

9 November 2017

Derwent London plc (“Derwent London” / “the Group”)

**THIRD QUARTER BUSINESS UPDATE
ANOTHER RECORD LETTING YEAR**

Highlights

- In 2017 to date we have let or pre-let 674,800 sq ft achieving £41.2m pa of rent:
 - This is a 16% increase from the £35.5m announced in September 2017
 - Lettings year to date are 1.3% above December 2016 ERV (Estimated Rental Value)
 - Second half lettings to date are 2.3% above June 2017 ERV
 - EPRA vacancy rate has fallen from 1.9% in June 2017 to 1.4%
- 401,000 sq ft of developments completed in 2017 and are now 94% let:
 - White Collar Factory EC1 completed in H1 and is now 92% let
 - The Copyright Building W1 was completed and sold for £166.2m in Q4
- 620,000 sq ft is under construction, with a minimum of 45% pre-let:
 - At least 86% of the office space at 80 Charlotte Street W1 is now pre-let
- Property disposals in the year to date total £496m, 10% above December 2016 values
- At 30 September 2017 cash and undrawn facilities were £422m and the LTV was 15.3%
- The proforma LTV adjusting for disposals since September 2017 is 12.7%

John Burns, Chief Executive Officer, commented:

“Good occupier and investment demand means that 2017 will be a record year for Derwent London’s lettings and investment disposals even with lower UK economic growth and political uncertainty. The continuing positive letting momentum reinforces our earlier decision to move forward with our next major project at Soho Place W1.”

Webcast and conference call

There will be a conference call for investors and analysts at 09:00 GMT today.

To participate in the call, please dial the following number: +44 (0)20 3059 8125

A recording of the conference call will also be made available following the conclusion of the call on www.derwentlondon.com

For further information, please contact:

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Active demand for our product leads to another record letting year (see Appendix 1)

In the year to date we have let or pre-let 674,800 sq ft or £41.2m pa in gross rent (£41.0m net of ground rents), 43% of which has been agreed since 30 June 2017. The overall total is a £5.7m increase from our previous announcement on 11 September 2017. Second half transactions included the major pre-let to The Boston Consulting Group and Arup committing to further space at 80 Charlotte Street W1. On average our new lettings have been 1.3% above December 2016 ERV, with second half lettings 2.3% above June 2017 ERV. Our EPRA vacancy rate has fallen from 1.9% to 1.4% since June 2017 reflecting our product's broad appeal.

Good progress on developments (see Appendix 2)

The completions of White Collar Factory and The Copyright Building meant that we have now delivered 401,000 sq ft this year, reducing our development exposure by 39% to 620,000 sq ft. The two remaining projects, Brunel Building W2 and 80 Charlotte Street W1, are due for delivery in 2019. We have pre-let a minimum 86% of the office space at the latter so at least 45% of our on-site programme is pre-let, and we are seeing some good early interest at Brunel Building. As noted in our interim results we intend to start a further 285,000 sq ft at Soho Place W1 in H2 2018. This is one of the most strategically important sites in central London, located above the Tottenham Court Road Crossrail station at the eastern end of Oxford Street. Additionally we are moving ahead with preparatory works at Monmouth House EC1 next to White Collar Factory where possession could be obtained from 2019 onwards.

Significant disposals activity (see Appendix 3)

With the sale of The Copyright Building completed, we have now disposed of £496m gross of investment properties this year representing a 10% premium to December 2016 book values.

Finance

Capital expenditure in the first three quarters totalled £128.4m including £7.1m of capitalised interest. This took net debt to £758.1m at 30 September, an increase of £24.4m in the quarter, and the loan-to-value ratio (LTV) to 15.3% based on June 2017 property values. It is expected that approximately £50m will be spent on capital expenditure in Q4. Net proceeds of £150.1m were received on 1 November 2017 from the disposal of The Copyright Building and a further £2.3m has also been received in October from the sale of an additional small property. After adjusting for these disposals, the pro-forma LTV at 30 September 2017 was 12.7%. Undrawn bank facilities and cash at 30 September 2017 totalled £422m before adjusting for the subsequent disposals. The weighted average interest rate was 3.95% on an IFRS basis or 3.66% based on the cash coupon payable on our 2019 convertible bonds.

Values

Central London office values remain firm reinforced by significant letting activity and strong investor demand especially from foreign capital, despite the continuing political and economic uncertainties. The IPD Central London Offices Quarterly Index for Q3 2017 showed capital values rising 0.9% with rents up 0.2% in the same period.

