DERWENT
LONDON

7 May 2015

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

**FIRST QUARTER BUSINESS UPDATE**
**INCREASING RENT ROLL AND ADDING FUTURE OPPORTUNITIES**

## Highlights

- Lettings: 225,400 sq ft let so far in 2015, securing £11.3m per annum, already 23% more than in the whole of 2014
- Vacancy: fallen to 1.9% from 4.1% in December, reflecting recent letting activity
- Developments: 70,500 sq ft completed (100% let or exchanged) with 933,300 sq ft either under construction or due to start in 2015
- Investment activity: £114m property swap adds major Farringdon Crossrail opportunity to portfolio
- £175m convertible bonds 2016 redeemed in January 2015 by the issue of 7.88m new shares
- Long-term corporate credit rating improved to BBB+ (from BBB) by Standard & Poor's
- LTV ratio of 19.9% with cash and undrawn facilities of £342m at 31 March 2015
- Claudia Arney to join the Board as an independent non-executive Director

John Burns, Chief Executive Officer, commented:

*"Our recent letting activity supports the Group's confident view of the central London occupier market and the decision to proceed with two significant developments in Fitzrovia. In addition, the acquisition of 20 Farringdon Road EC1 will provide a substantial future redevelopment opportunity opposite a major Crossrail interchange. We continue to expect overall rental growth of c.6-8% across our portfolio, and we have seen property yields tighten further in the first quarter of 2015."*

## Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:00 BST today. The audio webcast can be accessed via www.derwentlondon.com.

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

Please say "Derwent London" when asked for the participant code.

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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|---|---|
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**Good letting performance maintained** *(see Appendix 1 for details)*

In the current year to 30 April 2015 we have let 225,400 sq ft securing £11.3m per annum of rental income. This represents an additional £3.3m to the £8.0m we reported as either let or under offer at the time of our results on 26 February, and is 23% higher than the lettings we achieved in the whole of 2014. The open market lettings were 3.8% above December 2014 Estimated Rental Values (ERV) with overall lettings 0.9% above. Of these transactions, 74,850 sq ft of space was let to The Office Group, a leading provider of flexible office space, where we are entitled to a profit share above a minimum level. Including an additional £5 per sq ft for our rental overage would take overall lettings to 4.3% above ERV.

At Angel Square EC1 we either re-let or renewed leases over 80% of the space in two months thereby securing a 54% increase in its income during the short time since its purchase. This leaves just under 20% of space remaining to refurbish and let. The newly refurbished office space at 1-2 Stephen Street W1 was fully let within six months of completion.

The EPRA vacancy rate (by rental value) has fallen from 4.1% in December 2014 to 1.9% as a result of our letting activity. One outcome of this is the limited amount of space we have immediately available. The completion of our retail scheme at Tottenham Court Walk W1 this quarter, where two out of eight units are pre-let, will take our potential vacancy rate to 2.8%.

**Developments remain on track and we are adding to our pipeline** *(see Appendix 2 for details)*

Since the year end, we have finished Turnmill EC1, where the offices are being fitted out by Publicis. The developments at White Collar Factory EC1, 40 Chancery Lane WC2, Tottenham Court Walk W1 and 73 Charlotte Street W1 are on track. 40 Chancery Lane is 96% pre-let, and we are seeing some good early occupier interest in the other commercial projects.

The site of The Copyright Building, 25-33 Berners Street W1 is under demolition and 80 Charlotte Street W1 is expected to commence towards the end of this year. Later in the year we intend to gain vacant possession at 55-65 North Wharf Road W2 prior to starting work in 2016.

A decision on our planning application for the hotel and office scheme at Wedge House, 40 Blackfriars Road SE1 is expected this quarter. We have also agreed a Memorandum of Understanding with our joint venture partner, The Portman Estate, at 19-35 Baker Street W1. This is an important step in our plans for a c.250,000 sq ft development in 2018. Derwent London owns a 55% interest.

**A major opportunity in Farringdon acquired**

Our current year activity has principally been the acquisition of 20 Farringdon Road EC1 for £92.7m in return for the sale of two properties and a 50% joint venture interest in 9 and 16 Prescot Street E1 for a total of £114.0m. We received the balance net of costs in cash, as previously reported.

**Financial activity sees gearing fall significantly**

The major event in the first quarter was the conversion of our £175m 2.75% convertible bonds 2016 and the resultant issue of 7.88m new shares. After net disposal activity and capital expenditure of £26.9m, including £1.5m of capitalised interest, net debt at 31 March 2015 was thereby reduced to £842.7m, £170.6m lower than in December 2014.

