

→ Workspace Group PLC



Preliminary Results for the Year Ended 31 March 2008

Presentation Team

Harry Platt – *Chief Executive*

Graham Clemett – *Finance Director*

Patrick Marples – *Property Director*

Angus Boag – *Development Director*

Chris Pieroni – *Operations Director*



→ Agenda



Introduction

Harry Platt

Operating Performance

Chris Pieroni

Investment Market

Patrick Marples

Redevelopment Update

Angus Boag

Financial Performance

Graham Clemett

Conclusions

Harry Platt

Q&A

→ Performance Highlights



- Rent roll up 11.5%
- Like-for-like occupancy 88.8%; overall occupancy 85.8%
- Trading profit up 8.8%
- Property valuation down 4.6%
- Dividend per share up 10.1%
- Diluted NAV per share 311p (down 7.4%)

→ Key Issues



Current trading: April and May

- Enquiries, lettings, rents

Strategy

- Strong improving cashflow
- Growth in rent roll
- Stable occupancy
- No giving away long-term potential
- Acquisitions where value is identifiable
- Selective disposals

Debt

- Positive relationship with banks
- Good LTV

→ Our Market: London & the small business sector

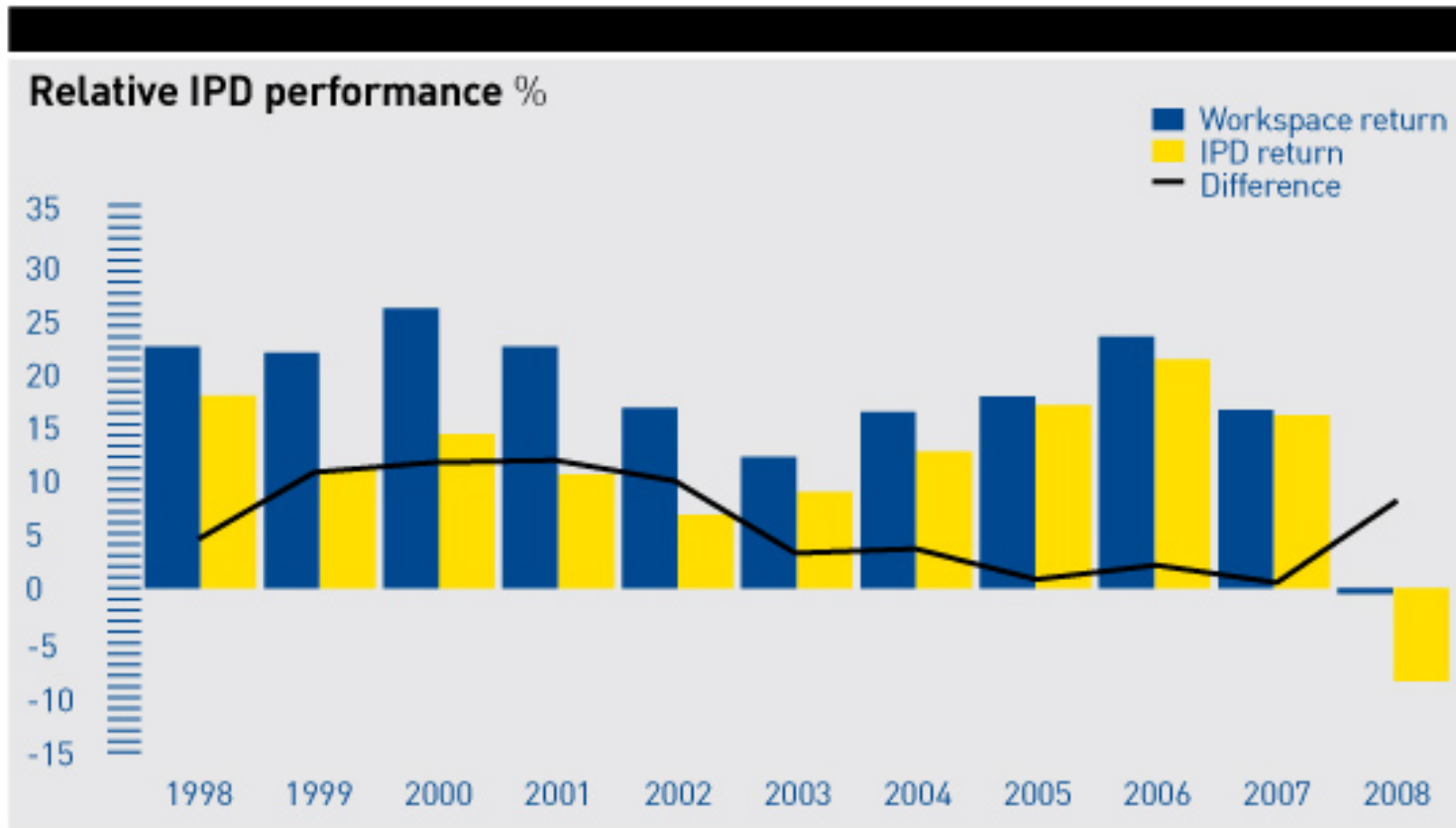


- There are about 675,000 businesses in London – the majority one-man bands without employees. Of businesses with employees, 138,000 employ between 1 and 9 people
- About 40% of all businesses in London operate in the ‘knowledge sector’
- London has the highest business density in the UK, the highest number of business starts and business closures – all indicators of a highly entrepreneurial economy

