



McKAY SECURITIES PLC (“the Group” or “McKay”)

TRADING UPDATE

McKay Securities PLC, the only UK REIT specialising entirely in the London and South East office and industrial markets, today announces a trading update for the period 1st October 2018 to 4th March 2019.

Simon Perkins, CEO of McKay, commented:

“It is pleasing to report positive results from a wide range of asset management and development initiatives, as well as the sale (subject to planning) of our large holding in central Woking, despite uncertainty over the outcome of Brexit. New lettings have been secured at 7.5% ahead of ERV, rents at lease renewal have increased by 41.5% and ongoing refurbishment work across a number of portfolio properties is set to enhance value and increase appeal to occupiers. These all contribute to our strategic objective of releasing our substantial reversion.

“Completion of the redevelopment of 30 Lombard Street, EC3 in January triggered commencement of the 15 year pre-let to St James’s Place PLC, leaving our office development programme now virtually fully let. Looking forward, construction of our prime 134,150 sq ft distribution warehouse unit at junction 12 of the M4 motorway is due to commence shortly and is already generating potential occupier interest.”

Conditional disposal of The Planets, Woking

- Contracts exchanged for the disposal to Watkin Jones plc, on a subject to planning basis for approximately 350 build to rent apartments. The purchase price will be dependent on the final agreed scheme, but will be ahead of current book value. The 1.1 acre site was developed in the 1970s and occupies a prime location in Woking town centre.

New lettings and lease renewals releasing portfolio revision

- Eleven open market lettings completed, with a combined contracted rent of £0.68 million pa, 7.5% ahead of ERV.
- Twelve lease renewals completed, with a combined contracted rent of £0.64 million pa, in line with ERV and 41.5% ahead of the combined contracted rent prior to renewal. These renewals generally benefited from recent refurbishment work as well as rental gains over the last five years.
- High tenant retention rate of 79.2% at lease break/expiry reflects the benefit of in-house management of assets and strong tenant relationships.
- Portfolio occupancy (excluding developments) increased to 92.1% (30th September 2018: 91.7%).
- Contracted rental income up 1.4% (£0.38 million pa) to £27.56 million (30th September 2018: £27.18 million pa).
- Substantial remaining 17.6% reversionary potential of £5.90 million pa, representing the difference between contracted rental income and portfolio ERV.

Continued progress with development schemes set to deliver further income and capital gains

- Practical completion of the redevelopment of 30 Lombard Street, EC3, (58,000 sq ft) in January 2019, triggering commencement of the previously announced 15 year pre-let (without break) to St James's Place PLC, the FTSE 100 wealth manager. The contracted net rent of £3.40 million pa, equivalent to £65.00 per sq ft, was agreed in line with ERV and includes five-yearly upward only rent reviews.
- Completion of this scheme has created an investment asset of the highest quality in a highly regarded core City of London location.
- At Brunel Road, Theale demolition and site clearance completed ahead of the speculative redevelopment of a 134,150 sq ft single distribution warehouse unit. Final approval of pre-commencement planning conditions and building contract negotiations will be finalised shortly, with completion of this prime distribution unit adjacent to junction 12 of the M4 programmed for the end of 2019.

Active portfolio management to maintain delivery of portfolio reversion

- Selective office and warehouse refurbishment projects underway at The Mille, Brentford; Pegasus Place, Crawley; Corinthian House, Croydon; 5 Acre Estate, Folkestone and Mallard Court, Staines to enhance rental values and appeal to occupiers.
- The combined ERV of these refurbishments is £1.72 million pa, representing 68.5% of the portfolio void (excluding developments).
- Forthcoming lease expiry at Station Plaza, Theale in July 2019, providing the potential for income enhancing refurbishment or alternative uses. Comprising three office buildings totaling 41,420 sq ft, and located adjacent to Theale railway station, each unit is currently let off a low passing rent of £21.75 psf.

Stable financial position maintained

- Drawn debt of £163.00 million (30th September 2018: £161.00 million), with undrawn facilities of a further £27.00 million.
- Weighted average cost of debt: 3.3% (6 months to 30th September 2018).
- Loan to value of 34.1%, based on the portfolio value of £478.55 million at 30th September 2018. The next portfolio valuation on 31st March 2019 will be announced with the year end results in May 2019.

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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 specializes in the development and refurbishment of good quality office and industrial building with established and proven markets of London and South East England. The portfolio, which was last valued at £479 million (30th September 2018), now comprises 33 properties in strong and established areas which delivery diversity in terms of both sector and location.

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