WORKSPACE GROUP PLC
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 October 2009 to the date of this announcement.

Highlights:

Significant refocusing and increase in scale of the property portfolio:

- 18 former Workspace Glebe joint venture properties acquired in December 2009 for an initial consideration of £83m. This represents a capital value of £75 per sq. ft and a cash income yield of 7.4% for a portfolio with considerable enhancement potential.

- 7 disposals completed in the quarter for £22m, with 2 disposals for £8m completed in January 2010 and two further disposals for £12m due to complete in February. Cumulative disposals from January 2009 to end February 2010 will be £74m at an exit income yield of 6.3%.

- Total lettable space at 31 December 2009 is 5.7m sq. ft (September 2009: 4.8m sq.ft) with a cash rent roll of £50.4m (September 2009: £46.9m).

Improved operating performance:

- Good demand for space with enquiries averaging over 1,000 per month during the quarter.

- Like-for-like occupancy (85 properties) up to 84.2% from 83.7% in the quarter.

- Like-for-like cash rent roll stable at £38.4m in the quarter (September 2009: £38.6m) after a decline of 6% in the cash rent roll in the first half of the year.

Increase in property valuation and net asset value:

- Total property valuation of £711m (September 2009: £605m), with underlying valuation up 4.0% in the quarter. Capital value £122 per sq. ft .

- EPRA Net Asset Value per share 25p, up 3p (14%) in the quarter.

Harry Platt, Chief Executive of Workspace commented,

"There has been good progress in the quarter. Targeted sales have been achieved at good yields without compromising the quality of the portfolio. The purchase of the former Glebe JV portfolio increases our scale and underlying potential. We continue to work hard to maintain rental values and improve occupancy".

Enquiries and lettings

Demand for space as represented by monthly enquiries has increased by 8% in the quarter and by 25% on the comparable quarter last year. The number of lettings per week averaged 25 during the third quarter.

Average number per month :	Quarter to December 2009	Quarter to September 2009	Quarter to June 2009	Quarter to March 2009	Quarter to December 2008
Enquiries per month	1,019	941	931	955	817
Lettings per month	108	101	105	97	84

Portfolio performance

Like-for-like properties (85 properties with a value of £507m)

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.

Like-for-Like	December 2009	September 2009	June 2009	March 2009
Occupancy	84.2%	83.7%	83.4%	82.9%
Rent Roll	£38.4m	£38.6m	£39.7m	£41.0m

Like-for-like occupancy has continued to improve, now at 84.2% up 1.3 percentage points from the lowest level reached in March 2009. Cash rent roll is broadly flat in the quarter compared to declines of 3% in each of the last two quarters as we have been able to stabilise pricing levels, gradually reducing the level of incentives required to achieve new deals.

Refurbishment properties (5 properties with a value of £83m)

These are properties which have either been refurbished in the last 24 months or are currently undergoing refurbishment. The most significant property in this category is Kennington Park, SW9 at which the refurbished Canterbury Court Business Centre (opened in January 2008) has now reached occupancy of 90%.

Refurbished	December 2009	September 2009	June 2009	March 2009
Occupancy	76.4%	81.2%	76.9%	72.9%
Rent Roll	£5.5m	£6.0m	£5.8m	£5.6m

Available floorspace has increased by 32,000 sq. ft following completion of the refurbishment of the Barley Mow Centre, W4 and the second stage of the acquisition of space at Q West, TW8. Excluding the introduction of this new space, occupancy at December 2009 would have been 83.0%. The reduction in rent roll relates to the end of a long term lease at Kennington which will enable further added value repositioning at the site.

Workspace Glebe properties (18 Properties with a value of £98m)

Workspace Glebe	December 2009	September 2009	June 2009	March 2009
Occupancy	76.0%	73.6%	75.3%	70.7%
Rent Roll	£6.1m	£6.0m	£6.8m	£7.0m

The management of these properties has been integrated into the overall portfolio and we are implementing a controlled investment programme which is no longer constrained by the financing issues associated with the previous JV structure.

Held for redevelopment/sale (5 properties at a value of £24m)

These are properties where we have obtained, or are progressing with planning approval for mixed-use redevelopment.

Redevelopment/ Sale	December 2009	September 2009	June 2009	March 2009
Occupancy	57.8%	59.3%	58.8%	54.0%
Rent Roll	£0.5m	£0.6m	£0.6m	£0.8m

Valuation

There has been an underlying increase in the valuation of 4.0% in the quarter excluding the effect of acquisitions, disposals and capital expenditure. This compares to a decline of 7.0% in the first half of 2009/2010 and is the first increase in the property valuation since June 2007.

Property Valuation	Value		ERV		Income Yield**
	£m	Change*	£m	Change*	
Like-for-Like Properties	506.7	+4.6%	49.5	0.0%	8.0%
Refurbishment Properties	83.2	+1.0%	8.1	+3.1%	6.7%
Former Workspace Glebe JV	97.7	-	9.6	-	7.3%
Held for redevelopment/sale	23.6	+0.8%	1.9	0.0%	2.4%
Total	**711.3**	**+4.0%**	**69.1**	**+0.4%**	**7.6%**

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

*** Income yield is based on the cash rent roll and valuation excluding added value.*

Pricing on new lettings has stabilised which is reflected in the estimated rental value (ERV) which is broadly flat in the quarter compared to the 11% decline reported in the first half.

