

Real Estate Investors taps into the rebirth of a region

Website: reiplc.com



Real Estate Investors (RLE:AIM) has a diverse, multi-sector property portfolio and is producing an attractive, fully covered dividend, yielding over 6.5%. The company has a stated progressive dividend policy.

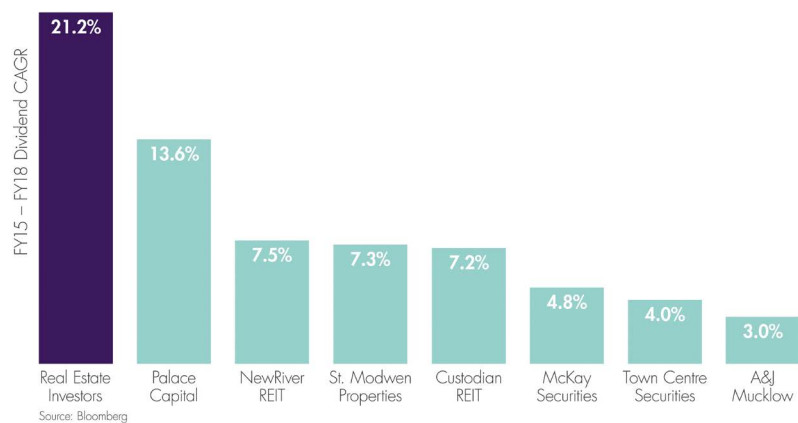
In 2006, chief executive Paul Bassi and finance director Marcus Daly joined the company and have since invested, together with other board members, £10m of their own money. The company has grown steadily and today REI has a diversified and sustainable portfolio of 1.55 million sq ft of commercial property externally independently valued at £225m (as at 31 December 2018).

The portfolio is internally managed by a well-established team with over 100 years of combined real estate experience and a deep knowledge of the Midlands property market.

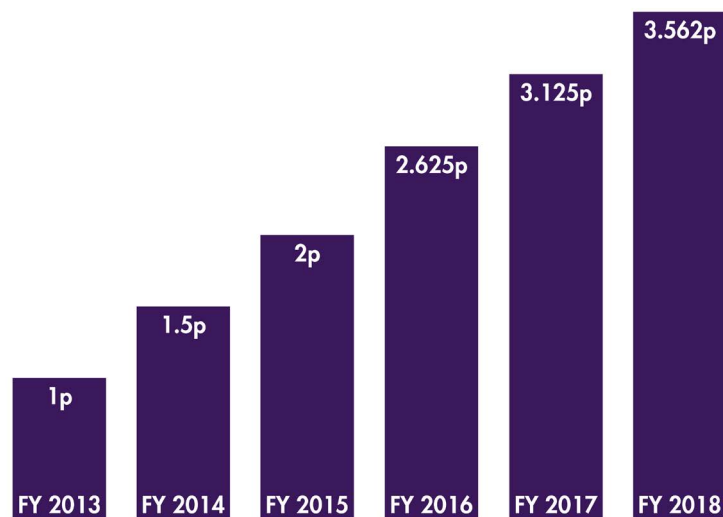
It is REI's regional expertise and unparalleled Midlands property network that has given

INTRODUCING REAL ESTATE INVESTORS
THE UK'S ONLY MIDLANDS-FOCUSED AND BIRMINGHAM-BASED REAL ESTATE INVESTMENT TRUST

REI has a leading dividend growth rate



6 years of uninterrupted dividend growth
Dividends paid quarterly and fully covered by earnings



Shares Spotlight
Real Estate Investors Plc

the company a competitive advantage and has enabled Paul Bassi and the team to build a reputation for identifying value enhancing assets, making opportunistic acquisitions, and achieving a consistent financial track record. REI is not a passive investor and the company operates a strict criteria to identify compliant assets at high initial yields. Value creation is achieved via rent reviews, lease renewals, lettings, change of use and refurbishments. Once capital enhancement has been achieved and all asset management initiatives have been exhausted, assets are retained for income or sold on an opportunistic basis at or above book value, with capital from disposals recycled into further criteria compliant opportunities.

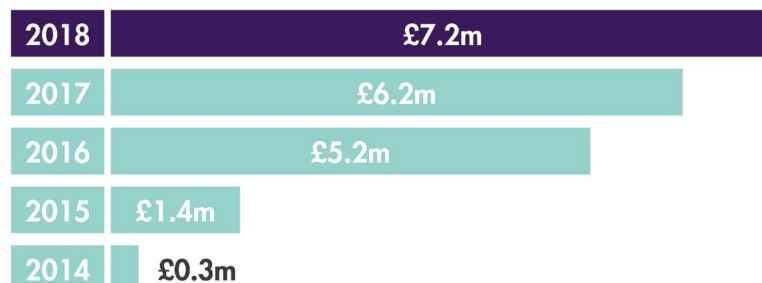
BIRMINGHAM TO LONDON IN JUST 49 MINUTES

The imminent arrival of HS2, which will reduce the journey times from Birmingham to

‘Real Estate Investors provides me with a focused, well managed commercial real estate exposure to the vibrant Midlands economy. The management team with many years of experience in this region have successfully managed to assemble a portfolio of high yielding assets which benefit from good demand for commercial property with development optionality and positive rental growth. The company has a strong income focus with a growing dividend and yields 7.0% historic.’

