DERWENT LONDON

9 May 2024

Derwent London plc ("Derwent London" / "the Group")
FIRST QUARTER BUSINESS UPDATE
DEMAND DRIVING RENTAL GROWTH

Paul Williams, Chief Executive of Derwent London, said:

"We are seeing further strengthening in occupational demand for our well-located, design-led buildings. Rental growth has increased as demonstrated by our leasing performance against ERV. As part of our strategy of capital recycling, we were pleased to agree the sale of Turnmill above book value, with proceeds to be re-invested into our higher returning West End regeneration pipeline."

Summary

Portfolio

- New leases totalling £5.4m have been signed since the start of 2024, with a further £4.3m under offer
  - Q1: £2.4m of lettings at an average 9.2% above December 2023 ERV, with activity across the portfolio
  - Q2 to date: £3.0m, including the 17,100 sq ft pre-let to Cushman & Wakefield at 25 Baker Street W1 on a 15-year lease at a rent of £1.8m announced today
- EPRA vacancy rate reduced to 3.7% at 31 March 2024 (31 December 2023: 4.0%)
  - 58% of space available to occupy at December 2023 has either been leased or is under offer, with good ongoing interest in the balance
- Contracts exchanged in April to sell Turnmill EC1 for £77.4m (before costs), a small premium to December 2023 book value

Developments

- Substantial progress made at 25 Baker Street W1 with façade works nearing completion; the office element is now 84% pre-let. In addition, with fit-out works well underway, contracts have been exchanged on nine of the 41 private residential units at £54.0m. This is well ahead of the appraisal value and represents over 30% of the residential floor area (project completion due H1 2025)
- Network W1 remains on programme. Works to the lift and stair core have completed and super-structure works are underway. We are seeing encouraging pre-letting interest (project completion due H2 2025)

Financial position at 31 March 2024

- EPRA LTV 28.2%[1] (31 December 2023: 27.9%)
- Interest cover 4.1 times (2023: 4.1 times)
- Cash and undrawn facilities of £466m (31 December 2023: £480m)

[1] EPRA LTV based on 31 December 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 BST today. To participate in the call, please register here.

Operational update (Appendices 1 & 2)

Since the start of 2024, we have signed £5.4m of new leases across 76,000 sq ft, split £2.4m in Q1 and £3.0m in Q2 to date. In addition, £4.3m is under offer. On average, new leases in Q1 were agreed at a 9.2% premium to December 2023 ERV and the WAULT to break on open market lettings was 7.4 years. 'Furnished + Flexible' lettings comprised 32% of new rent signed and were 19.8% above December 2023 ERV. Q2 activity includes the pre-let to Cushman & Wakefield at 25 Baker Street W1, which has been agreed at a substantial premium to December 2023 ERV.

We are seeing a positive trend of broader interest across all of our London villages. Split by rent, 58% of year to date lettings were in the West End and 42% were in the City Borders.

Key transactions include:

- 25 Baker Street W1 – Cushman & Wakefield has pre-let 17,100 sq ft on the first floor on a 15-year lease (no break) at a rent of £1.8m (£107.50 psf);
- The White Chapel Building E1 – PLP Architecture has taken 22,300 sq ft on a 10-year lease (no break) at a rent of £1.1m (£50 psf);
- The Featherstone Building EC1 – incident.io has taken 6,900 sq ft on a 2-year 'Furnished + Flexible' lease at a rent of £0.6m (£86.70 psf); and
- One Oxford Street W1 – Starbucks has taken a 4,200 sq ft retail unit on a 15-year lease, with a break at year 10, at a rent of £0.4m (£98 psf).

EPRA vacancy has reduced by 30bp to 3.7% at 31 March 2024 (31 December 2023: 4.0%). Of the £10.9m of space that was available to lease at December 2023 (our EPRA vacancy), 58% has either been leased (£3.1m) or is under offer (£3.2m).

Rent and service charge collections remain high at 99% to date for the March quarter day.

