

A low-angle photograph of a modern building's facade, featuring a grid of dark grey metal beams and glass windows. The building is viewed from a perspective that makes the lines converge towards the top. A large, stylized orange graphic element, resembling a thick 'V' or a pair of legs, is superimposed over the center of the image. The text 'DERWENT LONDON' is overlaid in orange, and 'Interim Results 2019' is overlaid in white below it.

# DERWENT LONDON

Interim Results 2019

# CONTENTS

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# INTRODUCTION AND OVERVIEW

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PAUL WILLIAMS



## GOOD PROGRESS IN THE FIRST HALF

- Total return 3.3%:
  - NAV per share +2.0%
- Interim dividend raised 9.9%
- New lettings £18.1m:
  - 7.5% above Dec 2018 ERV
- Added 410,000 sq ft of development:
  - Soho Place W1
  - The Featherstone Building EC1
- EPRA vacancy rate down to 1.6%
- Disposals of £76.9m, 6.9% above book value
- Debt maturity extended to 8.2 years

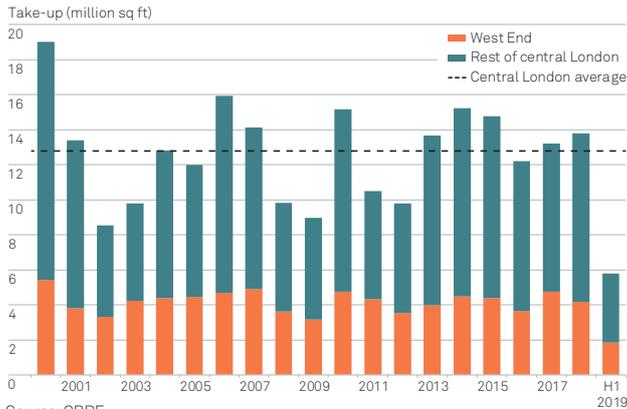


# CENTRAL LONDON OCCUPIER DEMAND

## Central London take-up

- 5.8m sq ft of central London take-up in H1 2019:
  - 9.0% below the half year average
  - Business services represented 28% of take-up, banking and finance 25% and creative industries 17%
  - Flexible offices, part of business services, accounted for 17% of take-up, similar to the levels seen in the last two years

## CENTRAL LONDON OFFICE TAKE-UP



## Active ongoing demand

- Active demand increased 9% in H1 from 8.9m sq ft to 9.7m sq ft, 9% above average and the highest for a year

Adecco

APOLLO

babylon

BainCapital

Close Brothers

EVERCORE

IPG MEDIABRANDS

JLL

WE ARE MACMILLAN. CANCER SUPPORT

monzo

NETFLIX

skyscanner

# SUPPLY REMAINING CONSTRAINED

## Existing supply

- Completions of 1.8m sq ft in H1, 24% below average
- Central London vacancy rate of 4.2% at the half year:
  - Down from 4.5% six months earlier
  - Below long term average (LTA) of 5.1%
- West End at 3.5%, 4.2% LTA
- City at 5.0%, 6.4% LTA

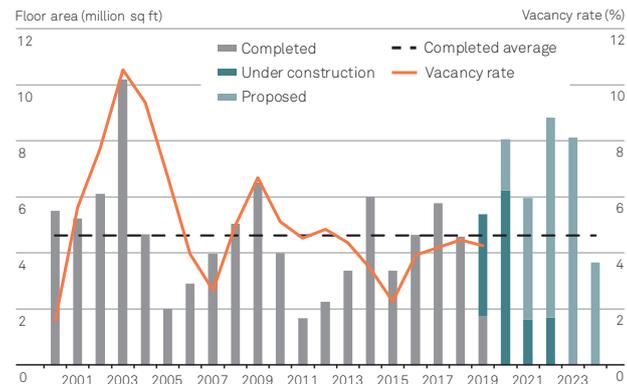
## Future supply

- 3.6m sq ft to complete in H2
- Committed schemes to 2022 total 13.1m sq ft:
  - Already 61% pre-let

### CENTRAL LONDON OFFICE AVAILABILITY



### CENTRAL LONDON OFFICE DEVELOPMENT PIPELINE



Source: CBRE

# CENTRAL LONDON OFFICE INVESTMENT MARKET

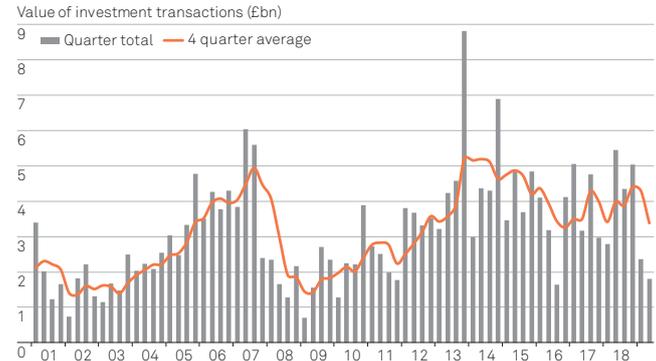
## First half activity

- CBRE reported £4.2bn of central London transactions in H1:
  - 32% below the half year average
  - UK investors more active with 40% market share in H1 (2018: 25%)
- Prime yields unchanged at 30 Jun 2019:
  - West End: 3.75%
  - City: 4.0%
- Good demand for 'value-add' product

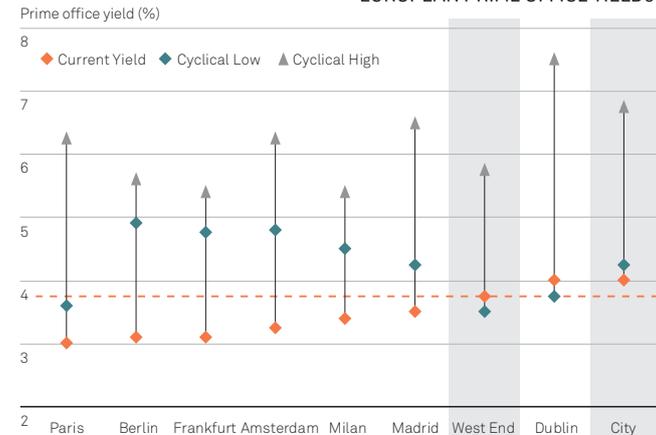
## Supportive factors

- London economy proving robust
- Low interest rates
- London office yields now higher than European peers
- c.£32bn of equity available in the market looking for investment opportunities

## CENTRAL LONDON OFFICE INVESTMENT

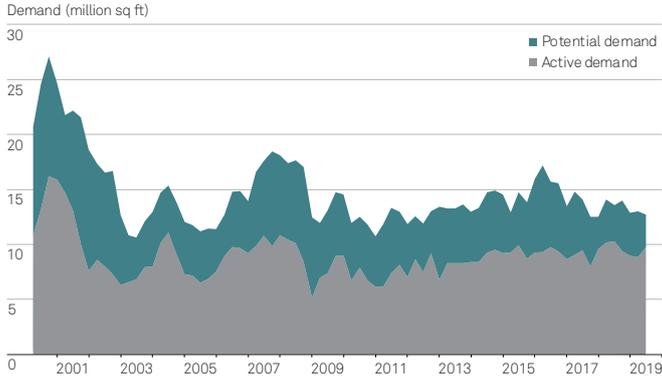


## EUROPEAN PRIME OFFICE YIELDS



# CENTRAL LONDON OFFICE OUTLOOK

## CENTRAL LONDON OFFICE DEMAND



Source: JLL

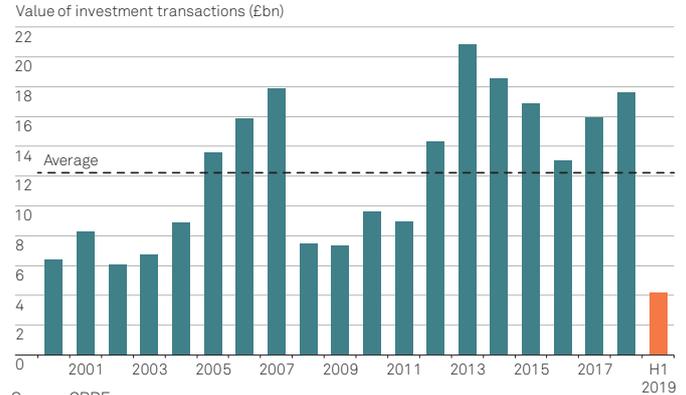
## Rents

- Ongoing political and economic uncertainty
- Market supply remains manageable
- Below average vacancy rates
- Good levels of demand from a wide range of occupiers

**DL view<sup>1</sup>:** ERV 2019 estimate unchanged at +1% to -2%

<sup>1</sup> Assumes no major political or economic change

## CENTRAL LONDON OFFICE INVESTMENT



Source: CBRE

## Yields

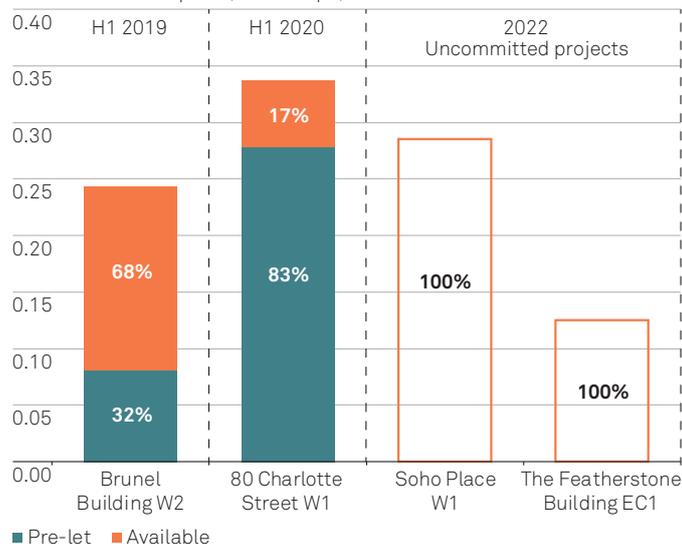
- Significant quantity of money sitting on the sidelines
- Property yields attractive relative to alternatives
- UK investors active
- Good appetite for 'value-add' opportunities

**DL view<sup>1</sup>:** Firm investment yields expected in 2019

# PROGRESSING OUR OPPORTUNITIES

## DEVELOPMENT COMPLETIONS - JUN 2018

Commercial floorspace (million sq ft)



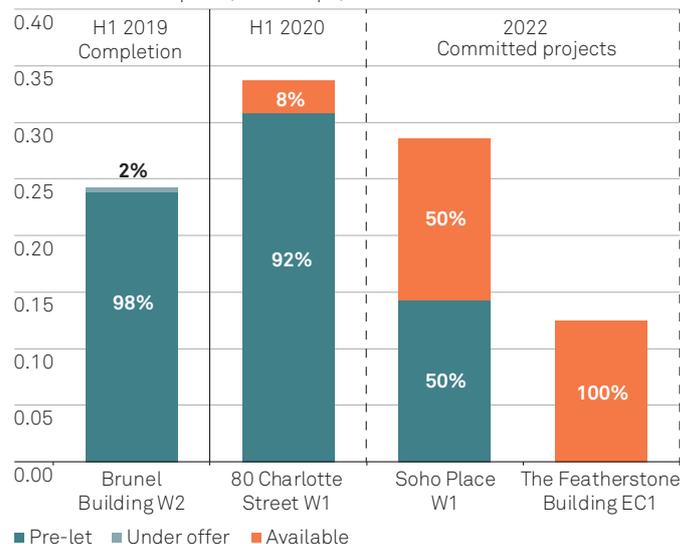
### Jun 2018 – Two projects on site

- ERV £42.0m on 623,000 sq ft
- Pre-let £27.1m on 354,100 sq ft
- Capex to complete £200m
- Available to let £14.9m

Derwent London plc Interim Results 2019

## DEVELOPMENT COMPLETIONS - AUG 2019

Commercial floorspace (million sq ft)



### Aug 2019 – Three projects on site

- ERV £56.4m on 790,000 sq ft
- Pre-let £33.7m on 451,350 sq ft
- Capex to complete £401m (from 30 Jun)
- Available to let £22.7m

### Change

- +34%
- +24%
- +101%
- +52%

• Appendices 30 to 34

## **Derwent London's business characteristics**

- Innovative design-led projects
- Reversionary portfolio let at middle-market rents
- Growing earnings and dividend stream
- Talented team
- Responsible ethos to society and the environment
- Strong and flexible financing

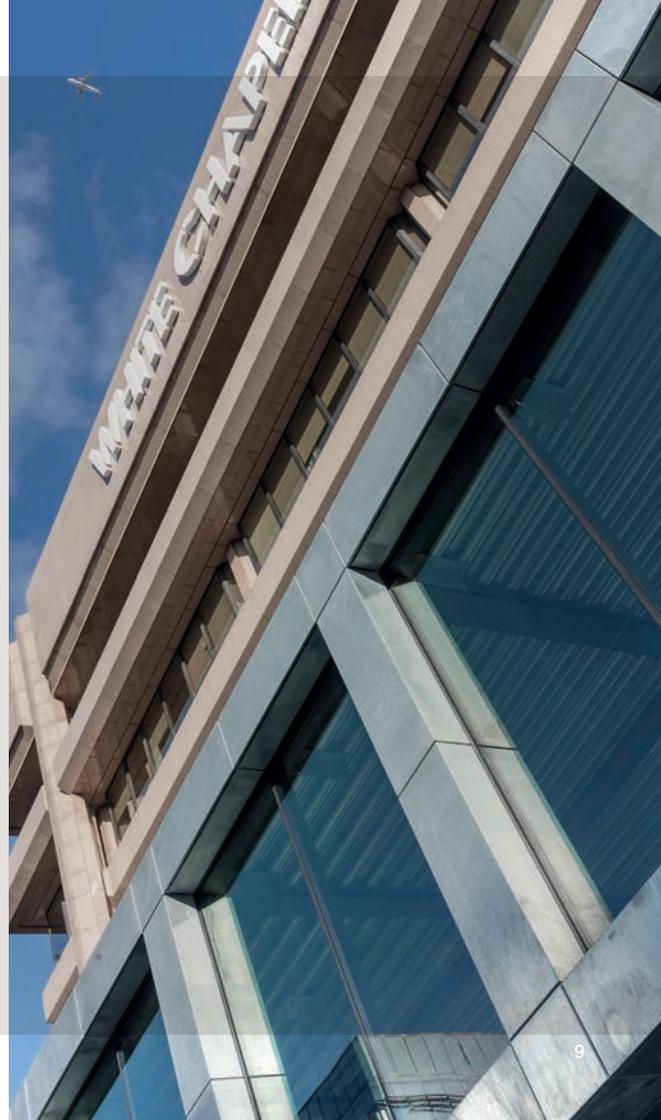
## **Recent initiatives**

- Changes to senior management roles:
  - Nigel George adds responsibility for the development department to his role
  - David Silverman adds responsibility for the leasing, asset and property management teams to his role
  - Simon Silver to head regeneration, commissioning our architects and brand identity
  - Damian Wisniewski has taken on additional strategic and operational responsibilities
- Looking at measures needed for the Group to achieve net zero carbon target by 2030
- Exploring ways of providing enhanced amenities and services for our occupiers
- Recycling assets to invest in our development programme
- Seeking fresh opportunities both internally and externally

# RESULTS AND FINANCIAL REVIEW

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DAMIAN WISNIEWSKI



## HEADLINE NUMBERS

|  | <b>Jun 2019</b> | <b>% change</b> | <b>Dec 2018</b> | <b>Jun 2018</b> |
|--|-----------------|-----------------|-----------------|-----------------|
| Net asset value (NAV)                    | £4,349.7m       | 2.0*            | £4,263.4m       | £4,197.1m       |
| EPRA NAV per share <sup>1,2</sup>        | 3,852p          | 2.0*            | 3,776p          | 3,713p          |
| EPRA triple NAV per share <sup>1,2</sup> | 3,758p          | 1.7*            | 3,696p          | 3,626p          |
| EPRA total return                        | 3.3%            | n/a             | 5.3%            | 3.1%            |
| <hr/>                                    |                 |                 |                 |                 |
| Gross property income                    | £93.6m          | (12.6)          | £196.0m         | £107.1m         |
| Gross rental income                      | £93.1m          | 7.1             | £175.1m         | £86.9m          |
| Net rental income                        | £86.3m          | 7.1             | £161.1m         | £80.6m          |
| EPRA earnings per share <sup>2</sup>     | 51.34p          | (23.3)          | 113.07p         | 66.93p          |
| Underlying earnings per share            | 51.34p          | (0.8)           | 99.08p          | 51.77p          |
| Profit for the period                    | £129.6m         | (2.1)           | £218.9m         | £132.4m         |
| Interim dividend per share               | 21.00p          | 9.9             | 19.10p          | 19.10p          |
| <hr/>                                    |                 |                 |                 |                 |
| Net debt                                 | £1,003.5m       | 4.9*            | £956.9m         | £821.5m         |
| Loan-to-value (LTV) ratio                | 17.6%           | n/a             | 17.2%           | 15.2%           |
| NAV gearing                              | 23.1%           | n/a             | 22.4%           | 19.6%           |
| Net interest cover ratio                 | 454%            | n/a             | 491%            | 514%            |

\* Compared with Dec 2018

<sup>1</sup> On a diluted basis    <sup>2</sup> Reconciliations to IFRS figures in Appendices 2 and 5

## EPRA NAV MOVEMENT

- EPRA NAV per share up 2.0% to 3,852p from 3,776p, after the payment of 47p of dividends

- Total accounting return (EPRA basis) of 3.3%

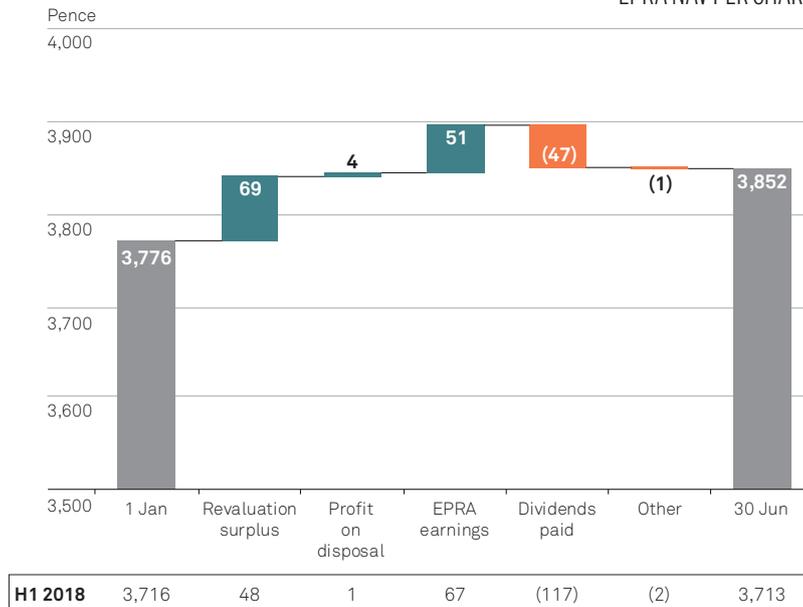
- Revaluation surplus:

|  |               |            |
|--|---------------|------------|
| Investment properties                    | £75.0m        |            |
| Owner-occupied property                  | (£0.5m)       |            |
| Trading property adjustment <sup>1</sup> | £1.6m         |            |
| Joint ventures (Group share)             | £0.9m         |            |
|  | <u>£77.0m</u> | <b>69p</b> |

- The revaluation surplus includes 48p per share relating to Brunel Building W2
- Revaluation surplus on three developments (White Collar Factory EC1, Brunel Building W2 and 80 Charlotte Street W1) has added 240p per share to NAV since the start of 2016
- EPRA earnings of 51p per share, or £57.3m (see slide 12)

<sup>1</sup> Asta House W1 residential units and Welby House SW1

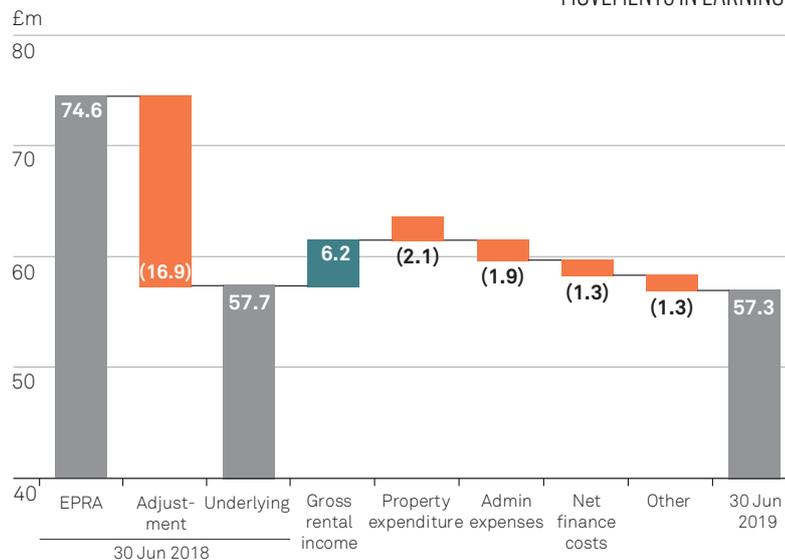
EPRA NAV PER SHARE



# EPRA AND UNDERLYING EARNINGS<sup>1</sup>

- Two adjustments to prior period EPRA earnings to derive underlying earnings:
  - £1.1m of surrender premiums received were deferred to H2 2018
  - Access rights receipt of £15.8m was excluded
- EPRA and underlying earnings were £57.3m in H1 2019, 23% lower than H1 2018 on an EPRA basis or 0.7% on an underlying basis
- Gross rental income up by £6.2m, or 7.1% (see slide 13)
- Property expenditure increased mainly due to dilapidations receipts in 2018 of £1.6m
- Admin costs up 13% due to rise in staff costs
- EPRA cost ratio<sup>2</sup>, at 23.3%, unchanged from 2018

