

**19 January 2017**

## **WORKSPACE GROUP PLC**

### **INTERIM MANAGEMENT STATEMENT**

#### **STRONG CUSTOMER DEMAND AND ACTIVE ASSET MANAGEMENT CONTINUES TO DRIVE RENTAL GROWTH**

Workspace Group PLC ("Workspace") announces its Interim Management Statement covering the period from 1 October 2016 to the date of this announcement, including the operational statistics for the quarter to 31 December 2016.

#### **HIGHLIGHTS**

- Total rent roll up 2.5% (£2.1m) in the quarter to £86.9m and up 11.1% (£8.7m) over the nine months from 31 March 2016
- Like-for-like rent roll up 3.5% (£1.8m) in the quarter to £53.3m and 9.3% (£4.5m) over the nine months from 31 March 2016
- Like-for-like rent per sq. ft. up 3.1% in the quarter to £25.71 and up 7.8% over the nine months from 31 March 2016
- Like-for-like occupancy 90.6%, up from 90.3% at September 2016 (31 March 2016: 90.0%)
- Contracts exchanged in October 2016 for the sale of three mixed-use redevelopments
- Planning consents achieved in October 2016 for two refurbishments in Hackney and Ladbroke Grove

#### **Commenting on the performance, Jamie Hopkins, Chief Executive Officer said:**

*"I am delighted to report another active quarter of strong rental growth, driven by ongoing customer demand for our product across London. As well as solid growth in like-for-like pricing levels, our completed projects continue to let up well and we are making good progress on our refurbishment and redevelopment pipeline. We also continue to explore acquisition opportunities that meet our strict investment criteria.*

*Workspace's unique combination of modern, designed office space and state of the art facilities are hugely relevant and increasingly attractive to our growing customer base of London businesses, and we have seen the robust levels of demand continuing into the final quarter of the financial year. With a strong balance sheet, established brand and high quality offer, despite the current challenging economic environment, I am confident that the business is well positioned to make further progress as we look forward to the year ahead."*

**For media and investor enquiries, please contact:**

**Workspace Group PLC**

Clare Dundas, Head of Corporate Communications

020 7138 3300

**Bell Pottinger**

Victoria Geoghegan

Nick Lambert

Elizabeth Snow

020 3772 2562

**Notes to Editors:**

About Workspace Group PLC:

- Workspace is a FTSE250 property company and has been listed on the London Stock Exchange since 1993
- Workspace has a unique business model, maintaining direct relationships with customers and managing all of its operational activity – from marketing, viewings, lettings and lease renewals – in-house
- Workspace provides the right properties in the right locations to attract its customers and the right services to retain them and help them grow
- Workspace is growing through deep market knowledge, operational excellence and strong customer relationships
- Workspace is a member of the European Public Real Estate Association
- For more information on Workspace, please visit [www.workspace.co.uk](http://www.workspace.co.uk)

## Rent Roll Performance

Total cash rent roll is £86.9m at 31 December 2016, up 11.1% (£8.7m) from 31 March 2016 as detailed below:

	<b>£m</b>
At 31 March 2016	78.2
Growth at like-for-like properties	4.5
Increase in rent at completed projects	4.7
Current refurbishment and redevelopment projects	(2.0)
Increase in rent from acquisitions	1.5
At 31 December 2016	<u>86.9</u>

## Like-for-like portfolio

The like-for-like portfolio represents 61% of the Group's total rent roll as at 31 December 2016. It comprises properties with stabilised occupancy over the previous twelve months, excluding those impacted by significant refurbishment or redevelopment activity.

We have achieved a strong quarter of like-for-like rent roll growth, with rent roll up 3.5% (£1.8m) in the quarter to £53.3m and up by 9.3% (£4.5m) from 31 March 2016. Like-for-like rent per sq. ft. is the main driver of rental growth up 3.1% in the quarter to £25.71 and up by 7.8% from 31 March 2016. Like-for-like occupancy has increased by 0.3% in the quarter and 0.6% since 31 March 2016 to 90.6%.

