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16th May 2023



WORKSPACE GROUP PLC

DISPOSAL OF NON-CORE MCKAY PROPERTIES AND PROGRESS UPDATE

Workspace Group PLC ('Workspace'), London's leading owner and operator of sustainable, flexible work space, is pleased to announce the exchange for sale of five non-core properties in the South-East of England for a total consideration of £82m. Completion will take place in June 2023. This follows the sale of a medical centre in Newbury for £7m in July 2022. These disposals are from the portfolio of assets acquired as part of the McKay acquisition completed in May 2022.

The properties being sold comprise light industrial and logistics properties in Bracknell, Crawley, Poyle, Theale and Weybridge. The site in Weybridge has been recently vacated with planning for refurbishment. The sale price represents a discount of 27% to the 30 September 2022 book value of these properties and is at a net initial yield of 4.5% (5.5% prior to the vacation of the Weybridge site).

We are progressing with the sale of the remaining non-core properties from the McKay acquisition. They comprise light industrial properties in Farnborough, Banbury and two in Folkestone valued in total at £28m as at 30 September 2022 and a vacant commercial property in Woking town centre where we obtained planning consent on appeal in December 2022 for a 366-unit residential scheme. This asset was valued at £10m as at 30 September 2022, prior to the grant of planning permission.

The acquisition of McKay in May 2022 allowed us to acquire, at a discount to book value, good quality office buildings in London, an office and business park portfolio in South-East and a number of non-core assets, principally light industrial and logistics properties.

We still anticipate an attractive return from this acquisition and we are making good progress, most notably:

- We completed the operational integration ahead of schedule in November 2022 with all activity now being managed on the Workspace platform
- The seven London properties, valued at £162m on 30 September 2022, are now managed as part of our London portfolio. These buildings are well suited to our business model and are in areas where we see good demand from our SME customers through our operating platform. We are progressively adapting them to our multi-let configuration and flexible offer which we expect will deliver premium pricing
- The South-East office and business park portfolio comprises thirteen buildings valued at £134m as at 30 September 2022. These are good quality, attractive income yielding properties which are largely fully let. Over time these assets will allow us to selectively test demand for our business model in well-connected feeder towns to London which we believe are under-served with quality flexible space catering to the demands of SMEs
- Cost synergies are well ahead of our 50% cost reduction target, with McKay corporate costs reduced from £6.4m pa prior to acquisition to £0.9m pa at March 2023
- We successfully novated a £65m long-term loan maturing in 2030, securing an attractive loan at a margin of 4% and avoiding a potential £13m break cost. Alongside this we have transferred £135m of McKay revolver bank facilities on the same terms as our existing Workspace facilities and extended the maturity to April 2025

The sale of these five non-core properties is being made to Tudor Investment Holdings Limited, acting as General Partner for ARGO DFI Logistics Partnership II LP. Net proceeds will be initially used to pay down the group's bank facilities.

Graham Clemett, Chief Executive Officer of Workspace, commented:

“This sale of a substantial element of the non-core assets from our purchase of McKay is an important step in our acquisition plan. There is still more to do but we are confident our acquisition will generate attractive returns for shareholders as we complete the delivery of these plans.”

- ENDS -

For media and investor enquiries, please contact:

Workspace Group PLC

Paul Hewlett, Director of Strategy & Corporate Development
Duncan Pelham, Senior Corporate Communications Manager

020 7138 3300

FGS Global

Chris Ryall
Guy Lamming

020 7251 3801

Notes to Editors

About Workspace Group PLC:

Workspace is London’s leading owner and operator of flexible work space, managing five million sq ft of sustainable space, with 77 core locations in London and the South-East.

We are home to some 4,000 of London’s fastest growing and established brands from a diverse range of sectors. Our purpose, to give businesses the freedom to grow, is based on the belief that in the right space, teams can achieve more. That in environments they tailor themselves, free from constraint and compromise, teams are best able to collaborate, build their culture and realise their potential.

Our ownership model allows us to offer true flexibility. We provide customers with blank canvas space to create a home for their business, alongside leases that give them the freedom to easily scale up and down within our well-connected, extensive portfolio.

We are inherently sustainable – we invest across the capital, breathing new life into old buildings and creating hubs of economic activity that help flatten London’s working map. We work closely with our local communities to ensure we make a positive and lasting environmental and social impact, creating value over the long term.

Workspace was established in 1987, has been listed on the London Stock Exchange since 1993, is a FTSE 250 listed Real Estate Investment Trust (REIT) and a member of the European Public Real Estate Association (EPRA).

Workspace® is a registered trademark of Workspace Group Plc, London, UK.

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