

Regional REIT

Laying foundations

In FY25, Regional REIT (RGL) made good progress in repositioning its portfolio to unlock value. In this report we focus on the significant medium-term potential that this offers, beyond the immediate uncertainties created by war in the Middle East and an otherwise tough letting market. Previously announced unexpected lease breaks will continue to affect income in the current year, weighing on the positive impacts of the revised management fee and lower debt and finance costs, but the previously announced FY26 DPS target has been reaffirmed.

Year end	EPRA earnings (£m)	EPRA EPS (p)	NAV/share (£)	DPS (p)	Yield (%)	P/NAV (x)
12/24	22.7	19.2	2.10	7.80	8.8	0.42
12/25	19.1	11.8	1.94	10.00	11.2	0.46
12/26e	15.6	9.7	1.95	8.00	9.0	0.46
12/27e	16.1	9.9	2.00	8.40	9.4	0.44

Note: EPRA earnings exclude property revaluation movements and non-recurring items. NAV is EPRA net tangible assets per share.

Meeting occupier preferences

Occupiers have continued to show a strong preference for good-quality office space in the right locations. Rents are increasing and RGL expects this to be maintained by a growing supply-demand imbalance. The company believes that c 80% of its portfolio already meets occupier requirements or can be profitably enhanced to do so. These assets will be retained to generate long-term income and capital growth. The non-core or poor-quality assets, or where asset management plans are complete, will be sold, either in the near term or over the next three years, with valuations and total returns enhanced by repositioning for alternative use, and LTV reduced. While economic uncertainty weighs on the broad commercial property sector, expectations for the relative performance of offices have recently improved.

Unexpected lease breaks

As expected, FY25 EPRA earnings fell by 16% and with a higher average number of shares in issue, EPRA EPS was 39% lower. Earnings will decline again in FY26, primarily the result of previously reported unexpected lease breaks, although our forecasts are not materially changed. We have moderated our expected growth in FY27. £51.6m of disposals in FY25, at a small premium to carried value, funded a reduction in borrowing and LTV (to 40%) and reinvestment to enhance portfolio quality. RGL targets a similar level of disposals in FY26 and has made a good start. Most immediately, the sale of non-core, underperforming assets is accretive to earnings, removing more cost than income and reducing debt and finance costs. As average portfolio quality improves, core occupancy and average rents should increase over time. In combination, sales and occupancy improvement have the potential to more than double FY26e EPRA earnings.

Valuation: Significant embedded value

The FY26e yield is c 9% and the shares are trading at a P/NAV of c 0.5x, well below peers on both measures. The upside from a successful execution of the strategy remains material and signs of progress should support performance.

Post-FY25 strategic review

Real estate

6 May 2026

Price 89.00p

Market cap £144m

Net cash/(debt) as at 31 December 2025 £(224.3)m

Shares in issue 162.1m

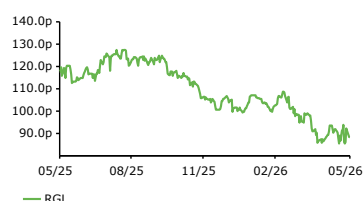
Free float 75.7%

Code RGL

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(0.6)	(14.7)	(17.3)
52-week high/low		119.8p	86.1p

Business description

Regional REIT is focused on office assets in the regional centres of the UK, outside the M25, highly diversified by property, tenants and the underlying industry exposure of those tenants. It is actively managed with a strong focus on income.

Next events

AGM	19 May 2026
Q126 DPS declared	19 May 2026

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Regional REIT is a research client of Edison Investment Research Limited

Transitioning for sustainable growth

In this note we focus on the progress made by RGL in FY25 to reposition its portfolio to better meet occupier demand and generate sustainable income-led growth, and provide an updated analysis of the embedded potential net rental income upside.

Although the letting market remained challenging in 2025, underlying market supply and demand dynamics for well-located, high-quality office space continued to support market rental growth. RGL has significant company-specific opportunities to grow net rental income by letting vacant space and selling underperforming properties.

Structural changes in the office market have led to significant underperformance compared with the broader commercial property market in recent years. Encouragingly, the sector delivered a positive total return in 2025, with rents growing and capital values beginning to show signs of stabilising. Prior to the start of war in the Middle East, many market participants had begun to take a more favourable view of office sector prospects. While it is too early to assess the repercussions of the war on economic growth, inflation and interest rates, there is no obvious reason why the office sector should be affected more than the wider market. The most recent Investment Property Forum UK Consensus Forecasts, published in March but using data collected in January and February, are directionally in line with this trend. While the 6.9% per year consensus total return for the office sector (excluding West End and City offices in central London) over the next five years continues to trail the wider market (ranked fifth out of six sectors), the margin has narrowed considerably, and is well within the margin of error.

