DERWENT
LONDON

4 May 2023

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

FIRST QUARTER BUSINESS UPDATE
STRONG OPERATIONAL PROGRESS

Paul Williams, Chief Executive of Derwent London, said:

"London, particularly the West End, is busy and people are back in the office. Occupier demand continues to favour amenity-rich, well designed and sustainable space, evidenced by a strong Q1 with £17.1m of new lettings across our portfolio on average 6.6% above ERV. Our EPRA vacancy rate has reduced to 4.9% and we have made good progress at our on-site developments."

Summary

Portfolio

- Letting activity in Q1 totalled £17.1m at an average 6.6% above December 2022 ERV. Key transactions in the period were:
    - One Oxford Street W1 – 22,200 sq ft flagship retail letting to Uniqlo
    - 25 Baker Street W1 – 106,100 sq ft pre-let to PIMCO two years ahead of completion
    - The Featherstone Building EC1 – 31,100 sq ft letting to Buro Happold
- EPRA vacancy rate reduced to 4.9% at 31 March 2023 (31 December 2022: 6.4%)
- Disposal in January of 19 Charterhouse Street EC1 for £53.6m (after costs), £0.6m above December 2022 book value

Developments

- Following the pre-let to PIMCO, 25 Baker Street W1 is 56% pre-let or sold and construction works are now above ground (completion due H1 2025)
- At Network W1, demolition and piling are now complete and basement works are underway (completion due H2 2025)

Financial position at 31 March 2023

- EPRA LTV 23.1%[1] (31 December 2022: 23.9%)
- Cash and undrawn facilities of £610m (31 December 2022: £577m)

[1] LTV based on 31 December 2022 property values and includes the Group's share of joint ventures

For further information, please contact:

Derwent London Tel: +44 (0)20 7659 3000	Paul Williams, Chief Executive Damian Wisniewski, Chief Financial Officer Robert Duncan, Head of Investor Relations
Brunswick Group Tel: +44 (0)20 7404 5959	Nina Coad Emily Trapnell

Webcast and conference call

There will be a webcast and conference call for investors and analysts at 09.00 BST today. To participate in the call, please register here.

Operational update (Appendices 1 & 2)

New leases totalling £17.1m on 190,600 sq ft of space were achieved in Q1 2023 on average 6.6% above December 2022 ERV (8.3% above ERV excluding short-term lettings). The weighted average lease term (to break) of these lettings is 12.0 years. Key transactions include:

- **One Oxford Street W1 (Soho Place)**: 22,200 sq ft flagship retail unit let to Uniqlo, comprising a base rent (subject to annual indexation) plus turnover top-up, in line with December 2022 ERV.
- **25 Baker Street W1**: 106,100 sq ft pre-let to PIMCO at an annual rent of £11.0m, significantly above December 2022 ERV. The development is scheduled for completion in H1 2025.
- **The Featherstone Building EC1**: 31,100 sq ft to Buro Happold at an annual rent of £2.3m, in line with December 2022 ERV.

These transactions reflect the evolving nature of London's office market. We believe our buildings are well placed to capture current and future demand as the way businesses use their office space changes in this dynamic environment.

Our EPRA vacancy rate reduced from 6.4% at 31 December 2022 to 4.9% at 31 March 2023, with £1.8m of rent either signed in Q2 to date or under offer.

For the March quarter day, office rent collected to date stands at 98%.

Capital recycling (Appendix 3)

In January, we announced the disposal of 19 Charterhouse Street EC1 for net proceeds of £53.6m to a private investor. The disposal price represents a 4.6% net initial yield out to lease expiry in mid-2025 and was £0.6m ahead of the December 2022 book value.

Development progress (Appendix 4)

The 25 Baker Street W1 project remains on budget and programme with construction works now well above ground. Following the pre-let to PIMCO in Q1 2023, the commercial element is now 56% pre-let or pre-sold. We have fixed 97% of construction costs of the office element (80% of the total) with the residential fit-out costs still to be finalised.

