

Regional REIT

Q1 DPS growth confirmed

With FY17 results in March, Regional REIT (RGL) reiterated its commitment to a progressive dividend, and has now declared a Q118 DPS of 1.85p (Q117: 1.80p). Management reports a good pace of lettings year to date, which it says reinforces its confidence in the prospects for increasing occupancy and income. We make no change to our estimates for a continued good level of total return, substantially income based. The yield remains among the highest in the sector, with a highly diversified portfolio mitigating economic and sector-specific risks.

Year end	Net rental income (£m)	Adj. EPRA EPS* (p)	EPRA NAV/ share (p)	DPS (p)	P/EPRA NAV (x)	Yield (%)
12/16	38.1	7.8	106.9	7.65	0.94	7.7
12/17	45.8	8.6	105.9	7.85	0.94	7.9
12/18e	56.4	8.4	112.3	8.05	0.89	8.1
12/19e	58.2	9.2	116.8	8.25	0.86	8.3

Note: *Adj. EPRA EPS excludes exceptional expenses and estimated performance fees.

As previously, the company intends to pay three quarterly dividends at a similar level to Q118, and a fourth quarterly dividend that will at least ensure compliance with the REIT distribution rules. In 2017, the Q4 DPS was 2.45p per share, following three quarterly payments of 1.80p each.

At 31 March, occupancy (by value) was 85.7% versus 85.0% at end-FY17. Adjusting for portfolio changes, like-for-like occupancy was unchanged, with a contracted rent roll of c £61.7m (end-FY17: £61.9m). Several disposals, amounting to c £18m (net of costs) by value were completed in Q118. All had been agreed in H217, with sales prices averaging 19.3% above the H117 valuations. As previously reported, the £4.9m acquisition of a fully let office building at Port Solent was completed, adding c £0.4m to annualised rent income. Since 31 March, RGL has announced the acquisition of a £35.2m portfolio comprising five regional offices, and an office/distribution property, expected to provide net income of £3.1m pa, representing an 8.4% net initial yield.

Loan-to-value was c 44% at 31 March, down from 45% at end-FY17, with debt of c £379m and cash balances of c £60m. LTV will increase with completion of the £35.2m portfolio acquisition but we expect net sales during the balance of the year, including completion of the £10.5m sale (subject to planning consent) of the Leeds development asset agreed last year to support LTV reduction over the year as a whole.

Q1 DPS and trading update

Real estate

21 May 2018

Price 100p
Market cap £373m

Net balance sheet debt (£m) at 31 December 2017	327.0
Net LTV at 31 December 2017	45.0%
Shares in issue	372.8m
Free float	97.2%
Code	RGL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Regional REIT owns a highly diversified commercial property portfolio of predominantly offices and light industrial units located in the regional centres of the UK. It is actively managed and targets a total shareholder return of 10-15% with a strong focus on income.

Analysts

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