

# WORKSPACE GROUP PLC

## INTERIM MANAGEMENT STATEMENT

Workspace Group PLC ("Workspace"), London's leading provider of space to new and growing companies, is today announcing an Interim Management Statement covering the period from 1 October 2013 to the date of this announcement, including the operational statistics for the quarter to 31 December 2013.

### Highlights

- Continued strong performance in the third quarter
- Total rent roll £56.7m, up 7.6% (£4.0m) in the nine months since 31 March 2013
- Like-for-like rent roll up 1.8% (£0.9m) in the quarter to £46.5m and up 5.6% (£2.5m) in the nine months since 31 March 2013
- Like-for-like rent per sq. ft. of £14.65, up 1.9% in the quarter and up 4.6% in the nine months since 31 March 2013
- Like-for-like occupancy stable at 90.7%
- Rent roll at completed refurbishments up £2.0m to £6.0m in the nine months since 31 March 2013
- Verulam House, EC1 acquired for £18.1m in November 2013

### Outlook

Commenting on the results, Jamie Hopkins, Chief Executive Officer said:

*"The strong momentum of our business continues with good growth in like-for-like rent roll and pricing reflecting the strength of demand for the tailored space and services we provide at our properties in London.*

*We are making good progress on our refurbishment and redevelopment programme. We are currently achieving better than expected results at our completed refurbishments, with the launch of more new and refurbished centres to come during 2014. We are also seeing strong demand from residential developers at sites where we have obtained residential planning consents.*

*The purchase of Verulam House highlights our ability to expand our portfolio in areas where there is significant customer demand, leverage our operations and execute transactions that we believe will provide strong shareholder returns."*

## For further information, please contact:

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## About Workspace Group PLC

- Workspace is a FTSE250 company and has been listed on the London Stock Exchange since 1993
- It has a strong 25 year track record in providing tailored business space and services to new and growing companies in London
- It owns and manages 97 properties across London providing 5.1 million square feet of space and is home to some 4,000 businesses employing over 30,000 people
- For more information on Workspace, please visit: <http://www.workspace.co.uk>

## Trading Performance

Enquiry levels and letting activity remain high, despite the normal seasonal slowdown in activity we see in December.

	Quarter Ended				
Average number per month:	Dec 2013	Sep 2013	Jun 2013	Mar 2013	Dec 2012
Enquiries	917	1,010	1,033	1,107	964
Lettings	80	84	74	104	79

Performance of our like-for-like property portfolio, which excludes the properties being refurbished or redeveloped, continues to be strong with like-for-like rent roll up by 1.8% in the quarter, 5.6% in the nine months to date and 9.7% year on year.

Like-for-Like	Dec 2013	Sep 2013*	Jun 2013*	Mar 2013*	Dec 2012*
Number of Properties	63	63	63	63	63
Rent roll	£46.5m	£45.6m	£44.6m	£44.0m	£42.4m
Occupancy	90.7%	90.9%	90.2%	89.9%	90.2%
Rent per sq. ft.	£14.65	£14.37	£14.14	£14.01	£13.45

\*Note: Prior quarter statistics restated for disposal of Pensbury Industrial Estate in November 2013.

Growth in rent roll is increasingly driven by the increases in rental pricing; with occupancy steady at around 90%. We have achieved an increase in rent per sq. ft. of 1.9% in the quarter, 4.6% since March 2013 and 8.9% year on year; with the strongest growth continuing to be at our larger business centres.

We have also seen strong demand for the new and upgraded space at the six properties where we have completed refurbishment which is encouraging for the pipeline of new and refurbished business centres we will be launching during 2014.

<b>Completed Refurbishments</b>	<b>Dec 2013</b>	<b>Sep 2013</b>	<b>Jun 2013</b>	<b>Mar 2013</b>	<b>Dec 2012</b>
Number of Properties	6	6	6	6	6
Occupancy	84.5%	82.4%	79.5%	81.9%	74.7%
Rent roll	£6.0m	£5.1m	£4.7m	£4.0m	£3.6m
Rent per sq. ft.	£19.14	£16.88	£16.33	£14.93	£15.31

Total cash rent roll is £56.7m at December 2013 up 7.6% (£4.0m) in the year to date. A summary of the movement in total cash rent roll over the nine months is set out below:

<b>Total Rent Roll</b>	<b>£m</b>
At March 2013	52.7
Like-for-like growth	2.5
Increase in rent at completed refurbishments	2.0
Acquisition of Verulam House	1.0
Rent reduction at refurbishment and redevelopment projects underway	(0.4)
Property disposals	(1.1)
At December 2013	<u>56.7</u>

### **Refurbishment Activity**

We have now completed refurbishment at six properties which provide 160,000 sq. ft. of new and upgraded space at a total cost of £17m. We have been delighted with the strength of demand for space at these properties, delivering a better than expected return on our investment.

