



Real Estate Investors Plc
("REI", the "Company" or the "Group")

Half Year Results
For the six months ended 30 June 2021

ROBUST H1 PERFORMANCE WITH IMPROVING OCCUPIER AND INVESTOR MARKET

Real Estate Investors Plc (AIM: RLE), the UK's only Midlands-focused Real Estate Investment Trust (REIT) with a portfolio of 1.53 million sq ft of commercial property across all sectors, is pleased to report its unaudited half year results for the six-month period ended 30 June 2021.

FINANCIAL

- Uplift in pre-tax profit to £9 million (H1 2020: £3.8 million loss) allowing for a 1.88% increase in property values and interest hedging costs surplus of £716,000
- EPRA** NTA per share of 57.7p (FY 2020: 55.2p) up 4.5%
- Revenue of £7.7 million (H1 2020: £8.2 million) down 6%
- Underlying profit before tax* of £3.8 million (H1 2020: £4.1 million) down 7%
- EPRA** EPS of 2.1p (H1 2020: 2.20p) down 3.2%
- The Company will make a fully covered quarterly dividend payment of 0.75p per share in respect of Q2 2021 and anticipates that this will also be the level of dividend for Q3 2021, with the intention to pay an uplifted final quarterly dividend payment at the year end

OPERATIONAL

- On a like for like basis the portfolio valuation has improved on December 2020 by 1.88%, demonstrating portfolio stability in an extremely challenging marketplace
- £195.2 million gross portfolio valuation (after asset disposals) (FY 2020: £201.3 million)
- Completed 15 value enhancing lease events (including 5 lease renewals)
- Completed 7 portfolio disposals totalling £9.4 million (net of costs) and 1 inventory sale for £1.15 million (aggregate uplift of 10.3% above book value, 14.0 % uplift on portfolio disposals) taking advantage of the increase in private investors and their focus on acquiring smaller units
- WAULT*** improved to 5.01 years to break/6.70 years to expiry (FY 2020: 4.84/6.54 years)
- Contracted rental income of £14.7 million p.a. (H1 2020: £17.0 million p.a.) down 13.5% due to known lease events and disposals (to be recycled into income producing assets)
- Occupancy levels at 83.43% (FY 2020: 91.60%), now increased to 86.07% post period
- Non-Executive directorate changes, further strengthening the Board

BANKING

- March 2021 renewal of £51 million facility with National Westminster Bank plc for 3 years at 2.25% above LIBOR with £4.1 million repaid since March 2021
- Fixing of £35 million of £51 million NatWest facility at competitive rates from 1 January 2022
- As at 30 June 2021, hedge facility has improved by £716,000 for half year to 30 June 2021
- £9.1 million cash at bank to fund value-add opportunistic acquisitions
- Average cost of debt 3.4% (FY 2020: 3.4%) with 46% fixed debt (FY 2020: 86%) (84% from 1 Jan 2022)
- 45% Loan to Value (net of cash) (FY 2020: 49.2%) (target LTV net of cash 40% or below)
- All banking covenants continue to be met with headroom available and the ability to correct through substitute security or cash deposits and reduction

RENT COLLECTION

- Strong rent collection for H1 2021 of 98.53% (adjusted for monthly and deferred agreements) improved from 97.22% reported in our 5 July 2021 trading update despite the disappointing UK Government extension on the moratorium on unpaid rents in June 2021
- June quarter (June to September 2021) rent collection so far is 97.43% (adjusted for monthly and deferred agreements), up from 90.20% reported in our 5 July 2021 trading update
- Covid period - overall rent collection level for 2020, has risen to 98.82% (adjusted for monthly and deferred agreements) up from 98.75% reported in our 5 July 2021 trading update.

POST PERIOD ACTIVITY

- Completed sales of £987,500
- Sales awaiting completion in H2 of £5.83 million
- New pipeline sales of £780,000 in legals
- Completed additional 6 lease events which include 2 lease renewals, 1 break removal and 12 lettings in legals, which will improve occupancy further

ENVIRONMENTAL SOCIAL AND GOVERNANCE

- We remain committed to acting responsibly and operating a sustainable business, whilst engaging with and fulfilling the needs of our stakeholders - we are working to create a business ESG framework and we will report our progress in this area at the appropriate time.

Paul Bassi, Chief Executive, commented:

“We are pleased to report promising signs of market recovery after an extremely volatile 18 months. Both the investor and occupier markets are improving with little distress evident and enquiry levels gathering pace in Q2. Our diverse portfolio has continued to show resilience, shielding us from over exposure to specific sector downturn and supporting robust rent collection levels, with our like for like portfolio value increasing in the first half.

Whilst we are seeing opportunities and renewed interest in an invigorated investor market, the legacy of the pandemic is still visible, with our occupancy and income levels yet to fully recover and a small decrease in both our revenue to £7.7 million (H1 2020: £8.2 million) and underlying profit before tax to £3.8 million (H1 2020: £4.1 million). That said, with occupier demand and decisions rising, strong investor interest and a healthy pipeline of new lettings on our void space, we expect this activity to translate into rising occupancy, improved income and further valuation recovery over the coming months, contributing to a rise in our NAV and supporting our progressive dividend policy. We are already benefitting from this rising activity with the letting of one of our largest void properties, West Plaza to a well-established hotel operator.