## MOVEMENTS IN EARNINGS



|                |      |   |      |     |     |       |     |     |                   |
|----------------|------|---|------|-----|-----|-------|-----|-----|-------------------|
| <b>H1 2018</b> | 50.6 | - | 50.6 | 1.5 | 1.4 | (2.4) | 2.8 | 3.8 | 57.7 <sup>3</sup> |
|----------------|------|---|------|-----|-----|-------|-----|-----|-------------------|

|            |      |
|------------|------|
| Adjustment | 16.9 |
|------------|------|

|      |      |
|------|------|
| EPRA | 74.6 |
|------|------|

<sup>1</sup> An explanation of EPRA adjustments is provided in Appendix 5 <sup>2</sup> Including direct vacancy costs <sup>3</sup> Underlying earnings in H1 2018

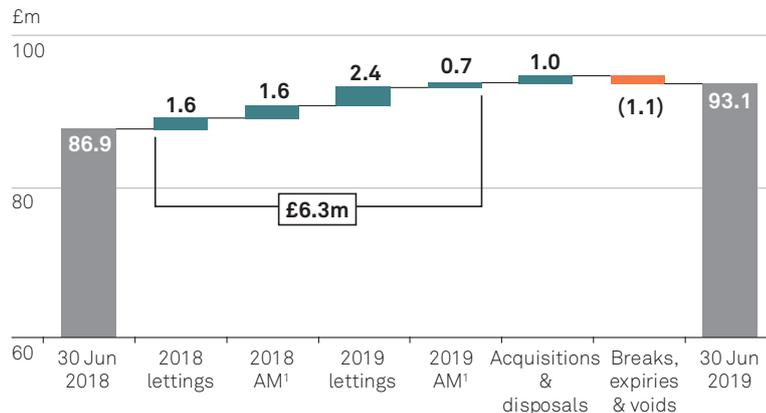
## GROSS RENTAL INCOME

- Gross rental income increased by 7.1% to £93.1m in H1 2019
- Lettings and asset management (reviews, regears and renewals) include:

|                              | 2019<br>lettings &<br>AM <sup>1</sup> | 2018<br>lettings &<br>AM <sup>1</sup> |
|------------------------------|---------------------------------------|---------------------------------------|
| Tea Building E1              | £0.8m                                 | £0.2m                                 |
| 25 Savile Row W1             | £0.5m                                 | £0.3m                                 |
| Brunel Building W2           | £0.5m                                 | -                                     |
| The White Chapel Building E1 | -                                     | £1.3m                                 |
| Horseferry House SW1         | -                                     | £0.5m                                 |
| Johnson Building EC1         | -                                     | £0.5m                                 |

- Like-for-like net rental income increased by 3.2% and 5.2% compared with H1 and H2 2018, respectively<sup>2</sup>

### MOVEMENTS IN GROSS RENTAL INCOME



- Reconciliation of gross rental income to gross property income:

|                              | H1 2019<br>£m | H1 2018<br>£m | Variance<br>£m |
|------------------------------|---------------|---------------|----------------|
| Gross rental income          | 93.1          | 86.9          | 6.2            |
| Surrender premiums received  | 0.5           | 2.5           | (2.0)          |
| Rights of access receipt     | -             | 15.8          | (15.8)         |
| Rights of lights receipt     | -             | 1.9           | (1.9)          |
| <b>Gross property income</b> | <b>93.6</b>   | <b>107.1</b>  | <b>(13.5)</b>  |

<sup>1</sup> Asset management <sup>2</sup> See Appendix 6 for reconciliation of like-for-like income

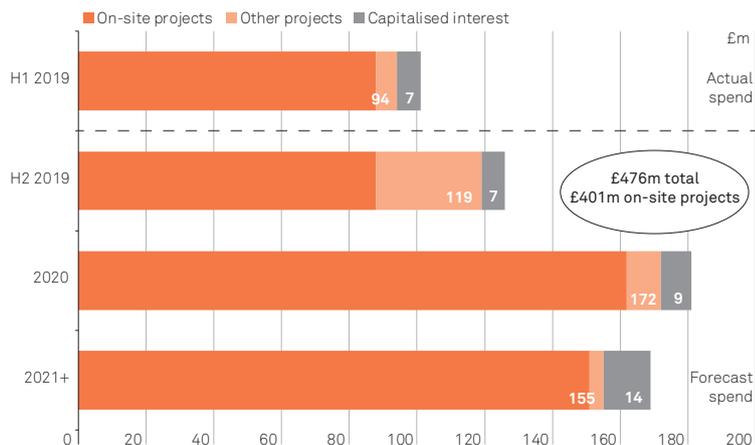
# CASH FLOW

- Increase in net debt of £46.6m to £1,003.5m
- Decrease in cash from operations due to letting fees paid in H1 2019 and prior period benefitted from £22.1m of premiums and other property income received

## NET CASH FLOW MOVEMENTS

|                                  | H1 2019<br>£m | H1 2018<br>£m  |
|----------------------------------|---------------|----------------|
| Cash from operations             | 42.9          | 72.1           |
| Acquisitions                     | (20.7)        | (12.9)         |
| Capex                            | (62.9)        | (76.5)         |
| Reimbursement of capex           | 1.2           | 15.2           |
| Disposal proceeds                | 57.9          | -              |
| JV dividend and loan repayment   | 28.8          | -              |
| Bond redemption premium          | (8.5)         | -              |
| Ordinary dividend paid           | (50.4)        | (45.3)         |
| Special dividend paid            | -             | (83.6)         |
| Other cash flow movements        | (1.6)         | 13.2           |
| <b>Increase in net borrowing</b> | <b>(51.7)</b> | <b>(120.1)</b> |
| Leasehold liabilities            | (1.0)         | (41.9)         |
| Other non-cash flow items        | 6.1           | (1.6)          |
| <b>Increase in net debt</b>      | <b>(46.6)</b> | <b>(163.6)</b> |

## FORECAST CAPITAL EXPENDITURE



## PROFORMA IMPACT OF MAJOR PROJECTS AND DISPOSALS

- Assumes no further lettings other than those already contracted
- Shows impact of estimated remaining capital expenditure on both completed and on-site projects

|                                 | Jun 2019     | PROFORMA IMPACT OF COMPLETED PROJECTS AND DISPOSALS |                         |                              | PROFORMA IMPACT OF ON-SITE PROJECTS |  |                   |                         |              |
|---------------------------------|--------------|---|-------------------------|------------------------------|-------------------------------------|--|-------------------|-------------------------|--------------|
|                                 |              | Capex and contracted income <sup>1</sup>            | Void costs <sup>2</sup> | Sale of The Buckley Building | Proforma 1                          | Capex and site acquisition cost <sup>3</sup> | Contracted income | Void costs <sup>2</sup> | Proforma 2   |
| <b>Gross property income</b>    | <b>£186m</b> | <b>£14m</b>   |                         | <b>(£5m)</b>                 | <b>£195m</b>                        |  | <b>£28m</b>       |                         | <b>£223m</b> |
| Net property income (adjusted)  | £173m        | £13m  | (£1m)                   | (£5m)                        | £180m                               |  | £28m              | (£10m)                  | £198m        |
| Interest cost                   | £38m         |   |                         | (£2m) <sup>4</sup>           | £36m                                |  | £9m <sup>4</sup>  |                         | £45m         |
| <b>Net interest cover ratio</b> | <b>454%</b>  |   |                         |                              | <b>500%</b>                         |  |                   |                         | <b>440%</b>  |
| Portfolio fair value            | £5,361m      | £7m   |                         | (£95m)                       | £5,273m                             | £401m  |                   |                         | £5,674m      |
| Drawn debt net of cash          | £941m        | £7m   |                         | (£100m)                      | £848m                               | £401m  |                   |                         | £1,249m      |
| <b>Loan-to-value ratio</b>      | <b>17.6%</b> |   |                         |                              | <b>16.1%</b>                        |  |                   |                         | <b>22.0%</b> |

<sup>1</sup> Brunel Building W2 <sup>2</sup> Void costs upon completion of project <sup>3</sup> See Appendix 34 for capex. Includes remaining Soho Place site acquisition cost and profit share to Crossrail  
<sup>4</sup> Assuming a marginal interest rate of 2.25%

## DEBT SUMMARY

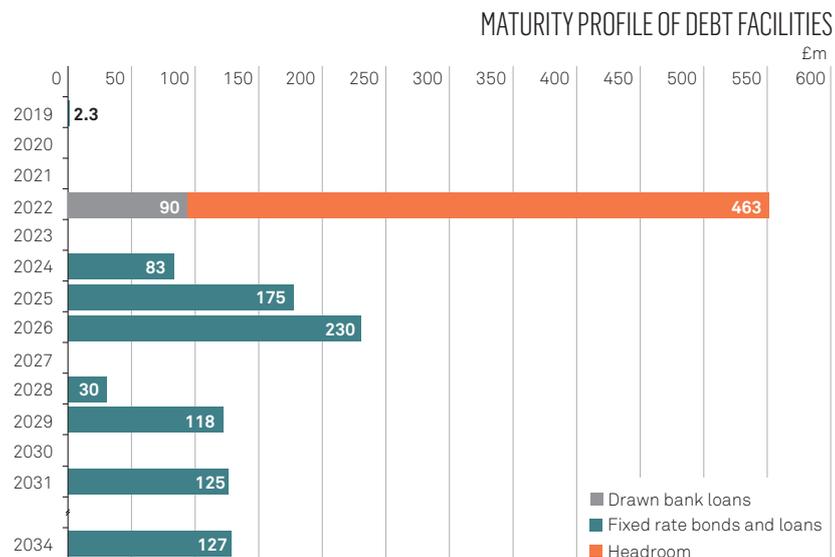
- £250m US private placement (USPP) notes drawn in Jan 2019, with a weighted average interest rate of 2.89% and maturity of 10.8 years
- Repurchase of 2019 convertible bonds and new issue in Jun 2019:
  - £147.7m of the £150m convertible bonds due to mature in Jul 2019 were redeemed at a premium of £8.5m<sup>1</sup>; overall interest cost 2.1% pa over 6 years
  - £175m 1.5% 2025 convertible bonds issued with a conversion price of £44.96 per share
  - IFRS required these bonds to be bifurcated, resulting in an effective interest rate of 2.3% and an equity uplift of £7.5m
- Substantial headroom under financial covenants as at 30 Jun 2019:
  - Values could fall by 68% without breaching the gearing covenant
  - Property income could fall by 70% before breaching the interest cover covenant

|                                     | Jun 2019 | Dec 2018 |
|-------------------------------------|----------|----------|
| Total facilities                    | £1,443m  | £1,166m  |
| Unutilised facilities and cash      | £495m    | £274m    |
| Percentage (%) of unsecured debt    | 71%      | 69%      |
| Uncharged properties                | £4,329m  | £4,117m  |
| Uncharged properties % of portfolio | 81%      | 79%      |
| Net debt                            | £1,004m  | £957m    |
| Gearing:                            |          |          |
| LTV ratio                           | 17.6%    | 17.2%    |
| NAV gearing                         | 23.1%    | 22.4%    |
| Net interest cover ratio            | 454%     | 491%     |

<sup>1</sup> Premium of £8.5m split, with £7.7m recognised in the income statement (excluded from EPRA and underlying earnings) and £0.8m taken to equity

# DEBT FACILITIES

|  | Jun 2019  | Dec 2018  |
|--|-----------|-----------|
| Average spot interest rate (cash basis)                | 3.56%     | 3.43%     |
| Average spot interest rate (IFRS basis)                | 3.70%     | 3.68%     |
| Marginal interest rate                                 | 1.50%     | 1.60%     |
| Percentage of drawn facilities at fixed rate or hedged | 94%       | 70%       |
| Average maturity of facilities                         | 6.4 years | 5.3 years |
| Average maturity of borrowings                         | 8.2 years | 5.9 years |



# VALUATION AND PORTFOLIO ANALYSIS

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NIGEL GEORGE



# VALUATION

## Investment portfolio valued at £5.4bn

- Underlying capital growth 1.9% H2 2018: 0.9%:
  - West End 2.9% H2 2018: 1.5%
  - City Borders 0.5% H2 2018: 0.4%
- MSCI IPD Central London Offices<sup>1</sup> 0.1%
- Valuation themes:

| Tenure              |   |
|---------------------|---|
| Freehold            | ↔ |
| Leasehold           | ↓ |
| Occupational leases |   |
| Long term           | ↔ |
| Short term          | ↓ |

## Four developments drove performance

- Valued at £899m, uplift of 13.6%:
  - Brunel Building W2 (98% let)<sup>2</sup> 21.4%
  - 80 Charlotte Street W1 (92% pre-let) 7.2%
  - Soho Place W1 (50% pre-let) 27.6%
  - The Featherstone Building EC1 1.8%
- Excluding developments, portfolio down 0.2%

|                             | Portfolio valuation<br>£m | Joint venture valuation<br>£m <sup>3</sup> | Total<br>£m    | H1 2019 valuation movement<br>% |
|-----------------------------|---------------------------|--|----------------|---------------------------------|
| West End                    | 3,308.0                   | -  | 3,308.0        | 2.9                             |
| City Borders <sup>4</sup>   | 1,941.2                   | 1.8  | 1,943.0        | 0.5                             |
| <b>Central London</b>       | <b>5,249.2</b>            | <b>1.8</b>                                 | <b>5,251.0</b> | <b>2.0</b>                      |
| Provincial                  | 91.7                      | -  | 91.7           | (2.2)                           |
| <b>Underlying</b>           | <b>5,340.9</b>            | <b>1.8</b>                                 | <b>5,342.7</b> | <b>1.9</b>                      |
| Acquisitions                | 20.0                      | -  | 20.0           | (4.6)                           |
| <b>Investment portfolio</b> | <b>5,360.9</b>            | <b>1.8</b>                                 | <b>5,362.7</b> | <b>1.9</b>                      |

<sup>1</sup>Quarterly index <sup>2</sup>Completed in Q2 2019 <sup>3</sup>50% joint venture interest in 16 Prescott Street E1 <sup>4</sup>Principally properties in the Tech Belt - Appendix 37

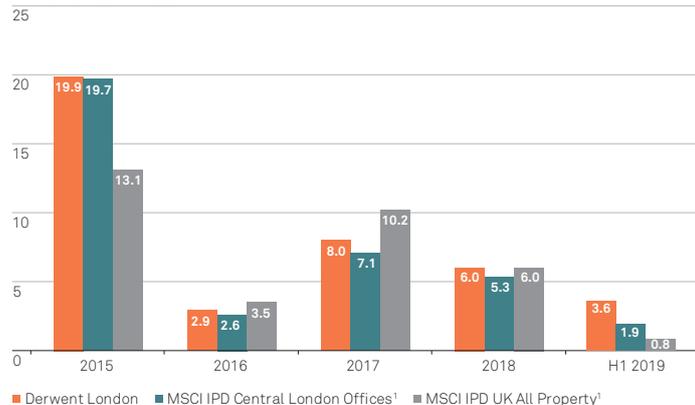
# PROPERTY RETURN

## Total property returns H1 2019

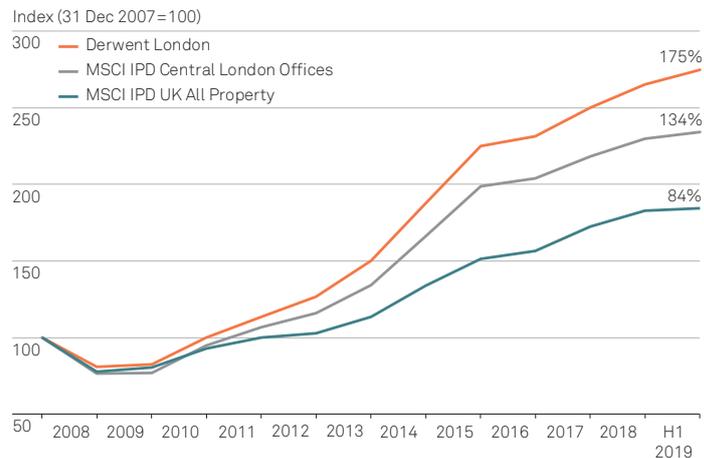
- Derwent London 3.6%
- MSCI IPD Central London Offices<sup>1</sup> 1.9%
- MSCI IPD UK All Property<sup>1</sup> 0.8%

## TOTAL PROPERTY RETURN PERFORMANCE

Total property return (%)



## CUMULATIVE TOTAL PROPERTY RETURN



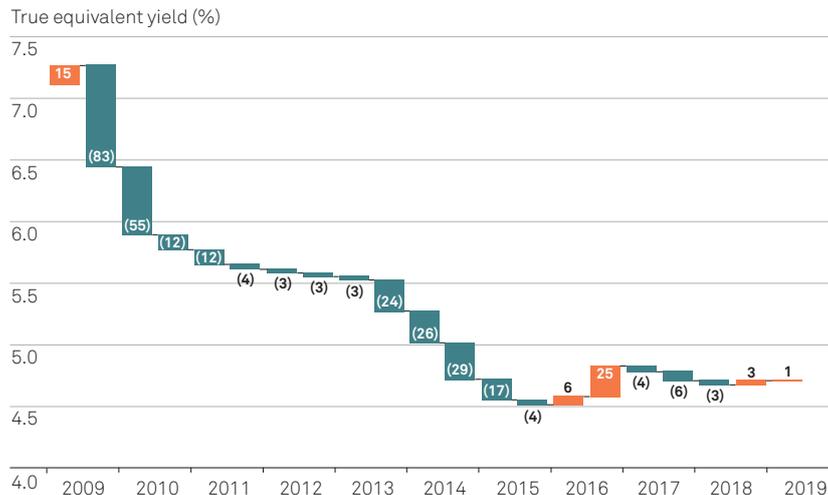
<sup>1</sup> Quarterly Index

# MOVEMENT IN YIELDS

## EPRA yields

- Net initial yield 3.3% (Dec 2018: 3.4%):
  - ‘Topped-up’ net initial yield 4.7% (Dec 2018: 4.6%)
  - Locking in the reversion
- True equivalent yield 4.74% (Dec 2018: 4.73%)
- Net reversionary yield 4.9% (Dec 2018: 4.9%)

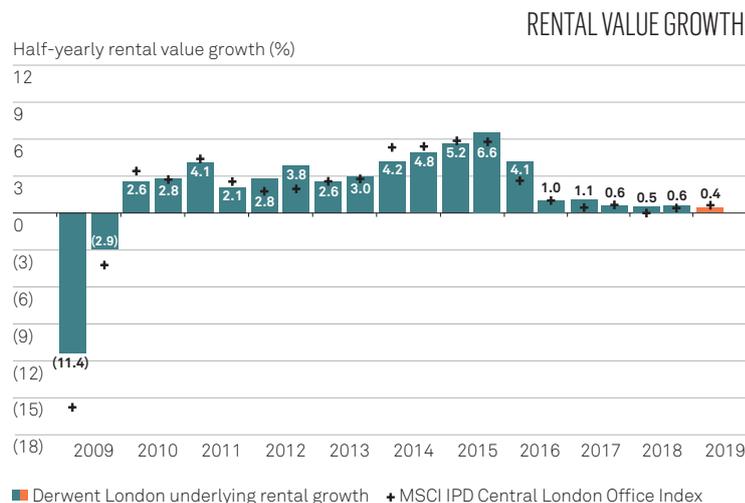
## TRUE EQUIVALENT YIELD MOVEMENT<sup>1</sup>



<sup>1</sup> Post H2 2010 portfolio on an EPRA basis  
Derwent London plc Interim Results 2019

## RENTAL VALUE GROWTH

- Underlying rental growth of 0.4%:
  - City Borders 0.9%
  - West End 0.0%
- Good demand for pre-lets and mid-market priced office space
- Average 'topped-up' office rent £56.31 psf<sup>1</sup> (Dec 2018: £53.25 psf)
- Cumulative rental growth of 58% since 2007, outperforming the 41% from the MSCI IPD Central London Office benchmark



| Central London offices | Portfolio % <sup>2</sup> | Passing rent £ psf <sup>1</sup> | 'Topped-up' rent £ psf <sup>1</sup> | ERV £ psf <sup>3</sup> |
|------------------------|--------------------------|---------------------------------|-------------------------------------|------------------------|
| Core income            | 57                       | 36.32                           | 59.85                               | 58.76                  |
| Potential projects     | 29                       | 36.68                           | 40.33                               | 46.35                  |
|                        | <b>86</b>                | <b>36.43</b>                    | <b>53.82</b>                        | <b>55.00</b>           |
| On-site developments   | 14                       | -                               | 82.64                               | 79.67                  |
| <b>Total</b>           | <b>100</b>               | <b>-</b>                        | <b>56.31</b>                        | <b>58.45</b>           |

