

Regional REIT

An active end to FY25

Recent announcements from Regional REIT (RGL) include further progress on asset disposals, with the total for 2025 ending a little above the £40–50m range targeted by management; a successful refinancing of the debt maturing in August 2026; and amendments to management fees, with the basis of calculation migrating in phases to an equal weighting of net assets and market cap by FY27. At the current discount to NAV, the fee change indicates a FY27 cost saving of c £0.9m. Our forecasts are unchanged as we await an update on lettings experience. FY25 results will be released in March. Ahead of that, in February, RGL will declare the Q425 DPS, which we expect will be in line with the annual 10p target, well covered by EPRA earnings and reflecting a yield of more than 9%.

Year end	EPRA earnings (£m)	EPRA EPS (p)	NAV/share (£)	DPS (p)	P/NAV (x)	Yield (%)
12/24	22.7	19.2	2.10	7.80	0.51	7.3
12/25e	18.9	11.7	1.99	10.00	0.54	9.3
12/26e	19.3	11.9	2.12	10.50	0.51	9.8
12/27e	20.4	12.6	2.26	11.00	0.47	10.2

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

The completed sale of Oakland House in Manchester to a residential property developer, for a total consideration of £13.0m before costs, was the largest single transaction during 2025. It took the total value of disposals for the year to £51.7m, before costs, at a weighted average of 1% above book value. In aggregate, H2 sales amounted to £43.9m, before costs, a significant acceleration from H1 (£7.8m). Oakland House is a multi-let office building, 65% occupied, with 1.7 years to expiry. It currently generates £0.7m per year of rental income, reflected in a net initial yield on disposal of 5.1%.

Disposal proceeds continue to be allocated towards debt reduction and accretive capital expenditure initiatives, aimed at enhancing the quality of the portfolio. End-Q325 gross debt was £304m and, adjusting for cash, net borrowing was £263m. Q425 c £27m asset sales will have reduced debt further and we expect the loan-to-value (LTV) ratio to have ended 2025 at around 40% (H125: 43.2%), assuming no material change in like-for-like valuations. Including assumed disposals of £40m in FY26 and £20m in FY27, we expect net LTV to move towards 30% by end-FY27.

The bank facility that was due to mature in August 2026, where the outstanding balance had been reduced from its original £128m to £72m (H125: £96m) has been extended for three years at an unchanged margin (2.4%). The existing hedge will remain in place until August 2026, capping the SONIA benchmark rate at 0.97%, after which new hedging will commence, through to expiry. There is no change to the c 3.4% overall weighted average cost of borrowing until August 2026, at which point, based on market rates, RGL anticipates an increase to c 4.1%. As a result of the refinancing, the weighted average unexpired debt term will extend to 2.6 years.

Investment and asset management fees are currently calculated on a sliding scale by reference to EPRA net tangible assets (NTA). From the start of FY26, the calculation will be based on 75% NTA and 25% market cap and from the start of FY27 onwards, it will move to 50% NTA and 50% market capitalisation. At the current discount to market cap, the annual cost savings amount to approximately £0.5m in FY26 and c £0.9m in FY27.

Company updates

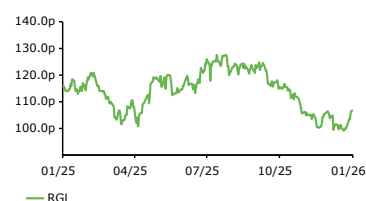
Real estate

5 January 2026

Price 107.40p
Market cap £174m

Net (debt) as at 30 September 2025 £(249.2)m
Shares in issue 162.1m
Free float 75.7%
Code RGL
Primary exchange LSE
Secondary exchange N/A

Share price performance



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.

Analyst

Martyn King +44 (0)20 3077 5700

financials@edisongroup.com
[Edison profile page](#)

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