

WORKSPACE
INTERIM MANAGEMENT STATEMENT
STRONG GROWTH CONTINUES

Workspace Group PLC ("Workspace"), home to new and growing companies across London, today announces an Interim Management Statement covering the period from 1 April 2015 to the date of this announcement, including the operational statistics for the quarter to 30 June 2015.

HIGHLIGHTS

Continued Strong Operating Performance

- Total rent roll up 8.9% (£6.2m) in the quarter to £75.6m
- Like-for-like rent roll up 4.5% (£2.1m) in the quarter to £48.6m and up 17.7% (£7.3m) over the year from 30 June 2014
- Like-for-like rent per sq. ft. up 6.1% in the quarter to £19.49 and up 17.8% over the year from 30 June 2014
- Like-for-like occupancy at 90.7% (31 March 2015: 92.2%)
- Rent roll at completed projects up 21.3% (£2.3m) in the quarter to £13.1m

Active Portfolio Management

- Two properties acquired in Clerkenwell and Islington for £51m, adding 67,000 sq. ft. of net lettable space
- Four industrial estates sold for £32m by the BlackRock Workspace joint venture
- Good progress on the project pipeline with planning consents achieved for a residential redevelopment in Croydon and a new 55,000 sq. ft. business centre in Shoreditch

Strengthened Capital Structure

- Amendment and extension of bank facilities completed, with maturity extended from June 2018 to June 2020
- Options agreed to extend maturity of bank facilities by a further two years to June 2022 and increase the quantum of facilities from £150m to £250m
- Overall interest cost on debt reduced by 0.5% to 4.9% (31 March 2015: 5.4%).

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

"The strong rent roll growth we delivered last year has been sustained in the first quarter, driven by continued high demand from new and growing companies and further uplifts in pricing across the portfolio.

The two acquisitions, four disposals and two planning consents we have achieved since April are testament to our strategy of active portfolio management and value creation as we continue to deliver superior returns for shareholders.

We have also agreed the amendment and extension of our bank facilities which provides us with increased financial firepower, enhancing our ability to move quickly to execute our strategy at a lower cost."

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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 owns 84 properties all across London and is home to some 4,000 new and growing companies
- 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 itself is growing through deep market knowledge, operational excellence and strong customer relationships
- For more information on Workspace, please visit www.workspace.co.uk

OPERATING PERFORMANCE

Like-for-like Portfolio

The like-for-like portfolio comprises properties which have not been impacted over the last 24 months by either major refurbishment or redevelopment activity. We are continuing to achieve strong increases in rent roll, up 4.5% (£2.1m) in the quarter and 17.7% (£7.3m) over the last year. With occupancy broadly steady at just over 90% over the last year, we are achieving good increases in pricing levels, which are reflected in the 6.1% increase in rent per sq. ft. in the quarter to £19.49 and the 17.8% increase achieved over the last twelve months.

Like-for-like properties	30 June 2015	31 Mar 2015	31 Dec 2014	30 Sep 2014	30 Jun 2014
Number of properties	42	42	42	42	42
Rent Roll	£48.6m	£46.5m	£44.7m	£42.1m	£41.3m
Rent per sq. ft	£19.49	£18.37	£17.76	£16.99	£16.54
Occupancy	90.7%	92.2%	92.6%	90.6%	91.5%

A breakdown of growth in the quarter by property type is set out below.

	Occupancy		Rent Roll		Rent per sq. ft.	
	June 2015	March 2015	June 2015	March 2015	June 2015	March 2015
Business centres	90.3%	90.5%	£43.7m	£41.3m	£23.26	£21.98
Industrials	91.9%	97.5%	£4.9m	£5.2m	£8.00	£8.01
Total/Average	90.7%	92.2%	£48.6m	£46.5m	£19.49	£18.37

The business centres continue to drive the growth in rent roll with rent per sq. ft. up 5.8% in the quarter to £23.26, while rent per sq. ft. at our industrial estates remained flat over the quarter.

Completed Projects

Completed projects comprise properties with new and upgraded space from our refurbishment and redevelopment programmes. We have now completed six refurbishment and two redevelopment projects delivering 392,000 sq. ft. of new and upgraded net lettable space. The most recent is the refurbishment of 60,000 sq. ft. at Cargo Works on Bankside, which completed in April 2015.

Completed projects	30 June 2015	31 Mar 2015
Number of projects	8	8
Rent Roll	£13.1m	£10.8m
Rent per sq. ft	£24.31	£21.18

We are delighted with the continued success of the three new business centres opened over the last year, with occupancy levels at the Pill Box, Bethnal Green and ScreenWorks,

Islington both in excess of 90% and occupancy at The Light Bulb, Wandsworth (opened March 2015) reaching 37% by the end of June 2015. We have seen a similar positive response to the significant investment we have made in upgrading the quality of space at Cargo Works and Metal Box Factory on Bankside with occupancy and pricing levels ahead of our expectations.

Projects Underway

We continue to make good progress on the seven refurbishment and six redevelopment projects that are underway, with rent roll in the quarter steady at £5.3m. During the current financial year we expect four of these schemes to be completed, delivering 170,000 sq. ft of new and upgraded space. This includes a new business centre at Grand Union Studios, Ladbroke Grove and major extensions to two business centres on the Southbank.

Total Rent Roll

Overall occupancy at 30 June 2015 was 89.5% (31 March 2015: 88.7%). Total cash rent roll has increased by 8.9% (£6.2m) in the first quarter to £75.6m as detailed below:

	£m
At 31 March 2015	69.4
Like-for-like portfolio	2.1
Completed projects	2.3
Projects underway	0.0
Acquisitions	1.8
At 30 June 2015	<u>75.6</u>

ENQUIRIES AND LETTINGS

Enquiry levels remain high across the portfolio averaging over 1,000 per month in the quarter and we have seen continued strong demand into the second quarter of the year. Previous quarters over the last year have included higher levels of enquiries around the launch of the new business centres and completion of the major refurbishment at the Metal Box Factory.

