

McKay Securities PLC (“The Group”)

TRADING UPDATE

McKay Securities PLC, the only Real Estate Investment Trust specialising entirely in the South East and London office and industrial markets, is announcing a trading update for the quarter to 30th June 2016 ahead of its 70th Annual General Meeting to be held at 12 noon today.

Speaking today at the Annual General Meeting, the Chairman David Thomas will make the following statement.

“Today is an important milestone for McKay, as I am delighted to welcome shareholders to the 70th Annual General Meeting of the Group. We have been through a number of turbulent times and I am speaking to you today as the country adjusts to the prospect of leaving the EU following the referendum result at the end of the quarter.

Over the period, letting progress and portfolio management has continued to realise our significant portfolio reversion and further strengthen our income profile. This has been achieved despite business uncertainty surrounding the referendum, noted at the year end, which is expected to continue to delay investment decisions until the economic and political consequences of the vote to leave the EU can be better qualified.

Since the vote, sentiment towards the property sector has turned more negative and share price volatility has reflected this sentiment. However, the asset class, and this company, retain many positive characteristics, and the impact on rental and capital values remains dependant on how our occupational markets respond to the vote. These markets continue to be characterised by historically low levels of supply of modern business space, which has contributed to recent rental growth. With a limited development pipeline and increasing building obsolescence, supply constraints look set to continue and to date, portfolio lettings agreed ahead of the vote have been unaffected.

McKay is well placed to respond to these market conditions. We have a clear, proven strategy focused on realising the significant income potential from our portfolio of 36 high quality assets in the strongest economic regions in the country. We are not exposed to any one market with 58% of the portfolio in the South East office sector, 18% in South East industrial property and 18% in central London offices. This geographic and sector diversity provides us with a broad tenant base which has historically proved highly resilient”.

Continued letting progress and crystallisation of portfolio reversion

- Seven new lettings completed at a combined contracted rent of £0.54 million pa; 3.0% ahead of 31st March 2016 rental value (ERV).
- Two lease renewals completed at a combined contracted rent of £0.07 million pa; 49.8% ahead of previous rents and 0.1% ahead of ERV.
- 93.3% tenant retention at lease break/lease expiry.
- Low vacancy rate of 5.6% (31st March 2016: 7.2%), excluding developments.
- Contracted rent increased to £21.66 million pa, with £9.78 million pa (45.1%) potential reversion to total portfolio ERV of £31.44 million pa.

Development progress

- The comprehensive refurbishment of 9 Greyfriars Road, Reading (38,200 sq ft) completed at the end of the period and our new build schemes of Prospero, Redhill (48,050 sq ft) and 30 Lombard Street, London, EC3 (58,000 sq ft) remain on programme for completion in July 2016 and early 2018 respectively.
- Outstanding capital expenditure of £34.4 million.
- This development programme will deliver top quality buildings representing only 9.1% of the total portfolio by area and 18.6% of the total portfolio ERV.
- Marketing programmes underway for all three buildings attracting occupier enquiries.

Sound financial position

- Drawn debt of £121.0 million with undrawn facilities of £54.0 million.
- Loan to value of 30.2% (based on 31st March 2016 values).
- Weighted average length of debt 8 years.
- Weighted average cost of debt 4.3% (year to 31st March 2016).

Change of Group Chairman

As previously announced, at the conclusion of the AGM Richard Grainger will succeed David Thomas as Chairman.

Date: 14th July 2016

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Capital Access Group

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