



# Investor Presentation

Half Year to 30 June 2023

Resilient operational performance in challenging  
macroeconomic conditions



## Introduction

- Overview and Portfolio
- Appendix



**Stephen Inglis**  
Chief Executive Officer



**Derek McDonald**  
Chief Operating Officer



**Simon Marriott**  
Investment Director

# H1 23 Summary – Resilient Operational Performance in challenging macroeconomic environment

## Key Portfolio Update

- 99% of tenants back in the office → 4.2 days a week is the average  
→ 93% physical occupancy of pre-pandemic levels
- Rent roll £69.8m (2022: £71.8m) → 76% Rent retention – ahead of with pre-pandemic level  
→ New lettings 13.5% above ERV
- Rent collections remain resilient → Very strong HY rent collection 98.8%† (2022: equivalent period 97.8%)
- Good EPC progress → Weighted average continues to improve to C 70 (2022:C 73); EPC B+ (including exempt) 26.4% (2022: 23.6%)
- Occupancy → Remains robust (by ERV) 82.5% (2022: 83.4%)
- Market conditions favourable to the business model with reduced supply → Office Average Rent £14.60 psf (2022: £14.50 psf) remains good value

## Debt and Cash

- LTV 51.9% (2022: 49.5%) → Due to valuation decline
- Cash £41.2m (2022: £50.2m) → Asset management plans and a sales programme are progressing to bring the LTV back to the long term target of 40%
- Debt 101% fixed, swapped or capped → No current interest rate risk
- WACC 3.5% (2022: 3.5%) → Permanently repaid in £7.5m of debt in H1 2023, with a further £5.0m repaid in July 2023



\* Savills, European Office Occupancy 2023 † Quarterly rental invoices include contractual rent for the preceding quarter

# H1 23 Summary

## Portfolio

£752.2m (2022: £789.5m)

- Like-for-like capital value decline of 3.8% after adjusting for disposals and CAPEX Vs MSCI Rest of UK offices decline of 7.2%
- Disposals £14.6m (before costs); CAPEX £6.7m

Highly geographically diversified

- 150 properties; offices 92.0% (by value)
- 1,038 tenants; office tenants 952
- Regional offices located across the main UK conurbations

## Earnings

- EPRA EPS 2.5p (Jun 22: 2.9p)

→ Inflationary pressures impacting the net rental income and the cost base

## Dividend

- Dividend 2.85p (Jun 2022: 3.3p)

→ Targeting a FY 2023 dividend of 5.25p  
→ Prospective Yield 11.8%\*

## EPRA NTA

- £344.9m; 66.9p (2022: £379.2m; 73.5p)

→ Interest rates generating valuation decline

## Performance

Total Accounting Return

- Since IPO\*\* +20.8%
- Annualised +2.5%

Total Shareholder Return

- Since IPO -14.8%
- H1 2023 -18.5%
- Annualised -2.1%

FTSE EPRA NAREIT UK Index

- -23.7%
- -10.3%
- -3.5%



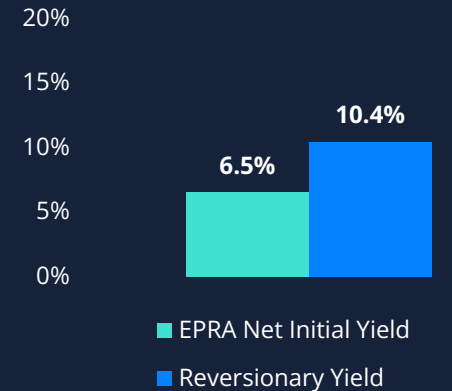
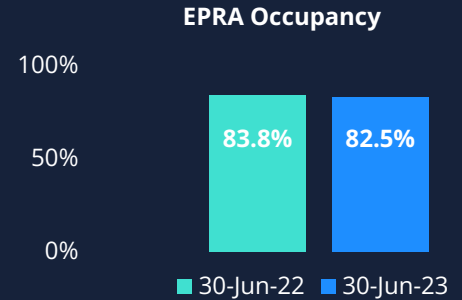
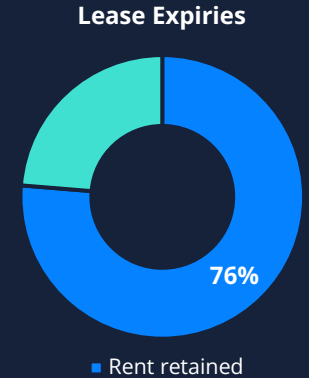
# Diversified portfolio – delivering income

## Proactive property asset management

- 45 new lettings; £1.2m pa gross rent roll - up 13.5% against December 2022 ERVs (H1 2022: 47; £2.6m pa)
  - £14.1m of disposals (net of costs) – NIY 2.4% and 9.4% excluding vacant units
  - EPRA Occupancy (by ERV) 82.5% (Jun 2022: 83.8%); like-for-like Jun 23 vs Jun 2022 82.5% (June 2022: 85.2%)
  - Expiries HY 2023: 76.3% of gross rent retained
- Focus on regional properties outside M25
  - Offices 92.0% (by value) (2022: 91.8%)
    - 63.4% - Business Parks
    - 30.6% - Central Business Districts
    - 6.0% - Edge of town
  - Retail 3.5% (by value) (2022: 3.6%)
  - Industrial 3.0% (by value) (2022: 3.1%)
  - Other 1.5% (by value) (2022: 1.4%)

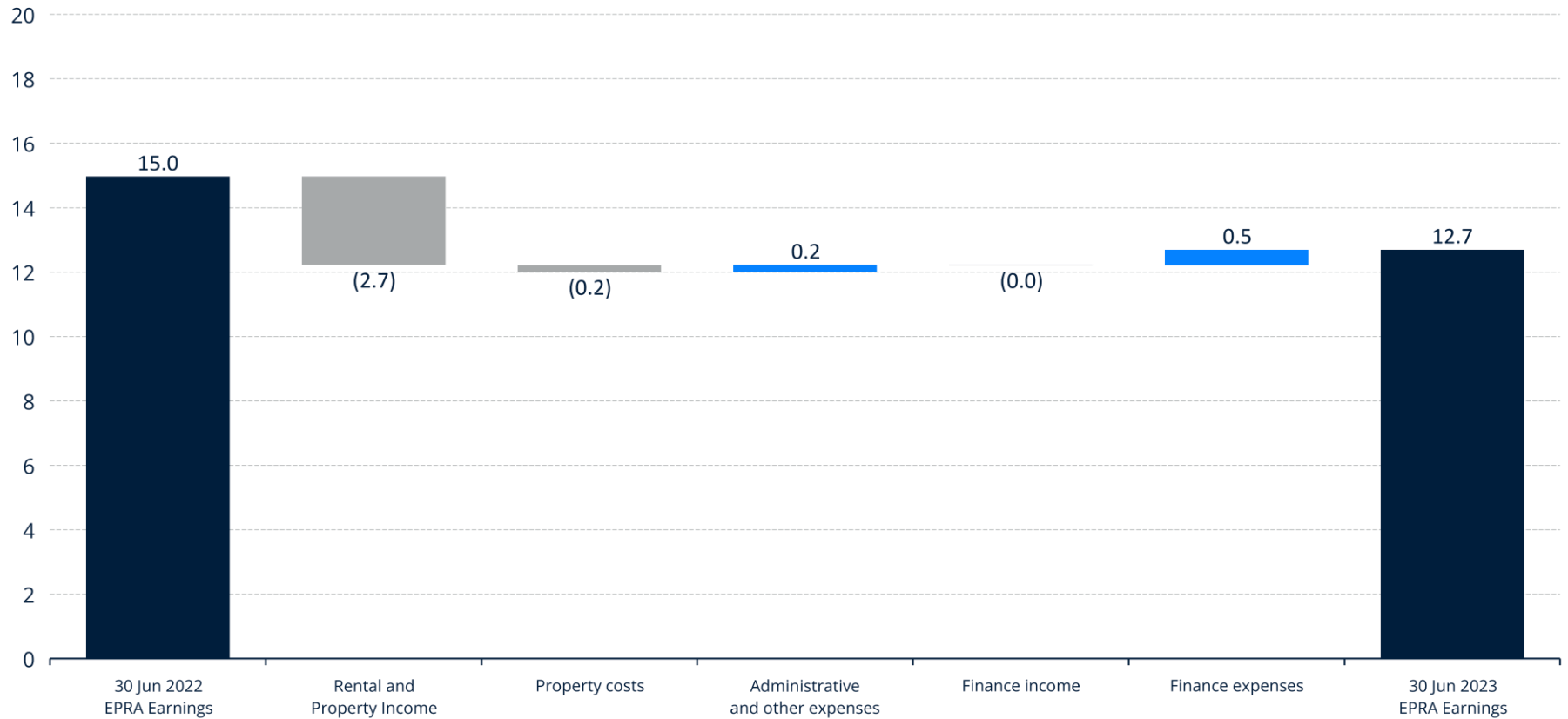


One North Bank, Sheffield



# H2 - Earnings





EPRA Earnings bridge 30 June 2023 (£m)\*



- Earnings variance between 1 January 2022 to 30 June 2022 Vs 1 January 2023 to 30 June 2023

\* Excluding the Recoverable service charge income/expenditure and other similar items

# Debt Facilities – Fully Hedged

	Lender	Original Facility £'000	Outstanding Debt** £'000	Maturity Date	Gross loan to value** %	Annual Interest Rate %		Swaps\Caps: Notional £'000	Swap Rates Blend %
	Royal Bank of Scotland, Bank of Scotland & Barclays	128,000	125,677	Aug-26	52.7	2.40	Over 3mth £ SONIA	73,000 55,000	0.97 0.97
	Scottish Widows Ltd. & Aviva Investors Real Estate Finance	157,500	157,500	Dec-27	51.4	3.28	Fixed	n/a	
	Scottish Widows Ltd	36,000	36,000	Dec-28	43.8	3.37	Fixed	n/a	
	Santander UK	65,870	62,516	Jun-29	47.2	2.20	Over 3mth £ SONIA	49,403 16,468	1.39 1.39
		<b>387,370</b>	<b>381,693</b>						
	Retail Eligible Bond	50,000	50,000	Aug-24	n/a	4.50	Fixed		
		<b>437,370</b>	<b>431,693</b>						