We have taken advantage of the opportunity to make a number of portfolio disposals at attractive prices to a growing private investor market in the period, achieving an aggregate uplift of 14% above book value, demonstrating private investor appetite, market confidence and the break up ability of our portfolio to extract value, to satisfy the strong private investor demand. We will use some of our disposal proceeds to secure value-add acquisitions in strong subsectors, whilst also reducing our LTV.

REI is extremely well-positioned in an active region, that continues to attract population migration from London and the South East along with global businesses such as Goldman Sachs. We expect to benefit further from our locality once our already vibrant region is thrust into the global spotlight in 2022 when it hosts the highly anticipated Commonwealth Games.”

FINANCIAL & OPERATIONAL RESULTS

	30 June 2021	30 June 2020	Change
Revenue	£7.8 million	£8.2 million	-4.88%
Underlying profit before tax*	£3.8 million	£4.1 million	-7.32%
Contracted rental income	£14.7 million	£17.0 million	-13.5%
EPRA EPS**	2.1p	2.2p	-3.18%
Pre-tax Profit/ (loss)	£9 million	(£3.8 million)	-
Dividend per share	1.5p	1.0p	+50%
Average cost of debt	3.4%	3.4%	-
Like for like rental income	£14.8 million	£16.4 million	-10.07%

	30 Jun 2021	31 December 2020	Change
Gross property assets	£195.2 million	£201.3 million	-3.03%
EPRA NTA per share**	57.7p	55.2p	+4.53%
Like for like capital value psf	£125.64	£123.31	+ 1.88%
Like for like valuation	£192.8 million	£189.3 million	+1.88%
Tenants	250	262	-4.58%
WAULT***	5.01 years	4.84 years	+3.51%
Total ownership (sq ft)	1.53 million sq ft	1.59 million sq ft	-1.9%
Net assets	£103 million	£97.7 million	+5.48%
Loan to value	49.8%	51.3%	-2.92%
Loan to value (net of cash)	45.1%	49.2%	-8.33%

Definitions

* Underlying profit before tax excludes profit/loss on revaluation and sale of properties and interest rate swaps

** EPRA = European Public Real Estate Association

*** WAULT = Weighted Average Unexpired Lease Term

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About Real Estate Investors Plc

Real Estate Investors Plc is a publicly quoted, internally managed property investment company and REIT with a portfolio of 1.53 million sq ft of mixed-use commercial property, managed by a highly-experienced property team with over 100 years of combined experience of operating in the Midlands property market across all sectors. The Company's strategy is to invest in well located, real estate assets in the established and proven markets across the Midlands, with income and capital growth potential, realisable through active portfolio management, refurbishment, change of use and lettings. The portfolio has no material reliance on a single asset or occupier. On 1st January 2015, the Company converted to a REIT. Real Estate Investment Trusts are listed property investment companies or groups not liable to corporation tax on their rental income or capital gains from their qualifying activities. The Company aims to deliver capital growth and income enhancement from its assets, supporting its progressive dividend policy. Further information on the Company can be found at www.reiplc.com.

CHAIRMAN & CHIEF EXECUTIVE'S STATEMENT

As the UK emerges from the grip of the global pandemic, there is good evidence of market recovery as we are witnessing renewed activity amongst property agents, a surge in enquiries from occupiers and heightened demand for the diverse assets within our regional portfolio from investors. We are therefore pleased to report pre-tax profits of £9 million (H1 2020: £3.8 million loss).

As uncertainty fades and a sense of normality returns, the key factor in measuring operational success for a commercial landlord continues to be rent collection and, following a robust collection record during 2020 of 98.82%, this has continued for REI in H1, with overall collection for the period standing at 98.53% (adjusted for monthly and deferred agreements) improved from 97.22% reported in our 5 July 2021 trading update. Current quarter (June to September 2021) rent collection so far is 97.43% (again adjusted for monthly and deferred agreements), up from 90.20% reported in our 5 July 2021 trading update.

Whilst our portfolio occupiers enjoy renewed trading levels, our community and essential services assets continue to gain the attention of private investors, who are willing to pay a premium for smaller, well-located and pandemic-resilient assets. We are securing sales pricing at levels that surpass valuer and market expectations and we expect this activity to continue or gain pace as market normalisation continues in H2 and the highly-anticipated 2022 Commonwealth Games approaches, fuelling regional demand further, as Birmingham and the Midlands is showcased on a global platform.

In addition to period disposals noted, since the period end we have completed a further £987,500 of sales with a further £5.83 million exchanged and awaiting completion. In addition to those assets that have exchanged or completed during or post-period mentioned above, we currently have a further £780,000 of sales in legals, with no sign of buyer interest slowing down.

Private investor demand is expanding especially for small individual assets, in particular community retail. Management has analysed our retail portfolio and has identified 171 units that have the potential to be sold off individually to secure a higher break-up value than they could achieve as a collective parade/asset, subject to maintaining sufficient income levels to support our dividend policy. These assets represent £8.4 million p.a. rental income across the portfolio and would be ideal assets to satisfy private investor demand.

With only limited market comparable evidence now available to valuers, who were understandably cautious in December 2020, we have seen a modest rise in our gross property valuations and anticipate further valuation recovery going forward. Taking into account all of the disposals completed during the period, we have seen our like for like valuations increase by 1.88% on year end 2020 as a result of this, we are pleased to report an increase in our EPRA NTA per share to 57.7p (FY 2020: 55.2p) up 4.5%.

In line with management's intention to operate the portfolio with sensible gearing levels, we will be using a proportion of the cash proceeds from disposals made in 2021 to reduce gearing levels to around 40% and below. The remaining disposal cash proceeds, combined with banking facilities, will be used to target resilient subsector or under-performing acquisitions with upside potential.

