

8 November 2018

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

**THIRD QUARTER BUSINESS UPDATE  
RESILIENT LETTING MARKET SUPPORTS DEVELOPMENT STRATEGY**

**Highlights**

- Good occupier demand:
  - Second half lettings to date of £14.6m on a total of 218,500 sq ft, 6.0% above June 2018 ERV
  - Total lettings year to date of £23.0m, almost double the £11.8m announced on 9 August 2018. These were on 357,700 sq ft at an average of 7.8% above December 2017 ERV
  - EPRA vacancy rate is now 2.3%, down from 4.2% in June 2018
- 623,000 sq ft under construction with 73% pre-let:
  - Brunel Building W2 68% pre-let
  - 80 Charlotte Street W1 90% of the office space pre-let
- Advancing next two major projects totalling 410,000 sq ft:
  - Soho Place W1
  - The Featherstone Building EC1
- Finance:
  - LTV ratio at 30 September 2018 was 16.3% with undrawn facilities and cash of £334m
  - In August 2018 Fitch assigned the Group a long-term issuer default rating of A-

John Burns, Chief Executive, commented:

*“Second half lettings have already substantially exceeded those in the first half. We have now successfully de-risked both of our on-site developments and lowered our vacancy rate, placing us in an excellent position to progress our next two major developments.”*

**Webcast and conference call**

There will be a live webcast together with a conference call for investors and analysts at 09:00 GMT today. The audio webcast can be accessed via [www.derwentlondon.com](http://www.derwentlondon.com).

To participate in the call, please dial the following number: +44 (0)20 3059 5868.

A recording of the conference call will also be made available following the conclusion of the call on [www.derwentlondon.com](http://www.derwentlondon.com).

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## **LETTING ACTIVITY (see Appendix 1)**

The good progress reported in the first half has continued. Over two thirds of Brunel Building has been let this year, principally to Sony Pictures and with new lettings to Alpha FX, Coach and FA Premier League. In total we have pre-let 164,100 sq ft achieving £12.0m (£11.7m net) of rent for a minimum of 10 years exceeding last December's ERV by 14.7% and we have good interest in the remaining space. We have made other lettings across the portfolio which, on average, recorded 1.2% growth above ERV. These include lettings at the refurbished space at Johnson Building EC1 and 25 Savile Row W1. This activity has lowered our EPRA vacancy rate from 4.2% in June to 2.3% as at November 2018.

## **DEVELOPMENT PROGRESS (see Appendix 2)**

Our two on-site developments at Brunel Building, Paddington W2 and 80 Charlotte Street W1 remain on plan for delivery in H1 2019 and H1 2020, respectively.

Preliminary work at Soho Place W1 is underway. In addition, we have exercised our break on the leases at Monmouth House and 19-23 Featherstone Street EC1, which will give us vacant possession at the end of December 2018 allowing for their redevelopment as The Featherstone Building. We expect to commit to both these projects in H1 2019 with anticipated completions in 2022.

## **FINANCE**

Net debt increased to £892.4m at 30 September 2018, a rise of £70.9m since 30 June 2018. The main areas of expenditure in the quarter were £41.9m of property acquisitions, mainly at 88-94 Tottenham Court Road W1 which was announced in August but completed on 24 September, and capital expenditure on projects of £50.6m. A receipt of £13.5m was also received from our Porters North N1 joint venture following the sale of the property earlier in the year.

The loan-to-value ratio increased to 16.3% in September 2018 with NAV gearing at 21.1%. Interest cover for the first nine months of the year was 5.0 times and undrawn facilities and cash totalled £334m. The weighted average interest rate on our debt at quarter end was 3.78% on an IFRS basis or 3.51% based on the cash coupon payable on our 2019 convertible bonds.

In August, Fitch assigned Derwent London plc a long-term issuer default rating of A- and a senior unsecured debt rating of A. The London Merchant Securities Ltd. Senior Secured Bonds 2026 were subsequently given a Fitch rating of A+.

## **PROPERTY VALUES**

Central London office values remain firm bolstered by good levels of activity. The MSCI IPD Central London Offices Quarterly Index reported capital values rising 0.5% and rents 0.3% in Q3 2018.

## Appendix 1: Principal lettings in 2018 to date

Property	Tenant	Area sq ft	Office rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
Brunel Building W2	Various	164,100	73.00	12.0	10-15	10-12	20-30
Johnson Building EC1	Metropolitan Housing Trust	22,200	62.50	1.4	10	-	21
1 Stephen Street W1	Odeon	11,100	75.00	0.8	10	-	18
Holden House W1 retail	Clarks	2,900	-	0.8	10	2	8
80 Charlotte St (Asta) W1	Elliott Wood	11,000	56.10	0.6	10	5	12, plus 6 if no break
19-35 Baker Street W1	Knotel	14,600	41.00	0.6	5	3	9
25 Savile Row W1	Hanover Investors	5,600	108.00	0.6	10	0	21
45-51 Whitfield Street W1	Knotel	12,800	48.00	0.6	5.5	3.5	6
Charlotte Building W1	First Quantum Minerals	6,800	73.20	0.5	10	5	11, plus 9 if no break
		<b>251,100</b>	<b>68.90</b>	<b>17.9</b>			

## Appendix 2: Major developments pipeline

Property	Area sq ft	Delivery	Capex to complete £m <sup>1</sup>	Comment
<b>On-site projects</b>				
Brunel Building, 2 Canalside Walk W2	243,000	H1 2019	44	Offices – 68% pre-let
80 Charlotte Street W1	380,000	H1 2020	156	321,000 sq ft offices, 45,000 sq ft residential and 14,000 sq ft retail – 76% pre-let overall
	<b>623,000</b>		<b>200</b>	
<b>Other major planning consents</b>				
Soho Place W1	285,000	2022		209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre
The Featherstone Building EC1	125,000	2022		Offices, workspaces and retail
19-35 Baker Street W1 <sup>2</sup>	293,000 <sup>3</sup>			206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail
Holden House W1 <sup>2</sup>	150,000			Retail flagship or retail and office scheme
	<b>853,000</b>			
<b>Grand total</b>	<b>1,476,000</b>			

<sup>1</sup> As at 30 Jun 2018    <sup>2</sup> Resolution to grant planning permission obtained    <sup>3</sup> Total area - Derwent London has a 55% share of the joint venture

## Notes to editors

### Derwent London plc

Derwent London plc owns 87 buildings in a commercial real estate portfolio predominantly in central London valued at £5.0 billion (including joint ventures) as at 30 Jun 2018, 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 5.5 million sq ft portfolio include White Collar Factory EC1, Angel Building EC1, The Buckley Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2018 to date the Group has won Property Week Property Company of the Year and EG Offices Company of the Year, whilst White Collar Factory scooped RIBA National and London awards, RICS National and London awards, two BCO awards for Commercial Workplace and Innovation, an EG Creative Places award and an NLA Wellbeing award. 25 Savile Row also won RIBA National and London awards and SKA Gold for the fit-out. In 2017 the Group collected the Property Week Developer of the Year award and EG Offices Company of the Year and won further awards from RIBA, Civic Trust and BCO. In 2013 Derwent London launched a voluntary Community Fund and has to date supported 70 community projects in 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](http://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.