
The Midlands Investor

REI
Real Estate Investors Plc

REAL ESTATE INVESTORS PLC

HALFYEAR RESULTS 2017

INVESTOR & ANALYST PRESENTATION

REAL ESTATE INVESTORS PLC

AIM Listed Property Investment Company and REIT

- Committed to progressive, fully covered, quarterly dividend
- Internally managed with proven track record
- 5 years of dividend growth year on year

Strict Acquisition Criteria

- Asset management potential or compelling valuations
- Lot size: £2m-20m, with target yield of 8-20%

Focused Target Geography

- Birmingham City centre
- Midlands
- Central England

Active Asset Management Approach

- Lease renewal, rent reviews and lettings/pre-lettings
- Change of use (e.g. planning consent) and refurbishment
- Capital recycling once asset value fully maximised/income retention

Diversified Asset Spread

- Offices (39%), Retail (57%), Other (4%) (by income)
- Number of tenants 235
- High yielding, well let portfolio

Excellent Reputation with Market Participants

- Leverage group “bankability” – access to debt
- Unparalleled market insights via external relationships
- Can execute quickly with cash/strong market reputation

Scalable Property Management Platform

- Ability to manage additional sites with only marginal increases in overheads
- £20-£30 million H2 investment target

THE MIDLANDS IN CONTEXT

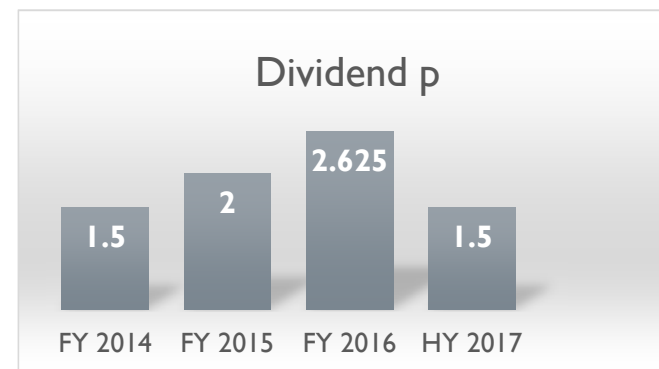
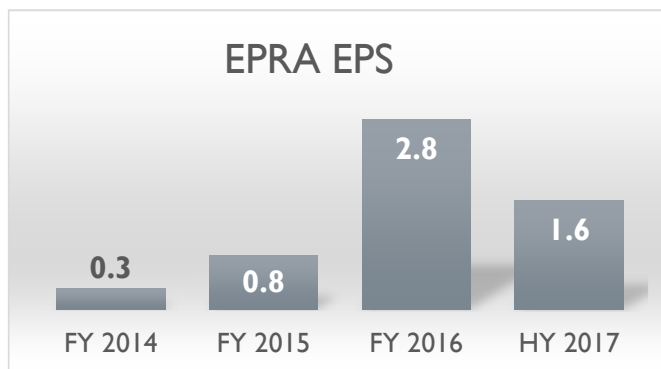
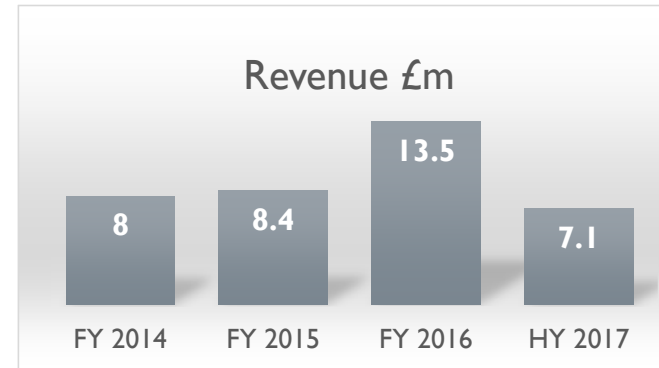
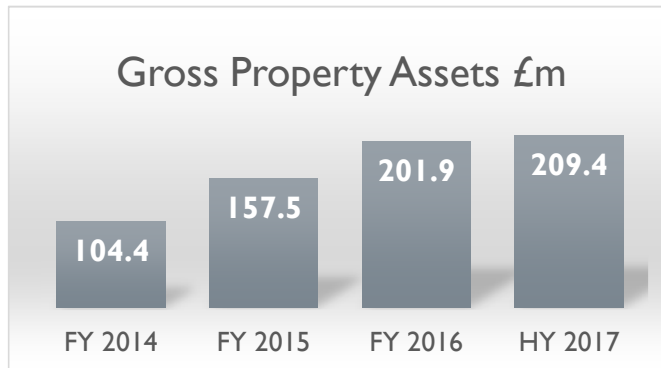
- The West Midlands attracted more foreign businesses than anywhere outside of London/South East in 2016/17
- House prices continue to rise in the West Midlands with 31% of RICS chartered surveyors reporting an uplift, according to the August 2017 UK Residential Market Survey, a marked contrast to the picture in Central London, where the reading remains in negative territory
- Birmingham is set to become a commercial property hotspot as large pension funds battle it out with foreign investors for opportunities
- Birmingham has been selected by the government as the UK's preferred City to host the Commonwealth Games in 2022, beating Liverpool
- The Midlands continues to lead the rest of the UK in regional output growth, increasing at the fastest rate in two years
- Birmingham ranked in top ten UK cities most attractive to businesses in the creative industries sector in the CBRE Creative Regions report
- Birmingham one of top global cities for start ups and best City outside London for young professionals looking to start their careers
- Office take up in Birmingham city centre could reach 750,000 sq ft in 2017, driven by the arrival of HS2, a new report from Savills has claimed
- Birmingham retail rents now higher than Manchester, Leeds, Edinburgh, Bristol and Belfast, with 4% increase in Birmingham prime zone A retail
- Birmingham office availability declines to a ten-year low, CBRE has claimed. Current availability in the city is 1.76 million sq ft
- Thousands of new jobs to be created as JLR expands again, boosting UK workforce by 15 per cent
- Birmingham Airport's passenger numbers soar to an average of 1 million per month and Airport's pre-tax profits were up 52% to £38.1m
- Restaurant brand The Ivy has lined up a site in Birmingham due to open in Q1 2018 on a 25-year lease
- The relocation of Channel 4 to Birmingham could add £5bn to the region's economy
- Midland carmaker Aston Martin has announced plans for £500 million in investment and trade with Japan

