

DERWENT
LONDON

INVESTOR PRESENTATION

PROPERTY TOUR

30 NOVEMBER 2018



TIMETABLE

11.30	Arrival at 25 Savile Row	
12.00	Introduction Leasing Market Asset Management Development Soho Place W1 The Featherstone Building EC1	<p>John Burns, Chief Executive, Derwent London Paul Williams, Property Director, Derwent London</p> <p>Emily Prideaux, Head of Leasing, Derwent London</p> <p>Ben Ridgwell, Head of Asset & Property Mgmt, Derwent London Oli Williams, Asset Manager, Derwent London Rich Oliver, Asset Manager, Derwent London</p> <p>Benjamin Lesser, Development Manager, Derwent London Simon Allford, Allford Hall Monaghan Morris Peter Pulford, Development Manager, Derwent London</p>
	Conclusions & Q&A	<p>John Burns, Chief Executive, Derwent London Simon Silver, Property Director, Derwent London Damian Wisniewski, Finance Director, Derwent London Paul Williams, Property Director, Derwent London Nigel George, Property Director, Derwent London David Silverman, Property Director, Derwent London</p>
13:15	Lunch	
14:00	Property Tour Brunel Building W2 Soho Place W1 88-94 Tottenham Court Road W1 Network Building W1 80 Charlotte Street W1	<p>Simon Silver, Property Director, Derwent London Matt Massey, Senior Project Manager, Derwent London Benjamin Lesser, Development Manager, Derwent London Giles Sheehan, Associate, Investment, Derwent London Tom French, Development Manager, Derwent London</p>
17:30	Drinks	

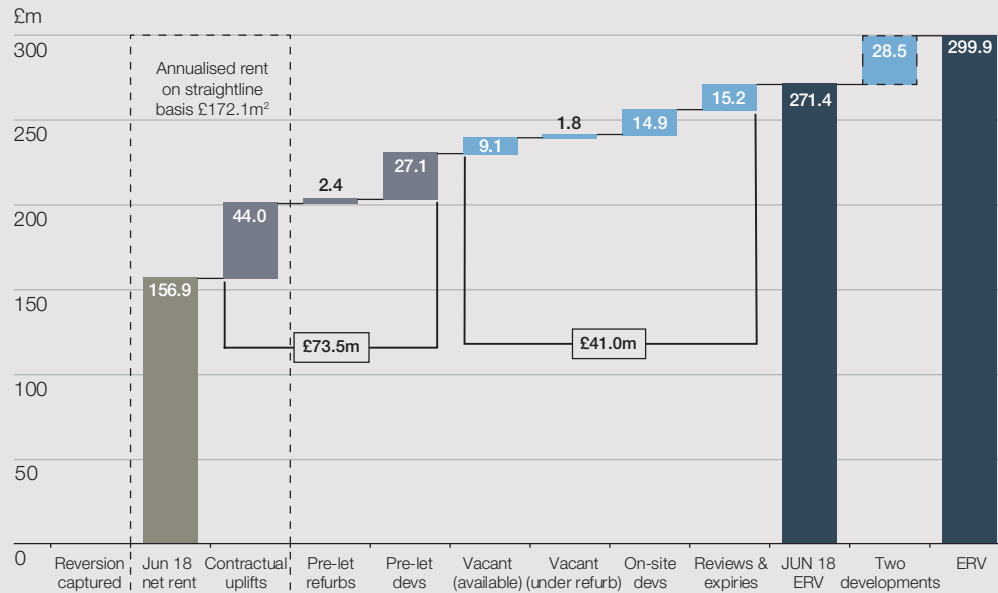
INTRODUCTION

JOHN BURNS
PAUL WILLIAMS



CAPTURING REVERSION

BUILD UP OF ERV¹



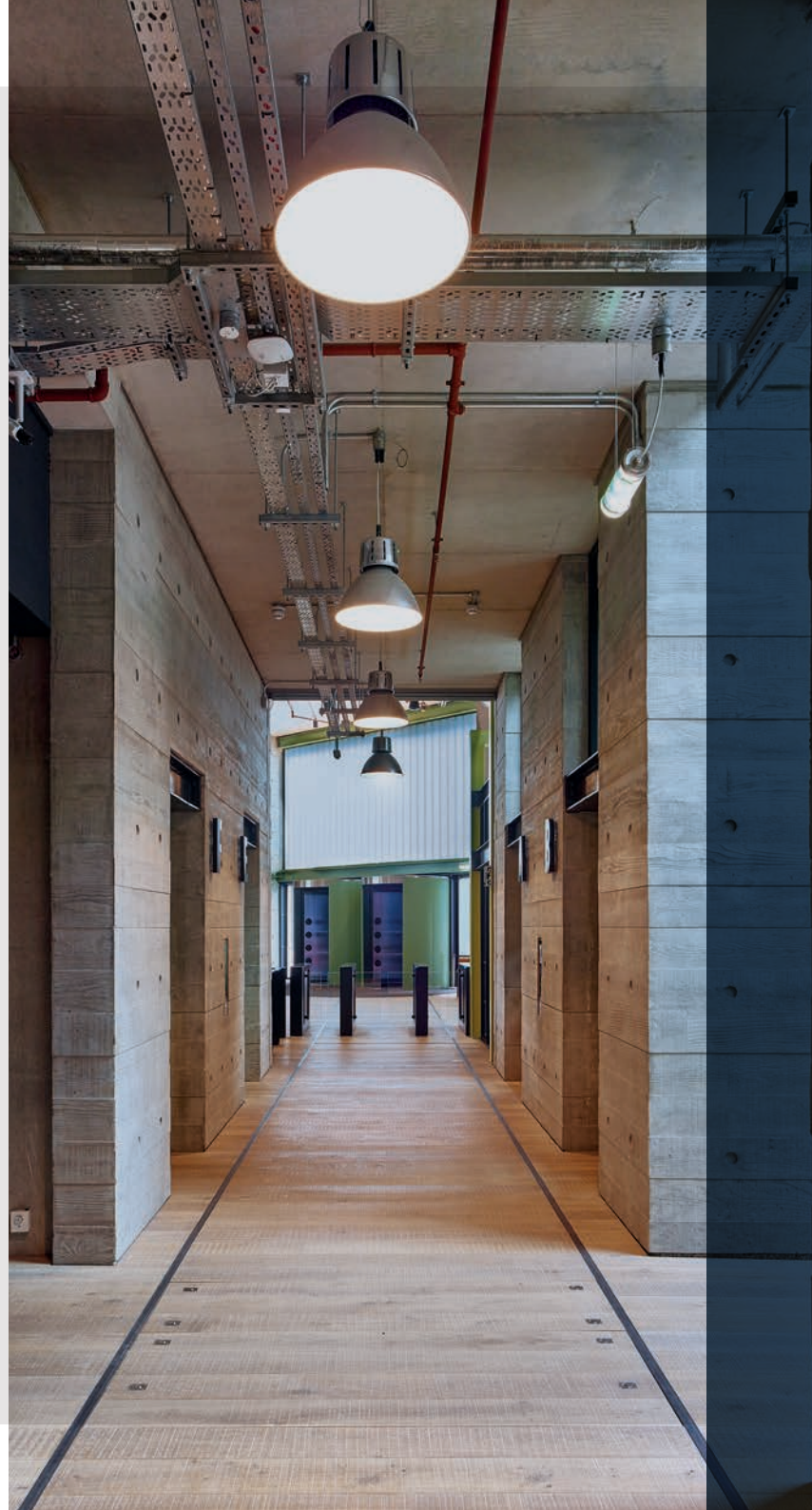
- Net cash rent of £156.9m as at 30 June 2018
- Reversion of £41.0m still to capture:
 - £9.1m from vacant space
 - £16.7m from letting developments and refurbishments
 - £15.2m from reviews and expiries
- Soho Place and The Featherstone Building add another £28.5m to ERV

