
The Midlands Investor



REAL ESTATE INVESTORS PLC (REIT)

FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017
INVESTOR & ANALYST PRESENTATION

REAL ESTATE INVESTORS PLC

Strong Platform



- Internally managed REIT with proven track record and over 100 years of combined experience
- REI's advantage is its network and knowledge of our region
- Scalable Property Management Platform

Prudent Finance



- Prudent leverage providing certainty and security (overall aim of sub 40% net LTV)
- Can execute quickly with cash/strong market reputation and access to debt
- Fixed debt – 87% of debt now fixed, with an average cost of debt of 4.2%

Active Asset Management Approach



- Value creation through reviews, lease renewals, lettings, change of use and refurbishment
- Criteria compliant acquisitions at high initial yields - Targets: 8-20% yield and £2m-£20m lot size
- Disposals at/above book value once asset management complete with capital recycled

Attractive Returns



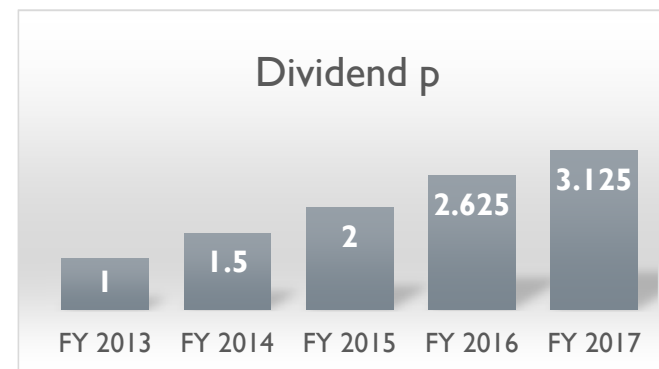
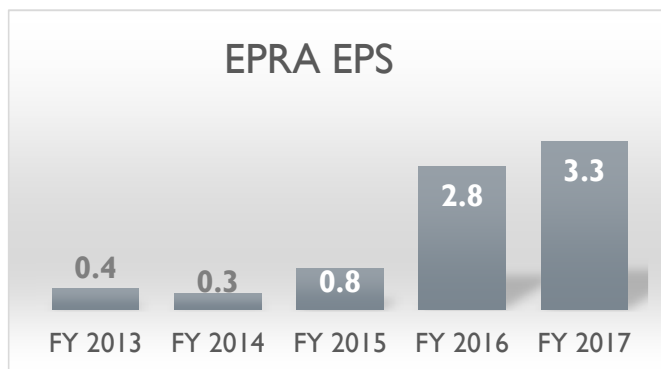
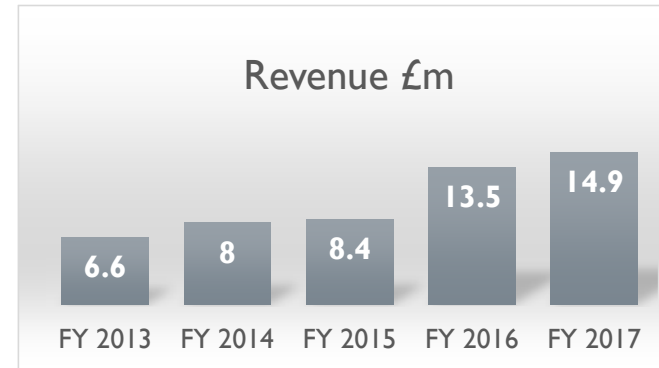
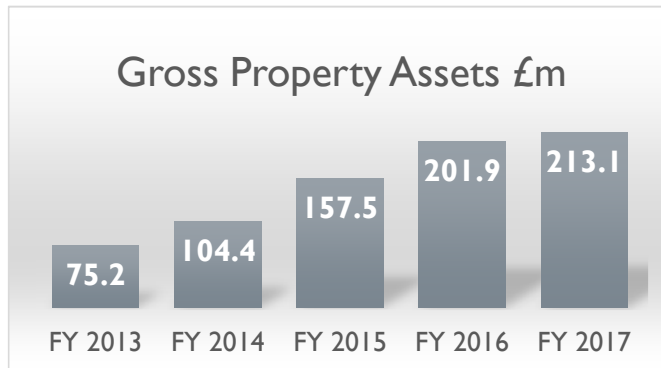
- Growing portfolio, strong tenant base & multi-sector diversification
- Fully covered progressive dividend paid quarterly
- Grown from 1p to 3.125p over last 5 years