HI 2017 FINANCIAL HIGHLIGHTS

- EPRA NAV of 67.6p (FY 2016: 66.2p) - up 2.1%
- Revenue of £7.1 million (HI 2016: £6.0 million) – up 19.9%
- Underlying Profit before Tax of £3.1 million (HI 2016: £2.4 million) – up 29.2%*
- EPRA Earnings per share of 1.6p (HI 2016: 1.3p) – up 23.1%
- Two quarterly dividends per share for 2017 totalling 1.5p (HI 2016: 1.25p) – up 20%
- Contracted Rental Income of £15.2 million (net of sales) (FY 2016: £14.9 million) – up 2%
- NET LTV of 37.8% (FY 2016: 37.2%)
- Average cost of debt 4.0% (HI 2016: 4.1%)
- Like for like valuation £200.4 million (FY 2016: £196.6 million) up 1.9%
- Like for like capital value per sq ft £141.20 (FY 2016: £138.60) up 1.9%
- Like for like rental income £14.5 million (FY 2016: £14.6 million) down 0.7%

*Adjusted for movement on property revaluation and hedge revaluation

FINANCIAL GROWTH

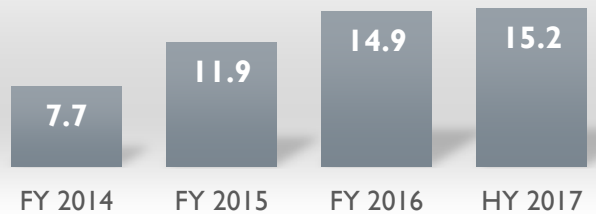


HI 2017 OPERATIONAL HIGHLIGHTS

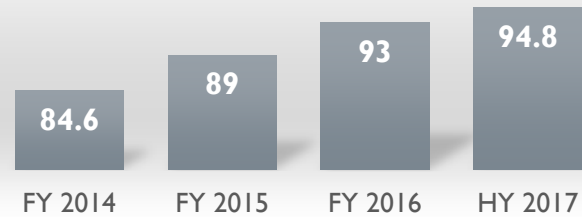
- Increase in portfolio to £209.4 million (FY 2016: £201.9 million) up 3.7%
- Acquisitions of £8.9 million (net of acquisition costs), with a combined income of £708,575p.a. (NIY 7.48%)
- Sales of £12.4 million (of which £7.2 million completed in Q3 2017) which provided a combined income of £816,710 per annum and a running yield of 6.07%
- Record occupancy of 94.8% (FY 2016: 93%)
- WAULT of 5.1 years (to break) (FY 2016: 4.7 years) or 7.2 years to lease expiry (FY 2016: 6.8 years)
- Active asset management with 11 new lettings and 3 lease renewals

OPERATIONAL GROWTH

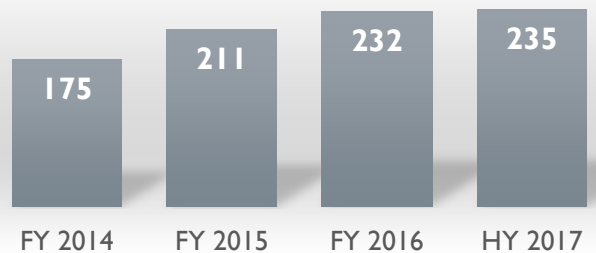
Contracted Rental Income



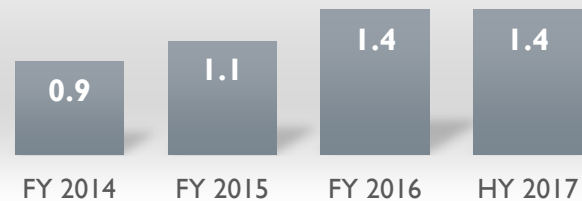
Occupancy %



Number of Tenants



Total Ownership (MILLION SQ FT)