→ Relative IPD Performance



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→ Operating Performance

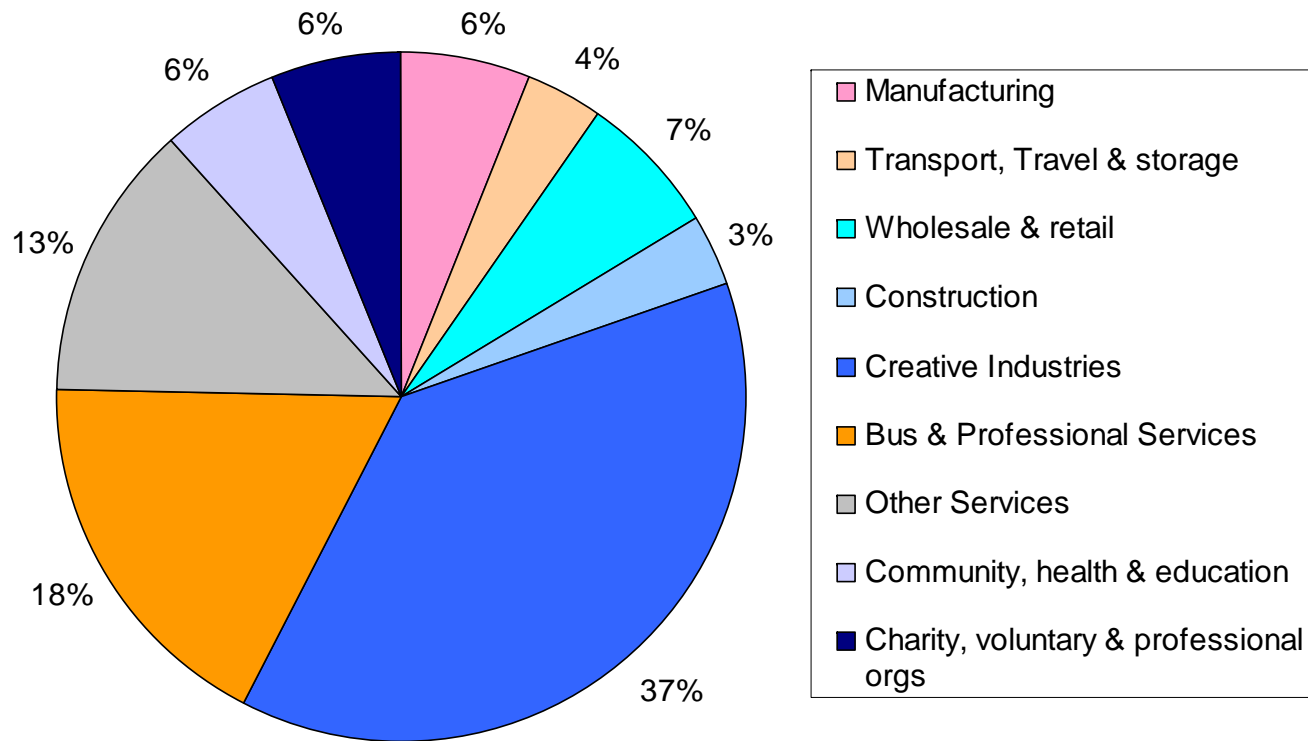


Chris Pieroni
Operations Director

→ Our Customers



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→ Our Customers: Growth Prospects



