

27 July 2010

## WORKSPACE GROUP PLC ANNUAL GENERAL MEETING AND INTERIM MANAGEMENT STATEMENT

Workspace Group PLC ("Workspace"), London's flexible business space provider, is today announcing an Interim Management Statement covering the period from 1 April 2010 to the date of this announcement.

Highlights for the quarter to 30 June 2010:

- Like-for-like occupancy (88 properties) up 0.9% in the quarter to 84.9%
- Total occupancy up 0.8% in the quarter to 82.7%.
- Total cash rent roll up 1.0% (£0.5m) in the quarter to £51.2m.
- Property valuation of £725m (March 2010: £717m), with underlying valuation up 0.9% in the quarter.
- Refinancing of GE debt completed.

*"We continue to work hard to improve occupancy, maintain rental values and generate added value from our extensive property portfolio across London. We are also making good progress on realising value from disposals.*

*We have completed the refinancing of the GE debt facility, broadening our lender base and increasing the maturity of our debt to over four years. This refinancing completes the immediate priorities we set ourselves last year.*

*Trading is stable and we remain cautious on the economic outlook. Nevertheless we are well placed to create significant value when any sustained recovery in confidence develops, from both our existing properties and new opportunities where our asset management skills can be applied"*

### Enquiries and lettings

We are seeing good demand for space with some reduction in enquiries as churn levels have moderated. Pricing is stable with the cash rent per sq. ft at £11.26 compared to £11.22 at March 2010.

Average number per month :	Quarter to June 2010	Quarter to March 2010	Quarter to December 2009	Quarter to September 2009	Quarter to June 2009
Enquiries per month	908	1,145	1,019	941	931
Lettings per month	87	87	108	101	105

### Portfolio performance

Overall occupancy across the portfolio at 30 June 2010 was 82.7% (March 2010: 81.9%) and cash rent roll was £51.2m (March 2010: £50.7m). Contracted rent roll which includes stepped rental increases, rent free periods and rent discounts is £3.1m higher than cash rent roll at £54.3m (March 2010: £53.9m).

Cash rent roll was up 1% (£0.5m) in the quarter. The pace of growth was impacted by the net effect of customers leaving and the initial cash rents on new leases. We are, however, seeing a good conversion of contracted rental increases to cash, this is currently running at around 80%.

Like-for-like properties (88 properties with a value of £536m)

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. It includes seven properties from the former Glebe joint venture.

Like-for-Like	June 2010	March 2010	December 2009	September 2009
Occupancy	84.9%	84.0%	83.4%	82.7%
Cash Rent Roll	£39.5m	£39.5m	£38.8m	£39.3m

We target 90% occupancy for our like-for-like properties and we are making steady progress towards this target with occupancy up a further 0.9% in the quarter to 84.9%.

At Baldwin Gardens we have received planning consent for a new 63,000 sq. ft business centre to replace the existing 43,000 sq. ft centre. This property will be moved into the refurbishment category in due course.

Refurbishment properties (7 properties with a value of £134m)

These are properties which have either been refurbished in the last 24 months or are currently undergoing refurbishment.

Refurbishment	June 2010	March 2010	December 2009	September 2009
Occupancy	76.1%	74.9%	73.0%	74.5%
Cash Rent Roll	£10.1m	£9.6m	£9.0m	£9.3m

This category includes Kennington Park and Tower Bridge Business Complex (two of our largest estates with some 786,000 sq. ft of lettable space and representing some 62% of the valuation in this category) where there are ongoing refurbishment programmes at various buildings on the estates and Great Guildford Street where a redevelopment of the entrance area is being progressed.

Held for redevelopment (10 properties at a value of £55m)

These are properties where we have obtained, or are progressing with planning approval for mixed-use redevelopment and now includes four former Glebe joint venture properties.

Redevelopment	June 2010	March 2010	December 2009	September 2009
Occupancy	79.3%	79.7%	75.9%	74.4%
Cash Rent Roll	£1.6m	£1.7m	£1.9m	£1.8m

Good progress has been made on a number of schemes:

- We have now received planning consent for the hotel development at Surrey House and exchanged contracts for its sale at £4.6m with completion expected in October 2010.

