

Regional REIT

Breaking ground

FY25 is a transition year for Regional REIT (RGL) as it lays the foundations for unlocking value from the portfolio. This centres on driving occupancy and income and growing fully covered dividends from a core of high-quality assets, while seeking to maximise the value and capital release from targeted disposals. H125 showed strategic progress, but also saw some unexpected tenant lease breaks that will affect near-term income. We have reduced our forecasts for earnings growth and DPS but see significant value in the shares.

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	0.48	7.7
12/25e	18.9	11.7	1.99	10.00	0.51	9.9
12/26e	19.3	11.9	2.12	10.50	0.48	10.4
12/27e	20.4	12.6	2.26	11.00	0.45	10.9

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

Strategy in progress

Occupier demand for good-quality regional offices in the right locations remains robust. Rents are increasing and RGL expects this to be maintained by a growing supply demand imbalance. The company believes that c 75% 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. Meanwhile, after several challenging years, the outlook for office sector relative performance looks brighter, even though macroeconomic uncertainty weighs on the broader market.

Unexpected lease breaks

RGL has accelerated its investment in portfolio enhancement ahead of anticipated tenant demand, while property sales are on track to be at the upper end of the company's full-year target range of £40–50m. Debt is being reduced and short maturity debt refinancing is well advanced. Some significant lease breaks during H125, unexpected by management, will affect rental income into next year, although RGL is progressing a strong pipeline of re-letting opportunities. Higher vacancy, in part intentional as the portfolio is repositioned, is the primary driver of lower FY25 earnings. Off this base, we continue to expect earnings and DPS to grow, but at a slower rate than previously (FY25e EPS of 11.7p and DPS of 10.0p versus the previous 13.9p and 10.5p respectively). With dividend distributions based on property income distribution rather than EPRA earnings (which are higher), cover is high, allowing for internal capital generation to fund capex.

Valuation: Significant embedded value

The FY25e yield is almost 10% 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 is material.

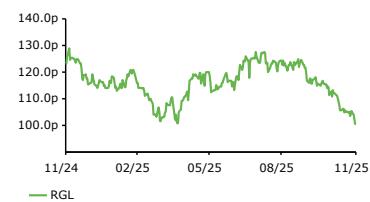
Post-H125 strategic review

Real estate

20 November 2025

Price	101.20p
Market cap	£170m
Net cash/(debt) as at 30 Sept 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



%	1m	3m	12m
Abs	(6.4)	(14.3)	(10.1)
52-week high/low	126.0p	93.6p	

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

Q325 trading update 12 Nov. 2025

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Realising value in an improving sector

In our April note ([Illuminating the pathway to recovery](#)), we outlined RGL's strategy for repositioning its portfolio to deliver increasing net income to maintain a high level of dividends, growing net asset value per share and to reduce debt further. In this note we have taken a deeper look at RGL's portfolio segmentation data and the net rental income potential that it points to.

The key elements of the investment case are unchanged by the interim results, and we highlight the following:

- There is now much greater visibility on the post-pandemic use of office space. While most employers have adopted some form of hybrid working, RGL's own survey shows employees are attending the office for an average of four days a week. 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. 58% of RGL's portfolio is rated EPC B or better and 83% 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 and well let. Resources are now available for targeted investment to increase occupancy, income and valuation.
- RGL now has the financial flexibility to pursue value-add change of use projects, accretive to total returns, ahead of disposal. In other cases, non-core underperforming assets will be sold outright. Disposals will fund capex and further debt reduction.
- Within the core and capex-to-core assets, there is a strong opportunity to grow income by increasing occupancy. For these, H125 ERV of £57.9m was £12.5m or 28% above contracted rent of £45.2m.
- With a net initial yield of just 2.5%, the disposal of the value-add and strategic disposal assets reduces debt and the loan to value ratio (LTV) and is accretive to earnings.
- With disposals and improving occupancy reducing void costs, net rental income can more than offset the expected increase in the average cost of borrowings as existing hedging runs off.
- With valuation yields appearing to stabilise, increased rents and occupancy should support property valuations, with further potential capital upside from successful value-add initiatives.
- After several challenging years for the regional office sector, many market participants have begun to take a more favourable view of office sector prospects. While macroeconomic uncertainty remains heightened, 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 September using data collected between early June and the start of September, are directionally in line with this trend. While the 6.6% per year consensus total return over the next five years continues to trail the wider market, the margin has narrowed considerably, while RGL has considerable company-specific opportunities.

