EDISON

Regional REIT

Transitioning

2025 annual report

Real estate

25 March 2026

Regional REIT (RGL) has published 2025 results. With much of the key data having been contained in the February trading update, this placed the spotlight on the continuing progress with the company's strategic portfolio repositioning and the expected benefits. The external leasing environment remains challenging, with global geopolitical and macroeconomic developments creating a new level of uncertainty. While this is outside RGL's control, the profitable disposal of underperforming assets, reinvestment to enhance retained assets, debt refinancing and the amended management fee arrangements are all self-help measures that will support RGL's performance. The 2025 results were in line with consensus and there is no change to our 2026 and 2027 forecasts, recently reduced to reflect the impact of three large, unexpected lease breaks in H225.

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	0.43	8.7
12/25	19.1	11.8	1.94	10.00	0.46	11.1
12/26e	15.5	9.6	1.98	8.00	0.45	8.9
12/27e	17.0	10.5	2.02	8.80	0.44	9.8

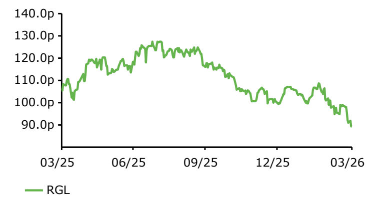
Note: EPRA earnings exclude property revaluation movements and non-recurring items. NAV is EPRA net tangible assets per share.

As we have previously noted, 2025 was a transition year for RGL as it works through its portfolio repositioning. The key elements of this strategy are to reduce debt, reduce costs by selling non-core, underperforming assets, and to invest to enhance the occupier appeal and income potential of the properties retained. The properties to be retained include a core of good-quality assets, which already meet occupiers' needs and have sustainable long-term income generating potential (63% of the portfolio total), and others that can achieve this through capital investment (19%). As previously reported, in 2025 RGL sold £51.6m (before costs) of non-core assets, at an aggregate 1.3% to book value, while reducing borrowings by a similar amount. The loan-to-value ratio reduced to 40.4% by year-end, despite lower property values, and has since fallen below 40%, with earnings benefiting from void property cost reduction and interest saving. 2026 is off to a good start and RGL has already completed the sale of five assets, with average occupancy of 22%, for £12.3m, enhancing net annualised operating income (NOI) by £0.5m. Another 14 assets, with average occupancy of 28% and an aggregate value of c £29m are contracted, under offer, or in negotiations. If completed, these have the potential to enhance annualised NOI by £2.1m. Earnings will also benefit from the changes to the investment and asset management fee basis, introducing a partial link to market cap, which will reduce costs by almost £1m in 2027 and around half this in 2026.

However, the medium-term investment case rests on RGL's ability to lease space in its retained assets. Core asset EPRA occupancy is already 87%, well above the 76% portfolio average. There is room to increase this while growing the core asset pool through capex. The timing for an improvement in the external leasing environment remains difficult to predict, but as we have covered in a previous note, the flight to quality continues, with occupiers willing to pay higher rents for good-quality, energy-efficient space, and RGL's new lettings and lease renewals have continued to be at a premium to estimated rental value. The company expects a growing supply-demand imbalance to drive rents higher, especially for Grade A space, and spilling over into good-quality secondary space.

Price	**90.00p**
Market cap	**£146m**
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



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

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Edison profile page

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