WORKSPACE®

Interim Management Statement

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Workspace Group PLC
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WORKSPACE GROUP PLC
INTERIM MANAGEMENT STATEMENT

WORKSPACE WELL POSITIONED

Workspace Group PLC ("Workspace Group"), London's leading provider of space to small and medium-sized enterprises (SMEs), is today announcing an Interim Management Statement covering the period from 1 October 2011 to the date of this announcement, including trading highlights for the third quarter ended 31 December 2011.

- Overall occupancy 85.6%, up 0.4% in quarter and 2.0% in the nine months
- Like-for-like occupancy 87.5%, flat in quarter but up 1.5% in the nine months
- Like-for-like cash rent roll £45.1m, up £0.3% (£0.1m) in the quarter and up 3.0% (£1.3m) in the nine months
- Property valuation £750m, with underlying valuation up 1.6% (£12m) in the quarter and 3.9% (£28m) in the nine months
- Three properties acquired by BlackRock Workspace Property Trust for £21m
- Acceleration of refurbishment and redevelopment programmes
- Jamie Hopkins appointed as new Chief Executive

Commenting on the appointment of Jamie Hopkins as new Chief Executive, Danny Kitchen, Chairman said:

" We are delighted to announce the appointment of Jamie Hopkins as CEO of Workspace Group PLC to succeed Harry Platt on his retirement at the end of March. Jamie was previously CEO at Mapeley PLC and has been a non executive director at Workspace since June 2010. He knows the Company well and brings both the property and operational expertise necessary for the role. We expect that Jamie's drive and enthusiasm will contribute significantly to the Company's future progress.

As can be seen from the results to date, Workspace is delivering real value enhancement and we would expect no significant change in strategy arising from the new appointment"

Commenting on the results for the third quarter, Harry Platt, Chief Executive said:

" We are making steady progress in driving both occupancy and rent roll. Our lead indicators confirm the resilient demand for space across our London focused portfolio, with an encouraging pick up in enquiry levels since the turn of the year.

There has been a good uplift in the property valuation over the last nine months. This reflects our activities in improving occupancy, rent roll and pricing and at the same time making progress on a range of refurbishment and redevelopment initiatives, in line with the plans we set out at the time of our Rights Issue last July.

We are also pleased to report that our joint venture with BlackRock is going well and has acquired three properties in London which play well to our asset management skills and will deliver attractive returns".

Overall Portfolio Performance
Customer enquiries were at a similar level to the third quarter in the previous year (2010: 917). They have increased as expected since the New Year, averaging over 300 per week in January 2012.

Average number per month	Quarter to December 2011	Quarter to September 2011	Quarter to June 2011	Quarter to March 2011
Enquiries	892	1,000	911	1,045
Lettings	78	88	77	79
Overall Occupancy	85.6%	85.2%	84.0%	83.6%

We continue to make good progress with overall occupancy 85.6%, up 2.0% over the first nine months of the year.

Total cash rent roll was up £0.9m in the nine months but reduced marginally (£0.2m) in the quarter to £49.8m due to the managed reduction of £0.4m in rent in the quarter at two properties being redeveloped.

Contracted rent roll, which includes stepped rents and rent free periods, is £2.3m higher than the cash rent roll at £52.1m, with around half expected to convert to cash over the next six months.

Like-for-Like Properties (79 estates)
This category represents the majority of our portfolio. It excludes properties undergoing refurbishment or redevelopment.

Like-for-Like	Quarter to December 2011	Quarter to September 2011	Quarter to June 2011	Quarter to March 2011
Occupancy	87.5%	87.5%	86.5%	86.0%
Cash rent Roll	£45.1m	£45.0m	£44.5m	£43.8m
Average rent per sq. ft.	£12.29	£12.21	£12.26	£12.06

- During the last quarter occupancy levels were stable, following a period of strong improvement in the first six months.
- Our target occupancy is 90% - the level that gives us the best opportunity to grow pricing and rent roll. The majority of our properties are near or ahead of this level with 49% (39) of the properties having occupancy levels of 90% or higher at December 2011 and a further 23% (18) having occupancy greater than 85%.
- We are taking selective opportunities to increase pricing and achieved an increase of 2.5% (£1.3m) in like-for-like estimated rental value (ERV) over the last nine months.