Exhibit 1: Investment Property Forum (IPF) Survey of Independent Forecasts (Winter 2026)

	Rental value growth (%)				Capital value growth (%)				Total property return (%)			
	2026	2027	2028	2026–30	2026	2027	2028	2026–30	2026	2027	2028	2026–30
Office	2.7	2.6	2.6	2.6	2.9	2.8	2.4	2.3	7.6	7.4	7.0	6.9
Industrial	3.1	2.9	3.0	3.1	3.7	3.8	3.2	3.2	8.3	8.4	7.7	7.8
Standard retail	3.0	2.5	2.1	2.5	3.5	2.7	1.9	2.3	8.6	7.9	7.1	7.4
Shopping centre	1.8	1.7	1.5	1.6	2.0	1.6	0.9	1.2	9.4	8.8	8.0	8.5
Retail warehouse	2.3	2.1	2.0	2.2	3.5	2.6	1.9	2.1	9.7	8.7	8.0	8.2
West End office	3.8	3.4	2.9	3.2	4.9	4.1	2.9	3.1	8.5	7.7	6.5	6.6
City office	3.2	2.9	2.6	2.7	4.3	3.1	2.5	2.7	8.3	7.2	6.6	6.6
All property	2.7	2.6	2.6	2.7	3.2	3.2	2.8	2.8	8.2	8.2	7.8	7.7
Office rank	5	4	4	4	6	4	4	5	7	6	5	5

Source: IPF

The key company specific elements of the investment case include:

- There is now much greater visibility on the post-pandemic use of office space. While most employers have adopted some form of hybrid working and an increasing number of employers are demanding or encouraging full attendance.
- The flight to quality continues, with occupiers willing to pay higher rents for good-quality, energy-efficient space. 60% of RGL's portfolio is rated EPC B or better and 85% C or better.
- New lettings and lease renewals have continued to be at a premium to estimated rental value (ERV) and RGL expects a growing supply-demand imbalance to drive rents higher, especially for Grade A space, and spilling over into good-quality secondary space. The core of RGL's portfolio is good quality with occupancy well above the portfolio average.
- Non-core, underperforming assets are being sold, mostly outright, but in selected cases where this will add additional value, following investment to secure various stages of planning consent, generally for alternative use. Disposals are funding capex and debt reduction.
- Within the core and capex-to-core assets, there is a strong opportunity to grow income by increasing occupancy. For these, FY25 ERV of c £58m was c £14m, or around one-third, above contracted rent of c £44m.
- With a net initial yield of just 1.0%, the disposal of the value-add and strategic disposal assets has a modest impact on gross rental income, reduces property costs, reduces debt and finance costs, and is accretive to earnings while lowering the loan-to-value ratio (LTV).
- Portfolio sales are likely to have the most immediate positive impact but the upside potential from core occupancy growth over time is much greater. Although the portfolio segmentation, asset management plans and market conditions at a local and portfolio level are all dynamic, we estimate that:

- A full sale of the end-FY25 non-core, underperforming assets at carried value had the potential to add c £3m to EPRA earnings.
- An increase in core portfolio occupancy to 85–90% over time, the level that management believes to be a realistic expectation and consistent with recurring asset management, had the potential to add c £10–15m to EPRA earnings.

Very significant net rental income potential

RGL's specific opportunities to grow net rental income by letting vacant space and selling underperforming properties are best illustrated by the segmental portfolio presentation. This comprises four portfolio categories, two of which represent properties that will be retained for the long term for income and capital growth (which we will call the retained assets, representing 81% of the end-FY25 total) and two that represent future disposals (which we will call the non-core or disposal assets).

Of the retained assets, core properties are already high quality and mostly occupied, whereas 'capex-to-core' properties are well-located assets that are subject to ongoing refurbishment to realise their full potential.

Among the disposal assets, 'value-add' properties have been identified as offering significant opportunities to add value by being positioned for alternative use. The strategic disposal assets are those where no such opportunity exists, or where asset management plans are mature, and these are likely to be sold more immediately, with capital redeployed for capex and debt reduction.

Exhibit 2: Portfolio by segment at 31 December 2025 (FY25)

	Valuation		EPRA occupancy	Gross rents		ERV	Capital rate	Yield		
	£m	(%)	(%)	(£m pa)	(£ per sq ft)	(£m pa)	(£ per sq ft)	Net initial	Equivalent	Reversionary
Core	349.0	63%	87%	36.0	14.7	42.9	122	7.6%	10.4%	11.3%
Capex to core	103.4	19%	66%	8.1	14.0	15.4	104	2.8%	10.3%	12.0%
Assets to be retained	452.4	81%	82%	44.1	14.5	58.3	117	6.4%	10.4%	11.4%
Value add	55.8	10%	46%	3.4	11.3	8.7	76	1.8%	10.5%	13.2%
Strategic disposal	47.0	8%	55%	2.9	13.4	10.0	64	0.1%	11.9%	15.1%
Assets to be sold	102.8	19%	50%	6.3	12.2	18.7	70	1.0%	11.2%	14.1%
Portfolio total	555.2	100%	76%	50.4	14.2	77.0	104	5.3%	10.5%	12.0%

Source: RGL

The categorisations are dynamic and properties are moved from one to another as asset plans evolve. Nor is it the case that properties are only sold from the value-add/strategic disposal segments.

During the year, around £5m of assets migrated from 'capex-to-core' to 'core' as refurbishment plans completed, and some were reclassified as 'strategic sales'. Within the pool of assets to be sold, there were reclassifications between 'value add' and 'strategic disposal', with the company determining that in some cases a straight sale is now more likely to maximise value than investing to reposition the asset. In addition to reclassification as strategic sale assets, a further £19.7m of value-add assets were sold during the year.

