DERWENT LONDON

4 November 2021

Derwent London plc ("Derwent London" / "the Group")

THIRD QUARTER BUSINESS UPDATE

Increased activity

Summary

- **Portfolio update**
  - £5.5m of new lettings achieved in H2 to date at an average 2.4% above December 2020 ERV
  - Year to date lettings of £9.4m at an average 0.7% above ERV, with a further £3.3m under offer
  - EPRA vacancy rate remains low at 1.9%, down from 3.3% at H1 2021
  - 97% of total September 2021 quarter day rents collected, up from 94% reported on 12 October
- **Investment activity**
  - Contracts exchanged for the acquisition of 230 Blackfriars Road, Southwark SE1 for £55.0m before costs. This income producing 60,300 sq ft office property adds to our medium-term development pipeline (see separate announcement)
  - Completion in October of the acquisition of two properties and the formation of a 50:50 JV with future redevelopment potential, from Lazari Investments, for £279m (after costs)
  - The previously announced disposal of Angel Square EC1 and acquisition of the outstanding headlease at Bush House, South West Wing WC2 completed in August
- **Further progress on net zero carbon developments**
  - Construction of Soho Place W1 and The Featherstone Building EC1, which together total 410,000 sq ft, remains on time and on budget for completion in H1 2022 with 61% pre-let or pre-sold
  - Works have commenced at 19-35 Baker Street W1, our latest development totalling 298,000 sq ft
- **Strong financial position**
  - LTV 16.6%[1], rising to c.21% on a proforma basis allowing for Q4 acquisitions completed to date
  - Undrawn facilities and cash of £555.2m at 30 September 2021

[1] LTV based on 30 June 2021 property values

Paul Williams, Chief Executive of Derwent London, said:

"Improved market sentiment and higher levels of business activity have led to increased leasing demand and given us the confidence to commence the Group's next net zero carbon development at 19-35 Baker Street. Our strong relationships and financial position have enabled us to secure off-market investment opportunities, such as 230 Blackfriars Road and the acquisitions from Lazari Investments, enhancing our medium-term development pipeline."

For further information, please contact:

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Webcast and conference call

There will be a webcast and conference call for investors and analysts at 09.00 GMT today.
To participate in the call, please register at www.derwentlondon.com

Portfolio update (Appendix 1)

New leases totalling £5.5m on 95,000 sq ft achieved in H2 2021 to date were on average 2.4% above December 2020 estimated rental value (ERV). This takes lettings year to date to £9.4m on 174,200 sq ft, which were 0.7% above ERV or 1.0% above ERV excluding short term transactions. There is a further £3.3m of rent under offer. Our EPRA vacancy rate remains low at 1.9% (H1 2021: 3.3%). Rent collection is close to pre-Covid levels and for the September 2021 quarter day has now reached 97% (94% at 12 October) with a further 1% due to be collected later in the quarter under agreed deferrals. Our office rent collection rate for the quarter is now 98%.

Capital recycling (Appendix 2 & 3)

In August, we completed the acquisition of the outstanding 7-year headlease in Bush House, South West Wing WC2 for £14.5m after costs and the disposal of Angel Square EC1 to Tishman Speyer for £84.9m net of costs.

In October, we completed the acquisition of two assets and the formation of a 50:50 JV with Lazari Investments for a combined consideration of £279m. The two assets, acquired for £214.6m after costs, comprise 250 Euston Road NW1 (165,900 sq ft) and 171-174 Tottenham Court Road W1 (16,200 sq ft), and reflect a blended 2.5% net initial yield. The new 50:50 JV acquired three leasehold properties at 38-52, 54-60 and 66 Baker Street W1 totalling 122,200 sq ft for consideration of £128.8m (at 100%) reflecting a 4.0% net initial yield. The JV properties have potential for a c.240,000 sq ft redevelopment with leases expiring in 2024. The properties are located opposite our recently commenced 19-35 Baker Street development, due to complete in 2025.

Today we announced the exchange of contracts to acquire the 100-year leasehold interest in 230 Blackfriars Road, Southwark SE1 (which comprises 60,300 sq ft) for £55.0m before costs, reflecting an initial yield of 3.5% which would rise to c.4.2% on letting of the vacant space. The property presents a medium-term redevelopment opportunity in the heart of South London’s Innovation Corridor and Health Science cluster. See separate announcement for further details.

Development progress (Appendix 4)

Our two on-site net zero carbon developments at Soho Place W1 and The Featherstone Building EC1 are on track for completion in the first half of 2022. The former is 87% pre-let or forward sold with the 36,000 sq ft retail space to let. At The Featherstone Building we are seeing some early stage interest in the office space.

Following the demerger of the 55:45 JV and the headlease regearing with The Portman Estate, on 30 September 2021, work at our latest net zero carbon development at 19-35 Baker Street W1 has commenced. The scheme comprises 298,000 sq ft (an uplift in area of 108%) split 218,000 sq ft of offices, 52,000 sq ft of residential and 28,000 sq ft of retail. Completion is scheduled for H1 2025 with capex to come of £271m as at 30 June 2021.

The next phase of major net zero carbon developments continues to make progress. At Network Building W1, we have secured a dual planning consent for either an office-led (137,000 sq ft) or a Life Science-led (112,000 sq ft) scheme. At Bush House WC2 we intend, subject to planning, to upgrade and extend the current building to c.130,000 sq ft. Anticipated capex is c.£100m for each project.