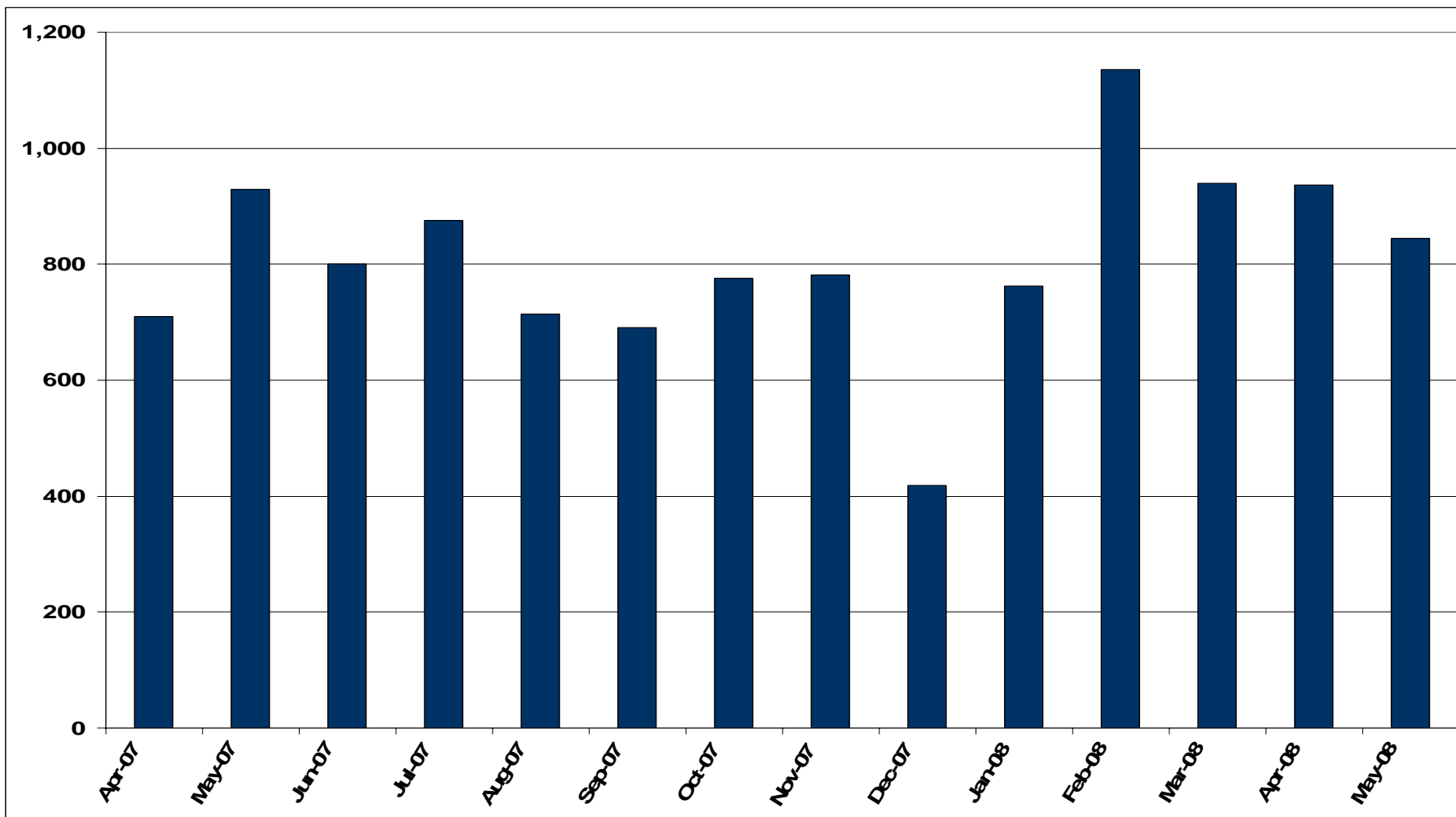
Customer survey in April 2008 – prospects for next 12 months

	<u>UP</u>	<u>Down</u>
Turnover	64%	9%
Employment	42%	6%
Investment	44%	8%

→ Enquiry Trends



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→ Lettings



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- Real time market based decision making
- 9,500 enquiries
- 10% conversion rate
- Last 2 months
 - 155 deals
 - £2.8m in value
- Like-for-like occupancy

→ Affordability



Typical Customer:

- 1,000 sq ft
- £12 per sq. ft - equates to £250 per week
(annual rent = $\frac{1}{2}$ salary)
- Represents 5% of turnover

→ Our Expertise



Customer Survey April 2008

- 80% agreed that the customer service from the on-site management teams is excellent
- 80% agreed that our premises reflect the right image for their businesses
- 90% said that our premises were in ideal locations for their businesses
- 84% would recommend us to a friend or colleague
- 77% said that overall, WKP offers a competitive package

