

3 November 2022

**Derwent London plc (“Derwent London” / “the Group”)
THIRD QUARTER BUSINESS UPDATE**

Paul Williams, Chief Executive of Derwent London, said:

“Despite recent political and economic uncertainty, occupier demand in London remains good for the right product and the flight to quality continues. We have a strong balance sheet and with disposal proceeds in the year to date of £205m, we are reinvesting in two distinctive West End developments where supply remains constrained.”

Summary

Portfolio update

- Lettings in the first nine months of 2022 totalled £9.0m at an average 12.7% above December 2021 ERV with a further £1.1m of rent under offer
 - £1.9m of lettings in Q3 at an average 27.6% above December 2021 ERV
 - Francis House SW1 refurbishment (38,300 sq ft) completed and handed over to Edelman
- EPRA vacancy rate 6.9% at 30 September 2022 (30 June 2022: 6.5%)
- Disposals totalling £139.0m after costs in Q3 taking YTD activity to £204.9m including:
 - Bush House WC2 for £83.9m, 41% above December 2021 book value
 - 2 & 4 Soho Place W1 long leasehold interest for £39.7m

West End developments of 435,000 sq ft underway

- Sub and super structure works progressing well at 25 Baker Street W1 (298,000 sq ft)
- Works commenced on-site in June 2022 at Network W1 (137,000 sq ft)

Financial position

- EPRA LTV down to 21.7%¹ (30 June 2022: 23.7%) after receipt of Q3 disposal proceeds
- Undrawn facilities and cash of £626m as at 30 September 2022
 - 100% of debt at fixed rates with average maturity of 6.4 years
 - First debt maturity (£83m at 3.99%) in October 2024

¹ LTV based on 30 June 2022 property values and includes the Group's share of joint ventures

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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 (Appendices 1 & 2)

New leases totalling £1.9m on 31,700 sq ft were achieved in Q3 2022, on average 27.6% above December 2021 ERV. This includes two lettings at 43 Whitfield Street W1 which delivered an attractive premium to ERV, partly driven by proximity to the DL/78 amenity space for Derwent London occupiers. Lettings in the first nine months of 2022 totalled £9.0m on 141,000 sq ft, on average 12.7% above ERV. There is a further £1.1m of rent under offer.

We have seen a notable increase in viewings since the summer and letting interest across our portfolio remains encouraging. The Group's Q3 EPRA vacancy rate was 6.9% (30 June 2022: 6.5%), concentrated in recently completed space at The Featherstone Building EC1, The White Chapel Building E1, One Oxford Street W1 (retail element) and Tea Building E1.

Refurbishment works have completed at Francis House SW1 (38,300 sq ft) and the space has been handed over to the tenant Edelman.

Rent collection rates at Q3 have improved further compared to the prior quarter. For the September quarter day, rent collected to date stands at 98%.

Capital recycling (Appendices 3 & 4)

Disposals in the year to date total £204.9m which includes three disposals in Q3 for £139.0m after costs. Bush House WC2 was sold with vacant possession for £83.9m, a 41% premium to December 2021 book value. The sale of 2 & 4 Soho Place W1 completed for £39.7m following delivery of the new theatre to Nimax Theatres. The price reflects a capital value of c.£2,200 psf on the office element. In addition, a net premium of £15.3m was received from the granting of a geared intermediate leasehold interest at Soho Place.

Development progress (Appendix 5)

Good progress is being made at our two on-site net zero carbon developments, which will provide 435,000 sq ft of new space in the West End, including 350,000 sq ft of offices. Both schemes are scheduled for delivery in 2025.

At 25 Baker Street W1, demolition works have completed and the main contractor, Laing O'Rourke, is well underway with sub and super structure works. 80% of overall construction costs were fixed at the start of 2022, with the residential fit-out contract to follow. At Network W1, demolition works commenced in June 2022 and progress is on programme. Negotiations are advanced with our preferred contractor regarding the main building contract.

Recognition

80 Charlotte Street W1 was the winner of the BCO's Best National Commercial Workplace award 2022, recognising both the quality of the overall design and the building's strong sustainability credentials.

The Group recently strengthened its GRESB score across all categories in 2022 and has been awarded an A-rating for public disclosure and a 5 Star rating for development.

Board changes

After nine years on the Board, Richard Dakin will retire from his position as a Non-Executive Director of the Company and Chair of the Risk Committee on 28 February 2023. Helen Gordon, who is currently a member of the Risk Committee, will become Committee Chair from 1 March 2023. The Board would like to thank Richard for his significant contribution to the business and to wish him every success in the future.

Finance

Capital expenditure of £25.9m was incurred in Q3 2022 taking the total spend for the nine month period to £95.1m. In addition, the Group's share of capital expenditure within joint ventures was £0.5m in Q3. Following the disposal proceeds noted above, net debt decreased by £156.2m over the quarter to £1.2bn. This brought the 30 September 2022 LTV ratio down to 21.7% (30 June 2022: 23.7%) on an EPRA basis, based on 30 June 2022 valuations. Interest cover for the first nine months of 2022 was 4.2 times (H1 2022: 4.2 times) and cash and undrawn facilities totalled £626m at the quarter end. Neither of the Group's £550m revolving credit facilities were drawn as at 30 September 2022 and, accordingly, 100% of Group debt was at fixed rates.

