

2 February 2011

WORKSPACE GROUP PLC INTERIM MANAGEMENT STATEMENT

Workspace Group PLC ("Workspace"), London's leading provider of space to small and medium-sized businesses, is today announcing an Interim Management Statement covering the period from 1 October 2010 to the date of this announcement.

Highlights for the third quarter ended 31 December 2010:

- Overall occupancy up 1.2% in the quarter to 84.4%
- Like-for-like occupancy (89 properties) up 0.9% in the quarter to 86.6%
- Like-for-like cash rent roll up 0.5% (£0.2m) in the quarter to £42.3m
- Property valuation at 31 December 2010 of £741m (March 2010: £717m), with underlying valuation up 0.8% in the quarter and 2.8% in the nine months
- Regeneration, added value and refurbishment activities progressing well

Commenting on the performance, Harry Platt, Chief Executive said:

***“Trading has improved, with overall occupancy at its highest level since March 2008. We can capture relatively quickly the benefits from any strengthening in demand due to our active asset management and the flexible, short-term nature of our leases.*”**

We continue to focus on opportunities to grow the business and extract value from the current portfolio. There are exciting refurbishment programmes underway at three of our business centres and two further planning consents for alternative use schemes were received in the quarter”.

Portfolio performance

Total Portfolio	Quarter to Dec 2010	Quarter to Sept 2010	Quarter to June 2010	Quarter to March 2010
Enquiries per month	917	970	908	1,145
Lettings per month	97	88	87	87
Overall occupancy	84.4%	83.2%	82.7%	81.9%

Overall occupancy has improved to 84.4%, its highest level since March 2008. A good demand for space has been maintained with little impact from the Christmas period. The growth in like-for-like rent roll was offset by the running down of occupancy and rent roll at the three business centres where we are progressing with refurbishment programmes.

Contracted rent roll which includes stepped rental increases, expiry of rent free periods and rent discounts is £3.0m higher than the cash rent roll at £54.0m, with some 60% (£1.8m) due to convert to cash rent roll over the next six months.

Like-for-like properties (89 properties with a value of £569m)

Like-for-Like	December 2010	September 2010	June 2010	March 2010
Occupancy	86.6%	85.7%	84.3%	83.7%
Cash Rent Roll	£42.3m	£42.1m	£41.5m	£41.5m

We are making good progress towards our target occupancy level of 90% at these properties with occupancy up 2.9% to 86.6% since March 2010 and the pricing level on new lettings stable.

Refurbishment properties (5 properties with a value of £104m)

Refurbishment	December 2010	September 2010	June 2010	March 2010
Occupancy	74.6%	75.5%	79.6%	76.0%
Cash Rent Roll	£6.7m	£6.8m	£7.3m	£6.9m

This comprises two properties where refurbishment has been completed (which are then kept in this category for 24 months) and three business centres where we are initiating refurbishment programmes.

We will be spending some £15m at Kennington Park, Canalot Studios and Great Guildford Street over the next 18 months on refurbishment and adding new commercial space, largely funded from our disposal programme. The cash rent roll at these three sites has reduced by £0.5m since March 2010 as a consequence of offering customers, who will be impacted by these works, rent discounts or alternative space.

Other properties (10 properties at a value of £68m)

Other	December 2010	September 2010	June 2010	March 2010
Occupancy	79.3%	74.0%	74.4%	74.8%
Cash Rent Roll	£2.0m	£2.1m	£2.2m	£2.2m

These are properties where occupancy and rental levels have been impacted by our redevelopment plans. Progress in the period includes:

- Planning consent was received in December 2010 for change of use of our head office, Magenta House, to student housing. Our head office operations will be moving to Kennington Park ahead of the expected completion of this disposal for £3.9m in July 2011.
- Planning consent was received in December 2010 for the change of use of Alscot Road Industrial Estate to residential apartments with completion of the disposal for £1.7m expected in July 2011.
- The disposal of Surrey House to Citizen M for a hotel redevelopment completed in January 2011 for £4.65m.

Valuation

There has been an underlying increase in the valuation of 0.8% (£6.1m) in the quarter excluding the effect of acquisitions, disposals and capital expenditure, and a 2.8% increase (£20.5m) in the nine months.

Property Valuation	Existing Use				ERV
	Value	Income Yield*	Added Value	Total Value	
Like-for-Like Properties (89)	£542m	7.8%	£27m	£569m	£51.3m
Refurbishment Properties (5)	£92m	7.3%	£12m	£104m	£9.0m
Other Properties (10)	£36m	5.6%	£32m	£68m	£4.8m
Total at 31 December 2010	£670m	6.8%	£71m	£741m	£65.1m

* Existing use income yield is based on the cash rent roll and valuation excluding added value.

The income yield from our like-for-like properties is 7.8%, unchanged from September 2010. The property valuation includes added value of £71m (21 properties) where planning is well advanced or where planning consent has been obtained for redevelopment, additional space or alternative use.

The total net initial yield on our portfolio as calculated by our valuers, CBRE, is 7.0% and the equivalent yield is 8.5%. The capital value per square foot is £132 per square foot.

Key Statistics

	Quarter ending 31 Dec 2010	Quarter ending 30 Sept 2010	Quarter ending 30 June 2010	Quarter ending 31 March 2010	Quarter ending 31 Dec 2009
Workspace Group directly owned portfolio					
Number of estates	104	104	105	105	107
Lettable floorspace (million sq ft) †	5.4	5.5	5.5	5.5	5.7
Number of lettable units	5,175	5,175	5,205	5,156	5,283
ERV	£65.1m	£65.6m	£66.1m	£66.4m	£69.0m
Reversionary Yield*	8.8%	9.0%	9.1%	9.3%	9.7%
Net annual rent roll of occupied units	£51.0m	£51.0m	£51.2m	£50.7m	£50.4m
Average annual rent per sq ft	£11.10	£11.19	£11.26	£11.22	£11.02
Overall occupancy	84.4%	83.2%	82.7%	81.9%	80.6%
Property valuation	£741m	£732m	£725m	£717m	£711m
Like-for-Like portfolio (Note 1)					
Lettable floor space (million sq ft)	4.3	4.3	4.3	4.3	4.3
Net annual rent roll	£42.3m	£42.1m	£41.5m	£41.5m	£40.6m
Average annual rent per sq ft	£11.48	£11.51	£11.54	£11.60	£11.56
Occupancy	86.6%	85.7%	84.3%	83.7%	82.5%

† Excludes storage space

* Based on ERV divided by valuation

Note 1

These are properties which have been held for at least 12 months and have not been subject to a refurbishment programme in the last 24 months. Tower Bridge Business Centre has been transferred from refurbishment properties to the like-for-like category in the quarter, with prior comparatives restated. This property had a cash rent roll of £2.0m and an occupancy level of 93.5% at December 2010.

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