Other Properties (13 estates)
These are properties that are being refurbished, have recently been refurbished (within the last two years) or where we are progressing with a mixed use redevelopment.

At December 2011	Refurbishment	Redevelopment
No of Properties	5	8
Occupancy	59.6%	86.0%
Cash Rent Roll	£2.4m	£2.3m

- The refurbishment of Chester House, Kennington Park, comprising 40 lettable units (28,000 sq. ft) was completed in July 2011. We target to achieve at least 80% occupancy within 12 months and are making good progress with occupancy (including the relocation of Workspace's head office) reaching 66% by the end of January 2012.
- Our refurbishment and redevelopment projects can impact rent roll as there will often be the need to manage down occupancy levels during the construction phase. Rent roll in the quarter reduced by £0.2m at Canalot Studios and £0.2m at Aberdeen Studios.

Property Valuation
There has been an underlying increase in the property valuation undertaken by our valuers, CBRE, of 1.6% (£12m) in the quarter and 3.9% (£28m) in the nine months, excluding the effect of disposals and capital expenditure:

	£m
Portfolio valuation at 31 March 2011	719
Property disposals (at book value)	(10)
Property valuation surplus:	
- Quarter to June 2011	9
- Quarter to September 2011	7
- Quarter to December 2011	12
Capital expenditure	13
Portfolio valuation at 31 December 2011	750

A more detailed analysis of the valuation is set out below:

	December 2011	March 2011
Existing use valuation		
- Like-for-like properties	£577m	£563m
- Other properties	£78m	£77m
Added Value	£95m	£79m
Total valuation	£750m	£719m

Like-for-like cash rent roll	£45.1m	£43.8m
Like-for-like ERV (CBRE)	£53.9m	£52.6m
Total ERV (CBRE)	£64.9m	£61.4m
Like-for-like existing use income yield	7.8%	7.8%
Net initial yield (CBRE)	7.1%	6.8%
Equivalent yield (CBRE)	8.5%	8.4%
Capital value per sq. ft	£146	£137

The existing use income yield on our portfolio is unchanged since March 2011. Valuation growth has been achieved from:

- the Group's success in driving occupancy and rent roll; and
- increases in added value.

Added value is recognised by our valuers on a progressive basis as we obtain planning consent for a refurbishment or redevelopment through to its completion. This includes the benefit of any capital expenditure incurred. The movement in added value over the nine months is summarised below:

	£m
Added value at March 2011	79
Realised on disposals	(8)
Uplifts in the nine months	
- Aberdeen Studios*	11
- Wandsworth	5
- Grand Union	3
- Other	5
Added value at December 2011	95

*At Aberdeen Studios the uplift in added value was offset by a £5m reduction in its existing use value over the nine months as we run down occupancy ahead of redevelopment.

Disposals
We completed the disposal of the car park at Greenheath Business Centre in January 2012 for £3.4m, having achieved planning consent for a 76 unit residential scheme.

Refurbishment Update
We are making good progress on a range of refurbishment and repositioning initiatives in line with the plan we set out at the time of the Rights Issue in July 2011. Cognisant of the general economic backdrop, all capital expenditure is re-evaluated prior to entering into any major cash commitments. The current status and planned activity over the next six months is set out below:

- Work is underway at Canalot Studios on the refurbishment and roof extension (estimated cost £5m). This is targeted for completion in September 2012.
- The side extensions to the Whitechapel Technology Centre (estimated cost £2m) are expected to be completed in July 2012.
- Final preparations are underway at Great Guildford Street for the extensive refurbishment of the building and addition of two new floors. The main project is expected to commence in September 2012 with targeted completion in the first quarter 2014 (estimated cost £15m).
- The upgrade of Greenheath Business Centre which includes the addition of a new floor, is expected to commence in June 2012 with targeted completion first quarter 2014 (estimated cost £9m).
- At Chester House, Kennington Park the addition of a third floor is expected to commence in May 2012 and be completed by first quarter 2013 (estimated cost £2m).
- The first phase of the refurbishment at Westminster Business Centre will commence in March 2012 with this phase expected to be completed by the third quarter 2013 (estimated cost £2m).

We conservatively expect these buildings highlighted above, when refurbished, to deliver an uplift in rent roll of some £4m once they reach the target occupancy level of 90%.

