq. ft.; when fully occupied these will provide approximately £4.5m pa of rental income. In addition, the Group has completed 33 regears, c. 40% of the leases that have come up for renewal in the period, achieving a 1.2% uplift on the headline rent. Including these regears, the acquisition of new replacement tenants and ongoing discussions with existing tenants who continue to hold over in the properties for which the leases have come up for renewal, c. 75% of the headline rent has been retained.

Capital expenditure year-to-date is £9.2m gross, amounting to £6.1m net after recoveries and dilapidations, demonstrating our commitment to invest in and control our asset quality enhancement programme.

Outlook

The Group has seen a good performance being maintained in the industrial and office occupancy markets of the UK's regions, remains confident as to its own growth prospects and is trading in-line with management's expectations for 2016. Regional REIT's active asset management is delivering results with both recent acquisitions and the established portfolio, underpinning income growth prospects. Management expect an occupancy rate of around 85% to be achieved by the year end.

- **Portfolio as at 30 September 2016:**

- 126 properties, 964 units and 718 tenants, amounting to c. £505m of gross property assets; a contracted rent roll run-rate of c. £44.9m pa.
- Offices (by value) were 63.1% of the portfolio (IPO November 2015: 58.4%) and industrial sites 28.6% (IPO November 2015: 25.3%); England & Wales represented 72.7% (IPO November 2015: 64.6%) of the portfolio.
- Occupancy (by area) was 83.4%, versus 81.8% at 30 June 2016; 30 September 2016 like-for-like (versus 31 December 2015) occupancy was broadly in-line at 84.4% (83.9%).
- Average lot size increased to c. £4.0m (IPO: £3.0m).
- Net loan-to-value ratio c. 40.0% (IPO: 26.4%). Gross borrowings £217.8m; cash and cash equivalent balances £15.1m. Cost of debt (including hedging) of 3.7% pa (IPO: 4.8% pa).

- **Summary of the Third Quarter to 30 September 2016:**

- The Group has undertaken several asset management projects, generating additional income through new lettings and maintaining and improving income through lease renewals and re-gears.
- 1. Tay House, Glasgow. As already announced in the first half of 2016 a 10-year management agreement was secured with Regus on 29,020 sq. ft.. Regus will commence occupation in February 2017, following completion of a refurbishment and fit-out programme. The outstanding 19,200 sq. ft. of space at Tay House is seeing an encouraging level of enquiries.
- 2. Aylesbury, Building 2. Leases of the first and second floors (28,424 sq. ft.) agreed with Equitable Life – 10-years from November 2016 (£426,360 pa). The leases provide for tenant breaks in November 2019 and November 2022 but impose a financial penalty on the tenant at first break.
- 3. Building 1, Newstead Court, Sherwood Park, Annesley, Nottingham. A new lease was agreed with E.ON, a 10-year term with a 5-year break and no rent free at £10.50 per sq. ft. on 47,120 sq. ft. (£494,760 pa). The adjacent 99,000 sq. ft. of floor space was previously agreed at £9.50 per sq. ft., providing a proven rent reversion of 10.5%.
- 4. The Wing Portfolio, its acquisition completed in March 2016, has seen strong progress with its active asset management programme including refurbishments, lettings of vacant space and an application for a change of use. Occupancy increased to 85.2% at 30 September 2016, versus 78.2% at acquisition.
- 5. The Rainbow Portfolio, also acquired in March 2016, has seen good progress with its active asset management programme including lease regears, new lettings and significant refurbishments of vacant space, lettings and an application for a change of use. Occupancy increased to 78.2% at 30 September 2016, versus 77.2% at acquisition.

At Juniper Park, Basildon (81,923 sq. ft.), a vacant industrial unit on the site is currently under offer for letting and is expected to complete in the next few weeks.

- On 20 September 2016 Regional REIT completed the acquisition of a portfolio of 6 office pavilions at Strathclyde Business Park, Bellshill, Scotland (the ‘Wallace Portfolio’) from London & Scottish Investments Limited, the Asset Manager, for £5,500,000 in cash. The buildings cover 90,000 sq. ft. and provide a net income of £762,000 pa with a net initial yield of 12.0% after the deduction of costs.
- In the third-quarter of 2016 the Group disposed of 3 small properties, with proceeds amounting to £0.34m.

In addition there has been a large number of smaller lettings and there remain many potential deals to be completed. In the view of the Asset Manager the occupational market continues to hold up in the aftermath of the EU referendum vote and the immediate environment remains encouraging.

Third Quarter 2016 Dividend Declaration

The Company will pay a dividend of 1.75 pence per share (“pps”) for the period 1 July 2016 to 30 September 2016. The dividend payment will be made on 22 December 2016 to shareholders on the register as at 25 November 2016. The ex-dividend date will be 24 November 2016.

It has been the Company’s intention to pay three quarterly dividends at approximately this level in relation to the financial year 2016, of which this is the third, and then a fourth quarter dividend to at least manage compliance with the REIT distribution requirement.

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

- ENDS -

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

Enquiries:

Regional REIT Limited

Press enquiries through Headland

Toscafund Asset Management

Tel: +44 (0) 20 7845 6100

Investment Manager to the Group

James S Johnson, Investor Relations, Regional REIT Limited

London & Scottish Investments

Tel: +44 (0) 141 248 4155

Asset Manager to the Group

Stephen Inglis

Headland

Tel: +44 (0) 20 7367 5222

Financial PR

Francesca Tuckett

About Regional REIT

Regional REIT Limited (LSE: RGL) is a London Stock Exchange Main Market traded 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 30 June 2016, was spread across 128 regional properties, 974 units and 719 tenants. As at 30 June 2016, the investment portfolio had a value of £501.3m and a net initial yield of 7.1%. The weighted average unexpired lease term to first break was approximately 3.6 years.

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

Cautionary Statement

This announcement 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.