HI 2017 FINANCIALS

- Revenue of £7.1 million – up 19.9%
- Underlying profit before tax of £3.1 million – up 29.2%*
- EPRA EPS of 1.6p - up 23.1%
- Pre-tax profit of £6.4 million (HY 2016: loss £560,000) due to surplus on revaluation of interest rate swaps of £465,000 (HY 2016: £1.2 million loss) and property revaluations surplus of £2.9 million (HY 2016: £1.8 million deficit), both non-cash items

Growing dividend

- Progressive, fully covered, dividend policy
- Quarterly dividend payments commenced in 2016:
 - Q1 2017 dividend of 0.75p paid in July 2017
 - Q2 2017 dividend of 0.75p to be paid in October 2017

*Adjusted for movement on property revaluation and hedge revaluation

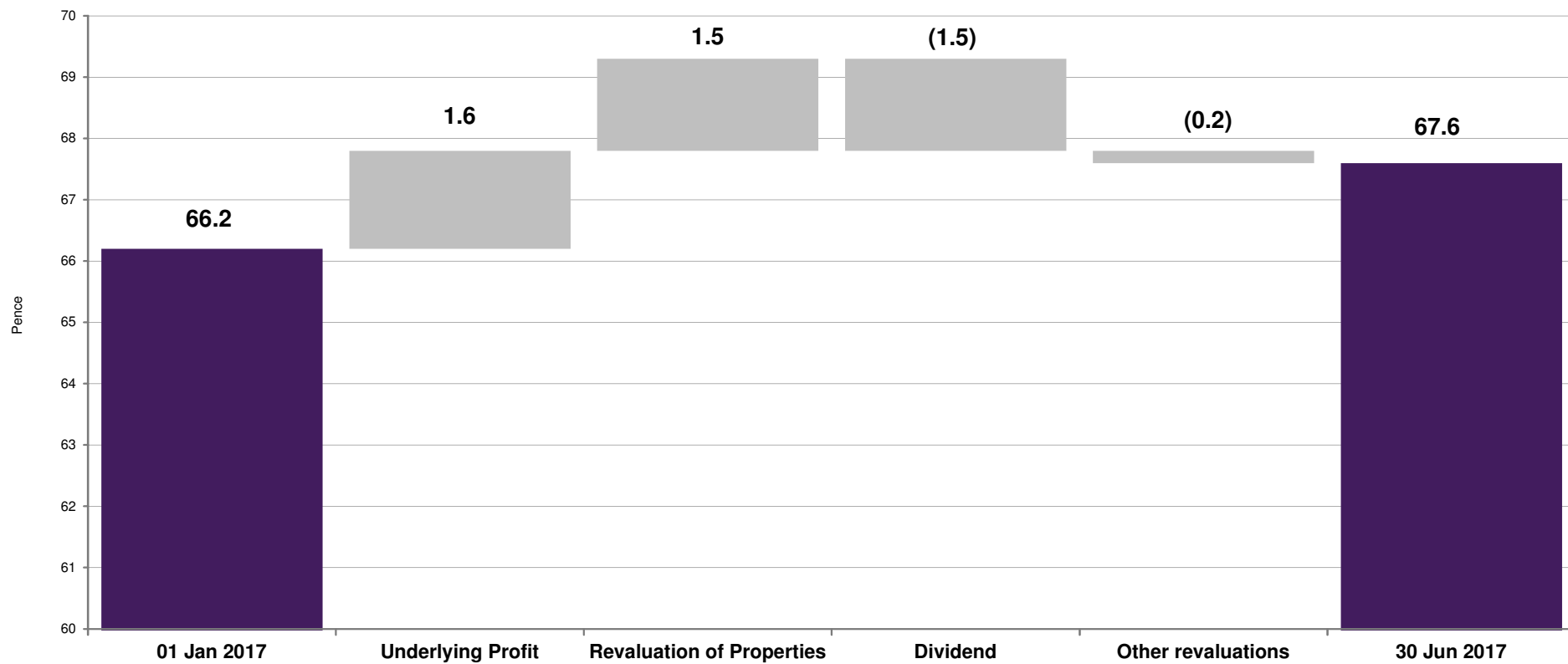
Income Statement	H1 2017 £m	H1 2016 £m	Change
Revenue	7.1	6.0	+ 20%
Cost of sales	(0.9)	(0.6)	- 50%
Admin expenses	(1.5)	(1.6)	+ 6%
Property revaluation	2.9	(1.8)	+ 261%
EBIT	7.6	2.0	+ 280%
Profit/(loss) on ordinary activities before tax	6.4	(0.6)	-
Diluted EPS	3.3p	(0.3)p	-
EPRA EPS	1.6p	1.3p	+ 23%
DPS	1.5p	1.25p	+ 20%