Amongst core asset disposals of c £15m, the largest was the H125 disposal of Clearblue Innovation Centre in Bedford for £8.8m (before costs), an 11% premium to its carried value, where RGL's asset management objectives had been fulfilled. This included a lease extension and EPC rating upgrade from F to B, which together added £2.3m to the property value. Also from the core segment, The Courtyard, in Macclesfield was sold in October 2025 for £2.25m, 18.0% above pre-sale value. It had been assigned to the core segment because of its income-producing characteristics, with 85% occupancy, and minimal, maintenance-only capex requirements. However, the offer received for the property, for alternative use, provided an attractively priced for RGL to exit opportunity, releasing capital for more preferential long-term use.

Exhibit 3: Key changes in portfolio segments during FY25

	Core	Capex to core	Assets to be retained	Value add	Strategic sales	Assets to be sold	TOTAL
Investment Property value (£m)							
End-FY24	371.2	126.4	497.6	93.9	31.0	124.9	622.5
Reclassification & capex	3.7	(8.8)	(5.1)	(14.4)	30.3	15.9	10.8
Revaluation	(12.2)	(6.7)	(18.9)	(4.0)	(5.7)	(9.7)	(28.6)
Disposal	(14.9)	(7.7)	(22.6)	(19.7)	(8.6)	(28.3)	(50.9)
Acquisition	1.2	0.0	1.2	0.0	0.0	0.0	1.2
End-FY25	349.0	103.4	452.4	55.8	47.0	102.8	555.2
Gross rent roll (£m)							
End-FY24	39.7	10.7	50.4	7.8	2.5	10.3	60.7
End-FY25	36.0	8.1	44.1	3.4	2.9	6.3	50.4
EPRA occupancy							
End-FY24	88.1%	77.6%	85.5%	65.6%	30.3%	53.0%	77.5%
End-FY25	86.5%	66.4%	81.8%	46.1%	54.8%	49.6%	75.9%
EPC Rating C and above	87%	77%	84%	89%	81%	87%	83%

Source: RGL. Note: *Includes capex.

Within the assets to be retained, there is a strong opportunity to grow income by increasing occupancy, particularly for 'capex-to-core' assets when refurbishments complete. Capex is enhancing rental prospects, demonstrated by average achieved rents on new lettings running ahead of ERV, and RGL expects market rents for good-quality assets will continue to increase. Moreover, leasing vacant space does not just increase gross rental income but also reduces void costs. We estimate that on average across the portfolio, for every £100 of additional gross rent, void costs may fall by around £70, with £180 dropping through to net rental income.

Gross rent roll for the retained assets reduced to £44.1m from £50.4m, or by £6.3m, during 2025. This was mostly driven by disposals, for which the smaller £4.2m reduction in ERV provides an indication. However, occupancy was also lower at 81.8% versus 85.5% at end-FY24, and the reduction in rent roll also included the impact of some large unexpected lease breaks at core assets (discussed below) as well as planned vacancy to facilitate improvements within the capex-to-core segment.

There is more scope to increase the occupancy of retained assets than is indicated by the EPRA occupancy rate, particularly for the capex-to-core properties. The EPRA occupancy calculation excludes the assets that are currently under refurbishment such that effective occupancy, based on the total amount of all space that is let, is lower than the 66.4% EPRA rate.

Disposals from the value-add and strategic sales segments will reduce gross rental income and, to a lesser extent, net rental income. However, the blended net initial yield is well below the cost of borrowing and would therefore be earnings enhancing. In addition, the value-add strategy is aimed at enhancing disposal values and should additionally be a source of capital growth.

Exhibit 4: Estimated net rental income by segment at 31 December 2025 (FY25)

£m, annualised	Valuation inc. buyers' costs	NIY	Gross rents	Property costs	Net rental income	Net/gross
Core	373	7.6%	36.0	(7.7)	28.3	79%
Capex to core	110	2.8%	8.1	(5.0)	3.1	38%
Assets to be retained	483	6.4%	44.1	(12.7)	31.4	71%
Value add	60	1.8%	3.4	(2.3)	1.1	32%
Strategic sale	50	0.1%	2.9	(2.8)	0.1	2%
Assets to be sold	110	1.0%	6.3	(5.2)	1.1	18%
Portfolio total	593	5.3%	50.4	(17.9)	32.5	65%

Source: RGL data, Edison Investment Research analysis

Void reduction in the retained assets offers the greatest upside in net rental income while disposals are likely to have the most immediate impact.

Each individual transaction differs (see below) but in aggregate, while the assets to be sold contribute £6.3m of gross rents, with average occupancy of only 50% there are significant void costs to be paid by RGL, and allowing for these costs, they generate little more than £1m of net rents. Assuming a complete sale at valuation, with no additional value-added capex prior to sale, the interest saving of c £4m less the current net rental income represents a potential 15–20% uplift to our forecast FY26 EPRA earnings of c £16m.

A gradual improvement in occupancy for the retained assets, to 85–90%, the level that management believes is a reasonable target, allowing for recurring asset management initiatives, suggests gross rent potential of £50–52m, or an increase of £6–£8m on the current level. Including void cost savings, the net rent potential upside is £10–15m.

In reality, given the dynamic segmentation, the portfolio will not develop quite like this. Not all the assets sold will be from

the value-add and strategic sales segments and not all the occupancy changes will be from the core and capex-to-core pool.