Mark Barnett, head of UK equities at Invesco Perpetual, May 2019

Underlying profit before tax **£7.2m**



Underlying PBT excludes profit/loss on revaluation, sale of properties and interest rate swap

London to just 49 minutes, has magnified the region’s appeal and suitability to businesses and commuters as being a viable alternative to London.

Following substantial investment from the UK Government into HS2, Birmingham and the surrounding region is being transformed.

Cranes dominate the Birmingham skyline and huge infrastructure changes and transport improvements are all paving the way for new commercial and residential schemes that are on a scale never seen before in the region.

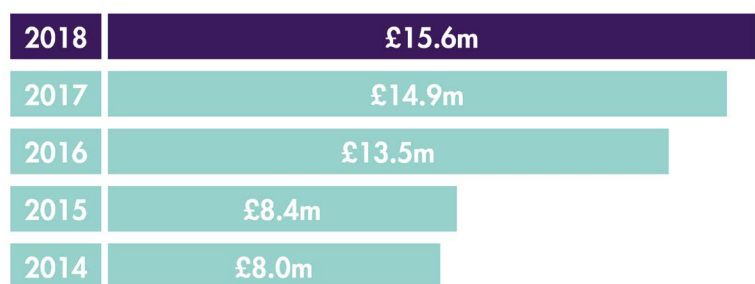
According to EY’s Regional Economic Forecast 2019, the West Midlands is gaining the title as the fastest growing

economy outside of London and the South East with productivity across the region expected to grow by 1.7% Gross Value Added per annum (GVA is the measure of the value of goods and services produced in an area, industry or sector of an economy) over the period 2018 - 2021.

In addition, Birmingham has also been named as the host City for the 2022 Commonwealth Games, along with Coventry being awarded the 2021 City of Culture. These wide-reaching changes underpin property valuations and support the case for further uplifts as these substantial projects drive activity and demand.

This is also reflected in

Revenue **£15.6m**



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recent M&A activity with LondonMetric's £414.7 million takeover bid for our regional peer AJ Mucklow, being announced on 23 May 2019

DELIVERING CONSISTENTLY FROM A STABLE PLATFORM

Delivering capital growth and income enhancement are the fundamental aims of the business.

On 1 January 2015, the company converted to become a REIT (Real Estate Investment Trust), thereby enhancing its ability to pay increased returns to shareholders by no longer being liable for corporation tax on rental income or capital gains tax from qualifying activities. For 2018, REI paid a total of 3.562p in dividends representing a 6.5% dividend yield based on 55p share price (30 April 2019). Each year for the last six last years, REI has paid a steadily increasing dividend to shareholders and the company remains committed to a progressive dividend policy. Annualising the current 2019 quarterly dividend produces a dividend yield of 6.8%.

REI does not aim to be a high risk, high return business. Instead, REI is a proven business operating from a

'REI released another impressive set of results in March. Naturally, this reflects the recent performance of the West Midlands economy and the fundamentals of the property sector. Growth has been strong, inward investment has been resilient, and the number of jobs in the region has risen steadily.'

The Mayor of the West Midlands, Andy Street

stable platform. The company is conservatively geared with a loan to value ratio of 39% and has a contracted rental income base of £17m, generated from a portfolio that is 96.1% occupied. Revenue has grown year on year for 10 years. The average cost of debt is 3.7% with 67% of the debt being fixed. Importantly, the portfolio is diversified across many sectors with no material reliance on any single asset or occupier.

In addition, there are existing asset management activities especially relating to permitted development opportunities for conversion of commercial properties to residential. Prospects for REI in 2019 and beyond are good.

The company has £25 million of cash and facilities available for possible acquisitions, including those arising from any Brexit uncertainty.

250,000 SQ FT IDENTIFIED FOR POTENTIAL CONVERSION TO RESIDENTIAL

The REI team has identified 250,000 square foot of permitted development where there is the potential to convert commercial space into residential development opportunities. The potential

uplift on the valuation of the portfolio could be significant.

In March 2019, REI successfully secured residential planning consent for 100 units in Coseley and this site is now being marketed to residential developers for significantly more than book value. It is therefore noteworthy that the West Midlands enjoyed a 6% increase in house prices in 2018, compared to the 0.7% decline in London house prices.

BUILDING MOMENTUM

REI says its main objectives for the year are to continue to increase shareholder value, refinance unencumbered properties and deploy the funds generated in criteria compliant investment properties, continue its progressive dividend policy, and increase its underlying profit before tax, EPRA earnings per share and net assets per share.