→ Investment Market



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Patrick Marples

Property Director

→ Valuation - The Fundamentals



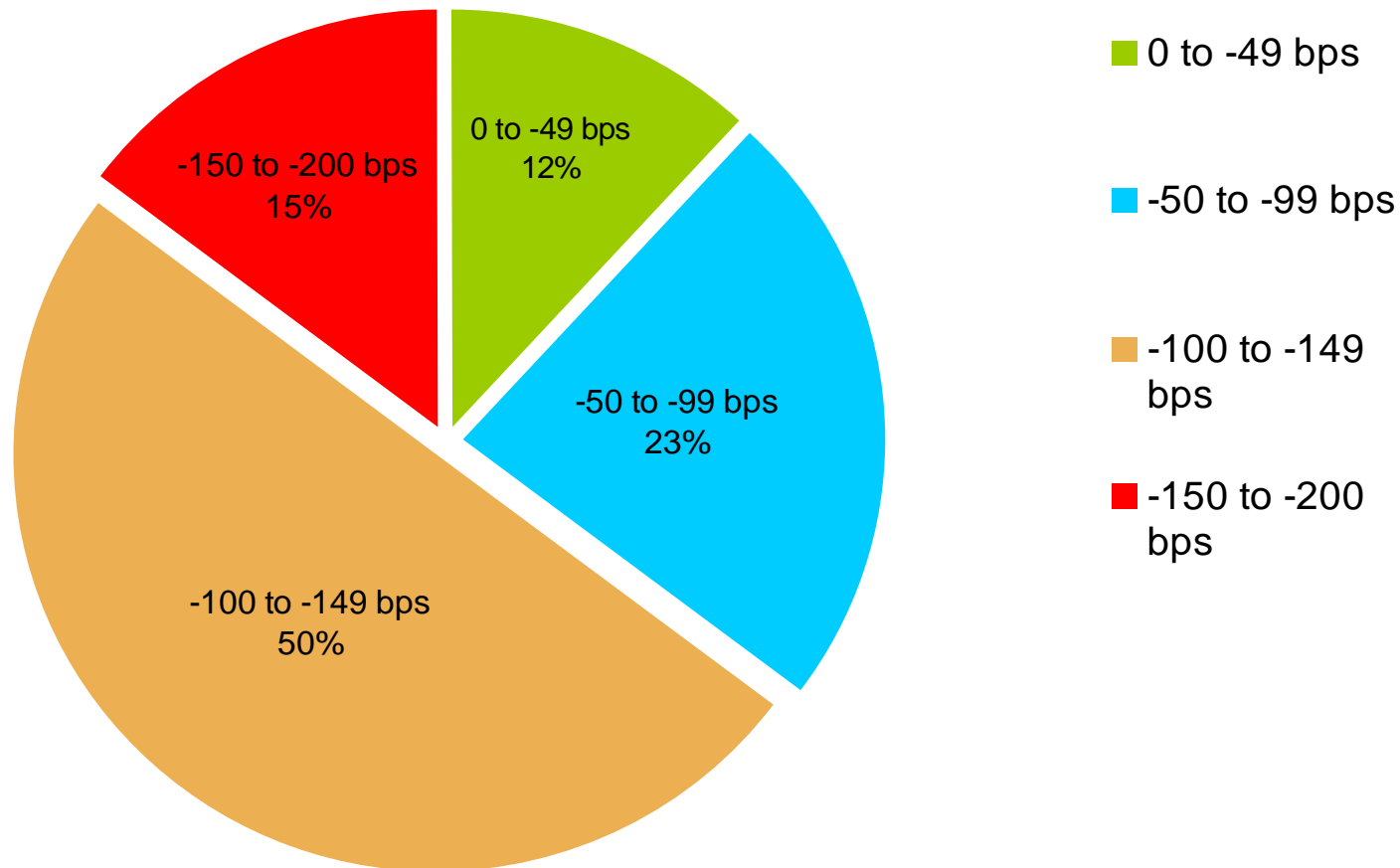
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Value	£993m	(down 4.6%)
Properties	106	(90% < £20m)
Estimated rental value	£76.1m	(up 16.5%)
Reversionary yield	7.7%	(out 120 bps)
ERV per sq. ft	£14.79	
Value per sq. ft	£193	
Land	147 acres	

→ Equivalent Yield Movement



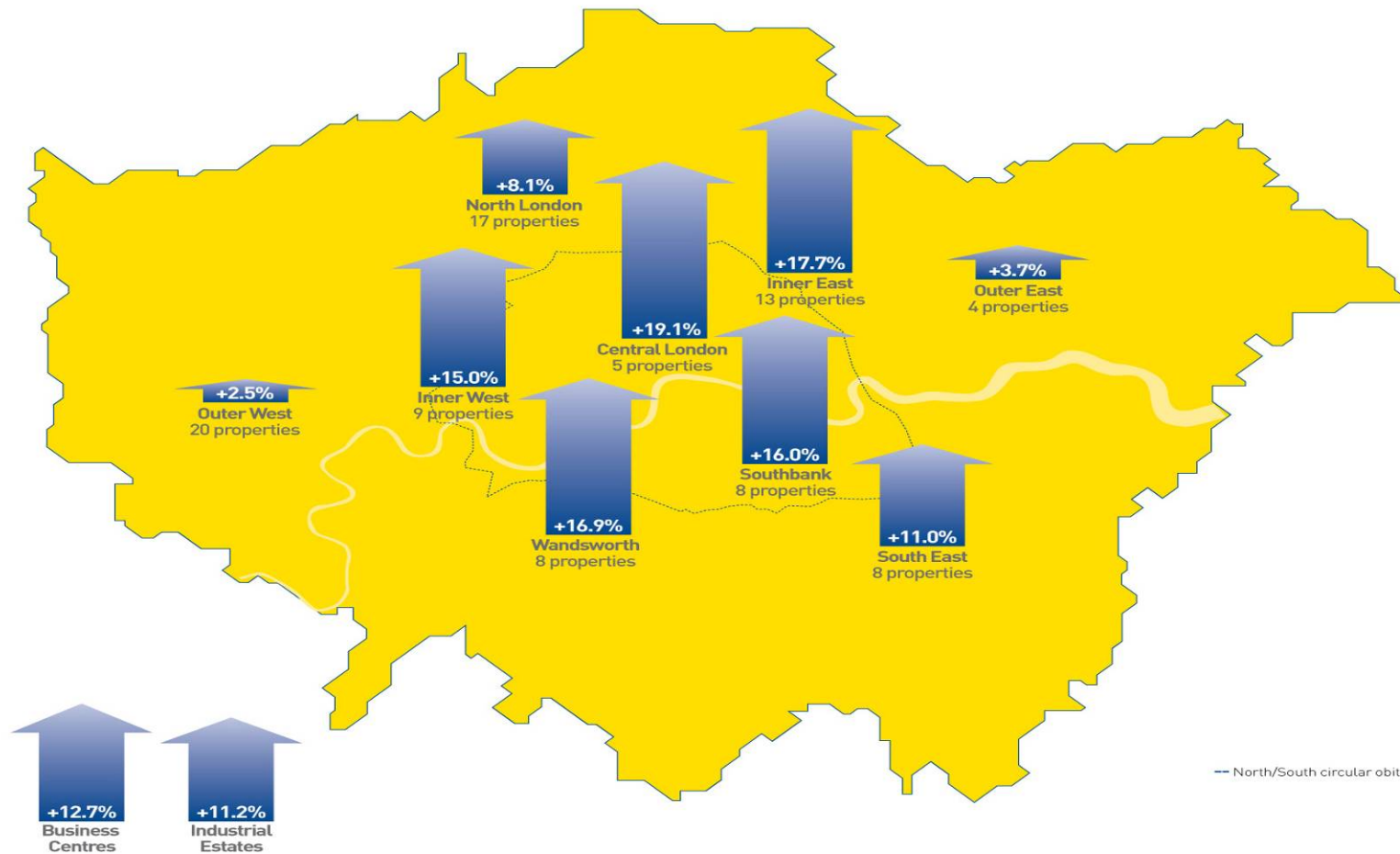
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→ ERV Growth