¹ CBRE valuation as at 30 June 2018 ² Includes Derwent London share of joint ventures



LEASING MARKET

EMILY PRIDEAUX



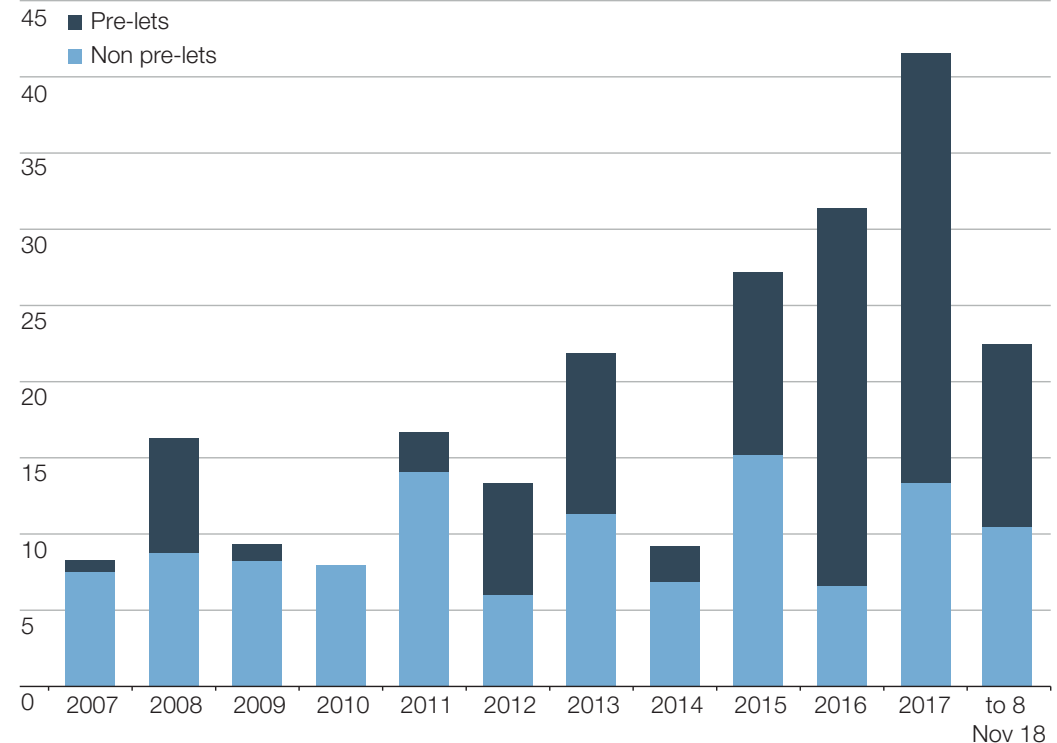
LEASING UPDATE

Total 2018 YTD lettings of £22.4m on 348,800 sq ft:

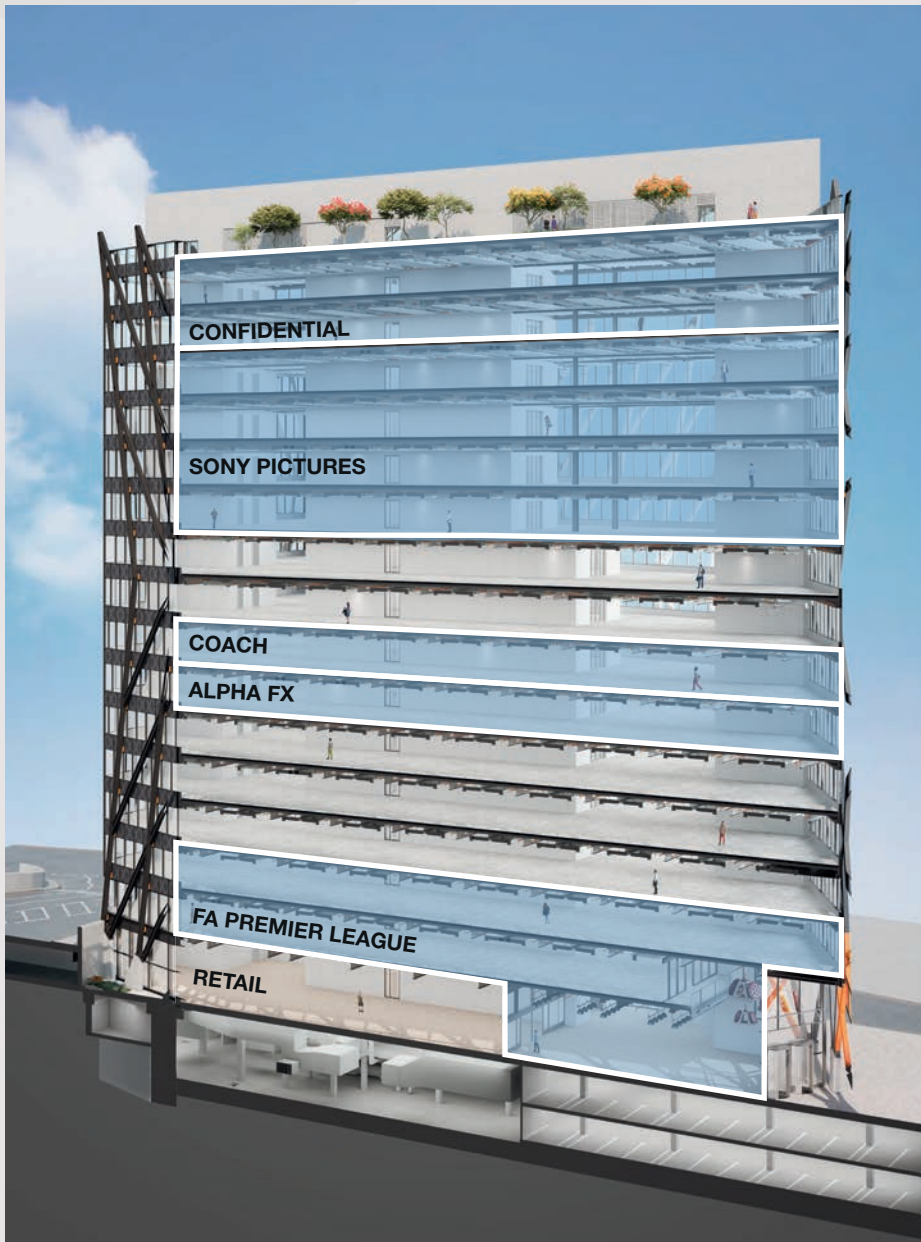
- Almost double the £11.8m announced on 9 August 2018
- 7.8% above Dec 2017 ERV (+15.1% Brunel Building, +1.2% others)
- H2 YTD lettings of £14.6m on 218,500 sq ft, 6.0% above Jun 2018 ERV
- Pre-lets account for 53% of 2018 YTD transactions

LETTING ACTIVITY (TO 8 NOV 2018)

Rental income (£m pa)



LEASING UPDATE



2018 YTD lettings (by income) broken down into:

- **Pre-lets (53%)** - Brunel Building W2 including Sony Pictures, FA Premier League, Coach and Alpha FX, and 80 Charlotte Street W1

BRUNEL • BUILDING

80
CHARLOTTE
STREET.
FITZROVIA W1

- **Recent refurbishments (9%)** - Johnson Building EC1 and 25 Savile Row W1

**The
Johnson
Building**

25
SAVILE
ROW

- **Available space (38%)** - 1-2 Stephen Street W1, Holden House W1, Morelands EC1, Tea Building E1, 45-51 Whitfield Street W1 and 19-35 Baker Street W1

1 One
Stephen
Street.

TEA

MARKET SENTIMENT

Good active requirements:

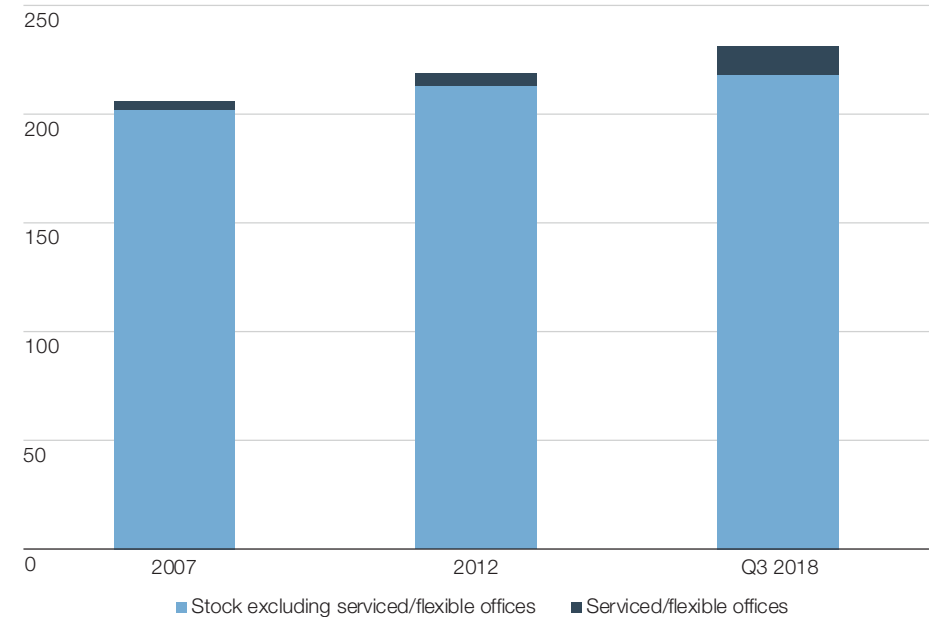
 250,000 sq ft 2019	 100,000 sq ft 2019/20
 200,000 sq ft 2019+	 80,000 sq ft 2019
DIAGEO 100,000 sq ft 2019/2025	 180,000 sq ft 2021
 150,000 sq ft 2019/20	 180,000 sq ft 2020/21
 200,000 sq ft 2021	 35,000 sq ft 2019 

