

Workspace Group – QuickView

14 June 2012

Event

Final results

Investment summary: London calling

Workspace continues to see the benefits of strong London occupier-demand and of value-creating improvements within its portfolio. The shares offer a 4.3% forward dividend yield and trade at a substantial 27% discount to NAV, a favourable valuation comparison with other London-focused property investments.

Final results

Workspace has released encouraging final results to March 2012 with adjusted trading profit after interest increasing by 13% to £16.0m and the dividend increased by 10% to 8.8p per share. EPRA NAV increased by 8% to 308p, helped by an outperformance of the property portfolio that increased by 5% in value. The balance sheet is in good shape with an undemanding portfolio LTV of 41%.

Benefiting from a strong London economy

The company has continued to see the benefit of strong economic growth in London and tenants looking for value and quality in choosing new space. Portfolio occupancy (like-for-like) has increased progressively from 83.4% in March 2010 to 87.8% as at March 2012, with y-o-y enquiries up 5%. In turn, this has driven continued uplift in the cash rent roll up from £42.5m to £44.5m along with higher rental values being achieved.

Value-added development pipeline

In addition to encouraging space take-up within the established portfolio, the company is also looking to improve rents and create new value from redevelopment activity. Six projects for refurbishment are starting this year, with a further nine in the pipeline along with two mixed-used redevelopment schemes.

Valuation: Attractive

Workspace looks well placed to benefit from the continued strength in both the London economy and occupier market. The shares offer a 4.3% dividend yield and trade on a 27% discount to 2012 NAV. This presents a good opportunity to access further growth in London property values, particularly when compared with other London property plays, such as Shaftesbury, which trades on a 5% NAV premium.

Consensus estimates

| Year End | PBT (£m) | EPS (p) | DPS (p) | NAV (p) | P/NAV (x) | Yield (%) |
|----------|----------|---------|---------|---------|-----------|-----------|
| 03/12 | 16.0 | 11.9 | 8.8 | 308 | 0.73 | 3.9 |
| 03/13e | 17.8 | 12.3 | 9.7 | 320 | 0.72 | 4.3 |
| 03/14e | 19.6 | 13.8 | 10.8 | 335 | 0.67 | 4.8 |

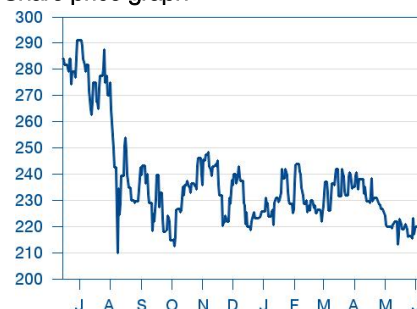
Price

225p

Market Cap

£324m

Share price graph



Share details

| | |
|-----------------|-------------|
| Code | WKP |
| Listing | LSE |
| Sector | Real Estate |
| Shares in issue | 144.09m |

Business

Workspace is a leading provider of business space to small and medium-sized enterprises within Central London. The business trades from 5m sq ft across 92 wholly-owned sites with a further 11 sites held in a JV with Blackrock.

Bull

- London portfolio position.
- Redevelopment opportunities.
- Rising occupancy and rents.

Bear

- Short-term refurbishment rent drag.
- Development execution risk.
- Short lease length and expiry risk.

Analysts

| | |
|---|---------------------|
| Andrew Saunders | +44 (0)20 3077 5700 |
| Martyn King | +44 (0)20 3077 5745 |
| property@edisoninvestmentresearch.co.uk | |

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON INVESTMENT RESEARCH LIMITED

Edison Investment Research is a leading investment research company. It has won industry recognition, with awards in the UK and internationally. The team of 90 includes over 55 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 350 companies across every sector and works directly with corporates, fund managers, investment banks, brokers and other advisers. Edison's research is read by institutional investors, alternative funds and wealth managers in more than 100 countries. Edison, founded in 2003, has offices in London, New York and Sydney and is authorised and regulated by the Financial Services Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584).

DISCLAIMER

Copyright 2012 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison Investment Research Limited for publication in the United Kingdom. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison Investment Research Limited at the time of publication. The research in this document is intended for professional advisers in the United Kingdom for use in their roles as advisers. It is not intended for retail investors. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. A marketing communication under FSA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison Investment Research Limited has a restrictive policy relating to personal dealing. Edison Investment Research Limited is authorised and regulated by the Financial Services Authority for the conduct of investment business. The company does not hold any positions in the securities mentioned in this report. However, its directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. Edison Investment Research Limited or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. This communication is intended for professional clients as defined in the FSA's Conduct of Business rules (COBs 3.5).

Edison Investment Research

Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ www.edisoninvestmentresearch.co.uk
Registered in England, number 4794244. Edison Investment Research is authorised and regulated by the Financial Services Authority.