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→ Case Studies



CLERKENWELL WORKSHOPS Clerkenwell, London EC1



- CV UPLIFT 2007/8 : + 19%
- Occupancy 96% (from 89%)
- Income £1.7m (+14%)
- ERV £2.47m (+40%)
- EY out from 5.8% to 6.8%
- Total return 25.5%

MAHATMA GANDHI IND ESTATE Loughborough Jct, London SE24



- CV UPLIFT 2007/8 : + 9%
- Occupancy remained at 100%
- Income £194k (+27%)
- ERV £237k (+35%)
- EY out from 6.0% to 7.2%
- Total return 29.8%

→ Acquisition/Disposal Activity



Acquisition:

Neil House, E1
£11m (Nov 07)



Acquisition

Enterprise House ,
Hayes, £8m
(Feb 08)



Disposal

Parmiter E2
£11m (Feb 08)
IRR 28%

→ Redevelopment Update



Angus Boag
Development Director

→ Added Value



- Of £993m valuation only 2% (£21m) represents an uplift over existing use value
- In the next 10 years 50% of portfolio expected to be subject to intensification/change of use

→ Business Model



- Planning applications for uses with the highest value
- Alternative uses – residential, student housing, self-storage, budget hotel plus new commercial space
- Maintain income on sites
- Sell/develop when economic conditions are favourable

→ Progress on Core Properties



Property	Consented Scheme	Future Strategy
Aberdeen Centre London N5	72 apartments and 66,000 sq ft commercial	Residential land to be sold. Business centre to be developed by Workspace. Maintain income until sale/development
Thurston Road Industrial Estate London SE13	406 apartments, 4,000 sq. ft live/work, 41,000 sq. ft commercial	Site to be sold with developer returning 40,000 sq. ft commercial. If necessary relet to obtain income.
Parmiter Industrial Estate London E2	106 apartments, 50 student studios, 27,000 sq. ft mixed use	Site sold for £11m
Linton House London SE1	17,000 sq. ft extension to existing commercial building	To be developed by Workspace. Income on existing building to be maintained

→ Development Programme



- 18 sites identified for Planning Consent and Development over 5 years
 - 5 submitted for planning
 - 6 applications to be made this year
 - 5 long term strategic negotiations
 - 2 new acquisitions
- Total valuation March 2008 £212m (1.3m sq. ft)
- Of 1.3m sq. ft 700,000 sq ft developed
- Potential for 1,850,000 sq. ft mixed use

