14 July 2017

WORKSPACE GROUP PLC

FIRST QUARTER BUSINESS UPDATE

STRONG CUSTOMER DEMAND AND TWO STRATEGIC ACQUISITIONS

HIGHLIGHTS

- Strong customer demand in the first quarter with enquiries averaging 1,055 per month (FY 2016/17: 1,060) and lettings averaging 95 per month (FY 2016/17: 99).
- Two significant acquisitions in Fitzrovia, W1 and Moorgate, EC2 adding 333,000 sq. ft. of lettable space at a total cost of £257m.
- The Record Hall, a new 58,000 sq. ft. flagship business centre in Holborn, EC1 opened in May with 50% let or under offer by the end of June 2017.
- Disposal of Uplands industrial estate in Walthamstow, E17 for £50m, 25% above the 31 March 2017 valuation.
- Final phase of the mixed-use redevelopment in Bow, E3 sold for £6m in cash and the return of a new 40,000 sq. ft. business centre.
- LTV ratio of 21% at 30 June 2017, with cash and undrawn facilities of £79m.

Jamie Hopkins, Chief Executive Officer, Workspace, commented:

"Workspace has had a very busy and successful start to the new financial year with robust demand from customers confirming the attractiveness of our flexible offer to an increasingly wide range of businesses. We have continued to expand and upgrade our property portfolio with two exciting acquisitions and the opening of a new business centre in the quarter."

For further information, please contact:

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Enquiries and Lettings

We have seen good levels of demand and lettings activity continue though the first quarter of the financial year.

	Quarter Ended				
Average number per month	**30 Jun 2017**	31 Mar 2017	31 Dec 2016	30 Sept 2016	30 June 2016
Enquiries	**1,055**	1,183	1,009	999	1,050
Lettings	**95**	101	85	103	106

Rent Roll and Occupancy

We are aligning the reporting of rent roll and occupancy with our financial reporting at the half year and full year. This will reduce the reporting, and any restatement, of like-for-like trends to twice a year.

Refurbishment and Redevelopment Activity

The Record Hall in Holborn, a new 58,000 sq. ft. business centre, opened in May 2017. Demand has been strong with 35% of the building occupied as at 30 June 2017 and a further 15% under offer, significantly ahead of our plan expectations.

Planning consent was achieved for the 23,000 sq. ft. refurbishment and extension of our Easton Street property in Clerkenwell in April 2017.

The final phase of the mixed-use redevelopment at Bow Enterprise Park, comprising 130 residential units, was sold in June 2017 for £6.3m in cash and the return to Workspace of a new 40,000 sq. ft. business centre. The sale was in line with the 31 March 2017 valuation.

We continue to make good progress on our refurbishment project pipeline, with our major refurbishments at Barley Mow, Chiswick and The Leather Market, London Bridge due to complete in the second quarter.

Acquisition and Disposal Activity

In April 2017, we completed the acquisition of 13-17 Fitzroy Street, Fitzrovia for £98.5m at a net initial yield of 4.6% and capital value of £1,063 per sq. ft. This property comprises 92,700 sq. ft. of net lettable space, currently let in its entirety to Arup until September 2022 at annual rent of £4.9m (£53 per sq. ft.), rising to £6.0m (£65 per sq. ft.) in March 2021 should they stay. Arup plan to relocate from this building and the lease provides for their early exit with effect from September 2020 with a rolling nine-month break option. In due course, we will reposition the building as a multi-let business centre.

In May 2017, we sold Uplands Industrial estate in Walthamstow for £50.0m. The industrial estate totalled 290,000 sq. ft. of net lettable space with an average rent per sq. ft. of £5.70. The property was sold at a premium of 25% (£10m) to the 31 March 2017 valuation at a net initial yield of 3.1%.

In June 2017, we acquired Salisbury House at 28-31 Finsbury Circus, Moorgate for a cash consideration of £158.7m. It was acquired at a capital value of £661 per sq. ft., a low average passing rent of £41.50 per sq. ft. and at a net initial yield of 5.0%. The multi-let property provides 240,000 sq. ft. of net lettable space, currently 90% occupied with 105 customers and is ideally suited to the Workspace operating model.

Financing Activity

Net debt increased by £194m to £436m at 30 June 2017, primarily from the net impact of acquisition and disposal activity in the quarter with a net spend (excluding transaction costs) of £207m. As a result, the loan-to-value ratio, based on the 31 March 2017 property valuation increased to 21% (31 March 2017: 13%).

During the quarter, an additional £100m five-year revolver facility was provided by our bank lending syndicate under the existing overarching agreement, along with a new £50m 364-day revolver facility. At 30 June 2017, cash balances and undrawn facilities totalled £79m.