RGL has already reported completed sales of five properties for £12.3m (before costs) since end-FY25, of which value-add (16%) and strategic sales (74%) represent the majority and core assets the balance. With average occupancy of 22%, it says the annual net operating income (NOI) saving, which is the net of gross rental income and direct costs and equivalent to our analysis above, is an annualised c £0.5m. As of 24 March, a further 14 assets with a potential sales value of c £29m were either contracted for sale, under offer, or under negotiation. Again, value-add (11%) and strategic sales (77%) represented the majority but core assets were c 12% of the total. Assuming these all completed, RGL estimates an annualised NOI saving of £2.6m.

Exhibit 5: Illustrative core/capex-to-core net rental income potential at end-FY25

£m	Current	At 85% occupancy	At 90% occupancy
ERV	58.3	58.3	58.3
Contracted rent	44.1	49.6	52.5
Property costs	(12.7)	(8.3)	(6.0)
Net rent	31.4	41.2	46.5
Net rent	71%	83%	89%

Source: RGL data, Edison Investment Research

Capturing the net rental income potential

Enhancing portfolio quality

Despite a persistently uncertain political and economic environment, at home and abroad, the regional office occupier market has remained robust, although the impacts on economic growth of the war in the Middle East remain to be seen. For good-quality space, with the right environmental credentials, in the right location, tenants have been willing to pay increasing rents and the majority of RGL's office assets already meet the standards required by tenants or post-refurbishment will do so. Investment in the portfolio, combined with sales of lower-quality assets, is reflected in the portfolio's sustainability metrics, which have strengthened significantly over the past two years, in step with occupier demand for energy-efficient properties. We expect the improvement to continue.

It has for some time been expected that properties will need to have an EPC rating of C or better by 2027 and B or better by 2030, and although this remains the trajectory of travel it is not yet a legal requirement. Nevertheless, these are the standards that are increasingly demanded by occupiers, and landlords must respond to attract tenants. RGL estimates that well over half of all office lettings in the regions are for EPC A- and B-rated properties, more than twice the share of available stock. It will not be possible for refurbishment activity, and what little development activity there is, to keep pace with occupier demand for higher-rated properties and this should put upwards pressure on rents.

The company has continued to put a strong focus on improving the quality of the portfolio, and EPC improvements are a key element of refurbishment projects. Investment in the portfolio, combined with sales of lower-quality assets, is reflected in the portfolio's sustainability metrics, which have strengthened significantly over the past three years. The proportion of the portfolio rated EPC C or better, including those that are exempt, was 85% at the end of FY25 (87% for core assets) and properties rated B or better was 60%. RGL recently indicated that the regional office market average may be only c 25% B-rated or better and this is supported by British Property Federation data that just 19% of all commercial buildings in seven major regional locations meet this standard.

In FY25, capex increased to £11.8m from £8.2m in FY24, substantially focused on the capex-to-core segment. Eighteen projects were completed at a cost of £10.1m and at the year-end, a further 10 projects were on site with an aggregate expected cost of £3.9m. Thirteen projects, amounting to £9.4m of investment, were soon to commence.

Exhibit 6: EPC ratings continue to improve

EPC Rating	FY22	FY23	FY24	FY25	FY25 v FY24
A&B*	25%	43%	58%	60%	+2.3 pps
C	34%	32%	25%	25%	-0.6 pps
C or above	59%	75%	83%	85%	
D	28%	16%	11%	12%	+0.5 pps
E and below	13%	9%	6%	4%	-2.2 pps

Source: RGL. Note: *Includes exempt properties.

RGL says that new prime space coming to market now, in projects started a few years ago, is commanding rents of £40–45/sq ft, below the £50–55/sq ft required by landlords to make new projects viable, and well ahead of the c £20–30/sq ft at which more secondary Grade A (EPC A and B) space is available. With little in the way of new development starts likely until rents increase, and completions even further off, the company expects this gap to close with a positive impact on its portfolio, about 60% of which is Grade A (effectively the core assets), with average rents of c £15/sq ft and increasing. RGL says that new lettings are well ahead of this average and in most cases well over £20/sq ft.

Managing contracted rent roll

Contracted rent roll and net rental income both peaked in 2022, and have been subsequently affected by disposals, a challenging letting market, increasing vacancy and inflationary pressures on property costs. Disposals will continue to have an impact, while underlying progress will be supported by steadily increasing portfolio quality, although we have assumed very modest rent roll growth in core assets.

Exhibit 7: Past changes in contracted rent roll and forecasts

£m	H124	H224	H125	H225	2025	FY26e	FY27e	FY28e
Opening contracted rent	67.8	63.5	60.7	56.7	60.7	50.4	47.0	46.2
Disposals	(2.0)	(0.5)	(0.8)	(3.4)	(4.2)	(3.4)	(1.8)	(1.1)
Net leasing/expiries	(2.3)	(2.3)	(3.2)	(2.9)	(6.1)	0.0	1.0	1.0
Closing contracted rent	63.5	60.7	56.7	50.4	50.4	47.0	46.2	46.1

Source: RGL historical data, Edison Investment Research analysis and forecasts

We estimate that in FY25, the £51.6m of disposals at a net initial yield of 8.2% (8.4% excluding vacant properties) reduced annualised rent roll by c £4.2m and that in aggregate, new lettings, renewals, lease breaks and expiries accounted for a c £6.1m reduction. Positively, 64 new lettings, amounting to c £3.2m of annual rent roll, were at an average 3.9% above ERV.