Exhibit 1: Investment Property Forum consensus forecasts (summer 2025 survey)

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2025	2026	2027	2025/9	2025	2026	2027	2025/9	2025	2026	2027	2025/9
Office	2.6	2.4	2.4	2.5	1.0	2.4	2.5	2.0	5.6	7.0	7.1	6.6
Industrial	4.0	3.3	3.1	3.3	3.7	4.4	4.2	3.6	8.2	9.0	8.8	8.2
Standard retail	3.0	2.1	1.9	2.2	2.7	2.7	1.9	2.2	7.9	8.1	7.3	7.5
Shopping centre	2.1	1.6	1.5	1.6	2.3	2.1	1.3	1.4	9.4	9.2	8.4	8.4
Retail warehouse	2.3	2.2	2.1	2.2	2.3	3.4	2.6	2.3	8.6	9.6	8.7	8.4
West-End office	4.2	3.3	2.8	3.2	3.6	3.8	3.4	3.1	7.3	7.5	7.1	6.9
City office	2.1	2.5	2.4	2.4	2.1	2.9	2.6	2.4	6.1	7.0	6.8	6.5
All property	3.1	2.7	2.6	2.7	2.5	3.6	3.5	2.9	7.4	8.5	8.4	7.9

Source: Investment Property Forum

Very significant net rental income potential

RGL has a very substantial opportunity to grow net rental income by letting vacant space and selling under-performing properties. This is best illustrated by the segmental portfolio presentation, which comprises four categories, two of which represent properties that will be held for the long term for income and capital growth (c 75% of the total) and two that represent future disposals.

Of the properties that RGL expects to hold for the long term for rental income, 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 properties to be sold, 'value-add' assets have been identified as offering significant opportunities to add value by being positioned for alternative use. Where there is no such opportunity, or where asset management plans are mature, properties will be sold to redeploy capital.

Exhibit 2: Portfolio summary by segment as at 30 June 2025 (H125)

	Valuation (£m)	EPRA occupancy (%)	Gross rents (£m pa)	ERV (£ per sq ft)	Capital rate (£ per sq ft)	NIY	Yield Equivalent	Reversionary
Core	355	58%	88	36.8	14.7	42.6	124.0	7.9%
Capex to core	103	17%	79	8.4	14.2	15.3	103.7	3.9%
Core/capex to core	458	75%	86	45.2	14.6	57.9	118.8	6.9%
Value add	57	9%	65	3.6	11.1	8.6	77.9	2.4%
Strategic	93	15%	56	7.8	13.2	16.4	77.2	2.5%
Value add/sales	150	25%	58	11.5	12.5	25.0	77.8	2.5%
Portfolio total	608	100%	79	56.7	14.1	82.9	105.1	5.8%
							10.5%	11.8%

Source: RGL

Within the core and capex-to-core assets, there is a strong opportunity to grow income by increasing occupancy. For these, estimated rental value (ERV) of £57.9m is £12.5m or 28% above contracted rent of £45.2m. New lettings continue to achieve rents in excess of ERV, capex will enhance rental prospects, and RGL expects market rents for good quality assets to increase.

Leasing vacant space does not just increase gross rental income but also reduces void costs. RGL estimates that on average, for every £100 of additional gross rent, void costs may fall by around £80, with £180 dropping through to net rental income.