FY 2017 FINANCIAL HIGHLIGHTS

- Gross property assets of £213.1 million (2016: £201.9 million), up 5.5%
- EPRA NAV per share of 68.9p (2016: 66.2p), up 4.1%
- EPRA EPS 3.3p (2016: 2.8p), up 17.9%
- Revenue £14.9 million (2016: £13.5 million), up 10.4%
- Underlying profit before tax* of £6.2 million (2016: £5.2 million), up 19.2%
- Pre-tax profits of £11.3 million (2016: £8.2 million), up 37.8%
- Total dividend per share for 2017 of 3.125p, up 19.0%, final dividend 0.875p per share
- Like for like valuation £193.7 million (2016: £188.4 million) up 3%
- Like for like capital value per sq ft £146 (2016: £142) up 3%
- Like for like rental income £14.5 million (2016: £14.5 million)

**underlying profit excludes profit/loss on revaluation and sale of properties, interest rate swaps and tax*

FINANCIAL GROWTH – 5 YEAR TRACK RECORD

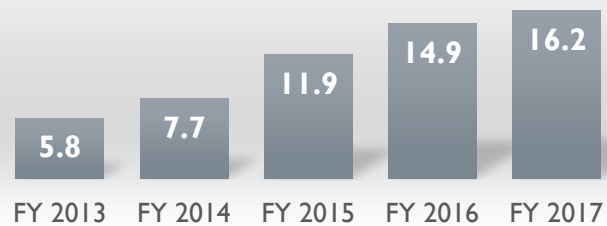


FY 2017 OPERATIONAL HIGHLIGHTS

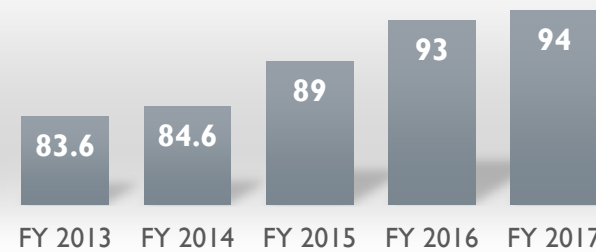
- Contracted rental income of £16.2 million (2016: £14.9 million), up 8.7%
- Acquisitions of criteria compliant properties totalling £18.4 million (net of acquisition costs), at a net initial yield of 8.70% and reversionary yield of 8.83%
- Property disposal proceeds totalling £13.5 million, as REI recycles capital into criteria compliant assets
- Active asset management with 13 new lettings and 7 lease renewals
- Overall occupancy increased to 94% (2016: 93%) – up 1.1%
- 258 tenants (2016: 232) up 11.2% across 51 assets
- WAULT of 4.5 years (to break) (2016: 4.7 years) or 6.5 years to lease expiry (2016: 6.8 years)
- Total ownership 1.5 million sq ft (2016: 1.4 million sq ft) up 7.1%
- £41.0 million bank facility with RBS, fixed at 2.75% until February 2021
- Since the year end, we have agreed terms for a new 5-year facility of £10 million with RBS at 1.95% above Libor

OPERATIONAL GROWTH – 5 YEAR TRACK RECORD

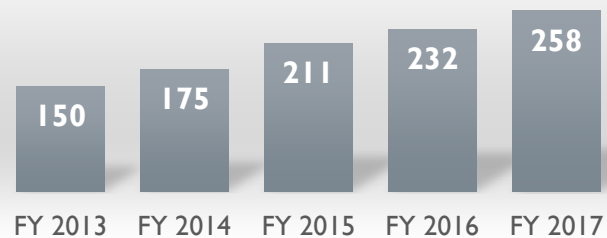
Contracted Rental Income



Occupancy %



Number of Tenants



Total Ownership (MILLION SQ FT)



BIG WINS FOR THE MIDLANDS



HS2
£17bn project to improve connectivity between London and Birmingham and reduce journey times to around 49 minutes

NEW STREET STATION
2015 £600m transformation of the Station finalised with the opening of Grand Central shopping centre and flagship John Lewis store



HSBC
1,000 jobs will be transferred from London to Birmingham to Arena Central, a 1.5m sq ft (139,366 sq m) site on a 250-year lease.

HMRC
The government is to move 3,600 HMRC and DWP staff to a 240,000 sq ft building in Birmingham's Arena Central development.



COVENTRY CITY OF CULTURE
Coventry has been named the UK's city of culture for 2021, triumphing over the cities of Swansea, Stoke-on-Trent and Sunderland and the town of Paisley and giving it a one-off opportunity to boost the economy, tourism, civic pride and access to the arts.



