



McKAY SECURITIES Plc (“McKay”) TRADING UPDATE

McKay Securities Plc, the only UK REIT specialising entirely in the South East and London office, industrial and logistics markets, today announces its trading update for the period 1st October 2019 to 27th February 2020.

Simon Perkins, CEO of McKay, commented:

“I am pleased to report on a positive period for McKay, with gains in rental income secured from new lettings and rent reviews, improved portfolio occupancy, and the imminent completion of our speculative distribution warehouse development at junction 12 of the M4, generating encouraging interest among potential occupiers. In addition, we have added to the portfolio with an earnings accretive acquisition in Newbury and agreed an excellent sale price for 30 Lombard Street, EC3, which will capture the profit from this successful development and add to our funds available for new opportunities.”

“There has been an improvement in market sentiment since the clear result of the election, but the supply of modern business space across the core South East markets remains at historically low levels, and under further pressure from building obsolescence and conversion to residential. With our detailed knowledge of these markets and our ability to meet occupier demand with sustainable, flexible and contemporary buildings, we are well placed to deliver further value from our existing portfolio and from reinvestment into new opportunities”.

Delivering the substantial portfolio reversion

- Increase in total contracted rent of 5.5% to £28.3m pa (including acquisitions), and an increase of 1.2% to £27.1m pa (like-for-like) driven by new lettings and rent reviews.
- Recently completed and on-going refurbishment projects at Brentford, Crawley, Croydon, Folkestone and Staines enhancing rental values and prospects for the release of the substantial 22.4% portfolio reversion of £6.3m pa (representing the difference between contracted rental income and portfolio ERV).

New lettings and improving occupancy

- Seven new lettings completed, delivering a combined contracted rent of £263,000 pa, in line with ERV.
- High occupier retention rate maintained at lease break/expiry, retaining income of £256,000 pa and reflecting the positive, occupier relationships generated by in-house management.
- Portfolio occupancy (excluding developments) increased to 92.5% (30th September 2019: 91.1%).

Rent reviews driving 29.2% uplift in rental value

- Five rent reviews completed in the period, generating a combined 29.2% (£194,000 pa) uplift in rental value.
- Rent reviews completed across both office and logistics assets.
- Reviews secured in line with ERV, with adjustments to reflect removal of lease breaks and extensions.

Imminent completion of Theale Logistics Park

- Practical completion of the speculative 134,430 sq ft single distribution warehouse unit, located adjacent to junction 12 of the M4 motorway on the south side of Reading, due in March 2020.
- Marketing campaign generating encouraging interest among potential occupiers.
- Set to deliver further income and capital gains in the portfolio.

Acquisitions and disposals

- Disposal of 30 Lombard Street, EC3 at a headline sale price of £76.5 million (prior to the deduction of outstanding tenant incentives, tax and sale costs) agreed in December 2019, reflecting an initial yield of 4.16% on a topped-up basis. Completion of the sale is anticipated in Q2/2020, on satisfaction of conditions relating to highway matters and landlord's consent.
- Acquisition of Rivergate, a multi-let office building (61,385 sq ft) fronting Newbury Business Park completed in October 2019 for £15.5m at an initial yield of 7.5%, now fully integrated into the portfolio.
- Positive planning progress at The Planets, Woking, where contracts exchanged in 2019 for the disposal of the freehold, conditional on receipt of planning consent for approximately 350 build to rent apartments. The planning application is due to be determined by Woking Borough Council in Q2/2020, and if approved, is likely to deliver a surplus over current book value on completion of the sale.
- Management continues to actively assess potential acquisitions in its core markets.

Strong financial position maintained

- Drawn debt of £194.0m (30th September 2019: £173.0m), providing undrawn headroom for acquisitions/ portfolio expenditure of £51.0m.
- Following the completion of the Lombard Street disposal, there will be further substantial capital available to invest, as and when attractive opportunities arise.
- LTV at 30th September 2019 of 34.6%, with the next portfolio valuation on 31st March 2020 to be announced with year end results in May 2020.

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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 specialises in the development and refurbishment of office, industrial and logistics buildings within proven markets of South East England and London. The portfolio at 30th September 2019 comprised 32 properties, valued at £492.14m, located in established areas, predominantly along the M4 corridor, where McKay has deep expertise, with a focus on growing satellite towns benefitting from strong connectivity to London and robust demand amongst leading occupiers.

www.mckaysecurities.plc.uk