DERWENT LONDON

2 November 2023

Derwent London plc ("Derwent London" / "the Group")
THIRD QUARTER BUSINESS UPDATE
FURTHER STRONG OCCUPATIONAL ACTIVITY

Paul Williams, Chief Executive of Derwent London, said:

"London's diverse occupier base continues to prioritise quality, amenity and location. Our distinctive portfolio has benefitted from these trends with ongoing strong letting activity in H2, averaging 10% ahead of December ERV. The opening of our second customer lounge is well-timed to further reinforce our appeal. The investment market remains subdued, but our strong balance sheet positions us well for the opportunities ahead."

Summary

Portfolio activity

- Letting activity in H2 to date totals £8.5m, on average 10.0% above December 2022 ERV. Key transactions were:
    - The Featherstone Building EC1 – 25,300 sq ft lettings to Tide and Avalere Health
    - 25 Baker Street W1 – 49,200 sq ft pre-let to Moelis
- YTD lettings in 2023 total £27.8m, 8.1% above December 2022 ERV
- EPRA vacancy rate reduced to 3.7% at 30 September 2023 (30 June 2023: 4.5%)
- £12.5m of asset management transactions in H2 to date, including:
    - Brunel Building W2 – Paymentsense has increased its space by 150% to 82,600 sq ft and the term on its leases has been extended to 2036, increasing the WAULT on these five floors by 5.8 years to 12.7 years
- Sales exchanged on four private residential units at 25 Baker Street W1 for £21.5m with a further two under offer

Financial

- EPRA LTV 25.2%[1] (30 June 2023: 25.0%) and ICR 4.2x (H1 2023: 4.1x)
- Average interest rate paid at 30 September 2023 3.19%, unchanged from 30 June 2023
- Cash and undrawn facilities of £543m (30 June 2023: £562m)
- Irrecoverable property expenditure reduced substantially in Q3 and is expected to be lower in H2 than H1

[1] LTV based on 30 June 2023 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 here.

Operational update (Appendices 1 & 2)

We have seen good demand for space across our villages. New leases totalling £8.5m on 103,500 sq ft have been signed since the start of H2 2023, on average 10.0% above December 2022 ERV, and with a weighted average lease term of 7.8 years. This activity takes 2023 YTD lettings to £27.8m, on average 8.1% ahead of ERV, with a 10.0 year weighted average lease term.

Key H2 transactions include:

- **The Featherstone Building EC1**: 14,400 sq ft to Tide and 10,900 sq ft to Avalere Health at a combined annual rent of £1.9m and in line with ERV.
- **25 Baker Street W1**: 49,200 sq ft pre-let to Moelis at an annual rent of £4.9m, substantially above ERV.

In addition, £0.5m of retail leases have been signed in H2, taking year to date to £3.5m, benefitting from the positive impact of the Elizabeth line on London's retail market.

We have also completed £12.5m of asset management transactions in H2 to date. The key transactions were:

- **Brunel Building W2**: Paymentsense has taken an additional 49,600 sq ft, through a lease assignment from Splunk, increasing its occupancy by 150% to 82,600 sq ft. Simultaneously we have removed the lease break on its existing space and extended the term across all five floors to 2036, with a minimum rental uplift at review. This has extended the WAULT on these five floors to 12.7 years from 6.9 years.
- **Tea Building E1**: Monkey Kingdom has renewed its lease on 7,500 sq ft at £0.5m, a level 9.1% above the previous rent and 4.3% above December 2022 ERV.
- **White Collar Factory EC1**: rent review on 28,400 sq ft to AKTII settled 15% ahead of their previous rent, and in line with December 2022 ERV.

These activities have helped reduce our EPRA vacancy rate to 3.7% at 30 September 2023, from 4.5% at 30 June 2023.

At 25 Baker Street W1, pre-sales on four of the 41 residential units under construction have exchanged totalling £21.5m, an average of £3,215 psf. A further two apartments are under offer. Overall, sale prices are ahead of our appraisal levels.

Development progress (Appendix 3)

At 25 Baker Street W1, the office and residential structures are nearing completion, and the façade installation is progressing well. Including the office pre-lets to PIMCO and Moelis in Q1 and Q3, respectively, the commercial element of this project is 76% pre-let or sold. In Q3 we signed a fixed price contract for the private residential fit-out element.

At Network W1, construction is on programme with ground and basement works complete and the core and upper floor slabs underway. The fixed price construction contract, with Kier, was signed in Q2.