Weighted Average Debt Duration

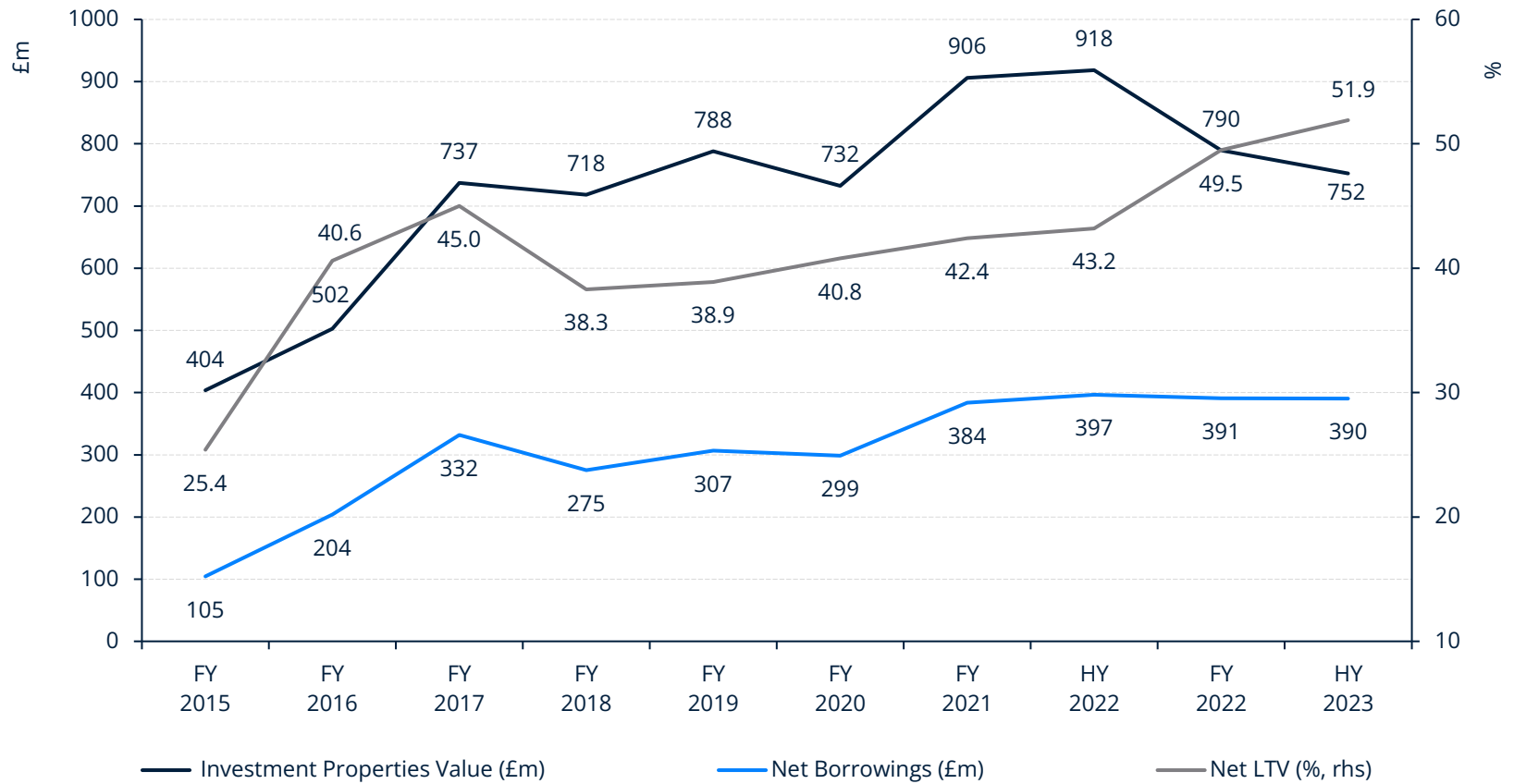
4.0 years (2022: 4.5 years)

Weighted Average Cost of Debt

3.5% (2022: 3.5%)

- The Group WACD will not exceed 3.50% given the swaps and caps in place.

# Net LTV



- LTV impacted by revaluation



# What we are seeing – Return to the office (RTO)

## • Vast majority of tenants back in the office

- 99% of our office tenants (by rental income) have returned either on a full-time or hybrid basis;
- Averaging 4.2 days back in the office
- 65% active occupancy vs 70% Savills\* active occupancy pre-pandemic level; equating to the Company's physical occupancy being 93% of pre-pandemic physical occupancy level

## • Survey based upon:

- 106 offices in the portfolio
- 82.2% response rate from office tenants
- Sample survey of over 24,000 employees

## • Attractive space at affordable rents

- Average rent per sq. ft £14.60 Vs prime regional rent £35.39 (Avison Young)

## • Supply continues to contract

- Repurposing reducing supply
- Inflation and interest rates impacting cost of build
- Funding availability continues to be constrained as lenders stress test balance sheets
- Developers experiencing margin pressures resulting in reduced projects
- Planning will become tighter on new build projects given environmental impact and embodied carbon now a consideration

## • Opportunities include, but are not limited to

- Increase rent from a low base
- Creating superior office space to meet the needs of our customers
- Hybrid approach to leasing, including flexible leasing offering to increase occupancy across the portfolio



*Zoom, has ordered staff back to the office*

BBC (7 August 2023)



*Remote work experiment was a mistake and it's over*

Sam Altman OpenAI CEO (8 May 2023)



*...high-performing business are bringing employees back to the office*

J Pryn Evening Standard – Acrisure let 51k sq. ft. 40 Leadenhall, London (5 September 2023)



*Major US companies requiring employees back in the office : Apple, JP Morgan, Amazon, Blackrock, Disney, Citigroup, Goldman Sachs, Google , IBM, Meta, and X.*

US Insider (19 July 2023)



*And if you can't disagree and commit, I also understand that, but it's probably not going to work out for you at Amazon because we are going back to the office...*

Andy Jassy Amazon CEO (City A.M. 30 Aug 2023)



*While there is flexibility when needed, we are simply reminding our employees of our existing policy. Goldman Sachs - requesting staff back in the office 5 days a week*

Jacqueline Arthur Chief of HR Goldman Sachs (22 August 2023)

# Office Market – Supply and Demand Dynamics

- **No substitute for face-to-face collaboration**
  - Culture, community, creativity, value - add productivity
  - Collaborative working
  - Training
  - Talk of recession is drawing people back to the office
- **Hybrid working**
  - Tailwind of the return to the office
  - Management question of the moment is, how to make hybrid work
  - ONS data shows that despite the rise in hybrid working as a result of Covid-19, the vast majority of people do not work from home, with only 16% of workers reporting that they worked exclusively from home – down from 21% in January 2022.

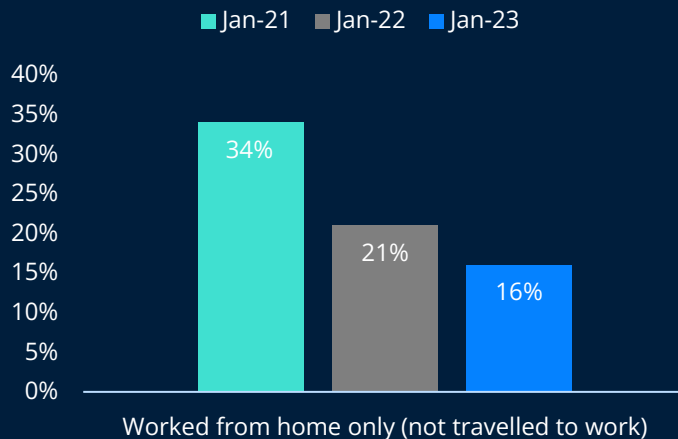


300 Bath Street, Glasgow

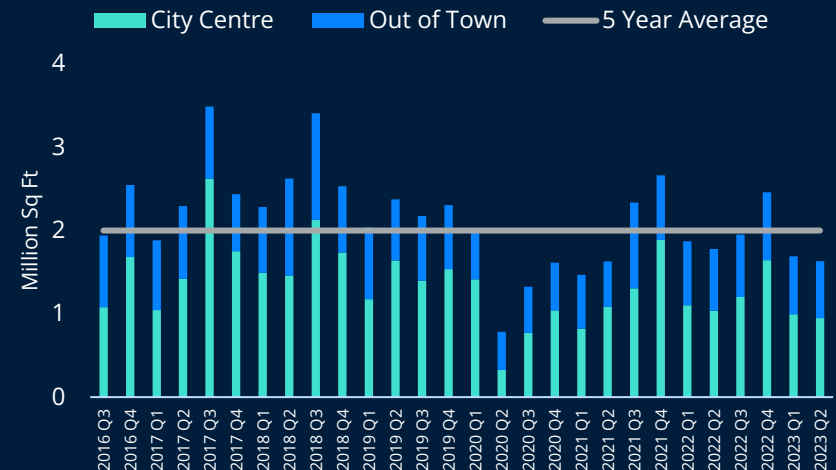


Orbis 1 & 2, Pride Park, Derby

## Worked from home only (not travelled to work)



## Big 9 UK Office Market Take Up



Source: ONS (Mar 2023), Savills (Jun 23), Avison Young (Jun 2023)

# ESG – Focused on delivering sustainability – Good Progress Across Portfolio

## Environment

- On target to achieve current guidelines of EPC B rating by 2030

- EPC ratings progressing

Rating	31 December 2022	30 June 2023	Movement
B plus and Exempt	23.6%	26.4%	+280bps
C	33.3%	33.2%	(10)bps
D	27.2%	26.1%	(110)bps
E and below	16.0%	14.3%	(170)bps

- Excluding Scotland:

Rating	31 December 2022	30 June 2023	Movement
B plus	25.1%	28.4%	+330bps
C	33.3%	33.7%	+40bps
D	28.0%	26.7%	(130)Bps
E and below	13.4%	11.2%	(220)Bps

- The weighted average EPC score continues to be improve C 70 (2022:C 73)
- GRESB indicative rating expected to improve considerably from a Green Star in 2022
- CAPEX programme to Jun 23 £6.7m (2022: £10.0m) considers the choice of materials and equipment to mitigate impact and enhanced EPC rating
- All sites visited regularly to enhance ESG standing



# ESG – Focused on delivering sustainability – Good Progress Across Portfolio

## Social

- Working with not-for-profit organisations
- Committed to making a positive difference in society with charitable donations; IM and AM match funding for good causes and encouraging staff to be active in their local communities
- LSPIM's dedication to supporting and empowering women through workplace culture has earned them a place on this year's UK's Best Workplaces™ for Women's list
- LSPIM certified as a 'Great Place to Work' (GPTW)
- Committed to promoting diversity in the workplace



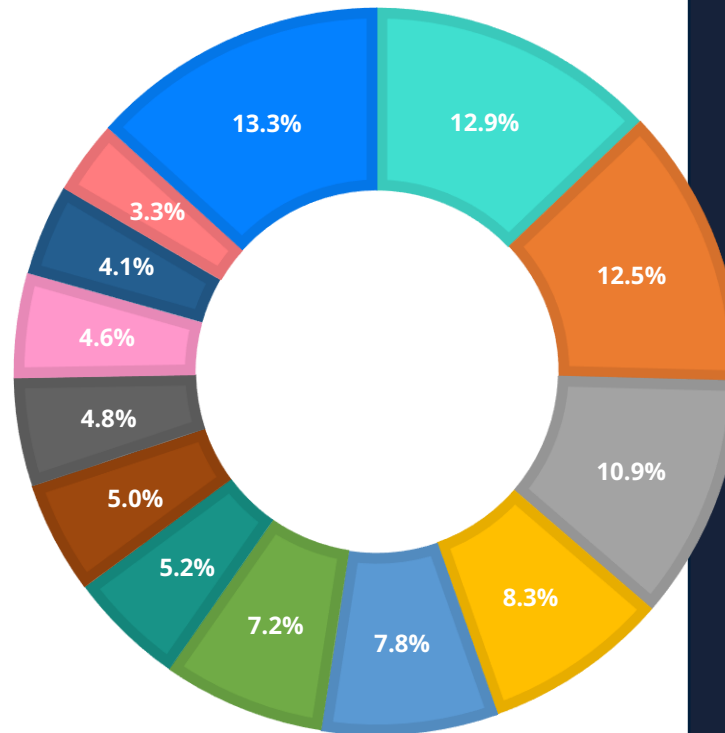
## Governance

- 80% of the Board are independent directors; 50% of the independent directors female
- 100% independent Audit, Management Engagement and Remuneration, and the Nomination Committee
- Committed to establishing and maintaining high standards of corporate governance in line with best practice (Fully AIC compliant)



# De-risking through diversification – Occupier Base

- Diversified income - large tenant mix across £752.2m of assets (2022: £789.5m)
- Spread of assets – 150 properties (2022: 154)
- 1,038 tenants (2022: 1,076) across 1,535 units (2022: 1,552)
- Broad spread of tenant businesses
- A broad geographic spread
- The largest occupier represents only 2.5% of rent roll (2022: 2.4%)
- Top 15 tenants represent 20.3% of the Group's gross rent roll (2022: 20.6%)
- Largest single property accounts for only 2.8% of portfolio by value (2022: 3.0%)
- High-quality tenants



- Information and communication
- Professional, scientific and technical activities
- Administrative and support service activities
- Financial and insurance activities
- Wholesale and retail trade
- Electricity, gas, steam and air conditioning supply
- Human health and social work activities
- Public sector
- Manufacturing
- Education
- Construction
- Not specified
- Other

\*Other - Accommodation and food service activities, activities of extraterritorial organisations and bodies, activities of households as employers; undifferentiated goods, arts, entertainment and recreation, charity, mining and quarrying, other service activities, overseas company, public administration and defence; compulsory social security, real estate activities, registered society, transportation and storage, water supply, sewerage, waste management and remediation activities.