Appendix 1: Principal lettings in 2017

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
Q1								
80 Charlotte Street W1	Arup	133,600	72.90	9.7 ¹	81.50	20	-	33
White Collar Factory EC1	Adobe	14,900	67.50	1.0	74.50	11.5	-	22
Angel Building EC1	Expedia	12,500	62.50	0.8	-	13.3	-	18
Greencoat & Gordon House SW1	VCCP	12,800	55.00	0.7	-	8.5	-	13
20 Farringdon Road EC1	Accenture	11,500	55.00	0.6	-	10	5	9, plus 9 if no break
Q2								
The White Chapel Building E1 Phase 2 - lower ground floors	Fotografiska	89,000	27.00	2.4	27.70	15	12	30, plus 6 if no break
White Collar Factory EC1	Box.com	28,500	75.00	2.1	-	15	10	18, plus 5 if no break
The White Chapel Building E1	Wilmington	27,000	52.00	1.4	-	10	-	20
The White Chapel Building E1	ComeOn!	12,700	50.00	0.6	-	10	5	11, plus 8 if no break
White Collar Factory EC1 ²	Red Badger	7,700	62.50	0.5	65.60	10	5	9.5, plus 5 if no break
78 Whitfield Street W1	Made Thought	4,800	63.50	0.3	-	10	4.5	8
78 Whitfield Street W1	Yoyo Wallet	4,800	63.00	0.3	-	4.5	-	8
78 Chamber Street E1 ³	NetBooster	6,700	40.00	0.3	-	10	5	10
Q3								
80 Charlotte Street W1	The Boston Consulting Group	123,500	85.50	10.6	-	15	12	Confidential
80 Charlotte Street W1	Arup	19,800	75.00	1.5 ¹	83.80	20	-	33
90 Whitfield Street W1	Freightliner	12,100	71.00	0.9	-	10	-	22
Holden House W1	Russell & Bromley	3,800	-	0.7	-	10	5	3
12-16 Fitzroy Street W1	Ergonom	8,800	54.00	0.5	57.00	15	10	15
White Collar Factory EC1	Egress	6,700	67.50	0.5	-	10	5	9, plus 9 if no break

¹ Annual increases of 2.25% for the first 15 years ² Low rise buildings ³ Joint venture – Derwent London share

Appendix 2: Major developments pipeline

Property	Area sq ft	Delivery	Capex to complete £m ¹	Comment
Completed projects				
White Collar Factory, Old Street Yard EC1	293,000	H1 2017		265,000 sq ft offices, 20,000 sq ft retail, 8,000 sq ft residential – 92% let
The Copyright Building, 30 Berners Street W1	108,000	H2 2017		88,000 sq ft offices and 20,000 sq ft retail – 100% let. Sold Q4 2017.
	401,000			
On-site projects				
Brunel Building, 2 Canalside Walk W2	240,000	H1 2019	85	Offices
80 Charlotte Street W1	380,000	H2 2019	194	332,000 sq ft offices, 45,000 sq ft residential and 3,000 sq ft retail - 73% pre-let overall
	620,000		279	
Other major planning consents				
Soho Place W1	285,000			209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre
Monmouth House EC1	125,000			Offices, workspaces and retail
	410,000			
Planning applications				
19-35 Baker Street W1	293,000 ²			206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail
Holden House W1	150,000			Retail flagship or retail and office scheme
Grand total (excluding completed projects)	1,473,000			

¹ As at 30 June 2017 ² Total area - Derwent London has a 55% share of the joint venture

Appendix 3: Major disposals in 2017

Property	Date	Area sq ft	Gross proceeds £m	Gross proceeds £ psf	Net yield to purchaser %	Rent £m pa
132-142 Hampstead Road NW1	Q1	219,700	130.1	590	1.2	1.7
8 Fitzroy Street W1	Q2	147,900	197.0	1,330	3.4	7.2
The Copyright Building W1	Q4	108,000	166.2 ¹	1,540	4.2	8.5 ²

¹ £150.1m net of rental incentives and guarantees ² Gross rent

Notes to editors

Derwent London plc

Derwent London plc owns 89 buildings in a commercial real estate portfolio predominantly in central London valued at £4.8 billion (including joint ventures) as at 30 June 2017, making it the largest London-focused real estate investment trust (REIT).

Our experienced team has a long track record of creating value throughout the property cycle by regenerating our buildings via development or refurbishment, effective asset management and capital recycling.

We typically acquire central London properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End or the Tech Belt. We capitalise on the unique qualities of each of our properties – taking a fresh approach to the regeneration of every building with a focus on anticipating tenant requirements and an emphasis on design.

Reflecting and supporting our long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

Landmark schemes in our 5.6 million sq ft portfolio include Angel Building EC1, The Buckley Building EC1, White Collar Factory EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2017 the Group won the Property Week Developer of the Year award, was listed 12th out of 4,000 in the Corporate Knights Global 100 of the world's most sustainable companies and achieved EPRA Gold for corporate and sustainability reporting. In 2016 the Group won Estates Gazette National Company of the Year and London awards as well as awards from Architects' Journal, British Council for Offices, Civic Trust and RIBA.

As part of its wider sustainability programme, in 2013 Derwent London launched a dedicated £250,000 voluntary Community Fund and, in 2016, made a further commitment of £300,000 for the next three years for Fitzrovia and the Tech Belt.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER.

For further information see www.derwentlondon.com or follow us on Twitter at @derwentlondon

Forward-looking statements

This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Derwent London does not undertake to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.