

9 July 2020

WORKSPACE GROUP PLC

**FIRST QUARTER BUSINESS UPDATE FOR THE
PERIOD ENDING 30 JUNE 2020**

HIGHLIGHTS

- Customer demand improved through the quarter with enquiries in June at 765, up from 272 in April. This compares to a monthly average of 1,060 enquiries in the first quarter last year
- Cash collection of rent due for the first quarter now at 75%, net of rent reductions and deferrals
- The 50% rent reduction offered to business centre customers ended at end of June 2020
- Received 65% of rents due for the second quarter¹ to date, this compares to c.80% at the equivalent time last year
- Customers slowly returning to our business centres, with activity now at around 15% of usual levels
- Planning consent granted for major mixed-use redevelopment in Wandsworth, comprising 171,000 sq. ft. of new commercial space and 402 residential units
- Pro forma LTV of 21% at 30 June 2020, based on March 2020 valuation, with cash and undrawn facilities of £161m

Graham Clemett, Chief Executive Officer, Workspace Group PLC, commented:

“Activity in the first quarter has been significantly impacted by the lockdown. We offered our business centre customers a 50% rent reduction for the first quarter ending in June, which was well received. Our teams have worked hard to ensure our buildings are safe and we have also provided guidance and resources for customers through our Back to Business Hub.

“As our existing customers review their space requirements, we have seen like-for-like occupancy fall by 3% to 90% in the quarter and we expect to see continued pressure on occupancy levels in the short-term. However, we are encouraged by the early signs of a recovery in business confidence, with improving levels of enquiries, viewings and lettings. Our experienced team are focused on maintaining occupancy at our centres through retaining existing customers where possible, alongside capturing the improving demand from new customers.

“We remain confident in the longer-term attractions of our flexible customer offer, despite the near-term challenges. We also continue to create value from our project pipeline and were delighted to receive planning consent for a major scheme in Wandsworth during the quarter.”

¹ Includes both quarterly rent and monthly rent due for July

Customer Activity

The Covid-19 lockdown had a significant impact on customer demand in the quarter, although as restrictions eased we saw a strong pick-up in activity. We are encouraged to see that the level of activity continued to increase in early July.

	Monthly Average		Monthly Activity		
	Q1 2020/21	Q1 2019/20	30 Jun 2020	31 May 2020	30 Apr 2020
Enquiries	506	1,060	765	480	272
Viewings	142	709	318	95	14
Lettings	43	121	91	17	20

Overall utilisation of our business centres is increasing slowly, currently running at around 15% of pre-lockdown levels.

Rent Collection

We offered customers in our business centres a rent reduction of 50% from the start of the lockdown period in late March to the end of June 2020. We have also, on a case by case basis, offered customers the opportunity to defer a proportion of their rental payments. The rent reduction was only available to customers who continued to pay their rent or had a deferred payment agreement in place.

Overall, we gave rent reductions to around 80% of our customers by rent in the first quarter, which represents a reduction in rent of c.£16m. We agreed to defer around 15% of the discounted rent amounts due from these customers.

We have to date collected some 75% of rent due for the first quarter (c.41% of gross rents before rent reductions and deferrals). The general 50% rent reduction offered to all our business centre customers ended at the end of June.

Cash collection in the second quarter, comprising quarterly rents and the monthly rents due for July, is currently at 65% (60% of gross rents before rent reductions and deferrals). This compares to c.80% at the equivalent time last year.

We continue to engage with customers on outstanding rents due, with the risk of bad debts offset by the rent deposits we hold for the majority of our customers.

Portfolio Activity

In June 2020, we opened two new business centres. Mare Street Studios in Hackney, which provides 55,000 sq. ft. of new business space, and Lock Studios in Bow, a new 39,000 sq. ft. business centre.

We expect to complete another three projects during the remainder of the current financial year, providing a further 91,000 sq. ft. of new and upgraded space.

In June 2020, we were granted planning consent for a significant mixed-use redevelopment project in Wandsworth. The 5.4 acre site currently comprises 145,000 sq. ft. of low quality office, leisure and light industrial space, with a rent roll of £2.5m and a property valuation of £46m as at 31 March 2020. The planning consent is for a new 106,000 sq. ft. business

centre and 65,000 sq. ft. of new light industrial space, as well as 402 residential apartments, including 35% affordable housing.

We are continuing to track acquisition opportunities across London but remain disciplined in our returns criteria.

Financing

Net debt increased by £5m in the quarter to £546m, with cash balances and undrawn facilities of £161m as at 30 June 2020.

The pro forma loan to value ratio at 30 June 2020, based on the 31 March 2020 property valuation, is 21% (31 March 2020: 21%).

Chairman Succession

As previously announced, Daniel Kitchen steps down as Chairman following the AGM today and is replaced by Stephen Hubbard. Stephen has been a Non-Executive Director of Workspace since July 2014 and was previously Chairman of CBRE UK. He is also Non-Executive Chairman of LXi REIT plc.

– ENDS –

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Workspace Group PLC

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Notes to Editors

About Workspace Group PLC:

Established in 1987, and listed on the London Stock Exchange since 1993, Workspace owns and manages some 4 million sq. ft. of business space in London. We are home to thousands of businesses, including fast growing and established brands across a wide range of sectors. Workspace is geared towards helping businesses perform at their very best. We provide inspiring, flexible work spaces in dynamic London locations.

Workspace (WKP) is a FTSE 250 listed Real Estate Investment Trust (REIT) and a member of the European Public Real Estate Association (EPRA).

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For more information on Workspace, please visit www.workspace.co.uk