As a result, the construction costs at 25 Baker Street and Network are now 100% fixed.

Finance

Net debt increased marginally to £1,293m at 30 September 2023 from £1,274m at 30 June 2023 due principally to project expenditure in the period of £52.0m.

As a result, EPRA LTV, including the Group's share of joint ventures, increased slightly through Q3 to 25.2% based on 30 June 2023 valuations, from 25.0% at 30 June 2023. Interest cover for the nine months to Q3 2023 was 4.2 times (H1 2023: 4.1 times) and cash and undrawn facilities totalled £543m at the quarter end. 98% of Group debt is at fixed or hedged rates, with a weighted average interest rate of 3.19% on a cash basis, unchanged from 30 June 2023.

Our next refinancing is in October 2024, an £83m secured facility with a coupon of 3.99%. We have already had positive engagement with the existing lender as well as a number of other parties.

The level of irrecoverable service charge was more than usual in both H2 2022 and H1 2023 due mainly to higher average vacancy rates and the spike in global energy prices which also triggered a few service charge caps. As utilities prices have reduced and average vacancy has come down, we have seen a reversal of some of these charges in Q3 as well as a reduction in irrecoverable costs. We expect this to continue in Q4 but the overall level of irrecoverable property expenditure is likely to be marginally higher in FY2023 than FY2022.

The interim dividend of 24.5p per share was paid on 13 October 2023.

Appendix 1: Leasing activity in 2023 to date

	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
Q2 2023	37,400	2.2	13.7	12.8
H1 2023	**228,000**	**19.3**	**8.9**	**7.3**
H2 2023 to date	**103,500**	**8.5**	**10.0**	**10.0**
YTD	**331,500**	**27.8**	**9.2**	**8.1**

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

Appendix 2: Principal lettings in 2023 to date

Property	**Tenant**	**Area sq ft**	**Rent £ psf**	**Total annual rent £m**	**Lease term Years**	**Lease break Year**	**Rent free equivalent Months**
H1							
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
One Oxford Street W1	Uniqlo	22,200	Conf [2]	Conf [2]	10	5	12
Tea Building E1	Jones Knowles Ritchie	8,100	60.00	0.5	10	5	12, plus 12 if no break
The White Chapel Building E1	Comic Relief	5,000	61.90	0.3	5	3	6, plus 1 if no break
Middlesex House W1	Zhonging Holding Group	4,200	81.00	0.3	3	1.5	-
H2 to date							
25 Baker Street W1	Moelis	49,200	100.00	4.9	15	10	24, plus 9 if no break
The Featherstone Building EC1	Tide	14,400	71.00	1.0	10	5	15, plus 11 if no break
The Featherstone Building EC1	Avalere Health	10,900	81.00	0.9	10	5	5, plus 5 if no break
Tea Building E1	Gemba	7,100	63.80	0.5	5	-	8
Tottenham Court Walk W1	Sostrene Greene	6,400	54.90	0.4	10	6	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] Uniqlo will pay a base rent (subject to annual indexation) plus turnover top-up

Appendix 3: 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)	289	191	98
Total cost[2] (£m)	729	483	246
ERV (c.£ psf)	-	95	90
ERV (£m pa)	32.4	20.0[3]	12.4
Pre-let/sold area (sq ft)	193,000	193,000[4]	-
Pre-let income (£m pa, net)	15.5	15.5	-
Embodied carbon intensity ($kgCO_2e/sqm$)[5]		c.600	c.530
Target BREEAM rating		Outstanding	Outstanding
Target NABERS rating		4 Star or above	4 Star or above
Green Finance		Elected	Elected

[1] As at 30 June 2023. [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 and Moelis pre-lets, four private residential units 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 66 buildings in a commercial real estate portfolio predominantly in central London valued at £5.2 billion as at 30 June 2023, 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 5.4 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 May 2023 we were recognised on the Sunday Times Best Places to Work List 2023 within the medium-sized organisation category and in the following month we won two OAS awards – West End New Build for Soho Place W1 and Developer of the Year whilst we were also highly commended for The Featherstone Building in the City New Build category. In October 2023, White Collar Factory EC1 won the BCO's Test of Time 2023 award, Soho Place W1 won the British Construction Industry Awards' Best Commercial Property Project of the Year and Derwent London was awarded the EG Employer Award. 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 October 2022, 80 Charlotte Street won the BCO's Best National Commercial Workplace award 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 X (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.