

# Investor Presentation

Half year to 30 June 2020

**RR**

**Resilient Diversified Portfolio  
Focused on Shareholder Income**

Overview

H1 Update

Portfolio

Appendix

**Stephen Inglis**  
Chief Executive Officer



**Derek McDonald**  
Managing Director



**Simon Marriott**  
Investment Director



# Overview – Income Focused H1

## Key Initiatives

Maintaining Income

→ Strong H1 rent collection\* 97.6%\*\*

## Performance

Total EPRA Accounting Return

- Since IPO\*\*\* +37.3%
- Annualised +7.0%
- Dividend 3.4p
- Yield c. 9%\*\*\*\*

FTSE EPRA NAREIT UK Index

- (14.6%)
- (3.3%)
- Targeting a 6.4p dividend; Uninterrupted high yielding dividend for our shareholders

## EPRA

EPRA NRV<sup>†</sup> £442.6m (102.6p)

EPRA NTA £442.4m (102.5p)

## Portfolio

£742.3m

- Decrease of 3.7% (net of disposals and CAPEX, £4.5m still to be captured in the valuation)

Diversification

- 151 properties
- 876 tenants
- 51%+ designated essential services

## Debt and Cash

LTV 39.7%

- £30.7m headroom drawn down
- Cash
- £67.9m (31 Dec 2019: £37.2m)

→ ample Liquidity

## Earnings

- EPRA EPS 2.6p (2019 H1: 3.8p)
- Trading in-line with management expectations

→ Targeting a 6.4p dividend



Ashby Park, Ashby De La Zouch



Norfolk House, Birmingham



Lochside Avenue, Edinburgh

# H1 2020 Portfolio Highlights – Income Focused

## Proactive property asset management

### Collections

- Q1 – 98.8%\* (2019: 99.1%)
- Q2 – 96.5%\*\* (2019: 99.9%)
- H1 – 97.6%\*\*\* (2019: 99.4%)

- Team effort (61 headcount, none furloughed by Managers)
- Unique integrated platform

### Portfolio

- EPRA Occupancy (by ERV) 89.0% (30 June 2019: 87.5%)
- Lettings 21; £1.1m gross rent roll
- Renewals 76.8% (by area) retained

- Focus on regional properties outside M25
- Offices 79.9%
  - ↳ 60.0% - Business Parks
  - ↳ 6.3% - Edge of town
- Industrial 14.3%



LSPIM Team

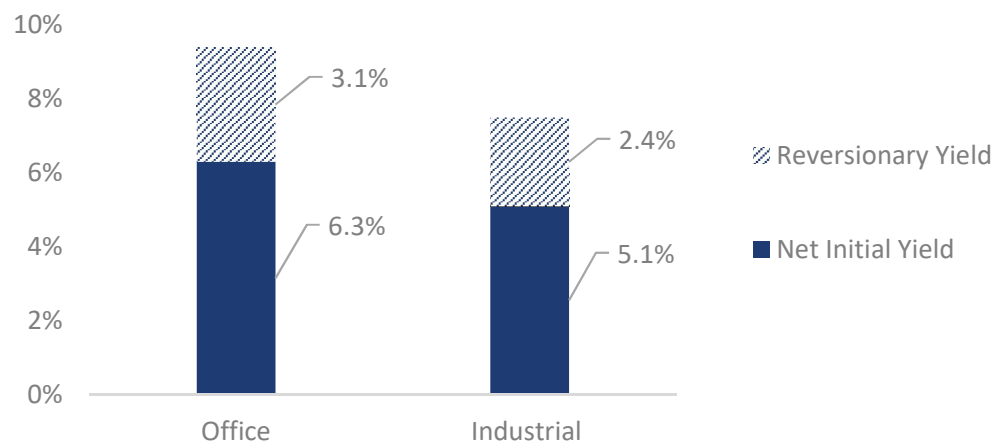


Juniper Place, Basildon



Finnieston Business Park, Glasgow

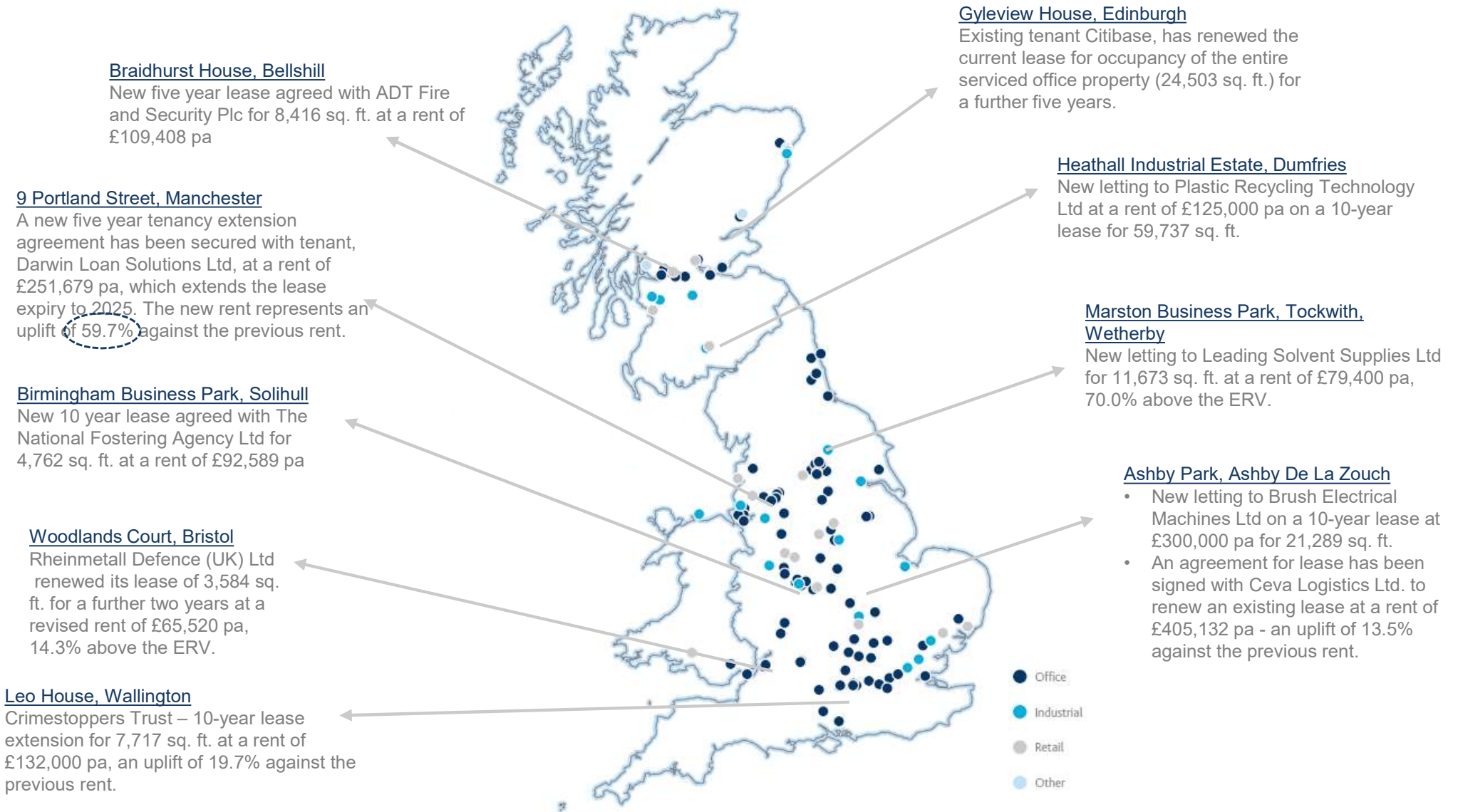
The spread between net initial yield and reversionary yield highlights the significant potential within the portfolio for asset management initiatives to capture ERV in the medium term:





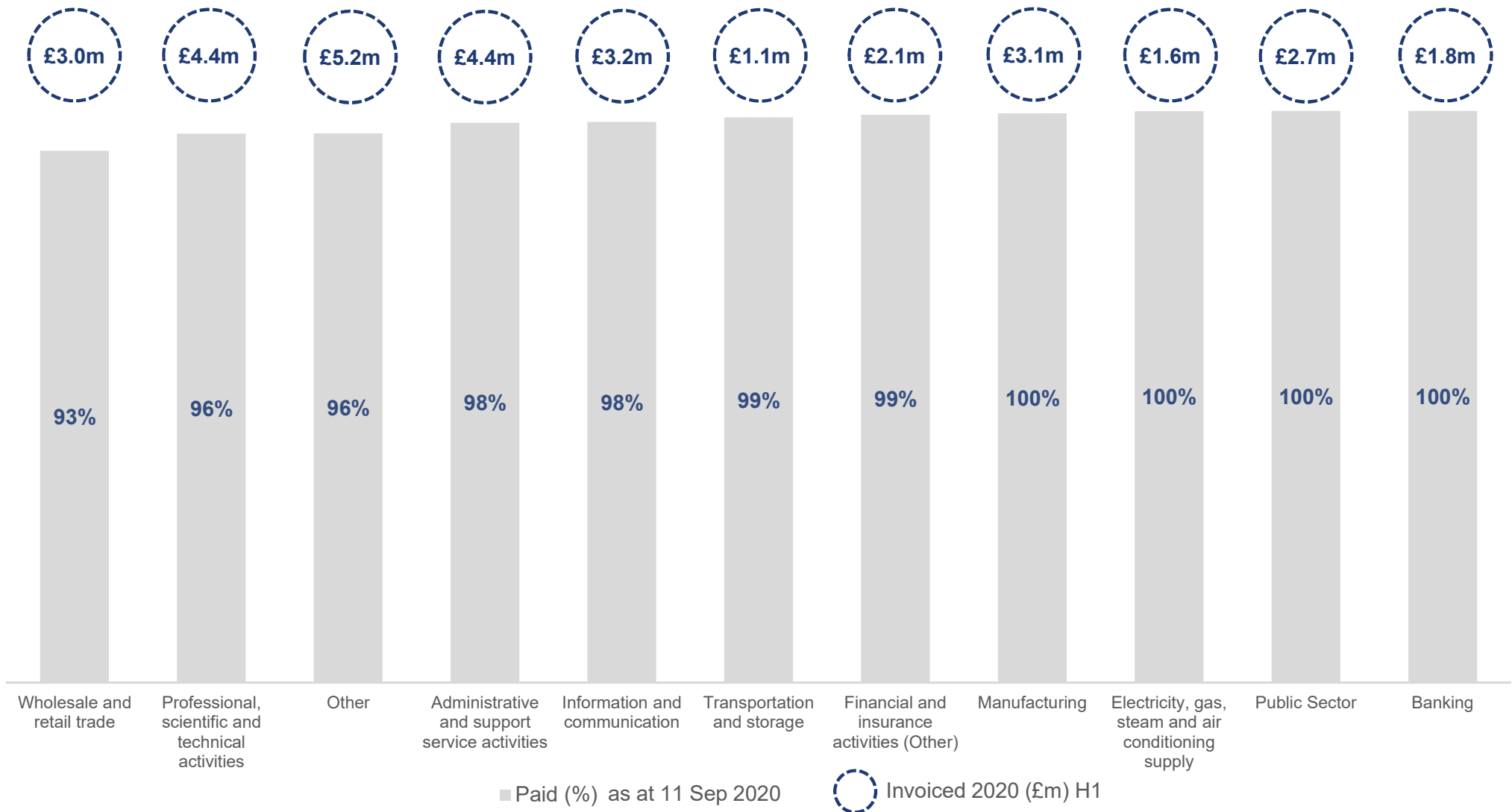
# 2020 Portfolio Highlights

## Major lettings and renewals successfully secured across the regions

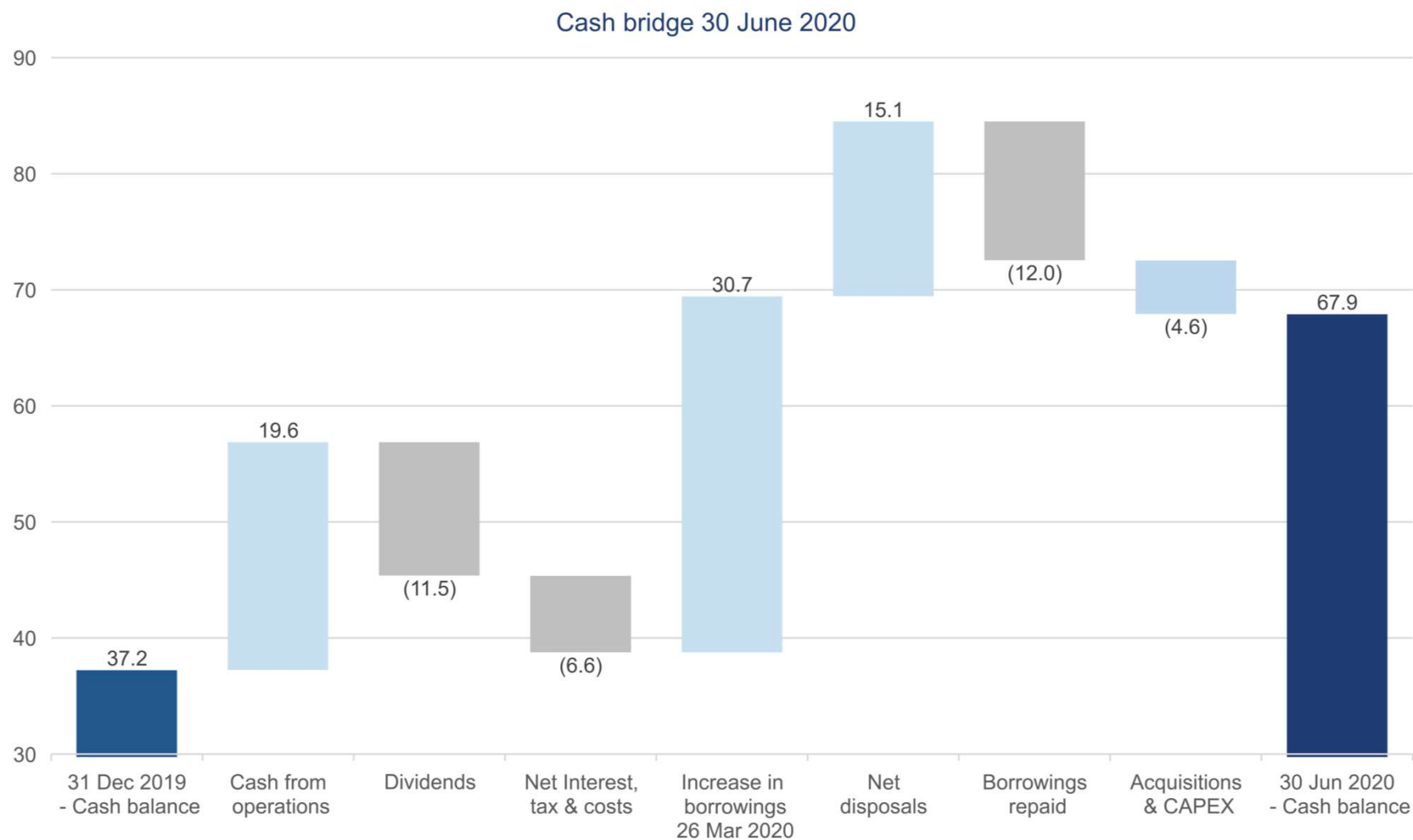


# H1 Update

# Rent Collection by SIC



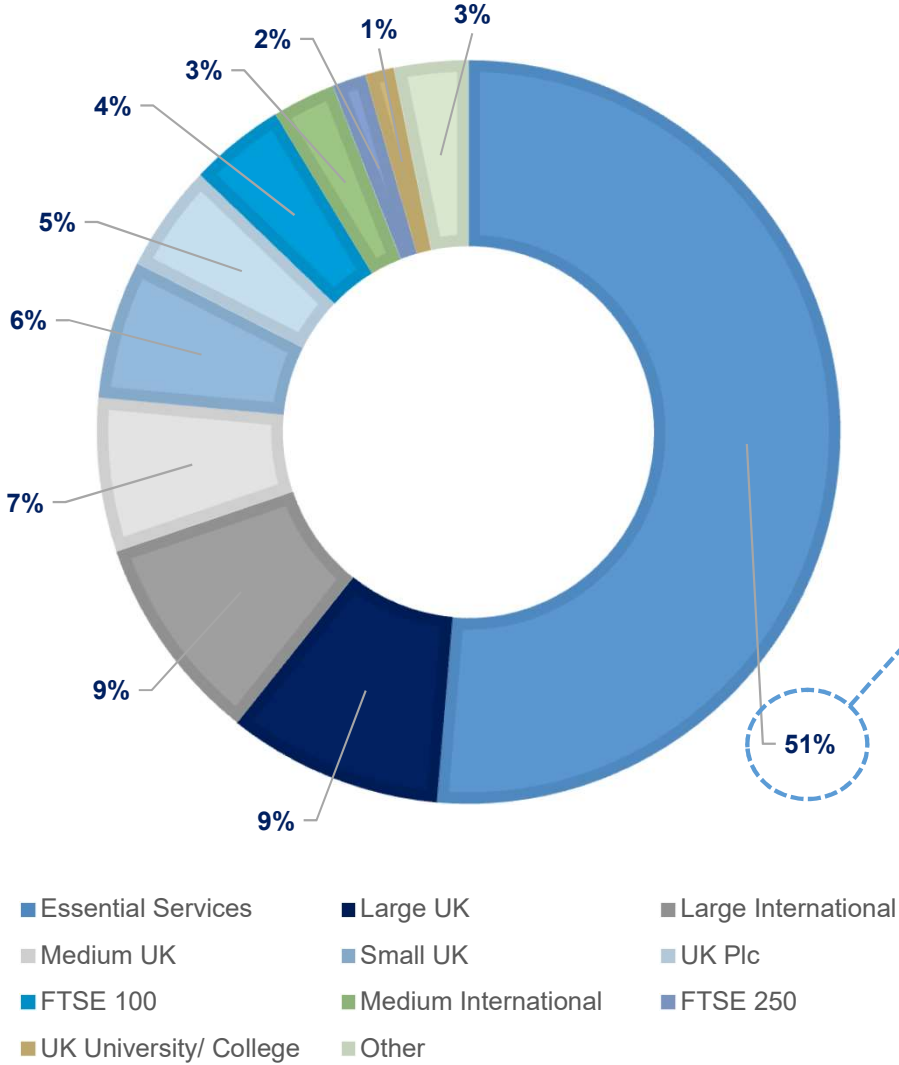
# Cash Flow – Ample Liquidity



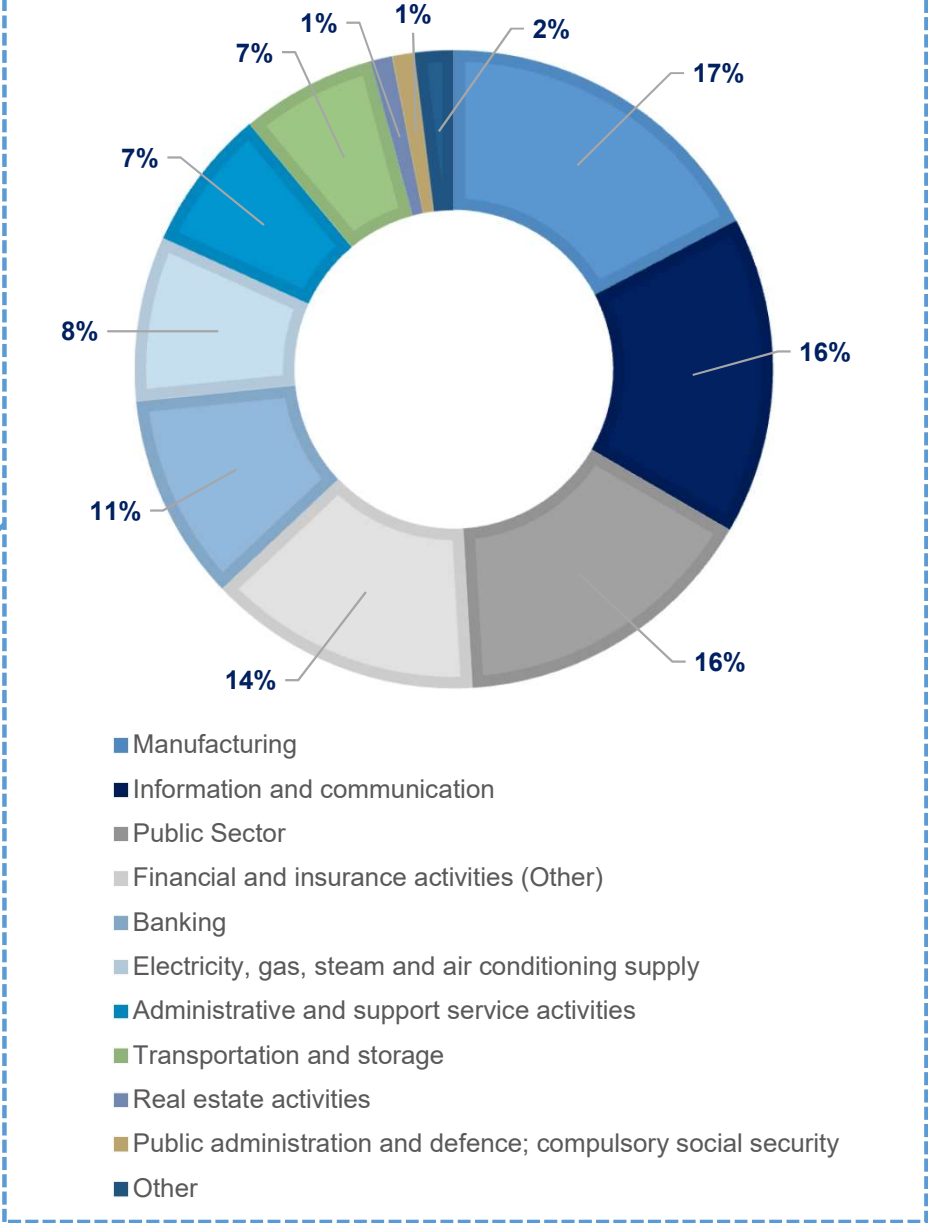


# COVID-19 & Our Occupiers

Tenants as a % of gross rent



Essential Services Breakdown by SIC



\* Classification based upon LSPIM Research department analysis in accordance with Government designated essential services guidelines