There is room to increase the occupancy of core assets (H125 EPRA occupancy of 88%) but in capex-to-core the opportunity is even greater, and certainly greater than implied by the H125 EPRA occupancy rate of 79%. The EPRA occupancy calculation excludes the assets that are under refurbishment and the effective occupancy (by total area) for the capex-to-core assets is closer to 65%, and we estimate that the properties under refurbishment have an ERV of almost £5m.

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 3: Estimated net rental income by segment as at 30 June 2025 (H125)

£m annualised	Gross rents	Property costs	Net rental income	Net/gross
Core	36.8	(6.8)	30.0	81%
Capex to core	8.4	(4.1)	4.3	51%
Core/capex to core	45.2	(10.9)	34.3	76%
Value add	3.6	(2.1)	1.5	40%
Sales	7.8	(5.3)	2.5	32%
Value add/sales	11.4	(7.5)	3.9	35%
Portfolio total	56.6	(18.4)	38.2	67%

Source: RGL data, Edison Investment Research net rental income forecasts

In reality, assets will continue to move between segments as market conditions and business plans evolve, as was the case during H125. It would be wrong to base forecasts on the current segmentation, but it does provide a useful indication of the net rental income potential. We estimate that based on the segmentation, at 90% effective occupancy, net rental income for the core/capex-to-core assets could be c £47m per year compared with c £34m currently.

Assuming a full sale of the other portfolio assets (£3.9m of net rental income), this suggests an annualised net rental

income potential, before any benefit of rental growth or non-rental income such as dilapidation receipts, of c £43m.

Our FY27 net rental income forecast of c £45m includes c £3m of non-rental income. More importantly, it assumes just £100m of disposals rather than the current £150m of value add/strategic sales assets, inflating our net rental income forecast versus the illustrative £43m above, and reducing our forecast earnings (taking account of debt repayment and lower interest expense).

Broadly, we find the illustration supportive of our forecasts and do not believe that 90% occupancy is an unreasonable target for the good-quality, stabilised portfolio that RGL is working towards.

Exhibit 4: Illustrative core/capex-to-core net rental income potential as at 30 June 2025 (H125)

£m, annualised	Potential	Current estimate
ERV	57.9	57.9
Effective occupancy	90%	78%
Contracted rent	52.1	45.2
Property costs	(5.4)	(10.9)
Net rent	46.7	34.3
Net/gross rent	90%	76%

Source: Edison Investment Research

Capturing the net rental income potential

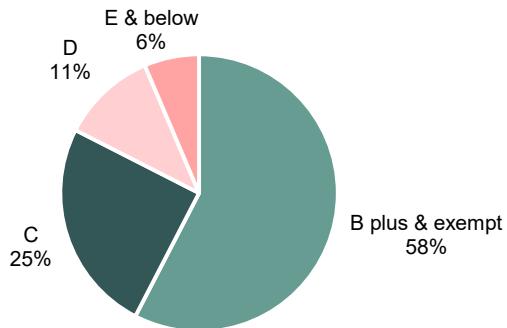
Despite a persistently uncertain political and economic environment, at home and abroad, the regional office occupier market remains robust. For good-quality space, with the right environmental credentials, in the right location, tenants are willing to pay increasing rents and the majority of RGL's office assets already meet the standards required by tenants or post-refurbishment will do so.

In H125, capex was £6.0m, up from £8.2m in the whole of FY24. Nine refurbishment projects were completed in H1 and when reporting H125 results in September, RGL said that a further five, with an expected spend of c £5m, were onsite. A further 18 projects, with an expected spend of c £13m, are in transition. The company says that it will bring forward as many projects as is practical in the coming months so that it can respond to expected tenant demand.

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.

