

Corporate

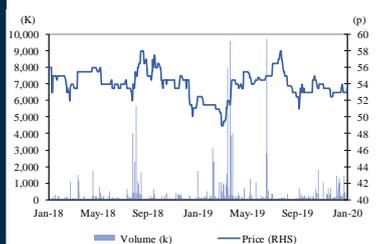
 Current price **53.0**

 Sector **Property**

 Code **RLE**

 AIM **AIM**

Share Performance



	1m	3m	12m
RLE	+0.9%	+0.9%	+1.9%

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **98.8**

 Shares in issue (m) **186.42**

 52 weeks **High** **Low**
58.0 **49.0**

 Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

Perpetual Income & Growth 9.31%

J O Hambro Capital Mgmt 9.92%

Premier Fund Management 8.61%

M&G Investment Management 6.81%

PPS Bassi 5.51%

Source: Company Data, Allenby Capital

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Real Estate Investors (RLE)

Resilient 2019, well set to prosper in 2020

RLE's FY19 trading update reiterates its ability to trade positively across the cycle. In a year defined as 'relatively static' and characterised by economic and political uncertainty, rent-based revenue was 3.85% up year on year and dividends grew for the seventh successive year. Management anticipates a more dynamic 2020, driven by vibrant core West Midlands markets, and pent up demand from tenants and investors.

- The statement anticipates further dividend growth in 2020.** Based on our maintained distribution and NAV forecasts, the shares currently offer a 7.5% prospective FY20e yield, underpinned by a 23% discount to end FY19e NAV/share. That is attractive considering RLE's positioning as a leading investor in Birmingham and West Midlands commercial property, in a sector continuing to experience consolidation.
- Strong occupier demand for offices (37% of the portfolio).** Local office markets are benefiting from modest new build and conversion of existing stock to residential under Permitted Development rights. That demand is reflected in BT's decision, announced on 8 January, to relocate up to 4,000 employees in Three Snowhill, a 17-storey landmark building in central Birmingham. That is the city's largest ever single office letting.
- Birmingham of interest to overseas investors.** In Nov 2019 European commercial property marketplace Consorto reported Birmingham as the top choice for foreign investors in UK regional cities in 2020. Institutional demand from Asia, the US and other Europe is attracted by low average prices in regional cities. Birmingham's plan to regenerate its city centre has also specifically attracted interest and helped generate investor confidence.
- In 2019 RLE grew its rent-based revenues by 3.85% to £17.66m.** Despite a quieter period, the group invested £9.25m during FY19 in prime mixed-use investment properties in Leamington, Warwickshire. That secured an 8.13% NIY, from high quality tenants including O2, Toni & Guy, McDonald's, Tiger UK, Moss Bros, Timpson. It sees potential to ratchet up rental and capital values within a portfolio of 53 assets and 280 occupiers. The portfolio is diversified, well balanced by sector and tenant, and over 96% occupied.
- Cash and debt available to finance growth.** At the year-end RLE had £15m cash/undrawn debt available to capitalise upon suitable opportunities to enlarge the portfolio and rental base. Cost of debt has been reduced going forward to 3.4%, with 72% of the debt book now at fixed rates. RLE drew-down its latest secured facility - £8.5m provided by Barclays for a four-year term at 1.95% above LIBOR - on 30 December 2019.

Year End: December

(£'000)	2016	2017	2018	2019E	2020E
REVENUE	13,4563	14,880	15,642	16,700	17,200
ADJ. PBT (EX REVALUATIONS)	5,238	6,167	7,160	7,800	8,100
EPRA EPS (p)	2.80	3.31	3.85	4.2	4.4
DIVIDEND (p)	2.63	3.13	3.56	3.75	4.00
DIVIDEND YIELD (%)	5.0	5.9	6.8	7.1	7.5
EPRA NAV/SHARE (p)	66.2	68.9	69.3	68.5	69.0
DISCOUNT TO NAV (%)	20	23	24	23	23

Allenby Capital acts as Joint Broker to Real Estate Investors (RLE).

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