→ Progress on Glebe JV



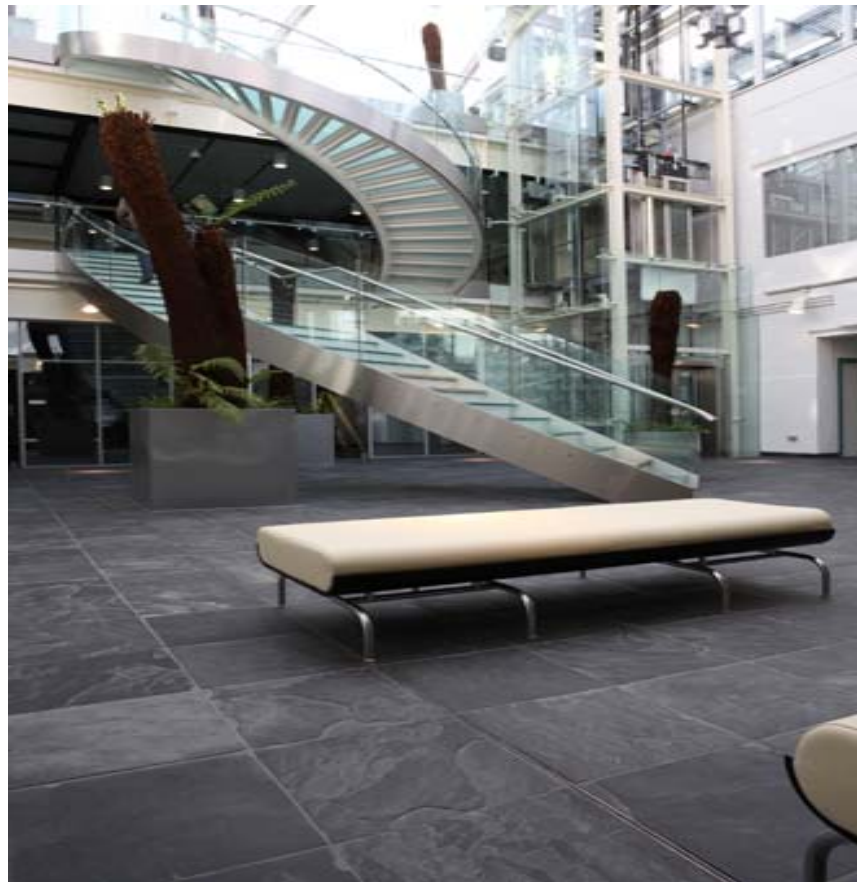
Planning consent achieved in year

Property		Future Strategy
Wandsworth Business Village, London SW18	206 apartments and 84,000 sq. ft commercial	To sell or develop with Workspace acquiring commercial
Grand Union Centre London W10	Outline consent for 145 apartments, 110,000 sq ft commercial and 11,000 sq ft retail	Detailed application to be submitted to increase residential. Maintain income.

Planning Applications

Property		Future Strategy
Bow Enterprise Park, London E3	600 apartments 75,000 sq. ft commercial	Maintain income

→ Completed Developments



Canterbury Court, London, SW9

→ Financial Performance



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Graham Clemett
Finance Director

→ Key Performance Indicators



		<u>3 Months</u>	<u>6 Months</u>	<u>12 Months</u>
Rent Roll Growth	- like-for-like	+2.4%	+4.2%	+8.7%
	- total	+2.8%	+6.1%	+11.5%
Rental Value Growth	- like-for-like	+4.2%	+7.0%	+12.2%
	- total	+5.5%	+9.8%	+16.5%
		<u>March 2008</u>	<u>September 2007</u>	<u>March 2007</u>
Occupancy	- like-for-like	88.8%	89.6%	87.9%
	- total	85.8%	86.4%	84.8%

→ Trading Performance



	<u>L4L</u>	<u>Other</u>	<u>Total</u>	<u>Growth vs 2007</u>
Net Rental Income	39.2	7.9	47.1	+13%
Other Income	2.2	-	2.2	
Admin Expenses	(8.1)	(1.6)	(9.7)	
Trading Profit (before Interest)	33.3	6.3	39.6	+18%
Interest	(21.7)	(6.4)	(28.1)	+21%
Glebe Joint Venture	-	(0.4)	(0.4)	
Trading Profit before Tax	11.6	(0.5)	11.1	+9%

→ Operating Cashflow



2008

Trading profit before interest

£39.6m

Cash from Operations

£41.6m

Strong correlation between trading profit and operating cashflow:

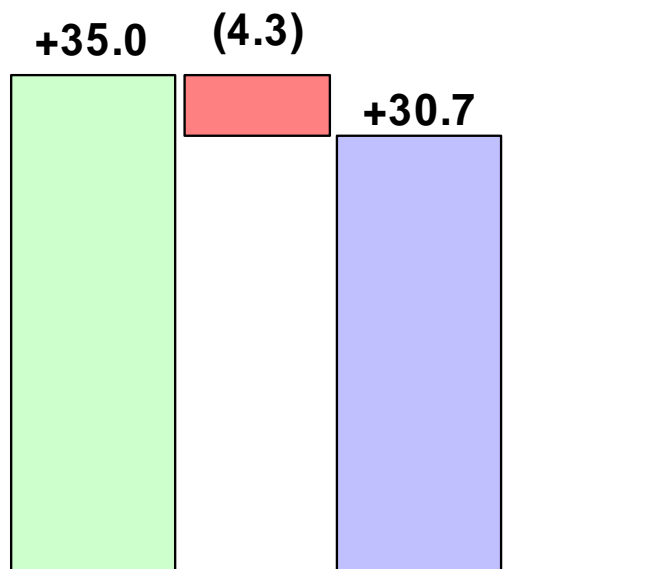
- 70% of rents collected monthly, 30% quarterly
- 70% collected by direct debit on due date
- 4,500 customers, average rent £11,000 p.a.
- Bad debt levels very low (less than 0.2% of turnover)
- 3 months rent held as deposit
- Active credit management on all arrears

