



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, industrial and logistics markets, announces its trading update for the quarter to 30th June 2019 ahead of its 73rd Annual General Meeting to be held at 3:00pm today.

Simon Perkins, CEO of McKay, commented:

“Since the year end, we have made good progress with our active programme of portfolio refurbishment and development schemes, maintaining our focus on the office, industrial and logistics sectors of London and the South East. Completion of these schemes will enhance our ability to deliver further income growth from unlocking our significant 24.3% (£6.6 million pa) portfolio reversion.

Having derisked the office development programme with lettings last year, the resulting valuation gains enabled us to increase our banking facilities by £55 million shortly after the year end. This has provided additional headroom for acquisitions and future portfolio projects, which will also contribute to future earnings growth.

Market conditions remain generally as reported in our year end statement issued on the 20th May 2019. Occupational demand in the South East office sector, which accounts for 54% of our portfolio (by value), has proved resilient despite the continuing political uncertainty. Once a Brexit conclusion is reached, stronger economic activity and limited supply, now at a 10 year low, should support rental value growth in this market sector.

The South East industrial and logistics sector (16% of the portfolio) has continued to benefit from rental growth, albeit at a slower pace, with limited supply also constraining occupier choice. These remain positive market conditions for the speculative development of our distribution warehouse at Theale Logistics Park, referred to below.

Investment volumes in our markets are down compared to this time last year, due primarily to the extended Brexit programme. Buyers are exercising caution in view of uncertainty over the outcome, and sales are generally on hold for the same reason.”

Active management continues in earnest

- Contracts exchanged in May for the freehold disposal of Station Plaza, Theale (41,420 sq ft) to an owner occupier for £8.23 million. Completion July 2019.
- Positive progress with refurbishment projects to upgrade portfolio properties:
 - completion in May of the 3rd floor (8,300 sq ft) at the Mille, Brentford, providing fully fitted suites, as successfully trialled at Portsoken House, EC3.
 - completion in June of two office floors (11,390 sq ft) and reception at Mallard Court in Staines-upon-Thames.
 - full refurbishment of Pegasus 2 in Crawley (12,720 sq ft) on track to complete in July.
- Four open market lettings achieved at ERV (31st March 2019) with a combined contracted rent of £0.15 million p.a. including welcoming new tenant, Handelsbanken PLC, to One Crown Square, Woking.
- Continued strong tenant retention of 78.0% at lease break / expiry, including 5 lease renewals at a combined rent of £0.33 million p.a.

Development progress

- With site clearance complete, piling is now underway for the speculative development of a 134,430 sq ft warehouse distribution unit at Theale Logistics Park, Reading, due for completion at the end of the year.

Enhanced financial platform

- New £180.00 million revolving credit facility secured in April 2019 with a maturity of five years, replacing three existing bilateral facilities totalling £125.00 million.
- Drawn debt of £169.00 million (31st March 2019: £165.00 million), with undrawn facilities of a further £76.00 million.
- Loan to value of 35.0% (based on 31st March 2019 valuations).
- Weighted average length of debt: 6.6 years after refinancing.
- Weighted average cost of debt: 3.3% (year to 31st March 2019).

Date: 4th July 2019

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About McKay

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, industrial and logistics buildings within established and proven markets of London and South East England. The portfolio, which was valued at 31st March 2019 at £482.70 million, comprises 33 properties in strong and established areas, which deliver diversity in terms of both sector and location.