



## Interim Management Statement

Released : 21 Jul 2011 06:00

RNS Number : 7516K  
McKay Securities PLC  
21 July 2011

### PRESS RELEASE

#### McKAY SECURITIES PLC

#### INTERIM MANAGEMENT STATEMENT

McKay Securities PLC, the Real Estate Investment Trust specialising in South East and central London office and industrial property, is issuing the following Interim Management Statement for the period 1<sup>st</sup> April 2011 to 21<sup>st</sup> July 2011, ahead of its Annual General Meeting to be held at 12 noon today.

#### Market Review

The positive market trends reported in the Group's Announcement of Results on the 2<sup>nd</sup> June 2011 have been sustained in the first financial quarter of 2012.

There has been further encouraging evidence of returning confidence in the Thames Valley markets, with an increasing number of investors attracted by the returns available for well located property with resilient income streams. Within the central London office market, capital values continue to grow albeit at a slower pace, but demand from UK and overseas investors remains high.

Rental values in the Group's markets outside central London remain variable and dependant on the supply characteristics of the individual centres. Good quality buildings with limited competition continue to achieve rental growth, whereas rental levels in oversupplied centres remain at low levels and under pressure. Named occupier demand in the South East office market has increased by 17% since the year end to 5.6 million sq ft, of which 1.0 million sq ft is under offer. The impact of negative macro global economic events will need to be monitored, but as lettings continue, increasing obsolescence and a limited development pipeline are expected to compound the existing shortage of quality buildings. This will help shift the market balance away from the occupier.

#### Portfolio Review

Since the year end, eight new leases have been completed with a combined annual contracted rent of £446,275. These were achieved at rental values in line with the year end valuation. Significant transactions include the recently announced lettings of Units 1 & 2 at The McKay Trading Estate, Poyle and the second floor (part) at Castle Lane, SW1 which together accounted for contracted rent of £244,500 pa. There was also continued progress at Portsoken House, EC3 where completion of two lettings leave only the seventh floor to let following the refurbishment completed in 2009. As a consequence of letting progress, the portfolio occupancy level increased from 89% (31<sup>st</sup> March 2011) to 90%.

The refurbishment of Eastgate House, Fleet (13,780 sq ft) was completed at the end of the last financial year. Following this, the property was well received by the market when launched at the beginning of July. Although market conditions in the M3 corridor remain more challenging than in the M4 corridor, the quality of the refurbishment makes Eastgate House one of the best specified and presented buildings of its size available.

Rents received within seven days of the June 2011 quarter day continued to exceed the Group's target of 90%. Tenants paying rent on a monthly basis remain low at less than 5% of rents demanded.

The next external valuation of the Group's portfolio, valued at £208.5 million at 31<sup>st</sup> March 2011, will be at 30<sup>th</sup> September 2011 and will be reported with the Group's Interim Results in November 2011.

The Group remains in a sound financial position with £155 million of loan facilities secured until at least 2016. Net debt of £95.49 million (31<sup>st</sup> March 2011 - £95.18 million) provides headroom of £59.82 million, of which circa £12 million is identified for expenditure on existing properties and acquisitions.

#### Board Changes

On 3<sup>rd</sup> May 2011, Mr Giles Salmon joined the Group as designate Finance Director to succeed Mr Alan Childs on his retirement. The timing of this appointment has now been confirmed and Mr Salmon will be appointed to the Board as Finance Director with effect from 1<sup>st</sup> August 2011.

Date: 21<sup>st</sup> July 2011

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