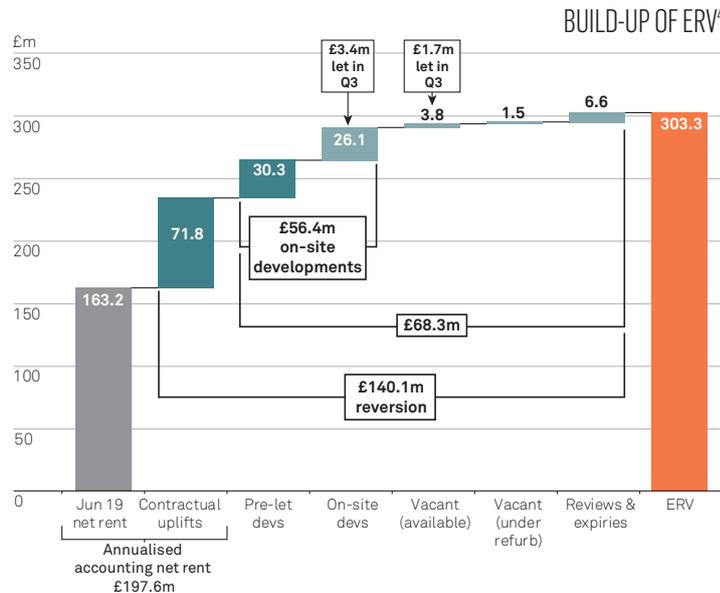
<sup>1</sup> Occupied office area <sup>2</sup> Portfolio area - see Appendix 19 <sup>3</sup> Total office area

## BUILD-UP OF PORTFOLIO ERV

- Portfolio reversion of £140.1m<sup>1</sup>:
  - £71.8m (51%) contracted, including:
    - Brunel Building W2 £15.1m
    - Angel Building EC1 £11.0m
    - White Collar Factory EC1 £8.3m
  - £68.3m of further reversion:
    - £30.3m of pre-lets on developments:

|                               | Let<br>£m         | Vacant<br>£m     | ERV<br>£m   |
|-------------------------------|-------------------|------------------|-------------|
| 80 Charlotte Street W1        | 20.9 <sup>2</sup> | 4.7 <sup>3</sup> | 25.6        |
| Soho Place W1                 | 9.4               | 13.4             | 22.8        |
| The Featherstone Building EC1 | -                 | 8.0              | 8.0         |
|                               | <b>30.3</b>       | <b>26.1</b>      | <b>56.4</b> |

- £31.4m from vacant:
  - Under development/refurbishment £27.6m
  - Available £3.8m
- £6.6m from anticipated rent reviews and lease renewals



| Dec 2018 | 159.5 | 55.3 | 31.9 | 10.8 | 4.1 | 1.7 | 11.1 | 274.4 |
|----------|-------|------|------|------|-----|-----|------|-------|
|----------|-------|------|------|------|-----|-----|------|-------|

<sup>1</sup> Requires additional capex as set out in Appendix 34    <sup>2</sup> Initial rent on Arup space £9.7m pa, subject to 2.25% annual uplifts for the first 15 years

<sup>3</sup> Further £3.4m pre-let to BCG in Q3 2019 taking total development let to £33.7m and vacant down to £22.7m    <sup>4</sup> Before lease incentives

# LEASING, ASSET MANAGEMENT & INVESTMENT

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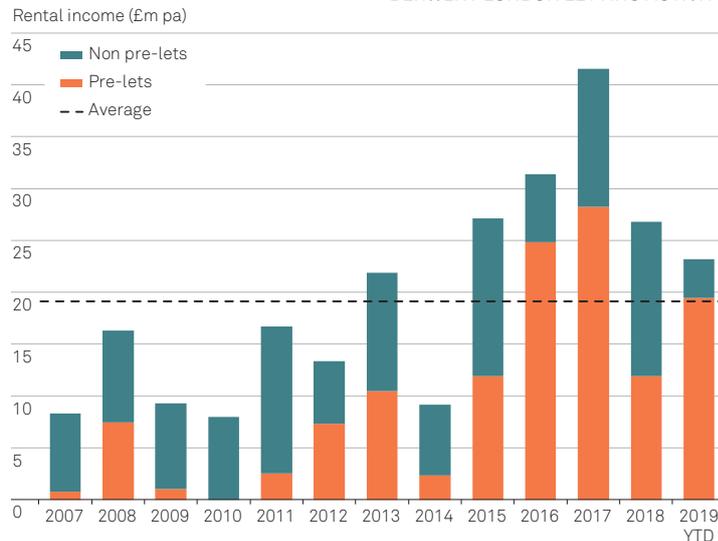
DAVID SILVERMAN



# LETTING ACTIVITY 2019

- 272,200 sq ft of lettings in H1 at a rent of £18.1m pa:
  - Major pre-let to G-Research at Soho Place W1 for £9.7m pa
  - Office lettings concluded at Brunel Building W2
  - Transactions 7.5% ahead of Dec 2018 ERV
- A further 78,000 sq ft in H2 to date at £5.1m pa:
  - BCG committed to 40,650 sq ft of option space at 80 Charlotte Street W1 at £82.50 psf or £3.4m pa
- Transactions YTD:
  - 350,200 sq ft
  - £23.2m pa of rental income
  - 31 lettings

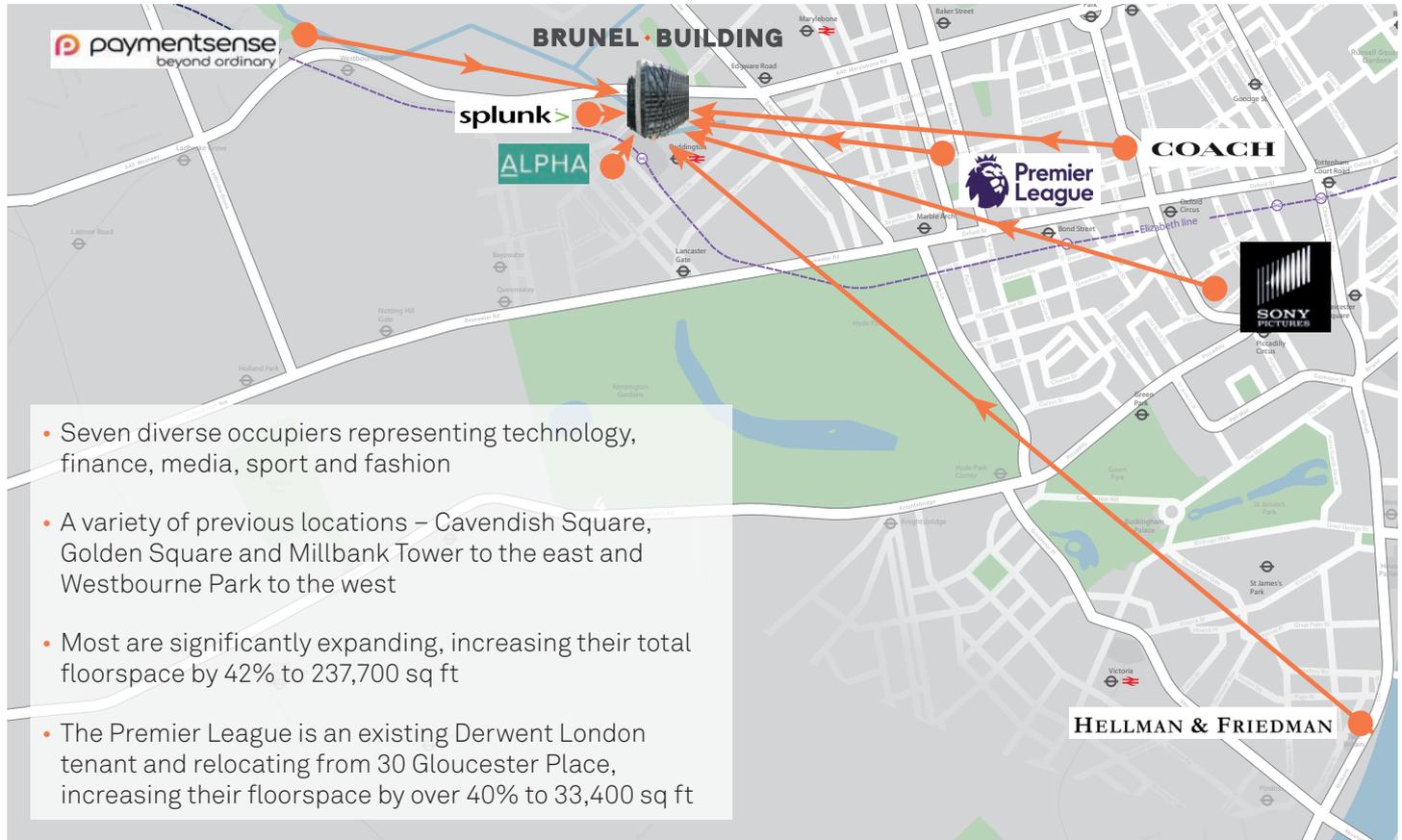
## DERWENT LONDON LETTING ACTIVITY



### Major lettings:



## BRUNEL BUILDING W2: A PRODUCT DRIVEN MARKET



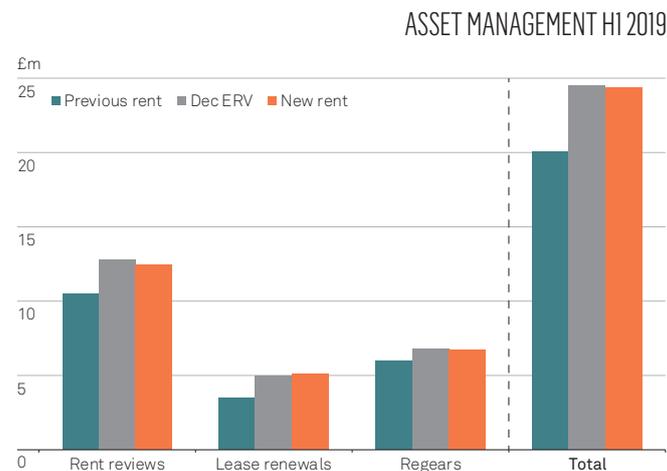
## DERWENT LONDON PLUG AND PLAY SPACE

- Meeting occupiers' space requirements in a swift and convenient way
- The units are fully fitted out, vary in size and available on flexible terms – not fully serviced
- To date nine units, totalling 20,300 sq ft, have been rolled out with an average size of 2,250 sq ft:
  - Located at Morelands EC1, Hardwick Street EC1 and 90 Whitfield Street W1
- Achieve a premium to ERV with no rent free periods
- Potential to grow our Plug and Play offering strategically across our villages



## ASSET MANAGEMENT ACTIVITIES

- 478,000 sq ft of lease renewals, rent reviews and lease regears completed in H1 2019
- Income up 21.4%, from £20.1m pa to £24.3m
- Performance against previous rent:
  - Lease renewals +46.8%
  - Rent reviews +18.5%
  - Lease regears +11.7%
- Vacancy rate of 1.6% at 30 Jun 2019, down from 1.8% at the start of the year



### ASSET MANAGEMENT H1 2019

|                | Area<br>'000 sq ft | Previous rent<br>£m pa | New rent<br>£m pa | Uplift<br>% | Income vs<br>Dec 18 ERV % |
|----------------|--------------------|------------------------|-------------------|-------------|---------------------------|
| Rent reviews   | 253                | 10.6                   | 12.5              | 18.5        | (2.2)                     |
| Lease renewals | 94                 | 3.5                    | 5.1               | 46.8        | 4.0                       |
| Lease regears  | 131                | 6.0                    | 6.7               | 11.7        | (1.0)                     |
| <b>Total</b>   | <b>478</b>         | <b>20.1</b>            | <b>24.3</b>       | <b>21.4</b> | <b>(0.6)</b>              |

## ASSET MANAGEMENT: 19-35 BAKER STREET W1

### Current position

- 143,000 sq ft of existing buildings held in a joint venture (JV) with The Portman Estate (DL share 55%)
- 71-year leasehold interest with a nominal ground rent
- Full planning permission granted in Mar 2019:
  - 293,000 sq ft scheme containing offices, residential and retail



### Regear

- Option agreement to demerge the JV:
  - DL to be granted a 129-year lease at 19-35 Baker Street and 154-year lease at George Street
  - Initial gearing of 2.5% rising to 6% on the 29th anniversary of the development
  - Facilitates the future redevelopment – earliest possession Sep 2021



# ACQUISITION H1 2019: 3-5 RATHBONE PLACE W1

- £21.0m acquisition after costs:
  - 17,800 sq ft office, retail and leisure
  - £0.9m pa rental income
  - 4.2% net initial yield
- Close to existing holdings:
  - Rathbone Studios, 7-10 Rathbone Place
  - Holden House
  - Charlotte Building
  - 50 Oxford Street and 36-38 and 42-44 Hanway Street
- Potential future scheme as location earmarked for Crossrail 2 redevelopment





## Premier House SW1

- £50.0m before costs in Q1:
  - 10% premium to Dec 2018 book value (BV)
  - 60,700 sq ft freehold office
  - Vacant possession just prior to sale
- Limited scope for additional area



## 9 Prescott Street E1

- £53.8m before costs in Q2:
  - 2% premium to Dec 2018 BV
  - 50:50 joint venture (DL share £26.9m)
  - 97,000 sq ft office building
  - £2.3m pa rental income
- 40% of the building refurbished in 2016



## The Buckley Building EC1

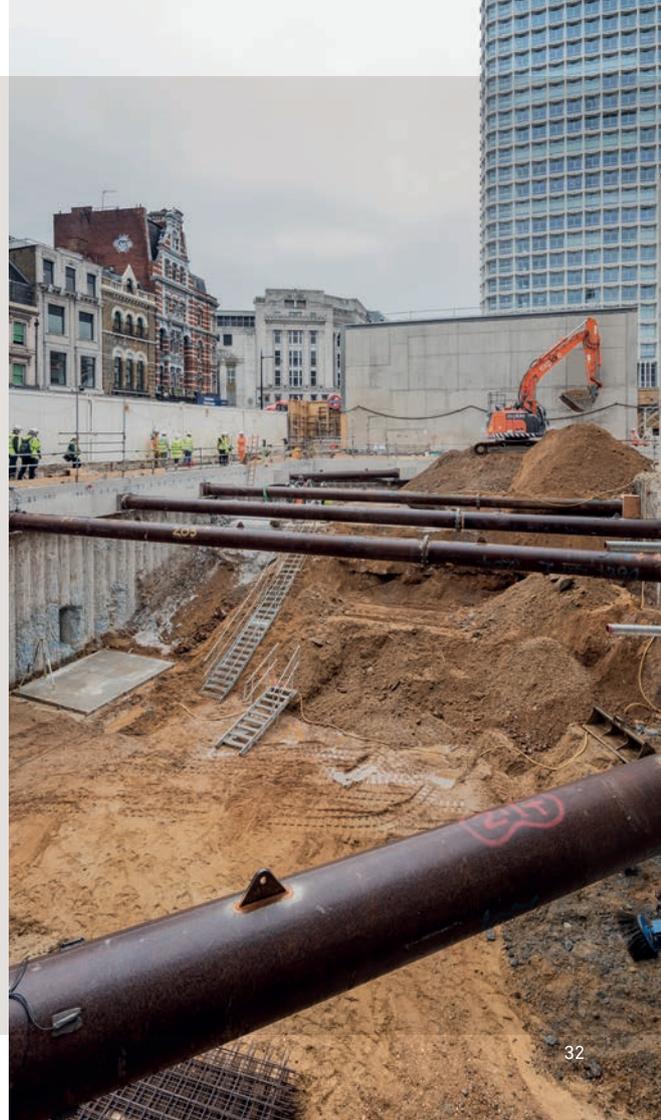
- £103.0m sale exchanged in Q3:
  - 5% premium to Dec 2018 BV<sup>1</sup>
  - 85,100 sq ft freehold office
  - £4.9m pa rental income
- Mature asset with limited scope to add value

<sup>1</sup> Based upon a disposal price net of costs and potential 'top-ups' of £99.6m

# PROJECTS

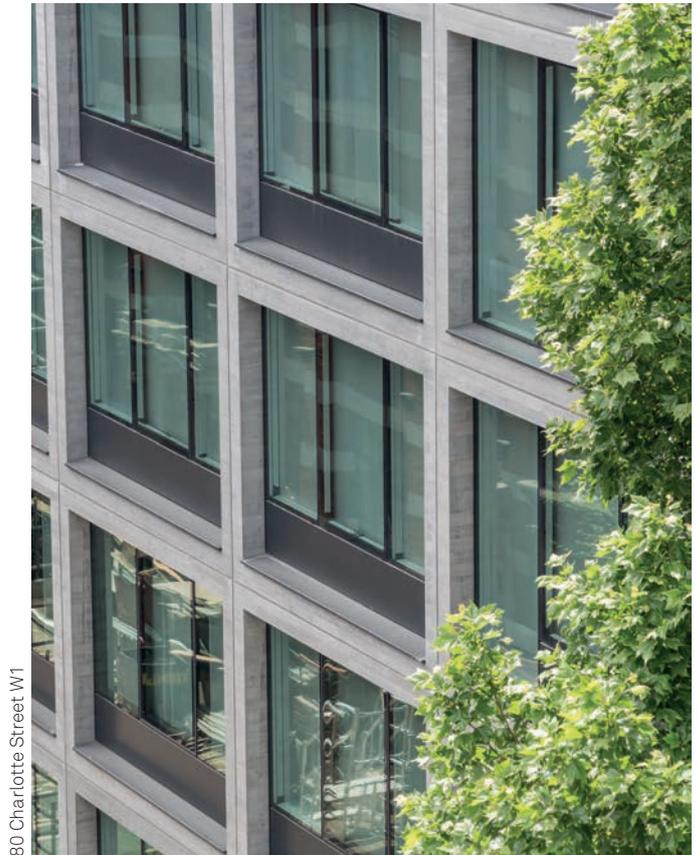
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## SIMON SILVER



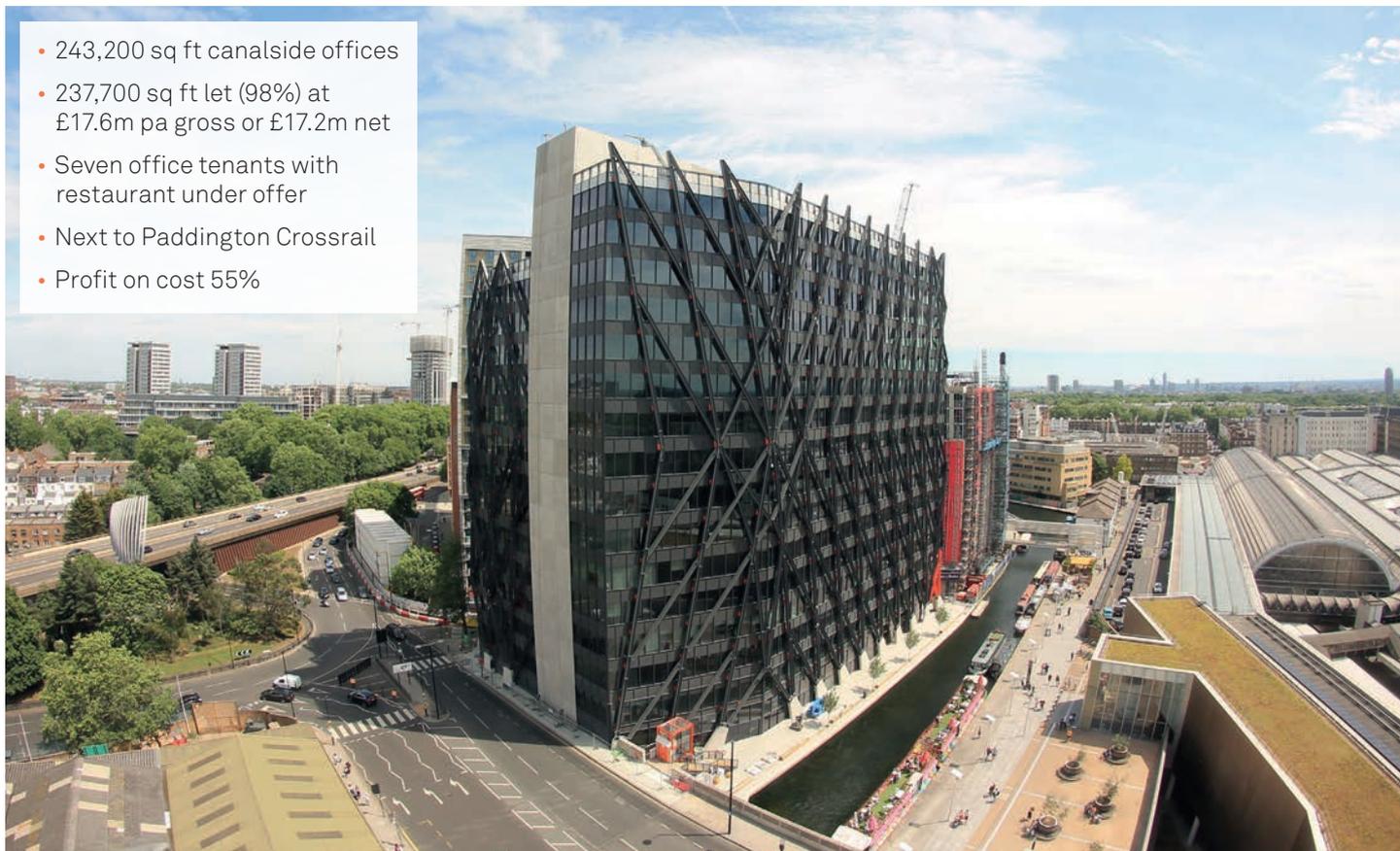
## PROJECT UPDATE: A BUSY START TO THE YEAR