### The Future of the Office



- Steady flow of lease renewals - no rush to exit
- EPRA occupancy remains stable
- Previous challenges witnessed:
  - Off-shoring
  - Flexible working
  - Hot desk
- Employer focus on employee wellbeing is expected to be amplified
- IT companies continue to take office space:
  - Google 1,000,000 sq. ft. Kings Cross London, reconfirmed
  - Facebook 610,000 sq. ft. Kings Cross London
  - Amazon 630,000 sq. ft office 5th Avenue NY
- Innovation, creativity, problem solving remains a collaborative pursuit which all form part of the office DNA
- Scottish Q3 rent collections to date tracking 2019 collections

### Dividend



- Targeting uninterrupted dividend 6.4pps
- Committed to paying a regular quarterly dividend to our shareholders, subject to market conditions, the Company's performance, its financial position and business outlook

### Outlook

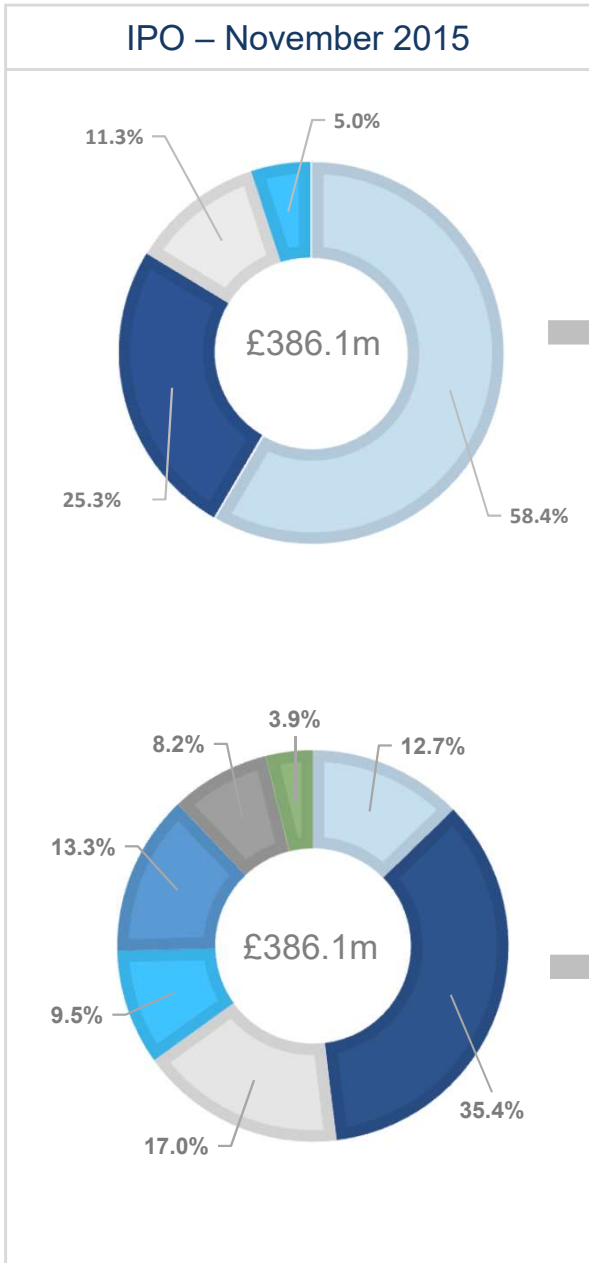


- Highly experienced management team has navigated previous economic cycles; increasing the managed portfolio income '08-'12
- Continue to execute our strategy whilst vigilant of the evolving situation
- Opportunities will and are arising - our balance sheet leaves us well placed to take advantage of opportunities for long term income growth

# Portfolio

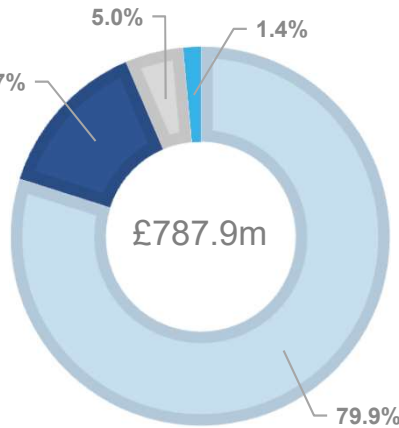


# £742.3m Property Portfolio

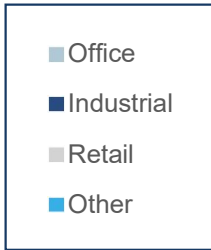
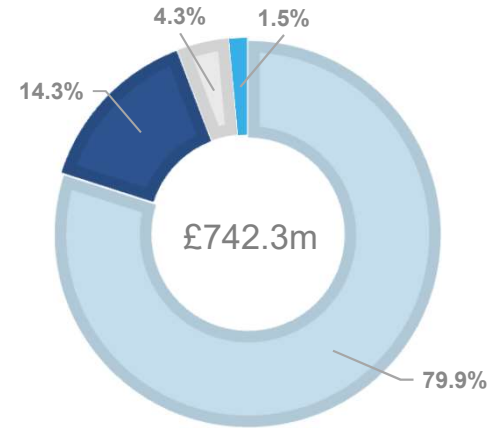


## Sector Split (% by value)

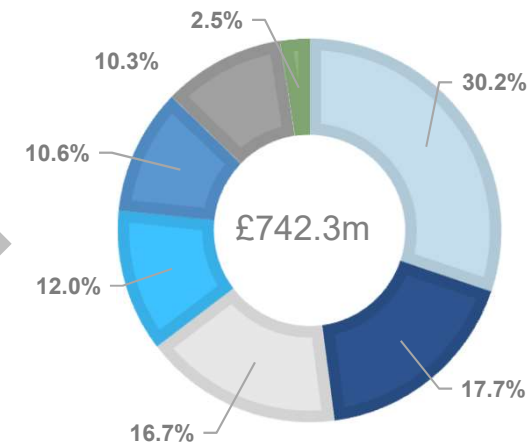
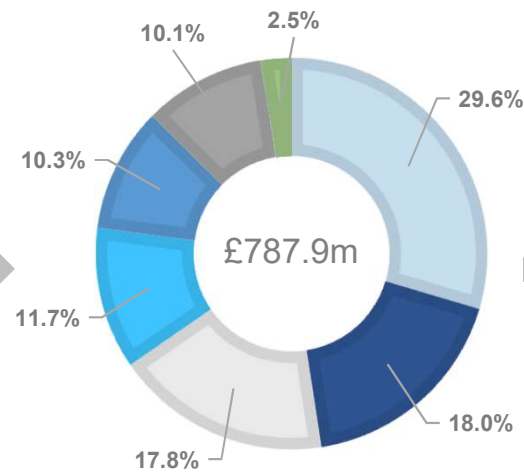
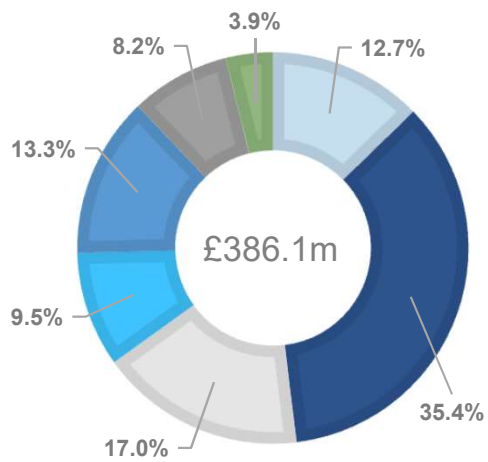
31 December 2019



30 June 2020



## Regional Split (% by value)

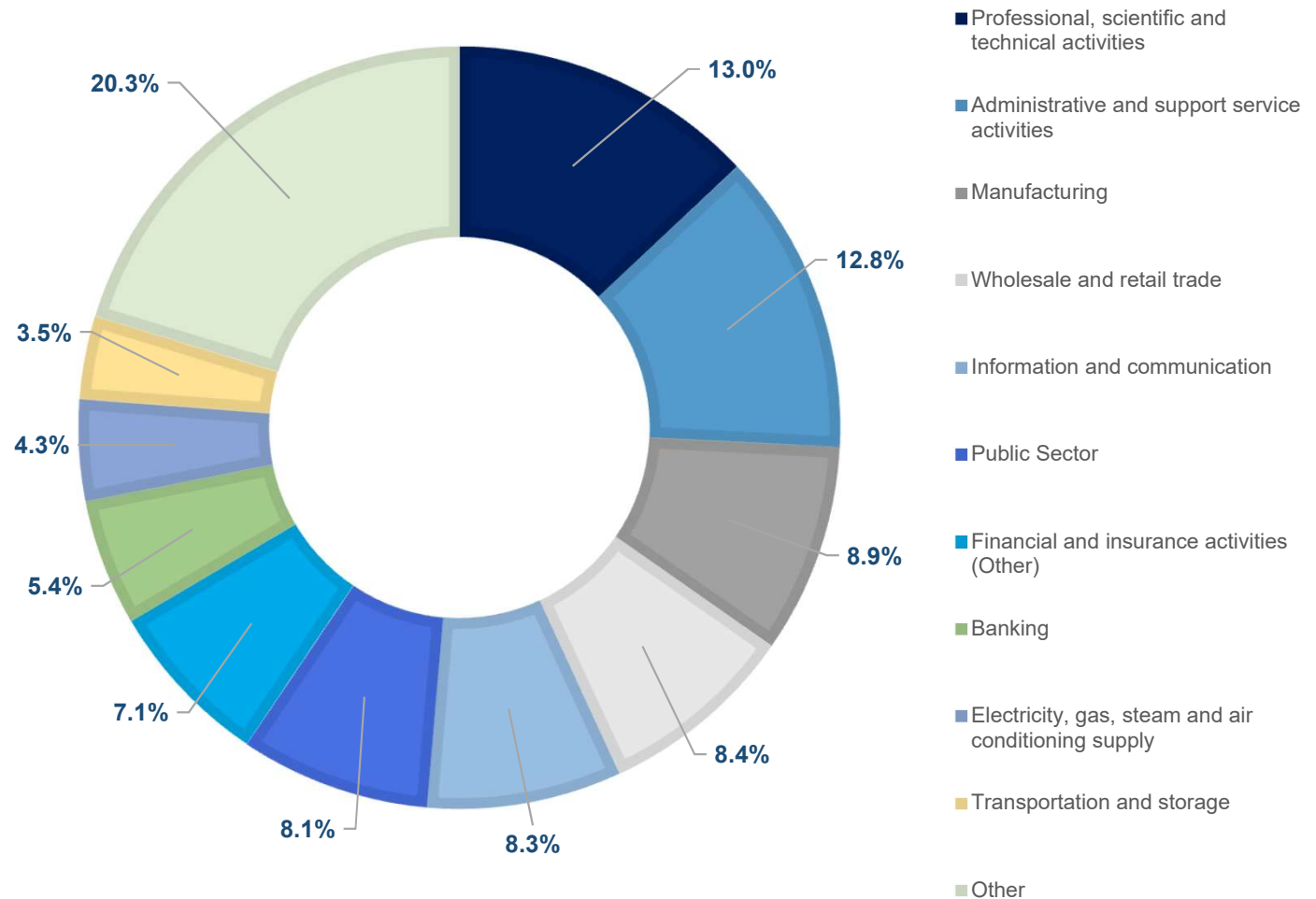


# Highly Diversified Portfolio

## Diversified Tenant Base

- Diversified income - large tenant mix with 876 tenants and 1,249 units
- Large spread of tenants businesses
- A broad geographic spread
- Spread of assets – 151 properties
- No tenant represents more than 4.0% of rent roll – largest 3.6%
- Top 15 tenants represent 26.4% of the Group's gross rent roll
- Largest single property accounts for only 4.2% of portfolio by value

