

**3 August 2012**

**Derwent London plc (“Derwent London” or “the Company”)**

## **DERWENT LONDON ARRANGES NEW LONG-TERM SECURED FUNDING**

Derwent London plc announces that it signed a new £83 million 12 year secured debt facility with Cornerstone Real Estate Advisers (“Cornerstone”) on 27 July 2012.

The new loan provides long-term fixed rate debt at an attractive rate of 3.99% to July 2024 equivalent to the gilt rate plus 210 basis points. There is no amortisation provided for and the loan offers substitution rights subject to the usual consents. The initial loan to value ratio is 48 per cent and the covenant is set at 70 per cent. This is the last component of refinancing the £375m syndicated loan facility arranged by London Merchant Securities (“LMS”) in 2006 and completes the refinancing of £575m of Derwent London group facilities that were due to expire in 2013. The new loan was fully drawn on 1 August 2012 and has been used to replace the remaining part of the LMS syndicated loan facility which was reduced to £150m in January 2012 and of which £95m was drawn.

This new loan provides further diversification of funding sources for Derwent London. It also follows on from the successful £175m convertible bond issue in June 2011 and reduces the proportion of total loans that the Company is borrowing from banks to around 50%. At the beginning of 2011, the equivalent percentage was 80%. This new long-dated loan also increases the weighted average unexpired term of drawn debt to around 6.6 years.

The loan is secured on two wholly owned properties in Fitzrovia within London’s West End: a 147,900 sq ft office building at 8 Fitzroy Street, W1, which is fully leased to leading international engineering and design group, Arup; and a multi-tenanted block at 120-134 Tottenham Court Road W1, which extends to Warren Street and Grafton Way and incorporates the 330 room Grafton Hotel.

Cornerstone is a member of the Mass Mutual Financial Group and this represents their first real estate lending transaction in the UK.

As part of this refinancing, Derwent London has cancelled a £65 million interest rate swap, due to expire in March 2013, at a cost of £0.6 million.

Commenting on the transaction, Damian Wisniewski, Derwent London’s Finance Director, said:

*"We are delighted to welcome Cornerstone as a lender to the Company. This new long-term, fixed rate loan provides a diversified source of funding for Derwent London at a modest all-in interest rate, taking advantage of the recent falls in gilt rates. It also enhances our debt maturity profile and adds an important name to our established pool of lenders."*

Charles Weeks, CEO of Cornerstone Europe, said:

*"The completion of our first real estate debt transaction so soon after entering the UK market, and with such a high calibre partner as Derwent London, is a significant achievement and clearly demonstrates our intention to put Cornerstone at the forefront of the senior lending market in Europe. This will complement the already established position in this field in the U.S., where we have a debt programme with more than \$20 billion of assets under management, in multiple facets of real estate finance."*

Nick Pink, CIO of Cornerstone Europe, added:

*"This transaction is a perfect example of the kind of deal we are keen to undertake in the early stages of what will become, over time, a broader strategy. In this case, we were able to work with a top-tier sponsor who was willing to expand and diversify its pool of lenders, which enabled us to lend against grade A assets with very long-term, high quality income streams which are able to support an extended timeframe to maturity."*

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**Notes to editors**

**Derwent London**

Derwent London plc is the largest central London focused REIT with an investment portfolio of £2.6bn as at 31 December 2011. The Group is one of London's most innovative office specialist property regenerators and investors and is well known for its design-led philosophy and creative management approach to development.

Derwent London's core strategy is to acquire and own a portfolio of central London property that has reversionary rents and significant opportunities to enhance and extract value through refurbishment, regeneration and redevelopment. The Group owns and manages an investment portfolio of 5.4 million sq ft (501,000m<sup>2</sup>), as at 31 December 2011, of which 96% is located in central London, with a specific focus on the West End and the areas bordering the City of London. Landmark schemes by Derwent London include Angel Building EC1, Arup Phases II & III W1, Qube W1, Horseferry House SW1, Johnson Building EC1, Davidson Building WC2 and Tea Building E1.

Derwent London came fifth overall in the 2011 Management Today awards for 'Britain's Most Admired Companies' and has also recently won the Estates Gazette Property Company of the Year – Offices award. In 2011, Angel Building was shortlisted for the RIBA Stirling Prize following its RIBA London 2011 award and has also won numerous accolades from organisations such as the British Council for Offices, the British Construction Industry, the American Institute of Architects and New London Architecture. In June 2012 the Tea Building won a RIBA regional award.

For further information see [www.derwentlondon.com](http://www.derwentlondon.com) or follow us on Twitter at @derwentlondon.

### **Cornerstone**

Cornerstone Real Estate Advisers LLC, with affiliate and subsidiary offices in the US, UK, Europe and Asia, is one of the world's top ten largest real estate investment advisers. It provides core and value-added investment and advisory services, including a comprehensive suite of private and public real estate debt, equity and securities expertise and services, to institutional and other qualified investors around the globe. Cornerstone is a member of the MassMutual Financial Group.

Cornerstone currently serves more than 170 clients globally. As at 30 April 2012, Cornerstone and its subsidiary Cornerstone Europe had \$34.7 billion of real estate assets under management.

Cornerstone's debt under management currently totals circa \$23 billion and comprises three distinct businesses: core lending (which currently stands at circa \$14 billion), capital markets (including CMBS, REITs, residential business, with \$7 billion), and alternatives (including high yield lending, mezzanine, bridge, tax credit and credit facilities with \$2 billion). In 2011, Cornerstone completed \$5.7 billion of debt transactions and has already completed \$3 billion of debt transactions in 2012.

Cornerstone's equity business focuses on a range of asset classes including apartment, office, retail, industrial and hotel properties across the US, UK and Europe.

More information is at [www.cornerstoneadvisers.com](http://www.cornerstoneadvisers.com).