Regional REIT

Positive leasing developments

Regional REIT (RGL) has completed two new leases of previously vacant office space, to a single occupier, on a 20-year lease. This adds c £1.1m per year to contracted rent and saves c £0.7m of vacant property costs. The offices have been rented in an unrefurbished condition, with the tenant undertaking substantial improvement works at a cost in the region of £5m. This letting provides evidence of the underlying demand that exists for office space in the regions where new supply is extremely limited.

Year end	EPRA earnings (£m)	EPRA EPS (p)	NAV/share (£)	DPS (p)	Yield (%)	P/NAV (x)
12/24	22.7	19.2	2.10	7.80	8.5	0.44
12/25	19.1	11.8	1.94	10.00	10.9	0.47
12/26e	15.6	9.7	1.95	8.00	8.7	0.47
12/27e	16.1	9.9	2.00	8.40	9.2	0.46

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

Growing supply-demand imbalance

The new leases total 146k sq ft at One and Two Newstead Court, adjacent to each other and located on Sherwood Business Park, a 165-acre site accommodating 2m sq ft of offices, distribution facilities and hotels. The site benefits from excellent transport links and has direct access to Junction 27 of the M1 motorway. Both properties are EPC B rated. The tenant is a specialist electronics manufacturer, and the 20-year lease includes five-yearly RPI rent reviews and breaks at 10 and 15 years. This is very encouraging news for RGL in what remains an uncertain macroeconomic and leasing environment. It follows an encouraging leasing performance in Q126 when 26 new lettings and renewals were completed, adding £1.1m to the rent roll at an average 9.8% above the valuers' ERV. Annualised rent roll was slightly lower (£49.8m vs £50, 4m at end-FY25), but this mostly reflected disposals.

In our recent update note we discussed in detail the significant value embedded in RGL's portfolio and management's strategy to unlock this. The key elements of this strategy are to reduce debt, reduce costs by selling non-core, underperforming assets, and invest to enhance the occupier appeal and income potential of the properties retained. While disposals are accretive to earnings and portfolio quality, in our view, the medium-term investment case rests on RGL's ability to lease space and grow income from its retained assets. Although the timing for an improvement in the external leasing environment remains difficult to predict, a flight to quality continues, creating a growing supply-demand imbalance for good-quality, energy-efficient space, and RGL's portfolio is increasingly well positioned to meet this demand. These new lettings demonstrate that when tenants are unable to identify suitable ready-to-occupy accommodation, they are seeking space that can be refurbished to suit their occupational requirements. RGL says that it has received a number of similar approaches from prospective tenants, and it expects this trend to continue.

With a prospective yield of c 9% and c 50% discount to NAV, the upside from a successful execution of the strategy remains material, and further signs of progress should support performance.

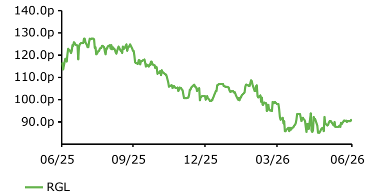
Leasing update

Real estate

18 June 2026

Price	**91.50p**
Market cap	**£148m**
Net cash/(debt) at 31 March 2026	£(214.2)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

Regional REIT is a research client of Edison Investment Research Limited

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom