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If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the accompanying Form of Proxy, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. Such documents should not however be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares, you should retain these documents and contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

Copies of this document are available to the public, free of charge, at the offices of Smith & Williamson Corporate Finance Limited, 25 Moorgate, London EC2R 6AY, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document for a period of one month. A copy of this document is also available on the Company's website (www.reiplc.com).

This document is not an offer of securities, or the solicitation of an offer to acquire securities, in any jurisdiction. This document is not a prospectus or equivalent document. The Placing Shares referred to in this document have not been and will not be registered or qualified for distribution to the public under the securities legislation of any jurisdiction. The information about the Placing in this document is provided solely for the information of Shareholders in connection with the GM and not to any other person or for any other purpose.

The Placing Shares referred to in this document have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered, sold or transferred in the United States except pursuant to an exemption from, or in a transaction not subject to, the requirements of the Securities Act. The Placing Shares may not be offered, sold or transferred, directly or indirectly, in or into Australia, Canada, Japan, New Zealand, South Africa or Switzerland, or any province or territory thereof, or any other jurisdiction in which it would be unlawful to do so.

This document should be read in conjunction with the accompanying Form of Proxy and the definitions set out in this document. The whole of this document should be read and, in particular, your attention is drawn to the letter from the Chairman of Real Estate Investors PLC which contains the unanimous recommendation by the Directors to Shareholders to vote in favour of the Resolutions to be proposed at the GM.

Real Estate Investors PLC

(incorporated in England and Wales with registered number 5045715)

Placing of new Ordinary Shares

Share Consolidation

Reduction of Share Premium Account

and

Notice of General Meeting

The GM to consider the Resolutions will be held at 10.00 a.m. on 18 July 2011 at the Company's registered office, Cathedral Place, Third Floor, 42-44 Waterloo Street, Birmingham B2 5QB. The notice convening the GM is set out on pages 15 to 17 of this document. **The action to be taken in respect of the GM is set out in the letter from the Chairman of Real Estate Investors PLC contained in Part I of this document. Whether or not you plan to attend the GM, please complete the enclosed Form of Proxy and return it in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by post during normal business hours, by hand, to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by 10.00 a.m. on 16 July 2011 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, if you hold Ordinary Shares in uncertificated form, you may also appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual ensuring that it is received by Capita Registrars (under CREST participant ID: RA10) by no later than 10.00 a.m. on 16 July 2011 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy or use of the CREST electronic proxy appointment service will not prevent you from attending, speaking and voting at the GM, or any adjournment thereof, in person should you wish to do so.**

If you require assistance in completing the Form of Proxy or require additional Forms of Proxy, please call Capita Registrars, the Company's registrars, on 0871 664 0300 (calls cost 10p per minute plus network charges and lines are open Monday to Friday, 8.30 a.m. to 5.30 p.m.) or, from outside the UK, on +44 20 8639 3399). For legal reasons, Capita Registrars will not be able to give advice on the merits of the Resolutions or to provide legal, financial or taxation advice, and accordingly for such advice you should consult your stockbroker, solicitor, accountant, bank manager or other independent professional adviser.

Smith & Williamson, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser for the purposes of the AIM Rules exclusively for the Company in connection with Admission and the Placing. Smith & Williamson is not acting for any other person and will not be responsible to any other person for providing the protections afforded to clients of Smith & Williamson, or for advising any other person in connection with Admission and the Placing. The responsibilities of Smith & Williamson as nominated adviser are owed solely to the London Stock Exchange and not to the Company or to any Director or any person in respect of any decision to acquire Placing Shares in reliance on any part of this document.

Liberum, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as broker exclusively for the Company in connection with the Placing. Liberum is not acting for any other person and will not be responsible to any other person for providing the protections afforded to clients of Liberum, or for advising any other person in connection with the Placing.

No representation or warranty, express or implied, is made by Smith & Williamson or Liberum or any of their respective directors, officers, employees, advisers or agents as to any of the contents of this document and, without limiting the statutory rights (if any) of any person to whom this document is issued, no liability whatsoever is accepted by Smith & Williamson or Liberum or any of their respective directors, officers, employees, advisers or agents for the accuracy of any information or opinions contained in this document or for the omission of any material information.

Date: 1 July 2011

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TIMETABLE OF PRINCIPAL EVENTS

	<i>2011</i>
Posting of this document	1 July
Latest date for receipt of Forms of Proxy for GM	10.00 a.m. on 16 July
GM	10.00 a.m. on 18 July
Admission and commencement of dealings in the Placing Shares	8.00 a.m. on 19 July
Record date for Share Consolidation	5.00 p.m. on 19 July
Share Consolidation effective	8.00 a.m. on 20 July

SHARE STATISTICS

Placing Price	5.5 pence
Number of Ordinary Shares in issue	496,024,161
Number of Ordinary Shares to be issued	218,181,821
Number of Ordinary Shares in issue following Admission	714,205,982
Placing Shares as a percentage of the Enlarged Issued Share Capital	30.5 per cent.
Gross proceeds of the Placing	£12 million
Number of Ordinary Shares in issue following Share Consolidation*	71,420,598

*This number may change depending on the Shareholders on the register on the record date for the Share Consolidation.

PART I

LETTER FROM CHAIRMAN

Real Estate Investors PLC

(incorporated in England and Wales with registered number 5045715)

Directors:

John Crabtree (*Chairman*)
John Jack (*Deputy Chairman*)
William Wyatt (*Non-Executive Director*)
Paul Bassi (*Chief Executive*)
Marcus Daly (*Finance Director and Secretary*)

Registered Office:

Cathedral Place
3rd Floor
42-44 Waterloo Street
Birmingham
West Midlands
B2 5QB

1 July 2011

Dear Shareholder

PLACING OF NEW ORDINARY SHARES, SHARE CONSOLIDATION, REDUCTION OF SHARE PREMIUM ACCOUNT AND NOTICE OF GENERAL MEETING

Introduction

The Company announced earlier today that it proposes to raise funds for expansion by way of a placing of 218,181,821 new Ordinary Shares at a price of 5.5 pence per new Ordinary Share, raising approximately £11.7 million (net of expenses). The Placing is conditional upon, amongst other things, the approval of Shareholders at the GM and upon the Placing Agreement becoming unconditional in all respects.

The Company also announced today that it proposes to consolidate its share capital and reduce its share premium account.

The purpose of this document is to explain the background to and reasons for the Placing and the other proposals set out in this document and why the Directors consider the Placing and such other proposals to be in the best interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the GM, notice of which is set out at the end of this document.

The contents of this letter are important and I would urge you to read it carefully and to sign and return the enclosed Form of Proxy in accordance with the instructions given thereon and in Part II “Action to be Taken” below, as soon as possible.

Background to and reasons for the Placing

Whilst the London commercial property market has shown recent signs of recovery and yield compression, the regional commercial property market still remains depressed which has corresponding effects on property valuations and yields.

This, however, has created opportunities for the Company to acquire prime and quality secondary properties in the West Midlands opportunistically in a capital starved market. The Company is a West Midlands focussed property investment company specialising in investment in offices, shops, residential properties and land in lot sizes between £1 million to £10 million, and through its in-depth knowledge of the local occupier market via its agency associations with CP Bigwood Chartered Surveyors and The

Bond Wolfe Partnership, is ideally positioned to be a cash purchaser of acquisition opportunities emerging from a range of sources including:

- banks and building societies seeking to asset manage and reduce their distressed loan book;
- local government, regional development agencies and other government bodies, e.g. the NHS, seeking to release capital;
- ‘motivated’ vendors looking to sell to cash buyers on discounted terms; and
- vendors who are seeking quick sales of investment properties to cash buyers.

The Directors expect that a lack of bank finance will continue to be a feature of the market place, with a greater number of transactions in the coming year, prompted by banks not renewing facilities and distressed sales, from private and quoted companies who are unable to refinance. Furthermore, the Directors believe that banks will embark upon a de-leveraging process during 2011-2012 and beyond. The Company is ideally positioned to take advantage of that process given its very strong local banking relationships. The Directors believe that another feature of the market place will be government departments and local authorities selling assets to raise capital, as well as government stimulus of the local occupier market via Birmingham’s likely ‘Enterprise Zone’ status and unemployment training contracts focus. Where opportunities match the Company’s investment criteria, it will act to add assets to its portfolio. The Company is well placed to capitalise on these opportunities having established REI as a respected regional property investment company, recognised by agents, advisors and vendors as a proven counterparty.

With the benefit of additional cash reserves and existing bank facilities, the Company intends to continue to acquire ex-institutional properties opportunistically, particularly where it can undertake asset management to produce attractive investment properties with strong tenant covenants and improved valuation yields. During the next 6 to 18 months, the Company’s focus will be income generation from the existing portfolio and further acquisitions. The portfolio will continue to be risk averse, with no reliance on any single tenant or property. The Directors believe that the Company is likely to see capital growth from rising rental income, lettings, acquisitions, lease renewals, asset management and from market normalisation.

In order to maximise REI’s ability to respond quickly to opportunities and its presence in the market as a cash buyer, the Directors are seeking to raise approximately £12 million (before expenses) by way of a Placing of new Ordinary Shares.

Use of Proceeds

The Board is proposing to raise approximately £12 million of additional equity (before expenses) by means of the Placing, in order to provide additional resources to capitalise on acquisition opportunities currently existing in the West Midlands property market from motivated vendors. REI will continue to invest in acquisition opportunities in line with its established investing policies, focusing on assets which have:

- high running yields or short to medium term asset management opportunities; and
- opportunities to generate rental value and/or capital growth from active asset management, refurbishment, redevelopment, change of use and planning gains.

Based on some of the attractive valuations the Board is now starting to see for acquiring certain commercial properties and its broader view of the opportunities that it expects to be forthcoming, it is the expectation of the Board that it should be able to substantially deploy the proceeds of the Placing within 6 to 18 months of Admission. It remains the Board’s objective to grow the Company’s portfolio from the current level and for the Company to become a growing, high payout ratio property business. The Directors believe that rental value and capital growth can be achieved through active asset management of acquired properties and will not be reliant on yield compression. The Directors believe however that yield compression in the market in the future should benefit the portfolio.

Current Trading and Prospects

On 4 April 2011, the Company announced its preliminary results for the 12 months ended 31 December 2010, confirming a loss before tax of £5.6 million principally as a result of the revaluation of the Company's portfolio. However, rental income was up 1.8 per cent. to £3.3 million compared to £3.2 million for the year ended 31 December 2009, with contracted annual rental income of £4.0 million, an increase of 20 per cent. on the previous year. Current contracted rental income is estimated at £4.3 million (7.2 per cent. of portfolio valuation pro-forma after acquisitions).

The level of ERV on the Company's existing portfolio represents yields of typically between 7.1 per cent. and just over 10 per cent. per annum. The Directors believe that there is still a significant differential between ERV and current contracted rental income, presenting prospects for organic growth with ERVs starting to be achieved on new lettings. The current ERV is estimated at £5.8 million (9.7 per cent. yield on valuation pro-forma). Leasing progress to date during 2011, including leases in legals, is estimated at £300,000 per annum.

The total property portfolio valuation, as at 31 December 2010, was £56 million, including inventory properties, with a net asset value per Ordinary Share of 6.5 pence and EPRA NAV of 6.3 pence. As at 30 June 2011, being the latest practicable date prior to the publication of this document, the portfolio valuation was estimated at £59.6 million, which comprises a legacy portfolio acquired by previous management equal to £13.5 million. Of the legacy portfolio, £6 million is classified as current assets, not re-valued and the upside is recognised only on sale. Approximately £2 million of disposals are planned in 2011, with assets recently let to Tesco and a position currently under offer to HBOS.

REI remains conservatively financed with bank loans of approximately £39 million and available cash of approximately £11.8 million as at 31 December 2010. It is the Board's intention that the loan to value ratio across the Company's portfolio will not exceed a level of 65 per cent. at any time.

On 12 January 2011, the Company announced that it had exchanged contracts to acquire Kingston House, West Bromwich for £3.1 million in cash, representing a yield in excess of 11 per cent. The principal tenant is the Secretary of State (comprising 84 per cent. of current contracted tenanted income to 2019). On the same date, the Company also announced that it had received detailed planning consent for eight three bedroom semi-detached homes on the site of an acquired public house known as Hill Tavern, Dudley, West Midlands.

On 5 May 2011, the Company completed the acquisition of 32.1 acres of land in Tredegar for £1 million in cash. The property has planning consent for 283 homes and the Company intends to place the property on the market for sale.

Portfolio and pipeline

The property portfolio, based principally in the West Midlands, comprises a diverse range of properties and is not reliant on or over-exposed to specific sub-sectors or tenants. The Directors believe that they can build on this portfolio through their network of agents and established relationships which provide introductions to prospective investments where the Company can act as an unlevered cash buyer to facilitate quick execution on competitive terms. Further, the Directors believe that REI's well established banking relationships, with institutions including the Lloyds Banking Group, Barclays, Santander, Yorkshire and Handelsbanken, will provide access to new credit facilities, allowing it to recycle its equity investments, as well as participate in distressed asset work-outs in the region where it has been selected as a preferred partner to one of the major UK banks.

REI has been in discussions in relation to a pipeline of opportunities with an aggregate value of almost £50 million which is expected to include the following vendors:

- motivated sellers, sourced through the Company's agency relationships with The Bond Wolfe Partnership and CP Bigwood Chartered Surveyors (a leading property agent, manager and auctioneer in the West Midlands);
- lender stakeholders, sourced through direct dialogue between REI management and regional lenders; and

- local authority, Government departments, regional development agencies and breweries, sourced through the Company's agency relationships with The Bond Wolfe Partnership, CP Bigwood Chartered Surveyors and other agency practices.

These pipeline assets provide opportunities for re-financing and active asset management by the Company. Overall, it is the Directors' intention to achieve capital growth through active asset management coupled with revenue growth through the capture of reversionary income from the current portfolio and immediate revenue enhancement from pipeline acquisitions.

Details of the Placing

The Company is proposing to issue 218,181,821 Placing Shares at a price of 5.5 pence per Placing Share pursuant to the Placing, raising £11.7 million (net of expenses). The Placing Price represents a discount of 0.25 pence (4.3 per cent.) to the closing middle market price of an Ordinary Share on 27 June 2011, the latest practicable date prior to the announcement of the Placing.

The Placing has been undertaken pursuant to the Placing Agreement. Under the terms of the Placing Agreement Liberum, as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares and Smith & Williamson as agent for the Company, has agreed to act as nominated advisor in connection with the application for Admission.

The Placing Agreement is conditional on, amongst other things:

- (i) the passing of the Resolutions (without material amendment) at the GM;
- (ii) the delivery by the Company to Liberum and Smith & Williamson of certain documents and letters;
- (iii) the Company not having breached in any material respect any of its obligations under the Placing Agreement; and
- (iv) Admission becoming effective by not later than 8.00 a.m. on 19 July 2011 (or such later time and/or date as the Company, Liberum and Smith & Williamson may agree (being not later than 8.00 a.m. on 9 August 2011)).

The Placing Agreement contains certain warranties given by the Company in favour of Liberum and Smith & Williamson as to, amongst other things, certain matters relating to the Company and its business. In addition, the Company has given certain undertakings to Liberum and Smith & Williamson relating to, amongst other things, the despatch of public communications concerning the Company following Admission and the issue and allotment of Ordinary Shares following Admission. The Placing Agreement also contains indemnities given by the Company in favour of Liberum and Smith & Williamson in relation to certain liabilities they may respectively incur in respect of the Placing and/or Admission. Liberum and Smith & Williamson have the right to terminate the Placing Agreement prior to Admission in certain circumstances, including: (i) in the event that the Company has failed to comply in any material respect with any of its obligations under the Placing Agreement; (ii) in the event that Liberum and Smith & Williamson become aware that any of the warranties from the Company in the Placing Agreement is not, or has ceased to be, true and accurate in any material respect; and (iii) in the event of certain events of force majeure, including any adverse change in national or international financial, economic, market or political conditions which in the opinion of Liberum and Smith & Williamson (arrived at in good faith and, as far as practicable, in consultation with the Company) would be materially adverse to the Placing or would render proceeding with the Placing impracticable or inadvisable.

In consideration for the services to be provided to the Company by Liberum and Smith & Williamson in connection with Admission and the Placing, the Company has agreed to pay Liberum and Smith & Williamson certain fees and commissions and certain other costs and expenses incidental to Admission and/or the Placing.

The expenses of and incidental to the Placing, including the fees and commissions payable to Liberum and Smith & Williamson, are estimated to amount to approximately £240,000 (including VAT), and will be payable by the Company.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. Subject to, amongst other things, the Resolutions being duly passed by the requisite majority at the GM, it is expected that Admission will become effective and dealings in the Placing Shares on AIM will commence on 19 July 2011.

If Admission does not take place on or before 8.00 a.m. on 19 July 2011 (or such later time and/or date as the Company, Liberum and Smith & Williamson may agree (being not later than 8.00 a.m. on 9 August 2011)), the Placing will not proceed.

The Placing Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after Admission.

The Placing is not being underwritten and none of the Directors intends to subscribe for Placing Shares in the Placing. At the time of their appointment as Directors, the Panel on Takeovers and Mergers deemed Paul Bassi, Marcus Daly and certain other individuals who invested in the Company at the same time to be members of a concert party. As none of the members of the concert party will be subscribing for Placing Shares in the Placing, the concert party's aggregate interest in the issued share capital of the Company following the Placing will be 14.61 per cent. in the Enlarged Issued Share Capital.

The Directors are seeking authority from Shareholders to allot Ordinary Shares pursuant to the Placing and to disapply statutory pre-emption rights in respect of such Ordinary Shares.

Related party transaction

As at 30 June 2011 (being the latest practicable date prior to the publication of this document) Caledonia held 28.21 per cent. of the existing issued Ordinary Shares. 61,570,664 Placing Shares will be issued to Caledonia pursuant to the Placing and because Caledonia's holding is in excess of 10 per cent. of the existing issued Ordinary Shares, Caledonia is considered to be a related party under the AIM Rules and Caledonia's participation in the Placing will constitute a related party transaction under Rule 13 of the AIM Rules.

The Board (with the exception of William Wyatt who is the Chief Executive Officer of Caledonia), having been so advised by Smith & Williamson, believes that this related party transaction is fair and reasonable as far as the Shareholders are concerned. In providing its advice to the Board, Smith & Williamson has taken into account the Directors' commercial assessment of this related party transaction.

Dividend policy

It is the Board's present intention that the Company's funds will principally be applied towards its investment strategy and that, accordingly, dividends have not been paid in respect of the year ended 31 December 2010. While the intention of the Board was to commence dividend payments in respect of the year ended 31 December 2010, the Directors believed it was not prudent to do so given the prevailing market conditions. The Board remains committed to paying a dividend in 2012, subject to capital being invested, the Company's contracted rental income providing the Company with a cash surplus and subject always to the Directors' judgment of market conditions and the Company's cash and financial position at the relevant time. The Directors consider that the Company's existing business model is suited to conversion for a REIT structure, and the Board will continue to consider the appropriateness of a conversion to a REIT structure in the future.

Proposed Share Consolidation

Following the Placing and Admission, the Company will have 714,205,982 issued Ordinary Shares.

It has become clear that there is a need to undertake the Share Consolidation to make the number of Ordinary Shares in the capital of the Company that are in issue more manageable.

The proposed new ordinary shares of £0.10 each in the capital of the Company that are to be created pursuant to the Share Consolidation (“New Denomination Ordinary Shares”) will have the same rights as to voting, dividends and return on capital as the existing Ordinary Shares.

The Directors are seeking Shareholder approval by ordinary resolution at the GM for the Share Consolidation.

If approved, the Share Consolidation will be effective at 8.00 a.m. on the business day immediately following Admission. Certificates for the New Denomination Ordinary Shares will be despatched by 16 August 2011 to those Shareholders who hold their existing Ordinary Shares in certificated form. Any certificates in respect of existing Ordinary Shares will no longer be valid from 8.00 a.m. on the business day immediately following Admission and should be destroyed upon receipt of certificates in respect of the New Denomination Ordinary Shares. Pending despatch of the definitive certificates in respect of the New Denomination Ordinary Shares, transfers of the New Denomination Ordinary Shares will be certified against the register. Definitive share certificates for the New Denomination Ordinary Shares will not be despatched to those Shareholders who have previously elected to have their Ordinary Shares held in uncertificated form. Instead the New Denomination Ordinary Shares will be credited to such Shareholders in uncertificated form through CREST. The ISIN for the New Denomination Ordinary Shares will be GB00B45XLP34, the new Sedol number will be B45XLP3 and the ticker, RLE, remains unchanged.

In the event that any Shareholder becomes entitled to fractions of New Denomination Ordinary Shares as a result of the Share Consolidation, it is proposed that the Directors are authorised to deal with such fractions as they shall determine. The Articles grant the Directors the discretion to sell New Denomination Ordinary Shares representing such fractions to any person at the best price reasonably obtainable, and to pay the net proceeds of the sale of such New Denomination Ordinary Shares to the relevant Shareholders in proportion to their shareholding. Where the amount due is less than £3.00 then the relevant proceeds will be retained by the Company.

It is proposed that the Share Consolidation will consist of the following steps:

- (i) every 10 existing Ordinary Shares (or such number as will result in a whole number of New Denomination Ordinary Shares, the balance of the existing Ordinary Shares then held by each Shareholder being dealt with as provided in (ii) below) held by a Shareholder will be consolidated into one New Denomination Ordinary Share; and
- (ii) fractional entitlements arising out of the Share Consolidation under paragraph (i) above (including those arising by reason of a Shareholder holding less than 10 existing Ordinary Shares or a number not divisible by 10) shall be aggregated into New Denomination Ordinary Shares and the whole number of New Denomination Ordinary Shares so arising shall be sold to such persons as the Directors shall determine. The net proceeds from the sale of such New Denomination Ordinary Shares shall be distributed to the Shareholders entitled to them, and cheques are expected to be dispatched to Shareholders on or around 16 August 2011. Amounts less than £3.00 will not be distributed to Shareholders but will instead be aggregated and held for the benefit of the Company.

The following summary is intended as a general guide only and related to the UK taxation treatment of the Share Consolidation. It is based on current UK tax law and the current published HM Revenue and Customs practice applying in the case of those holders of existing Ordinary Shares who are residents of the UK for tax purposes, are the beneficial owners of those existing Ordinary Shares and hold them as investments. Certain holders of existing Ordinary Shares, such as dealers in securities, insurance companies, collective investments schemes and persons who have acquired their existing Ordinary Shares by reason of their or another’s employment, may be taxed differently and are not considered here.

It is expected that for the purposes of UK taxation on chargeable gains the Share Consolidation will be treated as follows:

- (i) the New Denomination Ordinary Shares arising from the Share Consolidation will result from a reorganisation of the share capital of the Company. Accordingly, holders of existing Ordinary Shares should not normally be treated as making a disposal of all or part of their holding of existing Ordinary Shares by reason of the Share Consolidation being implemented. The New Denomination Ordinary Shares which replace their holding of existing Ordinary Shares as a result of the Share

Consolidation will be treated as the same asset acquired at the same time as their holding of existing Ordinary Shares was acquired; and

- (ii) to the extent that holders of existing Ordinary Shares receive cash relating to any fractional entitlement by virtue of a sale on their behalf of New Denomination Ordinary Shares, they should not in practice normally be treated as having made a part disposal of their holding of existing Ordinary Shares. The proceeds will instead be deducted from the base cost of their holding of New Denomination Ordinary Shares for capital gains tax purposes.

Option holders who have adjustment clauses in their options which require consent will be written to and consent obtained so that their options will be deemed adjusted to reflect the Share Consolidation. Option holders will have their entitlements adjusted pursuant to the terms of their options.

Proposed reduction of the Company's share premium account

The Company has undertaken a number of transactions in recent years and has issued a significant number of Ordinary Shares at a premium to nominal value. This has resulted in the Company having a significant share premium account. The balance sheet of the Company contained in the audited accounts for the year ended 31 December 2010 shows that the amount of the Company's share premium account was £37,654,000 and that the Company had accumulated profit and loss reserves of £10,270,000 which are not currently available for distribution. Upon Admission, the share premium account will increase by a further sum of approximately £9,500,000 as a result of the issue of the Placing Shares (net of expenses).

The Directors consider that this situation is to the detriment of the Company and its Shareholders as the Company will be unable to pay dividends until it has distributable reserves.

In view of the above, the Directors consider that it would be advantageous to reduce the Company's share premium account.

Accordingly this document contains a resolution to be proposed at the GM to enable Shareholders to vote to approve a reduction of the Company's share premium account.

The proposed reduction of the share premium account requires the approval of Shareholders by a special resolution and the approval of the Court. The resolution is set out in the notice of the GM. Assuming that Shareholders approve the resolution, it is expected that an application will be made in due course for a Court Order confirming the proposal. The reduction will be effective upon a Court Order being made and filed with Companies House. An announcement will be made by the Company upon the Court Order being made.

As stated above, as at 31 December 2010 the Company had accumulated profit and loss reserves of £10,270,000 which were not available for distribution. A copy of the audited accounts for the year ended 31 December 2010 is available on the Company's website www.reiplc.com.

The proposed reduction of share premium account will not involve any distribution or repayment to Shareholders. The principal effect will be to place the Company in a position where it can lawfully purchase its own shares and/or pay dividends out of distributable profits sooner than it would otherwise be able to do so. Notwithstanding the approval of the proposal, the Directors will determine the question of future distributions to Shareholders in accordance with the best interests of the Company at the relevant time.

The proposal will not change the number of Ordinary Shares (or New Denomination Ordinary Shares as appropriate) in issue or the rights attaching to those shares. The Ordinary Shares (or New Denomination Ordinary Shares as appropriate) will continue to be traded on AIM.

Additionally, the reduction will not affect the future trading prospects of the Company and its net assets will not be reduced as a consequence of the reduction.

General Meeting

As noted above, the Directors are seeking authorities to allot Ordinary Shares to implement the Placing, to consolidate the Company's share capital and to reduce the Company's share premium account. Notice of the GM is set out at the end of this document. The GM will be held at the Company's registered office, Cathedral Place, Third Floor, 42-44 Waterloo Street, Birmingham B2 5QB on 18 July 2011 at 10.00 a.m.

In addition, a Form of Proxy for use at the GM is enclosed with this document (see Part II below headed "Action to be Taken").

Shareholders have the right to attend, speak and vote at the GM (or, if they are not attending the meeting, to appoint someone else as their proxy to vote on their behalf) if they are on the Register at the Voting Record Time (namely 10.00 a.m. on 16 July 2011). Changes to entries in the Register after the Voting Record Time will be disregarded in determining the rights of any person to attend and/or vote at the GM. If the GM is adjourned, only those Shareholders on the Register at 10.00 a.m. on the day which is two days before the date of the adjourned GM will be entitled to attend, speak and vote or to appoint a proxy.

The number of Ordinary Shares a Shareholder holds as at the Voting Record Time will determine how many votes a Shareholder or his/her proxy will have in the event of a poll.

Explanation of the Resolutions to be proposed at the General Meeting

The notice convening the GM sets out the Resolutions to be proposed at the GM. An explanation of these Resolutions is set out below:

Authority to allot shares (Resolution 1)

The Directors need the authority of Shareholders to allot new Ordinary Shares and Resolution 1 provides such authority by granting the Directors the authority to allot shares in the capital of the Company for the purpose of the Placing up to a maximum nominal amount of £2,181,818.21 (representing, as at 30 June 2011 (being the latest practicable date before the publication of this document), 44.0 per cent. of the Company's issued share capital). This authority, if granted, would last until 9 August 2011. If, however, the Company makes an offer or enters into an agreement requiring the issue of Ordinary Shares prior to that date, the allotment will be valid even if the allotment occurs after the expiry of this authority. The passing of Resolution 1 will require more than 50 per cent. of the votes cast voting in favour. This authority, if granted, will be in addition to any existing authorities to allot Ordinary Shares granted to the Directors prior to the date of this document which will continue in full force and effect whether or not the Placing is effected.

Share Consolidation (Resolution 2)

The Directors need the authority of Shareholders to implement the Share Consolidation. The passing of Resolution 2 will require more than 50 per cent. of the votes cast voting in favour. Subject to the requisite Shareholder approval, the Share Consolidation is expected to be effective from 8.00 a.m. on the business day immediately following Admission.

Disapplication of pre-emption rights (Resolution 3)

Section 561 of the Act requires that on an allotment of "equity securities" for cash, such equity securities must first be offered to existing Shareholders in proportion to the number of Ordinary Shares they each hold at that time. This is known as a shareholder's pre-emption right. The Ordinary Shares are "equity securities" for the purposes of Section 561 of the Act. Accordingly, the Ordinary Shares cannot be allotted for cash on a non pre-emptive basis unless the Shareholders have first waived their pre-emption rights and Resolution 3 requests Shareholders to do so for the purposes of the Placing. If the authority is granted, the Directors will be able to allot Ordinary Shares for cash on a non pre-emptive basis, to the extent authorised, without further authority from the Shareholders. As with Resolution 1, the authority is sought for the purpose of the Placing and is intended to last until 9 August 2011. The passing of Resolution 3 will require not less than 75 per cent. of the votes cast voting in favour. This authority, if granted, will be in addition to any existing authorities to disapply pre-emption rights granted to the Directors prior to the date of this document which will continue in full force and effect whether or not the Placing is effected.

Reduction of share capital (Resolution 4)

The Directors need the approval of Shareholders to proceed with the proposed reduction of the Company's share premium account. The passing of Resolution 4 will require not less than 75 per cent. of the votes cast voting in favour.

Irrevocable Undertakings

The Company has received irrevocable undertakings from certain Shareholders, including all the Directors, to vote in favour of the Resolutions in respect of an aggregate of 239,327,459 Ordinary Shares representing 48.25 per cent. of the Company's issued share capital.

Issued share capital

If the Placing and the subsequent Share Consolidation are approved by Shareholders, the Company's approximate issued share capital will be £7,142,059.80 divided into 71,420,598 New Denomination Ordinary Shares.

Recommendation

Your Board believes the Placing and the other proposals set out in this document to be in the best interests of the Company and the Shareholders taken as a whole. Accordingly, the Directors unanimously recommend you to vote in favour of the Resolutions to be proposed at the GM as they have irrevocably undertaken to do in respect of their beneficial holdings, amounting, in aggregate, to 99,350,000 Ordinary Shares, representing 20.03 per cent. of the existing issued share capital of the Company.

Yours faithfully

John Crabtree

Chairman

PART II

ACTION TO BE TAKEN

Shareholders may appoint a proxy, that is, someone who will attend the GM on their behalf and vote, by completing and returning the accompanying Form of Proxy or, if you hold your Ordinary Shares in uncertificated form, by using the CREST electronic proxy appointment service.

Enclosed with this document is a Form of Proxy for use in connection with the GM. For Shareholders' convenience, the appointment of the chairman of the GM as proxy has already been included, although Shareholders may appoint someone else as their proxy if they so wish. A proxy need not be a Shareholder.

CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

To be valid, the Form of Proxy should be signed and returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to be received not later than 10.00 a.m. on 16 July 2011 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Accordingly, whether or not you intend to attend the GM, you are requested to complete and return the Form of Proxy to Capita Registrars, so as to be received by not later than that time. For this purpose, you can return the Form of Proxy by post or by hand.

In order for a proxy appointment made by means of CREST to be valid, the CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The CREST Proxy Instruction must be transmitted so as to be received by Capita Registrars (ID: RA10) by 10.00 a.m. on 16 July 2011 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST Members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

The completion and return of a Form of Proxy or making use of the CREST electronic proxy appointment service will not prevent Shareholders from attending and voting at the GM should they so wish.

DEFINITIONS

“Act”	the Companies Act 2006
“Admission”	the admission of the Placing Shares to trading on AIM becoming effective in accordance with Rule Six of the AIM Rules
“AIM Rules”	the rules for companies whose shares are traded on AIM, and their nominated advisers, and issued by the London Stock Exchange from time to time
“AIM”	a market operated by the London Stock Exchange
“Board” or “Directors”	the directors of the Company, whose names appear on page 3 of this document
“Caledonia”	Caledonia Investments PLC
“Company” or “REI”	Real Estate Investors PLC
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedures and CREST Glossary of Terms (all defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July, 1996 and as subsequently amended)
“CREST Member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST Participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
“CREST Proxy Instruction”	an appropriate and valid CREST message appointing a proxy by means of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
“CREST sponsor”	a CREST Participant admitted to CREST as a CREST sponsor
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
“Enlarged Issued Share Capital”	the Company’s issued Ordinary Share capital immediately following the Placing
“EPRA NAV”	the net assets of the Company calculated in accordance with the definition set out by the European Public Real Estate Association
“ERV”	Estimated Rental Value, being the estimate of the rental which a property is likely to command in the open market at a given time
“Euroclear”	Euroclear UK & Ireland Limited (formerly CRESTCo Limited), the operator of CREST
“Form of Proxy”	the form of proxy accompanying this document for use at the GM

“GM” or “General Meeting”	the general meeting of the Company convened for 18 July 2011 (and any adjournment thereof), notice of which is set out at the end of this document
“Liberum”	Liberum Capital Limited, Ropemaker Place, Level 12, 25 Ropemaker Street, London EC2Y 9LY
“London Stock Exchange”	London Stock Exchange plc
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placing Agreement”	the placing agreement dated 28 June 2011 between (1) the Company, (2) Liberum and (3) Smith & Williamson
“Placing Price”	5.5 pence per Placing Share
“Placing Shares”	the 218,181,821 new Ordinary Shares to be issued pursuant to the Placing
“Placing”	the proposed placing of the Placing Shares
“Register”	the register of members of the Company
“Resolutions”	the resolutions set out in the notice of GM at the end of this document
“Share Consolidation”	the consolidation of the Enlarged Issued Share Capital into ordinary shares of £0.10 each
“Shareholders”	holders of Ordinary Shares
“Smith & Williamson”	Smith & Williamson Corporate Finance Limited, 25 Moorgate, London EC2R 6AY
“Voting Record Time”	in relation to the GM, 10.00 a.m. on 16 July 2011 or if the GM is adjourned, 10.00 a.m. on the day which is two days before the date of the adjourned meeting

Real Estate Investors PLC

(“Company”)

(Registered in England and Wales No. 5045715)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at the Company’s registered office, Cathedral Place, Third Floor, 42-44 Waterloo Street, Birmingham B2 5QB on 18 July 2011 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, resolutions numbered 1 and 2 as Ordinary Resolutions and resolutions numbered 3 and 4 as Special Resolutions:

- (1) THAT pursuant to section 551 of the Companies Act 2006 (the “Act”), the directors of the Company (the “Directors”) be and they are hereby generally and unconditionally authorised to exercise all or any of the powers of the Company to allot shares in the capital of the Company or grant rights to subscribe for, or to convert any security into, shares in the Company (“Relevant Securities”) to such persons and at such times and on such terms as they think proper for the purpose of a placing of shares (the “Placing”) as described in the circular to Shareholders dated 1 July 2011 (a copy of which is produced to the meeting and, for the purpose of identification only, marked “A” by the Chairman up to a maximum nominal amount of £2,181,818.21 provided that this authority shall, unless previously revoked, varied or renewed by the Company in general meeting, expire on 9 August 2011, save that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired, and such authority conferred hereby shall be in addition to any authority conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) shall continue in full force and effect.
- (2) THAT:
 - (i) every 10 existing issued ordinary shares of £0.01 each in the capital of the Company (“Ordinary Shares”) held by each member (or such number as will result in a whole number of new ordinary shares of £0.10 each in the capital of the Company (“New Denomination Ordinary Shares”), the balance of the Ordinary Shares then held by each member being dealt with as provided in paragraph 2(ii) below) at 5.00 p.m. on 19 July 2011 be consolidated into one New Denomination Ordinary Share;
 - (ii) no member shall be entitled to a fraction of a New Denomination Ordinary Share and all fractional entitlements arising out of the consolidation shall be aggregated into consolidated New Denomination Ordinary Shares and the Directors are hereby authorised to sell the number of New Denomination Ordinary Shares arising from the consolidation of fractional entitlements referred to in paragraph 2(i) of this resolution to such persons as the Directors shall determine and distribute the proceeds (net of any expenses of sale) in due proportion (rounded down to the nearest penny) amongst those members who would otherwise be entitled to such fractional entitlements, provided that amounts of less than £3.00 will not be distributed to members but will instead be held and retained for the benefit of the Company; and
 - (iii) the rights and restrictions attaching to the New Denomination Ordinary Shares resulting from the consolidation pursuant to paragraph 2(i) of this resolution shall be the same in all respects as those attached to the Ordinary Shares as set out in the articles of association of the Company (save in respect of their nominal value).
- (3) THAT subject to the passing of the resolution numbered 1 above, pursuant to section 571 of the Act, the Directors be and they are hereby empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the general authority conferred by such resolution 1 as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment for the purpose of the Placing of equity securities up to an aggregate nominal amount of £2,181,818.21, provided that this power shall, unless previously revoked, varied or renewed by the Company in general meeting, expire on 9 August 2011 save that the Company

may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired, and such power conferred hereby shall be in addition to any power conferred upon the Directors of the Company in accordance with the said section prior to the passing of this resolution, which powers (to the extent they remain in force and unexercised) shall continue in full force and effect.

- (4) THAT, subject to the admission to trading on the AIM Market of the London Stock Exchange plc of all shares issued pursuant to the Placing, the amount standing to the credit of the share premium account of the Company be and is hereby reduced by the sum of £47,154,000, or in the event that such shares are not so admitted, the amount standing to the credit of the share premium account of the Company be and is hereby reduced by the sum of £37,654,000, in each case, subject to confirmation of the High Court of Justice of England and Wales.

Registered Office:

Cathedral Place
3rd Floor
42-44 Waterloo Street
Birmingham
West Midlands
B2 5QB

By Order of the Board

Marcus Daly
Company Secretary

Dated: 1 July 2011

Notes:

1. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy. A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the form of proxy. The proxy need not be a member of the Company. Details of how to appoint the Chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
2. The notes to the form of proxy explain how to direct your proxy how to vote on each resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting. Completion of the form of proxy will not preclude a member from attending and voting in person.
3. A form of proxy is enclosed with this notice. To be valid, the form must be deposited at the offices of the Company's Registrars, Capita Registrars Limited, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 10.00 a.m. on 16 July 2011 or not less than 48 hours (excluding, in the calculation of such time period, any part of a day that is not a working day) before the time fixed for holding any adjourned meeting.
4. Subject to the following principles, where more than one proxy is appointed, where a form of proxy does not state the number of shares to which it applies (a "**blank proxy**"), then that proxy is deemed to have been appointed in relation to the total number of shares registered in your name (the member's "**entire holding**"). In the event of a conflict between a blank proxy and a form of proxy which does state the number of shares to which it applies (a "**specific proxy**"), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that as far as possible, the conflicting forms of proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).
5. Where there is more than one proxy appointed and the total number of shares in respect of which proxies are appointed is no greater than your entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares. When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last delivered. Proxies in the same envelope will be treated as sent and delivered at the same time, to minimise the number of conflicting proxies.
6. If conflicting proxies are sent or delivered at the same time in respect of (or deemed to be in respect of) your entire holding, none of them shall be treated as valid.
7. Where the aggregate number of shares in respect of which proxies are appointed exceeds your entire holding and it is not possible to determine the order in which they were sent or delivered (or they were all sent or delivered at the same time), the number of votes attributed to each proxy will be reduced pro rata (on the basis that as far as possible, conflicting forms of proxy should be judged to be in respect of different shares). Where this gives rise to fractions of shares, such fractions will be rounded down.

8. If you appoint a proxy or proxies and then decide to attend the meeting in person and vote, on a poll, using your poll card, then your vote in person will override the proxy vote(s). If your vote in person is in respect of your entire holding then all proxy votes will be disregarded. If, however, you vote at the meeting in respect of less than your entire holding, if you indicate on your polling card that all proxies are to be disregarded, that shall be the case; but if you do not specifically revoke proxies, then your vote in person will be treated in the same way as if it were the last delivered proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding your entire holding.
9. In relation to paragraph 8 above, in the event that you do not specifically revoke proxies, it will not be possible for the Company to determine your intentions in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.
10. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
11. To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see note 3) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you would like to change the proxy instructions, please contact Capita Registrars Limited at the address set out in note 3.
12. In order to revoke a proxy instruction you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to Capita Registrars Limited at the address set out in note 3. The revocation notice must be received by Capita Registrars Limited no later than 10.00 a.m. on 16 July 2011. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then your proxy appointment will remain valid.
13. In the case of a member which is a company, the form of proxy and any revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the form of proxy and any revocation notice is signed (or a duly certified copy of such power or authority) must be included with the form of proxy and any revocation notice.
14. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the meeting is 6.00 p.m. on 16 July 2011 (being not more than 48 hours prior to the time fixed for the meeting), or, if the meeting is adjourned, 48 hours (excluding, in the calculation of such time period, any part of a day that is not a working day) prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
15. Except as provided above, members who have general queries about the meeting should call our shareholder helpline on 0871 664 0300 (calls cost 10p per minute plus network charges and lines are open Monday to Friday 8.30 a.m. to 5.30 p.m.) (or from outside the UK on +44 208 639 3399). You may not use any electronic address provided either:
 - (a) in this Notice of GM; or
 - (b) any related documents (including the form of proxy), to communicate with the Company for any purposes other than those expressly stated.