Tenants by SIC code, as a % of rent roll



## Capital Markets Virtual Event – The strength of the office post COVID-19

- Our unique insight into office and industrial around the regions
- What occupiers want post COVID-19
- Strength of the regions and occupiers

**Date:** Latter end of October



*Tay House, Glasgow*



*800 Aztec West, Bristol*



# Appendix

Financial Information

Property Portfolio

Portfolio Activity

ESG

Performance

Glossary

# Financial Information

# Focus on Delivering on our Strategy

## Portfolio Management

Targeted and opportunistic acquisitions; disposals rationalising operations



	Dec 2019	Jun 2020	Change
Investment Property	£787.9m	£742.3m	(£45.6m)
Acquisitions before costs	£87.1m	-	(£87.1m)
Acquisition Net Initial Yield	8.6%	-	-
Disposals net	£24.3m	£15.1m	(£9.2m)
Disposal Net Initial Yield	6.8%	6.0%	(80bps)

## Portfolio Diversification

Continue to reduce exposure to Scotland by value



Office and Industrial	93.6%	94.2%	+60bps
Scotland*	18.0%	17.7%	(30bps)

## Debt

Proactive and conservative approach



Weighted Average Cost of Debt	3.5%	3.4%	(10bps)
Weighted Average Duration	7.3yr	6.8yrs	(0.5yr)

## Return

Continued strong returns with a high yielding quarterly dividend



Total Accounting Return since IPO**	43.0%	37.3%	(570bps)
Total EPRA Annual Accounting Return	9.0%	7.0%	(200bps)
Dividends declared	3.8p	3.4p	(0.4p)

## Financial – Statement of Comprehensive Income

	Half year-end 2019 (£'000)	Half year-end 2020 (£'000)	Change (£'000)
Rental and property income	35,411	36,964	1,553
Property costs	(9,399)	(12,886)	(3,487)
Net rental and property income	26,012	24,078	(1,934)
Administrative & other expenses	(5,430)	(5,945)	(515)
Operating profit (loss) before gains/(losses) on property assets/other investments	20,582	18,133	(2,449)
Gains on the disposal of investment properties	1,653	(1,965)	(3,618)
Change in fair value of investment properties & of right of use asset	(2,988)	(33,316)	(30,328)
Operating profit/(loss)	19,247	(17,148)	(36,395)
Net finance income/expense, impairment of goodwill and net movement in fair value of derivative financial instruments	(8,510)	(9,878)	(1,368)
Profit/(loss) before tax	10,737	(27,026)	(37,763)
Taxation	(49)	65	114
<b>Profit/(loss) after tax for the period (attributable to equity shareholders)</b>	<b>10,688</b>	<b>(26,961)</b>	<b>(37,649)</b>
Earnings/(losses) per share - basic	2.9p	(6.2p)	(9.1p)
Earnings/(losses) per share - diluted	2.9p	(6.2p)	(9.1p)
EPRA earnings/(losses) per share - basic	3.8p	2.6p	(1.2p)
EPRA earnings/(losses) per share - diluted	3.8p	2.6p	(1.2p)

## Financial – Statement of Financial Position

	Year-end Dec 2019 (£'000)	Half year- end Jun 2020 (£'000)	Change		Year-end Dec 2019 (£'000)	Half year- end Jun 2020 (£'000)	Change
<b>Assets Non-current Assets</b>				Liabilities Current liabilities			
Investment properties	787,915	742,300	(45,615)	Other current liabilities	(36,190)	(49,112)	(12,922)
Right of use assets	16,351	16,253	(98)				
Goodwill	558	279	(279)	Non-current liabilities			
Other non-current assets	1,156	1,108	(48)	Bank and loan borrowings - non current	(337,142)	(356,280)	(19,138)
				Lease liabilities	(16,510)	(16,491)	19
<b>Current assets</b>				Other	(1,816)	(4,378)	(2,562)
Other current assets	32,158	35,973	3,815				
Cash and cash equivalents	37,248	67,913	30,665	<b>Total liabilities</b>	<b>(391,658)</b>	<b>(426,261)</b>	<b>(34,603)</b>
				<b>Net assets</b>	<b>483,728</b>	<b>437,565</b>	<b>(46,163)</b>
<b>Total assets</b>	<b>875,386</b>	<b>863,826</b>	<b>(11,560)</b>				
				Share capital	430,819	430,819	-
				Retained earnings/accumulated (losses)	52,909	6,746	(46,163)
				<b>Total equity</b>	<b>483,728</b>	<b>437,565</b>	<b>(46,163)</b>
				Net assets per share - basic	112.1p	101.4p	(10.7p)
				Net assets per share - diluted	112.1p	101.4p	(10.7p)
				<b>EPRA net asset value per share – basic*</b>	<b>112.7p</b>	<b>102.6p</b>	<b>(10.1p)</b>
				<b>EPRA net asset value assets per share – diluted*</b>	<b>112.7p</b>	<b>102.6p</b>	<b>(10.1p)</b>

## Generating Diversified Stable Income

	Half year ending 30 Jun 2019	Half year ending 30 Jun 2020	Change*
Net rental and property income (excl. recoverable service charge income and other similar items)	£29.9m	£29.4m	(£0.5m)
Operating profit before gains/losses on property assets/other investments	£20.6m	£18.1m	(£2.5m)
IFRS EPS (fully diluted)	2.9p	(6.2p)	(9.1p)
EPRA EPS (fully diluted)	3.8p	2.6p	(1.2p)
EPRA cost ratio (incl. direct vacancy costs)	31.3%	38.4%	710bps
Adj. EPRA cost ratio (excl. direct vacancy costs & performance fee)	20.1%	21.4%	130bps
Dividend declared for the period	3.8p	3.4p	(0.4)p

- 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 2020 would be £75.2m pa. (30 June 2019: £71.4m; 31 Dec 2019: £77.2m).
- The EPRA cost ratio (incl. direct vacancy costs) increased ostensibly due to an increase in property expenses and irrecoverable costs being incurred in the first half of 2020.
- Adj. EPRA cost ratio (excl. direct vacancy costs & performance fee) slight increase impacted by reduction in net rental income.
- Loss before tax 30 Jun 2020 £27.0m (30 Jun 2019: £10.7m; 31 Dec 2019: £26.3m); including loss on the disposal of investment properties £2.0m (30 Jun 2019 £1.7m; 31 Dec 2019 £1.7m) and change in fair value of investment properties of (£33.2m) (30 Jun 2019 (£2.9m); 31 Dec 2019: (£3.5m)).
- IFRS EPS (fully diluted) – 30 Jun 2020: (6.2p) (30 Jun 2019: 2.9p; 31 Dec 2019: 6.6p) paying a HY 2020 dividend 3.4p (30 Jun 2019: 3.8p; 31 Dec 2019 : 8.25p)



## Financial Position Remains Strong, Flexible and Defensive

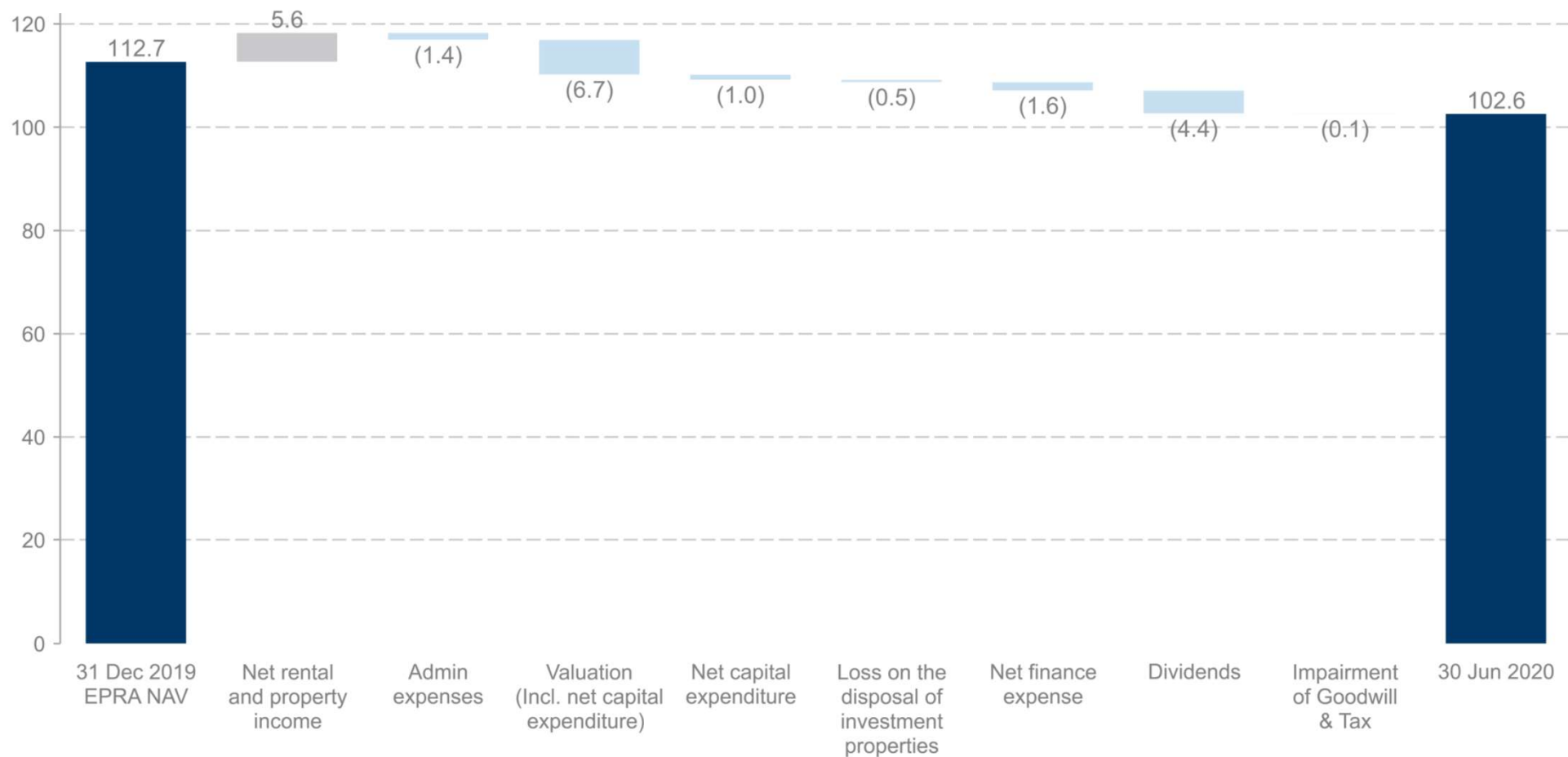
	Year ending 31 December 2019	Half year ending 30 June 2020	Change
Investment Property	£787.9m	£742.3m	(£45.6m)
IFRS NAV (fully diluted)	112.1p	101.4p	(10.7p)
EPRA NAV* (fully diluted)	112.7p	102.6p	(10.1p)
Borrowings (incl. retail eligible bond)	£344.0m	£362.7m	(£18.7m)
Weighted average cost of debt (incl. hedging)	3.5%	3.4%	(10bps)
Net Loan-to-value	38.9%	39.7%	80bps
EPRA Occupancy	89.4%	89.0%	(40bps)
EPRA Occupancy like-for-like (30 June 2019)	87.7%	88.3%	60bps
Rent roll like-for-like	£63.3m	£62.9m	(£0.4m)

