



**McKAY SECURITIES PLC (“the Group” or “McKay”)
TRADING UPDATE**

LETTINGS PROGRESS CONTINUES TO UNLOCK PORTFOLIO REVERSION

McKay Securities PLC, the only UK REIT specialising exclusively in the London and South East office and industrial markets, announces its trading update for the period 1st October 2017 to 1st March 2018.

Simon Perkins, CEO of McKay, commented:

“Following a positive half year, letting progress has continued to be strong and released further income, contributing to our strategic objective of delivering earnings and capital growth. Our pure focus on the resilient office and industrial markets of London and the South East continues to underpin this objective.

“All of our lettings highlight the importance of providing high quality floorspace and at Prospero, Redhill the decision we made to develop this new office building on a speculative basis has paid off.

“Today we are also pleased to announce the commencement of our redevelopment scheme at Brunel Road, Theale for a single 134,430 sq ft high bay warehouse to be completed in Spring 2019, which we expect to generate strong interest from e-commerce and logistics occupiers.”

Crystallisation of portfolio reversion generating earnings growth

- Thirteen open market lettings completed at ERV over the period, at a combined contracted rent of £0.88 million pa.
- Two further lettings agreed conditional on completion of ongoing landlord’s works, adding an additional £0.59 million pa.
- Continued letting progress at Prospero, Redhill, with leases signed for the ground floor (at ERV), and the majority of the first floor (1.7% ahead of ERV) conditional on sub-division works. Both leases are for 15 year terms with tenant breaks at year 10, let at rents of £0.35 million pa (£30.00 psf) for the ground floor and £0.26 million pa (£30.50 psf) for the part first floor. This just leaves the balance of the first floor and the second floor to let, with encouraging interest.
- At the Mille, Brentford, lettings completed on the first and second floors (16,624 sq ft), conditional on upgrading works. This converts legacy profit-sharing management agreements with an existing serviced office tenant into new institutional 10 year leases at a combined contracted rent of £0.33 million pa (£20.00 psf) with fixed uplifts at first review to £25.00 psf (ERV £21.50 psf).
- At Corinthian House, Croydon, a 47.4% rental increase was secured on the fourth floor (4,497 sq ft), which was re-let on lease expiry with no void at £0.13 million pa (£28.00 psf). In addition, surrender by the tenant of the 7th floor (4,623 sq ft), paying £17.30 psf, and simultaneous grant of a new 10 year lease of part of the recently refurbished 8th floor at £30.00 psf. This was achieved at ERV, and has enabled refurbishment of the dated 7th floor.
- Across the portfolio 77.8% tenant retention at lease break/expiry, including five lease renewals with a combined contracted rent of £0.22 million pa; 33.9% ahead of prior rent and 12.6% ahead of ERV.
- Portfolio occupancy (excluding developments) increased to 94% (31st March 2017: 93.7%).

Significant reversion maintained following disposals and commencement of Theale redevelopment

- Freehold disposal of Pinehurst Park, Farnborough completed at £5.88 million following the exchange of contracts in February 2017, crystallising a 71.9% return on cost since acquisition in May 2012.
- Completion of the freehold disposal of Albion House, Newbury for £1.24 million following the exchange of contracts in September 2017; 43.0% ahead of book value as at 31st March 2017. Further disposals are under consideration.
- Total portfolio contracted rent of £24.02 million pa (30th September 2017: £24.66 million), lower on account of the loss of income of £0.60million pa from disposals and £0.75 million pa on lease expiry ahead of redevelopment at Theale.
- Across the portfolio, significant 38.3% reversion of £9.21 million retained (30th September 2017: 38.2%/£9.43 million).

Development progress

- Positive progress made within the selective development programme of prime assets in established locations, set to deliver further income and capital gains.
- With the continued lettings progress over the period, at Prospero, Redhill, (50,370 sq ft) the Group's most recently completed office building is now 64% let.
- Construction work at 30 Lombard Street, EC3 (58,000 sq ft) remains on programme to deliver a new, high quality scheme in this highly regarded core City of London location in mid-2018. Direct competition is limited, and the marketing campaign continues to generate occupier interest in both the building as a whole and on a floor by floor basis.
- At Brunel Road, Theale, planning consent was secured in October 2017 to increase the floor space on site by up to 38.8% through the redevelopment of the existing warehouse building with either a single high bay warehouse of 134,430 sq ft or four detached buildings totalling 117,700 sq ft. As anticipated, the existing tenant vacated the property in February 2018, having paid a years' rent of £0.75 million as a surrender premium. Following an early marketing campaign, McKay has taken the decision to progress with the single warehouse scheme on a speculative basis to maximise the site's potential, adjacent to Junction 12 of the M4 motorway on the western outskirts of Reading. The demolition contract has been placed, and works will commence this month with scheme completion anticipated in spring 2019.

Sound and stable financial position

- Drawn debt of £153.00 million (30th September 2017: £149.00 million) with undrawn facilities of a further £27.00 million.
- Loan to value of 34.2% (based on 30th September 2017 values).
- Weighted average length of debt: 5.7 years.
- Weighted average cost of debt: 3.9% (6 months to 30th September 2017).

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For further information, please contact:

McKay Securities PLC

Simon Perkins, CEO
Giles Salmon, CFO
0118 950 2333

FTI Consulting

Dido Laurimore, Tom Gough, Ellie Sweeney
0203 727 1000

About McKay Securities

McKay Securities PLC is a commercial property investment company with Real Estate Investment Trust (REIT) status, listed on the main market of the London Stock Exchange. It specialises in the development and refurbishment of good quality office and industrial building within established and proven markets of London and South East England. The portfolio, which was last valued at £453 million (30th September 2017), now comprises 34 properties in strong and established areas which deliver diversity in terms of both sector and location.