# Blue Chip Tenants





# Summary and Outlook

# Outlook – Positioned for long term income, value and focus

## Quarterly income stream to our shareholders

- Continues to be one of the highest yielding REITs
- Committed to paying regular quarterly dividends to our shareholders

## Underpinned by rent and long term capital growth

- Rent collection remain strong
- Uplifts achieved with renewals rates - at ERV or higher often above passing rent
- Individual asset management plans include a substantial or complete underwrite for alternative use

## Focus

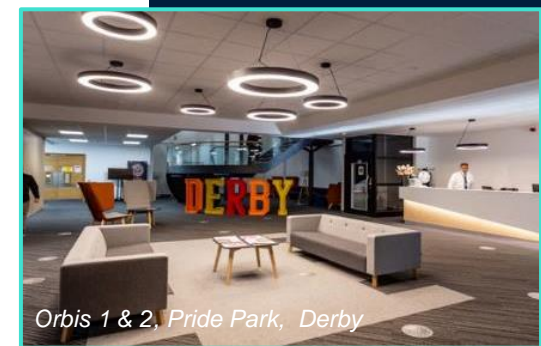
- Disposals to reduce LTV to long term target 40%
- Continued monetary policy tightening
- Office sentiment

## ESG – Improving

- GRESB: indicative rating expected to improve considerably from a Green Star in 2022
- EPC ratings continue to improve, weighted average EPC score C 70 (2022:C 73)

## RAAC (Reinforced Autoclaved Aerated Concrete)

- Initial risk analysis provided by external surveyors
  - Confirms low risk
  - Undertaking safety review of buildings







## Appendix

- Property Portfolio
- Portfolio Activity
  - Asset Management Initiatives (CAPEX)
  - Disposals
- Financial Information
- Performance



# Property Portfolio

# Overview – Specialised Platform and Geographically Diverse Portfolio

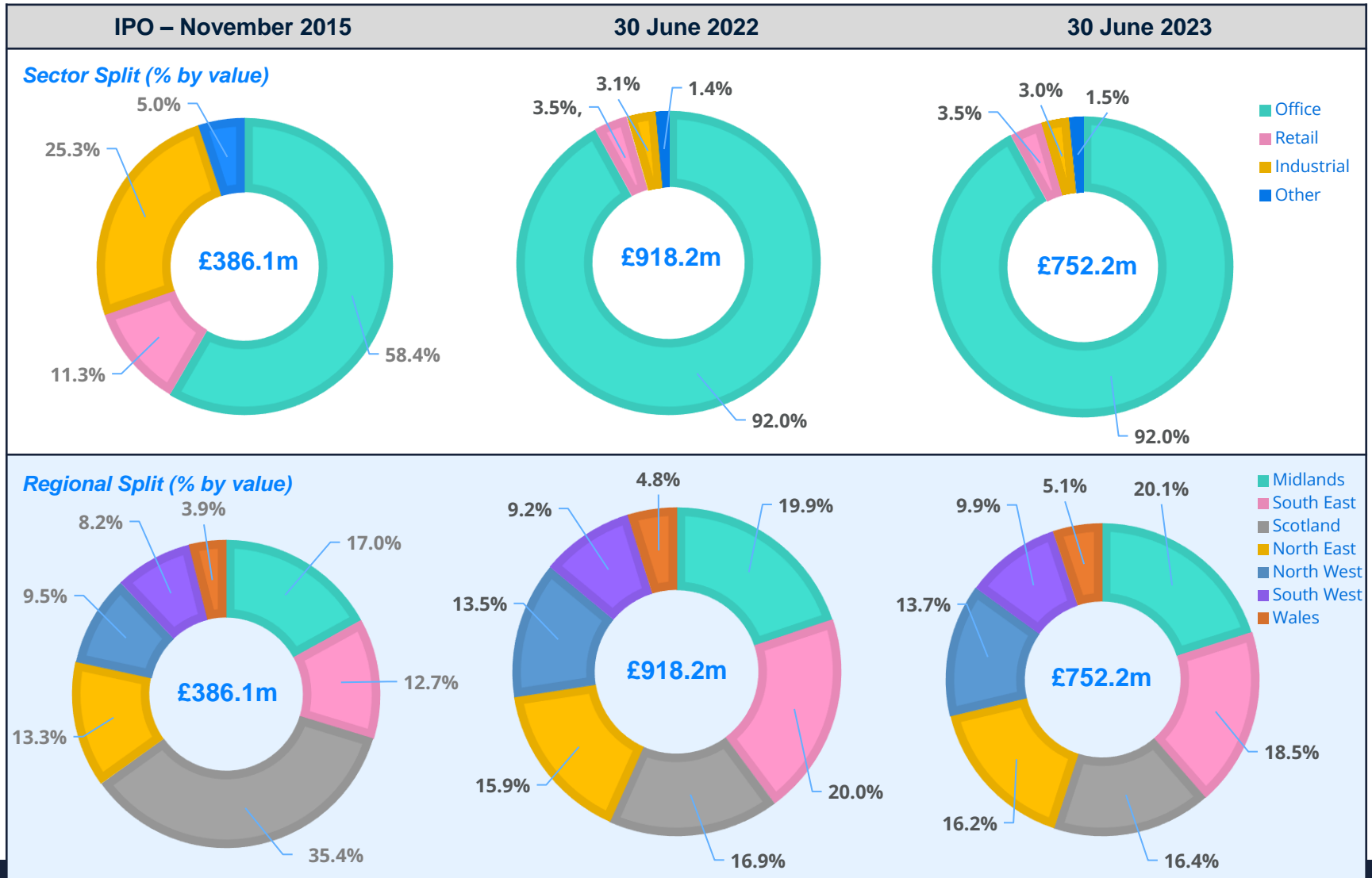
**UK property locations**  
as at 30 June 2023



**Portfolio details**  
as at 30 June 2023

Sector	Properties	Valuation (£m)	% by valuation	Capital Values (£psf)
Office	125	692.3	92.0	123.92
Retail	18	26.4	3.5	79.69
Industrial	4	22.3	3.0	53.17
Other	3	11.2	1.5	116.20
<b>Total</b>	<b>150</b>	<b>752.2</b>	<b>100.0</b>	<b>116.91</b>

# £752.2m Property Portfolio (HY 2022 £918.2m)



# Diversified Income Stream

## Portfolio details at 30 June 2023

Sector	Properties	Valuation (£m)	% by valuation	Sq. ft. (mil)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Yield (%)		
											Net initial	Equivalent	Reversionary
Office	125	692.3	92.0	5.6	81.6%	2.8	63.7	14.60	83.0	123.92	6.0	9.6	10.5
Retail	18	26.4	3.5	0.3	93.1%	3.8	3.2	11.16	2.9	79.69	9.3	9.5	9.6
Industrial	4	22.3	3.0	0.4	97.0%	5.5	1.9	5.27	2.1	53.17	6.5	7.6	8.0
Other	3	11.2	1.5	0.1	100.0%	9.8	1.0	15.57	0.9	116.20	7.3	8.7	7.1
<b>Total</b>	<b>150</b>	<b>752.2</b>	<b>100.0</b>	<b>6.4</b>	<b>82.5%</b>	<b>3.0</b>	<b>69.8</b>	<b>13.76</b>	<b>88.9</b>	<b>116.91</b>	<b>6.1</b>	<b>9.5</b>	<b>10.4</b>

Region	Properties	Valuation (£m)	% by valuation	Sq. ft. (mil)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Yield (%)		
											Net initial	Equivalent	Reversionary
Scotland	36	123.7	16.4	1.2	76.9%	4.8	11.5	13.66	17.5	101.93	5.6	10.0	11.4
South East	26	138.9	18.5	0.9	82.9%	2.4	12.4	16.24	15.6	147.98	5.8	9.1	9.9
North East	23	122.1	16.2	1.0	80.3%	3.2	10.5	12.75	13.7	117.52	5.8	9.5	10.4
Midlands	26	151.4	20.1	1.4	86.5%	2.9	15.0	13.05	17.9	107.76	6.2	9.4	10.3
North West	19	103.0	13.7	0.9	75.7%	2.2	9.4	13.55	12.3	110.99	5.8	9.7	10.6
South West	14	74.6	9.9	0.5	91.9%	2.1	7.1	16.83	7.9	157.48	7.8	9.3	9.7
Wales	6	38.5	5.1	0.4	97.0%	3.8	3.8	10.23	4.0	88.34	7.6	8.8	9.0
<b>Total</b>	<b>150</b>	<b>752.2</b>	<b>100.0</b>	<b>6.4</b>	<b>82.5%</b>	<b>3.0</b>	<b>69.8</b>	<b>13.76</b>	<b>88.9</b>	<b>116.91</b>	<b>6.1</b>	<b>9.5</b>	<b>10.4</b>

Table may not sum due to rounding.