→ Cashflow Characteristics

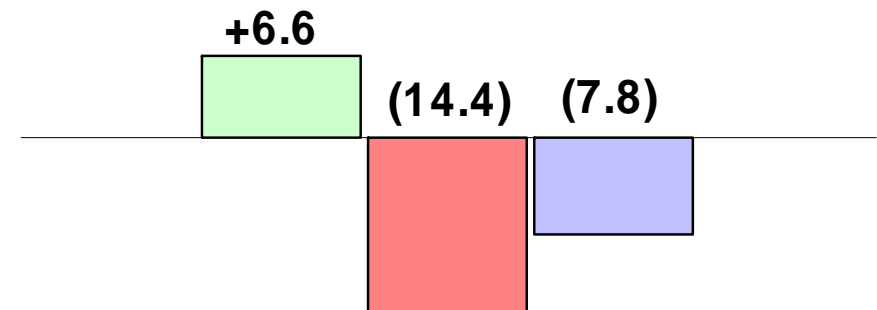


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Like-for-like



Other



- Cash from Operations
- Net Cash from Operations (after Capex)
- Capital Expenditure

→ Valuation



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	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Valuation	£993m	£1,001m	£962m	£716m
Reversionary Yield	7.7%	6.5%	6.9%	8.0%
Equivalent Yield	6.9%	5.9%	6.2%	7.2%
Initial Yield	5.3%	4.7%	4.8%	5.9%

→ Reversionary Potential



	<u>No of Properties</u>	<u>Equivalent Yield*</u>	<u>Initial Yield*</u>	<u>Reversionary Income</u>	<u>Expected Timescale</u>
Like-for-like	92	6.8%	5.7%	£8.7m	3-4 years
Refurbishments	8	6.7%	4.1%	£5.5m	2-4 years
Acquisitions	6	9.3%	3.6%	£1.7m	3-5 years
Total	106	6.9%	5.3%	£15.9m	

* Based on 90% occupancy

→ Valuation - Sensitivity



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Reversionary Yield

ERV
Growth

Over next 12 months	7.7%	8.2%	8.7%
0%	£993m	-£65m	-£120m
5%	+£45m	-£19m	-£73m
10%	+£94m	+£28m	-£31m

→ Financing



Key Features

Bank borrowings £438m (2007: £378m)

Total facilities £499m (2007: £444m)

Average interest cost 6.7% (2007: 6.3%)

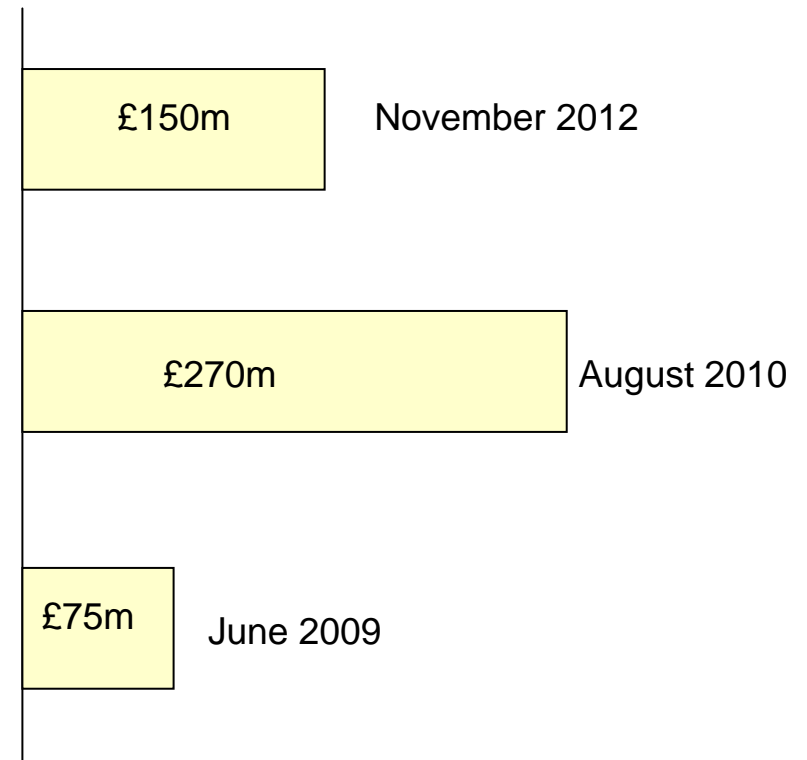
Interest hedging

Fixed rate 35% (2007: 5%)

Collars 27% (2007: 55%)

£152m of uncharged assets

Term of Facilities



→ Financing - Sensitivity



Based on income and rental values at March 2008 and excluding uncharged assets

Interest Covenants

- Interest rates would need to increase by 300bps for interest covenants to be breached.

LTV Covenants

- Valuation would need to fall by 29% for the LTV covenants to be breached. Equivalent to reversionary yield softening by 3% to 10.7%.