HI 2017 BALANCE SHEET

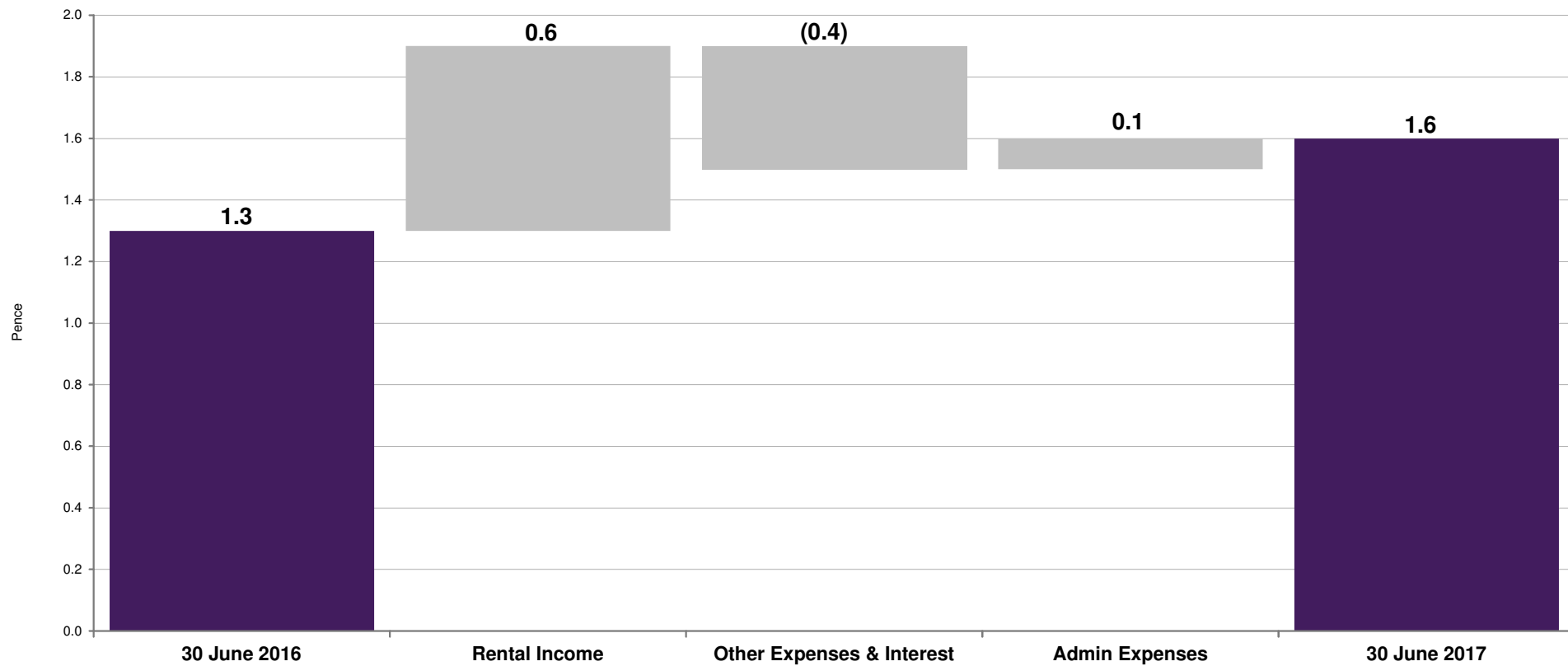
- Gross property assets increased to £209.4 million
- Net assets increased to £125.0 million
- EPRA NAV per share increased by 2.1% to 67.6p
- Well capitalised with net LTV of 37.8% and net debt of £77.9 million
- Cash and available facilities of £12 million

Balance Sheet	H1 2017 £m	FY 2016 £m	Change
Property	209.4	201.9	+3.7%
Cash	7.4	11.8	- 37.2%
Debt	(85.3)	(85.5)	+ 0.2%
Other	(6.5)	(7.0)	+ 7.1%
Net assets	125.0	121.2	+3.1%
Adjustments	3.5	3.9	- 10.3%
EPRA NAV	128.5	125.1	+ 2.7%
EPRA NAV per share	67.6p	66.2p	+ 2.1%
Net Debt	77.9	73.7	- 5.7%
LTV (net of cash)	37.8%	37.2%	- 1.6%

MOVEMENT IN EPRA NAV PER SHARE



MOVEMENT IN EPRA EARNINGS PER SHARE

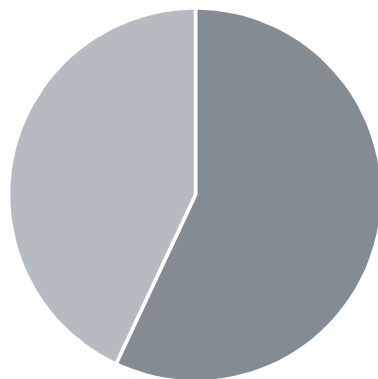


DEBT POSITION

Net Debt (£m)	30 Jun 2017	31 Dec 2016
Borrowings	85.3	85.5
Cash	(7.4)	(11.8)
	77.9	73.7

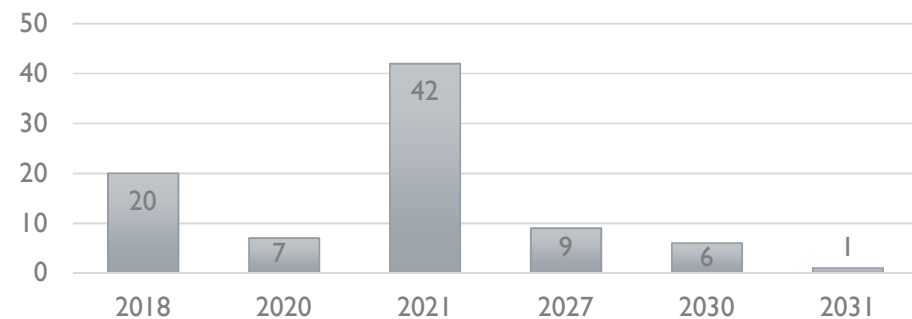
- Cost of debt reduced to 4.0% (FY 2016: 4.1%)
- Property net LTV 37.8% (FY 2016: 37.2%)
- £27.6 million of unencumbered assets
- £20 million facility with Lloyds due to be renewed in Jan 2018
- Exploring terms to fix variable debt