EDUCATION
Birmingham is the UK's largest centre of higher education outside London, home to five universities, two of which rank among the top 400 in the QS World University Rankings 2016-2017
Over 25,000 graduates every year



THE CITY
Europe's youngest City - 40% of its population under 25
39 million+ visitors to City in 2017
One of top global cities for start ups ahead of Rome and Moscow for quality of life for those in a start-up business and the best in England after London



JLR
Thousands of new jobs to be created as JLR expands again, boosting its UK workforce by 15% to more than 40,000 staff

ASTON MARTIN
Midland carmaker Aston Martin has announced plans for £500 million in investment and trade with Japan



FOREIGN INVESTMENT
More foreign investment projects than any other region

CHINA
Aston Villa, Birmingham City, West Bromwich Albion UNDER Chinese ownership

AIRPORT EXTENSION
Average of 1 million passengers per month and direct route to China



FY 2017 FINANCIALS

- Revenue of £14.9 million – up 10.4%
- Underlying profit before tax of £6.2 million – up 19.2%*
- EPRA EPS of 3.3p - up 17.9%
- Pre-tax profit of £11.3 million (FY 2016: £8.2 million) due to surplus on revaluation of interest rate swaps of £725,000 (FY 2016: £566,000 loss) and property revaluations and sales surplus of £4.4 million (FY 2016: £3.5 million), both non-cash items

Growing dividend

- Progressive, fully covered, dividend policy
- Quarterly dividend payments for 2017:
 - Dividend of 0.75p paid in July 2017, October 2017 and January 2018
 - Final dividend of 0.875p to be paid in April 2018

*Adjusted for movement on property revaluations and sales and hedge revaluation

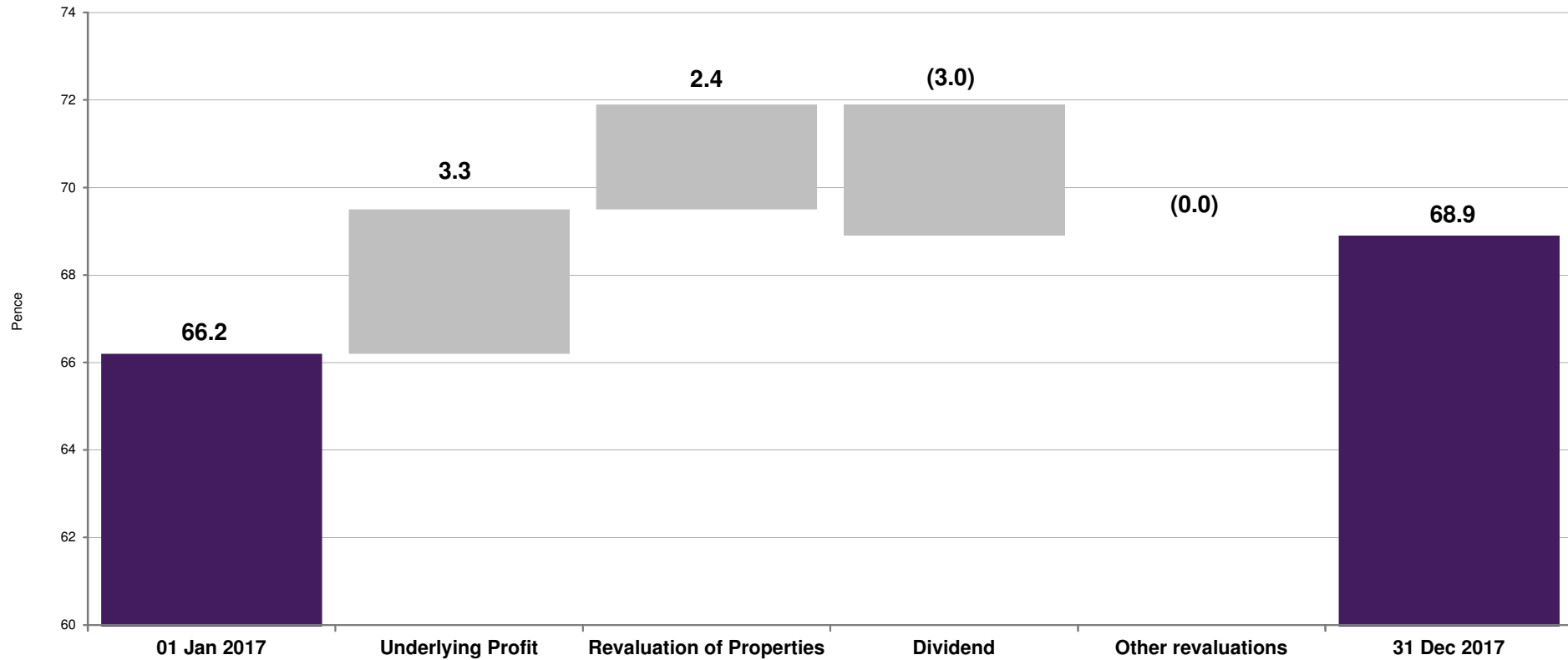
Income Statement	FY 2017 £m	FY 2016 £m	Change
Revenue	14.9	13.5	+ 10%
Cost of sales	(1.7)	(1.6)	- 6%
Admin expenses	(3.6)	(3.5)	- 3%
Property revaluation and sales	4.4	3.5	+ 26%
EBIT	14.0	11.9	+ 18%
Profit on ordinary activities before tax	11.3	8.2	-
Diluted EPS	5.9p	4.3p	-
EPRA EPS	3.3p	2.8p	+ 18%
DPS	3.125p	2.625p	+ 19%

