



McKAY SECURITIES PLC
(“the Group”)

FIRST QUARTER INTERIM MANAGEMENT STATEMENT
17TH JULY 2014

This Interim Management Statement is issued by McKay Securities PLC, the only Real Estate Investment Trust focussed entirely on South East and London office and industrial property, for the period from 1st April 2014 to 17th July 2014, ahead of its 68th Annual General Meeting to be held at 12 noon today.

Highlights

- **Acquisition of The Mille, Brentford and 9 Greyfriars Road, Reading totalling £26.5 million (incl costs).**
- **Contracted rental income of £1.1 million per annum secured from six open market lettings and ten lease renewals; 4.8% over March 2014 estimated rental values.**
- **Completion of the comprehensive refurbishment of 66 Wilson Street, EC2 and 329 Bracknell, now being marketed to let.**
- **£47.2 million invested since the £86.7 million Capital Raising in February 2014.**

It has been an active period for the Group, implementing the strategic aim of expansion in the improving markets of South East England and London following the successful Capital Raising earlier in the year.

Acquisitions in Brentford, announced in April, and in Reading, announced in May, take the number of new properties acquired to four since the Capital Raising, all of which have potential for the release of income and capital gains.

Market Review

Improving occupier and investor sentiment reported at the time of the final results for the year ended 31st March 2014 has been maintained across the Group’s markets over the period. A limited supply of available new and Grade A buildings and improving occupier demand characterises these markets. This is particularly the case in the Group’s South East office markets, where the vacancy rate for new buildings is low at 2.8%. This bottleneck in supply and the ripple effect of rental gains from London continues to put upward pressure on rental values outside London and to generate capital growth as new investors are attracted by the prospects for rental gains.

Portfolio Review

The Capital Raising in February 2014 provided the Group with substantial resources for expenditure on acquisitions and portfolio projects to benefit from improving market conditions. Over the period, the Group acquired The Mille, Brentford and 9 Greyfriars Road, Reading for a combined investment of £26.5 million. These properties, and other properties under consideration, add to the prospects for value enhancement from management, refurbishment and redevelopment within the portfolio.

Refurbishment projects were completed at 66 Wilson Street, EC2 and 329 Bracknell. Both buildings have been significantly improved and now have a combined rental value of £0.94 million per annum. Marketing is underway to secure lettings.

Within the existing portfolio, ten lease renewals and six open market lettings were completed over the period, with a combined contracted rent of £1.09 million per annum. This is 4.8% ahead of March 2014 estimated rental values. Of this, £0.27 million per annum was secured at Pegasus Place, Crawley where the recently refurbished Pegasus Two was let on a ten year lease term. At Crown Square, Woking, which was acquired in January 2014, lease renewals secured rent of £0.24 million per annum, and increased the rental value by 34% to £15 per sq ft.

The total occupancy rate of the portfolio (by rental value) at the end of the period reduced slightly to 84.7%, compared with 85.9% at the year end. This was primarily due to vacancies within acquisitions, which provide scope for rental gains from refurbishment and lettings.

Drawn debt increased by £29.0 million over the period to £66.5 million, due to acquisition and refurbishment expenditure. Headroom of £88.5 million to total facilities of £155.0 million remains available.

17th July 2014

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