Finance

Net debt decreased to £944.5m at 30 September 2021 from £1,049.1m at 31 December 2020. This included capital expenditure on projects of £134.0m during the first nine months, completion of the acquisition of the Bush House leasehold and proceeds from the disposal of Angel Square for £86.5m (before costs) in Q3.

As at 30 September 2021, the LTV ratio was 16.6% (based on 30 June 2021 valuations) down from 17.3% at 30 June 2021. Interest cover for the first nine months of 2021 was 4.7 times (H1 2021: 4.8 times) and cash and undrawn facilities totalled £555.2m at the quarter end. Allowing for the transactions with Lazari Investments, which completed on 22 October 2021, net debt on a proforma basis would rise to c.£1,224m and the proforma LTV ratio to c.21%.

Upon the unwinding of the joint venture at Baker Street with The Portman Estate, the £28m secured loan was repaid and cancelled. In addition, a one-year extension to the £100m revolving credit facility with Wells Fargo was signed in October 2021, the first of two one-year extension options, moving the facility maturity date to November 2026. The Group has also now completed the transition of all its bank facilities and interest rate swaps from a LIBOR-basis to a SONIA-basis.

Appendix 1: Principal lettings in 2021 YTD

Property	Tenant	Area sq ft	Office rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
H1							
20 Farringdon Road EC1	Depop	33,500	52.50	1.8	5	3	9, plus 4 if no break
Tea Building E1	Soho House	7,600	50.00	0.4	10	-	24
H2 to date							
6-8 Greencoat Place SW1	Fora	32,400	68.50	2.2	15	-	34
Charlotte Building W1	The & Partnership	14,900	67.50	1.0	5	-	10
The White Chapel Building E1	Emperor Design	12,700	49.50	0.6	10	5	12, plus 6 if no break
Total		**101,100**	**59.30**	**6.0**			

Appendix 2: Major acquisitions in 2021 YTD

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa	Net rental income £ psf
H1						
Holford Works WC1 (long leasehold)	Q2	41,600	23.8	6.8	1.6	40.00
H2 to date						
Bush House WC2 (leasehold)	Q3	103,700	14.5	-	-	-
250 Euston Road NW1	Q3	165,900	189.9	2.5	4.7	28.30
171-174 Tottenham Court Road W1	Q3	16,200	24.7	2.6	0.6	57.50
Baker Street JV (50% share) W1	Q4	61,100*	64.4	4.0	2.6	42.50
Exchanged						
230 Blackfriars Road SE1	Q4	60,300	55.0[1]	3.5	2.1	41.00
Total		**448,800**	**372.3**	**-**	**11.6**	**-**

[1] Before costs

Appendix 3: Major disposals in 2021 YTD

Property	Date	Area sq ft	Net proceeds £m	Net yield to purchaser %	Rent £m
Johnson Building EC1	Q1	192,700	165.6	4.1	7.3
Angel Square EC1	Q3	126,200	84.9	-	0.0[1]
Total		**318,900**	**250.5**	**-**	**7.3**

[1] Sold with vacant possession

Appendix 4: Major developments pipeline

Property	Proposed area sq ft	Capex to complete £m[1]	Comment
H1 2022 completions			
Soho Place W1	285,000	104[2]	209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre - 87% pre-let / pre-sold.
The Featherstone Building EC1	125,000	23	110,000 sq ft offices, 13,000 sq ft workspaces, 2,000 sq ft retail.
	410,000	**127**	
In demolition			
19-35 Baker Street W1	298,000	271	218,000 sq ft offices, 28,000 sq ft retail, 45,000 sq ft private residential and 7,000 sq ft affordable residential. Demolition commenced October 2021.
	298,000	**271**	
2022 schemes			
Network Building W1	137,000	c.100	Dual planning consent: Offices and ground floor retail (137,000 sq ft) or Life Sciences and ground floor retail (112,000 sq ft). Up to 96% uplift on existing floor area.
Bush House WC2	130,000	c.100	Refurbishment and extension project, totalling c.130,000 sq ft (subject to planning). Potential 25% uplift to existing floor area.
	267,000		
Total	**975,000**		

[1] As at 30 June 2021 [2] Includes remaining site acquisition cost and profit share to Crossrail

Notes to editors

Derwent London plc

Derwent London plc owns 81 buildings in a commercial real estate portfolio predominantly in central London valued at £5.4 billion as at 30 June 2021, 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.

As part of our commitment to lead the industry in mitigating climate change, Derwent London has committed to becoming a net zero carbon business by 2030, publishing its pathway to achieving this goal in July 2020. In 2019 the Group became the first UK REIT to sign a Revolving Credit Facility with a 'green' tranche. At the same time, we also launched our Green Finance Framework and signed the Better Buildings Partnership's climate change commitment. The Group is a member of the 'RE100' which recognises Derwent London as an influential company, committed to 100% renewable power by purchasing renewable energy, a key step in becoming a net zero carbon business. Derwent London is one of only a few property companies worldwide to have science-based carbon targets validated by the Science Based Targets initiative (SBTi).

Landmark schemes in our 5.4 million sq ft portfolio include 80 Charlotte Street W1, Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In October 2021 Derwent London won EG's UK Company of the Year award and in January 2021 came top of the Property Sector and 10th position overall in Management Today's Britain's Most Admired Companies awards 2020. In 2020 the Group won several awards for Brunel Building with the most prominent being the BCO Best Commercial Workplace award. In 2019 the Group won EG Offices Company of the Year, the CoStar West End Deal of the Year for Brunel Building and Westminster Business Council's Best Achievement in Sustainability award. In 2013 the Company launched a voluntary Community Fund and has to date supported well over 100 community projects in the West End 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.