# Top 15 Investments (Market Value)

Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (Sq Ft)	EPRA Occupancy (%)	Annualised gross rent (£m)	% of gross rental income	WAULT to first break (years)
<b>300 Bath Street, Glasgow</b>	Office	University of Glasgow, Glasgow Tay House Centre Ltd, Fairhurst Group LLP, London & Scottish Property Investment Management	21.4	2.8%	156,853	87.6%	1.2	1.8%	2.4
<b>Eagle Court, Coventry Road, Birmingham</b>	Office	Virgin Media Ltd, Rexel UK Ltd	20.2	2.7%	132,979	67.6%	1.6	2.3%	0.6
<b>Hampshire Corporate Park, Eastleigh</b>	Office	Aviva Central Services UK Ltd, Lloyd's Register EMEA, Complete Fertility Ltd, National Westminster Bank Plc	19.8	2.6%	84,043	100.0%	1.7	2.4%	3.5
<b>Beeston Business Park, Nottingham</b>	Office/ Industrial	Metropolitan Housing Trust Ltd, SMS Electronics Ltd, Heart Internet Ltd, SMS Product Services Ltd	17.2	2.3%	215,330	100.0%	1.4	2.0%	5.1
<b>800 Aztec West, Bristol</b>	Office	NNB Generation Company (HPC) Ltd, Edvance SAS	16.5	2.2%	73,292	100.0%	1.5	2.2%	0.9
<b>Manchester Green, Manchester</b>	Office	Chiesi Ltd, Ingredion UK Ltd, Assetz SME Capital Ltd, Contemporary Travel Solutions Ltd	16.5	2.2%	107,760	79.1%	1.4	2.0%	3.1
<b>Orbis 1, 2 &amp; 3, Pride Park, Derby</b>	Office	First Source Solutions UK Ltd, DHU Health Care C.I.C., Tentamus Pharma (UK) Ltd	16.2	2.1%	121,883	100.0%	1.8	2.6%	3.9
<b>Norfolk House, Smallbrook Queensway, Birmingham</b>	Office	Global Banking School Ltd, Accenture (UK) Ltd	15.3	2.0%	115,780	97.7%	1.4	1.9%	6.8
<b>Linford Wood Business Park, Milton Keynes</b>	Office	IMServ Europe Ltd, Market Force Information (Europe) Ltd, Aztech IT Solutions Ltd	15.2	2.0%	107,352	91.1%	1.5	2.1%	2.1
<b>Capitol Park, Leeds</b>	Office	Hermes Parcelnet Ltd, BDW Trading Ltd	13.4	1.8%	98,340	45.9%	0.7	1.0%	4.6
<b>Portland Street, Manchester</b>	Office	Evolution Money Group Ltd, Mott MacDonald Ltd, NCG (Manchester) Ltd, Simard Ltd	12.9	1.7%	55,787	95.9%	1.1	1.5%	2.4
<b>Oakland House, Manchester</b>	Office	Please Hold (UK) Ltd, A.M.London Fashion Ltd, CVS (Commercial Valuers & Surveyors) Ltd	12.9	1.7%	161,502	78.5%	1.0	1.5%	2.1
<b>Templeton On The Green, Glasgow</b>	Office	The Scottish Ministers, The Scottish Sports Council, Noah Beers Ltd, The Wise Group	12.0	1.6%	142,520	92.7%	1.3	1.9%	3.9
<b>Origin 1 &amp; 2, Crawley</b>	Office	Knights Professional Services Ltd, DMH Stallard LLP, Spirent Communications Plc, Travelopia Holdings Ltd	11.7	1.6%	45,855	100.0%	1.1	1.6%	1.5
<b>Buildings 2, Bear Brook Office Park, Aylesbury</b>	Office	Utmost Life and Pensions Ltd, Musarubra UK Subsidiary 3 Ltd, Agria Pet Insurance Ltd	11.3	1.5%	61,642	94.5%	1.0	1.5%	4.0
<b>Total</b>			<b>232.4</b>	<b>30.9%</b>	<b>1,680,918</b>	<b>87.4%</b>	<b>19.8</b>	<b>28.4%</b>	<b>3.1</b>

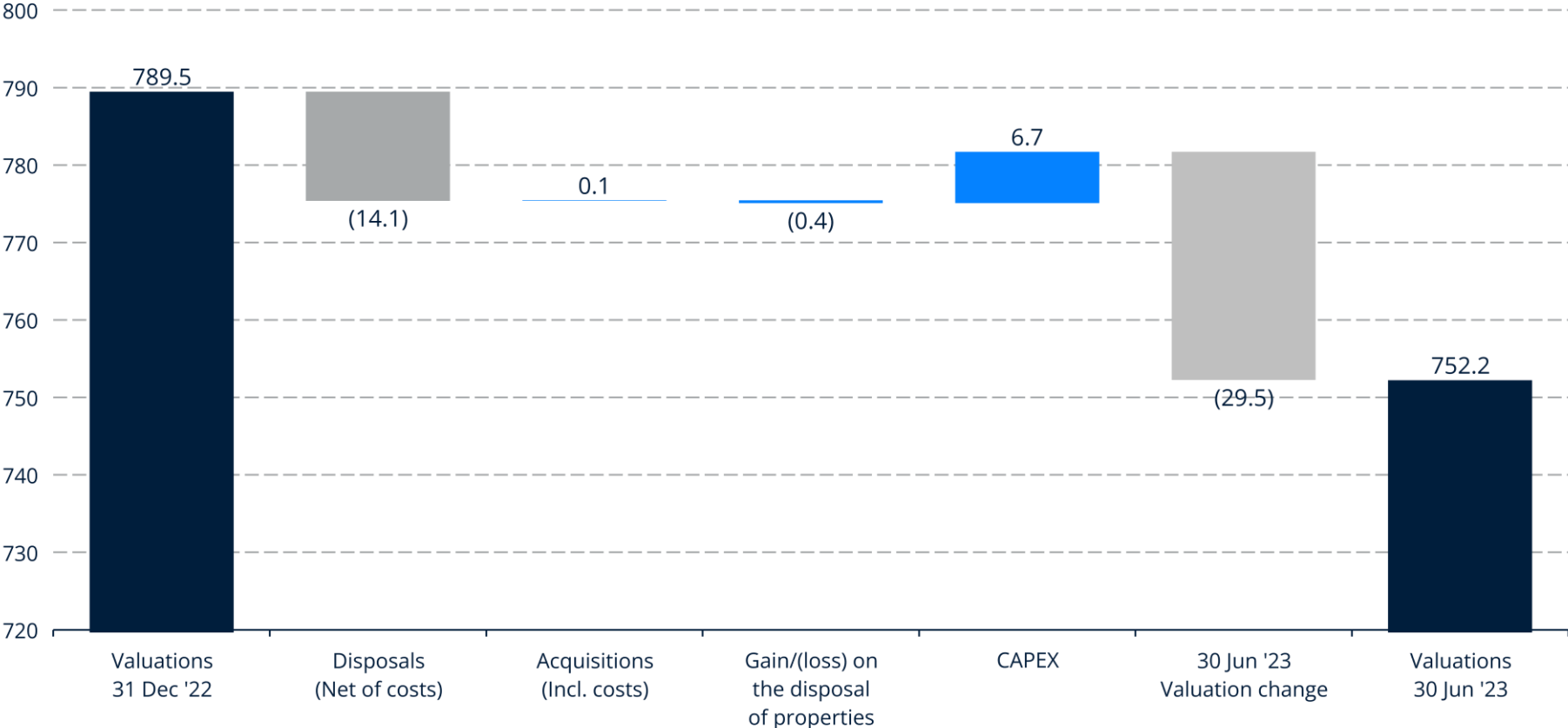
# Top 15 Occupiers (Share of Rental Income)

Tenant	Property	Sector	WAULT to first break (years)	Lettable area (Sq Ft)	Annualised gross rent (£m)	% of Gross rental income
Virgin Media Ltd	Eagle Court, Birmingham Southgate Park, Peterborough	Information and communication	0.7	107,830	1.8	2.5%
Shell Energy Retail Ltd	Columbus House, Coventry	Electricity, gas, steam and air conditioning supply	0.5	53,253	1.4	2.0%
Secretary of State for Communities & Local Government	1 Burgage Square, Merchant Square, Wakefield Albert Edward House, Preston Bennett House, Stoke-On-Trent Oakland House, Manchester Waterside Business Park, Swansea	Public sector	4.1	108,915	1.1	1.5%
EDF Energy Ltd	Endeavour House, Sunderland	Electricity, gas, steam and air conditioning supply	7.2	77,565	1.0	1.5%
First Source Solutions UK Ltd	Orbis 1, 2 & 3, Pride Park, Derby	Administrative and support service activities	3.8	62,433	1.0	1.4%
E.ON UK Plc	Two Newstead Court, Nottingham	Electricity, gas, steam and air conditioning supply	1.8	99,142	0.9	1.4%
John Menzies Plc	2 Lochside Avenue, Edinburgh	Professional, scientific and technical activities	0.1	43,780	0.9	1.3%
NNB Generation Company (HPC) Ltd	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	0.7	41,743	0.9	1.2%
Global Banking School Ltd	Norfolk House, Birmingham	Education	9.4	44,245	0.8	1.2%
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	2.3	58,167	0.8	1.2%
Aviva Central Services UK Ltd	Hampshire Corporate Park, Eastleigh	Other service activities	1.4	42,612	0.8	1.1%
Odeon Cinemas Ltd	Kingscourt Leisure Complex, Dundee	Information and communication	12.3	41,542	0.8	1.1%
SpaMedica Ltd	1175 Century Way, Thorpe Park, Leeds Albert Edward House, Preston Fairfax House, Wolverhampton Ill Acre, Princeton Drive, Stockton On Tees Southgate Park, Peterborough The Foundation Chester Business Park, Chester	Human health and social work activities	2.9	50,656	0.7	1.0%
Edvance SAS	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	1.1	31,549	0.7	1.0%
Care Inspectorate	Compass House, Dundee Quadrant House, Dundee	Public sector	4.8	51,852	0.7	1.0%
<b>Total</b>			<b>3.3</b>	<b>915,284</b>	<b>14.2</b>	<b>20.3%</b>

Table may not sum due to rounding.

# Investment Property Activity

**Investment properties bridge 30 June 2023 (£m)**



*Table may not sum due to rounding.*



# Geographically Diversified Office Led Portfolio Focused on the UK Regions

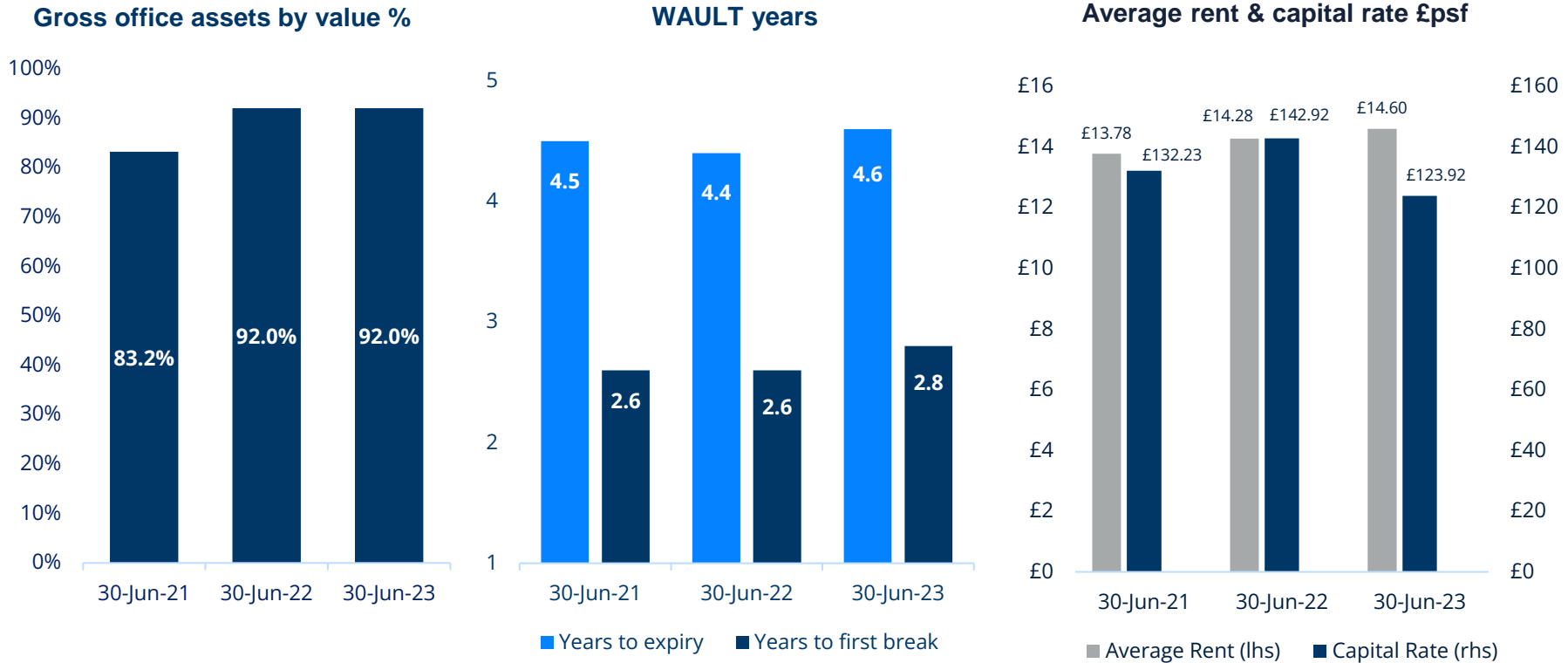


Table may not sum due to rounding.