With 250 tenants across 47 assets, the portfolio is currently diversified by tenant, asset and sector. We closely monitor trends and subsector growth in the region and the wider UK market and we are keen to maintain this diversification which has proved a successful strategy throughout many economic and political downturns over the last 15 years, to include the financial crisis, Brexit and Covid-19.

During H1 2021, our proactive in-house asset management team completed 15 lease events including 5 lease renewals. This portfolio activity has led to an improved WAULT of 5.01 years to break and 6.70 years to expiry (FY 2020: 4.84 years / 6.54 years) (3.51% increase), further supporting valuation recovery. We currently have numerous ongoing lease events that are being managed by our asset management team, which we expect to translate into rising occupancy levels and WAULT in H2.

Occupancy as at 30 June 2021 was 83.43% (FY 2020: 91.60%) with the reduction almost predominantly due to known lease events, including the loss of Npower at Oldbury and Premier Inn at West Plaza. The latter has now been let to a hotel operator, recovering some of our occupancy loss. We expect our occupancy levels and contracted rental income to improve further due to existing pipeline lettings, combined with interest from occupiers in space that can now be occupied as a result of planning changes.

Our increase in pre-tax profits demonstrates our ability to navigate economic and market uncertainty via a diversified portfolio, whilst maintaining resilient income and value.

FINANCIAL RESULTS

Our profit before tax for the period under review has increased to £9 million (H1 2020: £3.8 million loss) which includes a property revaluation surplus of £3.3 million (2020: loss £7.3 million), a surplus on sale of investment property of £1.2 million (2020: £nil) and a surplus on our hedge value of £716,000 (2020: loss £657,000).

Gross property valuations across the portfolio are up 1.88% on a like for like basis to £195.2 million, enhanced by gradual market recovery, carefully executed tenant liaison and asset management and renewed interest from investors for our smaller neighbourhood and convenience assets. We have taken advantage of current market interest levels and have completed 7 portfolio disposals totalling (net of costs) £9.4 million and 1 inventory sale for £1.15 million (aggregate uplift of 10.3% above book value, 14.0% uplift on portfolio disposals).

Our revenue, impacted predominantly by the loss of income associated with Npower at Oldbury and Premier Inn at West Plaza, (both of which were known lease events), combined with increase in vacancy levels, has reduced to £7.7 million (H1 2020: £8.2 million). Our underlying profits for the period to 30 June 2021 were £3.8 million (H1 2020: £4.1 million), down 7.3%.

In line with the reduction in revenue and underlying profits before tax, our contracted rental income has also reduced to £14.7 million (H1 2020: £17.0 million), down 13.5%, contributed to by disposals and known lease events.

We remain committed to enhancing the value of the portfolio via intensive asset management. We will seek to repurpose cash from disposals to reduce our portfolio gearing and secure value-add acquisitions, with a view to growing our rental income, increasing our Net Asset Value and supporting our continued commitment to a progressive dividend policy.

FINANCE & BANKING

In March 2021 the Group announced the renewal of its £51 million facility with National Westminster Bank plc for 3 years at 2.25% above LIBOR. Since March 2021, £4.2 million of this facility has been repaid with a contribution from disposal proceeds.

Furthermore, with a view to preserving low interest costs, we have fixed £35 million of the remaining facility with effect from 1 January 2022 until 1 March 2024. From 1 January 2022, our fixed debt ratio will increase to 84% (currently 46%) with our average cost of debt remaining at 3.4%.

The Group has total drawn down debt of £96 million (FY 2020: £101 million) with a loan to value of 45% (net of cash). All banking covenants continue to be met with headroom available. Should the need arise, we have the ability to repay debt from existing cash and property sales, or to secure debt on unencumbered assets and provide substitute security.

Our hedge facility has improved by £716,000 for the half year to 30 June 2021 and has seen a further improvement post period end.

The Board remains committed to reducing costs and operating at a sensible LTV of around 40% and below and anticipate further portfolio valuation improvement as market conditions normalise, alongside opportunistic disposals at or above book value, to support a reduction in gearing levels.

The Group has £9.1 million cash at bank to fund value-add and income producing acquisitions to support the progressive dividend policy.

DIVIDEND

As a Real Estate Investment Trust (REIT), we are required to pay 90% of the Company's rental taxable profit in dividends to shareholders. REI currently pays in excess of the required level of dividend.

Despite the challenges faced by the property industry during the global pandemic, the Board made a decision during 2020 to continue providing our shareholders with a dividend, albeit at a reduced level to compensate for market volatility.

In line with the Board's commitment to a progressive dividend policy and to recognise the renewed confidence in the marketplace and operational stability of the business, the Board increased the Q1 2021 dividend to 0.75p per share in June 2021.

We are pleased to confirm that the Board has decided to pay a Q2 2021 quarterly dividend of 0.75p in October 2021 (representing a minimum annual payment of 3p per share for 2021) and reflecting a yield of 7.5% based on a mid-market opening price of 40.00p on 20 September 2021.

The proposed timetable for the dividend, which will be a Property Income Distribution (PID), is as follows:

Ex-dividend date:	7 October 2021
Record date:	8 October 2021
Dividend payment date:	29 October 2021

RENT COLLECTION

Following strong rent collection levels in 2020, the portfolio diversification has given the business a level of resilience against sector downturn and insolvencies and this lack of exposure, coupled with intensive asset and tenant management has led to a continued high level of rent collection in the first six months of 2021.

Despite Christmas and Q1 lockdowns, and the disappointing steps taken in June 2021 by the UK Government to extend the moratorium, we are pleased to report 97.43% rental collection for H1 2021 (adjusted for monthly and deferred agreements) improved from 97.22% reported in our 5 July 2021 trading update.

The current quarter (June to September 2021) rent collection so far is 96.58% (adjusted for monthly and deferred agreements), up from 90.20% reported in our 5 July 2021 trading update.

The overall collection level for 2020, taking into account recently received income that has been secured following negotiations and in line with agreements made with tenants, has risen to 98.82% (adjusted for monthly and deferred agreements) up from 98.75% reported in our 5 July 2021 trading update.

There has been a small number of tenants who have the ability to pay but have continued to take advantage of UK Government legislation on overdue rents. In these cases, we have taken permitted measures towards enforcing rent collection, which has resulted in overdue rents being collected and further rents expected over time.

INSURANCE CLAIM

In an attempt to recover lost rents resulting from the pandemic and following a recent UK insurance ruling, REI has lodged a claim with its insurers in connection with its policy pandemic clause, to claim any lost rent due to Covid-19. REI continues to monitor the ongoing and everchanging situation around the Covid-19 Insurance Claim. There have been some recent cases that have supported the claim. Whilst these are not directly comparable, the principle that they have established further supports the claim. In conjunction with our advisors, the matter will be dealt with accordingly, at the correct time to maximise the claim.

OUTLOOK

With a strong investor market and reinvigorated occupier market, the second half of 2021 onwards looks promising. We anticipate the increased enquiry and market activity levels witnessed in Q2 to continue over the next few months as markets begin to normalise and uncertainty settles, paving the way for pent up decisions to be made and opportunities to reveal themselves.

We will continue to focus our efforts on taking advantage of market recovery and will dispose of assets on an opportunistic basis where we have fully pursued asset management initiatives and where a premium to book value can be achieved, with a view to repurposing some of the proceeds into income-producing and value-enhancing assets. We evaluate our existing portfolio on a regular basis for assets that are prime for change of use, residential conversion and break-up value to ensure that we maximise portfolio value.

Strengthened confidence amongst occupiers and buyers, coupled with an already strong economy puts REI in a strong position to benefit from valuation recovery and improving occupancy levels and further improve our basic NAV now up to 56.1p (FY 2020: 54.5p) and our EPRA NTA at 57.7p (FY 2020: 55.2p).

MARKET CONSOLIDATION

Following transactions over the last few years involving Mucklow, St Modwen and others, we recognise the growing need for market consolidation within the real estate and REIT markets and we expect to see this activity continue as the UK recovery emerges. Management remains alert to options that align with the interests of our shareholders. Our primary aim remains to provide our shareholders with an attractive total return on their investment, with a progressive dividend policy.

INVESTMENT MARKET OVERVIEW

UK real estate investment volumes reached £24 billion at the half-year point of 2021 (Source BNP Paribas). This translates to a 12% increase on H1 2019, signifying an encouraging return to pre-pandemic levels. In light of improving economic conditions, BNP have also upgraded their forecast for UK real estate investment volume in 2021 to c. £56.5 billion. This represents a c. 20% increase on last year, ahead of the volume growth expected in France and Germany.

Fears of investment activity slowing at the start of the year due to a renewed lockdown now seem overplayed. Hopes are therefore justifiable that ongoing travel restrictions may not result in a dramatic weakening of transactional activity similar to what we have seen during the multiple lockdowns in 2020. With equity and commodity markets volatile and yields on 10-year treasuries, gilts and bonds all falling recently, commercial property remains a desirable asset class for investors.

Demand remains high for certain well-let assets with secure income streams and there is no sign of this demand dissipating, driven by low costs of debt and the weight of equity. From across the Midlands region and the local property investment markets we are seeing little or no distress, with noticeable increasing demand from private investors. We anticipate larger property companies and institutions will shortly follow suit in search of higher yielding returns.

Currently, we are witnessing a growing appetite from smaller private investors, looking to achieve attractive income returns from lot sizes between £200,000 and £1 million but at levels above our pre-pandemic book values and we are capitalising on this by selling individual lots from otherwise larger retail parks, demonstrated by the uplift we achieved on disposals during the period under review. However, with current market interest in mind, we continue to evaluate the potential enhanced break-up value of some assets to satisfy investor appetite.

From an investor's perspective, the retail sector is currently being watched with interest. With UK household spending and footfall set to rise in the coming months, we anticipate appetite for retail investment to continue throughout this year, particularly retail warehousing, where some investors now view retail park values as attractive, after a c.50% drop over the last five years. It remains very difficult to call the bottom of the retail market, but we think values have now rebased enough to merit deploying capital into the sector.

The developing recovery in retail investment continued into 2021, with Q1 volume of £1.7 billion just 7% below the three-year high of the previous quarter in Q4 2020. However, as in Q4 2020, the improvement reflected strong demand for supermarkets alongside opportunity-driven appetite for retail warehousing, the latter seeing volume reach a three-year high of £650 million in Q1 (Source: LSH Research).

With these green shoots of recovery and new market trends being witnessed across the market, it is worth saying that we are not immune to future downturns entirely and the UK is still not yet fully out of the woods, with investment volumes for both 5-year and 10-year averages reduced. Capital growth for investment values across the Midlands has been limited, with vendors holding onto assets with expectations of higher 'pre-pandemic' valuations.

REI PORTFOLIO

The portfolio is comprised of 250 tenants across 47 assets and has a net initial yield of 7.35%, with a reversionary yield of 8.25%.

Taking into account the disposals in H1 2021, the portfolio's gross property assets have increased by 1.88% to £195.2 million (on a like for like basis).

On the whole, taking into account the reduction in valuation on our void properties, office valuations have remained relatively stable and from a contracted rental perspective, account for 33.05% of the portfolio income. The notable rises in our portfolio valuations have been around the retail warehousing, demonstrated by an increase in Jasper, Tunstall and further gains on leisure and smaller single-let assets in peripheral locations.

The portfolio occupancy sits at 83.43% (FY 2020: 91.60%), impacted predominantly by the loss of Npower at Oldbury and Premier Inn at West Plaza, combined with the loss of tenants associated with disposals during the period. Within this reduction, there is very little income lost due to Covid-19 related CVAs or insolvencies. Our top 10 tenants represent only 26.13% of our portfolio income, with 6.50% secured to the Government.

Since the period end, we have recovered our occupancy levels to 86.07% (following the letting of the hotel space at West Plaza) and anticipate further occupancy improvement in the next 12 months.

Furthermore, we have previously mentioned the change in planning legislation in October 2020 which has boosted interest from a new class of occupiers (predominantly medical, pharmaceutical, restaurant and bar occupiers to date). Prior to this change, these tenants would have been unable to occupy specific retail space without a lengthy and risky planning process. We will continue to market this space accordingly with a view to attracting new tenants at a higher ERV.

Commodore Court, Nottingham where we have successfully achieved a new 10-year lease to an NHS affiliated tenant that specializes in eyecare, which was previously a large local supermarket, in doing so we have achieved rental levels significantly higher than previously anticipated.

DISPOSALS

We ended the period having completed 7 portfolio disposals totalling (net of costs) £9.4 million and 1 inventory sale for £1.15 million (aggregate uplift of 10.3% above book value, 14.0 % uplift on portfolio disposals). The capital from these sales will, in due course, be used to reduce our gearing levels and the remaining cash will be recycled into new assets with higher total return potential. The income associated with these disposed assets is £392,652 per annum.

POST-PERIOD DISPOSALS

- Completed sales of £987,500
- Sales awaiting completion in H2 of £5.83 million
- New pipeline of £780,000 in legals

As these transactions complete, they will provide further valuation comparables to support valuation recovery for existing assets within the retained portfolio. In the meantime, we are also seeing valuation gains on certain assets from asset management initiatives.

We are considering the sale of individual units at levels only above valuation.

ACQUISITIONS

We have not made any acquisitions during the period. With the absence of any distress or need to sell, vendors are holding onto historic valuations. From our extensive local and London based networks, we continue to see investment sales and monitor the positions where appropriate. However, we remain patient and will make suitable acquisitions when we believe we can secure value and income enhancing opportunities in line with investment criteria. On the whole, across the region volumes have been reduced and the market has not been open for acquisitions at what we believe to be sustainable levels.

We continue to monitor the market closely and have cash and banking facilities readily available for suitable opportunities.

OCCUPATIONAL MARKET OVERVIEW

Occupationally, the West Midlands and the wider regional markets have been recovering following the pandemic, as COVID vaccinations help bring us somewhere closer to normality and businesses are gaining confidence. In light of the improved market sentiment, occupiers are making swifter decisions as renewed confidence continues, reflected in better yields and rents in line with our ERVs.

Many businesses are encouraging employees back to the office. With the lessons learned and the experiences had during the pandemic, there are plenty of occupiers still yet to establish what their office operations look like going forward. That being said, many have between now and their lease expiries to establish this - some will require less space and some will, in fact, need more. An impact of the pandemic is a desire for flexibility, and this is thought to be turning some businesses that would normally be in office space on a traditional lease, to serviced space. From our experience, out of town offices market appears more buoyant than city centre office markets.

The office development pipeline across the region remains relatively thin, with very little speculative development and secondary office space being converted to residential or other alternative uses. With limited supply, headline rents in Birmingham have remained relatively steady, despite the trauma in 2020. There has, however, been a softening of incentives as landlords are now competing harder to secure new tenants, where leases are still being signed for 10 years with a 5-year break. We have been successful in agreeing terms with Government (DWP) and NHS affiliated (Community Health & Eyecare Limited) operators on new leases at higher than expected rental levels on this basis.

Convenience retailers were the most successful performers during the pandemic, so much so, that convenience store giants Coop, Spar, Aldi and Lidl are looking for more units including those in neighborhood centres and retail paradises. Despite the negative press around the wider retail market, convenience retail and retail warehousing have seen a resurgence.

With easy access and large retail foot prints, we are seeing that retail warehousing occupiers are very active at the moment albeit terms are still lagging pre-covid rental values, but we anticipate this changing over the coming years.

We have seen a remarkable increase in occupier demand from roadside/fast food and drive thru occupiers and have identified sites that have previously been either unoccupied or redundant land. Furthermore, with a growing appetite from occupiers, we have been able to negotiate extremely favourable terms to good covenants that will bring increases in value. This includes obtaining planning consent for a new drive thru unit in Crewe, which is let to Burger King. Additionally, we in the process of agreeing terms on two other sites (subject to planning); one to a fast-food retailer and the other a coffee operator.

We anticipate building these units from existing cash, as they offer an attractive return on capital, but are more than aware that there is good investor appetite to acquire such propositions by way of forward funded development agreements and we are exploring the prospects of this as an attractive option.

INCOME MIX

The current sector weightings are:

Sector	Rent £	% by Income
Office	4,865,051	33.05
Traditional Retail	2,911,048	19.77
Discount Retail - Poundland/B&M etc	1,751,402	11.90
Medical and Pharmaceutical - Boots/Holland & Barrett etc	1,225,049	8.32
Restaurant/Bar/Coffee - Costa Coffee, Loungers etc	963,400	6.54
Financial/Licences/Agency - Lloyds TSB, Santander UK PLC, Bank of Scotland etc	637,250	4.33
Food Stores - M&S, Aldi, Co-op, Iceland etc	885,690	6.02
Other - Hotels (Premier Inn/Travelodge), Leisure (The Gym Group, Luda Bingo), Car parking, AST	1,483,364	10.07
	14,722,254	100

ACTIVE ASSET MANAGEMENT

The first 6 months of 2021 have been significantly busier and, during the period, 15 key lease events have been completed including 5 lease renewals with a number of further matters now ongoing - either in legals or at an advanced discussion stage, demonstrating a sharp increase in enquiries and activity across the market.

As a result of initiatives during the period, our WAULT has improved to 5.01 years to break and 6.70 years to expiry (YE 2020: 4.84 years to break and 6.54 years to expiry), as at 30 June 2021.

Examples of the lease event activity across the portfolio during the period are as follows:

- Acocks Green - 15-year lease secured with Merkur Slots (t/a Cashino)
- Barracks Road, Newcastle under Lyme - JD Sports Gyms Limited has taken a 15-year lease, taking the unit on from Xercise4Less which was in administration
- Commodore Court, Nottingham - Community Health and Eyecare Limited has taken a 10-year lease replacing Sainsburys
- Crewe - A number of existing operators with lease ends/breaks have chosen to remain at the scheme; Superdrug, Bank of Scotland being key examples
- Park Street, Walsall - Superdrug and Waterstones have all committed to their respective units
- Leamington Spa, Warwickshire - TUI have committed to their unit
- Post period activity includes - the letting of the hotel space at West Plaza to a well-established hotel operator boosting both occupancy levels, contracted rental income and WAULT

All of the above demonstrate that tenants are feeling confident about making commitments to well-located schemes. REI continues to work closely with existing and new tenants to ensure that both parties agree terms that are partnership based and ensure the ongoing success of the respective businesses within their locations.

New tenants to newly let space within the portfolio in H1 include JD Sports Gyms Limited; Department of Work and Pensions, Community Health and Eyecare Limited (NHS Contract) and Merkur Slots UK Limited.

30 Jun 2021	Value £	Area (sq ft)	Contracted Rent (£)	ERV £	NIY %	EQY %	RY %	Occupancy %
Central Birmingham	24,255,000	101,477	1,293,602	1,838,210	4.98	6.92	7.08	74.31
Other Birmingham	30,825,000	215,895	2,644,008	2,189,985	9.69	8.27	8.02	95.41
West Midlands	71,650,000	636,548	5,149,167	6,399,509	6.75	8.25	8.39	75.21
Other Midlands	64,200,000	558,924	5,494,477	5,939,680	8.00	8.57	8.65	90.11
Other Locations	1,882,500	21,847	141,000	144,700	7.16	7.44	7.35	96.66
Land	2,380,350		-	-	-	-	-	-
Total	195,192,850	1,534,691	14,722,254	16,512,084	7.35	8.18	8.25	83.43

*Our land holdings are excluded from the yield calculations

DIRECTORATE CHANGES

As a result of our Board succession planning, we recently announced the retirement of John Crabtree OBE as Non-Executive Chairman who departed with our sincere thanks for his many years of leadership and guidance. At the AGM 2021, we welcomed our incoming Non-Executive Chairman, William Wyatt, (CEO of Caledonia Investments) who is very well placed to assist in driving the business forward.

We also announced the appointment of a new independent Non-Executive Director to the Board, Ian Stringer, former Non-Executive Chairman of GVA and current Principal of Avison Young. Ian is a highly respected figure in the Midlands property market who brings a wealth of experience and a first-class reputation with him.

OUR STAKEHOLDERS

Our ongoing sincere thanks to our shareholders, advisors, occupiers and staff for their support and assistance during a unique and challenging period.

William Wyatt
Chairman
20 September 2021

Paul Bassi CBE D.UNIV
Chief Executive
20 September 2021

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
For the 6 months ended 30 June 2021

	Six months to 30 June 2021 (Unaudited) £'000	Six months to 30 June 2020 (Unaudited) £'000	Year ended 31 December 2020 (Audited) £'000	
Revenue	7,782	8,204	16,425	
Cost of sales	(836)	(716)	(1,397)	
Gross profit	6,946	7,488	15,028	
Administrative expenses	(1,488)	(1,552)	(3,262)	
Surplus on sale of investment properties	1,157	-	-	
Change in fair value of investment properties	3,331	(7,284)	(27,896)	
Profit/(loss) from operations	9,946	(1,348)	(16,130)	
Finance income	1	14	14	
Finance costs	(1,634)	(1,857)	(3,637)	
Profit/(loss) on financial liabilities held at fair value	716	(657)	(483)	
Profit/(loss) on ordinary activities before taxation	9,029	(3,848)	(20,236)	
Income tax charge	-	-	(405)	
Net profit/(loss) after taxation and total comprehensive income	9,029	(3,848)	(20,641)	
Basic earnings/(loss) per share	6	5.0p	(2.0)p	(11.5)p
Diluted earnings/(loss) per share	6	4.9p	(2.0)p	(11.5)p
EPRA earnings per share	6	2.1p	2.2p	4.5p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2021

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 31 December 2019	18,642	51,721	45	1,102	53,933	125,443
Share based payment	-	-	-	(93)	-	(93)
Dividends - final 2019	-	-	-	-	(1,864)	(1,864)
Dividends - interim 2020	-	-	-	-	(932)	(932)
Transactions with owners	-	-	-	(93)	(2,796)	(2,889)
Loss for the period and total comprehensive income	-	-	-	-	(3,848)	(3,848)
At 30 June 2020	18,642	51,721	45	1,009	47,289	118,706
Share based payment	-	-	-	(400)	-	(400)
Share buy back	(704)	-	-	-	(1,306)	(2,010)
Transfer re capital	-	-	704	-	(704)	-
Dividends - interim 2020	-	-	-	-	(1,829)	(1,829)
Transactions with owners	(704)	-	704	(400)	(3,839)	(4,239)
Profit for the period and total comprehensive income	-	-	-	-	(16,793)	(16,793)
At 31 December 2020	17,938	51,721	749	609	26,657	97,674
Share based payment	-	-	-	75	-	75
Dividends - final 2020	-	-	-	-	(2,500)	(2,500)
Dividends - interim 2021	-	-	-	-	(1,250)	(1,250)
Transactions with owners	-	-	-	75	(3,750)	(3,675)
Loss for the period and total comprehensive income	-	-	-	-	9,029	9,029
At 30 June 2021	17,938	51,721	749	684	31,936	103,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

	Note	30 June 2021 (Unaudited) £'000	30 June 2020 (Unaudited) £'000	31 December 2020 (Audited) £'000
Assets				
Non-current assets				
Investment properties	5	192,813	218,005	197,520
Property, plant and equipment		3	6	5
Deferred taxation		-	405	-
		<u>192,816</u>	<u>218,416</u>	<u>197,525</u>
Current assets				
Inventories		2,380	3,785	3,796
Trade and other receivables		4,798	3,632	4,340
Cash and cash equivalents		9,085	8,983	4,238
		<u>16,263</u>	<u>16,400</u>	<u>12,374</u>
Total assets		<u>209,079</u>	<u>234,816</u>	<u>209,899</u>
Liabilities				
Current liabilities				
Bank loans		3,979	49,188	45,579
Trade and other payables		7,183	7,413	7,337
		<u>11,162</u>	<u>56,601</u>	<u>52,916</u>
Non-current liabilities				
Bank loans		92,071	55,801	55,775
Financial liabilities		2,818	3,708	3,534
		<u>94,889</u>	<u>59,509</u>	<u>59,309</u>
Total liabilities		<u>106,051</u>	<u>116,110</u>	<u>112,225</u>
Net assets		<u>103,028</u>	<u>118,706</u>	<u>97,674</u>
Equity				
Ordinary share capital		17,938	18,642	17,938
Share premium account		51,721	51,721	51,721
Capital redemption reserve		749	45	749
Other reserves		684	1,009	609
Retained earnings		31,936	47,289	26,657
Total equity		<u>103,028</u>	<u>118,706</u>	<u>97,674</u>

CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months ended 30 June 2021

	Six months to 30 June 2021 (Unaudited) £'000	Six months to 30 June 2020 (Unaudited) £'000	Year ended 31 December 2020 (Audited) £'000
Cashflows from operating activities			
Profit/(loss) after taxation	9,029	(3,848)	(20,641)
Adjustments for:			
Depreciation	2	3	3
Surplus on sale of investment property	(1,157)	-	-
Net valuation deficits	(3,331)	7,284	27,896
Share based payment	75	(93)	(250)
Finance income	(1)	(14)	(14)
Finance costs	1,634	1,857	3,637
(Surplus)/deficit on financial liabilities held at fair value	(716)	657	483
Taxation charge recognised in profit and loss	-	-	405
Decrease/(increase) in inventories	1,416	(5)	(16)
Increase in trade and other receivables	(458)	(1,209)	(1,917)
(Decrease)/increase in trade and other payables	(506)	114	74
	5,987	4,746	9,660
Cash flows from investing activities			
Purchase of investment properties	(228)	(214)	(341)
Purchase of property, plant and equipment	-	-	-
Proceeds from sale of property, plant and equipment	9,423	-	-
Interest received	1	14	14
	9,196	(200)	(327)
Cash flow from financing activities			
Interest paid	(1,634)	(1,857)	(3,637)
Share buyback	-	-	(2,010)
Share based payment	-	-	(243)
Equity dividends paid	(3,398)	(3,612)	(5,476)
Proceeds from bank loans	-	3,500	3,500
Repayment of bank loans	(5,304)	(3,686)	(7,321)
	(10,336)	(5,655)	(15,187)
Net increase/(decrease) in cash and cash equivalents	4,847	(1,109)	(5,854)
Cash and cash equivalents at beginning of period	4,238	10,092	10,092
Cash and cash equivalents at end of period	9,085	8,983	4,238

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the 6 months ended 30 June 2021**

1. BASIS OF PREPARATION

Real Estate Investors Plc, a Public Limited Company, is incorporated and domiciled in the United Kingdom.

