



## **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 2017 ahead of its 71<sup>st</sup> Annual General Meeting to be held at 2.30pm today.

Simon Perkins, CEO of McKay, commented:

"Our pure focus on London and the South East continued to underpin McKay's performance during the period, drawing on our stock-picking, asset management and development expertise. The major highlight was the recently announced letting of the whole of our office development scheme at 9 Greyfriars Road, Reading. This important milestone releases 20% of our development void reversion and converts our letting exposure into income generation and the potential for capital gains at the next portfolio valuation on 30<sup>th</sup> September 2017.

"The Reading letting contributed to a £1.30 million increase in annualised contracted rents over the period when combined with three other open market lettings. These were all either at or ahead of March 2017 ERVs despite the market uncertainty generated by the recent General Election and the ongoing BREXIT negotiations. Portfolio occupancy has increased and our in-house portfolio management has maintained a high occupier retention rate. Encouraging progress has also been made with our two other current development properties which will further increase income and value once let.

"Market conditions remain generally as reported on 19<sup>th</sup> May in our year end statement, characterised by historically low levels of supply of modern business space across all our markets and steady levels of occupier demand. The medium term impact of the hung parliament remains to be seen, but our portfolio is strongly positioned for future growth."

### Continued crystallisation of portfolio reversion

- Four open market lettings completed at a combined contracted rent of £1.33 million pa; 3.3% ahead of the 31<sup>st</sup> March 2017 ERV.
- Total portfolio contracted rent increased by £1.30 million pa (5.4%) to £24.72 million pa.
- 71.4% tenant retention at lease break / lease expiry.
- Portfolio occupancy (including developments) increased to 81.1% (31<sup>st</sup> March 2017: 77.3%).
- Substantial further income potential from the remaining 32.4% (£8.00 million pa) portfolio reversion.

### Development progress

- Current and pipeline development schemes continue to add to the scale and quality of the portfolio, with progress generating future income and value gains.
- 9 Greyfriars Road, Reading (39,620 sq ft), let as a whole during the period on a 15 year lease (10 year tenant break) to Spaces, guaranteed by Regus Holdings Plc for the length of the term. The headline rent achieved of £1.21 million pa (£31.00 psf) was 3.3% ahead of March 2017 ERV.
- The development of Prospero, Redhill (50,370 sq ft), completed in November 2016. The top floor (10,643 sq ft) was let within three months of completion to Morrisons Solicitors LLP on a 10 year lease.

The headline rent of £0.33 million pa (£31.00 psf) was also ahead of ERV. The marketing campaign continues to generate encouraging occupier interest.

- Completion of the redevelopment of 30 Lombard Street, EC3 (58,000 sq ft), remains on programme for Spring 2018. The concrete core has been completed and steelwork is now above ground level. A full marketing campaign was launched in June 2017.
- At Brunel Road, Theale (M4 motorway, Junction 12), vacant possession is anticipated in March 2018. Planning applications have been submitted over the period for single or multi-unit warehouse schemes to replace the existing 1980s warehouse building of 96,850 sq ft. These proposals would increase the lettable area by up to 30%, and will provide the opportunity to create a product perfectly suited to meet the strong demand for e-commerce driven distribution space in the South East. A pre-let marketing campaign is underway.

#### Sound financial position

- Drawn debt of £139.00 million (March 2017: £136.00 million), with undrawn facilities of a further £36.00 million.
- Loan to value of 31.6% (based on 31<sup>st</sup> March 2017 values).
- Weighted average length of debt: 7 years.
- Weighted average cost of debt: 4.4% (year to 31<sup>st</sup> March 2017).

Date: 6<sup>th</sup> July 2017

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  
020 3727 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 buildings within established and proven markets of London and South East England. The portfolio, which is valued at £430 million, comprises 36 properties in strong and established areas which deliver diversity in terms of both sector and location.