Three key unexpected lease breaks related to properties leased to Aviva Central Services (£0.8m of annualised gross rent at end-FY24), Shell Energy (£0.9m), and one of the sites occupied by EDF Energy (£0.7m).

Aviva occupied c 43k sq ft at Hampshire Corporate Park in Eastleigh. The company has been reducing and consolidating its offices across the UK over several years and decided to relocate to smaller, more flexible space elsewhere in Eastleigh.

Shell Energy was involved in a sector acquisition in 2024, following which the combined operations were consolidated and relocated to newly developed, BREEAM Excellent, Grade A space at Friargate House, close to the Coventry rail station, where headline asking rents are reported to be in the range of £25–32/sq ft. The space let from RGL's Columbus House property, also in Coventry, was vacated. While disappointing for RGL, the move provides clear evidence of occupiers' willingness to pay premium rents for high-quality new space.

EDF leased space at two RGL properties, at Aztec West in Bristol and Endeavour House in Sunderland. In Bristol, where EDF occupied c 41k sq ft of space, the company was looking to expand materially. The company was seeking additional space and to establish a regional headquarters. RGL had agreed in principle to create additional space for the company but EDF eventually decided to relocate to one large (c 70k sq ft) fully refurbished, net carbon-zero property in the same Bristol location. This is another example of occupier willingness to pay higher rents for Grade A space with the new headline rent reported to be in the range of £26–28/sq ft compared with c £17 previously. EDF continues to occupy space at Endeavour House, generating annual rent of c £1.1m with a weighted average unexpired lease term (WAULT) of 4.8 years.

While it is disappointing that RGL was unable to retain these tenants, it is clear evidence of the strength of occupier demand for high-quality space. Not all occupiers can afford Grade A space, and there is limited available supply with very little new development in the pipeline, and RGL expects this will continue to spill over into high-quality secondary space.

The lease maturity profile is much more favourable in 2026

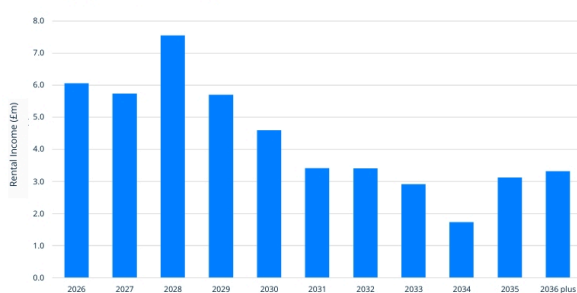
At the end of 2024, more than £12m of annual rent was 'at risk' from lease maturities or breaks over the following year. This meant that on a like-for-like basis, before disposals, £12m of rents needed to be retained or re-let just to stand still. The equivalent figure at the end of 2025 was just c £6m, and the WAULT to first break was 2.7 years.

At end-FY25, the top 15 properties in RGL's portfolio accounted for £18.2m of annualised rent, or 36% of the portfolio total, with a WAULT to first break of 3.1 years and the shortest being one year (£0.5m of annual rent). The top 15 occupiers accounted for £11.4m of annual rent, or 23% of the total, with an average WAULT to first break of 3.8 years, and the shortest being one year (£0.5m of annual rent).

The portfolio WAULT to first break is 2.7 years, higher in the assets to be retained (2.9 years) and lowest in the assets to be sold (2.0 years). Whereas a longer WAULT provides security of income, a lower WAULT provides opportunities to refurbish assets (capex-to-core) and push through rental uplifts. The lower average WAULT for the assets that will be sold reflects repositioning ahead of sale, often for alternative use.

Exhibit 8: Lease expiry to first break as at 31 December 2025

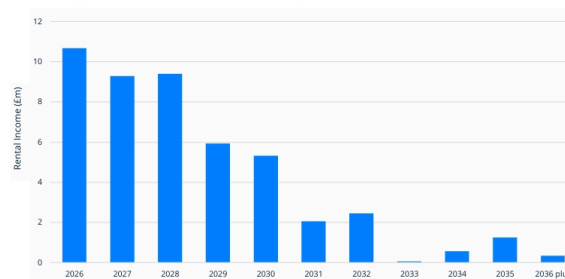
Lease expiry income profile by year



Source: RGL

Exhibit 9: Lease expiry to first break as at 31 December 2024

Lease expiry to first break income profile by year



Source: RGL

Debt and LTV reduced and term extended

Using the proceeds from disposal, gross borrowings reduced by £50m to £262m and net borrowings by £36m to £224m. The net LTV reduced to 40.4% versus 41.8% at end-FY24, with lower property valuation offsetting some of the impact of net debt reduction.

Including total disposals (before costs) of £55m in FY26, £30m in FY27 and £18m in FY28, and assuming a stabilisation in valuation yields, we expect net LTV to move towards 30% by end-FY28.