# HY 2023 Portfolio Highlights

## Major lettings and renewals successfully secured across the regions

### Legal House, Glasgow

The Lord Advocate renewed its lease to May 2028, with the option to break in 2026, at a rental income of £100,935 pa (£12.69/ sq. ft.) on 7,957 sq. ft. of space.

### Buchanan Gate, Stepps, Glasgow

BDW Trading Ltd. has extended the term of two existing leases (13,457 sq. ft.) until April 2024 at a combined rental income of £154,549 pa (£11.48/ sq. ft.).

### Elmbridge Court, Gloucester

The Lycra Company UK Ltd. renewed its lease to April 2028, with no break option, at a rental income of £94,000 pa (£20.04/ sq. ft.) on 4,691 sq. ft. of space.

### Delta 1200, Delta Business Park, Swindon

TM Group (UK) Ltd. renewed its lease to the end of August 2032, with the option to break in 2027, at a rental income of £187,236 pa (£18.00/ sq. ft.) on 10,402 sq. ft. of space.

### Woodlands Court, Bristol

Sirona Care & Health C.I.C. has let 5,724 sq. ft. of space for seven years to March 2030, with the option to break in 2026, at a rental income of £91,584 pa (£16.00/ sq. ft.).

### Quadrant House, Dundee

The Care Inspectorate has extended the term of existing lease (21,510 sq. ft.) for a further 15 years, with a break option in 2028 and 2033 at a rental income of £292,275 pa (£13.59/ sq. ft.).

### Compass House, Dundee

The Care Inspectorate has extended the term of existing lease (30,342 sq. ft.) for a further 15 years, with a break option in 2028 and 2033 at a rental income of £380,000 pa (£12.52/ sq. ft.).

### Manchester Green, Manchester

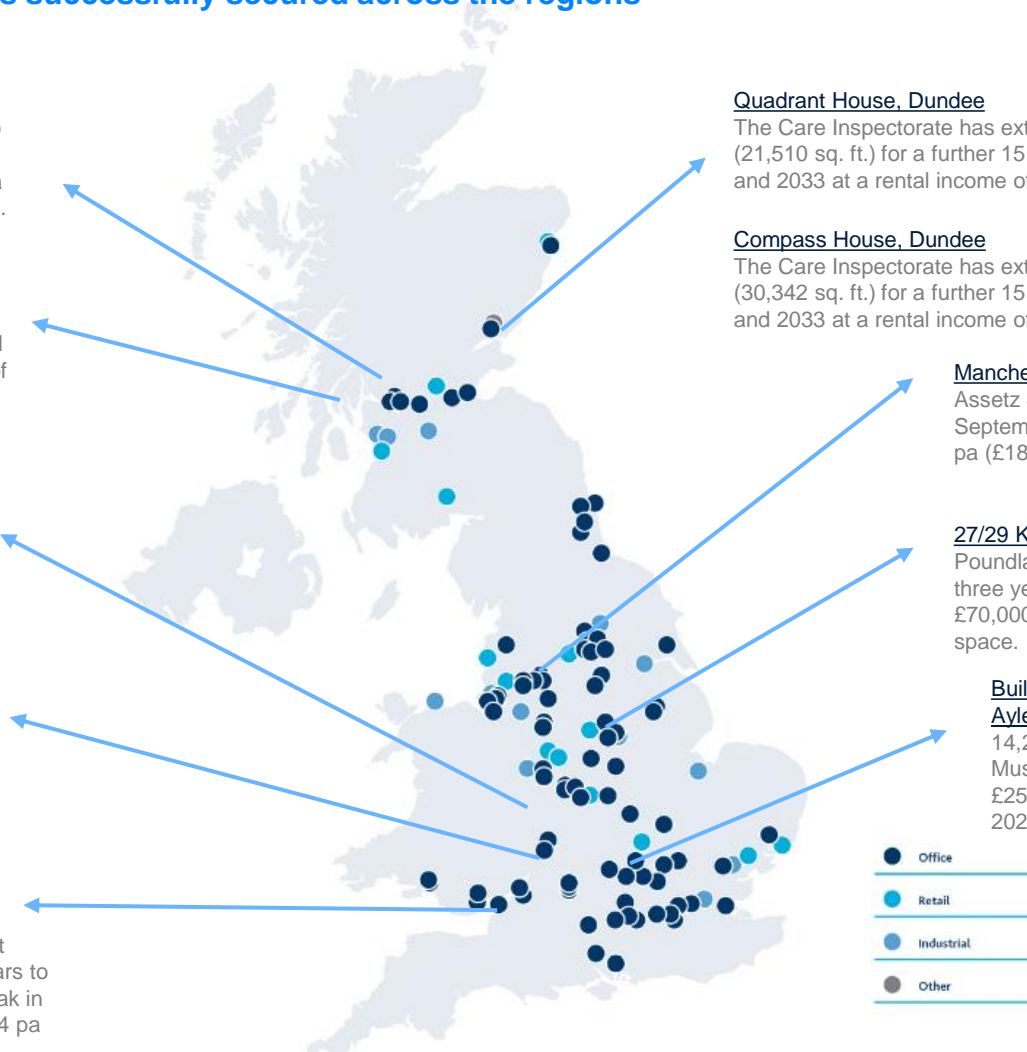
Assetz SME Capital Ltd. renewed its lease until September 2027, at a rental income of £272,600 pa (£18.25/ sq. ft.) on 14,937 sq. ft. of space.

### 27/29 King St, Belper

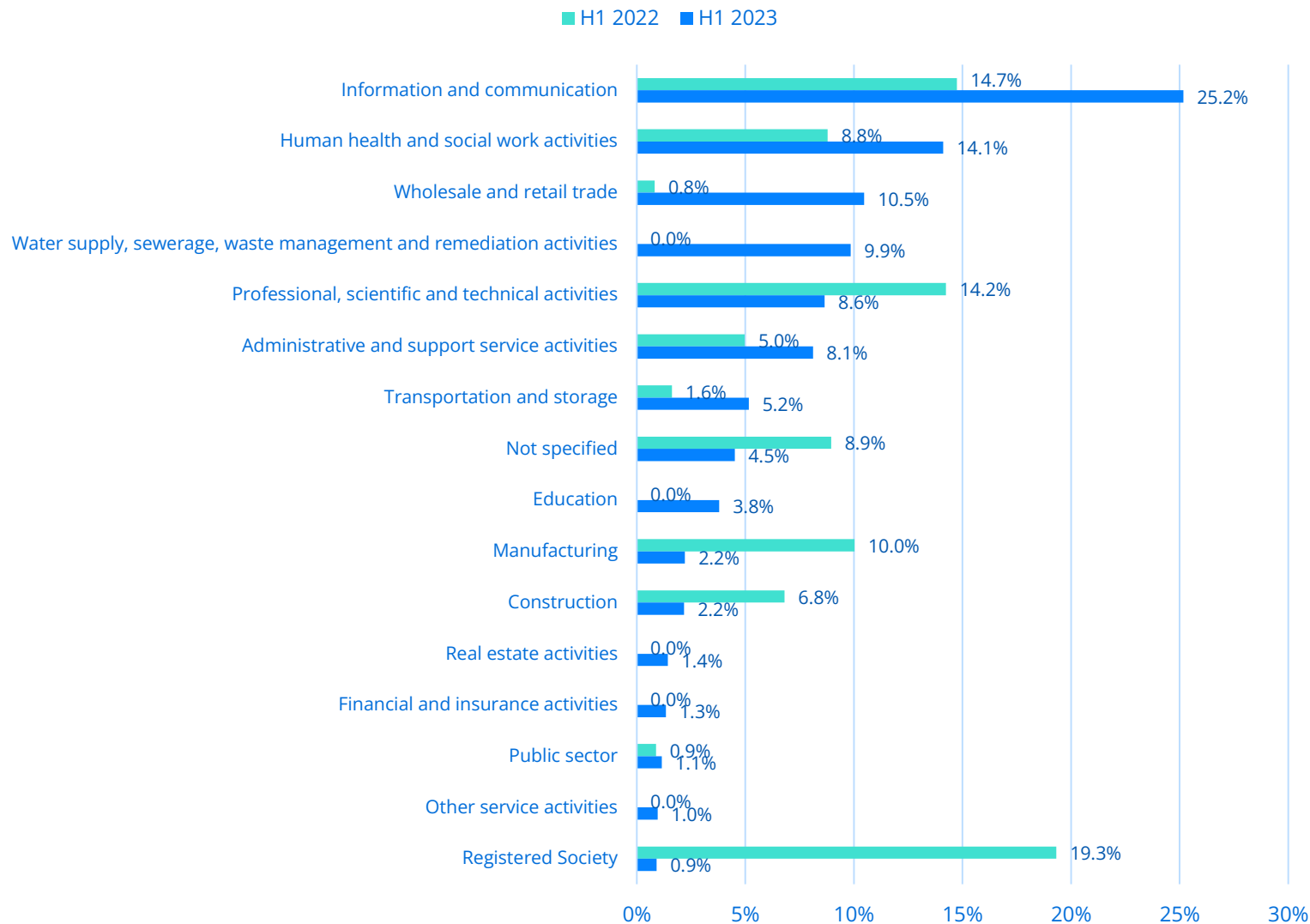
Poundland Ltd. renewed its lease for a further three years, to March 2026, at a rental income of £70,000 pa (£3.12/ sq. ft.) on 22,422 sq. ft. of space.

### Building 2, Bear Brook Office Park, Aylesbury

14,242 sq. ft. of space has been let to Musarubra UK Subsidiary 3 Ltd. at a rent of £256,356 pa (£18.00/ sq. ft.) until January 2028.