Debt Structure %
At 30 Jun 2017



■ Floating 57% ■ Fixed 43%

Debt Maturity £m
At 30 Jun 2017

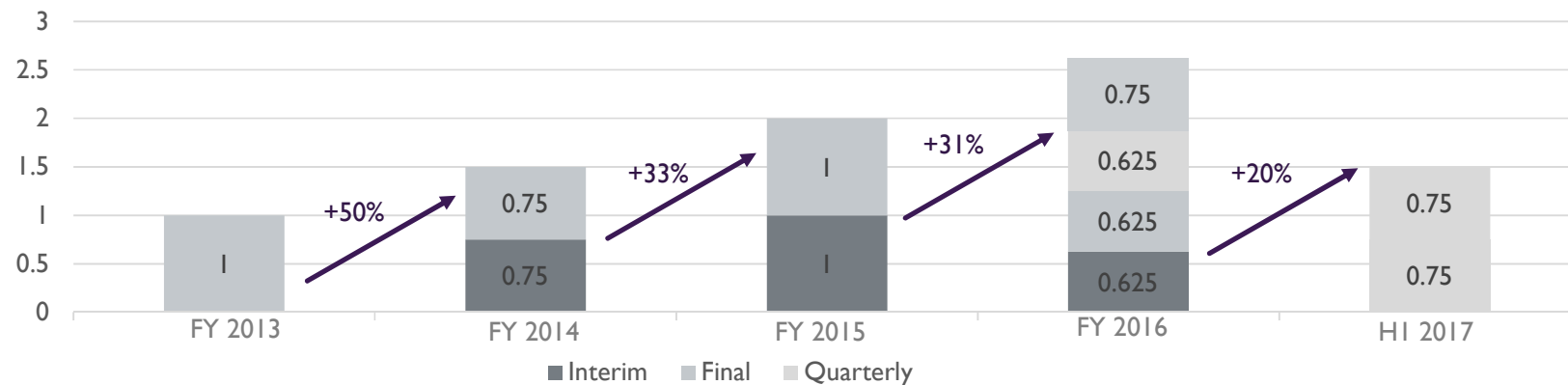


GROWING, FULLY COVERED DIVIDEND

- REI adopted a quarterly dividend policy with effect from the financial year beginning 1 January 2016
- Timings for quarterly payments are indicative only
- Dividend is fully covered by EPRA earnings

Dividend	Total	Announcement	Payment
Q1 2017	0.75p	June 2017	July 2017
Q2 2017	0.75p	September 2017	October 2017
Q3 2017	-	December 2017	January 2018
Final 2017	-	March 2018	April 2018

Increasing Shareholder Distribution Year on Year

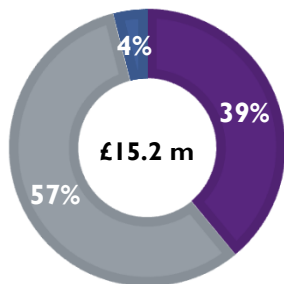


DIVERSIFIED MIDLANDS PORTFOLIO, RESILIENT TENANT BASE

- Core portfolio of offices, retail and opportunistic properties within the West Midlands / Central England
- Gross property assets of £209.4 million
- Occupancy of 94.8% with 235 tenants (FY 2016: 93% and 232 tenants)
- WAULT of 5.1 years (to break) (FY 2016: 4.7 years)
- Prime Birmingham City ownership of 128,361 sq ft, representing 19% of portfolio by value
- Total ownership of 1.4 million sq ft (FY 2016: 1.4 million sq ft)
- No material reliance on any single occupier or building

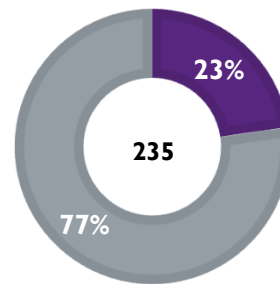
INCOME BY SECTOR

■ OFFICE ■ RETAIL ■ OTHER



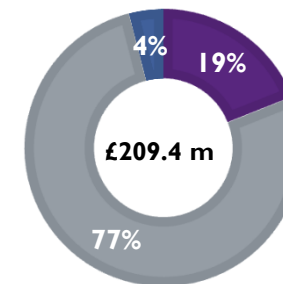
INCOME BY TENANTS

■ TOP 10 TENANTS ■ REMAINING TENANTS



VALUE BY REGION

■ CITY CENTRE ■ MIDLANDS ■ NON CORE



TOP 10 TENANTS BY INCOME – NO MATERIAL EXPOSURE

Rank	Tenant	Rent £'000	%	Property
1	Wilko Retail Limited (2 locations)	519	3.41	Crewe Shopping Centre, Acocks Green & Wythall
2	Npower	518	3.41	Birch House, Oldbury
3	Matalan	450	2.96	Jasper, Tunstall
4	Premier Inn	310	2.04	West Plaza, West Bromwich
5	Aldi	300	1.97	Bearwood, Birmingham
6	Hewlett Packard	290	1.91	Titan House, Telford
7	NHS Property Services Ltd (2 locations)	289	1.90	Westgate House, Warwick & Kingston House
8	Midlands Co-Op	282	1.86	Kingswinford
9	River Island (2 locations)	281	1.85	Dudley Street, Wolverhampton/Crewe
10	Sandwell PCT	250	1.64	Kingston House, West Bromwich
		3,489	22.95	