- Investment properties on a like-for-like valuation decrease of 4.3%, adjusting for capital expenditure of £4.5m, acquisitions of £0.0m (before costs) and disposals of £15.1m (after costs)
- Borrowings increased by net £18.7m with the drawdown of £30.7m of available headroom on 26 March 2020 and repayments associated with the disposals in the period
- EPRA Occupancy remained stable at 89.0%, with planned refurbishment programmes impacting ERV amounting to £3.5m
- Total accounting returns to shareholders since IPO of 37.3%, and annualised total accounting rate of return 7.0%; target 10%+

# Delivering Returns to Shareholders

- **EPRA : £442.6m (102.6p fully diluted)**  
*(31 Dec'19: £486.3m, 112.7p fully diluted)*
- **IFRS: £437.6m (101.4p fully diluted)**  
*(31 Dec'19: £483.7m, 112.1p fully diluted)*

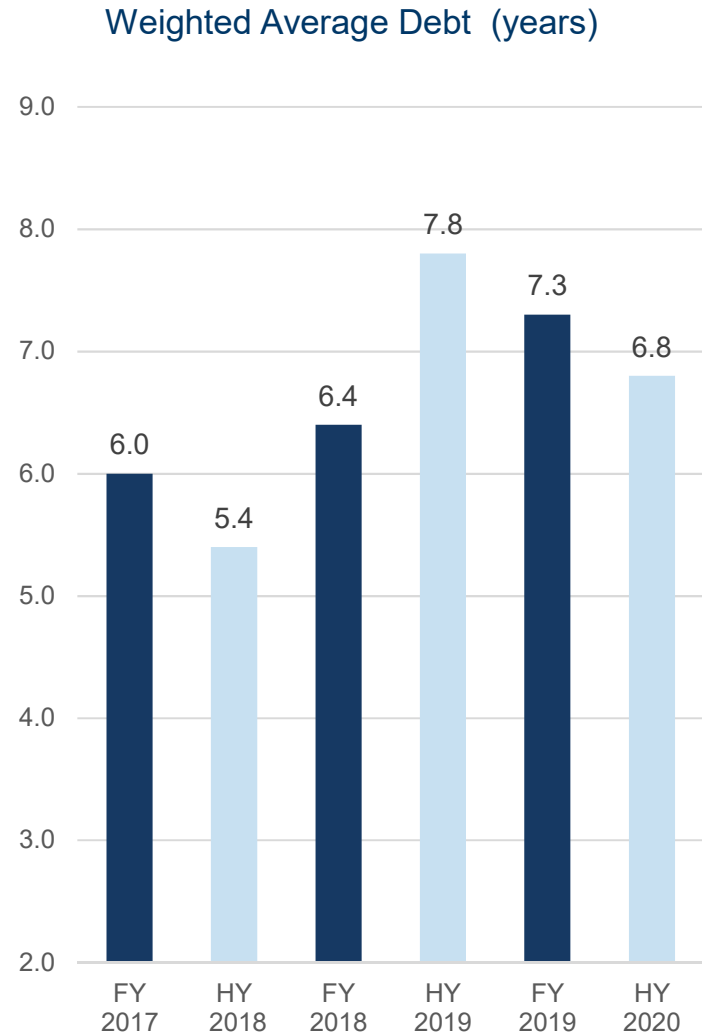
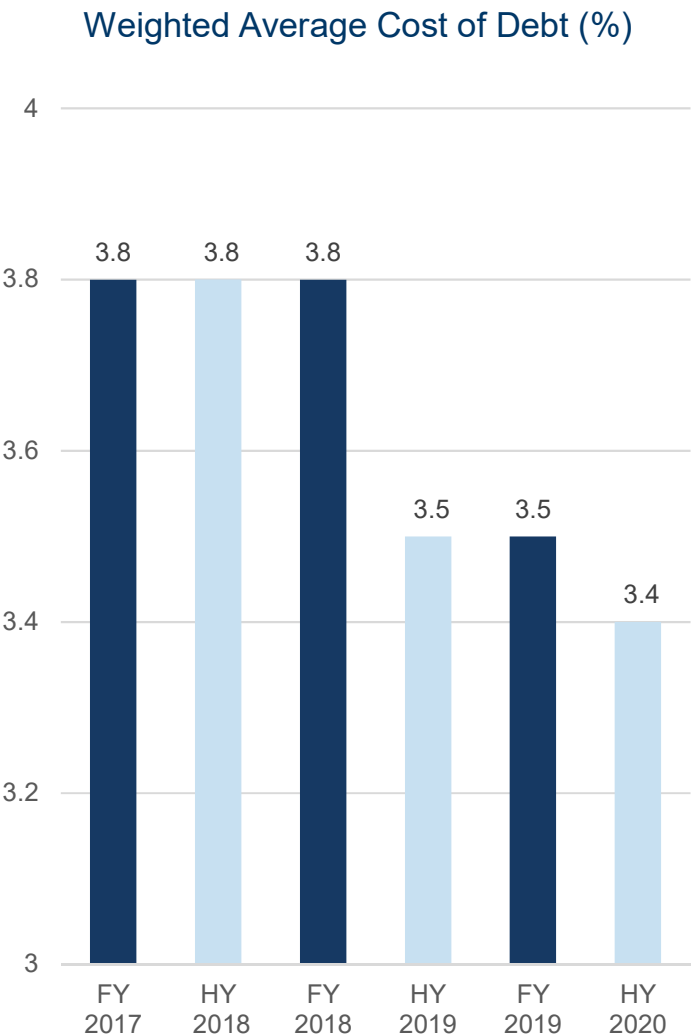
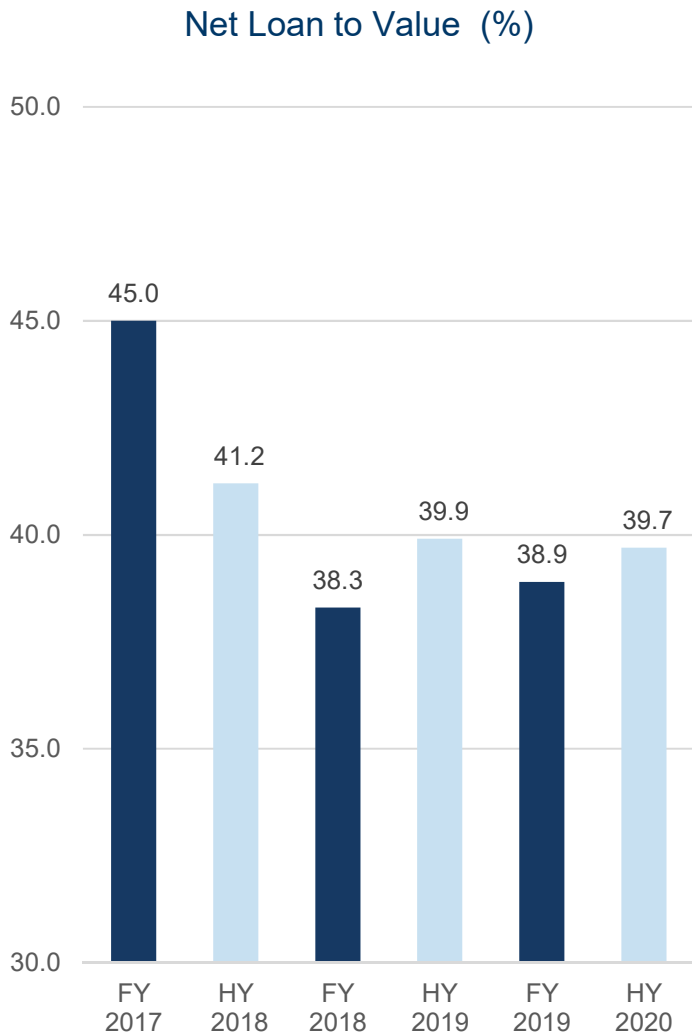
EPRA Net Asset Value - Bridge  
30 June 2020



## Debt Facilities – Defensive Strategy

Lender	Original Facility £'000	Outstanding Debt* £'000	Maturity Date	Gross Loan to Value** %	Annual Interest Rate %	
Royal Bank of Scotland	55,000	53,328	Jun-24	45.2	2.15	Over 3mth £ LIBOR
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	Dec-27	46.9	3.28	Fixed
Scottish Widows Ltd	36,000	36,000	Dec-28	41.1	3.37	Fixed
Santander UK	65,870	58,403	Jun-29	37.0	2.20	Over 3mth £ LIBOR
	<b>321,870</b>	<b>312,731</b>				
Retail Eligible Bond	50,000	50,000	Aug-24	NA	4.50	Fixed
	<b>371,870</b>	<b>362,731</b>				