The proportion of the portfolio rated EPC C or better (a 2027 minimum regulatory requirement), including those that are exempt, was 83% as of H125, up 57% from end-FY22. Properties rated B or better, including exempt properties, are 58% of the total, up from 24% at end-FY22. 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 17% of all commercial buildings in seven major regional locations meet this standard. It has for some time been expected that properties will need to have an EPC rating of B or better by 2030 and, although this is not as yet a legal requirement, it is 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.

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 (and increasing with refurbishment), with average rents of c £15/sq ft. RGL says that new lettings are well ahead of this average and in most cases well over £20/sq ft.

Exhibit 5: Portfolio's EPC ratings as at 30 June 2025 (H125)


Source: Regional REIT

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. Although disposals will continue to have an impact, the underlying pressures on rental income may soon begin to reverse.

Amid the progress in repositioning the portfolio during H1, RGL was surprised and disappointed by some large, unexpected tenant lease breaks. It nonetheless reports strong progress on a pipeline of significant re-letting opportunities, although it will be FY26 before these begin to have an impact on rental income and earnings. In the near term, the company says that leasing momentum has been negatively affected by political and economic uncertainty, both at home and abroad, and particularly relating to the upcoming UK government budget announcement. The lack of clarity has led many prospective tenants to pause and adopt a 'wait and see' approach. While enquiry levels continue to improve, the time from initial enquiry to legal commitments remains lengthy.

In H125, 20 new lettings were exchanged on annualised rental income of £1.4m when fully occupied, at 4.2% above ERV. A further nine new lettings in Q325 added £0.4m of annualised rental income, at an average 5.2% above the H125 ERV.

In aggregate, during Q3, 21 new lettings and lease renewals/re-gears secured £1.7m of annualised rental income, and as at 12 November, a further four new lettings and renewals/re-gears had secured £0.4m of annualised rental income.

At end-Q325, the annualised gross rent roll was £54.3m compared with £60.7m at end-FY24, with around one-third of the reduction accounted for by disposals.

Exhibit 6: Estimated movement in contracted rent

£m per year	FY24	H125	H225e	FY26	FY27e
Opening contracted rent	67.8	60.7	56.7	52.6	52.6
Disposals	(2.6)	(0.8)	(2.8)	(2.0)	(1.0)
Net leasing/expiries	(4.5)	(3.2)	(1.3)	2.0	2.5
Closing contracted rent	60.7	56.7	52.6	52.6	54.1
NIY on disposal	8.3%	10.4%	5.0%	5.0%	5.0%
NIY on disposal excluding vacant properties	10.6%	9.6%			

Source: RGL, Edison Investment Research

Continued reduction in borrowings

Disposals are on track

The investment market remains subdued, and RGL says that sellers outweigh willing buyers. H125 asset sales were slower than RGL had planned, but have accelerated in H225 and the company expects aggregate sales for the year to be at the upper end of its £40–50m target. Five assets were sold during H125, for an aggregate £7.8m (before costs), generating a loss on disposal of £0.6m. As of 12 November, H225 sales had reached £30.3m, taking the year-to-date total to £38.1m (before costs) at an average 1.5% above book value, and the company expects to complete further disposals ahead of the year-end.

Loan to value ratio should soon fall below 40%

End-September (Q325) gross borrowings were £304m, down from £317m at the start of the year and £310m at end-H125. Taking account of the further completed sales referred to above, borrowing had further reduced to £282m as of 12 November.

Adjusting for cash of £47m, H125 net borrowing was £263m with an LTV ratio of 43.2% (end-FY24: 41.8%). End-Q325 net borrowing was £249m and the LTV was 41.8%, but this is not directly comparable. The quarterly portfolio value that feeds into the LTV does not include revaluation, which is only undertaken every six months. That aside, RGL expects LTV to soon fall below 40% and our forecasts are consistent with this. Including total disposals of £48m in FY25, £40m in FY26 and £20m in FY27, and we expect net LTV to move towards 30% by end-FY27.