Top 10 tenants represent 22.95% of contracted income

- Strong covenants
- No tenant to represent more than 5% of group contracted rent (set to reduce further)

CITY CENTRE – ASSET MANAGEMENT & CAPITAL RECYCLING

York House



St Paul's Square



75-77 Colmore Row



Gateway House



102 Colmore Row



85-89 Colmore Row



33 Bennetts Hill



Cathedral Place



37a Waterloo Street



104/106 Colmore Row



24 Bennetts Hill



6 Bennetts Hill



ACTIVE APPROACH TO CAPITAL RECYCLING

Active Capital Recycling							
	2011	2012	2013	2014	2015	2016	H1 2017
Acquisitions	£13.1m	£6.2m	£1.8m	£25.1m	£57.7m	£38.6m	£8.9m*
Disposal proceeds	-	-	£7.5m	£5.0m	£15.3m	-	£5.2*
Rent Roll	£6.0m	£6.6m	£5.8m	£7.7m	£11.9m	£14.9m	£15.2m

- *Acquisitions of £8.9 million (net of acquisition costs), at average Net Initial Yield of 7.48% and a Reversionary Yield of 7.72%
- *Sales of £5.2 million with an additional £7.2 million completed in Q3 2017, which provided a combined income of £816,710 per annum and a running yield of 6.07%, as REI recycles capital into criteria compliant assets
- Disposals considered when assets are fully valued, where they can realise significant value on an opportunistic basis
- Proven track record of putting capital to work
- On-going access to good pipeline opportunities - £20-30 million H2 2017 investment target

ACQUISITIONS: MAYPOLE

- Acquired in an off market transaction from a private investor in February 2017 for £6.1 million (exc costs), representing a Net Initial Yield of 7.22%.
- The property incorporates a sixty-bed hotel, together with six ground floor retail units, with a combined contracted rental income of £469,875.
- The property is let to tenants including Travelodge, Wilko Retail, Ladbrokes, Halfords, Subway and KFC, with a WAULT of 12.25 years.

ASSET OPPORTUNITIES/BENEFITS

- Well secured long term income
- Strong initial yield off low base rents with potential for rental growth
- Strong covenants
- Excellent WAULT of 12.25 years



SALE: 6 BENNETTS HILL, 102 & 104/106 COLMORE ROW

- Following a number of lettings, the three adjoining City centre offices sold for a total consideration of £7.2 million
- Combined sale reflects a net initial yield of 4.36%
- Transaction completed on 2nd August 2017
- Properties sold at a premium to valuation
- Loss of Light premium of £430,000



ASSET MANAGEMENT: GATEWAY HOUSE, BIRMINGHAM

- Acquired from Aviva for £3.85 million in December 2011
- Building consists of a mixed retail and office scheme of 27,071 sq ft over seven floors
- Following the refurbishment of the second floor offices, Instant Offices has taken two floors in the building at £13.00 per sq ft, a new high for the building.
- The letting on the ground floor to Holland & Barrett already shows signs of a reversionary yield.
- £170,000 dilapidation settlement agreed
- Value in June 2017 - £6.13 million



ASSET MANAGEMENT: PEAT HOUSE, LEICESTER

- Acquired from Aviva for £4.4 million in December 2011
- Prime City centre office building
- WAULT is 3.61 years
- Weightmans dilapidations settled at £85,000
- Innes England have taken part of the second floor at £13.50psq on a 10 year term
- First and second floor common areas are being comprehensively refurbished by the landlord, with interest from a number of parties for the vacant space
- Value in June 2017 - £7.28 million



OPPORTUNITIES

Opportunities - £20m under offer

- Nuneaton – purchased for £1.98m / NI yield of 9.03% / completed 18th August / let to Poundland Limited
- Wolverhampton - in solicitors hands / due to exchange imminently for £2.5m / NI yield of 8.37% / let to Persimmon Homes Limited and Santander UK Plc
- Crewe – land assembly
- Local authority disposals
- Institutional sales
- Privileged network and market opportunities

STRATEGY & OUTLOOK

Add value
Maintain dividend growth



Rent reviews/lease renewals/planning/change of use/refurbishments
Rental income benefit from acquisitions
Reducing property holding costs – due to improving occupancy

Grow property assets



Brexit opportunity (preferred buyer status/cliff edge moments)
Proposed £20-£30m spend in 2017

Strategic sales



Make opportunistic sales once asset management is complete
Capitalise on 'diverted capital' and Birmingham growth