In September 2022, the second one-year extension option of the £100m revolving credit facility with Wells Fargo was signed. This moved the facility's maturity date out to November 2027. The Group's weighted average unexpired debt term at 30 September 2022 was 6.4 years and the first maturity, for an £83m fixed rate secured loan, is in October 2024.

Appendix 1: Principal lettings in 2022 YTD

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
Q1							
90 Whitfield Street W1	Michael Kors	18,850	72.50	1.4	10	-	24
White Collar Factory EC1	Brainlabs	11,540	71.70	0.8	6	-	10.4
80 Charlotte Street W1	NewRiver REIT	4,090	70.00	0.3	5	-	11
Holden House W1	Talon Outdoor	5,120	49.50	0.3	5	3.5	6
Q2							
The Featherstone Building EC1	Marshmallow	16,220	71.50	1.2	10	6	15, plus 9 if no break
The Featherstone Building EC1	Dept Agency	11,450	85.25	1.0	10	5	11.5, plus 11.5 if no break
White Collar Factory EC1	Adobe	10,180	70.00	0.7	10	6	12, plus 10 if no break
230 Blackfriars Road SE1	Wandle Housing Association	7,290	49.50	0.4	7.5	4	7, plus 6 if no break
Q3							
43 Whitfield Street W1	Pollination	5,930	85.00	0.5	10	5	5
43 Whitfield Street W1	Sine Digital	5,090	86.00	0.4	10	5	6, plus 5 if no break
Gordon House SW1	VCCP	7,380	52.50	0.4	3	-	7
Sub-total		103,140	71.75	7.4			
Other		37,860	42.25	1.6			
Total		141,000	63.70	9.0			

Appendix 2: Leasing activity in 2022 YTD

	Let		Performance against Dec 21 ERV (%)	
	Area sq ft	Income £m pa	Open market	Overall ¹
Q1	55,900	3.5	6.8	6.8
Q2	53,400	3.6	11.8	11.8
H1 2022	109,300	7.1	9.3	9.3
Q3	31,700	1.9	27.6	27.6
YTD	141,000	9.0	12.7	12.7

¹ Includes short-term lettings at properties earmarked for redevelopment

Appendix 3: Major acquisitions

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa	Net rental income £ psf
230 Blackfriars Road SE1	Q1	60,300	58.3	3.5	2.1	41.00
Soho Place W1 headlease	Q1	-	71.9	-	-	-
Total acquisitions		60,300	130.2	-	2.1	-

Appendix 4: Major disposals

Property	Date	Area sq ft	Net proceeds £m	Net yield %	Net rental income £m pa
H1 2022					
New River Yard EC1	Q2	70,700	65.9 ¹	4.5	3.3
Total H1 disposals		70,700	65.9	4.5	3.3
H2 2022					
2 & 4 Soho Place W1	Q3	18,400 ²	39.7	-	-
Bush House WC2	Q3	103,700	83.9	-	-
Intermediate leasehold interest at Soho Place W1	Q3	-	15.3	-	-
Total H2 disposals to date		122,100	138.9	-	-

¹ After deduction of rental top-ups and sale costs

² Office space

Appendix 5: Major developments pipeline

Project	Total	25 Baker Street W1	Network W1
Completion		H1 2025	H2 2025
Office (sq ft)	350,000	218,000	132,000
Residential (sq ft)	52,000	52,000	-
Retail (sq ft)	33,000	28,000	5,000
Total area (sq ft)	435,000	298,000	137,000
Est. future capex ¹ (£m)	346	241 ³	105
Total cost ² (£m)	697	463	234
ERV (c.£ psf)	-	90	87.5
ERV (£m pa)	30.3	18.4 ⁴	11.9
Pre-let/sold area (sq ft)	31,000	31,000 ⁵	-

¹ As at 30 June 2022

² Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. Baker Street includes a 3.1% profit share payaway to freeholder The Portman Estate

³ Includes potential profit share to The Portman Estate

⁴ Long leasehold, net of 2.5% ground rent

⁵ 19,000 sq ft courtyard retail and 12,000 sq ft Gloucester Place offices

Notes to editors

Derwent London plc

Derwent London plc owns 75 buildings in a commercial real estate portfolio predominantly in central London valued at £5.9 billion as at 30 June 2022, 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 buildings in our 5.6 million sq ft portfolio include 1 Soho Place W1, 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 January 2022 we were proud to announce that we had achieved the National Equality Standard – the UK's highest benchmark for equality, diversity and inclusion. In October 2022, 80 Charlotte Street won the BCO's Best National Commercial Workplace award 2022. In October 2021, the Group won EG's UK Company of the Year award and in January 2022 came top of the Property Sector and 38th position overall in Management Today's Britain's Most Admired Companies awards 2021. In 2013 the Company launched a voluntary Community Fund which 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.