# New Lettings by Industry Type (% of Gross Rent)



# Rent Collections – trending back to normality

## Rent collected Vs invoiced (%)

	2021					2022					2023		Total
(%)	Q1	Q2	Q3	Q4	2021 Total	Q1	Q2	Q3	Q4	2022 Total	Q1	Q2	HY 2023 Total <sup>‡</sup>
Rent Paid	98.4	98.6	98.2	98.3	98.4	99.0	99.0	98.8	99.6	99.1	99.5	98.2	98.8

Quarterly rental invoices include contractual rent for the preceding quarter  
<sup>‡</sup> as at 01.09.2023



## Portfolio Activity – Asset Management Initiatives (CAPEX)

# 300 Bath Street, Glasgow

- Acquired in 2013, 300 Bath Street is the largest single asset (by value) in the portfolio at £21.4m (2.8% of the portfolio)
- Landmark Grade A office building (Grade A spec) in Glasgow City Centre offering column free floor plates up to 30,000 sq. ft.
- At acquisition, the building was dominated by the occupation of Barclays who had a lease over several floors which provided a substantial ongoing net income position with an opportunity to redevelop/reposition the building at expiry
- The first and second floors were comprehensively refurbished in 2016 with Regus, under their Spaces brand, taking the second floor shortly thereafter
- As anticipated as part of the business plan for the asset, Barclays initiated their lease break options and vacated the property in November 2021 providing the opportunity to update and reposition the building to deliver contemporary Grade A specification space at a cost effective rent
- The asset has been re-branded from “Tay House” to 300 Bath Street. Works are due to complete on the comprehensive reconfiguration of the entrance to the building and refurbishment of the reception. The works will also include the provision of an amenity block providing updated wellness facilities including cycle storage, fully equipped gym and showers. We have now refreshed the branding and marketing of 300 Bath Street and the available office space. The former Barclays’ floors will be refurbished as part of the scope of works



- **Acquisition Price £25.0m**
- **Valuation Jun 23 £21.4m**
- **ERV (Jun 23) £3.6m**
- **Floor Area 156,853 sq ft**
- **Gross Rent Roll £1.2m**

# 300 Bath Street, Glasgow

Works on the proposed reception refurbishment, wellness and amenity space and show suite commenced in February 2022. The show suite is now complete and the reception and wellness amenity space will complete early July 2023. The project works present an opportunity for comprehensive repositioning of the asset in a market with limited supply of high-quality large floor plates in an improving location. The proposals were key in securing the Fairhurst letting and we are under offer on the ground floor East wing to Novosound where negotiations continue in respect of their move into Glasgow city centre to enable their growth from incubator space.

## Summary Description of Works

- Relocation of entrance onto Bath Street elevation
- Introduction of new business lounge area for waiting guests and informal meetings and small event space
- New basement amenity to include gym area, showers and cycle racks
- Refurbishment of 4th Floor (East)

## New Entrance

### External Works

- Replacement of existing curtain walling to be replaced by new glazed entrance
- Installation of new automatic doors
- Installation of new canopy
- Existing glazed sections at current entrance to be replaced
- Water ingress at existing entrance to be investigated and remedied
- External brickwork to be painted

### Internal Works

- Addition of new reception desk
- Accessible platform lift to be installed

# Building 2, Bear Brook Office Park, Aylesbury

- Acquired in March 2016
- An 'in town' Campus purpose built high specification HQ building, known as the "Blue Leanie" (Building 2), acquired in March 2016 as part of the "Rainbow" portfolio. The property is situated adjacent to Aylesbury train station with regular service direct to Marylebone Station
- Building 2, previously single let to Scottish Widows, is now multi-let let to five tenants after, as expected, Scottish Widows exercised their option to break their lease

## Action Taken Since Acquisition

- Comprehensive refurbishment programme of Building 2 completed with gross capital expenditure of c. £3.3m and property now offers high specification contemporary space at cost effective rents
- Post refurbishment, the development was rebranded as Bear Brook Office Park
- Building 2 has one vacant suite on the 4<sup>th</sup> floor following the break option being exercised by Prospitalia in May 2023. The suite extends to 3,347 sq ft with an ERV of £17/sq ft.



- **Acquisition Price £11.6m**
- **Valuation Jun 23 £11.3m**
- **ERV (Jun 23) £1.1m**
- **Floor Area 61,642 sq ft**
- **Gross Rent Roll £1.0m**



# Compass House, Dundee

- Acquired in March 2017
- The property comprises an office building arranged over three floors, with a total floor area of 30,342 sq. ft.
- The property is located on Riverside Drive in Dundee, which is on the banks of the River Tay and merges with the A92. Dundee Railway Station is within close proximity
- Nearby occupiers include a Tesco Superstore, Graham & Sibbald Chartered Surveyors, HM Customs & Excise, Scottish Enterprise and the Procurator Fiscal

## Latest Deal

- The Care Inspectorate has extended the term of existing lease (30,342 sq. ft.) for a further 15 years, with a break option in 2028 and 2033 at a rental income of £380,000 pa (£12.52/ sq. ft.).
- Landlord works are underway



- **Acquisition Price £5.1m**
- **Valuation Jun 23 £3.9m**
- **ERV (Jun 23) £0.4m**
- **Floor Area 30,342 sq ft**
- **Gross Rent Roll £0.4m**

# Quadrant House, Dundee

- Acquired in June 2018
- The property comprises an office building arranged over three floors, with a total floor area of 21,510 sq. ft.
- The property is located on Riverside Drive in Dundee, which is on the banks of the River Tay and merges with the A92. Dundee Railway Station is within close proximity.
- Nearby occupiers include a Tesco Superstore, Graham & Sibbald Chartered Surveyors, HM Customs & Excise, Scottish Enterprise and the Procurator Fiscal

## Latest Deal

- The Care Inspectorate has extended the term of existing lease (21,510 sq. ft.) for a further 15 years, with a break option in 2028 and 2033 at a rental income of £292,275 pa (£13.59/ sq. ft.).
- Landlord works are underway



- **Acquisition Price £3.5m**
- **Valuation Jun 23 £3.0m**
- **ERV (Jun 23) £0.3m**
- **Floor Area 21,510 sq ft**
- **Gross Rent Roll £0.3m**

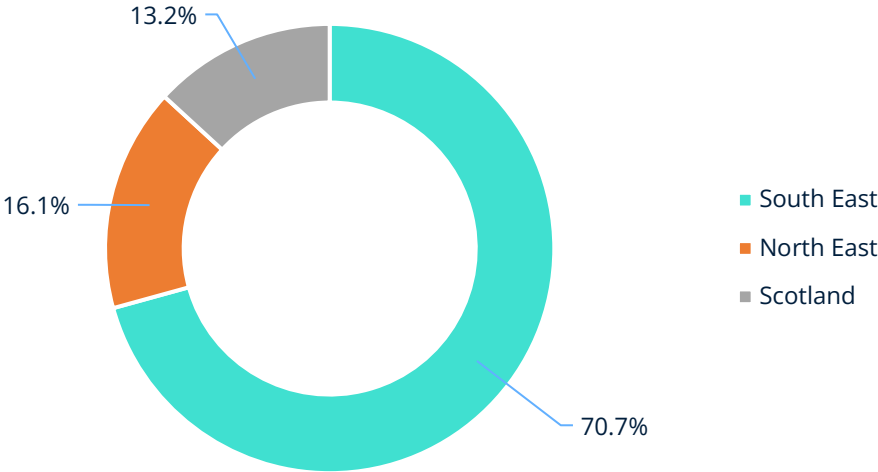
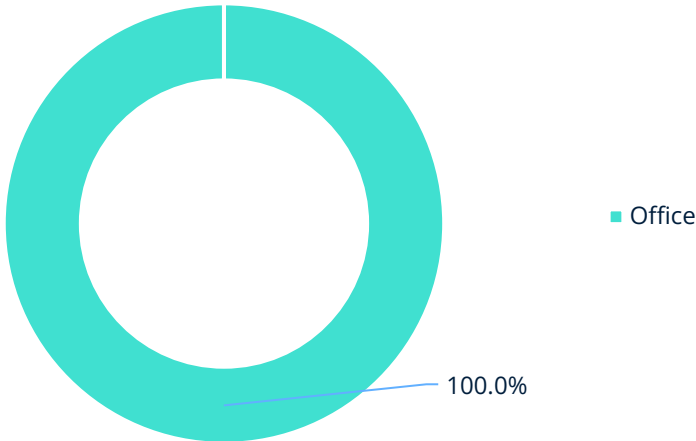


# Disposals



# Summary – Disposals during 2023

- Disposals totalled **£14.6m** (before costs)
- Reflecting an **average net initial yield of 2.4% (9.4% excluding vacant assets)**
- 4 assets and 3 part sales in total during H1 2023
- Disposals of non-core and assets at the end of their business plans



# Wakefield 41 Business Park, Wakefield

- Acquired in December 2017 for £1.5m
- The 25,845 sq. ft. office property was multi-let to six tenants at time of disposal
- Over the period of ownership of this property, the asset manager completed a number of new lettings and lease renewals
- The site was sold in June 2023 for £1.9m
- After capital expenditure, this disposal reflects a 14.4% uplift from the acquisition price and is a 12.1% premium to the 31 December 2022 valuation, with a net initial yield of 7.8%



<b>Acquisition Price</b>	<b>£1.5m</b>
<b>Valuation Dec 22</b>	<b>£1.7m</b>
<b>Sale Price (before costs)</b>	<b>£1.9m</b>
<b>Net Initial Yield</b>	<b>7.8%</b>
<b>Uplift against acquisition price capex)</b>	<b>14.4% (post-capex)</b>



# Financial Information

# Delivering on Strategy

## Portfolio – Active management

	Dec 2022	Jun 2023	Change
Investment Property	£789.5m	£752.2m	(£37.3m)
Acquisitions before costs	£74.7m	-	(£74.7m)
Acquisition Net Initial Yield	8.4%	-	(8.4pps)
Disposals net of costs	£84.1m	£14.1m	(£70.0m)
Disposal Net Initial Yield	4.9%	2.4%	(2.5pps)
CAPEX	£10.0m	£6.7m	(£3.3m)

## Portfolio diversification

Office	91.8%	92.0%	+0.2pps
Scotland*	16.7%	16.4%	(0.3pps)

## Debt

Proactive and defensive approach

Weighted Average Cost of Debt	3.5%	3.5%	0.0pps
Weighted Average Duration	4.5yrs	4.0yrs	(0.5yr)
Fixed and hedged	100.9%	101.6%	+0.7pps

## Return

High yielding uninterrupted quarterly dividend

Total Accounting Return since IPO**	24.2%	20.8%	(3.4pps)
Total EPRA Annual Accounting Return	3.1%	2.5%	(0.6pps)
Dividends declared H1	3.3p	2.85p	(0.45p)

\* Long term exposure target to Scotland of 15% \*\*IPO 06.11.2015 – NAV plus dividend

# Financial – Statement of Comprehensive Income

	Half Year-end 2022 (£'000)	Half Year-end 2023 (£'000)	Change (£'000)
Rental and property income	45,211	44,415	(796)
Property costs	(16,267)	(18,438)	(2,171)
<b>Net rental and property income</b>	<b>28,944</b>	<b>25,977</b>	<b>(2,967)</b>
Administrative & other expenses	(5,568)	(5,341)	227
<b>Operating profit (loss) before gains/(losses) on property assets/other investments</b>	<b>23,376</b>	<b>20,636</b>	<b>(2,740)</b>
Gains(loss) on the disposal of investment properties & right of use asset	(3,245)	(403)	2,842
Change in fair value of investment properties & of right of use asset	4,673	(29,560)	(34,233)
<b>Operating profit/(loss)</b>	<b>24,804</b>	<b>(9,327)</b>	<b>(34,131)</b>
Net finance income/expense, impairment of goodwill and net movement in fair value of derivative financial instruments	3,448	(2,808)	(6,256)
<b>Profit/(loss) before tax</b>	<b>28,252</b>	<b>(12,135)</b>	<b>(40,387)</b>
Taxation	-	-	-
<b>Profit/(loss) after tax for the period (attributable to equity shareholders)</b>	<b>28,252</b>	<b>(12,135)</b>	<b>(40,387)</b>
Earnings/(losses) per share – basic	5.5p	(2.4p)	(7.9p)
Earnings/(losses) per share - diluted	5.5p	(2.4p)	(7.9p)
<b>EPRA earnings/(losses) per share - basic</b>	<b>2.9p</b>	<b>2.5p</b>	<b>(0.4p)</b>
<b>EPRA earnings/(losses) per share - diluted</b>	<b>2.9p</b>	<b>2.5p</b>	<b>(0.4p)</b>