Disposals (Appendix 3)

In April, we announced that contracts had been exchanged for the disposal of Turnmill EC1 to Titan Investors, a UK investment manager. The sale price before costs of £77.4m, or £1,100 psf, is 3% above the December 2023 book value and crystallises a 9.1% unlevered IRR for the Group since acquisition in 2004. The building is let to Publicis Groupe at a passing rent of £4.0m, reflecting a net initial yield of 4.9% on a lease expiring in 2035, with a tenant break in 2033.

Developments (Appendix 4)

25 Baker Street W1 remains on programme to be delivered in H1 2025 and façade works are approaching completion. The main office element is now 84% pre-let to PIMCO, Moelis and Cushman & Wakefield, at a total rent of £17.8m, 14.6% above the appraisal ERV. This leaves just over one floor remaining. Contracts have been exchanged for the sale of nine of the 41 private residential units for a combined £54.0m, substantially ahead of the appraisal valuation, and comprising over 30% of the residential area. This reflects an average capital value of £3,920 psf and a further three units are under offer.

At Network W1, works to the core have completed and the super-structure, comprising structural steelwork and innovative pre-cast concrete floor planks which lower the project's embodied carbon footprint, is making good progress. We are encouraged by the level of potential pre-letting demand, with interest from multiple occupiers across different sectors.

Finance

Net debt increased marginally to £1,371m at 31 March 2024 from £1,357m at 31 December 2023. The increase is primarily due to project expenditure of £54m offset by retained cash from operations. Disposal proceeds from the sale of Turnmill are expected to be received in Q2 and payment of the final dividend, which remains well covered by EPRA earnings, of 55.0p per share is due on 31 May 2024.

The EPRA LTV ratio was largely unchanged in Q1 at 28.2% (including share of joint ventures) based on 31 December 2023 valuations compared to 27.9% at 31 December 2023. Interest cover for Q1 was 4.1 times (2023: 4.1 times) and cash and undrawn facilities totalled £466m at the end of the quarter.

The Group's exposure to interest rate movements remains very low with 98% of drawn debt either fixed or hedged. The weighted average interest rate at Q1 was 3.14% on a cash basis, a small reduction from 31 December 2023 as a further £20m forward-start swap at 1.36% has been allocated against drawn debt. Our next debt maturity is an £83m 3.99% secured loan in October 2024, where we have made good progress on a replacement facility.

Appendix 1: Leasing activity in 2024 YTD

	Let		Performance against Dec 23 ERV (%)	
	Area sq ft	**Income £m pa**	**Open market**	**Overall[1]**
Q1	39,200	2.4	10.6	9.2
Q2 to date	36,800	3.0	15.1	8.3
Total to date	**76,000**	**5.4**	**13.0**	**8.7**

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

Appendix 2: Principal lettings in 2024 YTD

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	Cushman & Wakefield	17,100	107.50	1.8	15	-	34
The White Chapel Building E1	PLP Architecture	22,300	50.00	1.1	10	-	24
The Featherstone Building EC1	incident.io	6,900	86.70	0.6	2	-	1
One Oxford Street W1	Starbucks	4,200	98.10	0.4	15	10	12

Appendix 3: Major disposals in 2024 YTD

Property	Date	Area sq ft	Gross proceeds £m	Net yield %	Net rental income £m pa
Turnmill EC1	Q2	70,300	77.4	4.9	4.0

Appendix 4: Major on-site development pipeline

Project	Total	25 Baker Street W1	Network W1
Completion		H1 2025	H2 2025
Office (sq ft)	352,000	218,000	134,000
Residential (sq ft)	52,000	52,000	-
Retail (sq ft)	33,000	28,000	5,000
Total area (sq ft)	**437,000**	**298,000**	**139,000**

Notes to editors

Derwent London plc

Derwent London plc owns 66 buildings in a commercial real estate portfolio predominantly in central London valued at £4.9 billion as at 31 December 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 160 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.