Exhibit 7: Net debt and LTV

	FY24	H125	H225e	FY26e	FY27e
£m unless stated otherwise	31-Dec-24	30-Jun-25	31-Dec-25	31-Dec-26	31-Dec-27
Bank borrowing	316.7	310.0	286.0	256.0	233.5
Cash & equivalents	56.7	47.1	60.5	58.1	42.4
Net debt	260.0	262.9	225.5	198.0	191.1
Portfolio value	622.5	608.3	582.3	571.1	582.1
LTV	42%	43%	39%	35%	33%

Source: RGL historical data, Edison Investment Research

The first debt maturity is the Royal Bank of Scotland, Bank of Scotland and Barclays syndicated facility in August 2026, amounting to £96.4m at end-June, with a 3.37% per year fixed cost, comprising a lending margin of 2.40% with the floating SONIA benchmark hedged at a fixed 0.97%. RGL expects the outstanding balance to fall to around £80m by the end of 2025, which it anticipates refinancing at a similar 2.4% lending margin, while extending the maturity. Although the current SONIA hedge runs through to August, this will eventually re-price, suggesting a current cost of borrowing on the new facility of c 6.2%, increasing the overall cost of borrowing from 3.4% to around 4.2%, which is reflected in our forecasts.

By the time of the next debt maturity in December 2027, 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 8: Summary of the debt portfolio at end-H125

Facility (£m)	Outstanding (£m)	Maturity	Gross loan to value	Interest terms	Swaps/caps notional (£m)	Swaps/caps blended rate	
Royal Bank of Scotland, Bank of Scotland & Barclays	96.4	96.4	Aug-26	48.9%	3m SONIA + 2.40%	96	0.97%
Scottish Widows & Aviva	131.3	131.3	Dec-27	52.2%	3.28% fixed		
Scottish Widows	32.5	32.5	Dec-28	45.8%	3.37% fixed		
Santander	49.8	49.8	Jun-29	51.0%	3m SONIA + 2.20%	50	1.4%
Total secured bank loan facilities	310.0	310.0					

Source: RGL

A stabilisation in property values should underpin LTV reduction

Despite a reduction in borrowings in recent years, the decline in property values has put upwards pressure on LTV. This may be about to change.

Portfolio valuations continued to decline during H125, but at a slower pace. On a like-for-like basis, values declined by 1.0%, or by 2.0% excluding the impact of capex. The portfolio summary in Exhibit 2 demonstrates the relative stability of yields during the period, highlighting that the valuation decline was income driven, and attributable to the unexpected lease breaks. Adjusting for this, valuations were flat for the first time since before COVID-19.

With rents continuing to increase, it may well be the case that regional office market valuations are at or near a turning point, and this is reflected in the IPF consensus data shown in Exhibit 1.

Forecast update

We expect FY25 EPRA earnings to be lower than in FY24, primarily reflecting higher vacancy, in part due to market conditions but also intentional voids as the portfolio is repositioned. From this lower base we expect earnings and dividends to grow, net asset value to increase and gearing to decline.

We have nonetheless reduced forecast quite considerably for the next three years.

The property disposals that we have assumed (£48m in FY25, £40m in FY26 and £20m in FY27), at a blended net initial yield of 5%, and in line with book values, put downward pressure on gross and net rental income but are accretive to earnings after debt reduction.

After a larger decline than we had expected in FY25, we forecast fairly flat gross rental income over the next two years, with rental growth and improving occupancy in core assets offsetting the impact of disposals. With disposals and improving occupancy reducing void costs, net rental income should improve quite strongly. Net rental income growth, relatively modest costs increases and lower borrowing should in combination offset the expected increase in the average cost of borrowings as existing hedging runs off.

Starting at a high level of cover (FY25e: 1.2x), we expect DPS to increase at a faster pace than earnings.

We have allowed for some modest capital growth, reflecting a stabilisation of yields and improving occupancy and rents for core assets, but see a good potential for 'value add' investment to deliver additional gains over time.