- One major completion:
  - Brunel Building W2 – 243,200 sq ft – Offices 100% let and remaining 5,500 sq ft retail unit under offer
- Three major projects on site:
  - 80 Charlotte Street W1 – 380,000 sq ft mixed-use scheme
  - Soho Place W1 – 285,000 sq ft of offices, retail and a theatre
  - The Featherstone Building EC1 – 125,000 sq ft of offices and retail
- Two further projects with full planning permission:
  - 19-35 Baker Street W1 – 293,000 sq ft mixed-use
  - Holden House W1 – 150,000 sq ft retail/office



# H1 2019 COMPLETION: BRUNEL BUILDING W2

- 243,200 sq ft canalside offices
- 237,700 sq ft let (98%) at £17.6m pa gross or £17.2m net
- Seven office tenants with restaurant under offer
- Next to Paddington Crossrail
- Profit on cost 55%





## GOOD PROGRESS: 80 CHARLOTTE STREET W1



- 380,000 sq ft mixed-use scheme
- Commercial space 92% pre-let at £24.3m pa
- Completion H1 2020
- Capex to complete £69m



PLEX

AN GROUP

CHANNERY STREET

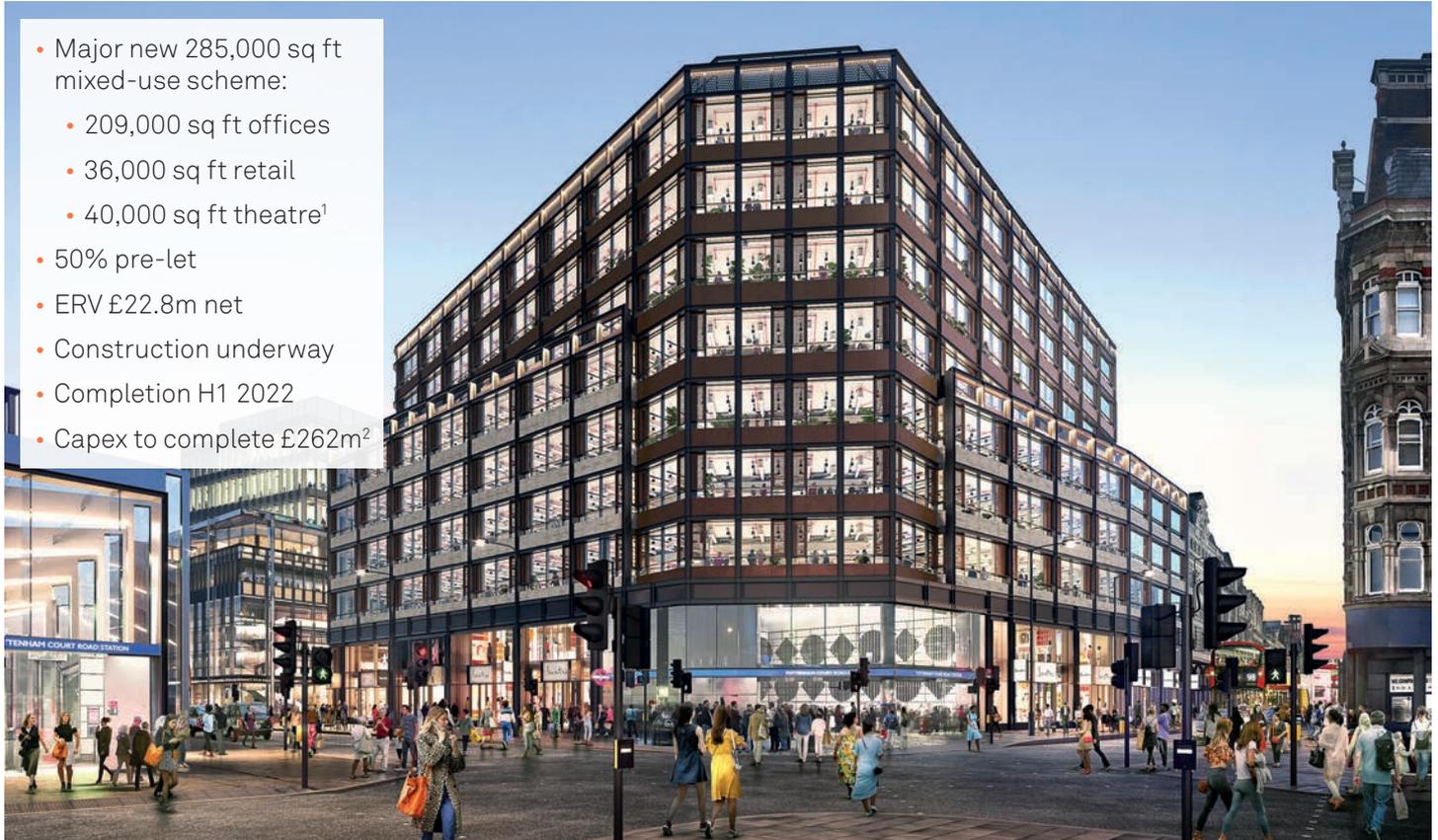


80  
CHARLOTTE  
STREET,  
PITTSBURGH, PA



# H1 2019 START: SOHO PLACE W1

- Major new 285,000 sq ft mixed-use scheme:
  - 209,000 sq ft offices
  - 36,000 sq ft retail
  - 40,000 sq ft theatre<sup>1</sup>
- 50% pre-let
- ERV £22.8m net
- Construction underway
- Completion H1 2022
- Capex to complete £262m<sup>2</sup>



<sup>1</sup> Pre-let at a nominal ground rent <sup>2</sup> Includes remaining site acquisition cost and 16% profit share payaway to freeholder Crossrail



## H1 2019 START: THE FEATHERSTONE BUILDING EC1

- 125,000 sq ft of offices and retail
- Demolition finishes early September
- ERV £8m
- Completion H1 2022
- Capex to complete £70m

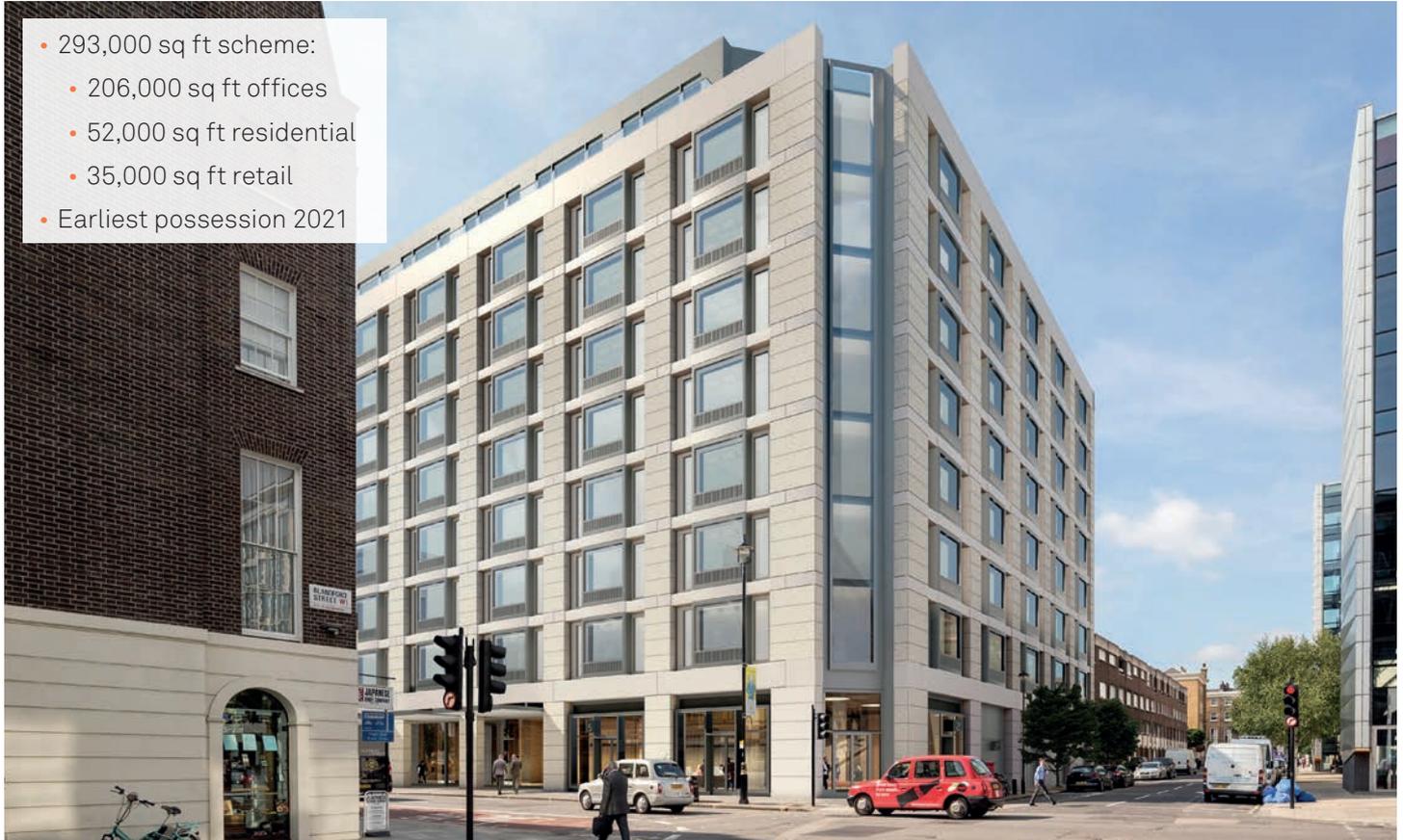




RECEPTION  
BUILDING

## 19-35 BAKER STREET W1

- 293,000 sq ft scheme:
  - 206,000 sq ft offices
  - 52,000 sq ft residential
  - 35,000 sq ft retail
- Earliest possession 2021





Perfumery

Perfumery

# LOOKING TO THE FUTURE

## CONSENTED

Existing 0.23m sq ft  
Proposed 0.44m sq ft



19-35 Baker Street W1



Holden House W1

## UNDER APPRAISAL

Existing 0.28m sq ft



Francis House SW1



Network Building W1



Angel Square EC1

## FUTURE APPRAISAL

Existing 1.13m sq ft



Bush House WC2



20 Farringdon Road EC1



19 Charterhouse Street EC1

# SUMMARY

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PAUL WILLIAMS



### OUR MARKET

- Ongoing economic and political uncertainty
- Good occupier demand with lower investment activity
- ERV guidance: +1% to -2% in 2019
- Investment yields expected to remain firm in 2019

### DERWENT LONDON

- Derwent London product attractive to occupiers and investors
- Development ERV £56.4m – 60% pre-let
- Robust financial position
- Dividend growth in 2019 of c.10%

# APPENDICES

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## APPENDICES

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## APPENDIX 1 - GROUP BALANCE SHEET

|  | Jun 2019<br>£m   | Dec 2018<br>£m | Jun 2018<br>£m |
|--|------------------|----------------|----------------|
| Investment property                        | 5,179.0          | 5,028.2        | 4,857.0        |
| Owner-occupied property                    | 46.5             | 47.0           | 47.0           |
| Investment in joint ventures               | 2.8              | 29.1           | 41.6           |
| Other non-current assets                   | 144.3            | 129.5          | 115.2          |
|  | <b>5,372.6</b>   | <b>5,233.8</b> | <b>5,060.8</b> |
| Other current assets and liabilities       | (54.8)           | (44.1)         | (63.5)         |
| Trading property                           | 40.6             | 36.3           | 28.5           |
| Cash and cash equivalents                  | 31.5             | 18.3           | 21.4           |
| Borrowings – current                       | (2.3)            | (148.4)        | -              |
|  | <b>15.0</b>      | <b>(137.9)</b> | <b>(13.6)</b>  |
| Borrowings – non-current                   | (971.0)          | (766.1)        | (786.9)        |
| Other non-current liabilities              | (66.9)           | (66.4)         | (63.2)         |
|  | <b>(1,037.9)</b> | <b>(832.5)</b> | <b>(850.1)</b> |
| <b>Total net assets</b>                    | <b>4,349.7</b>   | <b>4,263.4</b> | <b>4,197.1</b> |
| Non-controlling interest                   | (58.8)           | (61.5)         | (63.3)         |
| <b>Attributable to equity shareholders</b> | <b>4,290.9</b>   | <b>4,201.9</b> | <b>4,133.8</b> |

## APPENDIX 2 - NET ASSET VALUE PER SHARE

|   | £m             | Jun 2019<br>Diluted<br>p | £m             | Dec 2018<br>Diluted<br>p |
|---|----------------|--------------------------|----------------|--------------------------|
| <b>Net assets attributable to equity shareholders</b>                   | <b>4,290.9</b> | <b>3,833</b>             | <b>4,201.9</b> | <b>3,759</b>             |
| Revaluation of trading properties net of tax                            | 2.1            |                          | 0.8            |                          |
| Fair value of secured bonds   | (36.5)         |                          | (35.3)         |                          |
| Fair value of unsecured convertible bonds 2019                          | -              |                          | (3.6)          |                          |
| Fair value of unsecured convertible bonds 2025                          | 3.3            |                          | -              |                          |
| Fair value of fixed rate secured loan                                   | (5.1)          |                          | (4.0)          |                          |
| Fair value of fixed rate unsecured private placement notes              | (37.7)         |                          | (22.2)         |                          |
| Unamortised issue and arrangement costs                                 | (10.6)         |                          | (6.5)          |                          |
| <b>EPRA triple NAV</b>  | <b>4,206.4</b> | <b>3,758</b>             | <b>4,131.1</b> | <b>3,696</b>             |
| Fair value of bonds and costs   | 86.6           |                          | 71.6           |                          |
| Deferred tax on revaluation surplus                                     | 3.2            |                          | 3.6            |                          |
| Fair value of derivatives   | 4.9            |                          | 3.6            |                          |
| Fair value adjustment to secured bonds on acquisition less amortisation | 11.2           |                          | 11.8           |                          |
| Non-controlling interest in respect of the above                        | (0.8)          |                          | (0.9)          |                          |
| <b>EPRA NAV</b>   | <b>4,311.5</b> | <b>3,852</b>             | <b>4,220.8</b> | <b>3,776</b>             |

## APPENDIX 3 - GROUP INCOME STATEMENT

|   | Half year ended<br>Jun 2019<br>£m | Year ended<br>Dec 2018<br>£m | Half year ended<br>Jun 2018<br>£m |
|---|-----------------------------------|------------------------------|-----------------------------------|
| Gross property income                       | 93.6                              | 196.0                        | 107.1                             |
| Write-down on trading properties            | -                                 | (0.2)                        | (0.2)                             |
| Other income                                | 1.7                               | 2.9                          | 1.2                               |
| Property outgoings                          | (6.8)                             | (12.8)                       | (4.7)                             |
| <b>Net property and other income</b>        | <b>88.5</b>                       | <b>185.9</b>                 | <b>103.4</b>                      |
| Administrative expenses                     | (17.1)                            | (32.3)                       | (15.2)                            |
| Revaluation surplus                         | 75.0                              | 83.4                         | 54.0                              |
| Profit on disposal of investment properties | 4.7                               | 5.2                          | 0.1                               |
| Net finance costs                           | (12.8)                            | (23.5)                       | (11.5)                            |
| Bond redemption premium                     | (7.8)                             | -                            | -                                 |
| Joint venture (JV) results                  | 2.0                               | 2.1                          | 1.9                               |
| Derivatives fair value movement             | (1.3)                             | 4.3                          | 3.1                               |
| Financial derivative termination costs      | (1.2)                             | (3.5)                        | (1.8)                             |
| <b>IFRS profit before tax</b>               | <b>130.0</b>                      | <b>221.6</b>                 | <b>134.0</b>                      |
| Tax charge                                  | (0.4)                             | (2.7)                        | (1.6)                             |
| <b>IFRS profit for the period</b>           | <b>129.6</b>                      | <b>218.9</b>                 | <b>132.4</b>                      |
| Attributable to:                            |                                   |                              |                                   |
| Equity shareholders <sup>1</sup>            | 131.8                             | 222.3                        | 134.0                             |
| Non-controlling interest                    | (2.2)                             | (3.4)                        | (1.6)                             |
|   | <b>129.6</b>                      | <b>218.9</b>                 | <b>132.4</b>                      |

|                                   |     |       |     |
|-----------------------------------|-----|-------|-----|
| JV revaluation                    | 0.9 | (0.1) | 0.1 |
| Profit on disposal of JV property | 0.8 | 1.3   | 1.3 |
| Other JV profit                   | 0.3 | 0.9   | 0.5 |

<sup>1</sup> A reconciliation of the IFRS profit attributable to shareholders to the EPRA and underlying earnings is shown in Appendix 4

## APPENDIX 4 - IFRS PROFIT AND EPRA/UNDERLYING EARNINGS

|   | Half year<br>ended<br>Jun 2019<br>£m | Year<br>ended<br>Dec 2018<br>£m | Half year<br>ended<br>Jun 2018<br>£m |
|---|--------------------------------------|---------------------------------|--------------------------------------|
| IFRS profit for the year attributable to shareholders | 131.8                                | 222.3                           | 134.0                                |
| Revaluation surplus                                   | (75.0)                               | (83.4)                          | (54.0)                               |
| Joint venture revaluation (surplus)/deficit           | (0.9)                                | 0.1                             | (0.1)                                |
| Profit on disposal of properties                      | (4.7)                                | (5.2)                           | (0.1)                                |
| Profit on disposal of share of associate's properties | (0.8)                                | (1.3)                           | (1.3)                                |
| Write-down of trading property                        | -                                    | 0.2                             | 0.2                                  |
| Derivatives fair value movement                       | 1.3                                  | (4.3)                           | (3.1)                                |
| Financial derivative termination costs                | 1.2                                  | 3.5                             | 1.8                                  |
| Bond redemption premium                               | 7.8                                  | -                               | -                                    |
| Tax adjustment  | (0.2)                                | (0.4)                           | (0.2)                                |
| Non-controlling interest in respect of the above      | (3.2)                                | (5.4)                           | (2.6)                                |
| <b>EPRA earnings</b>                                  | <b>57.3</b>                          | <b>126.1</b>                    | <b>74.6</b>                          |
| Deduction for access rights receipt and premiums      | -                                    | (15.6)                          | (16.9)                               |
| <b>Underlying earnings</b>                            | <b>57.3</b>                          | <b>110.5</b>                    | <b>57.7</b>                          |

## APPENDIX 5 - EXPLANATION OF EPRA ADJUSTMENTS

|   | H1 2019<br>IFRS<br>£m | Adjustments  |               |             | H1 2019<br>EPRA<br>basis<br>£m | H1 2018<br>EPRA<br>basis<br>£m |
|---|-----------------------|--------------|---------------|-------------|--------------------------------|--------------------------------|
|   |                       | A<br>£m      | B<br>£m       | C<br>£m     |                                |                                |
| Net property and other income                       | 88.5                  |              |               |             | 88.5                           | 103.6                          |
| Administrative expenses                             | (17.1)                |              |               |             | (17.1)                         | (15.2)                         |
| Revaluation surplus                                 | 75.0                  |              | (75.0)        |             | -                              | -                              |
| Profit on disposal of investment property           | 4.7                   | (4.7)        |               |             | -                              | -                              |
| Net finance costs                                   | (12.8)                |              |               |             | (12.8)                         | (11.5)                         |
| Bond redemption premium                             | (7.8)                 |              |               | 7.8         | -                              | -                              |
| Derivatives fair value movement                     | (1.3)                 |              |               | 1.3         | -                              | -                              |
| Financial derivative termination costs              | (1.2)                 |              |               | 1.2         | -                              | -                              |
| Share of results of joint ventures                  | 2.0                   | (0.8)        | (0.9)         |             | 0.3                            | 0.5                            |
| <b>Profit before tax</b>                            | <b>130.0</b>          | <b>(5.5)</b> | <b>(75.9)</b> | <b>10.3</b> | <b>58.9</b>                    | <b>77.4</b>                    |
| Tax charge  | (0.4)                 | -            | (0.2)         | -           | (0.6)                          | (1.8)                          |
| <b>Profit for the period</b>                        | <b>129.6</b>          | <b>(5.5)</b> | <b>(76.1)</b> | <b>10.3</b> | <b>58.3</b>                    | <b>75.6</b>                    |
| Non-controlling interest                            | 2.2                   | -            | (3.2)         | -           | (1.0)                          | (1.0)                          |
| <b>Earnings attributable to equity shareholders</b> | <b>131.8</b>          | <b>(5.5)</b> | <b>(79.3)</b> | <b>10.3</b> | <b>57.3</b>                    | <b>74.6</b>                    |
| <b>Earnings per share</b>                           | <b>118.09p</b>        |              |               |             | <b>51.34p</b>                  | <b>66.93p</b>                  |

A – Disposal of investment and trading properties and associated tax and non-controlling interest

B – Write-down of trading properties and revaluation on investment property and in joint ventures, and associated deferred tax and non-controlling interest

C – Fair value movement and termination costs relating to derivative financial instruments, associated non-controlling interest and the bond redemption premium