- Good active demand
- Strong pre-let market
- Lease lengths and incentives
- Flight to quality product
- Grade A stock diminishing: 70% of available stock is second hand
- Serviced office providers continue to drive competitive deals and play a significant part in the market place

IMPACT OF FLEXIBLE OFFICE SPACE

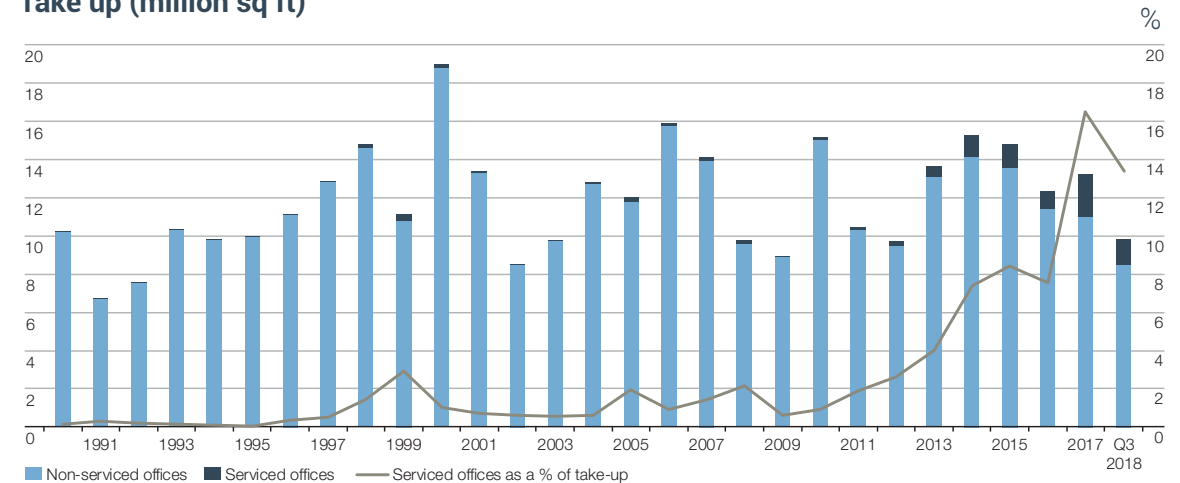
- Serviced office providers playing a significant role in London's real estate market
- Serviced office providers represent c.5% of total central London office market
- WeWork's portfolio currently c.1% of the London market

Central London office floorspace (million sq ft)



Source: Cushman & Wakefield, JLL

Take up (million sq ft)



Source: CBRE

A PRODUCT DRIVEN MARKET RESPONDING TO MARKET SENTIMENT & OCCUPIER TRENDS

EVOLVING EXPECTATIONS FOR OFFICE SPACE



What are occupiers looking
for from their real estate?

Cutting edge design

Flexibility - term
& space



Mix of private &
public space

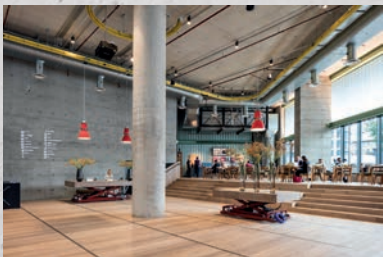
Adaptability

Simple fit-out



Ease of entry / limit
barriers to entry

Personal control of
environment



Amenity, service
and hospitality:

Food & beverage

Event curation

Connectivity

Concierge /
hospitality

Well-being agenda

Communication

Terraces - with
amenity where
possible

Security

High class fitness
facilities (gym
& changing)

On floor kitchens

Touchdown
workspace / informal
meeting zones

Town hall /
room screening /
flex use space

VARIED LEASE STRUCTURES



5-25 years



5-15 years



10-20 years



2-15 years



5-15 years



10-15 years

*Based on commercial space

DERWENT LONDON'S APPROACH TO 'FLEXI' SPACES

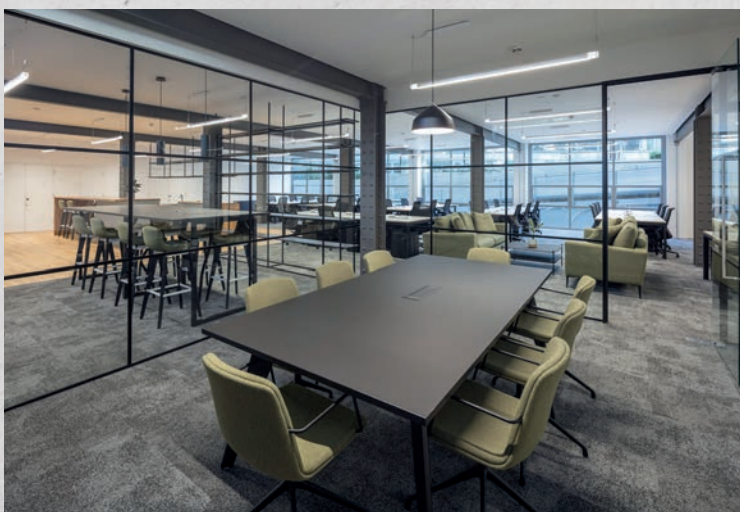
- IWG let on traditional leases
- Short-term lettings prior to redevelopment (Kotel, Runway East, eOffice)



RUNWAY EAST

eOffice
the alternative workspace

- Fully fitted flexible spaces on smaller units (e.g. Morelands EC1 / Hardwick Street EC1)



