



## Press Release

8 March 2021

### McKay Securities Plc (“McKay”) Trading Update

McKay Securities Plc (“McKay” or “the Company”), 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 1 October 2020 to 5 March 2021, and in a separate announcement, the launch of a share buy-back programme.

#### **Simon Perkins, CEO of McKay, commented:**

“Despite a period dominated by Covid-19, and two further national lockdowns, McKay has made good progress since October. We are pleased to have completed a range of lettings and lease renewals at or above ERV, invested selectively in our portfolio to enhance post Covid-19 prospects as well as increasing our rent collection for the financial year to date to 93.0% of contracted rent. The close relationships we have built up with our occupiers through our in-house management team, together with our focus entirely on the more resilient office, warehouse and logistics markets of the South East and London have been instrumental in these achievements.

“This progress supports our view that the office will continue to play an integral part in the future success of UK business. Occupational strategies will continue to evolve, accelerating many of the trends that we were already responding to before Covid-19, including the importance of innovative and sustainable design, flexibility, short form leases, fitted space and high standards of building management. However, we believe our proactive customer focused approach, combined with the concentration of our office assets within the Thames Valley and other established centres within the South East will support our strategy once the successful vaccination programme allows a safe return to the office.

“Having strengthened our balance sheet earlier in the year with the disposal of 30 Lombard Street, EC3, we continue to consider a range of opportunities for the recycling of capital, and have today announced the allocation of up to £10.0 million for a share buyback programme. With our shares currently trading at a substantial discount to our net asset value, this programme offers the potential to be earnings accretive and to deliver shareholder value.”

#### **Share buy-back programme**

- Share buy-back programme of up to £10.0 million (circa. 5% of the Company’s issued share capital) announced today for the market purchase of shares, with further detail provided in a separate press release issued today

#### **Portfolio positioning to enhance post Covid-19 prospects**

- Management focus on delivering sustainable business space to meet occupier needs has been rewarded with GRESB 4\* ESG status in December 2020, maintaining the Company’s high GRESB credentials since 2014
- Design led refurbishment projects delivering high quality, innovative office workspace to support and enhance rental values, which have already proven attractive to occupiers
- Refurbishment works to upgrade the 2<sup>nd</sup> and 5<sup>th</sup> floors (8,750 sq ft) at Corinthian House, Croydon making good progress and generating strong interest from existing building occupiers looking to upgrade. Pre-let agreements entered into over 2,925 sq ft with a combined rent of £93,400 pa, conditional on completion of the works later this month
- At Portsoken House, EC3, the part 6<sup>th</sup> floor (1,870 sq ft) was pre-let to Maersk on a five year lease (with a tenant break clause at year three) in February 2021. Completion of refurbishment works at the beginning of March triggered commencement of the lease at a contracted rent of £98,175 pa
- As previously announced, a 10 year lease renewal (with a tenant break clause at year five) was agreed in January 2021 with Domestic & General at Swan Court, Wimbledon over 2<sup>nd</sup> – 5<sup>th</sup> floors (37,400 sq ft) at a contracted rent of £1.8 million pa. Refurbishment of the ground and first floors (16,400 sq ft) and the common areas is due to commence shortly

- Lease expiries at Sopwith Drive, Weybridge (warehouse: 63,140 sq ft) in March 2021 and at Great Brighams Mead, Reading (office: 84,840 sq ft) in April 2022 provide pipeline scope for future refurbishment, redevelopment or sale

#### **New lettings and lease renewals at or above ERV demonstrating portfolio resilience**

- Eight new lettings completed over the period, delivering a combined contracted rent of £432,900 pa, at or above ERV
- Six lease renewals completed, securing a 9.5% increase in contracted rent prior to renewal to £1.99 million pa, and a 1.0% surplus over ERV
- High occupier retention of 76.0% benefiting from in-house property management portfolio occupancy (by ERV) of 87.9% (30 September 2020: 90.7%), lower largely due to the release of two office floors at Swan Court, Wimbledon as part of securing a 10 year lease re-gear on the remaining space

#### **Strong rent collection and financial positioned maintained**

- Positive discussions with occupiers resulting in an increase in the December quarter rent collected to 92.0%, with a further 2.0% due from agreed monthly payments. Discussions continue in relation to the remaining 6.0%
- Rent collection for the financial year to date increased to 93.0% of all contracted rent and is expected to reach 96.0% on receipt of outstanding monthly and deferred payments. Of the outstanding 4.0%, collection of up to a further 2.0% is anticipated
- Net debt of £142.2 million (30 September 2020 : £132.9 million), providing undrawn headroom of £102.8 million
- Loan to value (LTV) of 30.3% at 30 September 2020 based on the portfolio value at that time of £438.9 million
- Next portfolio valuation on 31 March 2021 to be announced with year end results due to be published in May

For further information, please contact:

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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 30 September 2020 comprised 33 properties, valued at £438.9 million, 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](http://www.mckaysecurities.plc.uk)**