	<b>31 Dec 2016</b>	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Like-for-like properties					
Number	<b>35</b>	35	35	35	35
Occupancy	<b>90.6%</b>	90.3%	89.6%	90.0%	90.6%
Rent roll	<b>£53.3m</b>	£51.5m	£50.2m	£48.8m	£46.6m
Rent per sq. ft.	<b>£25.71</b>	£24.93	£24.57	£23.86	£22.92

## Completed Projects

The continued strong demand for space at our completed schemes has resulted in the rent roll increasing by £0.5m in the quarter and £4.7m since 31 March 2016 to £13.9m. Occupancy at our completed projects reached 86.8% at 31 December 2016, an increase of 7.1% in the quarter and 17.7% since 31 March 2016. Most notably, the occupancy at Grand Union Studios, our new 65,000 sq. ft. business centre in Ladbroke Grove which opened in March 2016, has increased from 55% to 80% in the quarter.

## Current Projects

We currently have an extensive programme of project activity ongoing. During the current calendar year, we are expecting to complete on four refurbishments and open one new business centre from our redevelopment programme, delivering 344,000 sq. ft. of new and upgraded space in total.

Rent roll has decreased by £0.1m in the quarter and £2.0m since 31 March 2016 to £13.5m at properties undergoing refurbishment or redevelopment. This includes a reduction of £0.7m at Cremer Business Centre, Hoxton, where demolition has commenced in the quarter.

### **Acquisitions**

Acquisitions are held separately from our like-for-like category until we have at least twelve months of stabilised occupancy following any upgrade and refurbishment works. Rent roll fell by £0.1m in the quarter as a result of obtaining vacant possession at Easton Street, Clerkenwell following the planned vacation of Amnesty International. We are now progressing with the £7m refurbishment and extension of this property.

### **Enquiries and Lettings**

Enquiry levels have been strong, averaging 1,009 per month in the quarter and 1,019 in the nine months since 31 March 2016. Lettings in the quarter, which includes the seasonal impact of Christmas, are favourable to the comparative quarter in the prior year. We have continued to see a good level of demand in the first two weeks of January 2017.

Average number per month	Quarter Ended				
	31 Dec 2016	30 Sept 2016	30 June 2016	31 March 2016	31 Dec 2015
Enquiries	<b>1,009</b>	999	1,050	1,070	994
Lettings	<b>85</b>	103	106	116	73

### **Disposal Activity**

In October 2016 we contracted to sell three mixed-use redevelopments:

- Arches Business Centre, Southall, which has planning consent for 110 residential units, was sold for £13.0m
- The second phase at The Light Bulb, Wandsworth, comprising planning consent for 77 residential units, was sold for £7.75m together with the return of 17,000 sq. ft. of new commercial space
- Lombard Business Centre, Croydon, which has planning consent for 96 residential units, was sold for £5.75m

### **Refurbishment and Redevelopment Activity**

In October 2016, we obtained planning permission for the extension and upgrade of Mare Street Studios, Hackney and Pall Mall Deposit, Ladbroke Grove. They will provide 115,000 sq. ft. of new and upgraded space at an estimated cost of £27m. We expect to commence these projects in 2018, with completion in 2019.

## Key Property Statistics

	Quarter ending 31 Dec 2016	Quarter ending 31 Sep 2016	Quarter ending 30 Jun 2016	Quarter ending 31 Mar 2016	Quarter ending 31 Dec 2015
<b>Workspace Group Portfolio</b>					
Number of estates	69	69	69	69	77
Lettable floor space (million sq. ft.) †	3.6	3.7	3.7	3.8	4.2
Number of lettable units	4,258	4,521	4,513	4,554	4,725
Cash rent roll of occupied units	£86.9m	£84.8m	£82.0m	£78.2m	£80.8m
Average annual rent per sq. ft.	£27.38	£26.86	£26.06	£24.32	£22.39
Overall occupancy	87.4%	84.2%	84.5%	85.8%	85.8%
Like-for-like lettable floor space (million sq. ft.)	2.3	2.3	2.3	2.3	2.3
Like-for-like cash rent roll	£53.3m	£51.5m	£50.2m	£48.8m	£46.6m
Like-for-like average annual rent per sq. ft.	£25.71	£24.93	£24.57	£23.86	£22.92
Like-for-like occupancy	90.6%	90.3%	89.6%	90.0%	90.6%

† Excludes storage space

### Note:

The like-for-like category was restated in the first half of 2016/17 for the following:

- The exclusion of Pall Mall Deposit, Ladbroke Grove and Southbank House, Vauxhall and the Chocolate Factory, Wood Green which are subject to major refurbishment activity
- The inclusion of Cargo Works, Southbank and Peer House, Midtown which have reached stabilised occupancy levels over the last 12 months, post refurbishment and acquisition respectively

There were no further category changes in the quarter to December 2016