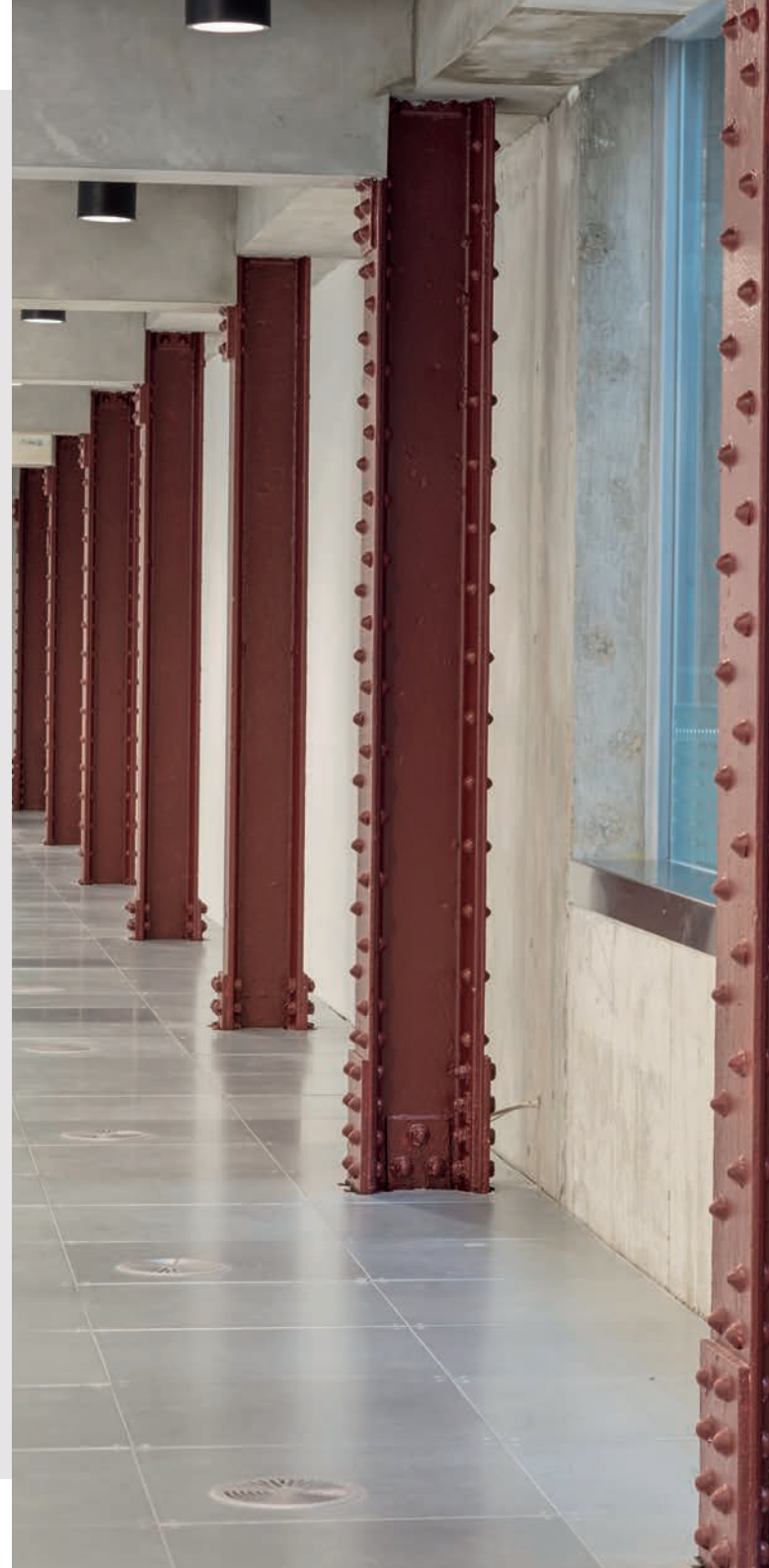
- Flexible office users occupy c.5% of the portfolio
- The Office Group – a multi-let strategy on three campuses:
 - White Collar Factory EC1 – 41,300 sq ft
 - 2 Stephen Street W1 – 34,200 sq ft
 - Angel Square EC1 – 40,700 sq ft

LETTINGS SUMMARY

- A positive year with **lettings of £22.4m** (to 8 Nov 2018)
- **Lettings of £78.8m** (all ahead of ERV) since June 2016
- **Market sentiment remains good** and over the course of 2018 we have seen large occupiers continue to endorse **London as a leading Global City**
- Supply remains limited against **good levels of active demand**
- Pre-let market is **strong with an evident flight to quality product**