The like-for-like property valuation includes added value of £27.8m (September 2009: £26.9m) at 15 properties where planning is well advanced or where planning consent has been obtained. Total added value at December 2009 including the Workspace Glebe portfolio now stands at £46.9m.

The increase in valuation reflects some tightening in yields with the underlying income yield on our like-for-like portfolio (excluding added value) reducing from 8.5% to 8.0% in the quarter.

Acquisition of Workspace Glebe Joint Venture

The acquisition of the former Workspace Glebe joint venture properties was completed on 11 December 2009 for an initial consideration of £83m, with further potential amounts payable over time under a proceed sharing arrangement. The purchase was satisfied by a cash payment of £15m from the placing of 101.5m shares at 19p and a revised and restated debt facility of £68.0m provided by the existing lenders, HBoS and Bank of East Asia.

Provisions that had previously been held against joint venture liabilities of £9.1m have been reduced to £1.4m.

Balance Sheet and Financing

We do not normally provide an updated balance sheet in the quarterly IMS. However, to assist in an understanding of the net effect on the balance sheet of the acquisition of the Workspace Glebe joint venture companies and the property disposals, a balance sheet at 31 December 2009 is set out below:

Audited 31 March 2009		**Unaudited 31 December 2009**	**Unaudited 30 September 2009**
£m		**£m**	**£m**
	Non-current assets		
664.1	Investment properties	**712.5**	606.7
3.4	Other	**3.3**	3.3
667.5		**715.8**	610.0
12.8	**Current assets**	**13.7**	11.7
	Current liabilities		
(26.2)	Derivative financial instruments	**(23.0)**	(22.1)
(33.2)	Other	**(34.2)**	(33.6)
(59.4)		**(57.2)**	(55.7)
(46.6)	**Net current liabilities**	**(43.5)**	(44.0)
	Non-current liabilities		
(359.4)	Borrowings and finance leases	**(401.5)**	(349.0)
(9.6)	Other	**(1.4)**	(9.3)
(369.0)		**(402.9)**	(358.3)
251.9	**Net assets**	**269.4**	207.7
27p	EPRA Net asset value per share	**25p**	22p

Borrowings at December 2009 are £398m with headroom on our term facilities of £27m. These borrowings include an additional £68m of new debt provided by HBoS as part of the Workspace Glebe acquisition which has a term out to December 2014 at a margin of 1.25% over LIBOR.

Borrowings will be reduced by £20m from the disposals in January and February 2010 with the quantum of the GE debt reduced to £198m and the headroom on the RBS term facility increased. The average interest cost of our debt is now running at approximately 6%. We continue to have good headroom on both interest cover and loan to value covenants on all our bank facilities.

- ends -

Date: 3 February 2010
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Key Statistics

	Quarter ending 31 Dec 2009	Quarter ending 30 Sept 2009	Quarter ending 30 June 2009	Quarter ending 31 March 2009	Quarter ending 31 Dec 2008
Total Portfolio					
Number of estates	**113**	100	100	106	107
Lettable floorspace (million sq ft) ✞	**5.7**	4.8	4.9	5.0	5.1
Number of lettable units	**5,283**	4,591	4,618	4,546	4,688
ERV (£m)	**69.1**	61.4	64.6	70.5	76.6
Reversionary Yield*	**9.7%**	10.1%	10.4%	10.6%	10.3%
Net annual rent roll of occupied units (£m)	**50.4**	46.9	48.0	50.8	52.5
Average annual rent (£ per sq ft)	**11.02**	11.83	12.17	12.64	12.58
Overall occupancy	**80.6%**	81.9%	81.0%	80.3%	81.3%
Property valuation (£m)	**711**	605	619	662	740
Loan to value	**56%**	57%	56%	54%	60%
Available borrowing facilities (£m)	**27**	18	18	34	53
Like-for-Like Portfolio					
Lettable floor space (million sq ft)	**3.8**	3.8	3.8	3.8	3.8
Net annual rent roll (£m)	**38.4**	38.6	39.7	41.0	41.9
Average annual rent (£ per sq ft)	**12.10**	12.14	12.52	12.88	12.85
Occupancy	**84.2%**	83.7%	83.4%	82.9%	84.8%
Former Glebe Joint Venture Portfolio					
Number of estates	**18**	18	18	18	18
Lettable floorspace (million sq ft) ✞	**1.1**	1.1	1.1	1.2	1.2
ERV (£m)	**9.6**	10.0	-	11.1	11.4
Reversionary Yield*	**9.8%**	10.6%	-	8.5%	8.0%
Net annual rent roll of occupied units (£m)	**6.1**	6.0	6.8	7.0	6.9
Average annual rent (£ per sq ft)	**7.36**	7.55	8.31	8.61	8.54
Occupancy	**75.9%**	73.6%	75.3%	70.7%	69.4%

✞ Excludes storage space
* Based on ERV divided by valuation