At Network W1, the on-site works are making good progress with demolition and piling works complete and basement works underway.

Sustainability

New Minimum Energy Efficiency Standards (MEES) legislation for commercial buildings came into effect in April 2023, requiring an EPC of E or above. Our portfolio was already 100% compliant. In addition, we are 85.7% compliant with 2027 MEES legislation (EPC C or above) and 65.3% compliant with expected 2030 legislation (EPC B or above).

Finance

Net debt decreased to £1,225.2m at 31 March 2023 from £1,257.2m at 31 December 2022 with net disposal proceeds of £53.6m offsetting capital expenditure in the period of £29.1m. Payment of the final dividend of 54.5p per share is due on 2 June 2023.

The EPRA LTV ratio reduced through Q1 to 23.1% based on 31 December 2022 valuations, including the Group's share of joint ventures, from 23.9% at 31 December 2022. Interest cover for Q1 2023 was 4.2 times (FY 2022: 4.2 times) and cash and undrawn facilities totalled £610m at the quarter end. Neither of the Group's revolving credit facilities, which total £550m, were drawn at 31 March 2023. Accordingly, 100% of Group debt remains at fixed rates, with a weighted average interest rate of 3.13% on a cash basis. Our next refinancing is in October 2024, an £83m secured facility with a coupon of 3.99%.

Appendix 1: Leasing activity in Q1 2023

	Let		Performance against Dec 22 ERV (%)	
	Area sq ft	Income £m pa	Open market	Overall[1]
Q1 2023	190,600	17.1	8.3	6.6

[1] Includes short-term lettings at properties earmarked for redevelopment

Appendix 2: Principal lettings in Q1 2023

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
25 Baker Street W1	PIMCO	106,100	103.40	11.0	15	-	37
The Featherstone Building EC1	Buro Happold	31,100	74.40	2.3	15	10[1]	24, plus 12 if no break
Tea Building E1	Jones Knowles Ritchie	8,100	60.00	0.5	10	5	12, plus 12 if no break
1 Soho Place W1	Uniqlo	22,200	Confidential	Confidential[2]	10	5	12

[1] There is an additional break at year 5 on level eight subject to a 12-month rent penalty payable by the tenant
[2] Rent comprises base rent which is subject to annual indexation, plus a turnover top-up

Appendix 3: Major disposals in Q1 2023

Property	Date	Area sq ft	Net proceeds £m	Net yield %	Net rental income £m pa
19 Charterhouse Street EC1	Q1 2023	63,200	53.6	4.6	2.6

Appendix 4: Major on-site development 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)	324	217[3]	107
Total cost[2] (£m)	708	463	245
ERV (c.£ psf)	-	90	87.5
ERV (£m pa)	30.3	18.4[3]	11.9
Pre-let/sold area (sq ft)	137,100	137,100[4]	-
Embodied carbon intensity (kgCO2e/sqm)[5]		c.600	c.530
Target BREEAM rating		Outstanding	Outstanding
Target NABERS rating		4 Star or above	4 Star or above
Green Finance		Elected	To be elected

[1] As at 31 December 2022. [2] Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. 25 Baker Street W1 includes a profit share to freeholder, The Portman Estate. [3] Long leasehold, net of 2.5% ground rent.
[4] Includes PIMCO pre-let, plus 19,000 sq ft courtyard retail and 12,000 sq ft Gloucester Place offices pre-sale to The Portman Estate.
[5] Embodied carbon intensity estimate as at stage 4 or 5.

Notes to editors

Derwent London plc

Derwent London plc owns 70 buildings in a commercial real estate portfolio predominantly in central London valued at £5.4 billion as at 31 December 2022, making it the largest London office-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 the property companies worldwide to have science-based carbon targets validated by the Science Based Targets initiative (SBTi).

Landmark buildings in our 5.5 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 March 2023 we placed in the top three of the Property Sector in Management Today's Britain's Most Admired Companies awards 2022. In 2013 the Company launched a voluntary Community Fund which has to date supported over 150 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.