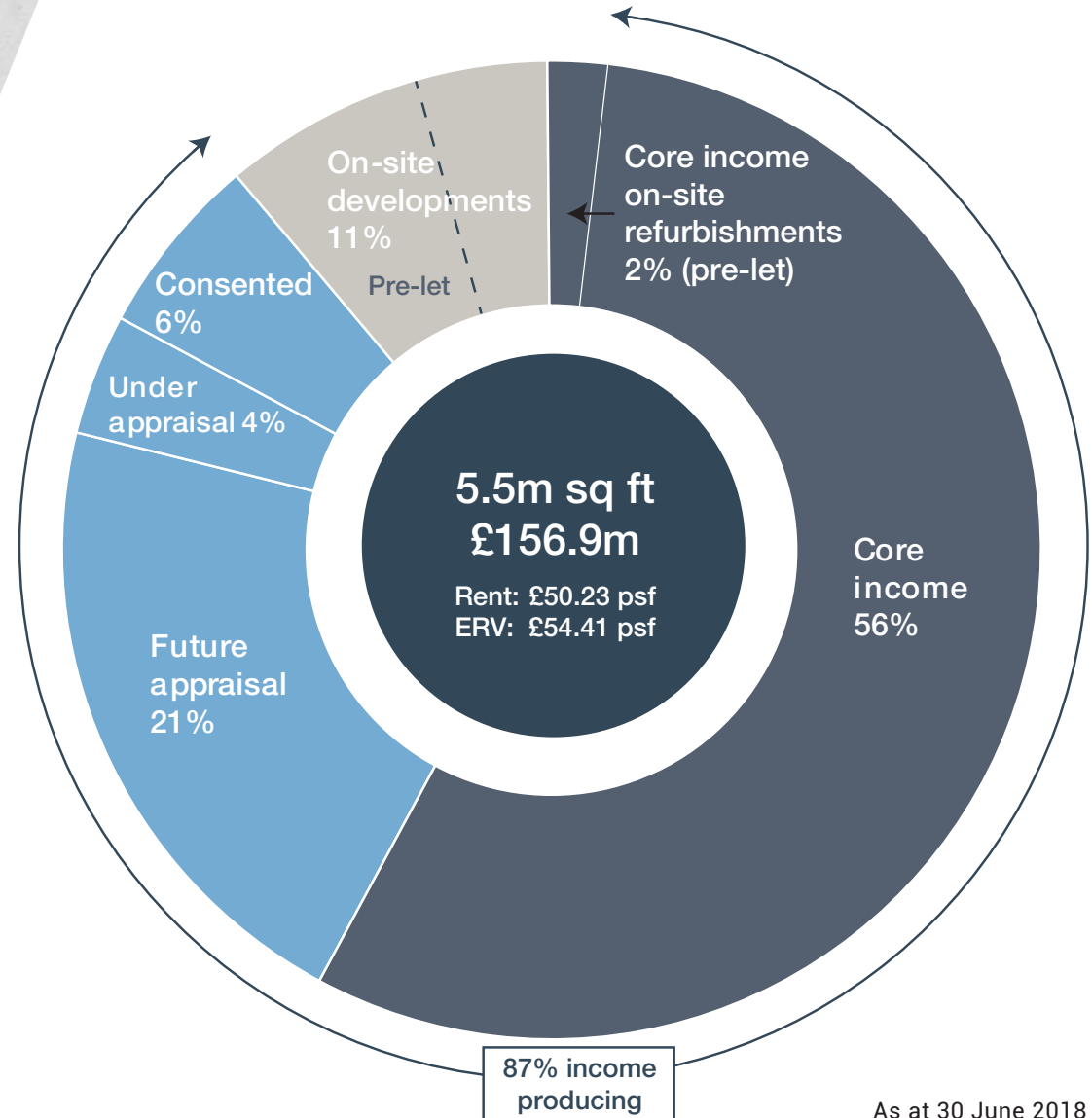
ASSET MANAGEMENT

BEN RIDGWELL
OLI WILLIAMS
RICH OLIVER



ASSET MANAGEMENT - FOCUS ON INCOME

- 87% of our portfolio is income producing
- 13% is on-site, of which 62% is pre-let
- 58% is core income, let off an average rent of £54 psf, with scope for asset management
- 31% of the portfolio (light blue on pie chart) is income producing, let off an average rent of £36 psf, and with opportunity for future regeneration

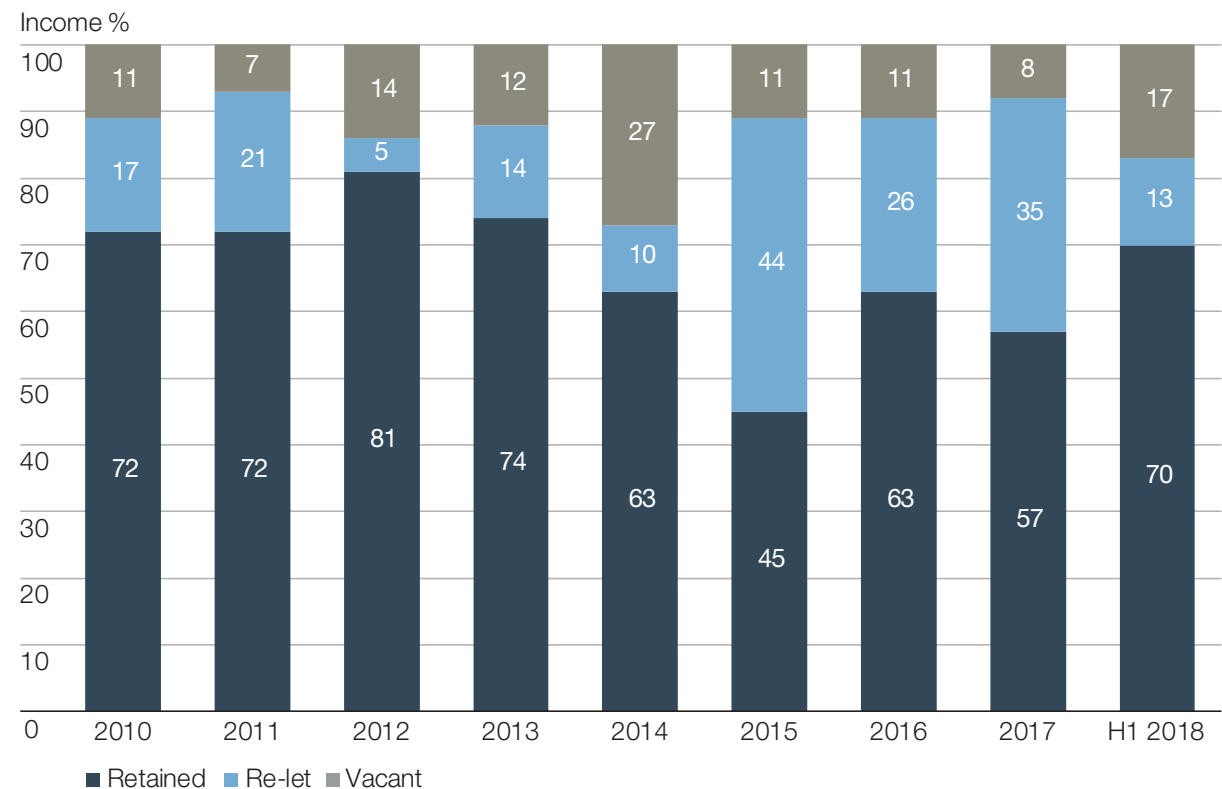


As at 30 June 2018

LEASE EVENTS - STAYING CLOSE TO OCCUPIERS

- Since 2010, 87% average tenant retention or re-let
- We view lease events as an opportunity
- Good relationships reduce the risk of vacancies
- Understanding what occupiers want

