

## Q3 17 Trading Update/Outlook/Dividend Declaration

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Regional REIT Limited  
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### **Regional REIT Limited**

#### **Q3 2017 Trading Update, Outlook Statement and Q3 2017 Dividend Declaration**

**Business continues to make good progress; in-line with management's expectations**

#### **Q3 2017 dividend 1.80pps**

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 for the period from 1 July 2017 to 13 November 2017 and its dividend declaration for the third quarter of 2017.

#### **Stephen Inglis, Chief Executive Officer of London & Scottish Investments Limited, commented:**

*"After only two years into life as a listed entity, we are very encouraged with progress. This was another healthy quarter for Regional REIT. The Group maintained a strong pace of lettings in the third quarter of 2017. We continue to see a good level of interest in both our office and industrial properties, and expect this to improve occupancy rates across the portfolio in the near term."*

*"The key focus for our business remains income - and the ability to pay and improve dividends - underpinned by occupancy and rental growth."*

*"Investor appetite remains strong for stabilised income assets and we are taking advantage of this by some selective selling of assets where asset management initiatives have been completed but have not been recognised in valuation improvements. Valuation levels remain below values being achieved on sales in the marketplace."*

*"Whilst well positioned for organic growth the Company remains opportunistic and is continuing to explore specific opportunities, using its strong reputation and presence it has in the regions to further grow the business and enhance income and earnings."*

#### **Q3 2017 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 and asset managing, predominantly, offices and light industrial property in the main regional centres of the UK outside of the M25 motorway.

Since 1 January 2017 to date, the Group has exchanged on 66 leases to new tenants, including 22 since 30 June 2017, totalling 391,459 sq. ft.; when fully occupied these will provide approximately £2.9m pa of gross rental income. In addition, the Group has completed a number of re-gears, achieving an average of c. 3.8% uplift on the headline rent. Including these re-gears, the acquisition of replacement tenants and existing tenants who continue to hold-over in the properties, where there has been a lease event, c. 70% of the headline rent has been retained.

Capital expenditure to 30 September 2017 was £9.5m gross, demonstrating our commitment to invest, refurbish and enhance the portfolio which is expected to be reflected in increased rental income and property values in due course.

Earlier this month, London & Scottish Investments announced the appointment of Simon Marriott to the position of Investment Director. He will work closely with Stephen Inglis on Regional REIT, as the Company continues to build on the positive momentum of the last two years.

The Group is in advanced discussions to replace 5 existing secured debt facilities of £164.2m from The Royal Bank of

Scotland, Lloyds Banking Group and Santander UK with a new 10 year secured single facility from 2 well-known UK Lenders. In addition, the Group has reached agreement, subject to documentation, with Santander UK regarding the refinancing of the Toscafund Glasgow debt facility with a new 5 year facility. Both of these new facilities have been credit approved and will increase the weighted average debt maturity to 6.3 years from 2.0 years.

#### **Portfolio as at 30 September 2017:**

- 151 properties, 1,113 units and 838 tenants, amounting to c. £651m of gross property assets; contracted rental income of c. £55.9m pa.
- Offices (by value) were 63.2% of the portfolio (31 December 2016: 63.3%) and industrial sites 25.7% (31 December 2016: 29.4%); England & Wales represented 75.4% (31 December 2016: 73.2%) of the portfolio.
- Occupancy (value) was 82.8%, versus 83.3% at 30 June 2017; 30 September 2017 like-for-like (versus 30 September 2016) occupancy was broadly in-line at 81.4% (82.0%).
- Average lot size increased to c. £4.3m (31 December 2016: £4.1m).
- Net loan-to-value ratio c. 48.1% (31 December 2016: 40.6%). Gross borrowings £335.4m; cash and cash equivalent balances £22.1m. Cost of debt (including hedging) of 3.7% pa (31 December 2016: 3.7% pa).

#### **Summary of activity in the quarter to 30 September 2017:**

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

- Arena Point, Leeds - new lease commenced with Interserve Working Futures Limited for the 6th and 7th floor totalling 8,134 sq. ft. at an annual headline rent of £101,900 pa for 5 years. Additional space was let on the 15th floor (plus car parking spaces) to Go Ballistic Limited totalling 1,916 sq. ft. at rent of £26,590 pa with a lease term of 6 years.
- Juniper Park, Basildon - the letting of Unit 1 (65,603sq. ft.), completed in September to A Share & Sons t/a SCS on a 10 year lease, with break at year 5, at an average headline rent of £328,015 pa for the first 5 years.
- Marston Business Park, Tockwith - a 15 year lease commenced in July 2017 to Stage One Creative Services, totalling 13,940 sq. ft. at an annual headline rent of £63,103 pa.
- Wardpark Industrial Estate (Wardpark Place), Cumbernauld - re-gear of lease to Vital Pet Products Limited completed in August on a 5 year term, at a headline rent of £80,772 pa (24,853 sq. ft.).
- Atlantic House, Milton Keynes - the lease on this industrial unit has been renewed with the existing tenant for a further 12 months from 1st November 2017 at rent of £280,000 pa. The tenant has the option to purchase the building for £3.6m, which is significantly ahead of valuation, on 31st October 2018.
- Delta Business Park, Swindon - a lease renewal of the first floor (10,402 sq. ft.) has been agreed with TM Group (UK) Limited for 5 years without break at a headline rent of £148,243 pa.
- Templeton on the Green, Glasgow - previously vacant unit of 4,183 sq. ft. let to Front Page 2012 Limited on a 10 year lease, subject to a tenant break option in 2022, at a headline rent of £50,196 pa.
- Grecian Crescent, Bolton - following refurbishment this industrial unit (25,550 sq. ft.) was re-let to Servelite UK Limited for 10 years from August, subject to a tenant break option in 2022, at an improved annual rent of £121,645 pa.
- Murdostoun House, Bellshill - the ground floor space (5,997 sq. ft.) was let to Technology Services Group Limited on a 5 year lease without break for £74,962 pa.
- Manor Road, Erith - new 10 year lease agreed with ACOMS Limited for Unit D (9,370 sq. ft.), subject to a tenant break option in 2022, at a headline rental income of £65,000 pa.

