

Regional REIT

Leasing market uncertainty

Regional REIT (RGL) has released a 2025 year-end trading update and will publish its full results on 24 March. Alongside the strategic progress that the company has recently reported (profitable disposals, portfolio investment, debt refinancing and amended management fee arrangements), earnings and DPS are in line with expectations. However, the leasing market has remained subdued and the full impact of 2025 lease breaks will be felt in 2026. FY26 earnings will be lower than in FY25 and RGL is targeting a reduced, but fully covered, FY26 DPS of 8.0p. Much of this appears to be anticipated in the share price, which reflects a prospective yield of 7.5% and c 50% discount to NAV.

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	0.49	7.6
12/25e	18.9	11.7	1.95	10.00	0.52	9.8
12/26e	15.5	9.6	1.98	8.00	0.51	7.8
12/27e	17.0	10.5	2.02	8.80	0.50	8.6

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

Significant progress in FY25

FY25 was a transition year for RGL as it accelerated efforts to reposition the portfolio and lay the foundations for unlocking value. This centred on driving occupancy and income over time from a core of high-quality assets, while seeking to maximise the value and capital release from targeted disposals. This included £51.6m of disposals (ahead of target) at an aggregate 1.3% premium to book value and borrowing was reduced by £51m to £266m, facilitating a refinancing of near-term debt maturities. The loan-to-value ratio reduced to 40.4% by year-end, despite lower property values, and has since fallen below 40%. Also, RGL's investment in the portfolio increased by c 50% to £11.2m, enhancing asset quality, tenant appeal and income potential. Its EPC ratings showed a further improvement. Finally, changes to the investment and asset management fee basis, introducing a partial link to market cap, will reduce costs, in phases, by almost £1m in FY27.

FY26e and FY27e EPS reduced

Despite this, the leasing environment has remained challenging. New lettings in the year of £3.1m, and we estimate c £1.4m in Q4, were insufficient to offset lease breaks and expiries. Including disposals, the end-FY25 contracted rent roll was £50.4m, down from £60.7m at end-FY24. Encouragingly, new lettings were at an average 3.9% above estimated rental value (ERV) and the gap between rent roll and portfolio ERV of £77m indicates a significant income potential. The full impact of the lower rent roll will be seen in FY26, along with a pick-up in the average cost of borrowing. RGL is targeting a fully covered FY26 DPS of 8.0p (FY25: 10.0p), based on property rental earnings. We expect EPRA earnings to be higher than this and with a similarly high level of DPS cover to FY25 (c 1.2x). We expect FY25 earnings in line with our previous forecasts, but have reduced FY26e EPS by c 20% and FY27e by slightly less, driven entirely by rental income and partly offset by lower costs. The portfolio yield has stabilised but lower rental income is reflected in a 5% like-for-like decline in portfolio value, with a knock-on impact on NAV.

End-FY25 trading update

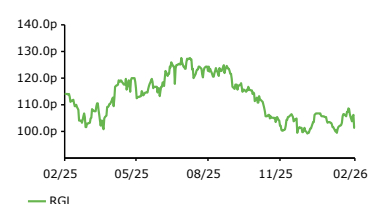
Real estate

20 February 2026

Price 102.00p
Market cap £173m

Net cash/(debt) 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	2.5	6.5	0.2
52-week high/low		122.9p	91.2p

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

FY25 results 24 March 2025

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Regional REIT is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