FY 2017 BALANCE SHEET

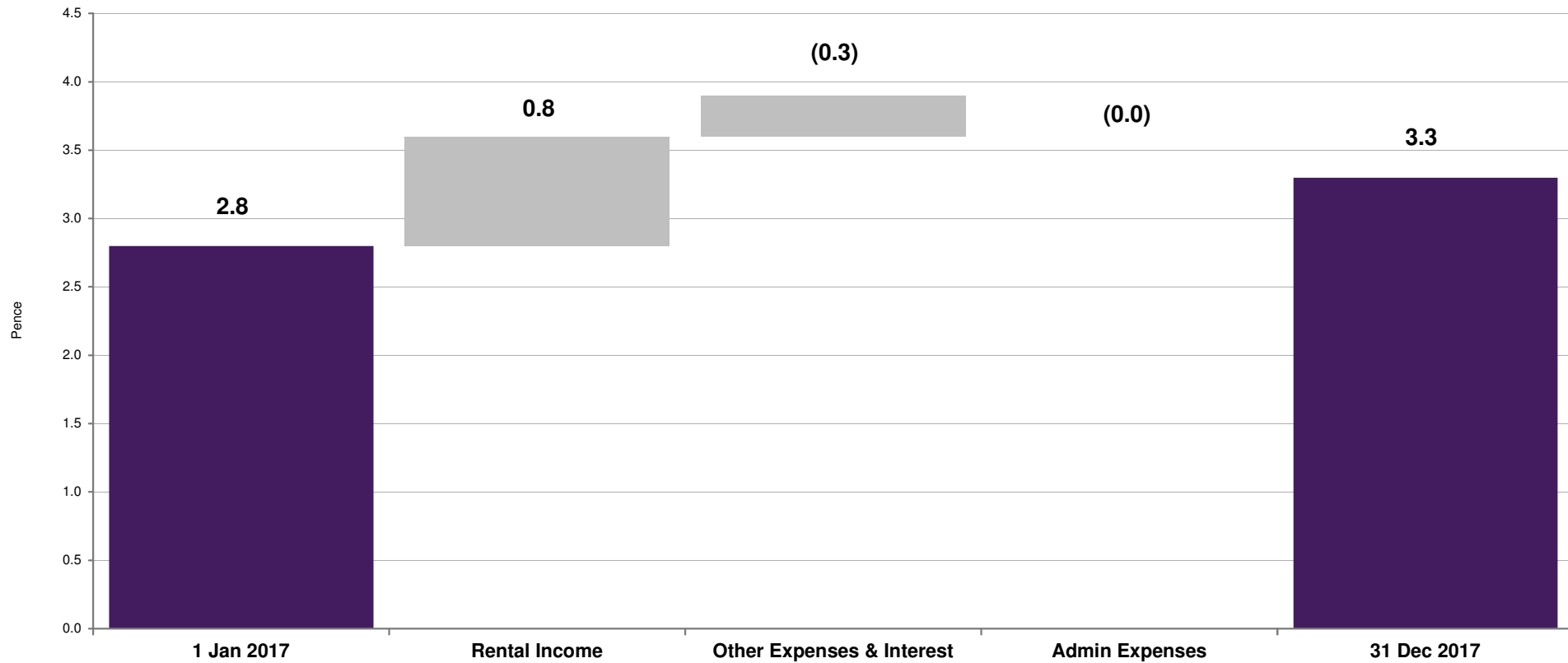
- Gross property assets increased to £213.1 million
- Net assets increased to £127.1 million
- EPRA NAV per share increased by 4.1% to 68.9p
- Well capitalised with net LTV of 38.3% and net debt of £80.3 million
- Cash and available facilities of £9 million at 31 Dec 2017

