

11 May 2017

Derwent London plc (“Derwent London” / “the Group”)

**FIRST QUARTER BUSINESS UPDATE
FURTHER LETTING PROGRESS AND SIGNIFICANT DISPOSALS ABOVE BOOK VALUE**

Highlights

- In 2017 to date we have let or pre-let 260,100 sq ft achieving rents of £17.0m pa:
 - 48% increase from the £11.5m announced with the 2016 results on 28 February
 - 0.9% above December 2016 ERV
 - Lettings since the end of February 4.6% above ERV
- White Collar Factory now complete, 72% let with the majority of the remaining space under offer
- Three developments totalling 727,000 sq ft remain under construction, 30% pre-let
- Property disposals agreed in the year to date total £327m, 6.7% above December 2016 values
- LTV ratio 16.5% at 31 March 2017, with cash and undrawn facilities of £359m

John Burns, Chief Executive Officer, commented:

“Following the excellent start to the year that we announced with our results in February, demand for our product remains strong and our letting progress continues. In addition, our sales activity demonstrates resilient investment demand.”

Webcast and conference call

There will be a conference call for investors and analysts at 09:00 BST today.

To participate in the call, please dial the following number: +44 (0)20 3059 8125

A recording of the conference call will also be made available following the conclusion of the call on www.derwentlondon.com

For further information, please contact:

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Active demand leads to further lettings (see Appendix 1)

In the year to date we have let or pre-let 260,100 sq ft at £17.0m pa. This is an increase of £5.5m from our announcement on 28 February. The major deals with Arup and Adobe have previously been reported and we have now let all the available refurbished space at 20 Farringdon Road EC1 and 78 Chamber Street E1, as well as recently regenerated space at Greencoat & Gordon House SW1. Following the letting of the fifth floor to Wilmington, Phase 1 of The White Chapel Building E1 is now 93% let with the remaining space under offer. On average our lettings have been 0.9% above December 2016 ERV, with activity since 28 February 4.6% above. Our EPRA vacancy rate has risen from 2.6% to 3.2%, which includes the recently completed White Collar Factory EC1.

Good progress on developments (see Appendix 2)

The delivery of White Collar Factory has reduced our pipeline under development by 29% to 727,000 sq ft. At The Copyright Building W1, where the entire office element of 87,150 sq ft was pre-let in 2016, we remain on track for delivery of the building in H2 2017 and are now marketing the retail space. The 2019 project deliveries, which represent 85% of our on-site programme, are progressing well with the pre-letting in Q1 of 42% of the offices at 80 Charlotte Street W1 on a 20-year term to Arup with fixed annual increases of 2.25% for 15 years.

Significant disposals activity (see Appendix 3)

At the time of our 2016 results, we reported £327m of disposals before costs at 6.7% above December 2016 book values. The sale of 132-142 Hampstead Road NW1 for £130m completed in March and the £197m sale of 8 Fitzroy Street W1 is expected to complete in June 2017.

Finance

Capital expenditure in the first quarter totalled £48.1m including £2.6m of capitalised interest. However, following the sale of Hampstead Road, net debt fell to £829.6m from £904.8m at 31 December 2016. This brought the loan-to-value ratio down to 16.5% based on December 2016 property valuations and interest cover for the quarter rose to 408%. The weighted average debt maturity was 7.7 years and undrawn facilities and cash totalled £359m. In order to reduce our proportion of fixed and hedged debt, we cancelled a £40m interest rate swap at a cost of £3.2m in March but the lower level of floating rate debt caused the weighted average interest rate payable as at 31 March 2017 to rise by 6bp to 3.71%. On an IFRS basis, the interest rate was 3.99%.

Values

Central London office values remain firm reinforced by foreign investment and despite continuing Brexit concerns. The IPD West End & Midtown Office monthly index for Q1 2017 reported office rents down 0.6% but capital values up 0.3%.

Appendices

Appendix 1: Principal lettings in 2017

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
Q1								
80 Charlotte Street W1	Arup	133,600	72.90	9.7 ¹	81.50	20	-	33
White Collar Factory EC1	Adobe	14,900	67.50	1.0	74.50	11.5	-	22
Angel Building EC1	Expedia	12,500	62.50	0.8	-	13.3	-	18
Greencoat & Gordon House SW1	VCCP	12,800	55.00	0.7	-	8.5	-	13
20 Farringdon Road EC1	Accenture	11,500	55.00	0.6	-	10	5	9, plus 9 if no break
Q2								
The White Chapel Building E1	Wilmington	27,000	52.00	1.4	-	10	-	20
White Collar Factory EC1 ²	Red Badger	7,700	62.50	0.5	65.60	10	5	9.5, plus 5 if no break
78 Whitfield Street W1	Yoyo Wallet	4,800	63.00	0.3	-	4.5	-	8
78 Chamber Street E1 ³	NetBooster	6,700	40.00	0.3	-	10	5	10

¹ Annual increases of 2.25% for the first 15 years ² Low rise buildings ³ Joint venture – Derwent London share

Appendix 2: Major developments pipeline

Property	Area sq ft	Delivery	Capex to complete £m ¹	Comment
Completed projects White Collar Factory, Old Street Yard EC1	293,000	H1 2017	-	276,000 sq ft offices, 9,000 sq ft retail, 8,000 sq ft residential – 72% let overall
Projects on site The Copyright Building, 30 Berners Street W1	107,000	H2 2017	24	87,000 sq ft offices and 20,000 sq ft retail – 81% pre-let overall
Brunel Building, 55 North Wharf Road W2	240,000	H1 2019	99	Offices
80 Charlotte Street W1	380,000	H2 2019	213	321,000 sq ft offices, 45,000 sq ft residential and 14,000 sq ft retail - 35% pre-let overall
	727,000		336	
Other major planning consents 1 Oxford Street W1	275,000			204,000 sq ft offices, 37,000 sq ft retail and 34,000 sq ft theatre
Monmouth House EC1	125,000			Offices, workspaces and retail
	400,000			
Planning applications 19-35 Baker Street W1	293,000 ²			Planning application submitted for 206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail
Grand total (excluding completed projects)	1,420,000			

¹ As at 31 December 2016 ² Total area - Derwent London has a 55% share of the joint venture

Appendix 3: Significant disposals 2017

Property	Date	Area sq ft	Gross proceeds £m	Gross proceeds £ psf	Net yield to purchaser %	Rent £m pa
132-142 Hampstead Road NW1	Q1	219,700	130.1	590	1.2	1.7

Notes to editors

Derwent London plc

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £5.0 billion (including joint ventures) as at 31 December 2016, 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.

Landmark schemes in our 6.0 million sq ft portfolio include Angel Building EC1, The Buckley Building EC1, White Collar Factory EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2017 the Group won the Property Week Developer of the Year award and was listed 12th out of 4,000 in the Corporate Knights Global 100 of the world's most sustainable companies. In 2016 the Group won Estates Gazette National Company of the Year and London awards as well as awards from Architects' Journal, British Council for Offices, Civic Trust and RIBA and achieved EPRA Gold for corporate and sustainability reporting.

As part of its wider sustainability programme, in 2013 Derwent London launched a dedicated £250,000 voluntary Community Fund and, in 2016, made a further commitment of £300,000 for the next three years for Fitzrovia 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.