## APPENDIX 6 - RECONCILIATION OF LIKE-FOR-LIKE INCOME TO IFRS INCOME

|                            | Total<br>£m  | Development<br>property<br>£m | Acquisitions<br>& disposals<br>£m | Properties owned<br>throughout<br>the period<br>£m | <i>Like-for-like<br/>movement<br/>to H1 2019</i> |
|----------------------------|--------------|-------------------------------|-----------------------------------|--|--|
| <b>H1 2019</b>             |              |                               |                                   |  |  |
| <b>Gross rental income</b> | <b>93.1</b>  | <b>(2.7)</b>                  | <b>(1.7)</b>                      | <b>88.7</b>  |  |
| Property expenditure       | (6.8)        | 1.3                           | 0.2                               | (5.3)  |  |
| <b>Net rental income</b>   | <b>86.3</b>  | <b>(1.4)</b>                  | <b>(1.5)</b>                      | <b>83.4</b>  |  |
| Other                      | 2.2          | -                             | -                                 | 2.2  |  |
| <b>Net property income</b> | <b>88.5</b>  | <b>(1.4)</b>                  | <b>(1.5)</b>                      | <b>85.6</b>  |  |
| <b>H1 2018</b>             |              |                               |                                   |  |  |
| <b>Gross rental income</b> | <b>86.9</b>  | <b>(0.3)</b>                  | <b>(1.1)</b>                      | <b>85.5</b>  | 3.7%   |
| Property expenditure       | (6.3)        | 1.6                           | -                                 | (4.7)  |  |
| <b>Net rental income</b>   | <b>80.6</b>  | <b>1.3</b>                    | <b>(1.1)</b>                      | <b>80.8</b>  | 3.2%   |
| Other property income      | 17.7         | -                             | -                                 | 17.7   |  |
| Other                      | 5.1          | 0.2                           | -                                 | 5.3  |  |
| <b>Net property income</b> | <b>103.4</b> | <b>1.5</b>                    | <b>(1.1)</b>                      | <b>103.8</b>                                       | (17.5%)  |
| <b>H2 2018</b>             |              |                               |                                   |  |  |
| <b>Gross rental income</b> | <b>88.2</b>  | <b>(0.7)</b>                  | <b>(1.8)</b>                      | <b>85.7</b>  | 3.5%   |
| Property expenditure       | (7.7)        | 1.3                           | -                                 | (6.4)  |  |
| <b>Net rental income</b>   | <b>80.5</b>  | <b>0.6</b>                    | <b>(1.8)</b>                      | <b>79.3</b>  | 5.2%   |
| Other                      | 2.0          | -                             | -                                 | 2.0  |  |
| <b>Net property income</b> | <b>82.5</b>  | <b>0.6</b>                    | <b>(1.8)</b>                      | <b>81.3</b>  | 5.3%   |

## APPENDIX 7 - DEBT FACILITIES

|   | Drawn<br>£m  | Undrawn<br>£m | Total<br>£m    | Maturity     |
|---|--------------|---------------|----------------|--------------|
| 3.99% secured loan                      | 83.0         | -             | 83.0           | October 2024 |
| 6.5% secured bonds                      | 175.0        | -             | 175.0          | March 2026   |
| 1.125% unsecured convertible bonds 2019 | 2.3          | -             | 2.3            | July 2019    |
| 1.5% unsecured convertible bonds 2025   | 175.0        | -             | 175.0          | June 2025    |
| 2.68% unsecured private placement notes | 55.0         | -             | 55.0           | January 2026 |
| 3.46% unsecured private placement notes | 30.0         | -             | 30.0           | May 2028     |
| 4.41% unsecured private placement notes | 25.0         | -             | 25.0           | January 2029 |
| 2.87% unsecured private placement notes | 93.0         | -             | 93.0           | January 2029 |
| 2.97% unsecured private placement notes | 50.0         | -             | 50.0           | January 2031 |
| 3.57% unsecured private placement notes | 75.0         | -             | 75.0           | May 2031     |
| 4.68% unsecured private placement notes | 75.0         | -             | 75.0           | January 2034 |
| 3.09% unsecured private placement notes | 52.0         | -             | 52.0           | January 2034 |
| <b>Non-bank loans</b>                   | <b>890.3</b> | <b>-</b>      | <b>890.3</b>   |              |
| Bilateral term – secured                | 28.0         | -             | 28.0           | July 2022    |
| Bilateral revolving credit – unsecured  | 9.0          | 66.0          | 75.0           | July 2022    |
| Club revolving credit – unsecured       | 53.0         | 397.0         | 450.0          | January 2022 |
| <b>Committed bank facilities</b>        | <b>90.0</b>  | <b>463.0</b>  | <b>553.0</b>   |              |
| <b>At 30 Jun 2019</b>                   | <b>980.3</b> | <b>463.0</b>  | <b>1,443.3</b> |              |

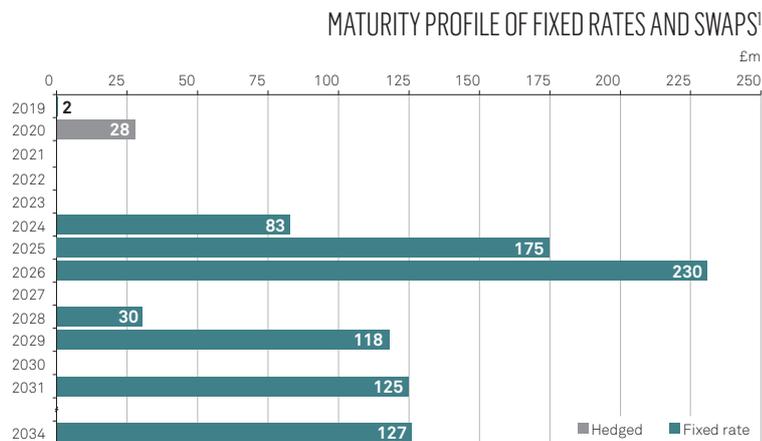
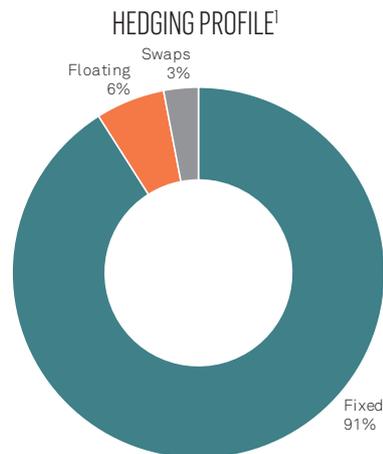
## APPENDIX 8 - NET DEBT

|  | Jun 2019<br>£m | Dec 2018<br>£m |
|--|----------------|----------------|
| Borrowings – current                                   | 2.3            | 148.4          |
| Borrowings – non-current                               | 971.0          | 766.1          |
| Acquired fair value of secured bonds less amortisation | (11.2)         | (11.8)         |
| Equity component of unsecured bonds                    | 7.9            | 12.6           |
| Unwinding of discount of unsecured bonds               | (0.3)          | (11.3)         |
| Unamortised issue and arrangement costs                | 10.6           | 6.5            |
| <b>Facilities – drawn</b>                              | <b>980.3</b>   | <b>910.5</b>   |
| Facilities – undrawn                                   | 463.0          | 255.5          |
| <b>Total debt facilities</b>                           | <b>1,443.3</b> | <b>1,166.0</b> |

|                           | Jun 2019<br>£m | Dec 2018<br>£m |
|---------------------------|----------------|----------------|
| Borrowings                | 973.3          | 914.5          |
| Leasehold liabilities     | 61.7           | 60.7           |
| Cash and cash equivalents | (31.5)         | (18.3)         |
| <b>Net debt</b>           | <b>1,003.5</b> | <b>956.9</b>   |

## APPENDIX 9 - FIXED RATES AND HEDGING

|   | Jun 2019  | Dec 2018  |
|---|-----------|-----------|
| Proportion of drawn facilities at fixed rates or hedged | 94%       | 70%       |
| Weighted average duration of swaps <sup>1</sup>         | 0.7 years | 1.2 years |
| Mark-to-market cost of swaps and forward-start swaps    | £4.9m     | £3.6m     |
| Weighted average duration of fixed rate instruments     | 8.8 years | 7.2 years |



<sup>1</sup> Excludes the following forward-start swaps:

| Principal<br>£m | Rate<br>% | Start date     | Expiry date |
|-----------------|-----------|----------------|-------------|
| 70.0            | 3.99      | September 2019 | March 2020  |
| 40.0            | 2.45      | October 2019   | July 2022   |
| 75.0            | 1.36      | July 2019      | April 2025  |

## APPENDIX 10 - VALUATION PERFORMANCE BY VILLAGE

|                             | Valuation<br>Jun 2019<br>£m | Weighting<br>Jun 2019<br>% | Valuation<br>movement<br>H1 2019 <sup>1</sup><br>% |
|-----------------------------|-----------------------------|----------------------------|--|
| <b>West End Central</b>     |                             |                            |  |
| Fitzrovia <sup>2</sup>      | 1,688.4                     | 31                         | 1.4  |
| Victoria                    | 468.5                       | 9                          | (0.2)  |
| Paddington                  | 327.9                       | 6                          | 21.4   |
| Baker Street/Marylebone     | 161.4                       | 3                          | (4.5)  |
| Soho/Covent Garden          | 123.6                       | 2                          | 19.9   |
| Mayfair                     | 96.6                        | 2                          | 0.9  |
|                             | <b>2,866.4</b>              | <b>53</b>                  | <b>3.4</b>   |
| <b>West End Borders</b>     |                             |                            |  |
| Islington/Camden            | 461.6                       | 9                          | (0.2)  |
| <b>West End</b>             | <b>3,328.0</b>              | <b>62</b>                  | <b>2.9</b>   |
| <b>City Borders</b>         |                             |                            |  |
| Clerkenwell                 | 629.7                       | 12                         | 0.7  |
| Old Street                  | 585.4                       | 11                         | 1.0  |
| Shoreditch/Whitechapel      | 442.7                       | 8                          | 0.9  |
| Holborn                     | 283.0                       | 5                          | (1.9)  |
| Other                       | 2.2                         | -                          | -  |
| <b>City Borders</b>         | <b>1,943.0</b>              | <b>36</b>                  | <b>0.5</b>   |
| <b>Central London</b>       | <b>5,271.0</b>              | <b>98</b>                  | <b>2.0</b>   |
| Provincial                  | 91.7                        | 2                          | (2.2)  |
| <b>Investment portfolio</b> | <b>5,362.7</b>              | <b>100</b>                 | <b>1.9</b>   |

<sup>1</sup> Underlying - properties held throughout the period    <sup>2</sup> Includes North of Oxford Street

## APPENDIX 11 - RENTAL VALUE GROWTH

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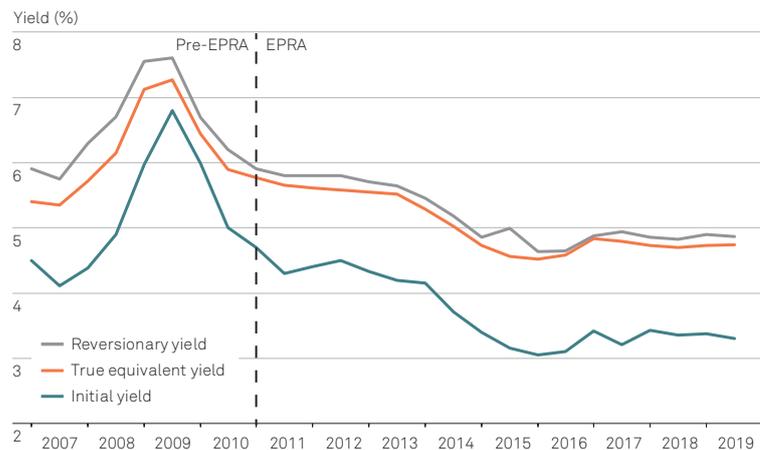
### RENTAL VALUE GROWTH<sup>1</sup>

|                       | H1 2018<br>% | H2 2018<br>% | 2018<br>%  | H1 2019<br>% |
|-----------------------|--------------|--------------|------------|--------------|
| West End              | 0.4          | 0.2          | 0.6        | 0.0          |
| City Borders          | 0.6          | 1.4          | 2.0        | 0.9          |
| <b>Central London</b> | <b>0.5</b>   | <b>0.7</b>   | <b>1.2</b> | <b>0.4</b>   |
| Provincial            | 0.1          | (4.4)        | (4.3)      | 0.6          |
| <b>Underlying</b>     | <b>0.5</b>   | <b>0.6</b>   | <b>1.1</b> | <b>0.4</b>   |

<sup>1</sup> On EPRA portfolio

## APPENDIX 12 - VALUATION YIELDS

### YIELD PROFILE<sup>1</sup>



### EPRA INITIAL YIELDS

|                       | Net initial yield % | 'Topped-up' initial yield % |
|-----------------------|---------------------|-----------------------------|
| West End              | 3.2                 | 4.6                         |
| City Borders          | 3.3                 | 4.7                         |
| <b>Central London</b> | <b>3.2</b>          | <b>4.6</b>                  |
| Provincial            | 6.7                 | 7.2                         |
| <b>EPRA portfolio</b> | <b>3.3</b>          | <b>4.7</b>                  |

### TRUE EQUIVALENT YIELDS<sup>2</sup>

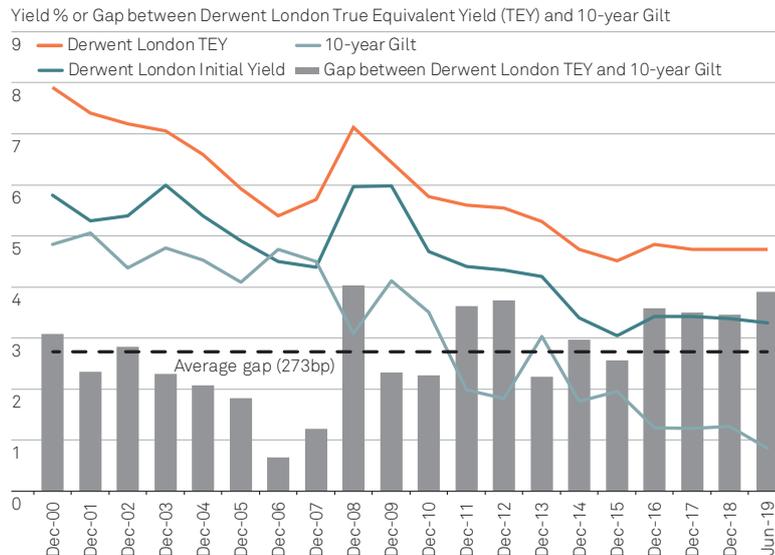
|                       | Dec 2018 %  | H1 2019 movement basis points | Jun 2019 %  |
|-----------------------|-------------|-------------------------------|-------------|
| West End              | 4.62        | 2                             | 4.64        |
| City Borders          | 4.79        | -                             | 4.79        |
| <b>Central London</b> | <b>4.69</b> | <b>1</b>                      | <b>4.70</b> |
| Provincial            | 7.68        | 32                            | 8.00        |
| <b>Underlying</b>     | <b>4.73</b> | <b>1</b>                      | <b>4.74</b> |

<sup>1</sup> Six-monthly data    <sup>2</sup> On EPRA portfolio

## APPENDIX 13 - CONTEXT TO YIELD MOVEMENT

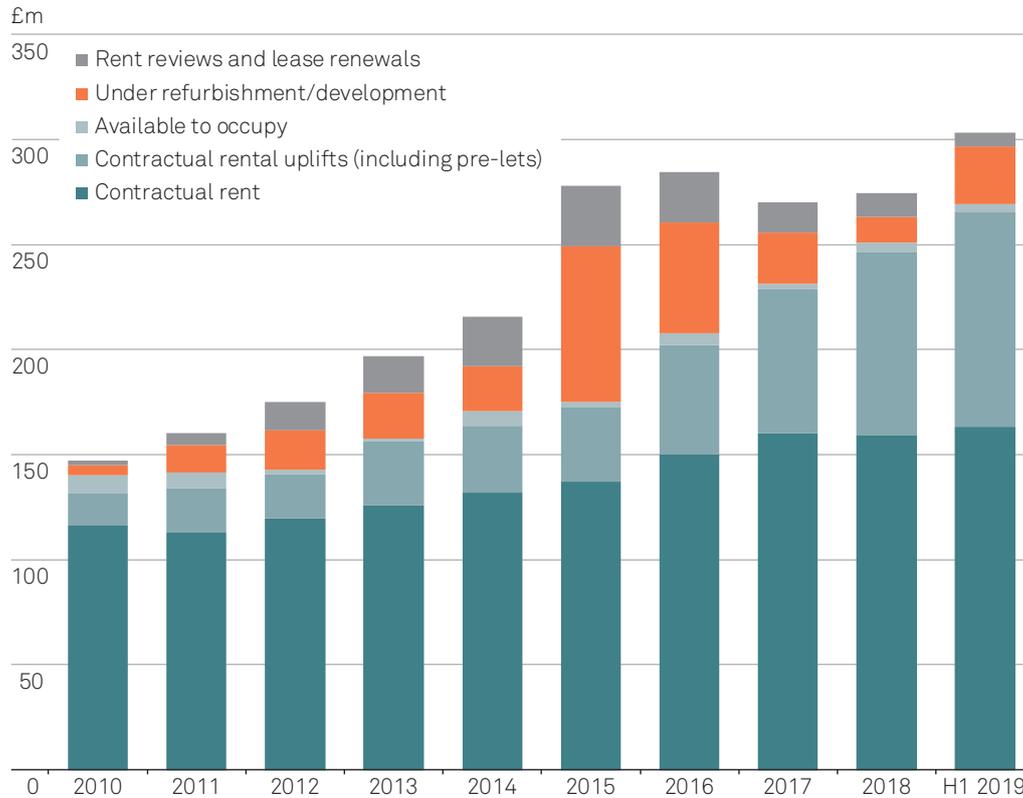
- Spread between true equivalent yield and 10-year Gilt moved out to 390bp:
  - Average gap 273bp
  - Gilt yield declined from 1.27% at the start of the year to 0.84% at the half year
  - Investor activity weakened in H1
- Capital values<sup>2</sup>:
  - Central London      £1,006 psf:
    - West End            £1,040 psf
    - City Borders        £964 psf

### VALUATION YIELDS<sup>1</sup>



<sup>1</sup> Post H2 2010 portfolio on an EPRA basis    <sup>2</sup> Excludes 0.79m sq ft of on-site developments - Appendix 34

## APPENDIX 14 - EVOLUTION OF PORTFOLIO ERV



## APPENDIX 15 - PORTFOLIO STATISTICS BY VILLAGE

|                             | Valuation<br>£m | Weighting<br>% | Floor<br>area <sup>1</sup><br>'000<br>sq ft | Vacant<br>floor area<br>'000<br>sq ft | Net<br>contracted<br>rental<br>income<br>£m pa | Average<br>rental<br>income<br>£ psf | Vacant<br>space<br>rental<br>value<br>£m pa | Lease<br>reversion <sup>5</sup><br>£m pa | Total<br>reversion<br>£m pa | Estimated<br>rental<br>value<br>£m pa |
|-----------------------------|-----------------|----------------|---|---------------------------------------|--|--------------------------------------|---|--|-----------------------------|---------------------------------------|
| <b>West End Central</b>     |                 |                |   |                                       |  |                                      |   |  |                             |                                       |
| Fitzrovia <sup>2</sup>      | 1,688.4         | 31             | 1,391                                       | 124                                   | 50.8   | 40.44                                | 6.3   | 30.6                                     | 36.9                        | 87.7                                  |
| Victoria                    | 468.5           | 9              | 524   | 3                                     | 18.0   | 34.64                                | 0.1   | 5.8                                      | 5.9                         | 23.9                                  |
| Paddington                  | 327.9           | 6              | 243   | 5                                     | 2.4  | 10.42 <sup>3</sup>                   | 0.2   | 14.7                                     | 14.9                        | 17.3                                  |
| Baker Street/Marylebone     | 161.4           | 3              | 194   | 1                                     | 6.9  | 35.86                                | 0.2   | 2.5                                      | 2.7                         | 9.6                                   |
| Soho/Covent Garden          | 123.6           | 2              | 393   | 142                                   | -  | 0.10                                 | 13.4  | 9.5                                      | 22.9                        | 22.9                                  |
| Mayfair                     | 96.6            | 2              | 43  | -                                     | 0.6  | 13.61 <sup>4</sup>                   | -   | 3.7                                      | 3.7                         | 4.3                                   |
|                             | <b>2,866.4</b>  | <b>53</b>      | <b>2,788</b>                                | <b>275</b>                            | <b>78.7</b>                                    | <b>31.56</b>                         | <b>20.2</b>                                 | <b>66.8</b>                              | <b>87.0</b>                 | <b>165.7</b>                          |
| <b>West End Borders</b>     |                 |                |   |                                       |  |                                      |   |  |                             |                                       |
| Islington/Camden            | 461.6           | 9              | 494   | 3                                     | 12.7   | 25.92                                | 0.1   | 12.8                                     | 12.9                        | 25.6                                  |
| <b>West End</b>             | <b>3,328.0</b>  | <b>62</b>      | <b>3,282</b>                                | <b>278</b>                            | <b>91.4</b>                                    | <b>30.64</b>                         | <b>20.3</b>                                 | <b>79.6</b>                              | <b>99.9</b>                 | <b>191.3</b>                          |
| <b>City Borders</b>         |                 |                |   |                                       |  |                                      |   |  |                             |                                       |
| Clerkenwell                 | 629.7           | 12             | 649   | 6                                     | 24.0   | 39.26                                | 0.1   | 7.5                                      | 7.6                         | 31.6                                  |
| Old Street                  | 585.4           | 11             | 605   | 147                                   | 16.8   | 36.65                                | 8.6   | 9.8                                      | 18.4                        | 35.2                                  |
| Shoreditch/Whitechapel      | 442.7           | 8              | 549   | 12                                    | 16.7   | 31.12                                | 0.7   | 7.1                                      | 7.8                         | 24.5                                  |
| Holborn                     | 283.0           | 5              | 295   | 40                                    | 9.5  | 38.88                                | 1.7   | 4.1                                      | 5.8                         | 15.3                                  |
| Other                       | 2.2             | -              | -   | -                                     | -  | -                                    | -   | -  | -                           | -                                     |
| <b>City Borders</b>         | <b>1,943.0</b>  | <b>36</b>      | <b>2,098</b>                                | <b>205</b>                            | <b>67.0</b>                                    | <b>36.27</b>                         | <b>11.1</b>                                 | <b>28.5</b>                              | <b>39.6</b>                 | <b>106.6</b>                          |
| <b>Central London</b>       | <b>5,271.0</b>  | <b>98</b>      | <b>5,380</b>                                | <b>483</b>                            | <b>158.4</b>                                   | <b>32.81</b>                         | <b>31.4</b>                                 | <b>108.1</b>                             | <b>139.5</b>                | <b>297.9</b>                          |
| Provincial                  | 91.7            | 2              | 347   | 9                                     | 4.8  | 14.09                                | -   | 0.6                                      | 0.6                         | 5.4                                   |
| <b>Investment portfolio</b> | <b>5,362.7</b>  | <b>100</b>     | <b>5,727</b>                                | <b>492</b>                            | <b>163.2</b>                                   | <b>31.61</b>                         | <b>31.4</b>                                 | <b>108.7</b>                             | <b>140.1</b>                | <b>303.3</b>                          |