# Financial – Statement of Financial Position

	Year-end Dec 2022 (£'000)	Half year-end Jun 2023 (£'000)	Change		Year-end Dec 2022 (£'000)	Half year-end Jun 2023 (£'000)	Change
<b>Assets Non-current Assets</b>				<b>Liabilities</b>			
Investment properties	789,480	752,226	(37,254)	Current liabilities	(56,591)	(56,173)	418
Right of use assets	11,126	11,057	(69)				
Other non-current assets and derivative financial instruments	25,027	30,029	5,002	<b>Non-current liabilities</b>			
				Bank and loan borrowings - non current	(435,017)	(426,160)	8,857
				Lease liabilities	(11,505)	(11,490)	15
<b>Current assets</b>				<b>Total liabilities</b>	<b>(503,113)</b>	<b>(493,823)</b>	<b>9,290</b>
Current assets	30,274	33,068	2,794	<b>Net assets</b>	<b>402,942</b>	<b>373,788</b>	<b>(29,154)</b>
Cash and cash equivalents	50,148	41,231	(8,917)				
<b>Total assets</b>	<b>906,055</b>	<b>867,611</b>	<b>(38,444)</b>	Share capital	513,762	513,762	0
				Retained earnings/accumulated (losses)	(110,820)	(139,974)	(29,154)
				<b>Total equity</b>	<b>402,942</b>	<b>373,788</b>	<b>(29,154)</b>
				Net assets per share – basic	78.1p	72.5p	(5.6p)
				Net assets per share – diluted	78.1p	72.5p	(5.6p)
				<b>EPRA net tangible value per share – basic*</b>	<b>73.5p</b>	<b>66.9p</b>	<b>(6.6p)</b>
				<b>EPRA net tangible value assets per share – diluted*</b>	<b>73.5p</b>	<b>66.9p</b>	<b>(6.6p)</b>

\*EPRA Net Reinstatement Value(NRV): 30 June 2023 66.9p (31 December 2022: 73.5p); Net Disposal Value(NDV): 30 June 2023 77.6p (31 December 2022: 81.9p)

# Cash Flow

Cash bridge 30 June 2023 (£m)

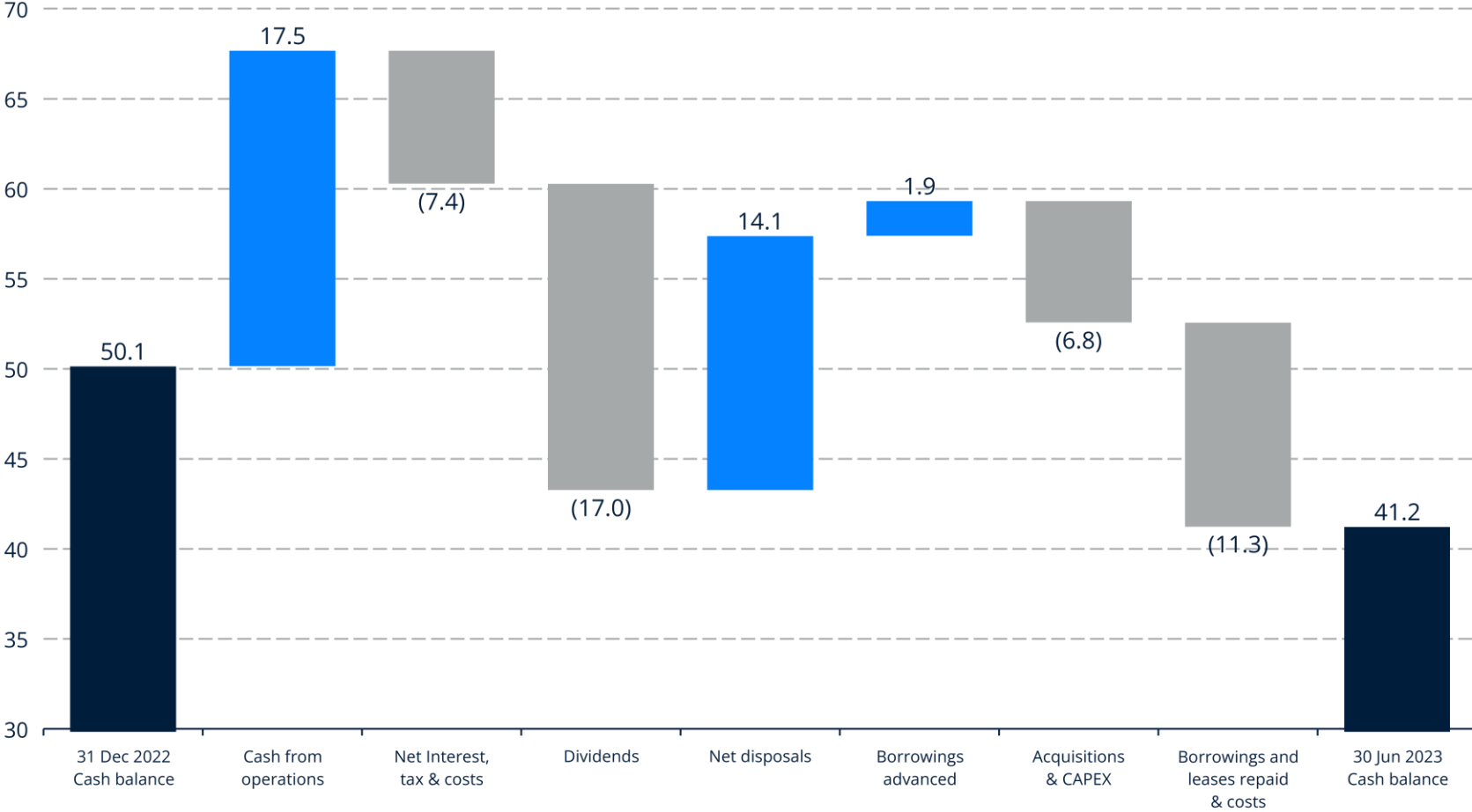


Table may not sum due to rounding.

# Income and Cost Focused

	Half year ending 30 June 2022	Half year ending 30 June 2023	Change*
Net rental and property income	£37.1m	£34.3m	(£2.8m)
Operating profit before gains/losses on property assets/other investments	£23.4m	£20.6m	(£2.8m)
IFRS EPS	5.5p	(2.4p)	(7.9p)
EPRA EPS	2.9p	2.5p	(0.4p)
EPRA cost ratio (incl. direct vacancy costs)	36.9%	39.9%	+3.0pps
EPRA cost ratio (excl. direct vacancy costs)	16.5%	17.3%	+0.8pps
Dividend declared for the period	3.30p	2.85p	(0.45p)

- Rental income continues to remain robust. If the portfolio was fully occupied per Cushman & Wakefield's view of market rents the Rent roll at 30 Jun 2023 would be £88.9m pa. (30 Jun 2022: £94.1m; 31 Dec 2022: £92.0m).\*\*
- The EPRA cost ratio (incl. direct vacancy costs) increased ostensibly due to an increase in the level of expenses incurred relative to the level of rental income.
- Loss before tax 30 Jun 2023 £12.1m (30 Jun 2022: profit £28.3m; 31 Dec 2022: loss £65.2m); including loss on the disposal of investment properties £0.4m (30 June 2022: loss £3.3m; 31 Dec 2022: loss £8.6m) and loss in the change in fair value of investment properties of £29.5m (30 Jun 2022: gain £4.8m; 31 Dec 2022: loss £113.2m).
- EPRA EPS 30 Jun 2023: 2.5p (30 Jun 2022: 2.9p; 31 Dec 2022: 6.6p) paying a HY 2023 dividend 2.85p (HY 2022: 3.3p; FY 2022: 6.6p)

\*Rounded to whole numbers \*\*Excluding service charge income and other similar items

# Financial Position

	Year ending 31 December 2022	Half year ending 30 June 2023	Change
Investment Property	£789.5m	£752.2m	(£37.3m)
IFRS NAV (fully diluted)	78.1p	72.5p	(5.6p)
EPRA NTA* (fully diluted)	73.5p	66.9p	(6.6p)
Borrowings (incl. retail eligible bond)	£440.8m	£431.7m	(£9.1m)
Weighted average cost of debt (incl. hedging)	3.5%	3.5%	0.0pps
Net Loan-to-value	49.5%	51.9%	+2.4pps
EPRA Occupancy	83.4%	82.5%	(0.9pps)
EPRA Occupancy like-for-like	84.5%	82.5%	(2.0pps)
Rent roll like-for-like	£71.4m	£69.8m	(£1.6m)

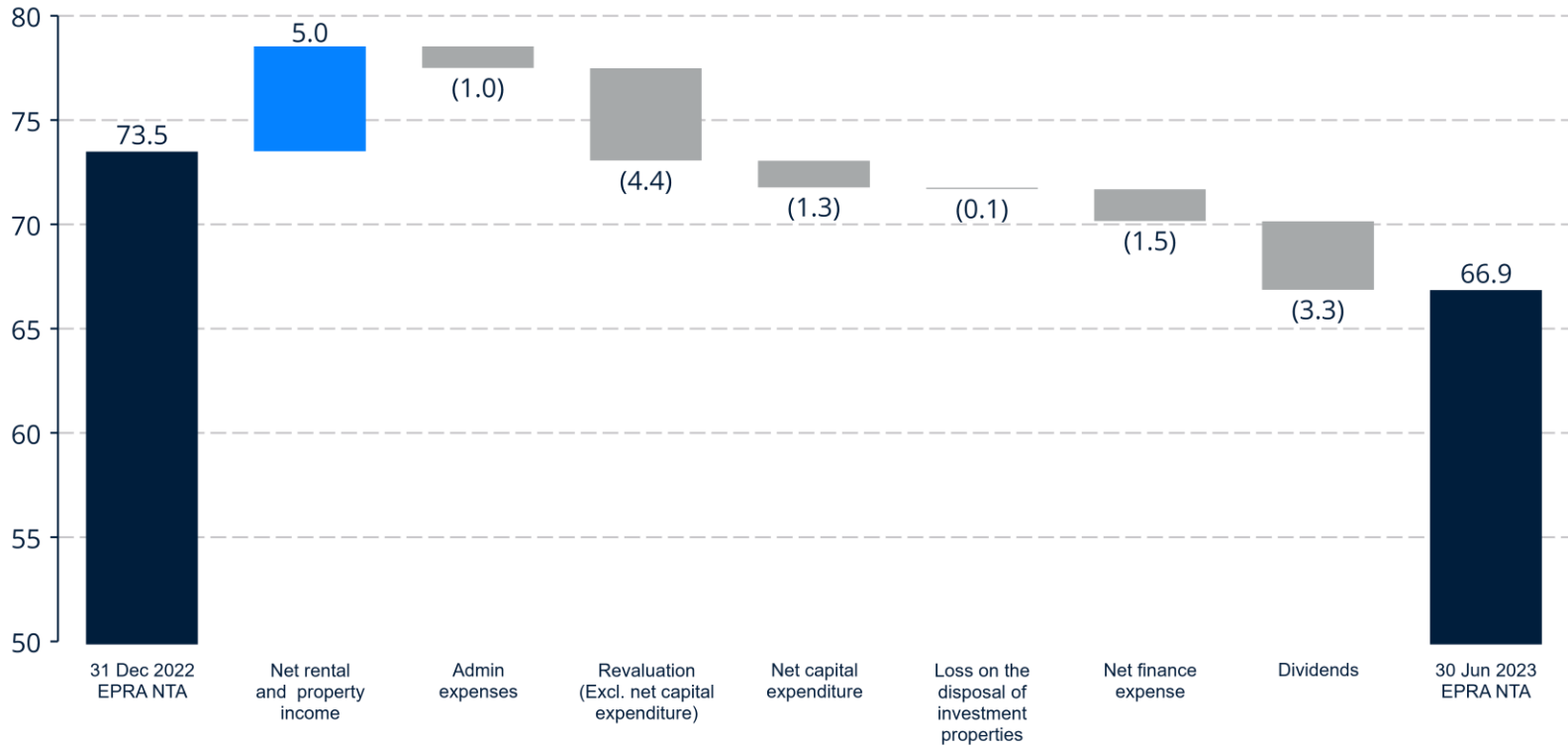
- Investment properties on a like-for-like valuation decrease of 3.8%, after adjusting for capital expenditure, acquisitions and disposals during the period.
- Borrowings decreased by a net £9.1m.
- EPRA Occupancy of 82.5%, with planned refurbishment programmes impacting ERV amounting to £4.7m.
- Total accounting returns to shareholders since IPO of 20.8%, and annualised total accounting rate of return 2.5%.