# Debt Metrics - Cost of Debt at a Record Low



# Property Portfolio

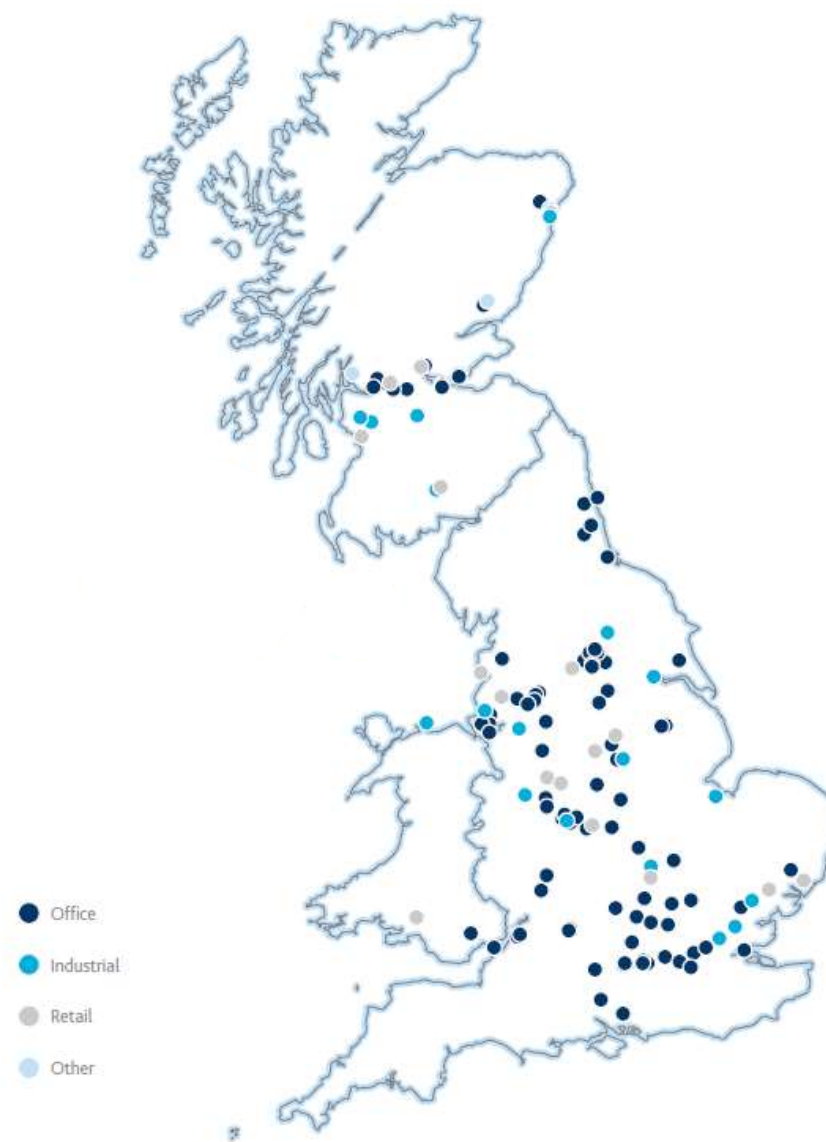


# Overview – Specialised Platform and Diverse Assets

UK property locations as at 30 June 2020

Portfolio details as at 30 June 2020

Sector	Properties	Valuation (£m)	% by valuation	Capital Values (£psf)
Office	112	593.4	79.9%	131.35
Industrial	17	105.8	14.3%	49.18
Retail	20	32.2	4.3%	72.22
Other	2	10.9	1.5%	126.70
<b>Total</b>	<b>151</b>	<b>742.3</b>	<b>100.0%</b>	<b>103.08</b>





# Diversified Income Stream

## Portfolio details at 30 June 2020

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	112	593.4	79.9%	4.5	88.4%	2.8	50.2	13.24	61.9	131.35	6.3%	8.8%	9.4%
Industrial	17	105.8	14.3%	2.2	91.5%	5.7	7.7	4.02	8.6	49.18	5.1%	7.4%	7.5%
Retail	20	32.2	4.3%	0.4	92.6%	4.2	4.1	10.21	3.9	72.22	10.6%	10.6%	10.6%
Other	2	10.9	1.5%	0.1	89.0%	15.2	0.9	12.82	0.8	126.70	7.1%	8.2%	6.7%
<b>Total</b>	<b>151</b>	<b>742.3</b>	<b>100.0%</b>	<b>7.2</b>	<b>89.0%</b>	<b>3.4</b>	<b>62.9</b>	<b>10.18</b>	<b>75.2</b>	<b>103.08</b>	<b>6.4%</b>	<b>8.7%</b>	<b>9.2%</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	40	131.6	17.7%	1.6	86.7%	3.7	13.0	9.59	14.8	82.37	7.8%	10.0%	10.6%
South East	32	224.1	30.2%	1.6	87.1%	2.9	17.1	12.32	20.9	139.24	5.7%	7.8%	8.4%
North East	20	78.6	10.6%	0.9	87.5%	2.6	7.0	8.74	8.4	84.48	6.0%	9.6%	10.1%
Midlands	27	124.1	16.7%	1.3	93.3%	3.4	10.9	8.91	12.0	94.85	7.0%	8.3%	8.7%
North West	16	89.3	12.0%	1.0	89.3%	4.8	6.7	8.36	9.7	88.31	5.1%	9.0%	9.2%
South West	13	76.3	10.3%	0.5	93.4%	2.8	6.4	15.69	7.6	159.23	6.5%	8.4%	9.0%
Wales	3	18.3	2.5%	0.3	87.6%	6.1	1.9	8.78	1.9	69.08	8.4%	9.4%	9.3%
<b>Total</b>	<b>151</b>	<b>742.3</b>	<b>100.0%</b>	<b>7.2</b>	<b>89.0%</b>	<b>3.4</b>	<b>62.9</b>	<b>10.18</b>	<b>75.2</b>	<b>103.08</b>	<b>6.4%</b>	<b>8.7%</b>	<b>9.2%</b>

## Top 15 Tenants (Share of Rental Income)

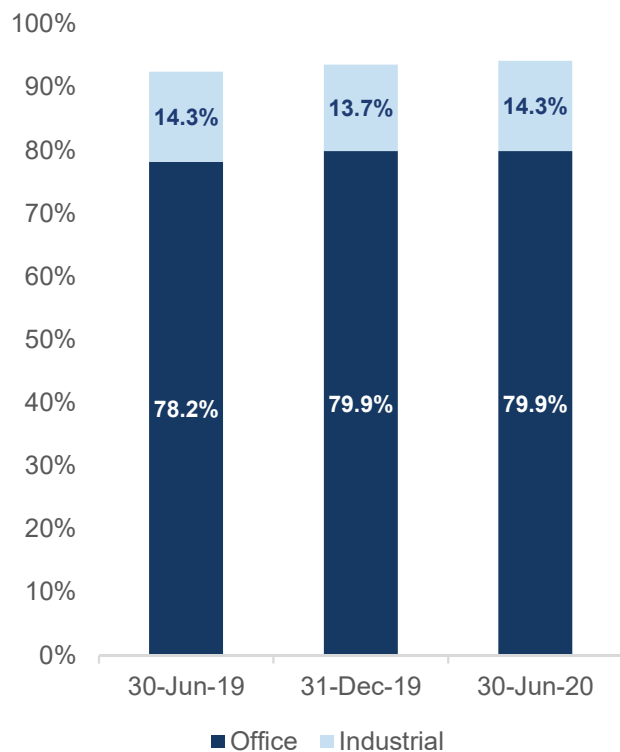
Tenant	Property	Sector	WAULT to first break (years)	Lettable area (Sq Ft)	Annualised gross rent (£m)	% of Gross rental income
Barclays Execution Services Ltd	Tay House, Glasgow Waterfront Business Park, Fleet	Administrative and support service activities	1.4	108,386	2.2	3.6%
Bank Of Scotland Plc	Buildings 3 HBOS Campus, Aylesbury High Street, Dumfries	Banking	2.0	92,978	1.5	2.3%
Secretary of State for Communities & Local Government	Bennett House, Hanley Cromwell House, Tritton Road, Lincoln Norfolk House, Birmingham Oakland House, Manchester	Public sector	1.7	115,753	1.4	2.3%
E.ON UK Plc	One & Two Newstead Court, Annesley	Electricity, gas, steam and air conditioning supply	3.4	146,262	1.4	2.3%
TUI Northern Europe Ltd	Columbus House, Coventry	Professional, scientific and technical activities	3.5	53,253	1.4	2.2%
The Scottish Ministers	Calton House, Edinburgh Quadrant House, Dundee Templeton On The Green, Glasgow The Courtyard, Falkirk	Public Sector	2.1	111,076	1.3	2.1%
Jiffy Packaging Ltd	Road 4 Winsford Industrial Estate, Winsford	Manufacturing	14.2	246,209	1.0	1.6%
Edvance SAS	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	2.9	41,285	0.9	1.4%
John Menzies Plc	2 Lochside Avenue, Edinburgh	Professional, scientific and technical activities	3.1	43,780	0.9	1.4%
The Royal Bank Of Scotland Plc	Cyan Building, Rotherham	Banking	1.0	67,458	0.9	1.4%
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	5.3	58,167	0.8	1.3%
Aviva Central Services UK Limited	Hampshire Corporate Park, Chilworth House, Eastleigh	Other service activities	4.4	42,612	0.8	1.2%
Odeon Cinemas Ltd	Kingscourt Leisure Complex, Dundee	Information and communication	15.3	41,542	0.7	1.2%
A Share & Sons Ltd	1-4 Llansamlet Retail Park, Nantyffin Rd, Swansea Juniper Park, Basildon	Wholesale and retail trade	3.9	75,791	0.7	1.1%
Schenker Ltd	Juniper Park, Basildon	Transportation and storage	2.6	87,040	0.6	1.0%
<b>Total</b>			<b>3.9</b>	<b>1,331,592</b>	<b>16.6</b>	<b>26.4%</b>