<sup>1</sup> Includes 0.79m sq ft of on-site developments <sup>2</sup> Includes North of Oxford Street <sup>3</sup> Contracted rent of £74.01 psf after incentives <sup>4</sup> Contracted rent of £104.16 psf after incentives <sup>5</sup> Contractual uplifts, rent review/lease renewal reversion and pre-lets

## APPENDIX 16 - BUILD-UP OF PORTFOLIO ERV

|  | £m   | Rent uplift pa<br>£m | Rent pa<br>£m |
|--|------|----------------------|---------------|
| <b>Contracted rental income, net of ground rents</b>     |      |                      | <b>163.2</b>  |
| <b>Contractual rental uplifts</b>                        |      |                      |               |
| Brunel Building W2                                       | 15.1 |                      |               |
| Angel Building EC1                                       | 11.0 |                      |               |
| White Collar Factory EC1                                 | 8.3  |                      |               |
| Horseferry House SW1                                     | 5.2  |                      |               |
| The White Chapel Building E1                             | 4.3  |                      |               |
| 1 Oliver's Yard EC1                                      | 3.7  |                      |               |
| Other  | 24.2 | 71.8                 |               |
| <b>Vacant space<sup>1</sup></b>                          |      |                      |               |
| Available to occupy                                      | 3.8  |                      |               |
| Under refurbishment                                      | 1.5  | 5.3                  |               |
| <b>Lease reversions</b>                                  |      |                      |               |
| Anticipated rent reviews and lease renewals              |      | 6.6                  | 83.7          |
|  |      |                      | 246.9         |
| <b>Three on-site developments (non-EPRA)<sup>2</sup></b> |      |                      |               |
| Pre-let element  | 30.3 |                      |               |
| Available  | 26.1 |                      | 56.4          |
| <b>Estimated rental value</b>                            |      |                      | <b>303.3</b>  |

<sup>1</sup> Detailed in Appendix 17    <sup>2</sup> Capex to complete £401m excluding capitalised interest – see Appendix 34

## APPENDIX 17 - AVAILABLE SPACE AND PROJECTS

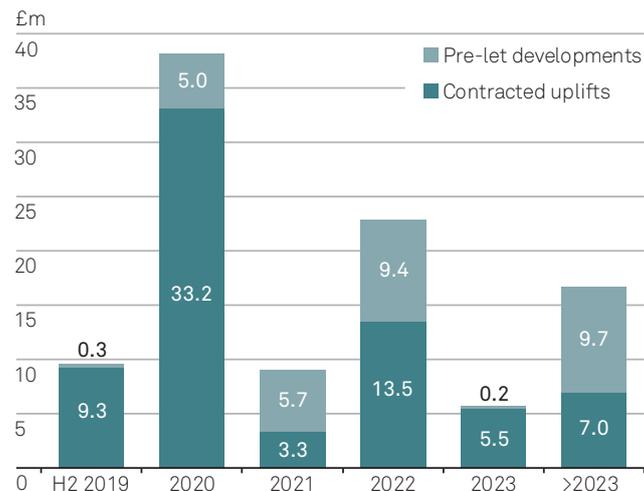
|  | Vacant<br>area<br>'000<br>sq ft | Pre-let<br>area<br>'000<br>sq ft | Total<br>area<br>'000<br>sq ft | Gross<br>vacant<br>ERV<br>£m pa | Ground<br>rent<br>£m pa | Net<br>vacant<br>ERV<br>£m pa | Pre-let<br>net rent<br>ERV<br>£m pa | Total<br>net<br>ERV<br>£m pa |   | Comment |
|--|---------------------------------|----------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------------------|-------------------------------------|------------------------------|---|---------|
| <b>Available to occupy (EPRA)</b>      |                                 |                                  |                                |                                 |                         |                               |                                     |                              |   |         |
| Johnson Building EC1                   | 39                              | -                                | 39                             | 1.7                             | -                       | 1.7                           | -                                   | 1.7                          | 36,100 sq ft let in Q3 2019 at £1.7m pa |         |
| 90 Whitfield Street W1                 | 11                              | -                                | 11                             | 0.7                             | -                       | 0.7                           | -                                   | 0.7                          | 3,100 sq ft under offer at £0.2m pa     |         |
| White Collar Factory EC1               | 16                              | -                                | 16                             | 0.4                             | -                       | 0.4                           | -                                   | 0.4                          | 14,300 sq ft under offer at £0.4m pa    |         |
| Brunel Building W2                     | 5                               | -                                | 5                              | 0.2                             | -                       | 0.2                           | -                                   | 0.2                          | 5,500 sq ft under offer at £0.2m pa     |         |
| Other                                  | 27                              | -                                | 27                             | 0.8                             | -                       | 0.8                           | -                                   | 0.8                          |   |         |
|  | <b>98</b>                       | <b>-</b>                         | <b>98</b>                      | <b>3.8</b>                      | <b>-</b>                | <b>3.8</b>                    | <b>-</b>                            | <b>3.8</b>                   |   |         |
| <b>Under refurbishment</b>             |                                 |                                  |                                |                                 |                         |                               |                                     |                              |   |         |
| Tea Building E1                        | 12                              | -                                | 12                             | 0.7                             | -                       | 0.7                           | -                                   | 0.7                          |   |         |
| 90 Whitfield Street W1                 | 6                               | -                                | 6                              | 0.4                             | -                       | 0.4                           | -                                   | 0.4                          |   |         |
| Other                                  | 9                               | -                                | 9                              | 0.4                             | -                       | 0.4                           | -                                   | 0.4                          |   |         |
|  | <b>27</b>                       | <b>-</b>                         | <b>27</b>                      | <b>1.5</b>                      | <b>-</b>                | <b>1.5</b>                    | <b>-</b>                            | <b>1.5</b>                   |   |         |
| <b>On-site developments (non-EPRA)</b> |                                 |                                  |                                |                                 |                         |                               |                                     |                              |   |         |
| 80 Charlotte Street W1 <sup>1</sup>    | 100                             | 280                              | 380                            | 4.7                             | -                       | 4.7                           | 20.9                                | 25.6                         | 40,650 sq ft let in Q3 2019 at £3.4m pa |         |
| Soho Place W1                          | 142                             | 143                              | 285                            | 14.0                            | 0.6                     | 13.4                          | 9.4                                 | 22.8                         |   |         |
| The Featherstone Building EC1          | 125                             | -                                | 125                            | 8.0                             | -                       | 8.0                           | -                                   | 8.0                          |   |         |
|  | <b>367</b>                      | <b>423</b>                       | <b>790</b>                     | <b>26.7</b>                     | <b>0.6</b>              | <b>26.1</b>                   | <b>30.3</b>                         | <b>56.4</b>                  |   |         |
| <b>Total</b>                           | <b>492</b>                      | <b>423</b>                       | <b>915</b>                     | <b>32.0</b>                     | <b>0.6</b>              | <b>31.4</b>                   | <b>30.3</b>                         | <b>61.7</b>                  |   |         |

<sup>1</sup> Includes residential areas

## APPENDIX 18 - TIMING OF THE REVERSION

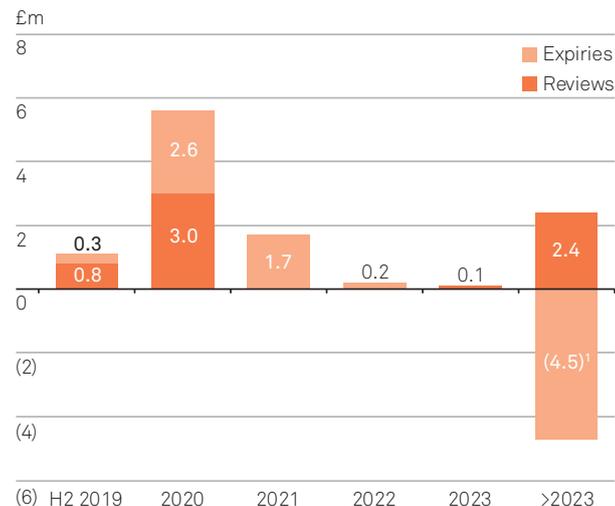
- £102.1m of the reversion contracted:
  - Fixed rental uplifts £71.8m
  - Pre-let developments £30.3m

### CONTRACTUAL UPLIFTS AND PRE-LETS



- £6.6m of the reversion from reviews and expiries

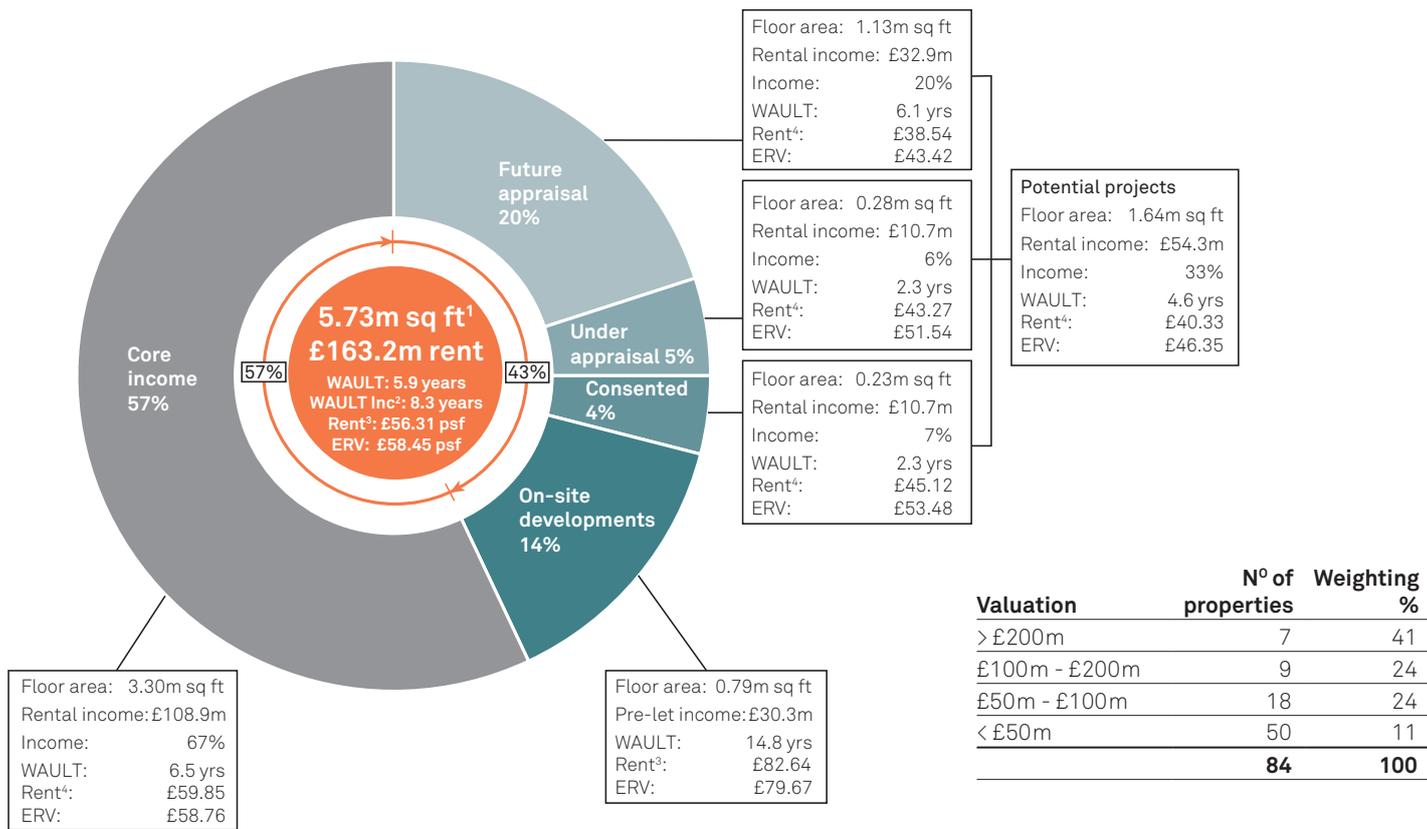
### REVIEWS AND EXPIRIES



|                 | (6) H2 2019 | 2020 | 2021 | 2022 | 2023 | >2023 |
|-----------------|-------------|------|------|------|------|-------|
| <b>Rent psf</b> | £47         | £45  | £54  | £51  | £57  | £63   |
| <b>ERV psf</b>  | £53         | £54  | £57  | £53  | £58  | £56   |
| <b>Uplift %</b> | 13          | 20   | 6    | 4    | 2    | (11)  |

<sup>1</sup> Predominantly due to contracted uplifts reverting to Jun 2019 ERV at lease expiry

# APPENDIX 19 - PORTFOLIO SUMMARY



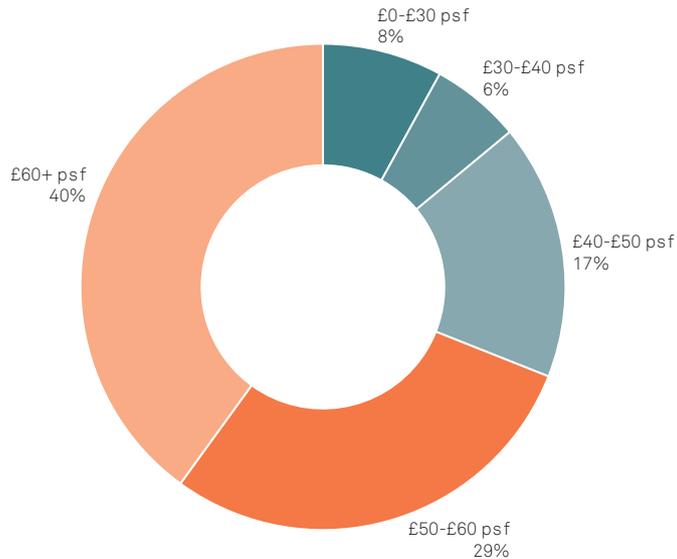
| Valuation     | N <sup>o</sup> of properties | Weighting % |
|---------------|------------------------------|-------------|
| > £200m       | 7                            | 41          |
| £100m - £200m | 9                            | 24          |
| £50m - £100m  | 18                           | 24          |
| < £50m        | 50                           | 11          |
|               | <b>84</b>                    | <b>100</b>  |

<sup>1</sup> Comprises 4.94m sq ft of existing buildings plus 0.79m sq ft of on-site developments

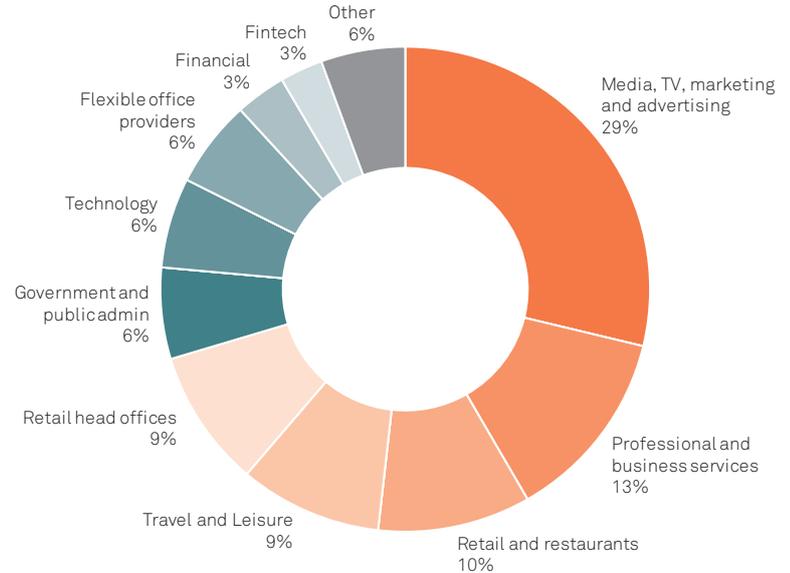
<sup>2</sup> After adjusting for 'topped-up' rents and pre-lets - Appendix 24    <sup>3</sup> 'Topped-up' office rent including development pre-lets    <sup>4</sup> 'Topped-up' office rent

# APPENDIX 20 - RENT AND TENANT BANDING

CENTRAL LONDON 'TOPPED-UP'  
OFFICE RENT BANDING<sup>1</sup>



PROFILE OF TENANTS'  
BUSINESS SECTOR<sup>2</sup>



<sup>1</sup> Based on floor area    <sup>2</sup> Based on annualised rental income

## APPENDIX 21 - MAJOR TENANTS



BURBERRY



THE  
OFFICE  
GROUP

WPP Group plc



FREMANTLEMEDIA  
ENTERPRISES

THE DOCTORS  
LABORATORY



splunk >



TelecityGroup



ticketmaster®



sage

Pre-lets:



BCG

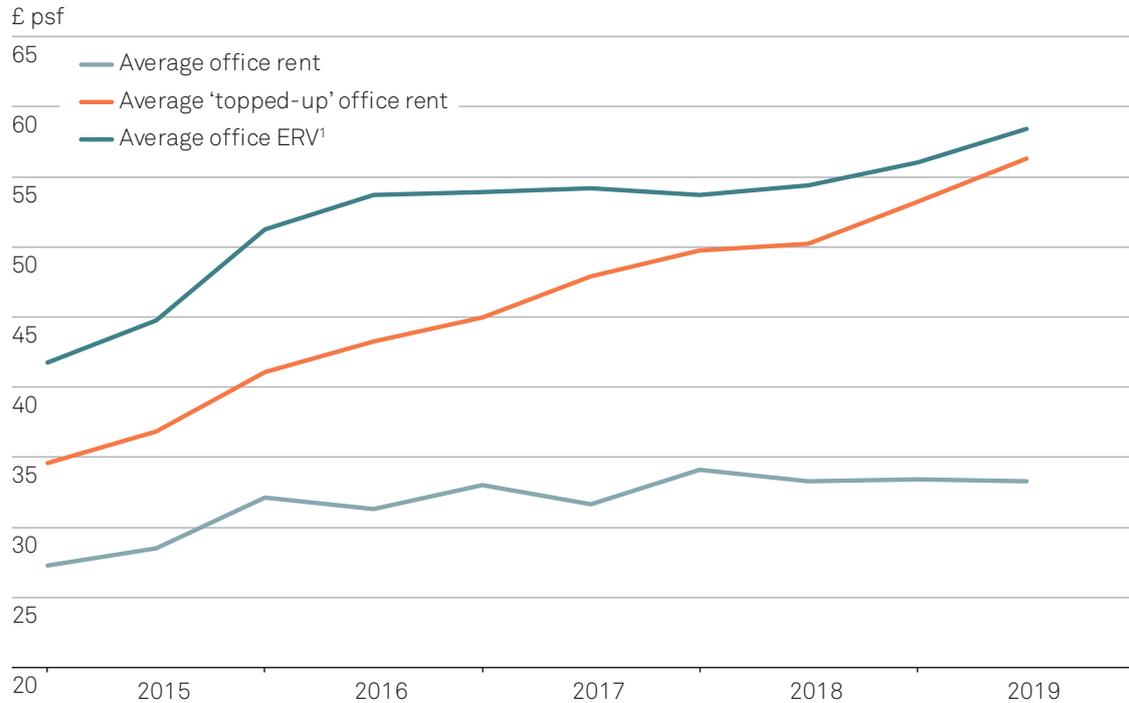
ARUP

'Topped-up' income<sup>1</sup> %

|              |                             | Existing    | Pre-let |
|--------------|-----------------------------|-------------|---------|
| 01           | Expedia                     | 6.8         | -       |
| 02           | Burberry                    | 5.5         | -       |
| 03           | Publicis Groupe             | 4.2         | -       |
| 04           | G-Research                  | -           | 4.0     |
| 05           | The Boston Consulting Group | -           | 3.9     |
| 06           | Arup                        | 0.1         | 3.6     |
| 07           | Government                  | 3.7         | -       |
| 08           | The Office Group            | 2.6         | -       |
| 09           | WPP Group                   | 2.2         | -       |
| 10           | Sony Pictures               | 1.8         | -       |
| 11           | FremantleMedia Group        | 1.7         | -       |
| 12           | The Doctors Laboratory      | 1.5         | -       |
| 13           | VCCP                        | 1.5         | -       |
| 14           | Splunk                      | 1.4         | -       |
| 15           | Premier League              | 1.3         | -       |
| 16           | Telecity Group              | 1.2         | -       |
| 17           | Adobe                       | 1.2         | -       |
| 18           | Ticketmaster                | 1.1         | -       |
| 19           | Mother London               | 1.1         | -       |
| 20           | Sage                        | 1.0         | -       |
| <b>Total</b> |                             | <b>51.4</b> |         |