Maintain prudent gearing
Secure competitive cost of debt

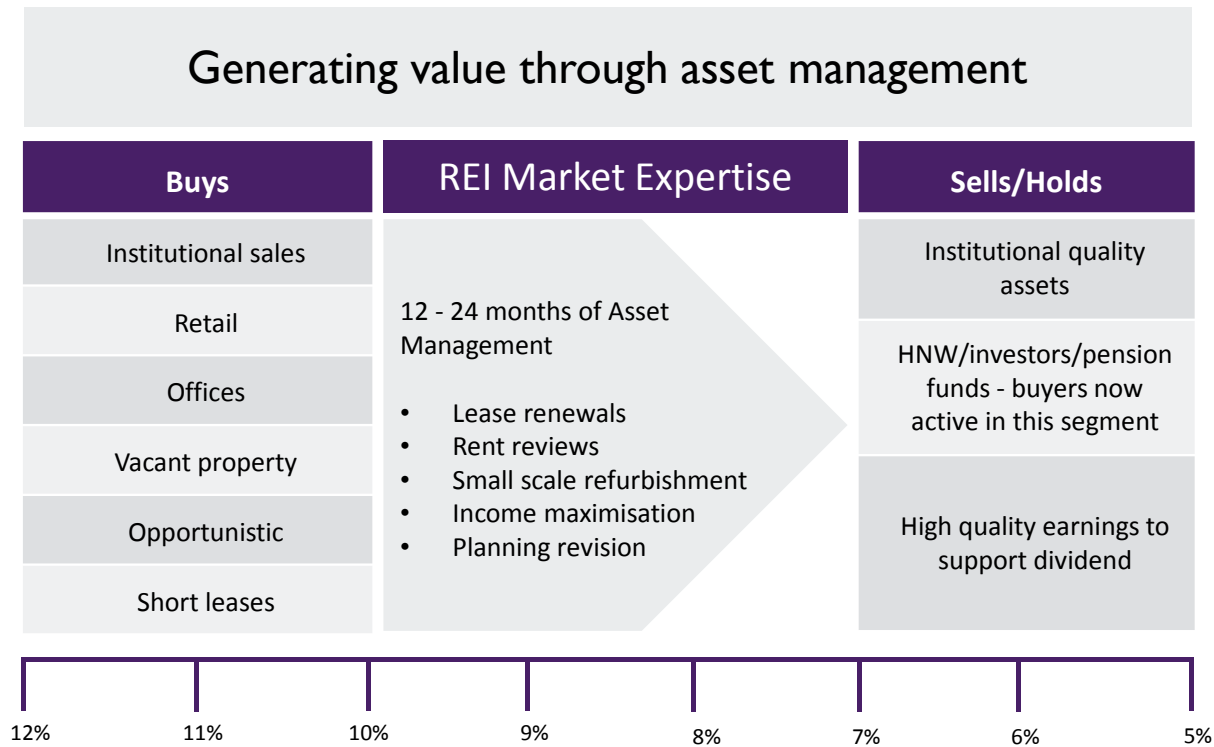


Fix proportion of variable debt
Retain LTV policy
Maintain diversified banking



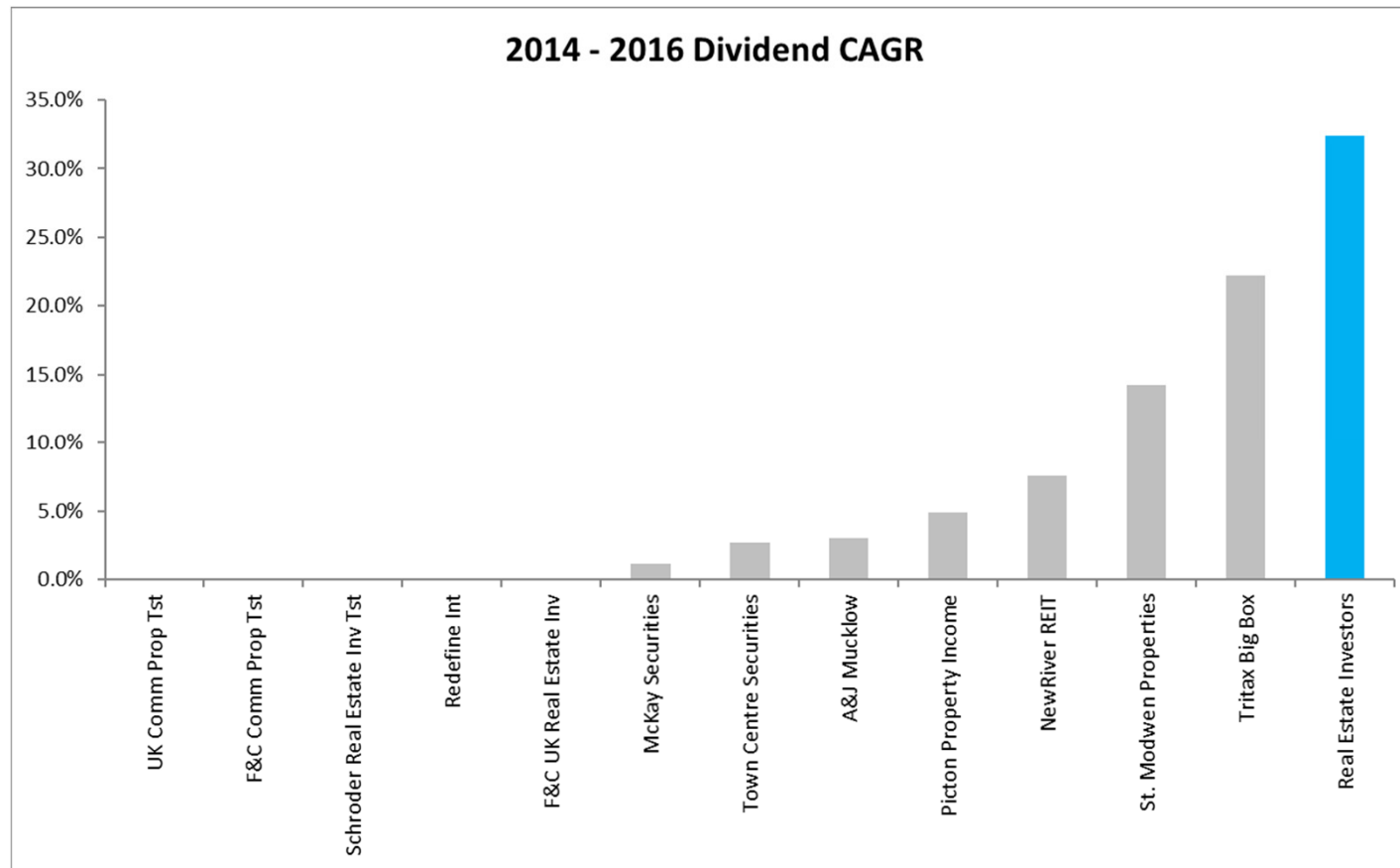
APPENDICES

THE REI BUSINESS MODEL



Unparalleled market insight via external relationships – e.g. Bond Wolfe, Knight Frank, Savills, GVA, CBRE & JLL

PEER GROUP DIVIDEND COMPARISON



HIGHLY EXPERIENCED MANAGEMENT, PROVEN TRACK RECORD

Non-Executive



John Crabtree OBE DL D.UNIV, Non Executive Chairman

- Joined REI Board in 2010
- 0.12% shareholder in REI
- Chairman of Glenn Howells Architects, Staffline Group plc, SLR Management Limited, Brandauer Holdings Ltd, Birmingham Hippodrome Theatre Trust & the charity, Sense. Until 2003, Senior Partner of Wragge & Co
- In 2014, Government Secretary Eric Pickles named John as Chairman of the Birmingham Improvement Panel.
- In January 2017, John was appointed Her Majesty's Lord Lieutenant of the West Midlands



William Wyatt, Non Executive Director

- Joined REI Board in 2010
- 0.05% shareholder in REI
- Joined Caledonia in 1997 from Close Brothers Group Plc. He was appointed a director in 2005 and CEO in 2010.
- Director of Cobehold S.A., Newmarket Racecourses and a Trustee of The Rank Foundation.



Peter London, Non Executive Director

- Joined REI Board in 2014
- 0.03% shareholder in REI
- Currently Managing Director of BIA Financial Planning
- Non-Executive Chairman of a number of property related companies.

Executive



Paul Bassi CBE DL D.UNIV DSC, Chief Executive Officer

- Joined REI Board in 2006
- 5.43% shareholder in REI
- Non - executive Chairman of Bond Wolfe
- Former Chairman of CP Bigwood Chartered Surveyors
- Former Regional Chairman & Strategy Advisor to Coutts Bank (West Midlands)



Marcus Daly FCA, Finance Director

- Joined REI Board in 2006
- 0.88% shareholder in REI