Balance Sheet	FY 2017 £m	FY 2016 £m	Change
Property	213.1	201.9	+5.5%
Cash	4.3	11.8	- 63.6%
Debt	(84.6)	(85.5)	- 1.1%
Other	(5.7)	(7.0)	+ 18.6%
Net assets	127.1	121.2	+4.9%
Adjustments	3.3	3.9	+ 15.4%
EPRA NAV	130.4	125.1	+ 4.2%
EPRA NAV per share	68.9p	66.2p	+ 4.1%
Net Debt	80.3	73.7	- 9.0%
LTV (net of cash)	38.3%	37.2%	- 3.0%

MOVEMENT IN EPRA NAV PER SHARE



MOVEMENT IN EPRA EARNINGS PER SHARE

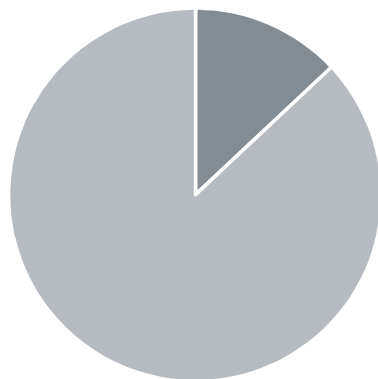


DEBT POSITION

Net Debt (£m)	31 Dec 2017	31 Dec 2016
Borrowings	84.6	85.5
Cash	(4.3)	(11.8)
	80.3	73.7

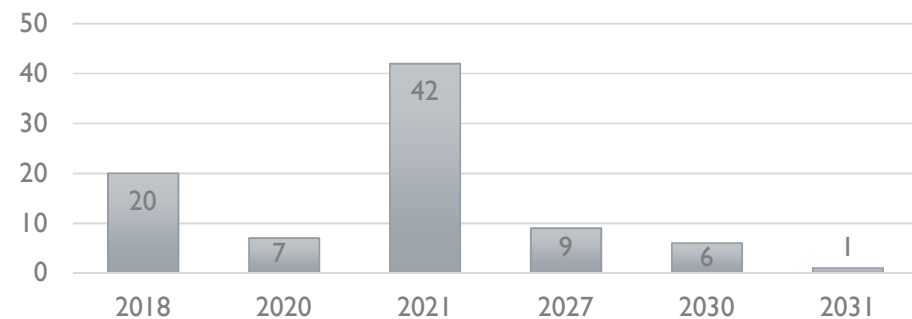
- Cost of debt 4.2% (FY 2016: 4.1%)
- Property net LTV 38.3% (FY 2016: 37.2%)
- £20 million facility with Lloyds due to be renewed in July 2018
- Now 87% of debt is fixed
- Fixed £41m of facilities with RBS at 2.75% until Feb 2021
- Since the year end, we have agreed terms for a new 5-year facility of £10 million with RBS at 1.95% above Libor