<sup>1</sup> Derwent London share

## APPENDIX 22 - DERWENT LONDON CENTRAL LONDON OFFICE RENT PROFILE



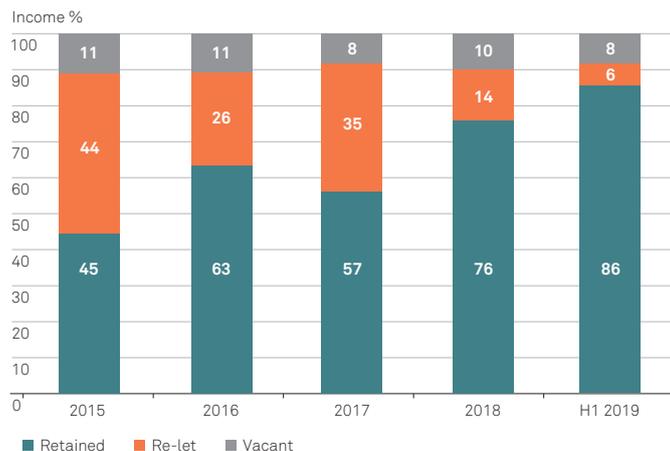
<sup>1</sup> Includes ERV of on-site schemes

## APPENDIX 23 - LEASE EXPIRIES, BREAKS AND VACANCY RATES

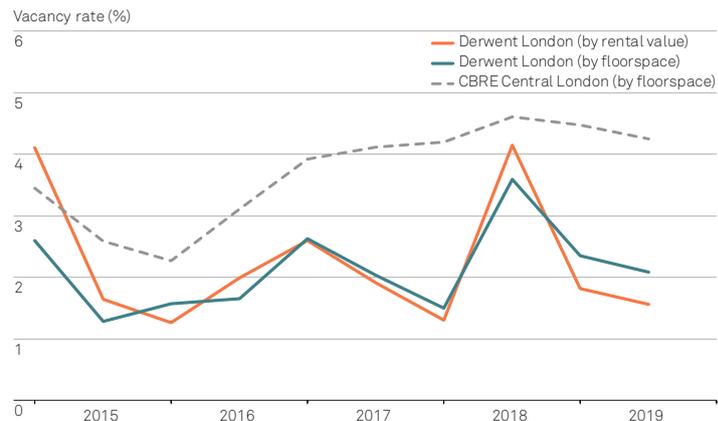
- £7.4m of income subject to breaks/expiries in H1 2019:
  - £2.2m from assets disposed
  - 92% of remainder retained or re-let

- EPRA vacancy rate of 1.6%<sup>2</sup> at the half year (1.8% in Dec 2018, 4.2% in Jun 2018):
  - Group's 10-year average of 2.4%

### LEASE EXPIRY AND BREAK ANALYSIS<sup>1</sup>



### EPRA VACANCY RATES



<sup>1</sup> As at end of reporting period <sup>2</sup> Calculated as space immediately available to occupy

## APPENDIX 24 - LEASE EXPIRY PROFILE AND LEASE LENGTH

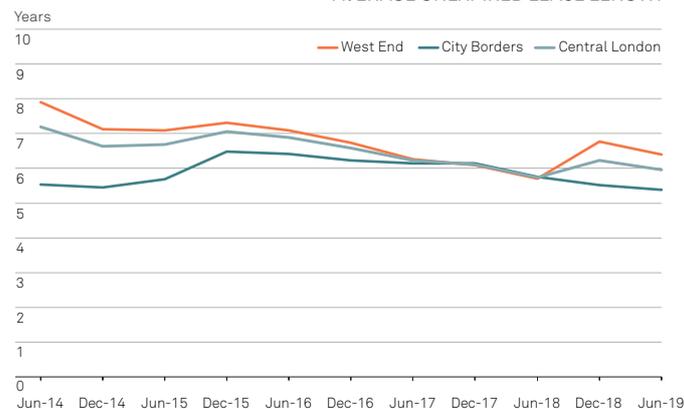
### EXPIRIES AND BREAKS AS A PERCENTAGE OF PORTFOLIO INCOME<sup>1</sup>

|                | West End | City Borders | Provincial | H2 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|----------------|----------|--------------|------------|---------|------|------|------|------|-------|
| Expiries       | 1        | 0            | 0          | 1       | 6    | 11   | 4    | 3    | 25    |
| Rolling breaks | 1        | 0            | 0          | 1       | 1    | 4    | 0    | 0    | 6     |
| Single breaks  | 0        | 0            | 0          | 0       | 5    | 10   | 5    | 6    | 26    |
|                | 2        | 0            | 0          | 2       | 12   | 25   | 9    | 9    | 57    |

### PROFILE OF RENTAL INCOME EXPIRY<sup>1</sup>



### AVERAGE UNEXPIRED LEASE LENGTH<sup>2</sup>



- Average lease length 5.9 years (Dec 2018: 6.1 years):
  - 8.3 years after adjusting for 'topped-up' rents and pre-lets (Dec 2018: 8.2 years)

<sup>1</sup> Based upon annualised contracted rental income of £163.2m <sup>2</sup> Lease length weighted by rental income and assuming tenants break at first opportunity

# APPENDIX 25 - CENTRAL LONDON OFFICE DEMAND

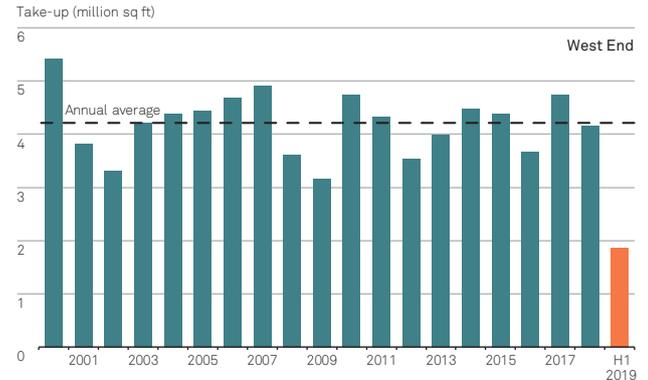
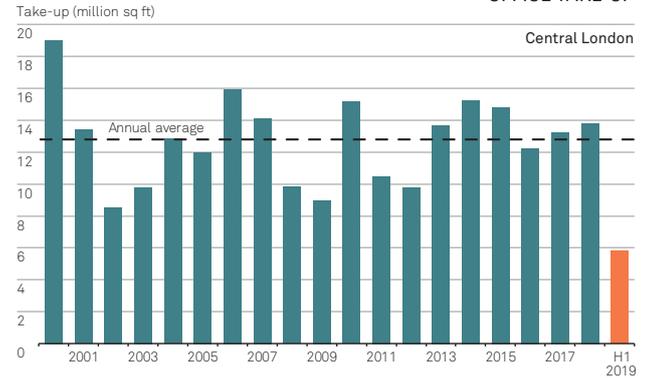
## Market statistics

- Central London office take-up of 5.8m sq ft in H1 2019:
  - 9.0% below the half year average
  - 9.1% below H1 2018
  - 28% business services, 25% banking & finance, 17% creative industries, 9% public sector, 8% professional
- 4.1m sq ft under offer, one third above average and only the fourth time in 10 years that it has exceeded 4m sq ft
- West End H1 take-up was 11.4% below average at 1.9m sq ft

## Derwent London's view

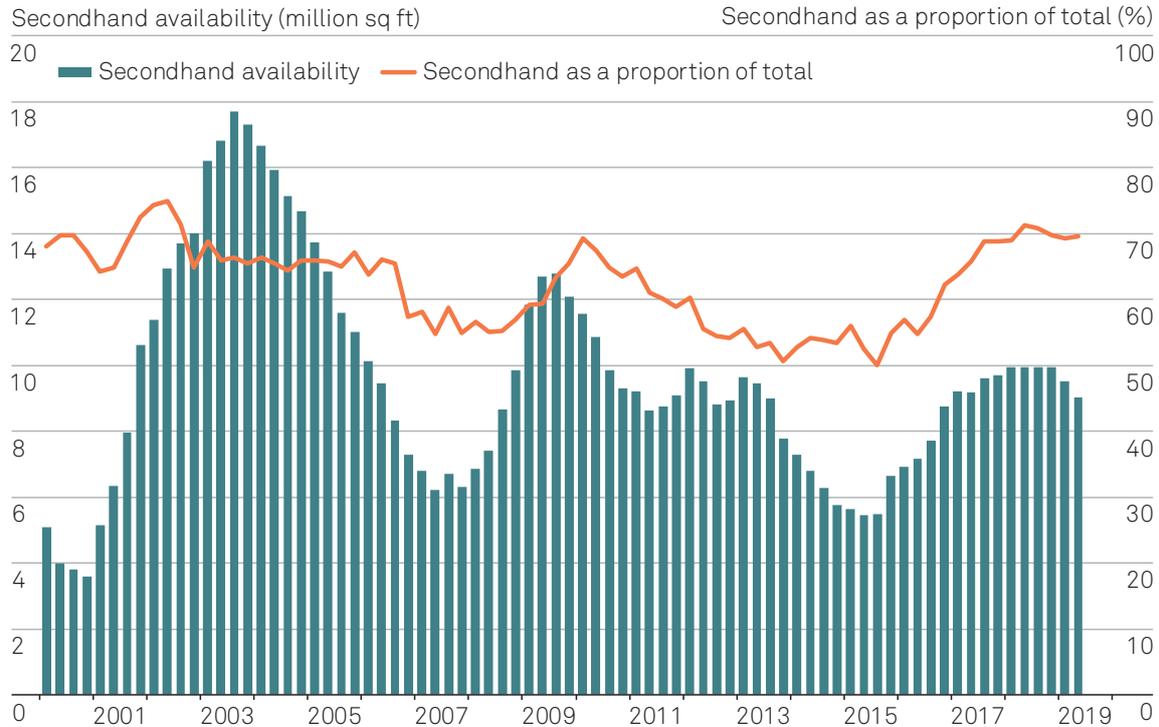
- Active pre-letting market, particularly in the West End
- Rents and incentives stable

## OFFICE TAKE-UP



Source: CBRE

# APPENDIX 26 - CENTRAL LONDON OFFICE SECONDHAND SPACE AVAILABILITY



Source: CBRE

# APPENDIX 27 - CENTRAL LONDON OFFICE SUPPLY

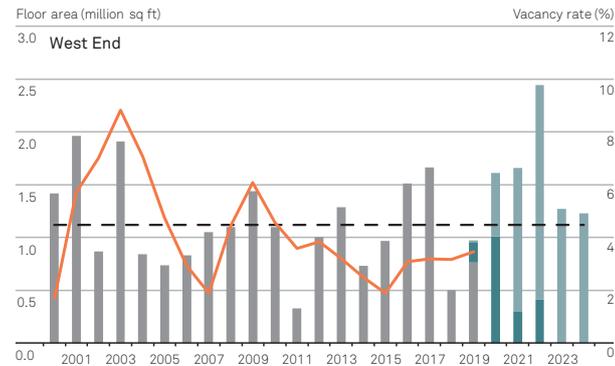
## Market statistics

- Vacancy rate stable - 4.2% at 30 June 2019, down from 4.5% at the start of the year:
  - Well below the long term average (LTA) of 5.1%
  - West End at 3.5% (4.2% LTA)
  - City at 5.0% (6.4% LTA)
- 1.8m sq ft of completions in H1, 24% below the LTA
- Future central London office pipeline:
  - Committed 13.1m sq ft: 3.6m sq ft H2 2019, 6.2m sq ft 2020, 1.6m sq ft 2021, 1.7m sq ft 2022:
    - 61% pre-let
  - Potential 26.5m sq ft in next 3.5 years: 3.6m sq ft H2 2019, 8.1m sq ft 2020, 6.0m sq ft 2021, 8.8m sq ft 2022

## Derwent London's view

- Continued pre-letting success at our developments
- Limited availability in near term completions

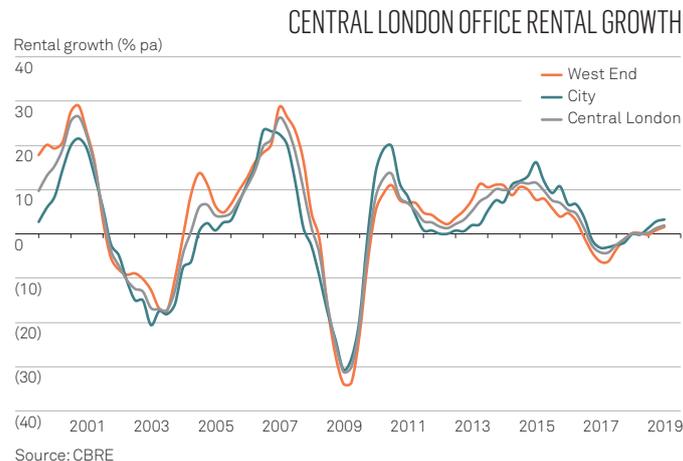
## OFFICE DEVELOPMENT PIPELINE



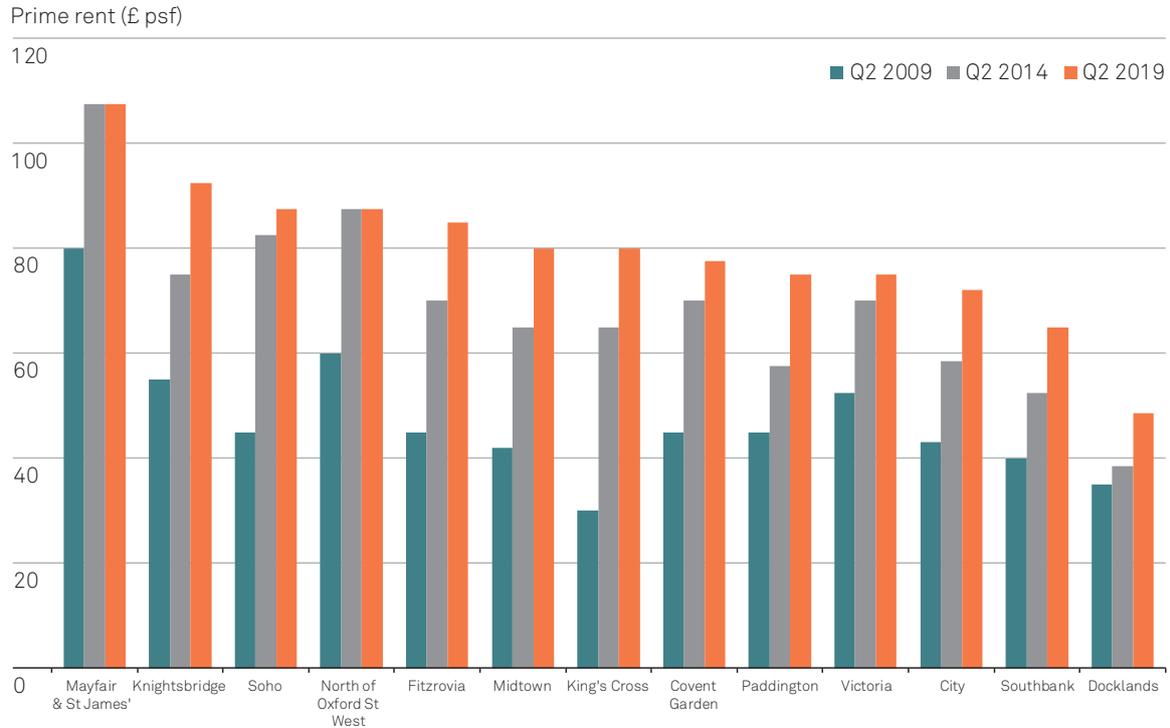
Source: CBRE

## APPENDIX 28 - CENTRAL LONDON OFFICE RENTAL GROWTH

- CBRE's prime office rent index at 30 June was 1.9% pa for central London with 3.2% pa in the City and 1.5% pa in the West End
- Since the EU referendum, CBRE prime sub-area rental growth performance has widely varied:
  - Paddington: +11.1% to £75 psf
  - Southbank: +4.0% to £65 psf
  - Fitzrovia: +3.0% to £85 psf
  - City: +2.9% to £72 psf
  - Midtown and King's Cross: No change at £80 psf
  - Victoria: -9.1% to £75 psf
  - Mayfair/St James': -10.4% to £107.50 psf
- JLL expect prime rental growth to stay positive for each of the next five years (2019-2023 inclusive) averaging 2.1% pa for both the City and the West End



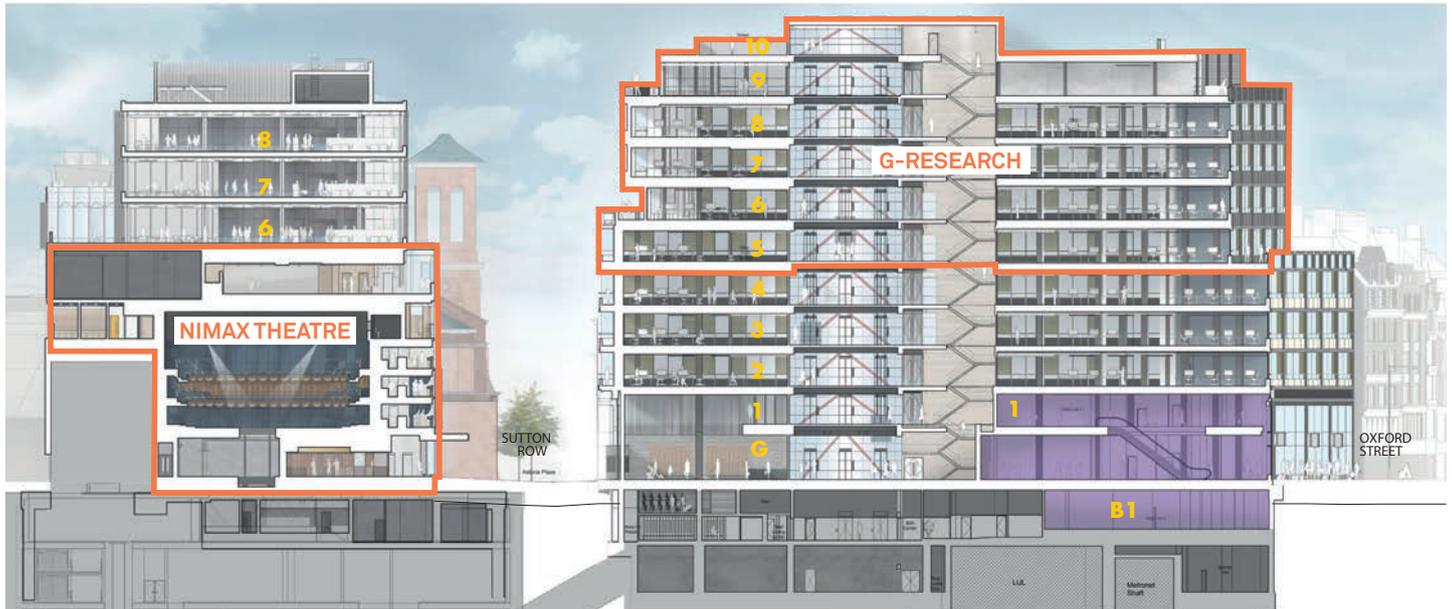
## APPENDIX 29 - CENTRAL LONDON PRIME OFFICE RENTS BY SUB-AREA



Source: CBRE

## APPENDIX 30 - SOHO PLACE W1

- 285,000 sq ft office, retail and theatre scheme split between two buildings:
  - 102,600 sq ft pre-let to G-Research at £9.7m pa (£94.70 psf average) for 15 years (no breaks)
  - 40,000 sq ft theatre pre-let on a long lease at £0.1m pa to Nimax