LEASE EXPIRY AND BREAK ANALYSIS¹



¹ As at 30 June 2018

ASSET MANAGEMENT - FOCUS ON OCCUPIER AMENITY



Rooftop Yoga at 20 Farringdon Road EC1



Running track at White Collar Factory EC1



Café at The White Chapel Building E1

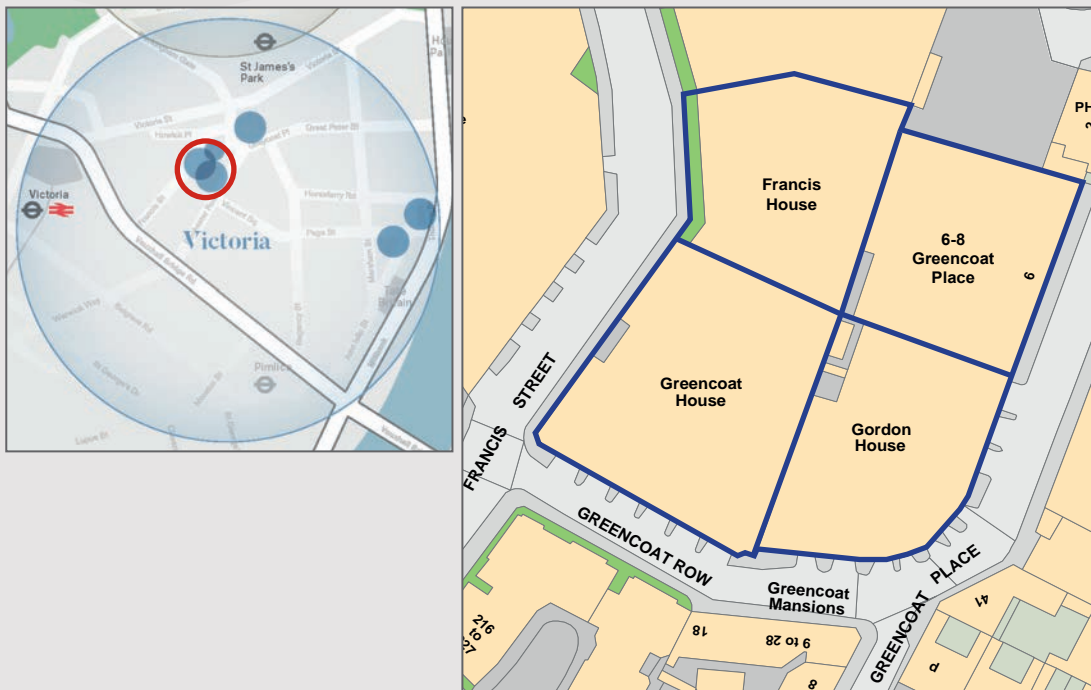


Wimbledon Tennis at The White Chapel Building E1

GREENCOAT & GORDON HOUSE SW1- A CASE STUDY



GREENCOAT & GORDON HOUSE SW1 - 139,000 SQ FT



Greencoat House (90,000 sq ft)



Gordon House (49,000 sq ft)



Francis House (54,000 sq ft)



6-8 Greencoat Place (32,000 sq ft)

- Greencoat & Gordon House acquired in 1995
- Initial rental income across the two buildings £1.1m pa (£11.34 psf)
- Buildings provide a continually evolving opportunity to regear leases, refurbish vacant units and re-let
- Francis House and 6-8 Greencoat Place complete a large office cluster

THE TENANT RELATIONSHIP - VCCP



September 2005

Derwent London welcomes VCCP to Greencoat House in 3,000 sq ft



April 2011

Building repositioned to accommodate future growth requirements and long term commitment to Greencoat House