Debt Structure %
At 31 Dec 2017



■ Floating 13% ■ Fixed 87%

Debt Maturity £m
At 31 Dec 2017

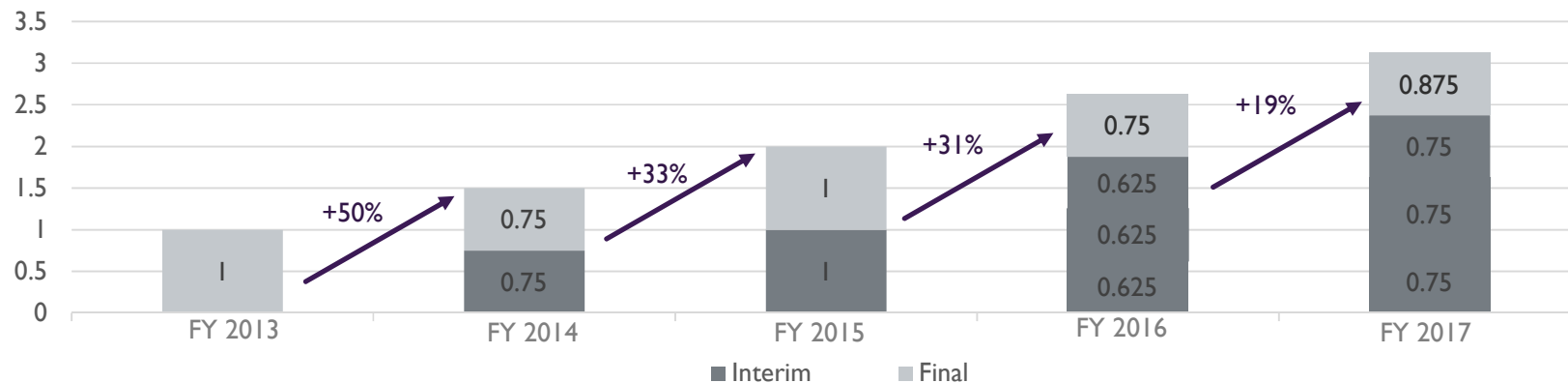


GROWING, FULLY COVERED DIVIDEND

- 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

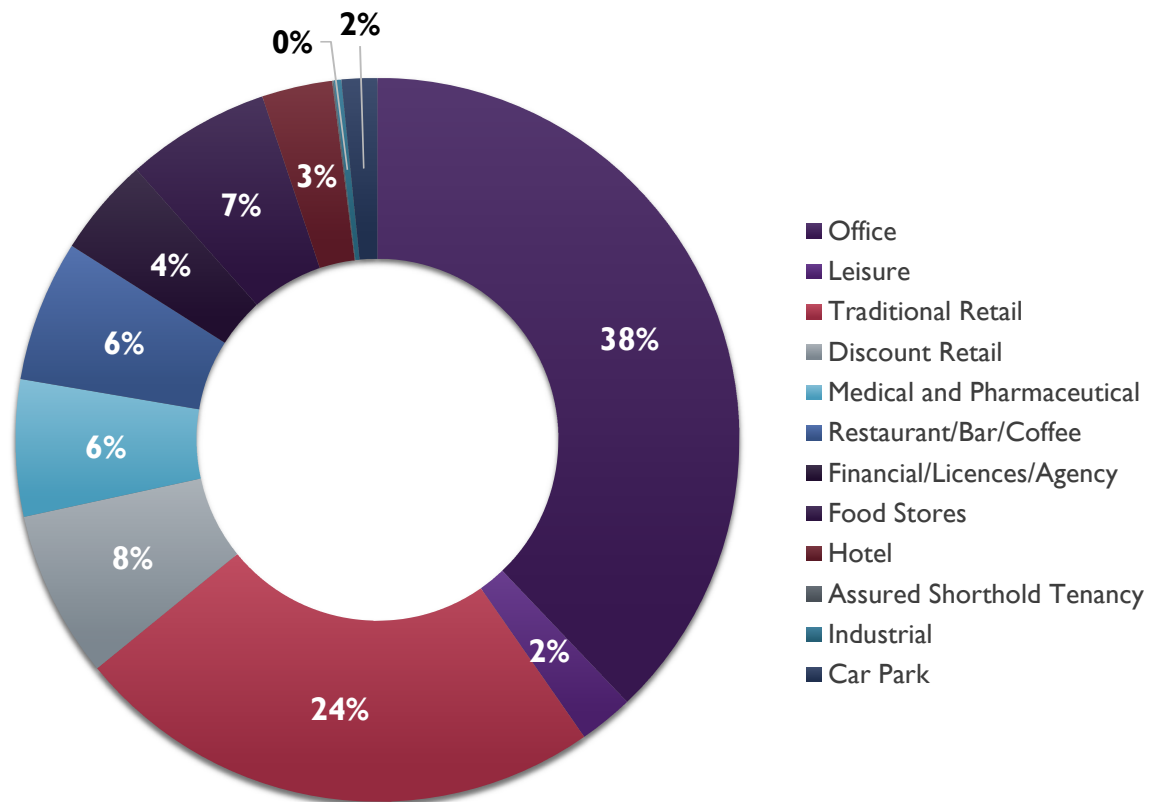
Dividend	Total	Announcement	Payment
Q1 2017	0.75p	June 2017	July 2017
Q2 2017	0.75p	September 2017	October 2017
Q3 2017	0.75p	December 2017	January 2018
Q4 2017	0.875p	March 2018	April 2018

Increasing Shareholder Distribution Year on Year



DIVERSIFIED MULTI-SECTOR PORTFOLIO

Sector	£ Rent Roll	% by Income
Office	6,147,891	37.89%
Traditional Retail	3,859,841	23.79%
Discount Retail	1,210,290	7.46%
Food Stores	1,046,150	6.45%
Restaurant/Bar/Coffee	1,025,052	6.32%
Medical and Pharmaceutical	991,040	6.11%
Financial/Licences/Agency	713,502	4.40%
Hotel	511,000	3.15%
Leisure	393,600	2.43%
Car Park	259,056	1.59%
Industrial	57,094	0.35%
Assured Shorthold Tenancy	9,200	0.06%
TOTAL	16,223,716	100.00%