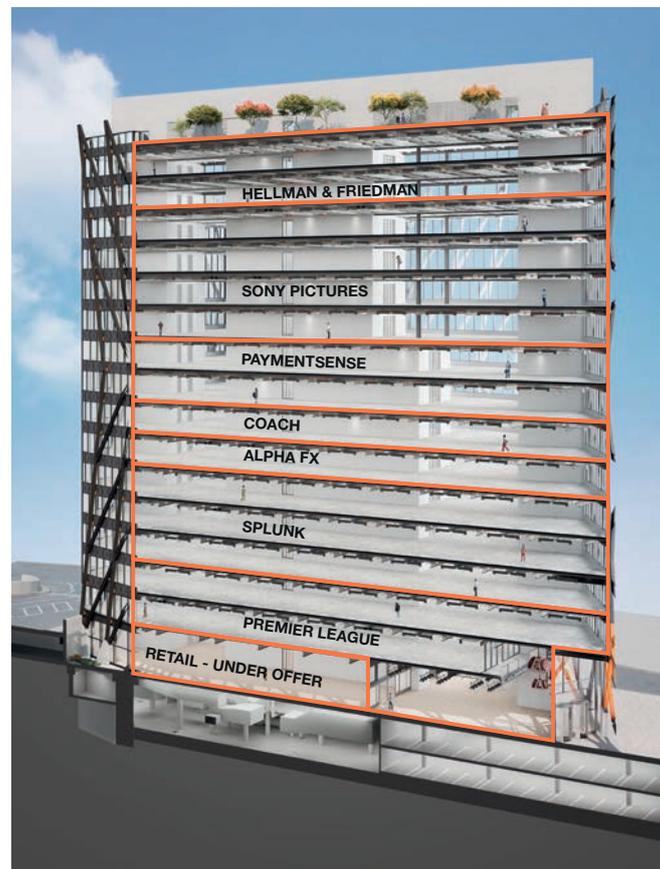


## APPENDIX 31 - BRUNEL BUILDING W2

- 243,200 sq ft project completed in H1 2019
- Offices:
  - 237,700 sq ft
  - 100% let at £17.6m pa (gross):

|      |                    | Rent<br>£m pa | Area<br>sq ft  |
|------|--------------------|---------------|----------------|
| 2018 | Sony Pictures      | 4.9           | 68,200         |
|      | Premier League     | 2.2           | 33,400         |
|      | Hellman & Friedman | 1.8           | 20,500         |
|      | Coach              | 1.2           | 16,500         |
|      | Alpha FX           | 1.2           | 16,500         |
| 2019 | Paymentsense       | 2.6           | 33,000         |
|      | Splunk             | 3.7           | 49,600         |
|      | <b>Total</b>       | <b>17.6</b>   | <b>237,700</b> |

- Restaurant:
  - 5,500 sq ft
  - Under offer



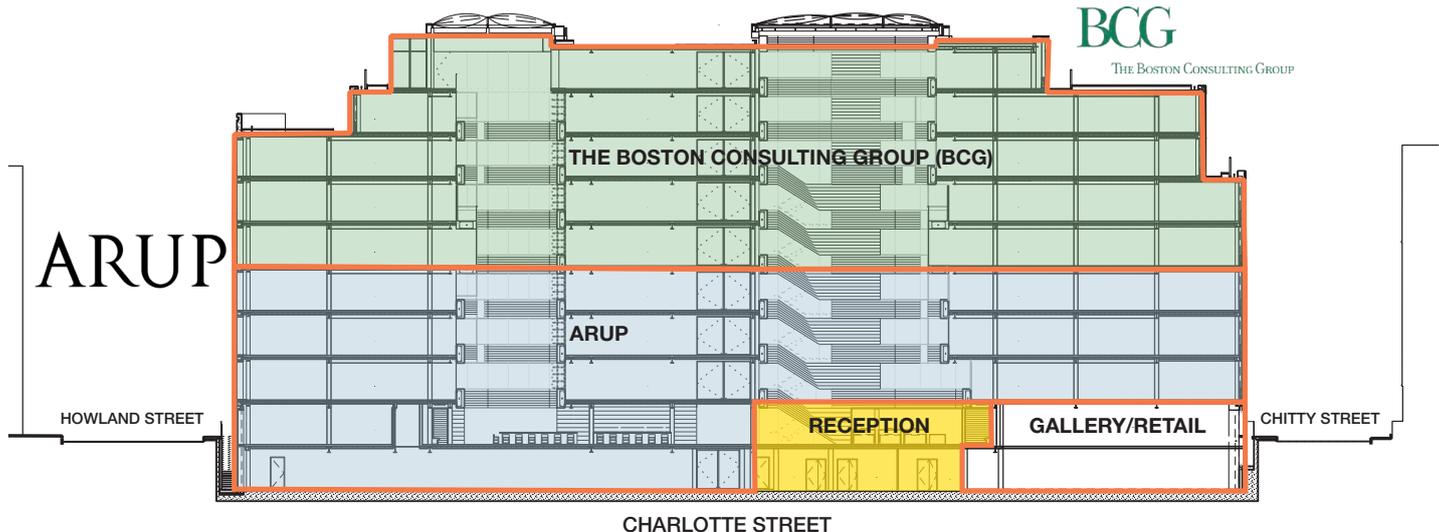
## APPENDIX 32 - 80 CHARLOTTE STREET W1 (ISLAND SITE)

### ARUP

- 133,600 sq ft pre-let in 2017
- £9.7m pa with annual increases of 2.25% for the first 15 years
- Average rent of £75 psf on main office floors
- 20-year lease, no breaks

### THE BOSTON CONSULTING GROUP

- 123,500 sq ft pre-let in Q3 2017 plus 40,650 sq ft in Q3 2019 (option space)
- £13.9m pa
- Average rent of £85 psf
- 15-year lease, break in year 12



## APPENDIX 33 - ON-SITE DEVELOPMENTS: PROFIT ON COST

80  
CHARLOTTE  
STREET.



Soho Place  
W1



THE  
FEATHERSTONE  
BUILDING



| Summary                             |             |
|-------------------------------------|-------------|
| End value                           | 1,296       |
| Less: Total cost <sup>1</sup>       | 1,061       |
| <b>Project surplus</b>              | <b>235</b>  |
| Less: Booked to Jun 19              | 84          |
| Surplus to come                     | 151         |
| <b>Profit on total cost</b>         | <b>22%</b>  |
| <b>Profit to come on total cost</b> | <b>14%</b>  |
| <b>Yield on cost</b>                | <b>5.7%</b> |



Sensitivity<sup>6</sup> - project surplus (£m)  
and profit on cost (%)

|      |            | Valuation yield |                            |              |
|------|------------|-----------------|----------------------------|--------------|
|      |            | +0.25%          | Base                       | -0.25%       |
| Rent | -£5.00 psf | £145m<br>14%    | £207m<br>20%               | £276m<br>26% |
|      | Base       | £172m<br>16%    | <b>£235m</b><br><b>22%</b> | £306m<br>29% |
|      | +£5.00 psf | £198m<br>19%    | £263m<br>25%               | £336m<br>31% |

|                                   |         |                      |                      |                      |
|-----------------------------------|---------|----------------------|----------------------|----------------------|
| Completion                        |         | H1 2020              | H1 2022              | H1 2022              |
| Commercial area (sq ft)           | 745,000 | 335,000              | 285,000 <sup>2</sup> | 125,000 <sup>3</sup> |
| Residential area (sq ft)          | 45,000  | 45,000 <sup>4</sup>  | -                    | -                    |
| Est. future capex (£m)            | 401     | 69                   | 262                  | 70                   |
| Total cost (£m) <sup>1</sup>      | 1,061   | 508                  | 411                  | 142                  |
| ERV (£ psf)                       | -       | c.80.00              | c.90.00              | c.70.00              |
| ERV (£m pa)                       | 56.4    | 25.6                 | 22.8                 | 8.0                  |
| Pre-let area <sup>5</sup> (sq ft) | 410,700 | 268,100 <sup>7</sup> | 142,600 <sup>8</sup> | -                    |
| Pre-let income (£m pa)            | 30.3    | 20.9 <sup>7</sup>    | 9.4 <sup>9</sup>     | -                    |

<sup>1</sup> Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. Soho Place includes a 16% profit share payaway to freeholder Crossrail <sup>2</sup> 209,000 sq ft office, 36,000 sq ft retail, 40,000 sq ft theatre <sup>3</sup> 110,000 sq ft office, 13,000 sq ft workspace, 2,000 sq ft retail <sup>4</sup> Private residential 35,000 sq ft and affordable housing 10,000 sq ft <sup>5</sup> Commercial area <sup>6</sup> Sensitivity applied to non pre-let commercial floor areas <sup>7</sup> Pre-let as at Jun 2019. Q3 40,650 sq ft pre-let would add £3.4m pa <sup>8</sup> Includes 40,000 sq ft theatre <sup>9</sup> Long leasehold, net of 4% ground rent

## APPENDIX 34 - PROJECT SUMMARY: CURRENT PROJECTS

| Property                        | Current net income<br>£m pa | Pre scheme area<br>'000 sq ft | Proposed area<br>'000 sq ft | H2 2019 capex<br>£m | 2020 capex<br>£m | 2021+ capex<br>£m | Total capex to complete<br>£m | Delivery date | Current office c.ERV<br>psf |
|---------------------------------|-----------------------------|-------------------------------|-----------------------------|---------------------|------------------|-------------------|-------------------------------|---------------|-----------------------------|
| <b>On site</b>                  |                             |                               |                             |                     |                  |                   |                               |               |                             |
| 80 Charlotte Street W1          | -                           | 234                           | 380                         | 40                  | 29               | -                 | 69                            | H1 2020       | £80.00                      |
| Soho Place W1                   | -                           | -                             | 285                         | 38                  | 101              | 123               | 262 <sup>1</sup>              | H1 2022       | £90.00                      |
| The Featherstone Building EC1   | -                           | -                             | 125                         | 10                  | 32               | 28                | 70                            | H1 2022       | £70.00                      |
|                                 | -                           | <b>234</b>                    | <b>790</b>                  | <b>88</b>           | <b>162</b>       | <b>151</b>        | <b>401</b>                    |               |                             |
| Other                           | -                           | -                             | -                           | 31                  | 10               | 4                 | 45                            |               |                             |
| <b>Total</b>                    |                             | <b>234</b>                    | <b>790</b>                  | <b>119</b>          | <b>172</b>       | <b>155</b>        | <b>446</b>                    |               |                             |
| Capitalised interest            | -                           | -                             | -                           | 7                   | 9                | 14                | 30                            |               |                             |
| <b>Total including interest</b> | -                           | <b>234</b>                    | <b>790</b>                  | <b>126</b>          | <b>181</b>       | <b>169</b>        | <b>476</b>                    |               |                             |

<sup>1</sup> Includes remaining site acquisition cost and 16% profit share payaway to freeholder Crossrail

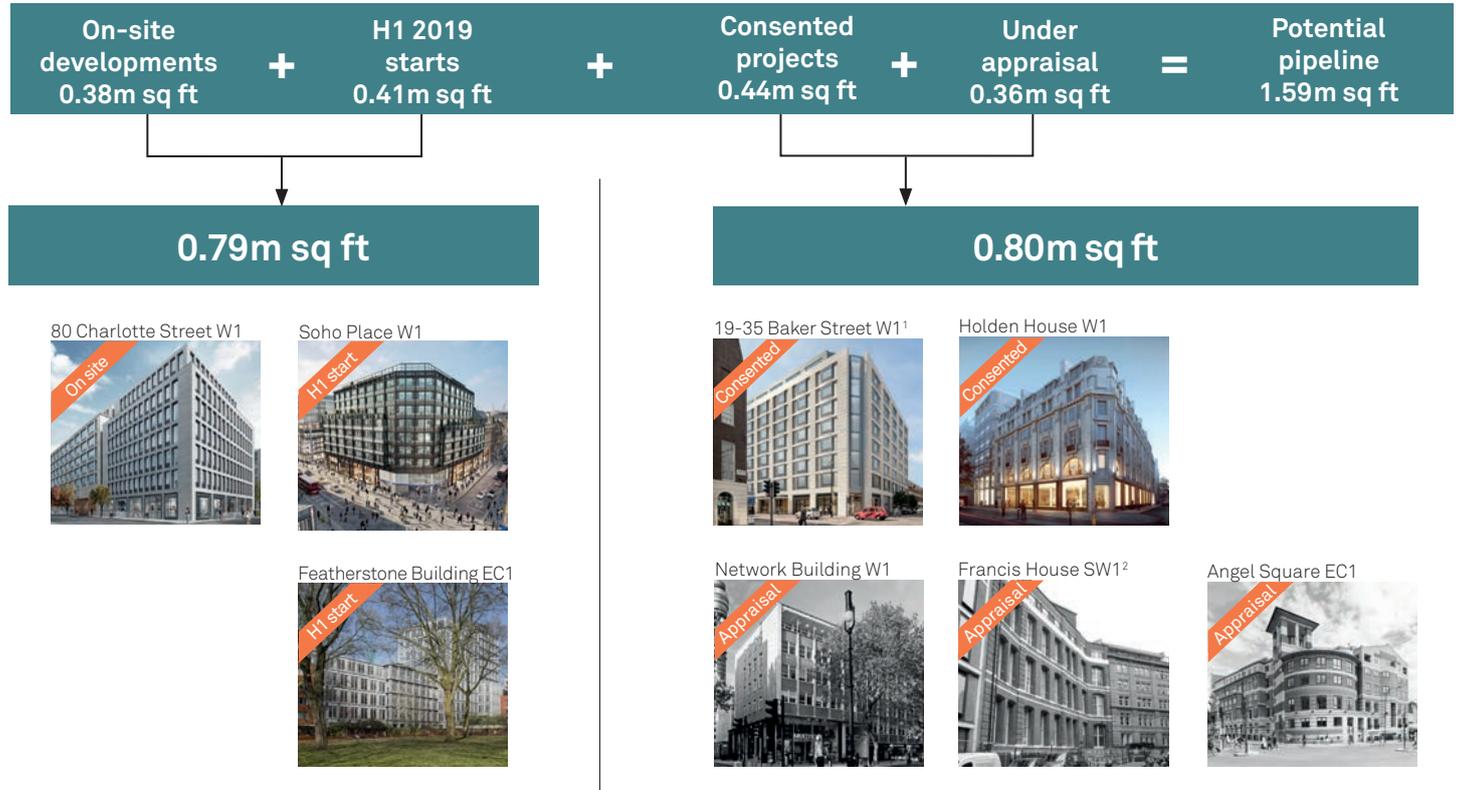
## APPENDIX 35 - PROJECT SUMMARY: FUTURE PROJECTS

| Property                             | Current net income<br>£m pa | Pre-scheme area<br>'000 sq ft | Proposed area<br>'000 sq ft | Earliest possession year | Comment                            |
|--------------------------------------|-----------------------------|-------------------------------|-----------------------------|--------------------------|------------------------------------|
| <b>Consented</b>                     |                             |                               |                             |                          |                                    |
| 19-35 Baker Street W1 <sup>1</sup>   | 4.2                         | 143                           | 293                         | 2021                     | Joint venture - The Portman Estate |
| Holden House W1                      | 6.6                         | 90                            | 150                         | 2021                     | Eastern end of Oxford Street       |
|                                      | <b>10.8</b>                 | <b>233</b>                    | <b>443</b>                  |                          |                                    |
| Adjustment for JV                    | (1.9)                       | (64)                          | -                           |                          | 19-35 Baker Street W1              |
|                                      | <b>8.9</b>                  | <b>169</b>                    | <b>443</b>                  |                          |                                    |
| <b>Under appraisal<sup>2</sup></b>   |                             |                               |                             |                          |                                    |
| Network Building W1                  | 3.7                         | 64                            | 100                         | 2021                     |                                    |
| Francis House SW1 <sup>3</sup>       | 2.3                         | 86                            | 130                         | TBC                      |                                    |
| Angel Square EC1                     | 4.7                         | 126                           | 126                         | TBC                      | Rolling refurbishment              |
|                                      | <b>10.7</b>                 | <b>276</b>                    | <b>356</b>                  |                          |                                    |
| <b>Consented and under appraisal</b> |                             |                               |                             |                          |                                    |
| On site                              | -                           | 234                           | 790                         |                          | Appendix 34                        |
| <b>Pipeline</b>                      | <b>19.6</b>                 | <b>679</b>                    | <b>1,589</b>                |                          |                                    |

<sup>1</sup> Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street <sup>2</sup> Areas proposed are estimated from initial studies

<sup>3</sup> Includes 6-8 Greencoat Place

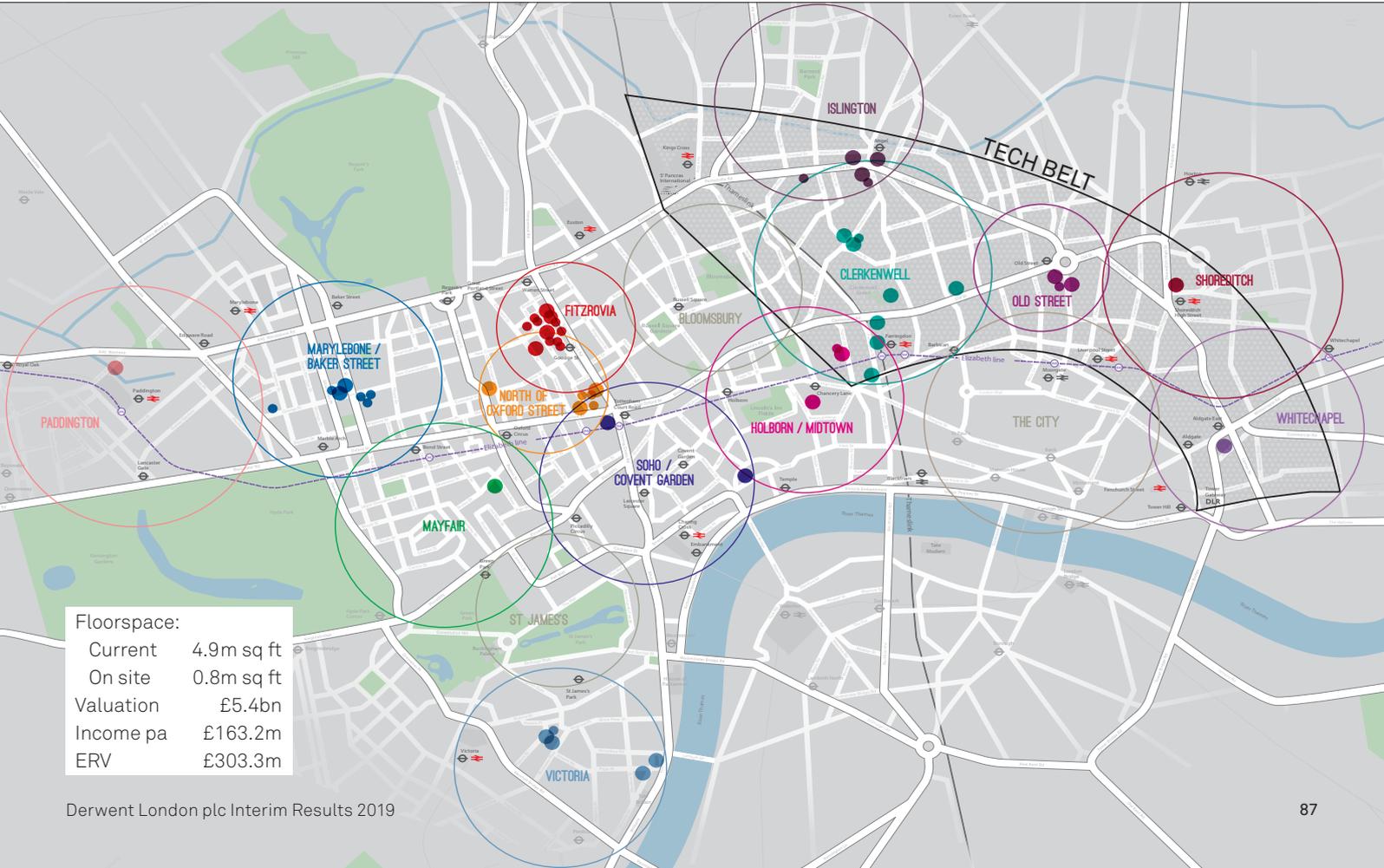
# APPENDIX 36 - PROJECT PIPELINE



<sup>1</sup> Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street

<sup>2</sup> Includes 6-8 Greencoat Place

# APPENDIX 37 - PORTFOLIO MAP



|             |            |
|-------------|------------|
| Floorspace: |            |
| Current     | 4.9m sq ft |
| On site     | 0.8m sq ft |
| Valuation   | £5.4bn     |
| Income pa   | £163.2m    |
| ERV         | £303.3m    |

## APPENDIX 38 - EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT

---

|                    |   |
|--------------------|---|
| Paul Williams*     | Chief Executive                             |
| Damian Wisniewski* | Chief Financial Officer                     |
| Simon Silver*      | Property Director                           |
| Nigel George*      | Property Director                           |
| David Silverman*   | Property Director                           |
| David Lawler*      | Company Secretary                           |
| Richard Baldwin*   | Head of Development                         |
| Rick Meakin*       | Group Financial Controller                  |
| Emily Prideaux*    | Head of Leasing                             |
| Jennifer Whybrow*  | Head of Financial Planning & Analysis       |
| David Westgate     | Head of Tax                                 |
| Giles Sheehan      | Head of Investment                          |
| John Davies        | Head of Sustainability                      |
| Katy Levine        | Head of Human Resources                     |
| Lesley Bufton      | Head of Property Marketing                  |
| Magnus MacAulay    | Head of Property Management                 |
| Quentin Freeman    | Head of Investor & Corporate Communications |
| Umar Loane         | Head of Property Accounts                   |
| Zach Butler-Smith  | Head of Health & Safety                     |

\* Members of Executive Committee

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