28 July 2009

WORKSPACE GROUP PLC
INTERIM MANAGEMENT STATEMENT

Highlights for the quarter to 30 June 2009:

- Enquiries for space remains stable with enquiry levels at a monthly average of 931 in the first quarter (FY 2009: 876) and lettings averaging 105 per month (FY 2009: 86).
- Overall occupancy up 0.7% in the quarter to 81.0%.
- Total rent roll £48.0m down 2.9% in the quarter excluding disposals.
- Disposal of six properties completed in the quarter for £14m, in line with March valuation.
- Property valuation £619m, down 4.6% in the quarter excluding disposals.

Enquiries and lettings

The level of customer enquiries for space is consistent, averaging 931 per month for the three month period to 30 June 2009, an increase of 6% compared to the three months to June 2008. In the quarter 315 lettings were completed, representing 388,000 sq feet of space and annual rent of £3.6m.

Average number per month :	Quarter to June 2009	Quarter to March 2009	Quarter to December 2008	Quarter to September 2008	Quarter to June 2008
Enquiries	931	955	817	880	876
Lettings	105	97	84	88	76

Occupancy

We are continuing to see a stabilisation in occupancy levels with overall occupancy up 0.7% in the quarter and like-for-like occupancy down 0.1%. Our 5 refurbished properties are letting up well with occupancy up 4.5% in the first quarter. Occupancy at Canterbury Court, Kennington, our largest refurbishment scheme is now 79%, up 7% from March 2009.

Occupancy	Number of Properties	June 2009	March 2009	March 2008
Like-for-like properties	91	83.2%	83.3%	89.4%
Refurbished properties	5	74.1%	69.6%	68.8%
Held for redevelopment/sale	4	60.0%	51.1%	58.6%
Total (excluding disposals)	100	81.0%	80.1%	85.8%
Completed disposals	-	-	87.0%	85.7%
Total	-	81.0%	80.3%	85.7%

Rent roll

Total cash rent roll, excluding disposals, has fallen by £1.4m (2.9%) in the 3 months to £48.0m. The level of customer churn has increased but we have been able to maintain occupancy levels. We have been flexible on pricing and lease structure to meet customer requirements and focused on delivering high levels of customer service. We have also seen an increase in demand for larger units which are generally at a lower price per square foot than our overall average.

As a result of the above and disposals in the quarter we have seen a decline in rent per square foot which has fallen overall by 4.0% to £12.17 per sq. ft.

The contracted rent roll (which includes new leases where there is a contractual increase in rents typically in the second year and temporary discounts to existing customers) is £50.6m at June 2009, £2.6m higher than the cash rent roll (at March 2009 it was £2.2m higher). We should begin to see the benefit on our cash rent roll from these contracted increases in the second half of the financial year.

Rent Roll	**Number of Properties**	**June 2009**	**March 2009**	**March 2008**
Like-for-like properties	91	£42.3m	£44.0m	£45.8m
Refurbished properties	5	£5.2m	£4.8m	£4.0m
Held for redevelopment/sale	4	£0.5m	£0.6m	£0.6m
Total (excluding disposals)	100	£48.0m	£49.4m	£50.4m
Completed disposals	-	-	£1.4m	£2.2m
Total	-	£48.0m	£50.8m	£52.6m

Valuation

The valuation of our property portfolio (undertaken by CB Richard Ellis) has fallen by 4.6% (£30m in the quarter), excluding the impact of disposals. This is a significant deceleration in the pace of decline which in the previous two quarters was 10% and 15% respectively. Excluding the impact of acquisitions, disposals and capital expenditure the fall in the value of the portfolio from its peak at June 2007 is now some 42%.

	No of properties	**Value £m**	**Income Yield**	**Equivalent Yield at 90% occupancy**
Like for like properties:				
Existing use value	91	500	8.5%	10.0%
Added value (14 properties)		26		
Refurbishment properties	5	70	7.4%	9.6%
Held for redevelopment/sale	4	23	2.3%	6.8%
Total	100	619	7.8%	9.4%

The Estimated Rental Value (ERV) at June 2009 is £64.6m, a fall of 6.0% in the quarter excluding disposals. This reflects the impact of the competitive pricing levels at which we are currently doing deals.

The overall income yield for the portfolio is 7.8%, compared to 7.7% March 2009. Excluding the lower yields on development and refurbishment properties, the underlying existing use income yield for our portfolio is 8.5% in line with the yield at March 2009.

Disposals
Six property disposals have completed during the quarter at values in line with the March 2009 valuation. Disposal proceeds of £14.2m have been received in the quarter with a further £1.5m due from disposals in August 2009. Total disposal proceeds since November 2008 are now £28.4m. We are now well progressed in achieving our target of £40m from disposals by December 2009.

At Bounds Green, N11 planning consent was granted in early July for a 80,000 sq ft self storage facility on part of the site previously used for car parking and 35,000 sq ft of new industrial units. Contracts have been exchanged for the sale of the self storage site and the grant of planning consent will now allow completion (expected in October) for £2.5m.

At Canalot Studios, W10 we now hope to achieve planning consent for student housing by September on part of this site which is currently low grade industrial space. Contracts have been exchanged for the sale of this space, subject to planning, for £6.25m.

We are continuing to progress with further selective disposals where value can be created.

Glebe Joint Venture
Negotiations with the JV lenders led by Bank of Scotland and our partner Glebe on the future of this joint venture are continuing but are proving difficult. Our investment in this joint venture is fully written down. Our outstanding commitments in connection with the joint venture are limited and we will only commit further amounts if the benefits to the Group are sufficiently attractive.

Financing and Cash Management
At the end of the quarter net borrowings stood at £345m (March 2009:£355m) with the overall loan to value at 56% (March 2009: 54%). We have good headroom on both the interest cover and loan to value covenants at June 2009.

Cash management continues to be a key focus and we are progressing with various initiatives to further reduce our cost base; but not at the expense of customer service. We have seen no deterioration in cash collections with 97% of customers continuing to pay within 30 days and no significant bad debt exposures.

Outlook
Whilst the economic outlook remains uncertain we have seen signs of stability in our occupancy levels. Business conditions are challenging but customer demand is good, albeit with flexibility demanded on pricing. This has impacted on our cash rent roll although our contracted rent roll is holding up well.

The rate of decline in property values has begun to slow, with the fall in the quarter driven by rental income rather than yield movement. The capital value of our portfolio has now fallen to some £127 per sq. ft., which is below the replacement cost for the buildings alone.

We are soundly financed with good headroom on our covenants. There will be opportunities for us to utilise our brand and business model as we go forward but our immediate focus remains on maintaining high occupancy levels and good operational cashflow.

Annual General Meeting
The Company will hold its Annual General Meeting today at 11.00am, at Magenta House, 85 Whitechapel Road, London, E1 1DU.

-ends-

Date: 28 July 2009

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Key Statistics

	Quarter ending 30 June 2009	Quarter ending 31 Mar 2009	Quarter ending 31 Dec 2008	Quarter ending 30 Sept 2008	Quarter ending 30 June 2008
Number of estates	**100**	106	107	107	107
Lettable floorspace (million sq ft) ✞	**4.9**	5.0	5.1	5.1	5.2
Number of lettable units	**4,618**	4,546	4,688	4,628	4,642
ERV	**£64.4m**	£70.5m	£76.6m	£77.5m	£77.3m
Reversionary Yield*	**10.4%**	10.6%	10.3%	8.9%	8.1%
Net annual rent roll of occupied units	**£48.0m**	£50.8m	£52.5m	£53.1m	£52.2m
Average annual rent per sq ft	**£12.17**	£12.64	£12.58	£12.43	£12.03
Overall occupancy	**81.0%**	80.3%	81.3%	84.1%	84.1%
Like-for-like lettable floor space (million sq ft)	**4.1**	4.1	4.1	4.1	4.2
Like-for-like net annual rent roll	**£42.3m**	£44.0m	£45.1m	£45.9m	£45.1m
Like-for-like average annual rent per sq ft	**£12.46**	£12.83	£12.85	£12.76	£12.37
Like-for-like occupancy	**83.2%**	83.3%	85.0%	87.5%	87.1%
Property valuation	**619**	662	740	871	954
Loan to value (%)	**56%**	54%	60%	51%	47%
Available borrowing facilities (£m)	**18**	38	57	54	53

✞ Excludes storage space
* Based on ERV divided by valuation

The like-for-like portfolio is defined as properties that have been held throughout a 12 month period and have not been subject to a refurbishment programme in the last 24 months.