Year end 31 December (£m)	2023	2024	2025e	2026e	2027e
INCOME STATEMENT					
Rental & other property income	70.1	65.2	60.1	52.4	50.9
Non-recoverable property costs	(16.3)	(19.3)	(20.0)	(17.5)	(16.0)
Net rental and related income	53.7	46.0	40.2	34.9	34.9
Net/gross	77%	70%	67%	67%	69%
Management fees	(6.6)	(5.3)	(6.3)	(5.3)	(4.5)
Administrative expenses	(4.1)	(4.6)	(4.3)	(4.0)	(4.1)
Operating profit before valuation movements	43.9	36.8	30.3	26.3	27.0
EPRA cost ratio, excluding direct vacancy costs	16.4%	17.4%	17.8%	15.9%	15.5%
Gain on disposal of investment properties	(0.7)	(3.2)	(0.6)	0.0	0.0
Change in fair value of investment properties	(86.5)	(56.9)	(27.8)	3.9	3.9
Operating Profit	(43.4)	(23.2)	1.9	30.1	30.9
Net finance expense	(16.1)	(13.8)	(10.7)	(10.1)	(9.4)
Fair value movement in interest rate derivatives & goodwill impairment	(7.2)	(1.7)	(3.6)	0.0	0.0
Profit Before & after tax	(66.7)	(38.8)	(12.4)	20.1	21.5
Adjusted for the following:					
Net gain/(loss) on revaluation/disposal of investment properties	87.2	60.1	28.4	(3.9)	(3.9)
Other EPRA adjustments	6.4	1.4	2.9	(0.7)	(0.7)
EPRA earnings	27.0	22.7	18.9	15.5	17.0
Period end number of shares (m)	81.4	162.1	162.1	162.1	162.1
Fully diluted average number of shares outstanding (m)	81.4	118.2	162.1	162.1	162.1
IFRS EPS (p)	(81.9)	(33.5)	(8.1)	12.0	12.9
EPRA EPS (p)	33.1	19.2	11.7	9.6	10.5
Dividend per share (p)	5.3	7.8	10.0	8.0	8.8
Dividend cover (x)	1.00	1.34	1.17	1.20	1.19
BALANCE SHEET					
Non-current assets	715.1	630.3	559.4	539.3	539.2
Investment properties	687.7	607.5	540.4	520.4	520.4
Other non-current assets	27.4	22.9	19.1	18.9	18.8
Current Assets	67.3	91.8	84.7	65.9	52.2
Other current assets	32.8	35.1	42.7	36.3	35.5
Cash and equivalents	34.5	56.7	42.0	29.6	16.8
Current Liabilities	(99.3)	(46.8)	(47.5)	(42.8)	(42.1)
Borrowings	0.0	0.0	0.0	0.0	0.0
Other current liabilities	(99.3)	(46.8)	(47.5)	(42.8)	(42.1)
Non-current liabilities	(377.1)	(323.8)	(273.9)	(234.1)	(214.0)
Borrowings	(365.6)	(312.3)	(262.7)	(223.3)	(203.7)
Other non-current liabilities	(11.5)	(11.4)	(11.2)	(10.8)	(10.3)
Net Assets	306.1	351.6	322.7	328.3	335.2
Derivative interest rate swaps & deferred tax liability	(15.3)	(10.9)	(7.2)	(7.2)	(7.2)
EPRA net tangible assets	290.8	340.7	315.5	321.2	328.1
IFRS NAV per share (p)	376	217	199	203	207
EPRA NTA per share (p)	357	210	195	198	202
EPRA NTA total return	-43.6%	-33.2%	-2.8%	6.1%	6.5%
CASH FLOW					
Cash flow from operating activity	36.0	33.1	23.5	27.2	26.5
Net finance expense	(14.8)	(13.2)	(9.9)	(9.4)	(8.9)
Net cash flow from operating activity	21.3	19.9	13.5	17.8	17.7
Net investment in investment properties	14.7	20.3	38.8	24.0	4.0
Acquisition of subsidiaries, net of cash acquired	0.0	0.0	0.0	0.0	0.0
Other investing activity	0.1	1.1	0.9	0.5	0.5
Net cash flow from investing activity	14.8	21.4	39.7	24.5	4.5
Equity dividends paid	(32.0)	(22.3)	(15.2)	(13.8)	(13.9)
Debt drawn/(repaid)	3.7	(54.0)	(50.5)	(40.0)	(20.0)
Net equity issuance	0.0	105.7	(1.4)	0.0	0.0
Other financing activity	(23.5)	(48.5)	(0.9)	(1.0)	(1.0)
Net cash flow from financing activity	(51.7)	(19.1)	(68.1)	(54.8)	(35.0)
Net Cash Flow	(15.6)	22.2	(14.8)	(12.5)	(12.8)
Opening cash	50.1	34.5	56.7	41.9	29.4
Closing cash	34.5	56.7	41.9	29.4	16.6
Balance sheet debt	(415.5)	(312.3)	(262.7)	(223.3)	(203.7)
Unamortised debt costs	(5.2)	(4.4)	(3.5)	(2.9)	(2.5)
Closing net debt/(cash)	(386.2)	(260.0)	(224.3)	(196.8)	(189.6)
LTV	55%	41.8%	40.4%	37%	35%

Source: Regional REIT historical data, Edison Investment Research forecasts

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