Exhibit 10: Net debt and LTV

£m unless stated otherwise	FY24	FY25	FY26e	FY27e	FY28e
Bank borrowing	317	266	216	196	176
Cash & equivalents	57	42	36	39	30
Net debt	260	224	180	157	146
Portfolio value	622	555	510	496	495
LTV	42%	40%	35%	32%	30%

Source: RGL historical data, Edison Investment Research forecasts

In December, the company agreed a three-year extension to the debt facility, which was due to mature in August 2026. The facility, with a syndicate of lenders comprising Royal Bank of Scotland, Bank of Scotland and Barclays, was originally £128.0m, but had been significantly reduced to £72.4m. The lending margin has remained unchanged and the existing hedging remains in place until the original August 2026 maturity date. Until then, there is no change in RGL's blended average overall borrowing cost of 3.3%, but based on current market interest rate levels, new hedging on this facility will then see an increase to c 4.1%.

The end-FY25 average debt maturity was 2.6 years and by the time of the next debt maturity in December 2027, which is the c £131m Scottish Widows and Aviva facility at a fixed 3.28%, we expect borrowings to have reduced further and

earnings to be higher.

Exhibit 11: End-FY25 debt portfolio

	FY24 outstanding (£m)	FY25 outstanding (£m)	Maturity	Gross facility LTV	Interest terms	Swaps/caps notional (£m)	Swaps/caps blended rate
Royal Bank of Scotland & Barclays	132.6	118.3	Dec-27	51%	3.28% fixed	75.2	0.98%
Scottish Widows & Aviva	99.8	72.4	Dec-28	45%	3m SONIA + 2.40%		
Scottish Widows	34.5	32.3	Dec-28	46%	3.37% fixed		
Santander	49.8	43.1	Jun-29	49%	3m SONIA + 2.20%	43.1	1.39%
Total	316.7	266.2					

Source: RGL

Forecast update

We expect FY26 EPRA earnings to show a further decline, with increased vacancy offsetting the positive impact of disposals, in part reflected in reduced borrowing and finance expense, and lower management fees.

Our FY26 forecasts are not materially changed, although, cognisant of the increasingly uncertain economic environment, we assume a slower build in core occupancy than previously, which is more clearly reflected in FY27. FY27e earnings and DPS show progress however, and we expect this to continue in FY28. We have allowed for RGL to maintain a high level of DPS cover based on EPRA earnings (c 1.2x) as it retains cash for portfolio reinvestment. The company nonetheless intends to remain compliant with REIT requirements, including a 90% distribution of earnings from property rental activity. Among other differences, compared with EPRA earnings, property rental earnings are currently reduced by capital investment tax allowance.

We have allowed for some modest capital growth, reflecting a stabilisation of yields and mostly improving core occupancy. Although not forecast, we see continuing potential for 'value-add' investment to deliver additional gains over time.

With capital values increasing and debt repaid from property sales, we forecast a steady decline in LTV to around 30% by end-FY28.

Exhibit 12: Forecast revisions

	New forecasts			Previous forecasts		Change	
£m unless stated otherwise	FY26e	FY27e	FY28e	FY26e	FY27e	FY26e	FY27e
Rental & other property income	52.3	50.1	49.4	52.4	50.9	(0.1)	(0.8)
Non-recoverable property costs	(17.7)	(15.6)	(14.3)	(17.5)	(16.0)	(0.2)	0.4
Net rental income	34.7	34.4	35.0	34.9	34.9	(0.3)	(0.5)
Management fees	(5.2)	(4.8)	(5.0)	(5.3)	(4.5)	0.1	(0.3)
Other administrative expenses	(4.0)	(4.1)	(4.2)	(4.0)	(4.1)	(0.0)	(0.0)
Net finance expense	(9.8)	(9.4)	(8.9)	(10.1)	(9.4)	0.3	(0.1)
EPRA earnings	15.6	16.1	17.0	15.5	17.0	0.1	(0.9)
EPRA earnings per share (p)	9.7	9.9	10.5	9.6	10.5	0.1	(0.5)
Dividends declared	13.0	13.6	14.3	22.7	23.7	(9.7)	(10.1)
Dividends per share (p)	8.0	8.4	8.8	8.0	8.8	0.0	(0.4)
Dividend cover (x)	1.21	1.18	1.19	1.20	1.19	0.01	(0.01)
EPRA net tangible assets	316.9	324.6	334.4	321.2	328.1	(4.3)	(3.4)
EPRA NTA per share (p)	195	200	206	198	202	(3)	(2)
EPRA NTA total return	4.9%	6.7%	7.3%	6.1%	6.5%	-1.2%	0.2%
Gross borrowing	216.2	196.2	176.2	226.2	206.2	(10.0)	(10.0)
Net LTV	35%	32%	30%	37%	35%		

Source: Edison Investment Research

Valuation

RGL's shares have a prospective yield of c 9%, based on management's FY26 DPS target of 8.0p, which we expect to be well covered. The discount to end-FY25 NAV is almost 50%. Among the selected peer group shown below (on a trailing basis), comprising a mix of REITs with varying degrees of exposure to the office sector, regional properties and development/refurbishment, RGL offers by far the highest yield, with the strongest dividend cover. A successful execution of RGL's strategy, as set out above, suggests significant upside potential, particularly given the low base of expectations. RGL's share price has underperformed the selected peer group over the past year, although given its high yield, the gap is narrower on a total return basis. The peer group share price performance is broadly in line with the

wider UK commercial property sector, but this has significantly underperformed the UK equity market as a whole. This is partly explained by the stronger performance of larger companies within the main UK equity index, and especially banks and commodity producers. Listed property sector performance has been negatively affected by short-term interest rates remaining higher for longer and, particularly in the last three months, by the increased economic uncertainty and higher bond yields triggered by war in the Middle East. Conversely, the occupier market has thus far remained robust and rents have continued to increase.