The Pill Box, E2, a new business centre in Bethnal Green with 42,000 sq. ft. of lettable space, is expected to be completed by March 2014. The Metal Box Factory, SE1 on the Southbank, with 102,000 sq. ft. of new and upgraded space, will be our largest business centre and is expected to be completed by the Summer 2014. We are already seeing good levels of interest from potential occupiers at both of these centres. The total cost of these two refurbishments is expected to be £24m.

Works are now commencing on a further six projects that will deliver 210,000 sq. ft. of new and upgraded space. These projects are phased for completion in 2014 and 2015 at an estimated total cost of £54m.

### **Redevelopment Activity**

We continue to explore opportunities in our property portfolio for mixed use redevelopments, tapping into the very strong demand we are seeing for residential development schemes across London.

On 24 October 2013 we announced the sale of 800 residential units at the Biscuit Factory, SE16 to Grosvenor Britain and Ireland in return for £51m in cash and the delivery of 47,000 sq. ft. of new business space.

We have two further residential schemes under offer at our properties at Faircharm, SE1 and Bow (Phase 2), E3 for 438 residential units, and we will shortly be marketing our residential scheme at Poplar, E14 for 392 residential units. Further details will be announced in due course.

The redevelopment at Screenworks, N5 is progressing well and we will be launching a new 61,000 sq. ft. business centre at this attractive Islington location during the first half of 2014.

The redevelopment at The Filaments, SW18 is also progressing well and we expect to launch a new 53,000 sq. ft. business centre at this central Wandsworth location later in 2014.

### **Acquisitions and Disposals**

In October 2013 the BlackRock Workspace JV disposed of Rudolf Place, SE1 for £4.9m at a net initial yield of 4.7%, a £1.6m surplus to the March 2013 valuation (£0.9m surplus to the September 2013 valuation).

In November 2013 Verulam House on Gray's Inn Road, WC1 was acquired for £18.1m, at a net initial yield of 4.3% off an average rent of £26 per sq. ft. This prominent office building offers 42,000 sq. ft. of net lettable space and complements our existing cluster of buildings in this attractive mid-town location. It provides an opportunity to leverage our operational platform in an area where we are seeing strong customer demand.

We disposed of Pensbury Industrial Estate, SW8, a non-core asset, in November 2013 for £4.5m at a net initial yield of 4.3%. This was a surplus of £1.3m to the March 2013 valuation (£0.5m to the September 2013 valuation).

In December 2013 we completed the sale of a car park at Lombard House, Croydon for £1.2m, a surplus of £0.2m to the September and March 2013 valuations, having obtained planning permission for a residential scheme of 21 units.

## Key Property Statistics

	Quarter ending 31 Dec 2013	Quarter ending 30 Sept 2013	Quarter ending 30 June 2013	Quarter ending 31 March 2013
<b>Workspace Group Portfolio</b>				
Number of estates	83	83	84	86
Lettable floorspace (million sq. ft.) †	4.6	4.6	4.6	4.7
Number of lettable units	4,543	4,539	4,543	4,626
Cash rent roll of occupied units	£56.7m	£54.1m	£53.1m	£52.7m
Average annual rent per sq. ft.	£14.11	£13.58	£13.26	£12.98
Overall occupancy	87.1%	86.8%	86.9%	87.0%
Number of like-for-like estates	63	63	63	63
Like-for-like lettable floor space (million sq. ft.)	3.5	3.5	3.5	3.5
Like-for-like cash rent roll	£46.5m	£45.6m	£44.6m	£44.0m
Like-for-like average annual rent per sq. ft.	£14.65	£14.37	£14.14	£14.01
Like-for-like occupancy	90.7%	90.9%	90.2%	89.9%
<b>BlackRock Workspace Property Trust</b>				
Number of estates	14	15	15	16
Lettable floorspace (million sq. ft.)	0.5	0.5	0.5	0.5
Cash rent roll of occupied units	£6.4m	£6.5m	£6.3m	£7.0m
Average rent per sq. ft.	£14.57	£14.48	£13.96	£14.20
Overall occupancy	89.1%	88.5%	88.0%	90.4%

† Excludes storage space