Average number per month	Quarter Ended				
	30 June 2015	31 Mar 2015	31 Dec 2014	30 Sept 2014	30 June 2014
Enquiries	1,020	1,232	1,141	1,294	1,222
Lettings	102	120	105	108	104

ACQUISITIONS

In June 2015, we acquired 25 & 28 Easton Street, WC1 for £16.6m at a capital value of £794 per sq. ft. The property is well located in Clerkenwell close to Exmouth Market and complements our existing cluster of buildings in this popular Midtown area. The converted warehouse style offices, with net lettable area of 21,000 sq. ft., comprises basement, ground and three upper floors with the potential for extension in due course. It was acquired from the existing owner and occupier, Amnesty International, and will be reconfigured as a multi-

let business centre at the conclusion of a two year leaseback to the existing occupier at a rent of only £10 per sq. ft.

In June 2015, we also purchased Angel House, EC1 for £34.0m at a capital value of £738 per sq. ft. and a net initial yield of 3.7% off a low average passing rent of £29 per sq. ft. This attractive Art-Deco building extends to five floors providing 46,000 sq. ft. of net lettable space and is well located for Angel, Old Street and King's Cross St Pancras stations with six other Workspace buildings nearby. It is currently fully let to five customers with an average unexpired lease term of five years and three years to break. It offers excellent potential for repositioning and to capture significant rental uplifts in due course.

DISPOSALS

On behalf of the BlackRock Workspace joint venture, we completed the sale of four industrial estates in June 2015 for £32.1m at a capital value of £176 per sq. ft. This was at a 4% premium to the 31 March 2015 valuation and at a net initial yield of 6.8%.

PLANNING CONSENTS

On 30 June 2015, we received planning permission for the redevelopment of Lombard House, Croydon for a mixed use scheme comprising 96 homes and 2,300 sq. ft. of light industrial space. This will replace the existing 64,000 sq. ft. office building that was valued at £5.0m at 31 March 2015.

On 1 July 2015, we received planning permission for the extensive refurbishment of Holywell Centre, Shoreditch. The existing building, comprising 21,000 sq. ft. of studio office space, was valued at £9.0m at 31 March 2015. This will be replaced by a new 55,000 sq. ft. business centre at an estimated cost of £19m.

FINANCIAL MANAGEMENT

On 30 June 2015, we agreed terms with our three existing relationship banks to amend and extend our bank debt facilities. The existing £50m term loan and £100m revolver facilities were replaced by a new £150m revolver facility with the maturity extended from June 2018 to June 2020. The revised terms also provided for the potential extension of the revolver facility for a further two years to June 2022 and an increase in the quantum of the facility from £150m to £250m.

Total net debt increased by £47m in the quarter to £317m (31 March 2015: £270m) primarily as a result of the two acquisitions in the quarter, with capital expenditure offset by trading profits and capital receipts. All of the debt is unsecured and the average period to maturity of our debt facilities at 30 June 2015 has been extended to 6.3 years (31 March 2015: 5.8 years). The loan to value based on the 31 March 2015 valuation has increased in the quarter to 22% (31 March 2015: 19%).

We have also cancelled £95m of our shorter-term interest rate hedges out to June 2018 at a cost of £2.1m. Following the cancellation of this hedging, 50% of our debt facilities are now hedged/fixed at longer-term rates (31 March 2015: 73%), representing 65% of our debt on a drawn basis.

Following the refinancing and reduction in hedging, the overall cost of our debt on a proforma basis at 30 June 2015 has reduced by 0.5% to 4.9% (31 March 2015: 5.4%). This includes the amortisation of fees running at an interest cost of 0.2%. At 30 June 2015, we had an undrawn revolver facility of £93m with a marginal interest cost of 1.8%. The overall interest cost will be reduced as we draw down on this facility.

Key Property Statistics

	Quarter ended 30 Jun 2015	Quarter ended 31 Mar 2015	Quarter ended 31 Dec 2014	Quarter ended 30 Sep 2014	Quarter ended 30 Jun 2014
Workspace Group Portfolio					
Number of estates	76	75	73	84	84
Lettable floorspace (million sq. ft.) †	4.2	4.2	4.0	4.4	4.5
Number of lettable units	4,613	4,525	4,511	4,720	4,681
Cash rent roll of occupied units	£75.6m	£69.4m	£64.4m	£61.3m	£61.0m
Average annual rent per sq. ft.	£20.19	£18.79	£17.97	£16.29	£15.73
Overall occupancy	89.5%	88.7%	88.9%	86.0%	85.7%
Like-for-like lettable floor space (m sq. ft.)	2.7	2.7	2.7	2.7	2.7
Like-for-like cash rent roll	£48.6m	£46.5m	£44.7m	£42.1m	£41.3m
Like-for-like average annual rent per sq. ft.	£19.49	£18.37	£17.76	£16.99	£16.54
Like-for-like occupancy	90.7%	92.2%	92.6%	90.6%	91.5%
BlackRock Workspace Property Trust					
Number of estates	8	12	12	12	13
Lettable floorspace (million sq. ft.)	0.3	0.5	0.5	0.5	0.5
Cash rent roll of occupied units	£5.1m	£7.1m	£6.7m	£6.2m	£6.2m
Average rent per sq. ft.	£19.21	£16.13	£16.17	£14.40	£14.84
Overall occupancy	92.2%	93.9%	88.9%	92.2%	89.1%

† Excludes storage space