

WORKSPACE GROUP PLC

INTERIM MANAGEMENT STATEMENT

Workspace Group PLC, today announces an interim management statement covering the period from 1 October to date.

This should be read in conjunction with the announcement of the proposed rights issue to raise £87.2 million (before expenses). This IMS replaces the quarterly report the group would normally have issued in February 2009. The next update on trading to shareholders will be when the group announces its preliminary results announcement for 2008/9 in June 2009 with the results for the full year to 31 March 2009.

Key Performance Indicators for the three month period to 31 December 2008

- Total rent roll as at 31 December 2008 remains stable at £52.5m (£53.1m at 30 September 2008), (£52.6m at 31 March 2008), up 2.7% (£1.4m) on the prior year.
- Like-for-like occupancy at 85.2% (87.6% at 30 September 2008).
- Overall occupancy at 81.3% (84.1% at 30 September 2008), with two new buildings being opened in the quarter reducing occupancy by 1%.
- Increase in average rent per square foot to £12.58 (£12.43 at 30 September 2008).
- Enquiry levels remain high at an average of over 800 per month and conversion rates consistent.
- Property valuation £740.3m, down 15% (£131m) in the three month period to 31 December 2008.
- Rights Issue to raise £87.2 million (before expenses), announced today along with revisions to current banking facilities.

Overview

We are working closely with prospective and existing customers marketing the attractions of our flexible and affordable space. Despite the challenging economic environment we are continuing to see demand from our customer base of small and medium sized businesses (“SMEs”) across London, with good enquiry levels and consistent conversion rates to new lettings. This demand is from a broad range of prospective customers who are now adopting a more cautious approach towards their accommodation requirements and are attracted to our flexible value for money space instead of traditional premium long lets.

We are also monitoring closely our existing customers. There has been no significant increase in the level of bad debts or deterioration in the payment profile of our

customers. Where necessary, we are relocating customers to space that meets their revised accommodation and financial requirements.

The valuation of the Group's property portfolio declined 15% in the three month period to 31 December 2008, reflecting the wider decline in property values across the UK, and is likely to decline further during 2009.

The key performance indicators since our interim results are:

1. Enquiries and lettings

The level of customer enquiries for space remained high, averaging 814 per month for the three month period to 31 December 2008, an increase of 15% compared to the same three month period in 2007 with no significant change in the level of lettings during 2008.

Average number per month:	3 months to 31 December 2008	6 months to 31 December 2008	12 months to 31 December 2008
Enquiries	814	847	879
Lettings	85	86	83

In the first two weeks of January 2009 we received 472 enquiries compared with 375 enquiries for the same period in 2008. 44 lettings have been completed including a major deal at our Kennington Park property for 16,000 sq ft to a training services provider to the London Borough of Lambeth.

2. Rent Roll and Occupancy

	Number of Properties	December 2008	September 2008	March 2008
Like-for-like properties	95			
- rent roll		£46.1m	£46.9m	£46.7m
- occupancy		85.2%	87.6%	89.6%
Other properties	12			
- rent roll		£6.4m	£6.1m	£5.9m
- occupancy		63.8%	67.7%	67.7%
Total	107			
- rent roll		£52.5m	£53.1m	£52.6m
- occupancy		81.3%	84.1%	85.8%
- rent per sq.ft		£12.58	£12.43	£11.88

Note: Like for like properties are those that have been held throughout the previous 12 months and have not been subject to a significant refurbishment programme in the previous 24 months. Other properties are those that are not within the like-for-like category.

Rent roll at our "like-for-like" properties remains stable despite a fall in occupancy levels. The fall in occupancy reflects some change in customer mix with stronger demand for higher value, smaller size units with some of our larger size units proving slower to let.

Rent roll at our “other” properties continues to grow although reported occupancy has dropped as a result of the opening during the quarter of two new buildings (Wharf Road and Q West). The impact of this new space has been to reduce total occupancy by some 1%.

3. Valuation:

The valuation was undertaken by our valuers CB Richard Ellis and showed a valuation decline of 15% in the quarter with underlying like-for-like income yield from the portfolio now at 7.5%.

	31 December 2008	30 September 2008
Portfolio valuation	£740m	£871m
Estimated rental values (ERV)	£76.6m	£77.5m
Equivalent yield (at 90% occupancy)	9.3%	8.0%
Reversionary yield	10.3%	8.9%
Underlying income yield (like-for-like properties)	7.5%	6.5%

Note: Reversionary yield: is calculated by dividing the ERV by the valuation. The equivalent yield is the reversionary yield multiplied by the Group's targeted occupancy of 90%. Underlying income yield (like-for-like properties) is the rent roll expressed as a percentage of the valuation of the like-for-like property portfolio.

The valuation at 31 December 2008 represents a 37% decline from the peak valuation at 31 March 2007, when considered on the basis of a constant ERV, due to the softening of yields over the period.

4. Acquisitions and Disposals

Following the disposal in 2006 of Wharf Road, N1 for a mixed-use development we received back in October 2008, as part of the terms of the sale, a new 32,000 sq. ft business centre which is now open and available for letting.

We are making good progress with our target to realise £40m from disposals during 2009:

- The disposal of Lewis House, NW10 was completed in December 2008 for a cash consideration of £2.1m, and an exit yield of 6.4%. This reduced the recorded total rent roll at 31 December 2008.
- On 2 January 2009 the sale of N17 Studios, London N17, was completed for a total cash consideration of £10m at an exit yield of 5.7%. £8.5m was received on completion with the balance of £1.5m plus interest to be received in August 2009. Some customers at this centre are now being relocated elsewhere in the Company's portfolio.
- Progress on planning is proceeding well at Canalot Studios (where a subject to planning sale has been agreed at £6.25m) and a planning application will be made in February 2009. At Bounds Green Industrial Estate (where a subject to planning sale has been agreed at £2.55m) a planning application is also anticipated in February.
- At the Greenheath Business Centre where we had agreed to sell part of the site to Unite for student housing, the planning appeal was refused but we have prepared a new scheme for affordable housing and are in discussion with two Housing Associations for the sale of part of the site subject to planning.
- Other disposals are under active consideration.

5. Redevelopment Update

We continue to progress with planning options for change of use and refurbishment opportunities across our portfolio. However, in the current economic climate we are not undertaking any significant capital expenditure or refurbishment programmes.

In the three months to December 2008 planning consent was achieved for an additional 5,000 sq. ft floor at Langdale House and planning applications were submitted for a 60,000 sq. ft office scheme at Westminster Business Centre (this consent has now been achieved) and a 40,000 sq ft extension to the Barley Mow Centre.

Outlook

Set against the background of an economic downturn and falling property values, your Board believe that 2009 will be challenging for both Workspace and its customers. The Group is closely monitoring its existing and prospective customers and their demand for space, responding quickly where necessary with a view to ensuring that the Group maintains high enquiry and conversion rates, good occupancy levels and strong operational cashflows.

In the medium term your Board believes that London will retain its long term importance and attraction for both occupiers and investors, which your Board believes offers the Group continued prospects for growth.

Today the Group has released to its shareholders details of a proposed rights issue to raise £87.2 million (before expenses). Under the rights issue, new Ordinary Shares will be offered to shareholders at 10 pence per Ordinary Share on the basis of 5 new ordinary shares for every 1 existing ordinary share(s) that each shareholder holds at the close of business on the record date, expected to be on or around 10 February 2009..

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