

## **McKAY SECURITIES COMPLETES £24M OFFICE DISPOSAL**

McKay Securities PLC, a REIT (Real Estate Investment Trust) focussed on developing and investing in commercial property in the South East, has sold an office property, Lotus Park, Staines to Legal and General Investment Management for £24.23 million. The disposal was achieved at a valuation 4% ahead of the book value at 31<sup>st</sup> March 2009.

Lotus Park consists of four office buildings constructed in 1989, totalling 79,160 sq. ft. It is in a prominent location on the Causeway, close to Staines town centre and the M25. Buildings One and Two comprising 34,752 sq. ft were refurbished comprehensively by McKay to a high standard in 2006 / 2007. The refurbishment was funded by £4.9 million secured from the existing tenant, IBM, on the surrender of their lease.

The buildings were then let on new ten year leases to Dow Chemical Co and SFDC UK at the highest rental levels achieved recently in the Staines area. IBM continues to occupy Buildings Three and Four. It occupies 44,400 sq ft with 3.5 years remaining of a 25 year lease at a historic rent equivalent to £26 per sq. ft. The combined annual rent of the four buildings is £2.19 million. This represents an initial yield to the purchaser of 8.55%.

Simon Perkins, Managing Director of McKay Securities said,

***“ We are pleased to have completed this disposal. As a signal of how the market has changed, there was healthy competition for this property. There is good demand for office assets in the Thames Valley and the South East. This is a market McKay knows extremely well.***

***McKay had owned Lotus Park for some years and we used our skills to improve the property and maximise rental income. There was the likelihood that on expiry of half the income in the near future, the property would need further investment to re-furbish Buildings Three and Four. The price exceeded expectations and enabled us to capture the possible gains from the second phase of refurbishment without taking any development risk. It was encouraging to note that there are potential purchasers that are attracted by the resilient characteristics of the South East office market. They are now prepared to consider assets with greater income risk.***

***The occupier market remains subdued, and as investors give more weight to lower rental values, there will be more opportunities to invest in properties that will offer potential to add value from our style of active management”.***

The proceeds will be used to pay down debt, thereby reducing McKay's LTV gearing, which stood at 52% at 31<sup>st</sup> March 2009.

Vail Williams represented McKay Securities PLC and Savills represented Legal & General.

Date: 22<sup>nd</sup> October 2009

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### **Background Information**

McKay Securities PLC is a Real Estate Investment Trust specialising in the development, refurbishment and management of quality commercial buildings within established and emerging growth areas of Central London and the South East of England. The Company's portfolio was valued in March 2009 in excess of £220 million.