→ Glebe Joint Venture



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	<u>2008</u>	<u>2007</u>
Property Valuation	£169m	£163m
Reversionary Yield	6.6%	6.3%
Overall Occupancy	79.8%	89.7%
Net Debt	£127.4m	£120.7
Facilities	£144m	£126m
LTV	75.3%	74.0%
LTV Covenant	85.0%	

→ Conclusions



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Harry Platt
Chief Executive

→ Current Environment



- Not immune to current economic situation
- Transparency in reporting with quarterly valuations
- Experience through the cycle

→ Previous Experience and Lessons Learnt



- Resilience of SME sector
- Occupancy and Demand
- Rents
- Bad Debts

.....but most important

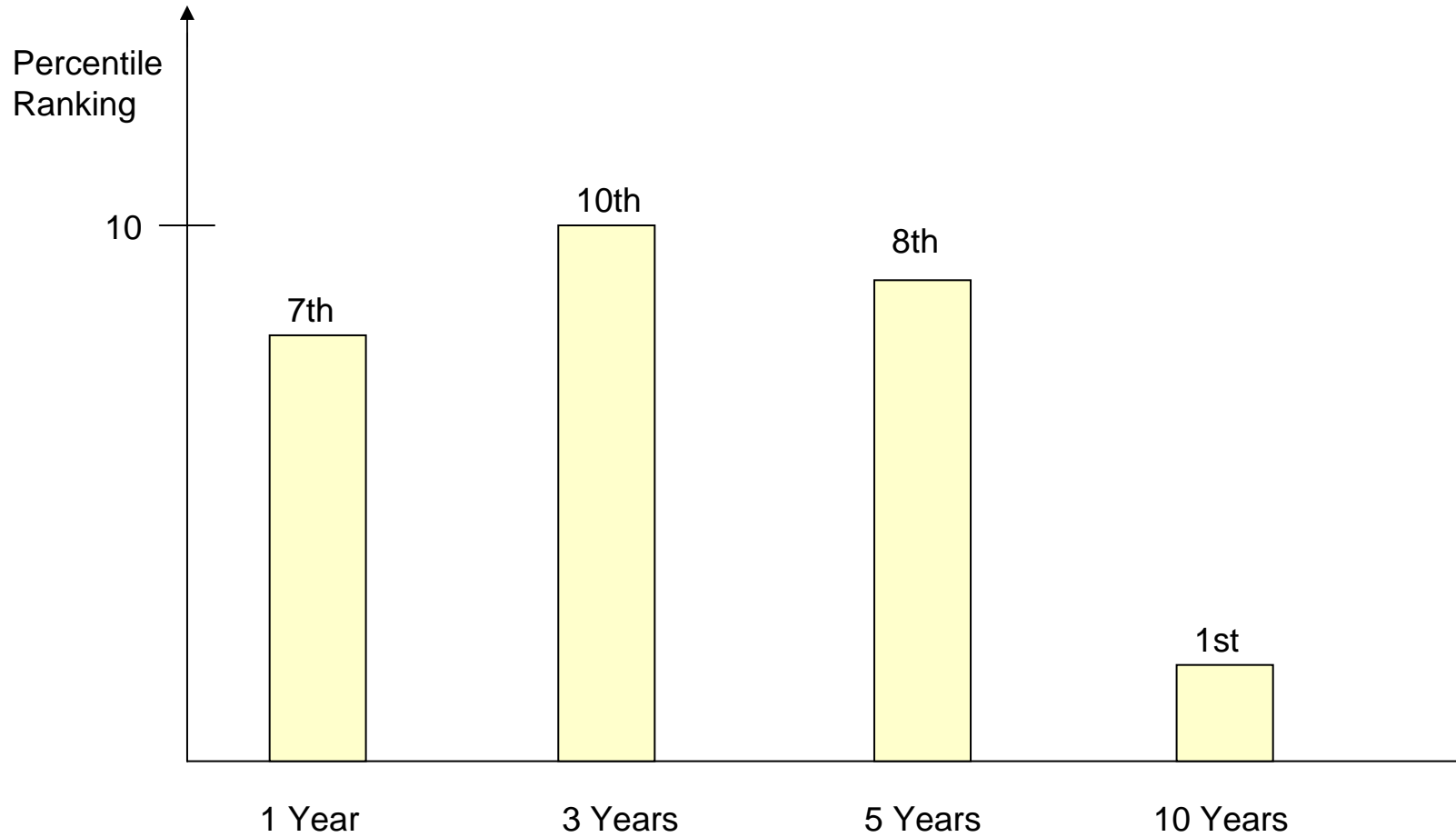
Size of business, our customers,
operating model

→ Key Messages



- Robust Valuation
- Strong Operating Performance
- Soundly Financed
- Significant Alternative Use Value
- Well Placed for Opportunities

→ Total Return Performance vs IPD



→ Long Term Performance



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	March <u>1998</u>	March <u>2003</u>	March <u>2008</u>	Ten Year <u>Growth p.a.</u>
Share Price	45p	99p	275p	19.8%
Diluted adjusted NAV per share	54p	155p	311p	19.1%
Dividend per Share	1.7p	2.81p	4.56p	10.4%