TOP 10 TENANTS BY INCOME – NO MATERIAL EXPOSURE



MATALAN



Rank	Tenant	Rent £'000	%	Sector	Property
1	Wilko Retail Limited (3 locations)	519	3.20	Discounted Retail	Crewe Shopping Centre, Acocks Green & Wythall
2	Npower	518	3.19	Office	Birch House, Oldbury
3	Matalan	450	2.77	Traditional Retail	Jasper, Tunstall
4	Premier Inn	310	1.91	Hotel	West Plaza, West Bromwich
5	Aldi	300	1.85	Food Stores	Bearwood, Birmingham
6	Hewlett Packard	290	1.79	Office	Titan House, Telford
7	NHS Property Services Ltd (2 locations)	289	1.78	Office	Westgate House, Warwick & Kingston House
8	Midlands Co-Op	282	1.74	Food Stores	Kingswinford
9	River Island (2 locations)	281	1.73	Traditional Retail	Dudley Street, Wolverhampton/Crewe
10	Sandwell PCT	250	1.54	Office	Kingston House, West Bromwich
		3,489	21.50		



RIVER ISLAND



Top 10 tenants represent 21.50% of contracted income

- Strong covenants
- No tenant to represent more than 5% of group contracted rent

ACTIVE APPROACH TO CAPITAL RECYCLING

Active Capital Recycling							
	2011	2012	2013	2014	2015	2016	2017
Acquisitions	£13.1m	£6.2m	£1.8m	£25.1m	£57.7m	£38.6m	£18.4m
Disposals	-	-	£7.5m	£5.0m	£15.3m	-	£13.5m
Rent Roll	£6.0m	£6.6m	£5.8m	£7.7m	£11.9m	£14.9m	£16.2m
Portfolio Value	£71.2m	£77.4m	£75.2m	£104.4m	£157.5m	£201.9m	£213.1m

- Acquisitions of £18.4 million (net of acquisition costs), with a combined income of £1.7 million, at an average Net Initial Yield of 8.70% and a Reversionary Yield of 8.83%
- Sales of £13.5 million, which produced a combined income of £896,610 per annum and a comparative initial yield of 6.20%, as REI recycles capital into criteria compliant assets
- Disposals considered when assets are fully valued, or where they can realise significant value on an opportunistic basis
- Proven track record of putting capital to work
- Proposed £20 million spend over next 12 months

ACQUISITIONS: 1-11 PARK ST & 82-87 BRADFORD ST, WALSALL

- Acquired from BBC Pension Trust in November 2017 for £5.0 million (excluding costs), representing a Net Initial Yield of 10.93%.
- Vendor paid £14.9 million in 2004
- The property is a prominent, unbroken retail parade on the prime retail pitch in Walsall town centre, with a passing rent of £582,720 per annum.
- The property is let to multiple national tenants, over a total of 37,104 square feet, with a WAULT of 5.74 years.

ASSET OPPORTUNITIES/BENEFITS

- Well secured long term income
- Strong initial yield off low base rents with potential for rental growth and opportunities to engage with occupiers to extend leases.
- Prospects to sell smaller lot sizes to appeal to private investor market
- All occupiers intend to renew leases and not break



SALE: 24 BENNETTS HILL, BIRMINGHAM CITY CENTRE

- Purchased for the sum of £2.06 million (excluding costs) from a private local investor providing a net initial yield of 10.8%
- Refurbishment leading to lettings and increased rents
- Punch Taverns rent review: £18k per annum increase
- Sold for £4.0 million (a 23.8% premium to December 2016 valuation of £3.23 million)
- Sale reflects a net initial yield of 5.90%
- Transaction exchanged in December 2017 and completed in January 2018



ASSET MANAGEMENT: PEAT HOUSE, LEICESTER

- Acquired from Aviva for £4.4 million (excluding costs) in December 2011
- Prime Leicester City centre office building
- WAULT is 3.73 years to break and 8.12 years to expiry
- Weightmans dilapidations settled at £85,000
- KPMG dilapidations settled at £250,000
- Property is now fully let to Bellrock FM, Charles Alexander Design Limited, Innes England & KPMG.
- First and second office space and common areas have been comprehensively refurbished by the landlord, with first and second floor space let off £13.75 per sq ft (primarily from the recycling of dilapidations monies)
- Value in December 2017 - £7.84 million (an uplift to the December 2016 valuation of £7.28 million, up 7.7%)



ASSET MANAGEMENT: 37A WATERLOO STREET

- Acquired from Wilson Kennedy for £1.9 million (excluding costs) in H2 2013
- Building consists of a mixed retail and office scheme of 10,009 sq ft over four floors
- Let to Viva Brazil in February 2016 – Viva Brazil restructure
- Re-let to Dirty Martini – strong covenant (within days)
- Possible residential upper floors
- Value in December 2017 - £3.25 million