With capital values increasing and debt repaid from property sales, we forecast a decline in LTV to 33% by end-FY27.

Exhibit 9: Forecast revisions

£m unless stated otherwise	New forecasts			Previous		Change	
	FY25e	FY26e	FY27e	FY25e	FY26e	FY25e	FY26e
Rental & other property income	60.1	55.6	56.4	61.9	60.1	(1.8)	(4.5)
Non-recoverable property costs	(20.0)	(15.2)	(11.3)	(18.2)	(14.2)	(1.8)	(0.9)
Net rental income	40.2	40.4	45.1	43.8	45.9	(3.6)	(5.5)
Administrative expenses	(10.5)	(10.2)	(10.5)	(10.6)	(10.8)	0.1	0.6
Net finance expense	(10.7)	(11.0)	(14.2)	(10.6)	(11.7)	(0.1)	0.8
EPRA earnings	18.9	19.3	20.4	22.5	23.4	(3.6)	(4.1)
EPRA earnings per share (p)	11.7	11.9	12.6	13.9	14.4	(2.2)	(2.6)
Dividends declared	16.2	17.0	17.8	21.1	22.7	(4.9)	(5.7)
Dividends per share (p)	10.0	10.5	11.0	10.5	11.5	(0.5)	(1.0)
Dividend cover (x)	1.17	1.13	1.14	1.32	1.26	(0.16)	(0.12)
EPRA net tangible assets	322.1	344.4	367.0	350.7	362.8	(28.7)	(18.4)
EPRA NTA per share (p)	198.7	212.5	226.4	216.4	223.8	(17.7)	(11.3)
EPRA NTA total return	-0.9%	12.2%	11.7%	7.5%	8.6%		
Gross borrowing	270.0	230.0	210.0	269.0	239.0	1.0	(9.0)
Net LTV	39%	34%	32%	38%	34%		

Source: Edison Investment Research

Valuation

RGL's shares have a prospective yield of more than c 10%, based on FY25e DPS of 10.0p, which we expect to be well covered. The discount to end-H125 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.

Exhibit 10: Peer 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	104	165	0.94	7.7	-5%	-1%	11%	9%
Custodian Property Income	79	364	0.80	5.7	2%	1%	2%	-15%
Derwent London	1,660	1,864	0.52	4.9	-6%	-5%	-20%	-31%
Helical	198	244	0.57	2.5	-5%	-10%	5%	-45%
Picton Property Income	74	384	0.72	5.1	-6%	-3%	9%	-14%
Land Securities	597	4,448	0.68	6.8	-4%	4%	2%	-4%
Schroder REIT	54	262	0.87	6.7	3%	5%	8%	19%
Workspace	381	733	52.84	7.5	-3%	-9%	-29%	-17%
Average			7.24	5.9	-3%	-2%	-2%	-12%
Regional REIT	101	164	0.50	9.3	-11%	-19%	-20%	-74%
UK property sector index	1,192				-1%	1%	-2%	-14%
UK equity market index	5,119				1%	2%	16%	26%

Source: Company data, Edison Investment Research, LSEG Data & Analytics. Note: As at 19 November 2025.

H125 financial performance

The H125 results show the company in transition, with strategic progress yet to be reflected in the financial results. EPRA earnings were lower than in H124 and H224, primarily driven by lower net rental income. We highlight the following:

- Rental and other property income reported during H125 of £29.8m was c £2.4m lower than in H124, and c £3.2m lower than in H224. The changes reflect disposals and increased vacancy, in part offset by rental growth. Non-rental income such as dilapidation receipts are mostly earned in the second half of the year.
- Non-recoverable property costs of £10.5m in H125 were £1.9m higher than in H124 but slightly down on H224. The year-on-year increase includes the impact of higher vacancy as well as stricter rules on business rate relief on empty properties, partly offset by disposals.
- Net property income was £19.3m, down from £23.8m in H124 and £22.1m in H224.
- Other administrative expenses continue to be tightly controlled. Within management fees, investment and asset management fees are directly related to net asset value and property management fees to gross rental income. The increase in the EPRA cost ratio (excluding direct property costs) to c 19% in H125 from c 13% in H124 reflects a combination of higher average net assets and lower income, but it was down from H224.
- With all interest costs fixed, the net finance charge reduced slightly versus H224 with debt repayment, but was substantially reduced on H124 as a result of the H224 refinancing.
- EPRA earnings of £8.5m, or 5.2p per share, fully covered DPS of 5.0p. RGL reiterated its target of a 10p fully covered DPS for the year.
- The IFRS loss of £8m included c £13m of unrealised valuation losses and a negative £3.6m change in the fair value of interest rate derivatives.
- EPRA net tangible assets per share of 203p was c 4% lower than at end-FY24 and including DPS paid the accounting total return was -1.3%.
- RGL continued to repay debt in H125, with total borrowings reducing to £310.0m from £316.7m at end-FY24. Net debt increased slightly, to £262.9m (FY24: £260.0m), and combined with the decline in portfolio value, net LTV increased to 43.2%.

Exhibit 11: H125 financial performance summary

	H125 30-Jun-25	H124 30-Jun-24	H125/H124	H224 31-Dec-24	H125/H224	FY24 31-Dec-24
£m unless stated otherwise						
Rental and other property income	29.8	32.2	-7%	33.0	-10%	65.2
Non-recoverable property costs	(10.5)	(8.4)	25%	(10.9)	-4%	(19.3)
Net rental income	19.3	23.8	-19%	22.1	-13%	46.0
Management fees	(3.2)	(2.7)		(2.7)		(5.3)
Administrative & other expenses	(2.0)	(2.1)	-3%	(2.1)	-2%	(4.2)
Net finance expense	(5.6)	(8.1)	-31%	(5.7)	-2%	(13.8)
EPRA earnings	8.5	11.0	-23%	11.7	-27%	22.7
Unrealised and realised property gains/(losses)	(12.8)	(39.1)		(21.0)		(60.1)
Change in fair value of interest rate derivative	(3.6)	1.0		(2.7)		(1.7)
Abortive refinancing costs	0.0	0.0		(0.4)		(0.4)
Tax	0.0	0.0		(0.1)		(0.1)
IFRS earnings	(7.9)	(27.1)		(12.4)		(39.5)
Shares in issue (m)	162.1	81.4		162.1		162.1
Average shares in issue (m)	162.1	81.4		155.0		118.2
Basic IFRS EPS (p)	(4.9)	(33.3)		(0.1)		(33.5)
EPRA EPS (p)	5.2	13.5	-61%	5.6	-7%	19.2
DPS (p)	5.0	3.4	47%	4.4	14%	7.8
Dividend cover (x)	1.05	1.13		1.63		1.34
EPRA net tangible assets	328.7	251.6		340.7		340.7
EPRA NTA per share (p)	203	309		210		210
Investment properties	608.3	647.9		622.5		622.5
Net debt	(262.9)	(377.6)		(260.0)		(260.0)
Net LTV	43%	58%		42%		42%
EPRA cost ratio (exc direct vacancy costs)	19.4%	13.4%		21.3%		17.4%