## 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)
Juniper Park, Basildon	Industrial	Schenker Ltd, A Share & Sons Ltd, Vanguard Logistics Services Ltd	31.5	4.2%	277,760	85.3%	2.0	3.1%	2.8
Tay House, Glasgow	Office	Barclays Execution Services Ltd, University of Glasgow	30.2	4.1%	156,853	94.2%	2.7	4.3%	1.9
Genesis Business Park, Woking	Office	Nuvias (UK & Ireland) Ltd, Fernox Ltd, McCarthy & Stone Retirement Lifestyles Ltd	25.6	3.4%	98,359	82.7%	1.5	2.4%	3.2
Buildings 2 & 3 HBOS Campus, Aylesbury	Office	Bank of Scotland Plc, The Equitable Life Assurance Society, Agria Pet Insurance Ltd	24.3	3.3%	140,791	95.7%	2.3	3.6%	2.9
Hampshire Corporate Park, Eastleigh	Office	Aviva Central Services UK Ltd, National Westminster Bank Plc	19.8	2.7%	85,422	99.8%	1.5	2.4%	3.1
Norfolk House, Smallbrook Queensway, Birmingham	Office	Secretary of State for Communities & Local Government, Spark44 Ltd	19.5	2.6%	114,982	97.4%	1.6	2.6%	2.1
800 Aztec West, Bristol	Office	Edvance SAS, The Secretary of State for Defence	18.9	2.5%	73,292	100.0%	1.5	2.5%	3.1
One & Two Newstead Court, Nottingham	Office	E.ON UK Plc	16.2	2.2%	146,262	100.0%	1.4	2.3%	3.4
Road 4 Winsford Industrial Estate, Winsford	Industrial	Jiffy Packaging Ltd	15.7	2.1%	246,209	100.0%	1.0	1.6%	14.3
Portland Street, Manchester	Office	New College Manchester Ltd, Mott MacDonald Ltd, Darwin Loan Solutions Ltd	15.0	2.0%	54,959	97.6%	0.8	1.3%	2.5
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Ltd, Brush Electrical Machines Ltd, Hill Rom UK Ltd	12.9	1.7%	91,034	100.0%	1.1	1.7%	3.2
Columbus House, Coventry	Office	TUI Northern Europe Ltd	12.1	1.6%	53,253	100.0%	1.4	2.2%	3.5
Templeton On The Green, Glasgow	Office	The Scottish Ministers, The Scottish Sports Council, Heidi Beers Ltd	11.3	1.5%	142,512	89.7%	1.2	1.9%	3.8
Oakland House, Manchester	Office	HSS Hire Service Group Ltd, Please Hold (UK) Ltd, CVS (Commercial Valuers & Surveyors) Ltd	10.8	1.4%	160,975	89.9%	1.1	1.8%	3.4
Kingscourt Leisure Complex, Dundee	Other	Odeon Cinemas Ltd, Jag Leisure (Scotland) Ltd	10.5	1.4%	83,780	88.8%	0.9	1.4%	15.4
<b>Total</b>			<b>274.0</b>	<b>36.9%</b>	<b>1,926,443</b>	<b>94.2%</b>	<b>22.1</b>	<b>35.1%</b>	<b>3.9</b>

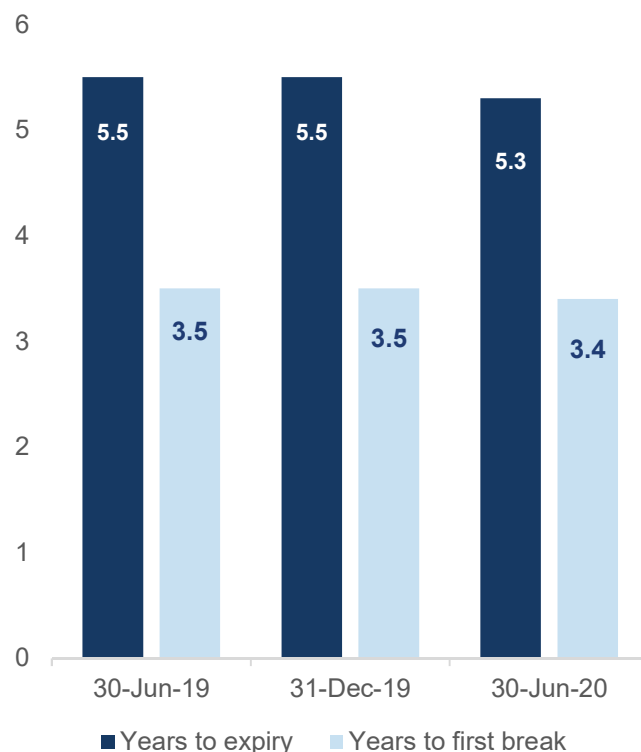
# Diversified Office – Led Portfolio Focused on the UK Regions

Gross property assets by value - %\*



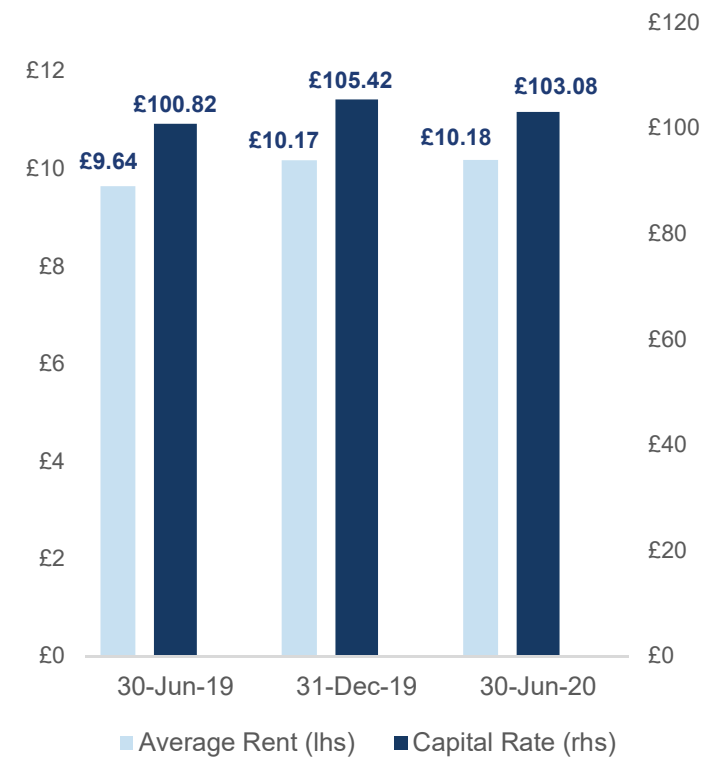
- **4.3% - Retail**  
(31 Dec'19, 5.0%)
- **1.5% - Other**  
(31 Dec'19, 1.4%)

WAULT - years



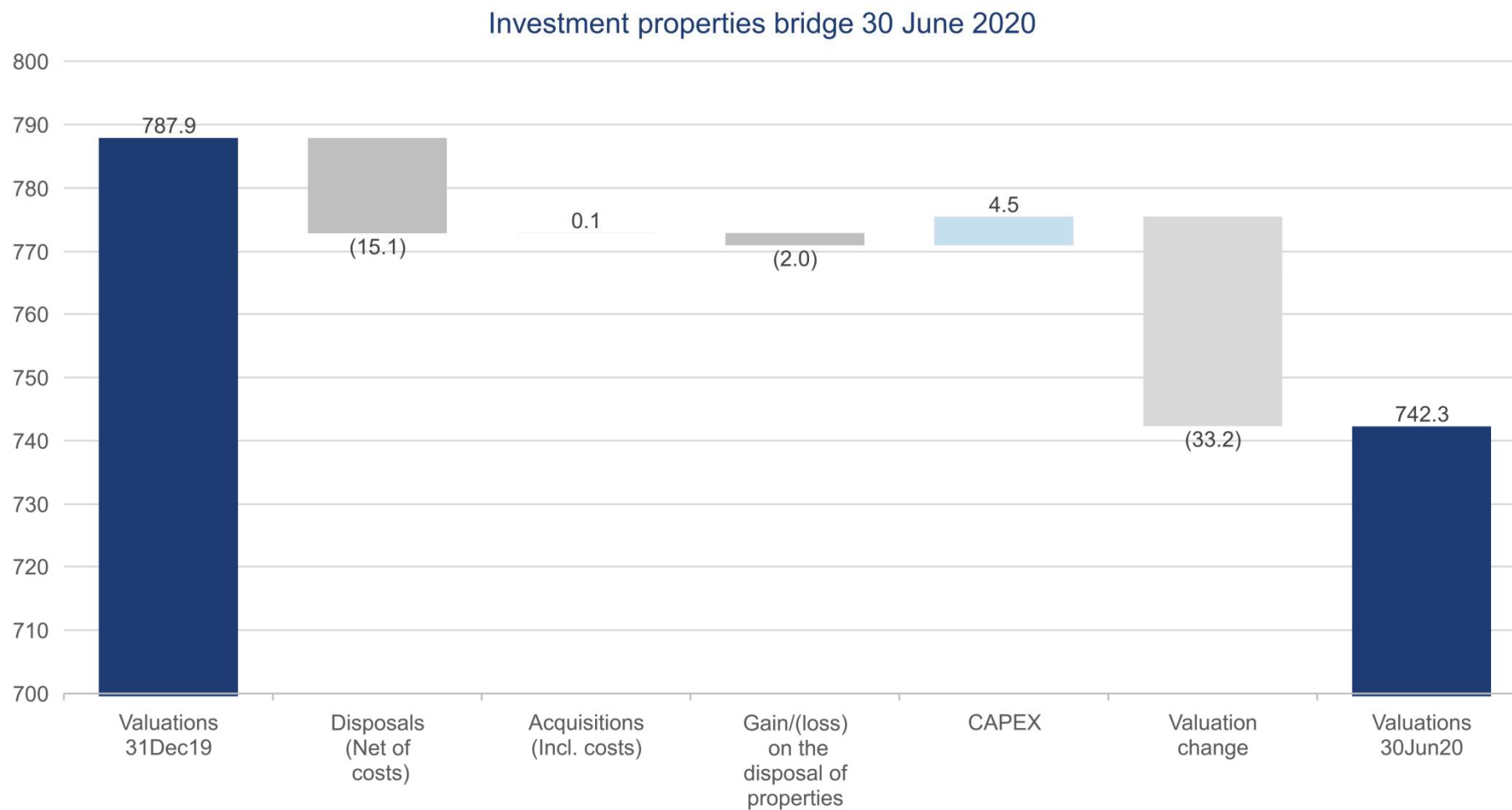
- **EPRA Occupancy– 89.0%**  
(31 Dec'19, 89.4%)

Average Rent & Capital rate - £psf



- **Gross rent roll – c. £62.9m**  
(31 Dec'19, £64.3m)
- **Valuation– £742.3m**  
(31 Dec'19, £787.9m)

# Investment Property Activity – Proactive Strategy



# Portfolio Activity

- Asset Management Initiatives (CAPEX)
- Disposals



# Asset Management Initiatives (CAPEX)

# Kingscourt Leisure Complex, Dundee

Acquired in March 2017

Kingscourt Leisure Complex, Dundee is an out of town retail park comprising of a cinema and four retail/leisure units. The site is served by a large surfaced car park.

Odeon Cinema regearred from the current lease expiry in October 2025 to October 2035 with rent increasing from £562,000 pa to £737,600 pa representing repayment of Landlord capital contribution of £2.5m towards the upgrade of facility by Odeon to their "Luxe" concept.

The refurbishment comprised new external cladding, a reconfiguration of the entrance lobby, new WC facilities, new seating in all screens and a new 45ft iSense cinema screen.

Odeon refurbishment completed December 2019



Acquisition Price  
Valuation Jun 20  
ERV (Jun 20)  
Floor Area  
Gross Rent Roll

£9.2m  
£10.5m  
£0.8m  
83,780 sq. ft.  
£0.9m

# Chancellor Court, Leeds

Acquired in 2013

Constructed in the early 1990's, the asset consists of steel frame, brick construction office buildings which provide 41,666 sq. ft. of space across 2 buildings.

The building is well located in Leeds City Centre, a four minute walk from Leeds Central Station and sits in the heart of Leeds creative quarter with a very good parking allocation for a city centre asset. The building is let in part to St James Place Wealth Management and until recently was fully let.

Tenants recently vacated over half of the office space and as per the business plan, the opportunity was taken to completely refurbish the vacant office areas and common parts as well as rebrand the office development to reposition the buildings within the Leeds office market.