OPPORTUNITIES & GROWTH

Opportunities:

- Selective Investment Sales – where asset management has been completed and value fully enhanced
- Crewe land assembly – opportunity to exchange land for significant asset
- Coseley land residential planning gain (officer approval secured)
- Possible joint venture with Birmingham City Council – Council ownership restructure
- Opportunity to acquire institutional orphaned assets
- Brexit 'Cliff Edge' – we believe there will be pressured sellers

Growth:

- Carry out on-going asset management initiatives
- Improve portfolio profitability by reducing remaining landlord costs (e.g service charge & rates savings)
- Grow covered dividend payments

STRATEGY & OUTLOOK

Add value
and drive 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 £20m+ spend in next 12 months

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



87% of debt is fixed
Retain LTV levels
Maintain diversified banking

Shareholder Value Creation



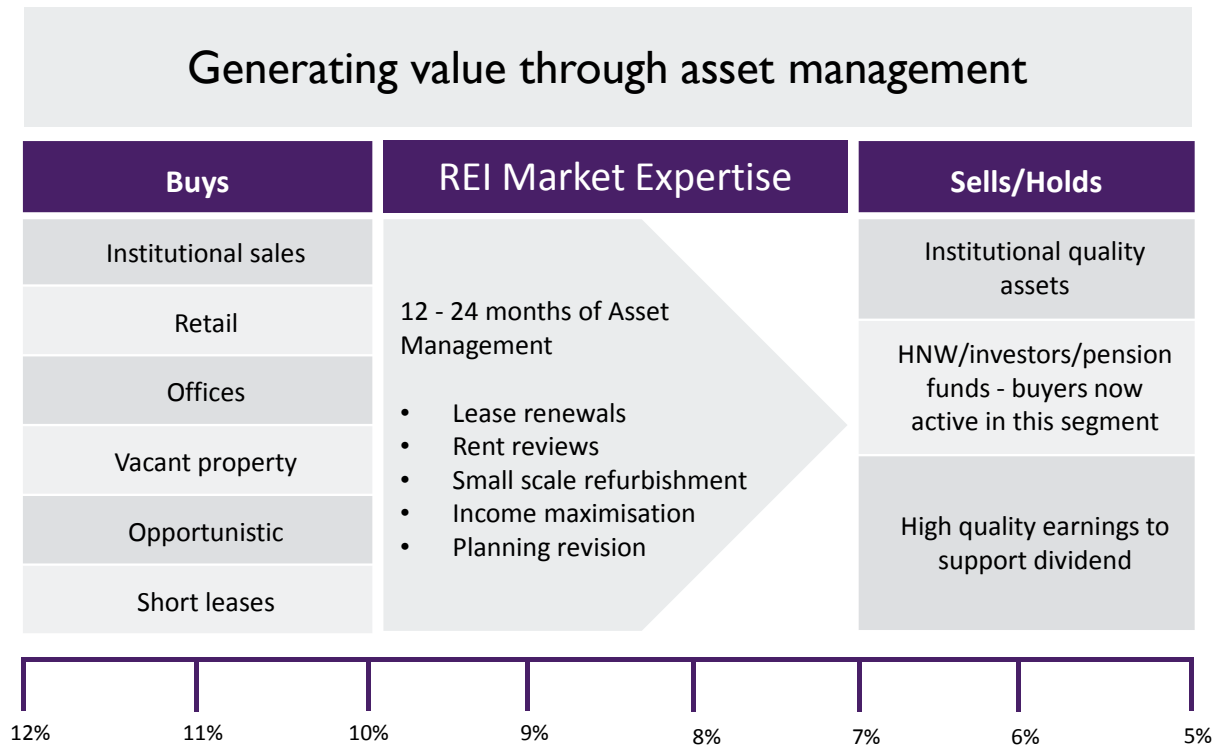
Continue with progressive dividend policy



APPENDICES



THE REI BUSINESS MODEL



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

HIGHLY EXPERIENCED MANAGEMENT, PROVEN TRACK RECORD

Non-Executive



John Crabtree OBE 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 & Finch Consulting. 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., Chairman of 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 Limited
- Non-Executive Chairman of a number of property related companies.



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.

Executive

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 21 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



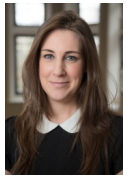
Jack Sears BSc (Hons) MRICS
Asset Management

- 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/Special Projects

- 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