Source: RGL, Edison Investment Research

Exhibit 12: Financial summary

Year end 31 December (£m)	2023	2024	2025e	2026e	2027e
INCOME STATEMENT					
Rental & other property income	70.1	65.2	60.1	55.6	56.4
Non-recoverable property costs	(16.3)	(19.3)	(20.0)	(15.2)	(11.3)
Net rental and related income	53.7	46.0	40.2	40.4	45.1
Net/gross	77%	70%	67%	73%	80%
Management fees	(6.6)	(5.3)	(6.3)	(6.2)	(6.4)
Administrative expenses	(4.1)	(4.6)	(4.3)	(4.0)	(4.1)
Operating profit before valuation movements	43.9	36.8	30.3	31.0	35.4
EPRA cost ratio, excluding direct vacancy costs	16.4%	17.4%	18.5%	17.4%	17.4%
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)	(21.3)	19.9	19.9
Operating Profit	(43.4)	(23.2)	8.4	50.8	55.3
Net finance expense	(16.1)	(13.8)	(10.7)	(11.0)	(14.2)
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)	(5.9)	39.9	41.0
Adjusted for the following:					
Net gain/(loss) on revaluation/disposal of investment properties	87.2	60.1	21.9	(19.9)	(19.9)
Other EPRA adjustments	6.4	1.4	2.9	(0.7)	(0.8)
EPRA earnings	27.0	22.7	18.9	19.3	20.4
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)	(4.0)	24.1	24.8
EPRA EPS (p)	33.1	19.2	11.7	11.9	12.6
Dividend per share (p)	5.3	7.8	10.0	10.5	11.0
Dividend cover (x)	1.00	1.34	1.17	1.13	1.14
BALANCE SHEET					
Non-current assets	715.1	630.3	572.6	568.4	584.3
Investment properties	687.7	607.5	553.5	549.5	565.5
Other non-current assets	27.4	22.9	19.1	18.9	18.8
Current Assets	67.3	91.8	82.1	67.6	54.8
Other current assets	32.8	35.1	36.4	29.3	29.9
Cash and equivalents	34.5	56.7	45.7	38.3	25.0
Current Liabilities	(99.3)	(46.8)	(47.5)	(46.4)	(47.0)
Borrowings	0.0	0.0	0.0	0.0	0.0
Other current liabilities	(99.3)	(46.8)	(47.5)	(46.4)	(47.0)
Non-current liabilities	(377.1)	(323.8)	(277.9)	(238.0)	(217.9)
Borrowings	(365.6)	(312.3)	(266.7)	(227.2)	(207.6)
Other non-current liabilities	(11.5)	(11.4)	(11.2)	(10.8)	(10.3)
Net Assets	306.1	351.6	329.2	351.6	374.2
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	322.1	344.4	367.0
IFRS NAV per share (p)	376	217	203	217	231
EPRA NTA per share (p)	357	210	199	212	226
EPRA NTA total return	-43.6%	-33.2%	-0.9%	12.2%	11.7%
CASH FLOW					
Cash flow from operating activity	36.0	33.1	29.8	36.2	34.6
Net finance expense	(14.8)	(13.2)	(9.9)	(10.3)	(13.8)
Net cash flow from operating activity	21.3	19.9	19.8	25.9	20.9
Net investment in investment properties	14.7	20.3	32.2	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	33.1	24.5	4.5
Equity dividends paid	(32.0)	(22.3)	(15.2)	(16.8)	(17.6)
Debt drawn/(repaid)	3.7	(54.0)	(46.7)	(40.0)	(20.0)
Net equity issuance	0.0	105.7	(1.4)	0.0	0.0
Other financing activity	(23.5)	(48.5)	(0.7)	(1.0)	(1.0)
Net cash flow from financing activity	(51.7)	(19.1)	(64.1)	(57.9)	(38.7)
Net Cash Flow	(15.6)	22.2	(11.1)	(7.5)	(13.3)
Opening cash	50.1	34.5	56.7	45.6	38.1
Closing cash	34.5	56.7	45.6	38.1	24.8
Balance sheet debt	(415.5)	(312.3)	(266.7)	(227.2)	(207.6)
Unamortised debt costs	(5.2)	(4.4)	(3.3)	(2.8)	(2.5)
Closing net debt/(cash)	(386.2)	(260.0)	(224.4)	(191.9)	(185.2)
LTV	55%	42%	39%	34%	32%

Source: RGL historical data, Edison Investment Research

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