- We have exchanged contracts for the sale of our head office and car park at Magenta House for £4.0m for a student housing development. We expect to complete this sale, subject to gaining planning consent, in the first half of 2011;
- At Wandsworth Business Village heads of terms have been agreed for the mixed use redevelopment of this site for 209 residential apartments and a new 60,000 sq. ft business centre; and
- At Greenheath Business Centre we have agreed heads of terms, subject to planning, for the disposal of the car park area for a housing development for £3.4m.

## Valuation

There has been an underlying increase in the valuation of 0.9% in the quarter excluding the effect of acquisitions, disposals and capital expenditure.

Property Valuation	Value		ERV		Income Yield**
	£m	Change*	£m	Change*	
Like-for-Like Properties	535	+0.7%	48.8	-0.5%	7.8%
Refurbishment Properties	134	+2.1%	12.9	-0.1%	7.7%
Held for Redevelopment	55	-0.3%	4.4	-1.9%	4.9%
<b>Total</b>	<b>725</b>	<b>+0.9%</b>	<b>66.1</b>	<b>-0.5%</b>	<b>7.7%</b>

\* Underlying change in quarter excluding the impact of acquisitions, disposals and capital expenditure.

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

The total existing use income yield of our portfolio at 7.7% is the same as at March 2010.

The property valuation includes added value of £56m (March 2010: £55m) at 21 properties where planning is well advanced or where planning consent has been obtained.

The small decline in the value of held for redevelopment properties reflects the delay between expenditure on properties and the recognition of added value until planning has been well advanced or achieved.

## Disposals

Subsequent to the quarter end we have completed the disposal of Langdale House for £4.25m, a 47% premium to its value at March 2010.

## Financing

We completed the refinancing of the debt facility provided by GE Real Estate in early July. A new £200m 5 year facility has been provided by a club of four banks (BayernLB, pbb Deutsche Pfandbriefbank, Nationwide Building Society and Santander). The margin over LIBOR on this facility is 2.25%. We took advantage of current interest rates to hedge £140m of this debt at a blended rate (including existing hedges) of 3.3% to June 2015, incurring break costs of £4m on some existing hedging contracts.

The Group now has a broad base of six real estate lenders and an average debt maturity of over four years. The overall cost of debt is now running at 6% (down from 6.7% in 2009/10) with good headroom on all facility covenants.

## Key Statistics

	Quarter ending 30 June 2010#^	Quarter ending 31 March 2010#^	Quarter ending 31 Dec 2009#^	Quarter ending 30 Sept 2009^	Quarter ending 30 June 2009^
<b>Workspace Group directly owned portfolio#</b>					
Number of estates	105	105	107	100	100
Lettable floorspace (million sq ft) †	5.5	5.5	5.7	4.8	4.9
Number of lettable units	5,205	5,156	5,283	4,591	4,618
ERV	£66.1m	£66.4m	£69.0m	£61.4m	£64.6m
Reversionary Yield*	9.1%	9.3%	9.7%	10.1%	10.4%
Net annual rent roll of occupied units	£51.2m	£50.7m	£50.4m	£46.9m	£48.0m
Average annual rent per sq ft	£11.26	£11.22	£11.02	£11.83	£12.17
Overall occupancy	82.7%	81.9%	80.6%	81.9%	81.0%
Property valuation	£725m	£717m	£711m	£605m	£619m
Loan to value	53%	53%	56%	57%	56%
Available borrowing facilities	£31m	£36m	£27m	£18m	£18m
<b>Like-for-Like portfolio^</b>					
Lettable floor space (million sq ft)	4.0	4.0	4.0	4.0	4.0
Net annual rent roll	£39.5m	£39.5m	£38.8m	£39.3m	£40.5m
Average annual rent per sq ft	£11.76	£11.85	£11.77	£11.94	£12.23
Occupancy	84.9%	84.0%	83.4%	82.7%	83.1%

† Excludes storage space

\* Based on ERV divided by valuation

# Workspace Group directly owned portfolio includes former Glebe JV properties acquired on 11 December 2009 from Quarter ending 31 December 2009 onwards.

^ Like-for-like portfolio includes certain former Glebe JV properties. Although not wholly owned until 11 Dec 2009 these properties have been under the management of Workspace for all quarters shown.