McKAY SECURITIES PLC
("the Group")

FIRST QUARTER INTERIM MANAGEMENT STATEMENT

This Interim Management Statement is issued by McKay Securities PLC, the Real Estate Investment Trust specialising in South East and central London office and industrial property, for the period from 1st April 2013 to 18th July 2013, ahead of its 67th Annual General Meeting to be held at 12 noon today.

Highlights

- **Acquisitions at Redhill and Farnborough totalling £5.20 million.**
- **Disposal of the Convent, Farnborough with residential consent for £1.24 million.**
- **Contracted annual rental income of £0.82 million secured from lease renewals and open market lettings; 3.5% over March 2013 estimated rental values.**
- **Improving South East market prospects.**

It has been an encouraging and active period for the Group. Acquisitions at Farnborough, announced today, and at Redhill, announced in May, have commenced the reinvestment of sale proceeds of £16.79 million secured from the sale of 100 Bothwell Street, Glasgow in January 2013. The improvement in prospects for the South East office market reported in the year end results on 29th May 2013 has been maintained and portfolio lettings and lease renewals have secured income and will add value.

Market Review

Across the Group's London and South East markets, continued occupier demand for a reducing supply of good quality buildings, combined with a limited development pipeline of stock, has stabilised rental values and generated upward pressure on rents in the more undersupplied centres.

Within the South East office market, which accounts for 42% of the portfolio (by value), the overall vacancy rate of new buildings has reduced further to 2.9%. Of the 21 local markets monitored by the Group, over half have a vacancy rate of new and refurbished buildings of less than 5%, providing occupiers with an increasingly limited choice. Although there remain wide variations between these markets, further improvement in occupier demand will generate more sustained rental growth.

These improving prospects and the attraction of better yields compared with central London continue to attract more investors, underpinning values for prime and good secondary stock.

Portfolio Review

In May 2013, the Group acquired a redevelopment opportunity on London Road, Redhill for £2.30 million, with planning approval for 14 residential apartments and a high quality office building totalling 43,900 sq ft. Agents have been appointed to market the office building, seeking pre-lets of the whole or a significant part of the scheme. As announced today, the second acquisition in the period was of Columbia House, Farnborough. This 40,460 sq ft warehouse, built to a high specification in 2000, has been acquired for £2.90 million with an income of £340,000 pa providing an initial yield of 11.1%. It provides the opportunity to re-gear the lease with the existing tenant or re-let in a constrained market at lease expiry in May 2015.

Across the existing portfolio, three lease renewals and two open market lettings were completed over the period, at a total contracted rent of £0.82 million pa. Of this, £0.58 million pa was secured at Sopwith Drive, Weybridge, where leases were due to expire this month. The tenant of this 62,800 sq ft warehouse has taken a new 10 year lease, with a tenant only break clause at year seven.

Two leases expired with contracted rent totalling £0.19 million pa. The larger of the two was at 30-32 Lombard Street, EC2 which accounted for £0.16 million pa. This floor space is being re-marketed on a short term basis to retain the building's redevelopment flexibility. As a result of these lease events the overall occupancy rate of the portfolio has reduced slightly to 90.3%, compared with 91.4% reported at the year end.

The Group remains in a sound financial position with no near term refinancing. As a result of increases in longer term interest rates, the negative mark to market value of the Group's interest rate hedging instruments (as at 12th July 2013) has improved by £7.44 million to £33.14 million, equivalent to an increase of 16 pence in basic net asset value per share since 31st March 2013.

Drawn debt increased by £6.00 million over the period to £100.50 million, due to acquisition and property expenditure. Headroom of £54.5 million to total facilities of £155.00 million remains. Of this, approximately £13.50 million is currently identified for expenditure on portfolio properties and acquisitions.

Date: 18th July 2013

For further information please contact:

McKay Securities PLC
Simon Perkins – Managing Director
Giles Salmon – Finance Director
0118 950 2333

City Profile
Jonathan Gillen
0207 448 3244