

13 October 2022

WORKSPACE GROUP PLC

SECOND QUARTER BUSINESS UPDATE FOR THE PERIOD ENDING 30 SEPTEMBER 2022

Workspace Group PLC, London's leading provider of flexible work spaces, provides a business update for the second quarter ending 30 September 2022, unless otherwise stated.

HIGHLIGHTS

- Continued resilient levels of customer demand and letting activity highlighting the appeal of our flexible offer
- Further improvement in pricing with like-for-like rent per sq. ft. up 1.3% in the quarter and 4.0% in the half year to £38.59
- Strong conversion of demand into lettings with 317 lettings completed in the quarter and 642 lettings in the first half, with a total rental value of £17.5m
- Like-for-like occupancy stable at 89.6%
- Like-for-like rent roll up 3.6% (£3.3m) in the first half to £94.5m
- Strong demand at recently completed projects with occupancy up 2.7% in the second quarter and 7.5% in the first half to 76.7%
- Operational integration of McKay substantially complete and McKay debt facilities successfully amended
- Expect to complete the sale of the residential component of our mixed-use redevelopment at Riverside, Wandsworth for £55m in December 2022
- Progressing with the planned disposal of McKay non-core assets, with timing dependent on market conditions
- Robust balance sheet with £263m of cash and undrawn facilities and proforma LTV of 32% before proceeds from our disposal programme
- Average cost of debt of 3.5% with 71% at fixed rates (at current debt levels) and a weighted average drawn debt maturity of 4.1 years

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

"Our trading performance in the first half of the year has been good with resilient demand, stable occupancy and improving pricing levels. It's a testament to our understanding of the needs of our SME customer base who want flexible, quality space at competitive prices - which we can offer in a unique portfolio of well-located properties across London.

The integration of our McKay acquisition is largely complete and performing ahead of our original expectations. We are making progress on the sale of non-core assets, although it is likely to take longer than we originally envisaged given market conditions, as we remain focused on maximising value from these quality assets.

There are clearly challenges ahead in light of the wider economic issues and inflationary cost pressures facing the country, but we are confident in our ability to navigate successfully through them. Our SME customers have demonstrated through many previous economic cycles their ability to adapt and in many cases prosper in these fast-changing times. At Workspace we have a hugely experienced team, the right offer and a proven flexible operating model supported by a robust balance sheet, putting us in a strong position to capture the market opportunities ahead of us”.

Customer and Portfolio Activity

We saw resilient underlying demand in the second quarter, although activity levels were impacted by the extreme hot weather and disruption caused by tube and rail strikes.

	Monthly Average			Monthly Activity		
	Q2 2022/23	Q1 2022/23	FY 2021/22	30 Sep 2022	31 Aug 2022	31 Jul 2022
Enquiries	780	757	917	823	762	756
Viewings	495	508	598	517	524	444
Lettings	106	108	127	134	87	96

Leasing activity was strong with 317 lettings in the second quarter and 642 in the first half with a total rental value of £17.5m. This trend has continued into the third quarter.

We have seen overall growth of £3.1m in rent roll in the first half as detailed below:

Total Rent Roll	£m
At 31 March 2022*	131.6
Like-for-like portfolio	3.3
Completed projects	1.3
Projects underway	(1.4)
McKay portfolio	0.4
Other	(0.5)
At 30 September 2022	134.7

*Adjusted for McKay portfolio acquired in May 2022

Occupancy in our like-for-like portfolio has remained stable at 89.6%, and we have seen continued improvement in pricing with like-for-like rent per sq. ft. up by 1.3% in the quarter and 4.0% in the half year to £38.59.

	Quarter Ended		
	30 Sep 22	30 Jun 22	31 Mar 22
Like-for-like occupancy	89.6%	89.6%	89.5%
Like-for-like rent per sq. ft.	£38.59	£38.07	£37.12
Like-for-like rent per sq. ft. change	1.3%	2.6%	
Like-for-like rent roll	£94.5m	£93.8m	£91.2m
Like-for-like rent roll change	0.8%	2.9%	

We have made strong progress in letting up our recently completed projects, with occupancy across these properties increasing by 2.7% in the second quarter and 7.5% over the first half to 76.7%. As a result, rent roll has increased by £1.3m (19.6%) to £7.9m with rent per sq. ft. up 8.3%.

We are progressing with obtaining vacant possession at our Riverside property in Wandsworth, SW18 ahead of a major mixed-use redevelopment which resulted in a £1.4m reduction in rent roll in the projects underway category.

The integration of McKay, acquired in May 2022, is largely complete with all operational activity now utilising the Workspace platform. We are making good progress in letting up the vacant and refurbished space across the seven London assets alongside the subdivision of

space tailored to the Workspace offer at four of the properties. Occupancy of the South-East office and business park portfolio has remained high at 89.2%.

Disposals

We expect to complete on the sale of the residential component of our mixed-use redevelopment at our Riverside property for £55m in December 2022.

In July 2022 we completed the sale of a medical centre in Newbury from the McKay portfolio for £7.25m (£1.15m ahead at the March 2022 valuation).

We remain in active discussions on the disposal of the other non-core assets in the McKay portfolio, primarily the light industrial and logistics assets. Whilst market conditions are dictating a slower pace than originally envisaged, we are focused on achieving appropriate disposal values on these attractive assets. In the meantime, we are achieving good rental pricing growth on both renewals and new lettings with overall occupancy at 91%.

Financing

Net debt as at 30 September 2022 was £937m, an increase of £28m in the quarter, following payment of the final dividend in respect of the previous financial year. As at 30 September 2022 the average maturity of drawn debt was 4.1 years, and the average effective interest rate was 3.5% based on SONIA at 2.2%, with 71% of the net debt (£665m) at fixed rates. A 1% increase in SONIA would increase the average effective interest rate by 0.3% (at current debt levels).

Total facilities at 30 September 2022 were £1.2bn, with cash and available facilities of £263m. During the second quarter we successfully completed the amendment of the £65m Aviva loan facility and McKay Revolving Credit Facility (RCF), with the McKay RCF interest cost aligned with Workspace's existing RCF and the facility amount reduced from £180m to £135m. There were no changes to the quantum, term or interest rate of the Aviva loan facility.

LTV at September 2022 was 32% on a proforma basis, based on the 31 March 2022 property valuations for Workspace and McKay (adjusted for completed disposals).

– ENDS –

For further information, please contact:

Workspace Group PLC

Graham Clemett, Chief Executive Officer
Dave Benson, Chief Financial Officer

020 7138 3300

FGS Global

Chris Ryall
Guy Lamming

020 7251 3801

Details of Half Year Results Presentation

Workspace will host a results presentation for analysts and investors on Tuesday 15 November 2022 at 10:45am at the London Stock Exchange.

Notes to Editors

About Workspace Group PLC:

Established in 1987 and listed on the London Stock Exchange since 1993. 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).

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

LEI: 2138003GUZRFIN3UT430

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