Exhibit 13: Performance and valuation comparison

	Price (p)	Market cap (£m)	P/NAV (x)	Yield (%)	Share price performance			
					One month	Three months	One year	Three years
AEW REIT	102	162	0.94	7.8	3%	-4%	-1%	3%
Custodian Property Income	83	404	0.83	7.3	0%	-5%	9%	-13%
Derwent London	1,708	1,918	0.53	4.8	7%	-10%	-16%	-28%
Helical	182	224	0.52	2.7	2%	-7%	-18%	-39%
Picton Property Income	75	385	0.73	5.1	-4%	-8%	-2%	0%
Land Securities	577	4,299	0.67	7.1	2%	-13%	-5%	-13%
Schroder REIT	48	236	0.78	7.5	1%	-14%	-8%	5%
Workspace	335	643	0.46	8.5	-4%	-19%	-26%	-31%
Average			0.68	6.3	1%	-10%	-8%	-15%
Regional REIT	89	144	0.46	9.0	2%	-17%	-25%	-74%
UK property sector index	1,158				2%	-10%	-7%	-14%
UK equity market index	5,487				-1%	-2%	18%	29%

Source: Company data, Edison Investment Research, LSEG Data & Analytics prices at 5 May 2026.

FY25 financial performance

The FY25 results show the company in transition, with strategic progress yet to be reflected in the financial results. EPRA earnings was 16% lower than in FY24, primarily driven by lower net rental income. We highlight the following:

- Gross rental and other property income of £60.4m was c £4.8m lower than in FY24. The changes reflect disposals and increased vacancy, in part offset by rental growth achieved on leasing events. Non-rental income such as dilapidation receipts are mostly earned in the second half of the year and is reflected in higher income in H2 versus H1.
- Non-recoverable property costs of £20.2m were £1.1m higher than in FY24 with the positive impact of disposals more than offset by higher vacancy. With accelerating disposals in the second half of the year, H2 costs were lower than H1.
- Net property income was £46.0m, down by £5.7m compared with FY24 and up in H2 versus H1.
- Management fees increased, driven by higher average net assets, but will begin to decline from the start of FY26. Other administrative expenses have been tightly controlled and on an underlying basis were reduced by £0.8m to £3.8m. On a reported basis, including £0.4m of abortive transaction costs in FY24, the decline was even greater. The EPRA cost ratio (excluding direct property costs) was broadly flat at c 17% but including vacancy costs was a substantial c 50%.
- With all interest costs fixed, the net finance charge reduced by £2.6m with debt repayment.
- EPRA earnings of £19.1m, or 11.8p per share, covered DPS of 10p by c 1.2x.
- The IFRS loss of £16.4m included c £29.9m of unrealised and realised investment property valuation losses and a negative £5.5m change in the fair value of interest rate derivatives. The £51.5m of disposals were at an average 1.3% premium to pre-sale valuation but generated a £3.2m loss after costs.
- EPRA net tangible assets per share of 194p was c 8% lower than at end-FY24 and including DPS paid the accounting total return was -2.9%.
- Gross borrowings reduced by £50m to £262m and net borrowings by £36m to £224m. The net LTV reduced to 40.4% versus 41.8% at end-FY24, with lower property valuation offsetting some of the impact of net debt reduction.

Exhibit 14: Key performance data

£m unless stated otherwise	FY24	FY25	FY25/FY24	H125	H225	H225/H124
Rental & other property income	65.2	60.4	-7%	29.8	30.6	3%
Void costs	(19.3)	(20.2)	5%	(10.5)	(9.7)	-8%
Net rental income	46.0	40.3	-12%	19.3	20.9	8%
Management fees	(4.9)	(6.2)	27%	(3.2)	(3.0)	-8%
Other administrative expenses	(4.6)	(3.8)	-17%	(2.0)	(1.8)	-11%
Net financial expense	(13.8)	(11.2)	-19%	(5.6)	(5.6)	0%
Tax	(0.0)	0.0		0.0	0.0	
EPRA earnings	22.7	19.1	-16%	8.5	10.6	25%
Unrealised & realised gains/(losses)	(60.1)	(29.9)		(12.8)	(17.1)	
Change in fair value of interest rate derivative	(1.7)	(5.5)		(3.6)	(1.9)	
Deferred tax	(0.0)	(0.0)		0.0	(0.0)	
IFRS earnings	(39.1)	(16.4)		(7.9)	(8.5)	
IFRS EPS (p)	(33.5)	(10.1)		(4.9)	(5.2)	
EPRA EPS (p)	19.2	11.8	-39%	5.2	6.5	25%
DPS (p)	7.8	10.0	28%	5.0	5.0	0%
Dividend cover (x)	1.34	1.18		1.05	1.31	
EPRA net tangible assets (NTA)	341	315		329	315	
EPRA NTA per share (p)	210	194	-8%	203	194	-4%
Investment properties	607	542		593	542	
Net debt	(260)	(224)		(263)	(224)	
Net LTV	42%	40%		43%	40%	
EPRA cost ratio (exc direct vacancy costs)	17%	17%		19%	15%	