The interim financial report for the period ended 30 June 2021 (including the comparatives for the year ended 31 December 2020 and the period ended 30 June 2020) was approved by the board of directors on 20 September 2021.

It should be noted that accounting estimates and assumptions are used in preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events and action, actual results may ultimately differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are set out in note 3 to the interim financial information.

The interim financial information contained within this announcement does not constitute statutory accounts within the meaning of the Companies Act 2006. The full accounts for the year ended 31 December 2020 received an unqualified report from the auditor and did not contain a statement under Section 498 of the Companies Act 2006.

2. ACCOUNTING POLICIES

The interim financial information has been prepared under the historical cost convention.

The principal accounting policies and methods of computation adopted to prepare the interim financial information are consistent with those detailed in the 2020 financial statements approved by the Board on 29 March 2021.

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are as follows:

Investment property revaluation

The Group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, anticipated purchaser costs and the appropriate discount rate. The valuer and the directors also make reference to market evidence of transaction prices for similar properties.

Interest rate swap valuation

The Group carries the interest rate swap as a liability at fair value through the profit or loss at a valuation. This valuation has been provided by the Group's bankers.

Critical judgements in applying the Group's accounting policies

The Group makes critical judgements in applying accounting policies. The critical judgement that has been made is as follows:

REIT Status

The Group elected for REIT status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group's profit from property investment and gains are exempt from UK corporation tax. In the Directors' opinion the Group have met these conditions.

4. SEGMENTAL REPORTING

Primary reporting - business segment

The only material business that the Group has is that of investment in commercial properties. Revenue relates entirely to rental income from investment properties.

5. INVESTMENT PROPERTIES

The carrying amount of investment properties for the periods presented in the interim financial information is reconciled as follows:

	£'000
Carrying amount at 31 December 2019	225,075
Additions	214
Disposals	-
Revaluation	<u>(7,284)</u>
Carrying amount at 30 June 2020	218,005
Additions	127
Disposals	-
Revaluation	<u>(20,612)</u>
Carrying amount at 31 December 2020	197,520
Additions	228
Disposals	(8,266)
Revaluation	3,331
Carrying amount at 30 June 2021	<u><u>192,813</u></u>

6. EARNINGS AND NAV PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for all dilutive potential ordinary shares.

The calculation of the basic NAV per share is based on the balance sheet net asset value divided by the weighted average number of shares in issue during the period. The calculation of the diluted NAV per share is based on the basic NAV per share adjusted to allow for all dilutive potential ordinary shares.

The European Public Real Estate Association (“EPRA”) earnings and NAV figures have been included to allow more effective comparisons to be drawn between the Group and other businesses in the real estate sector.

EPRA EPS per share

	30 June 2021			30 June 2020		
	Earnings	Shares	Earnings per share	Earnings	Shares	Earnings per share
	£'000	No	P	£'000	No	P
Basic earnings/(loss) per share	9,029	179,377,898	5.03	(3,848)	186,420,598	(2.06)
Fair value of investment properties	(3,331)			7,284		
Profit on disposal of investment properties	(1,157)			-		
Change in fair value of derivatives	(716)			657		
Deferred tax in respect of EPRA adjustments	-			-		
EPRA Earnings	3,825	179,377,898	2.13	4,093	186,420,598	2.20

NET ASSET VALUE PER SHARE

The Group has adopted the new EPRA NAV measures which came into effect for accounting periods starting 1 January 2020. EPRA issued new best practice recommendations (BPR) for financial guidelines on its definitions of NAV measures. The new NAV measures as outlined in the BPR are EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV).

The Group considered EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and we are now reporting this as our primary NAV measure, replacing our previously reported EPRA NAV and EPRA NNNNAV per share metrics. EPRA NTA excludes the intangible assets and the cumulative fair value adjustments for debt-related derivatives which are unlikely to be realised.

	30 June 2021		
	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	103,028	103,028	103,028
Fair value of derivatives	2,818	2,818	-
Real estate transfer tax	-	12,838	-
EPRA NAV	105,846	118,684	103,028
Number of ordinary shares issued for diluted and EPRA net assets per share	183,508,983	183,508,983	183,508,983
EPRA NAV per share	57.7p	64.7p	56.1p

The adjustments made to get to the EPRA NAV measures above are as follows:

- Real estate transfer tax: Gross value of property portfolio as provided in the Valuation Certificate (i.e. the value prior to any deduction of purchasers' costs).
- Fair value of derivatives: Exclude fair value financial instruments that are used for hedging purposes where the company has the intention of keeping the hedge position until the end of the contractual duration.

	31 December 2020		
	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	97,674	97,674	97,674
Fair value of derivatives	3,534	3,534	-
Real estate transfer tax	-	12,623	-
EPRA NAV	101,208	113,831	97,674
Number of ordinary shares issued for diluted and EPRA net assets per share	183,369,382	183,369,382	183,369,382
EPRA NAV per share	55.2p	62.1p	53.3p

	30 JUNE 2021	31 DECEMBER 2020
	No of Shares	No of Shares
Number of ordinary shares issued at end of period	179,377,898	179,377,898
Dilutive impact of options	4,131,085	3,991,484
Number of ordinary shares issued for diluted and EPRA net assets per share	183,508,983	183,369,382
Net assets per ordinary share		
Basic	57.4p	54.5p
Diluted	56.1p	53.3p
EPRA NTA	57.7p	55.2p