A £2.1m spend will see the office areas and common parts completely transformed once works are completed. The offices will provide open plan exposed steel, soffit and services which will appeal to the target market and will significantly increase the ERV of the refurbished office space.

The property has been rebranded 'The Coach Works'.



Before



Acquisition Price  
Valuation Jun 20  
ERV (Jun 20)  
Floor Area  
Gross Rent Roll

£6.1m  
£8.7m  
£1.0m  
41,666 sq. ft.  
£0.4m



# Ashby Park, Ashby De La Zouch

Acquired in March 2017

The property comprises a modern good quality office pavilions over 3 buildings providing a combined floor area of 91,034 sq. ft.

The building is well located just off Junction 23 of the M1 Motorway and is part of a larger office business park which is well let to good covenants like Ceva Logistics Ltd, Hill Rom UK Ltd and Jigsaw Solutions Ltd. A new M&S food store has recently been constructed within a very short walk further improving the local amenities.

The building was previously 100% let to Alstom Power Ltd. In January 2020 a surrender with Alstom Power Ltd was negotiated for one pavilions known as 'Power House' whilst simultaneously agreeing a new 10 year lease with Brush Electrical Machines Ltd.

As part of the deal with Brush, the landlord made a contribution towards the tenant fit out of £1.1m. A large proportion of this was spent on brand new M&E for the whole building.

Whole Building now let to Brush on a 10 year lease at rent of £300,000.



Acquisition Price  
Valuation Jun 20  
ERV (Jun 20)  
Floor Area  
Gross Rent Roll

£13.5m  
£12.9m  
£1.2m  
91,034 sq. ft.  
£1.1m

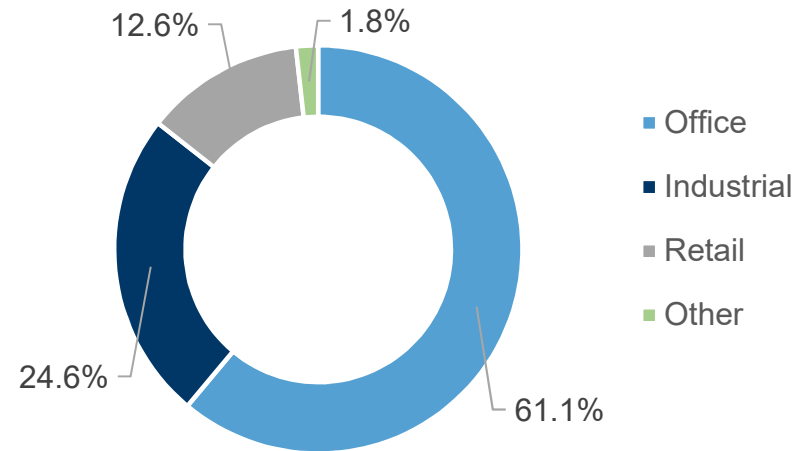
# Disposals



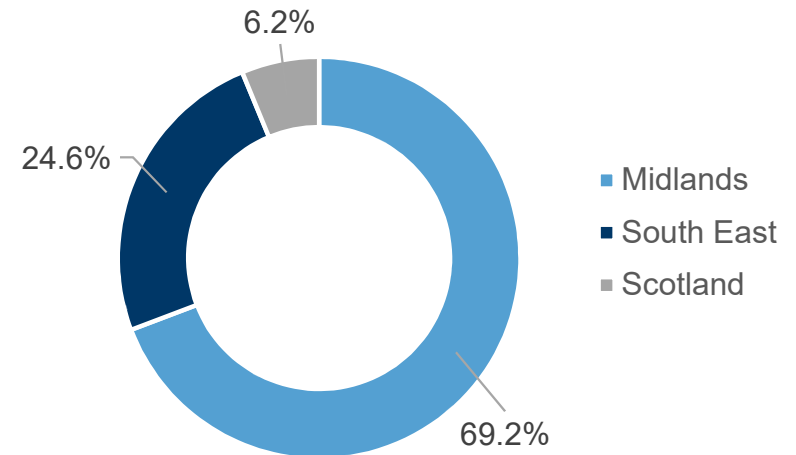
# Summary – Disposals During H1 2020

- Disposals totalled **£15.1m** (net of costs)
- Reflecting an **average net initial yield of 6.0%** (7.6% excluding vacant assets).
- 9 assets and 1 part sale in total during the first six months of 2020

*Sector Split*



*Regional Split*



## Building 2 & 3 The Oaks, Coventry

Acquired May 2015

A 39,490 sq. ft. located on Westwood Business Park which is regarded as Coventry's premier out of town business park. The property is located 5 miles (8 km) south west of Coventry city centre.

The property comprises two detached office buildings arranged over ground and first floor of steel frame construction developed in the late 1980's.

At acquisition, the property was fully let to Fraikin Ltd.

Following Fraikin Ltd decision to vacate the building 2, this was re-let to Warwick International College until April 2026.

Following Fraikin Ltd decision to vacate the building 3, this was re-let to McLaren (The Oaks Site Office) Ltd in 2018 until November 2022.

Property sold in Q2 2020 for £6.3 million, reflecting a net initial yield of 6.5%. This followed the asset manager successfully obtaining planning permission for change of use from commercial office to student housing.

The sale price marks an uplift of 8.6% against the 31 December 2019 valuation.



Acquisition Price	£3.2m
Valuation Dec 19	£5.8m
ERV (Dec 19)	£0.5m
Sale Price	£6.3m
Uplift against Dec 19 Valuation	8.6%

**ESG**





## Environment



- Independent environmental report required for all potential acquisitions
- CAPEX programmes consider the choice of materials and equipment to mitigate impact and enhanced EPC rating
- On going risk assessment of current and future tenants by on site inspection; all sites visited at least annually with materially evident environmental issues reported to the board

## Social



- The IM and AM implement staff well-being initiatives and follow COVID-19 guidelines
- Assisted occupiers with implementing COVID-19 measures

## Governance



- Committed to establishing and maintaining high standards of corporate governance in line with best practice
- Fully AIC compliance
- EPRA Gold maintained
- 66% of the Board are independent directors

## Next steps

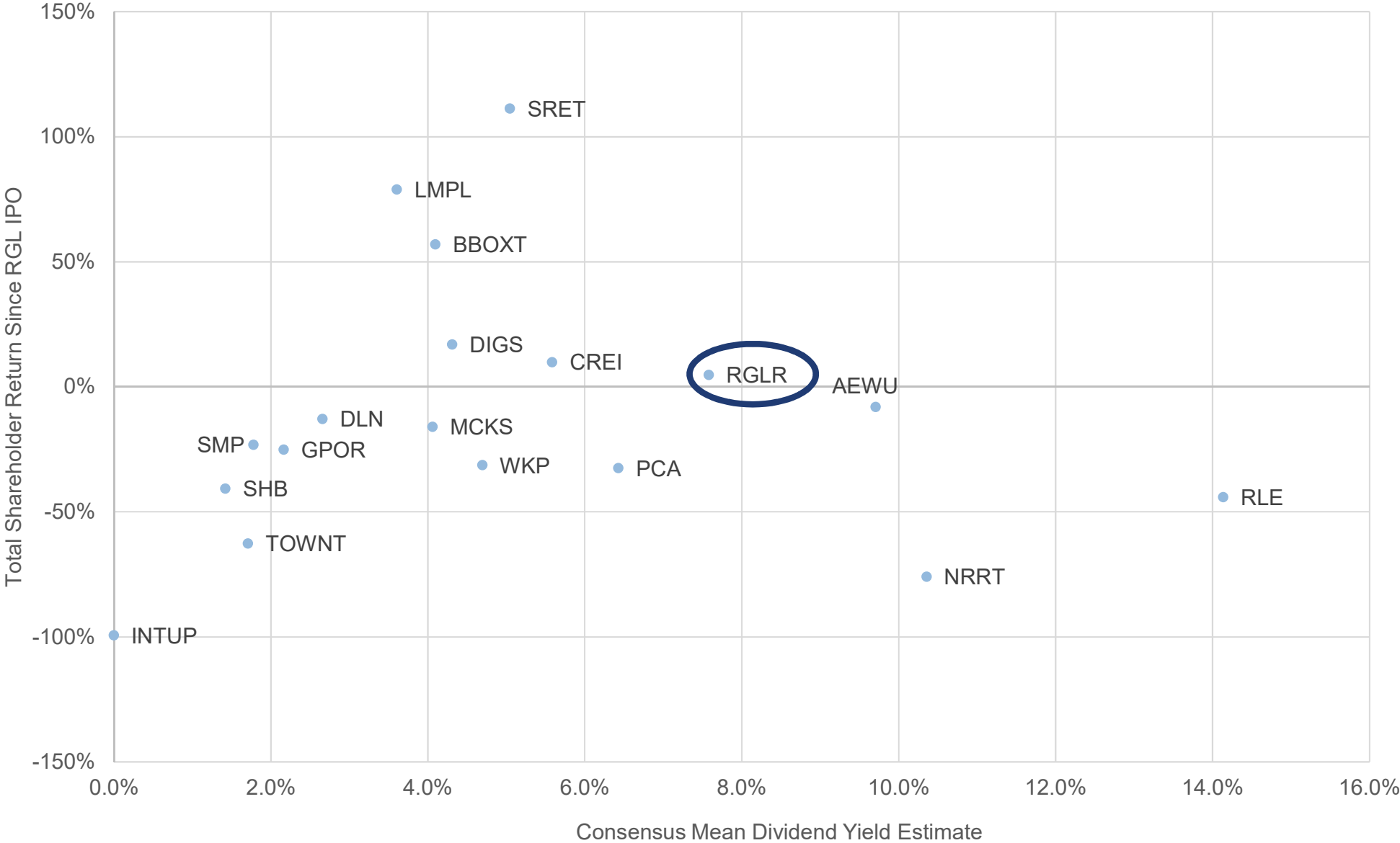


- Looking to join GRESB and adhere to structured best practice

# Performance



# Dividends and Performance



# Glossary



## Glossary – EPRA

EPRA has developed and defined the following performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different accounting standards.

EPRA Performance Measure	Definition	30 Jun 2020	31 Dec 2019
EPRA Net Reinstatement Value (EPRA NRV)	EPRA Net Asset Value Measure assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	£442,641,000 102.6p	£486,280,000 112.7p
EPRA Net Tangible Assets (EPRA NTA)	EPRA Net Asset Value Measure assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	£442,362,000 102.5p	£485,722,000 112.6p
EPRA Net Disposal Value (EPRA NDV)	EPRA Net Asset Value Measure represents the shareholder's value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	£425,504,000 98.6p	£475,135,000 109.7p
EPRA Net Asset Value (Prior methodology)	Net Asset Value adjusted to include properties and other investment interest at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	£442,641,000 102.6p	£486,280,000 112.7p
EPRA Occupancy Rate	Occupancy expressed as a percentage being the ERV of let space divided by ERV of the whole portfolio. Occupancy rate should only be calculated for all completed properties, but excluding those properties which are under development	89.0%	89.4%

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