Source: RGL data, Edison Investment Research

Exhibit 15: Financial summary

Year end 31 December (£m)	2024	2025	2026e	2027e	2028e
INCOME STATEMENT					
Rental & other property income	65.2	60.4	52.3	50.1	49.4
Non-recoverable property costs	(19.3)	(20.2)	(17.7)	(15.6)	(14.3)
Net rental and related income	46.0	40.3	34.7	34.4	35.0
Net/gross	70%	67%	66%	69%	71%
Management fees	(5.3)	(6.2)	(5.2)	(4.8)	(5.0)
Administrative expenses	(4.6)	(3.8)	(4.0)	(4.1)	(4.2)
Operating profit before valuation movements	36.8	31.0	26.1	26.2	26.6
EPRA cost ratio, excluding direct vacancy costs	17.4%	17.0%	21.3%	28.4%	47.6%
Share of JV	0.0	(0.0)	0.0	0.0	0.0
Gain on disposal of investment properties	(3.2)	(3.2)	0.0	0.0	0.0
Change in fair value of investment properties	(56.9)	(26.8)	(0.1)	5.9	6.9
Operating Profit	(23.2)	1.1	25.9	32.1	33.5
Net finance expense	(13.8)	(11.2)	(9.8)	(9.4)	(8.9)
Fair value movement in interest rate derivatives & goodwill impairment	(1.7)	(5.5)	(2.1)	(1.2)	(0.7)
Profit Before & after tax	(38.8)	(15.7)	14.0	21.5	23.9
Adjusted for the following:					
Net gain/(loss) on revaluation/disposal of investment properties	60.1	29.9	0.1	(5.9)	(6.9)
Other EPRA adjustments	1.4	4.8	1.5	0.5	(0.0)
EPRA earnings	22.7	19.1	15.6	16.1	17.0
Period end number of shares (m)	162.1	162.1	162.1	162.1	162.1
Fully diluted average number of shares outstanding (m)	118.2	162.0	162.1	162.1	162.1
IFRS EPS (p)	(33.5)	(10.1)	8.2	12.8	14.3
EPRA EPS (p)	19.2	11.8	9.7	9.9	10.5
Dividend per share (p)	7.8	10.0	8.0	8.4	8.8
Dividend cover (x)	1.34	1.18	1.21	1.18	1.19
BALANCE SHEET					
Non-current assets	630.3	556.4	509.9	494.5	492.9
Investment properties	607.5	542.2	497.2	483.2	482.4
Other non-current assets	22.9	14.2	12.7	11.3	10.5
Current Assets	91.8	80.2	72.2	74.3	64.6
Other current assets	35.1	42.5	36.1	35.2	34.8
Cash and equivalents	56.7	37.7	36.2	39.1	29.8
Current Liabilities	(46.8)	(43.2)	(39.9)	(39.2)	(39.0)
Borrowings	0.0	0.0	0.0	0.0	0.0
Other current liabilities	(46.8)	(43.2)	(39.9)	(39.2)	(39.0)
Non-current liabilities	(323.8)	(274.1)	(224.3)	(204.4)	(184.2)
Borrowings	(312.3)	(262.3)	(213.0)	(193.5)	(173.8)
Other non-current liabilities	(11.4)	(11.7)	(11.3)	(10.9)	(10.4)
Net Assets	351.6	319.3	317.9	325.2	334.3
Derivative interest rate swaps & deferred tax liability	(10.9)	(4.1)	(1.0)	(0.5)	0.1
EPRA net tangible assets	340.7	315.2	316.9	324.6	334.4
IFRS NAV per share (p)	217	197	196	201	206
EPRA NTA per share (p)	210	194	195	200	206
EPRA NTA total return	-33.2%	-2.9%	4.9%	6.7%	7.3%
CASH FLOW					
Cash flow from operating activity	33.1	22.2	26.7	25.8	26.0
Net finance expense	(13.2)	(10.3)	(9.0)	(8.9)	(8.5)
Net cash flow from operating activity	19.9	12.0	17.7	16.9	17.5
Capex	(8.2)	(11.8)	(10.0)	(10.0)	(10.0)
Net disposal/(acquisition) of investment property	28.6	47.3	55.0	30.0	17.8
Other investing activity	1.1	0.9	0.5	0.5	0.5
Net cash flow from investing activity	21.4	36.4	45.5	20.5	8.3
Dividends paid	(22.3)	(15.2)	(13.8)	(13.5)	(14.1)
Debt drawn/(repaid)	(54.0)	(50.5)	(50.0)	(20.0)	(20.0)
Net equity issuance	105.7	(1.4)	0.0	0.0	0.0
Other financing activity	(48.5)	(0.3)	(1.0)	(1.0)	(1.0)
Net cash flow from financing activity	(19.1)	(67.4)	(64.8)	(34.5)	(35.1)
Net Cash Flow	22.2	(19.0)	(1.6)	3.0	(9.3)
Opening cash	34.5	56.7	37.7	36.2	39.1
Closing cash	56.7	37.7	36.2	39.1	29.8
Balance sheet debt	(312.3)	(262.3)	(213.0)	(193.5)	(173.8)
Unamortised debt costs	(4.4)	(3.9)	(3.2)	(2.7)	(2.4)
Closing net debt/(cash)	(260.0)	(228.5)	(180.1)	(157.1)	(146.4)
LTV	42%	40%	35%	32%	30%

Source: RGL historical data, Edison Investment Research

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