\*EPRA Net Reinstatement Value(NRV): 30 June 2023 66.9p (31 December 2022: 73.5p); Net Disposal Value(NDV): 30 June 2023 77.6p (31 December 2022: 81.9p)

# Positioned to Unlock Shareholder Value over the Long Term

- **EPRA NTA\*: £344.9m (66.9p fully diluted)**  
*(31 Dec '22: £379.2m, 73.5p fully diluted)*
- **IFRS: £373.8m (72.5p fully diluted)**  
*(31 Dec '22: £402.9m, 78.1p fully diluted)*

**EPRA Net Tangible Asset - Bridge**  
**30 June 2023**



*Table may not sum due to rounding.*

*\*EPRA Net Reinstatement Value(NRV): 30 June 2023 66.9p (31 December 2022: 73.5p); Net Disposal Value(NDV): 30 June 2023 77.6p (31 December 2022: 81.9p)*

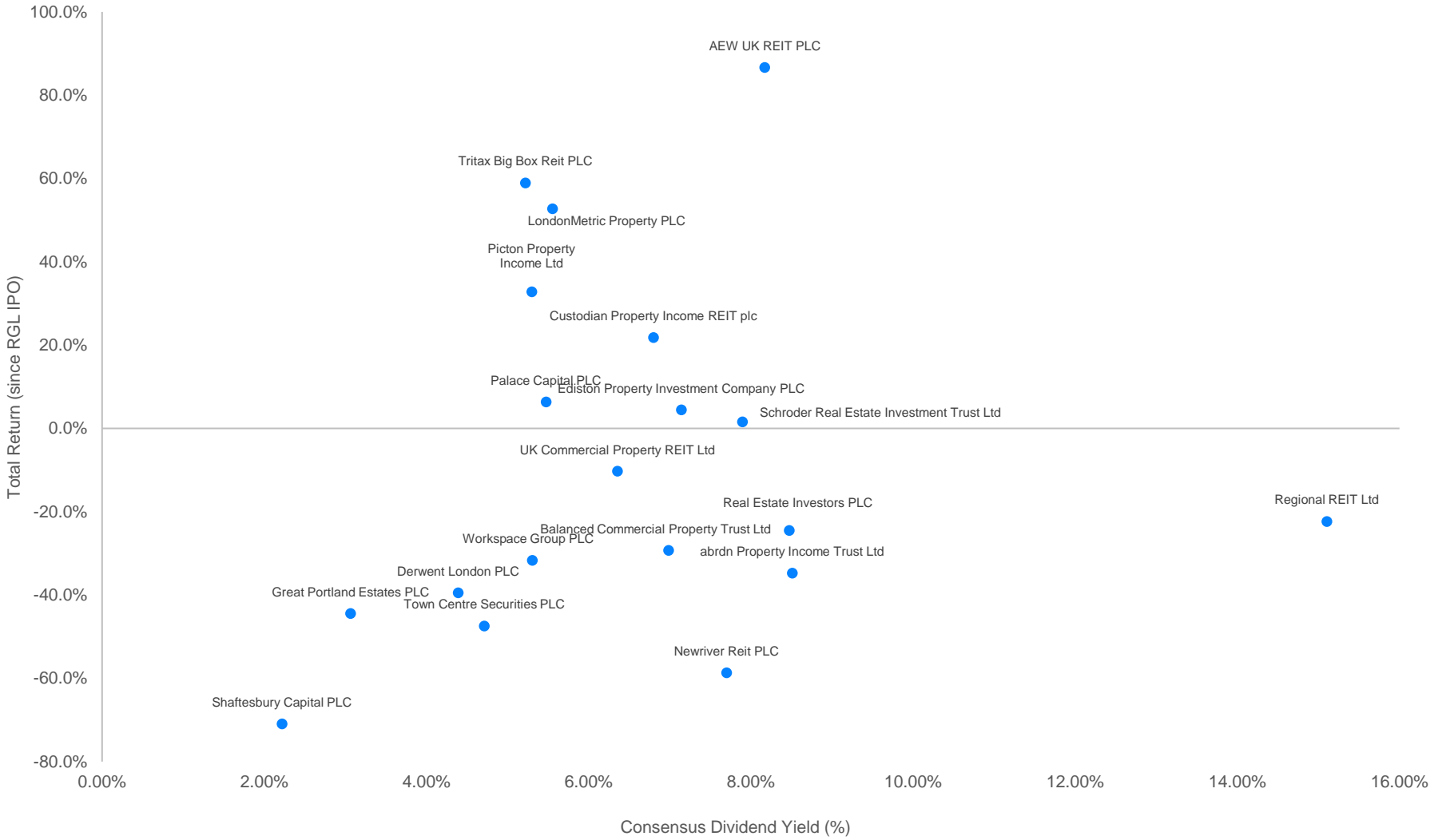


# Performance



# Dividends and Performance

Total return (since RGL IPO)



Source: Thomson Reuters Eikon 2020

# Consensus Dividend Yield

	Consensus dividend yield (share price)	Consensus dividend yield (NAV)
<b>Regional REIT Ltd</b>	<b>15.10%</b>	<b>9.02%</b>
abrdrn Property Income Trust Ltd	8.51%	4.77%
Real Estate Investors PLC	8.47%	4.02%
AEW UK REIT PLC	8.17%	7.47%
Schroder Real Estate Investment Trust Ltd	7.90%	5.29%
Newriver Reit PLC	7.70%	5.04%
Ediston Property Investment Company PLC	7.14%	6.19%
Balanced Commercial Property Trust Ltd	6.99%	4.10%
Custodian Property Income REIT plc	6.80%	5.54%
UK Commercial Property REIT Ltd	6.36%	4.20%
LondonMetric Property PLC	5.56%	4.59%
Palace Capital PLC	5.47%	4.68%
Workspace Group PLC	5.31%	2.88%
Picton Property Income Ltd	5.30%	3.54%
Tritax Big Box Reit PLC	5.22%	4.59%
Town Centre Securities PLC	4.71%	1.93%
Derwent London PLC	4.39%	2.80%
Great Portland Estates PLC	3.07%	2.09%
Shaftesbury Capital PLC	2.22%	1.33%



# Cost Focused

## EPRA cost ratio excl. direct costs

Newriver REIT PLC	35%
Warehouse REIT	27%
AEW UK REIT PLC	26%
Picton Property Income Ltd	21%
Custodian REIT PLC	19%
Urban Logistics REIT	18%
<b>Regional REIT Ltd</b>	<b>17%</b>

**Average(Excl. RGL) 24%**

## EPRA cost ratio incl. direct costs

Town Centre Securities PLC	67%
Real Estate Investors PLC	43%
<b>Regional REIT Ltd</b>	<b>40%</b>
Newriver REIT PLC	39%
AEW UK REIT PLC	37%
Warehouse REIT	31%
Picton Property Income Ltd	30%
Ediston Property Investment Company PLC	29%
Custodian REIT PLC	23%
Urban Logistics REIT	21%

**Average(Excl. RGL) 36%**

# Disclaimer

This document (“Document”) (references to which shall be deemed to include any information which has been made or may be supplied orally in connection with this Document or in connection with any further enquiries) has been prepared by and is the sole responsibility of Toscafund Asset Management LLP (“Toscafund”), in its capacity as Investment Manager of Regional REIT Limited (“Regional REIT” or the “Company”) in relation to the Company and its subsidiary undertakings (“the Group”). Certain identified content is, however, externally sourced and other information is provided by the Company’s Asset Manager, London & Scottish Property Investment Management Limited.

This Document is published solely for information purposes. This Document does not constitute or form part of, and should not be construed as, an offer to sell or the solicitation or invitation of any offer to subscribe for, buy or otherwise acquire any securities or financial instruments of any member of the Group or to exercise any investment decision in relation thereto.

The information and opinions contained in this Document are provided as at the date of this Document solely for your information and background, may be different from opinions expressed elsewhere and are subject to completion, revision and amendment without notice. None of Toscafund or its members, the Company, the directors of the Company, or any other person shall have any liability whatsoever (in negligence or otherwise) for any loss however arising from any use of this Document, its contents or otherwise arising in connection with this Document.

The information contained in this Document has not been independently verified by Toscafund or any other person. No representation, warranty or undertaking, either express or implied, is made by Toscafund, the Company, any other member of the Group and any of their respective advisers, representatives, affiliates, offices, partners, employees or agents as to, and no reliance should be placed on the fairness, accuracy, completeness, reasonableness or reliability of the information or the opinions contained herein. Toscafund, the Company, any other member of the Group and any of their respective advisers, representatives, affiliates, offices, partners, employees and agents expressly disclaim any and all liability which may be

based on this Document and any errors or inaccuracies therein or omissions therefrom.

This Document may include statements which involve known and unknown risks, uncertainties and other important factors beyond the control of the Group that could cause the actual results, performance or achievements of Regional REIT to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. They speak only as at the date of this Document and actual results, performance or achievements may differ materially from those expressed or implied from the forward looking statements. Toscafund and Regional REIT do not undertake to review, confirm or release publicly or otherwise to investors or any other person any update to forward-looking statements to reflect any changes in the Group’s expectations with regard thereto, or any changes in events, conditions or circumstances on which any such statement is based.

This Document, and any matter or dispute (whether contractual or non-contractual) arising out of it, shall be governed or construed in accordance with English law and the English courts shall have exclusive jurisdiction in relation to any such matter or dispute.

By continuing to use this Document, you are agreeing to the terms and conditions set forth above.

Copies of the 2022 Annual Report & Accounts of Regional REIT are available from the registered office of Regional REIT and on its website at [www.regionalreit.com](http://www.regionalreit.com).