



## **McKAY SECURITIES PLC ("the Group" or "McKay") TRADING UPDATE**

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 quarter to 30<sup>th</sup> June 2018 ahead of its 72<sup>nd</sup> Annual General Meeting to be held at 3:00pm today.

Simon Perkins, CEO of McKay, commented:

"We reported an exceptionally productive period at the end of the financial year, including the de-risking of our speculative development programme with a record year of lettings, the earnings enhancing cancellation of legacy interest rate swaps and the reinvestment of proceeds from the sale of lower growth assets well ahead of book value. As a result, the Board will be recommending a 14.2% increase in the final dividend at our AGM later today.

"This progress results from the continued delivery of our growth strategy, implemented with shareholder support since our 2014 capital raising. Since then, we have delivered a total shareholder return of 54%, more than double the comparable return for the FTSE 350 Real Estate Index and the All Share index.

"Positive momentum has been maintained across the portfolio since the year end, underpinned by our focus on office and industrial property within London and the South East which continues to drive the Group's growth. At 30 Lombard Street, EC3, we announced a pre-letting in March 2018 to St James's Place Plc on a fifteen-year lease without break, at a net rent of £3.38 million p.a. The letting remains conditional on practical completion of the building works, on track for next month. This is a very attractive scheme in a prime city core location which further enhances the scale and quality of our portfolio, and the successful letting unlocks a significant reversion for the benefit of our shareholders.

"With a substantial 22.6% reversion available in the current portfolio, equivalent to income of £6.10 million pa, there remains plenty of opportunity to deliver further shareholder value over the short to medium term. Contributing to this is our next development project, located at junction 12 of the M4 motorway at Theale, where we have obtained planning consent for a new 134,150 sq ft logistics warehouse, increasing the floor area on the site by 38.5%. Demolition of the former chilled warehouse unit has been completed and the appointment of the main contractor is imminent. Marketing of the new building, with completion expected next spring, is already underway and has generated some interesting early leads in what is a highly competitive market amongst occupiers.

"Elsewhere in the portfolio, we remain active with targeted refurbishment projects delivering improved floorspace to let at a number of assets, including Portsoken House, London; EC3, Corinthian House, Croydon, The Mille, Brentford and Mallard Court, Staines.

"Market conditions remain generally as reported in our year end statement issued on the 18<sup>th</sup> May 2018. The supply of modern business space across all our markets remains at historically low levels with a limited development pipeline. Occupier demand for our assets has proved resilient despite Brexit, although we anticipate continuing caution until the terms of exit are clear."

### Outstanding Substantial 22.6% (£6.10 million p.a) portfolio reversion

- Active refurbishment and development programme facilitating the release of this potential.
- Two open market lettings completed at ERV (31st March 2018) at a combined contracted rent of £0.08 million p.a.
- 75.0% tenant retention at lease break/lease expiry.

- Portfolio occupancy (as a percentage of ERV) unchanged since 31st March 2018 at 92.6% (excluding developments).

#### Development Progress

- Completion of 30 Lombard Street, EC3 and the pre-let to St James's Place Plc on track for August 2018.
- Demolition completed at Brunel Way, Theale with the speculative redevelopment of a single 134,150 sq ft logistics warehouse programmed for completion in spring 2019.

#### Sound financial position

- Drawn debt of £147.00 million (31<sup>st</sup> March 2018: £139.00 million), with undrawn facilities of a further £43.00 million.
- Loan to value of 31.9% (based on 31<sup>st</sup> March 2018 valuations).
- Weighted average length of debt: 6 years.
- Weighted average cost of debt: 4.1% (year to 31<sup>st</sup> March 2018).

Date: 4<sup>th</sup> July 2018

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#### ***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 buildings within established and proven markets of London and South East England. The portfolio, which is valued at £460 million, comprises 33 properties in strong and established areas which deliver diversity in terms of both sector and location.