The interest cost of our debt, which was 92% fixed or hedged at 31 March 2015, rose marginally to 4.24% on an IFRS basis and 3.97% on a cash basis. However the weighted average debt maturity also increased from 6.6 to 7.7 years, and the net interest cover rose significantly from 286% for the full year in 2014 to 343% for the first quarter 2015. Partly as a result of this, Standard & Poor's has upgraded our long-term corporate credit rating to BBB+ (from BBB) with a stable outlook. This will help reduce the cost of future refinancing activities. At 31 March 2015 the level of cash and undrawn bank facilities was £341.8m and the Group's LTV ratio was 19.9%.

## Property values and outlook

The central London office market continued to perform strongly in Q1 with the IPD Central London Office Quarterly Index reporting rental value growth of 2.7% and capital growth of 3.5%. The Derwent London portfolio was not revalued but our valuers, CBRE, have indicated that the valuation performance of the portfolio is likely to have at least matched that of the IPD index.

Today is the day of the UK General Election. Time will tell how the outcome affects the central London office market or the broader capital markets. However, both occupational and investment demand for our office properties is strong and we remain confident about the prospects for both rental growth and yields in 2015; we have seen the latter tighten further in the first quarter.

## Board changes

As previously announced, Claudia Arney will join the Board on 18 May 2015 as an independent non-executive Director, and Robert Farnes will be stepping down as a non-executive Director at our AGM on 15 May 2015. Robert joined the Board in 2003 and since then his counsel and wisdom has been much appreciated.

## Appendix 1: Principal lettings in 2015 up to 30 April

| 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** | | | | | | | | |
| 2 Stephen Street W1[1] | The Office Group | 34,150 | 65.00[1] | 2.2 | 71.75 | 20 | - | 15 |
| Angel Square EC1 | Expedia | 57,600 | 36.80 | 2.1 | 41.60 | 6 | 3 & 5 | 2.5, plus 3 if no break in year 3 |
| 1 Stephen Street W1 | AnaCap | 16,150 | 81.75 | 1.3 | 84.25 | 10 | - | 15 |
| Tea Building E1 | Feed | 7,990 | 47.50 | 0.4 | - | 5 | - | 5 |
| Davidson Building WC2 | Astus UK | 4,370 | 80.00 | 0.3 | 82.50 | 10 | 5 | 7, plus 5 if no break |
| **Q2** | | | | | | | | |
| Angel Square EC1[1] | The Office Group | 40,700 | 35.00[1] | 1.4 | 38.65 | 10[2] | - | 9 |
| Davidson Building WC2 | First Utility | 6,230 | 72.50 | 0.5 | 75.00 | 10 | 5 | 7, plus 7 if no break |
| Morelands EC1 | Spark44 | 5,370 | 55.00 | 0.3 | 60.00 | 9 | 5 | 9, plus 3 if no break |

[1] The Group will get a share of The Office Group's profits above a minimum level
[2.] Landlord's break in year five

## Appendix 2: Major projects pipeline

| Property | Area sq ft[1] | Delivery | Comment |
|---|---|---|---|
| **Projects on site** | | | |
| Developments | | | |
| White Collar Factory, Old Street Yard EC1 | 293,000 | Q3 2016 | Office-led development |
| The Copyright Building, 25-33 Berners Street W1 | 105,000 | Q3 2017 | Offices and retail |
| 40 Chancery Lane WC2 | 101,800 | Q2 2015 | Offices and retail – 96% pre-let |
| 73 Charlotte Street W1 | 15,500 | Q3 2015 | Residential and offices |
| Refurbishments | | | |
| Tottenham Court Walk W1 | 38,000 | Q2 2015 | Retail, Part 1-2 Stephen Street |
| | **553,300** | | |
| **Major planning consents due to start in H2 2015** | | | |
| 80 Charlotte Street W1 | 380,000 | H1 2018 | Offices, residential and retail |
| | **380,000** | | |
| **Other major planning consents** | | | |
| 1 Oxford Street W1[2] | 275,000 | | Offices, retail and theatre |
| 55-65 North Wharf Road W2 | 240,000 | | Offices |
| 25 Savile Row W1 | 58,000 | | Residential and retail |
| | **573,000** | | |
| **Active planning applications** | | | |
| Wedge House, 40 Blackfriars Road SE1 | 110,000 | | Hotel and offices |
| **Grand Total** | **1,616,300** | | |

[1] Proposed areas
[2] Crossrail site under option

## Notes to editors

### Derwent London plc

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £4.2 billion as at 31 December 2014, 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 portfolio of 5.7 million sq ft as at 31 December 2014 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 December 2014 Derwent London topped the real estate sector for the fifth year in a row and was placed ninth overall in the Management Today awards for 'Britain's Most Admired Companies'. Also in 2014 the Group won the Property Week 'Developer of the Year' and the RICS London Commercial Award, and was shortlisted for awards by Architects' Journal, BCO, NLA and OAS. The Group was also awarded EPRA Gold for corporate and sustainability reporting. In April 2015, 1-2 Stephen Street W1 won the BCO London and South East award for Refurbished / Recycled Workplace.

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.