Mixed Use (New for Old) Schemes
Our model on these schemes is to achieve a mixed use planning consent and then work with a development partner who is responsible for the delivery of the overall scheme. Workspace receives back new commercial space (providing an uplift to both rent and valuation) together with cash and/or overage on the private residential component. The short term nature of our leases enables us to achieve vacant possession at a property relatively quickly when we want to progress with a redevelopment scheme. Current status is set out below:

- At Wandsworth Business Village demolition has been largely completed, and our partner Mount Anvil has commenced construction of the residential led scheme. We expect to receive back a new business centre in mid 2014.

- We announced in November 2011 that we had signed an agreement with Taylor Wimpey for the residential led redevelopment of Aberdeen Studios. We achieved vacant possession of this site in early February, with construction works starting in June 2012. We expect to receive back a new business centre in mid 2014.

- The new business centres at Wandsworth and Aberdeen Studios should conservatively produce a combined rent roll of some £2.5m when they have reached the target occupancy of 90%. We will also receive a cash payment of £4.75m at Aberdeen Studios together with overage on the residential component of each scheme.

- At Grand Union Centre and Bow Enterprise Park where we have obtained mixed use planning consents and signed the S106 agreements, we are intending to market the sites during the current quarter.

- We are in discussions with local authorities to obtain planning consent for the mixed-use regeneration of a number of further sites across our portfolio. The most significant is at Tower Bridge Business Complex where we hope to submit our residential planning application for the seven acre north part of this estate by June 2012.

BlackRock Workspace Property Trust
We have made good progress in this joint venture, in which we have 20.1% interest, purchasing a number of attractive property opportunities well suited to our intensive asset management capabilities. Properties acquired during the period were:

- Chandelier Building and Light Factory, NW10 for £4.7m in November 2011;
- Toplin House, SW9 for £4.8m in December 2011; and
- 6 Lloyds Avenue, EC3 for £11.9m in January 2012.

The total invested amount by the joint venture is now £60m (Workspace investment: £12.1m) with a number of further acquisition opportunities currently under review. We expect to have fully invested the £100m of equity committed by BlackRock and Workspace to this joint venture by the middle of 2012.

Key Statistics

	Quarter ending Dec 2011	**Quarter ending Sept 2011**	**Quarter ending June 2011**	**Quarter ending March 2011**	**Quarter ending Dec 2010**
Workspace Group Portfolio					
Number of estates	**92**	92	93	94	104
Lettable floorspace (million sq ft) ✝	**5.0**	5.1	5.1	5.1	5.4
Number of lettable units	**4,781**	4,899	4,885	4,856	5,175
ERV	**£64.9m**	£65.2m	£62.8m	£61.4m	£65.1m
Reversionary Yield*	**8.7%**	8.9%	8.6%	8.5%	8.8%
Cash rent roll of occupied units	**£49.8m**	£50.0m	£49.6m	£48.9m	£51.0m
Average annual rent per sq ft	**£11.58**	£11.52	£11.63	£11.47	£11.10
Overall occupancy	**85.6%**	85.2%	84.0%	83.6%	84.4%
Like-for-like lettable floor space (million sq ft)	**4.2**	4.2	4.2	4.2	4.2
Like-for-like net annual rent roll	**£45.1m**	£45.0m	£44.5m	£43.8m	£42.6m
Like-for-like average annual rent per sq ft	**£12.29**	£12.21	£12.26	£12.06	£11.72
Like-for-like occupancy	**87.5%**	87.5%	86.5%	86.0%	85.9%
Property valuation	**£750m**	£733m	£727m	£719m	£741m
Loan to value		42%		50%	

BlackRock Workspace Property Trust ·					
Number of estates	**10**	8	8	8	
Lettable floorspace (million sq ft) ✝	**0.4**	0.3	0.3	0.3	
ERV	**£4.7m**	£3.6m	£3.5m	£3.4m	
Cash rent roll of occupied units	**£3.8m**	£2.9m	£3.0m	£3.1m	
Average annual rent per sq ft	**£10.66**	£10.20	£10.58	£10.57	
Overall occupancy	**88.7%**	87.3%	87.9%	92.1%	
Property valuation	**£47.2m**	£36.3m	£35.6m	£35.1m	

✝ Excludes storage space
* Based on ERV divided by valuation
· Workspace Group hold a 20.1% interest in the BlackRock Workspace Property Trust.

Ends

Date: 6 February 2012

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