#### **Acquisitions**

Two acquisitions completed in Almondsbury, North Bristol during the period:

- Woodlands Court, a 1988 development of four single storey office buildings, subdivided and currently providing 9 units totalling 37,952 sq. ft., which was acquired for approximately £6.55m (Freehold) reflecting a net initial yield of 8.1%. The unit sizes range from 2,031 sq. ft. to 8,889 sq. ft. and provide income of £556,629 pa (£14.67 per sq. ft.).
- Equinox North was acquired at a purchase price of £4.8m (Freehold), reflecting a net initial yield of 8.64%. This is a 1991 development being a two storey office building totalling 32,469 sq. ft. presently divided into 6 separate lettable units ranging from 1,524 sq. ft. to 12,078 sq. ft. with parking for 183 vehicles, and provides an income of £442,920 pa (£13.67 per sq. ft.).

#### **Sale**

- St James House, Bath - having successfully completed its business plan, Regional REIT completed the sale of the property in August 2017 at a sale price of £4,560,000, reflecting net initial yield of 5.75%, an improvement of over 44% on the December 2016 y/e valuation.

#### **Summary Post 30 September 2017 to date:**

#### **New Lettings**

- Tay House, Glasgow - terms agreed with a major corporate occupier to take the remaining available first floor (19,730 sq. ft.) from November 2017 at an annual rent of £382,505. The lease will run until 2025 subject to a tenant break option in 2021. This will take Tay House, the largest asset by value in the Company's property portfolio, to 100% occupation.
- Building 2, Aylesbury - terms agreed with Agria Pet Insurance for the first floor (13,823 sq. ft.) for 10 years at a headline rent of £235,000 pa.
- Colwick - terms have been agreed for the letting of this 84,000 sq. ft. industrial unit for 10 years, subject to tenant break at the 7<sup>th</sup> anniversary at an annual headline rent of £275,000.

## **Sales**

- Arena Point, Leeds - contracts have been exchanged with Unite Students for the sale of the podium site for £10.5m subject to Unite securing planning. On completion, this will produce a profit of c. £9m on this asset since purchase in March 2016. The deal will see Regional REIT retain the office tower block.
- Thames Trading Estate, Fairhills Road, Irlam - contracts have been exchanged for the sale of this 18 unit industrial estate at a sale price of £2.2m, reflecting a net initial yield of 6% following the successful conclusion of the business plan for the asset, an improvement of over 40% on the 31 December 2016 valuation.

## **Outlook**

The Group continues to see good performance in the industrial and office occupancy markets of the UK's regions, and remains confident of its own growth prospects. It is trading in-line with management's expectations for 2017. Regional REIT's active asset management is delivering results within both recent acquisitions and the established portfolio, underpinning income growth prospects.

## **Q3 2017 Dividend Declaration**

The Company will pay a dividend of 1.80 pence per share ("pps") for the period 1 July 2017 to 30 September 2017, an increase of c. 3% (1 July 2016 to 30 September 2016: 1.75pps). The dividend payment will be made on 22 December 2017 to shareholders on the register as at 24 November 2017. The ex-dividend date will be 23 November 2017.

It has been the Company's intention to pay three quarterly dividends at approximately this level in relation to the financial year 2017, 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 -

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation that came into effect on 3 July 2016.

## **Enquiries:**

### **Regional REIT Limited**

Press enquiries through Headland

### **Toscafund Asset Management**

Tel: +44 (0) 20 7845 6100

Investment Manager to the Group

Adam Dickinson, 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 3805 4222

Financial PR

Francesca Tuckett

**About Regional REIT**

Regional REIT Limited (LSE: RGL) ("Regional REIT", "the Group" or "the Company") 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 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 2017, was spread across 150 regional properties, 1,093 units and 823 tenants. As at 30 June 2017, the investment portfolio had a value of £640.4m and a net initial yield of 6.7%. The weighted average unexpired lease term to first break was 3.5 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](http://www.regionalreit.com).

**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.

[www.regionalreit.com](http://www.regionalreit.com)  
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