

22 July 2021

WORKSPACE GROUP PLC

**FIRST QUARTER BUSINESS UPDATE FOR THE
PERIOD ENDING 30 JUNE 2021**

Workspace Group, London's leading provider of flexible offices, provides a business update for the first quarter ending 30 June 2021 ahead of its AGM being held later today.

HIGHLIGHTS

- Customer demand now running at pre-Covid levels, with an average of 947 enquiries per month in the quarter (Q1 2020/21: 506) and 125 lettings per month (Q1 2020/21: 43)
- Strong cash collection, with 95% of rent due for the first quarter and 90% of rent due for the second quarter collected to date, ahead of the level of rents collected at the same point in the previous quarter
- Like-for-like occupancy recovering, up 1.1% in the quarter to 82.7%
- Pricing beginning to stabilise as customer demand improves, average rent per sq. ft. down by 2.4% to £35.69 in the quarter, around half the decline seen in the previous quarter
- Three projects will complete in the second quarter providing 117,000 sq. ft. of new and upgraded space
- Pro forma LTV remained unchanged at 24% at 30 June 2021 based on the March 2021 valuation

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

“Our first quarter performance reinforces our confidence that we have come through the worst of the pandemic and are now on a clear positive trajectory. Whilst we expect a degree of uncertainty to remain in the near-term, we are seeing strong signs that London’s businesses are returning to work and are optimistic about the future.”

“The high level of enquiries and lettings activity that we are seeing shows that our distinctive, flexible offering is resonating in the market. With the Government’s ‘work from home’ guidance now lifted, we expect to see continued strong demand through the second quarter.”

“With occupancy increasing and pricing beginning to stabilise, this is a solid start to what we expect to be a positive year for Workspace. Looking ahead, we are well positioned to capture the significant growth opportunities in front of us as the market demand for office space continues to shift towards a combination of flexibility, quality and sustainability.”

Customer Activity

We have seen good levels of demand from new customers, with a monthly average of 947 enquiries in the quarter and a strong conversion to viewings and subsequent lettings.

	Monthly Average		Monthly Activity		
	Q1 2021/22	Q1 2020/21	30 Jun 2021	31 May 2021	30 Apr 2021
Enquiries	947	506	927	974	939
Viewings	615	142	593	640	612
Lettings	125	43	121	154	100

We are also seeing a steady return of existing customers to their offices, with utilisation of our centres improving to 35% of pre-Covid levels by the end of June.

Like-for-like occupancy has started to recover during the first quarter from the combined impact of new lettings activity and lower, pre-Covid levels of customer churn. The net result has been a 1.1% increase in like-for-like occupancy in the quarter to 82.7%.

Pricing is also now beginning to stabilise, although as a result of the four-week extension in the lifting of Covid-19 restrictions we continued to offer short-term lease incentives on a case by case basis. Average rent per sq. ft. fell 2.4% in the quarter to £35.69, around half the decline seen in the previous quarter.

	Quarter Ended		
	30 Jun 21	31 Mar 21	31 Dec 20
Like-for-like occupancy	82.7%	81.6%	82.1%
Like-for-like occupancy change*	1.1%	(0.5)%	(3.4)%
Like-for-like rent per sq. ft.	£35.69	£36.57	£38.46
Like-for-like rent per sq. ft. change	(2.4)%	(4.9)%	(5.3)%
Like-for-like rent roll	£84.0m	£85.1m	£89.8m
Like-for-like rent roll change	(1.2)%	(5.2)%	(9.1)%

*Absolute change

The combined impact of the increase in like-for-like occupancy and fall in rent per sq. ft. in the quarter resulted in a 1.2% fall in like-for-like rent roll, to £84.0m. Total rent roll declined by 6.3% in the first quarter to £97.5m. This included a reduction in rent of £6.1m at Fitzroy Street after the sole occupier, Arup, moved out ahead of our planned refurbishment of this building.

Rent Collection

Cash collection remains robust, despite the continued Government restrictions on rent collection measures. The majority of our customers pay monthly and we have to date collected 95% of rent due for the first quarter and 90% of rents due for the second quarter, ahead of the level of rents collected at the same point in the previous quarter.

Portfolio Activity

We are making good progress with our refurbishment and redevelopment pipeline, with three projects due to complete in the second quarter:

- The extensive refurbishment of Pall Mall Deposit, Ladbroke Grove, will deliver 59,000 sq. ft. of new and upgraded space
- The second phase of the mixed-use redevelopment at The Light Bulb, Wandsworth, will provide an additional 17,000 sq. ft. of net lettable space
- We are launching Mirror Works, a new 41,000 sq. ft. business centre in Stratford, from the mixed-use redevelopment of our former Marshgate property just south of the Olympic Park

Financing

In April 2021, we prepaid £148.5m of fixed rate private placement notes due in June 2023. The refinancing reduces the average cost of drawn debt to 3.1% and extends the average debt facility maturity to over 5 years. Following the refinancing, 71% of our facilities are at fixed rates, representing 100% of our borrowings on a drawn basis.

Net debt increased by £8m in the quarter to £573m, with cash balances and undrawn facilities of £277m as at 30 June 2020. We have significant headroom on all facility covenants and the pro forma loan to value ratio at 30 June 2021, based on the 31 March 2021 property valuation, remained unchanged at 24%.

– ENDS –

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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 London's brightest 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