- Chartered Accountant with 20 years experience in advising on strategic matters and corporate planning, particularly in the property sector.
- Former non-executive director of CP Bigwood Chartered Surveyors
- Non-executive Chairman of the Tipton & Coseley Building Society.

SPECIALIST ASSET MANAGEMENT & INVESTMENT TEAM



Ian Clark BSc (Hons) MRICS
Senior Asset Manager

- Joined REI in 2011
- Responsible for the portfolio asset management strategy and the overall portfolio
- Qualified chartered surveyor with over 20 years experience in the property market.
- Previously worked for Argent Estates Limited as Asset Manager and GVA Grimley



Andrew Osborne BSc (Hons) MRICS
Investment Manager

- Joined REI in 2014
- Responsible for co-ordinating investment strategy, specialising in investment acquisition and disposals of commercial properties
- Over 20 years experience in the UK commercial property market.
- Previously Senior Asset Manager at Square Metre Properties, on behalf of Goldman Sachs and Fund Manager at Canada Life



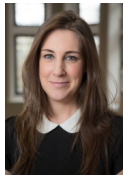
Jack Sears BSc (Hons) MRICS
Asset Management

- Joined REI in 2016
- Responsible for the management of the assets across the portfolio, liaising with managing and letting agents.
- Qualified Chartered Surveyor with 5 years experience in the property market.
- Previously worked at Bilfinger GVA and BNP Paribas Real Estate as a property manager.



Anna Durnford
Executive Assistant to the Board

- Joined REI in 2007
- Provides executive assistance to the Board & oversees operations within the business
- Nearly 20 years experience within the legal, financial, accountancy and property sectors
- Previously worked for Ernst & Young



Catherine Gee
Property Management

- Joined REI in 2015
- Provides administrative assistance and property related support to management team
- Also provides marketing and social media support
- Previously worked for Highcross Strategic Advisers