

7 October 2021

WORKSPACE GROUP PLC

TRADING UPDATE

Workspace Group PLC, London's leading provider of flexible office space, today issues a trading update for the second quarter of its 2021/22 financial year.

HIGHLIGHTS

- Customer demand has improved through the second quarter, with a strong pick-up in activity in September. There was an average of 935 enquiries and 138 lettings per month in the quarter
- Like-for-like rent roll was up 2.1% in the first six months to £87.3m, with occupancy improving and pricing stabilising
- Like-for-like occupancy was up 2.7% in the quarter to 85.6%, and up 3.7% in the half year from a low of 81.9% at 31 March 2021
- Pricing has stabilised, with like-for-like average rent per sq. ft. up 0.3% in the second quarter to £35.50, after a 2.3% fall in the first quarter
- Significant increase in our customers returning to their offices over the second quarter, with utilisation of our centres by the end of September peaking at 56% of pre-Covid levels mid-week, and 52% over the week as a whole
- Strong cash collection, with 97% 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
- Strategic recycling of capital with the disposal of 13-17 Fitzroy Street for £92m and the acquisition of The Old Dairy in Shoreditch for £43.4m
- Well positioned to continue to invest in our project pipeline and acquisition opportunities with £318m of cash and undrawn facilities and proforma LTV of 23%

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

"It's great to see London coming back to life, and our latest utilisation and occupancy figures show that London's SMEs are leading the way back to the office and are optimistic about the future. These are positive signs of momentum and further proof that our truly flexible offering is resonating in the evolving working world. The pandemic has made people appreciate that not all offices are created equal. More than ever, the right office space in a great location with strong sustainability credentials and flexibility really matters to our customers and their employees. We're perfectly positioned to benefit from this shift and we're very excited about the future as we continue to expand our property footprint across London."

Customer Activity

New customer demand for space in our business centres is improving, with a monthly average of 935 enquiries in the second quarter and good conversion to viewings and lettings.

	Monthly Average		Monthly Activity		
	Q2 2021/22	Q2 2020/21	30 Sep 2021	31 Aug 2021	31 Jul 2021
Enquiries	935	869	1004	888	912
Viewings	629	435	633	660	593
Lettings	138	119	175	119	119

We have also seen a strong pick-up in utilisation of our centres as more customers return to their offices. For the week ending 1st October, utilisation of our centres was running at 52% of pre-Covid levels, with activity peaking mid-week at 56% of pre-Covid levels.

Like-for-like occupancy has continued to recover in the second quarter, driven by a combination of new lettings and a return to more normal levels of customer churn. This has resulted in a 2.7% increase in like-for-like occupancy in the quarter to 85.6%.

With the improvement in demand and occupancy, we have now seen pricing stabilise, with average rent per sq. ft. increasing by 0.3% in the second quarter to £35.50.

	Quarter Ended		
	30 Sep 21	30 Jun 21	31 Mar 21
Like-for-like occupancy	85.6%	82.9%	81.9%
Like-for-like occupancy change*	2.7%	1.0%	
Like-for-like rent per sq. ft.	£35.50	£35.41	£36.25
Like-for-like rent per sq. ft. change	0.3%	(2.3)%	
Like-for-like rent roll	£87.3m	£84.6m	£85.5m
Like-for-like rent roll change	3.2%	(1.1)%	

*Absolute change

The like-for-like category has been restated in the current financial year for the following:

- The transfer out of Leroy House to the refurbishment project category
- The transfer in of Brickfields and Rainbow Industrial Estate (part) from the completed projects category

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 97% of rent due for the second quarter taking the collection rate over the first two quarters of the year to 96%.

Portfolio Activity

We completed the extensive refurbishment of our 59,000 sq. ft. Pall Mall Deposit business centre in Ladbroke Grove in September and have also recently opened Mirror Works, a new 41,000 sq. ft. business centre in Stratford.

During the second quarter, we completed the sale of 13-17 Fitzroy Street in Fitzrovia for £92m. We had originally planned a major refurbishment of this building when the occupier, Arup, vacated as expected in June. However, having reviewed our options, we decided to sell and recycle the capital into other more attractive organic and acquisition opportunities.

In this regard, we recently completed the acquisition of The Old Dairy in Shoreditch for £43.4m. Adjacent to our existing business centre, The Frames, and currently 80% occupied, we will reposition The Old Dairy over time to our distinctive, flexible model, which will strengthen our presence and broaden our offering in this exciting and dynamic area of London.

Financing

Net debt decreased by £41m in the quarter to £532m, with cash and undrawn facilities of £318m as at 30 September 2021 and LTV at 23% on a proforma basis, based on the 31 March 2021 property valuation.

– 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