September 2016

Occupation: 52,400 sq ft

March 2017

Gordon Studios completed. Pre-let of 13,300 sq ft

August 2007

Occupation: 5,400 sq ft

March 2011

Occupation: 25,200 sq ft

March 2013

Pre-let of redesigned space. Occupation: 38,200 sq ft

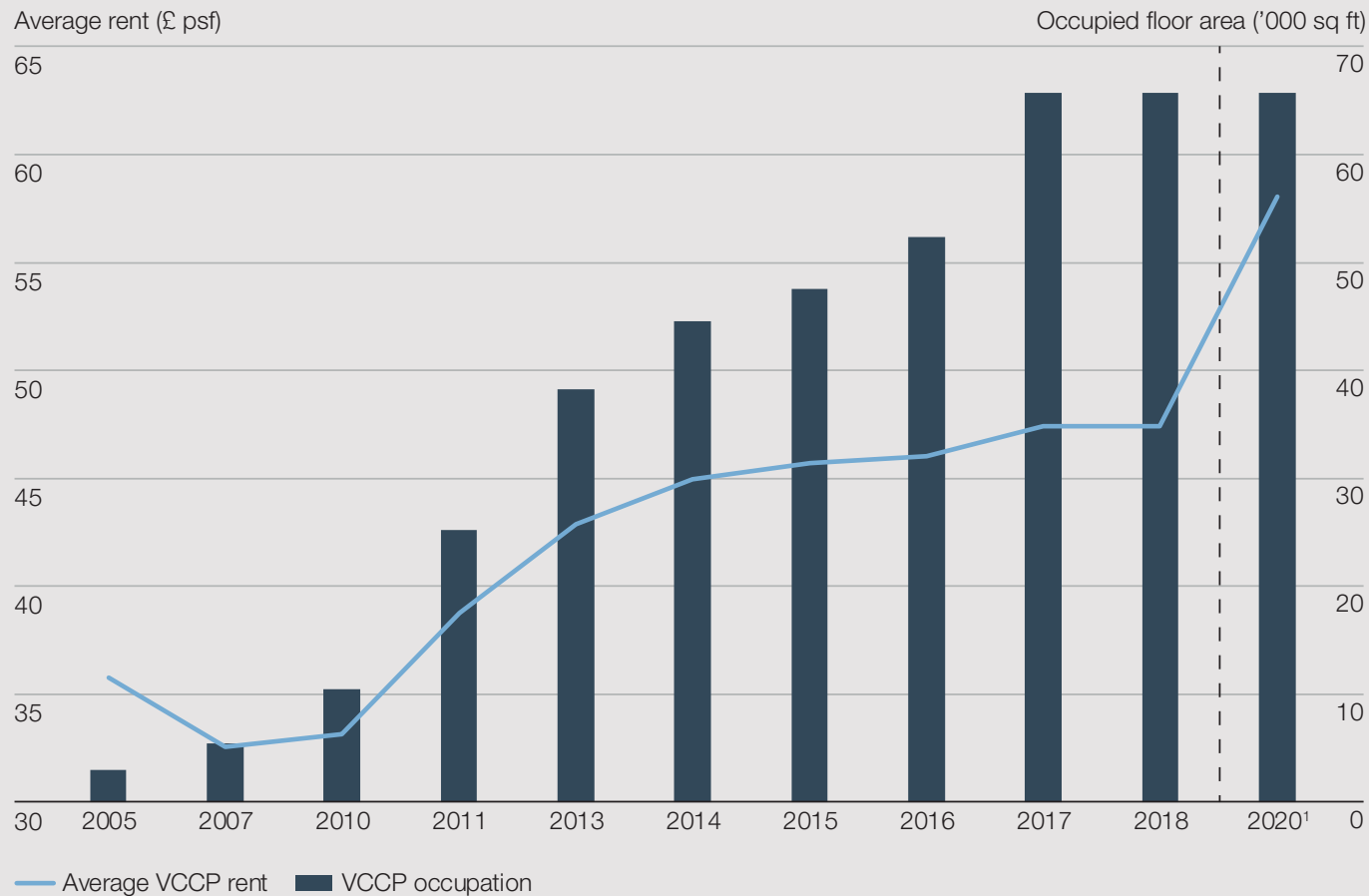
Today

Occupation: 65,700 sq ft



VCCP OCCUPATION IN GREENCOAT & GORDON HOUSE

- Long term relationship with VCCP has seen their occupation increase from 3,000 sq ft in 2005 to 65,700 sq ft today
- Rental tone increased from £33 psf to £60 psf



¹ Reversionary leases to 2025 following recent regear

TAKING AN OPPORTUNITY

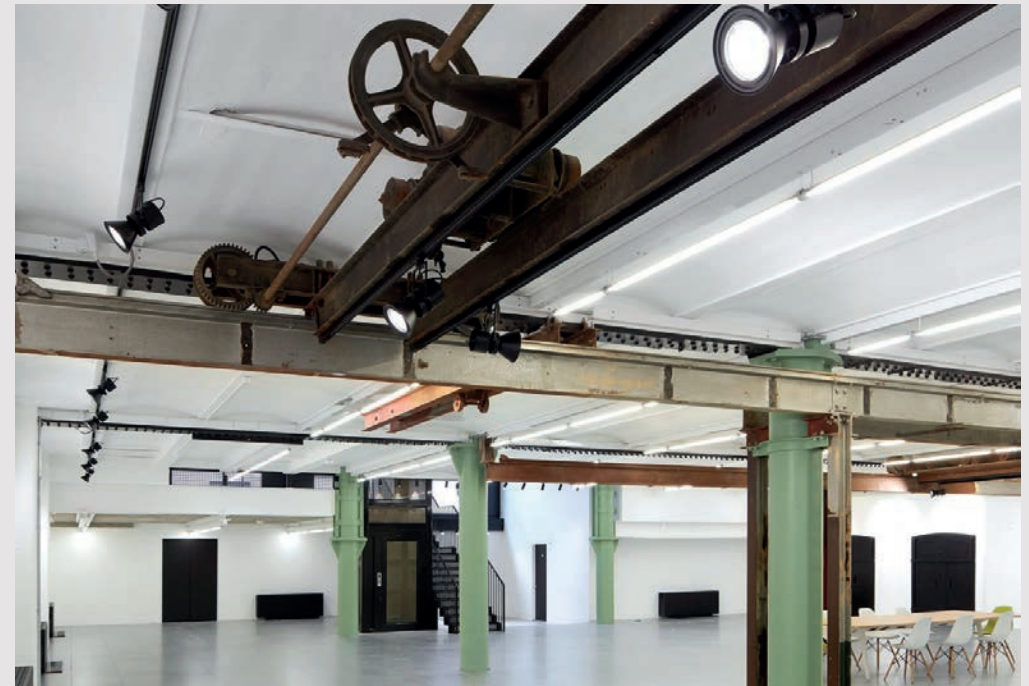
- Basement occupied by House of Fraser on a peppercorn rent to 2054, surrendered Jan 2014
- Capex of £6.65m to refurbish space
- Refurbishment completed Dec 2016



- 20,000 sq ft pre-let to Gymbox for 20 years at a rent of £0.33m pa in June 2016
- 13,300 sq ft self contained ground and lower ground office let to VCCP in March 2017 at a rent of £0.71m pa



Before pictures of Gordon Studios

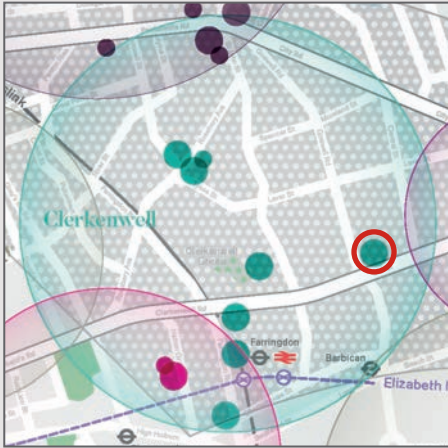


After pictures of Gordon Studios

MORELANDS EC1- A CASE STUDY

morelands

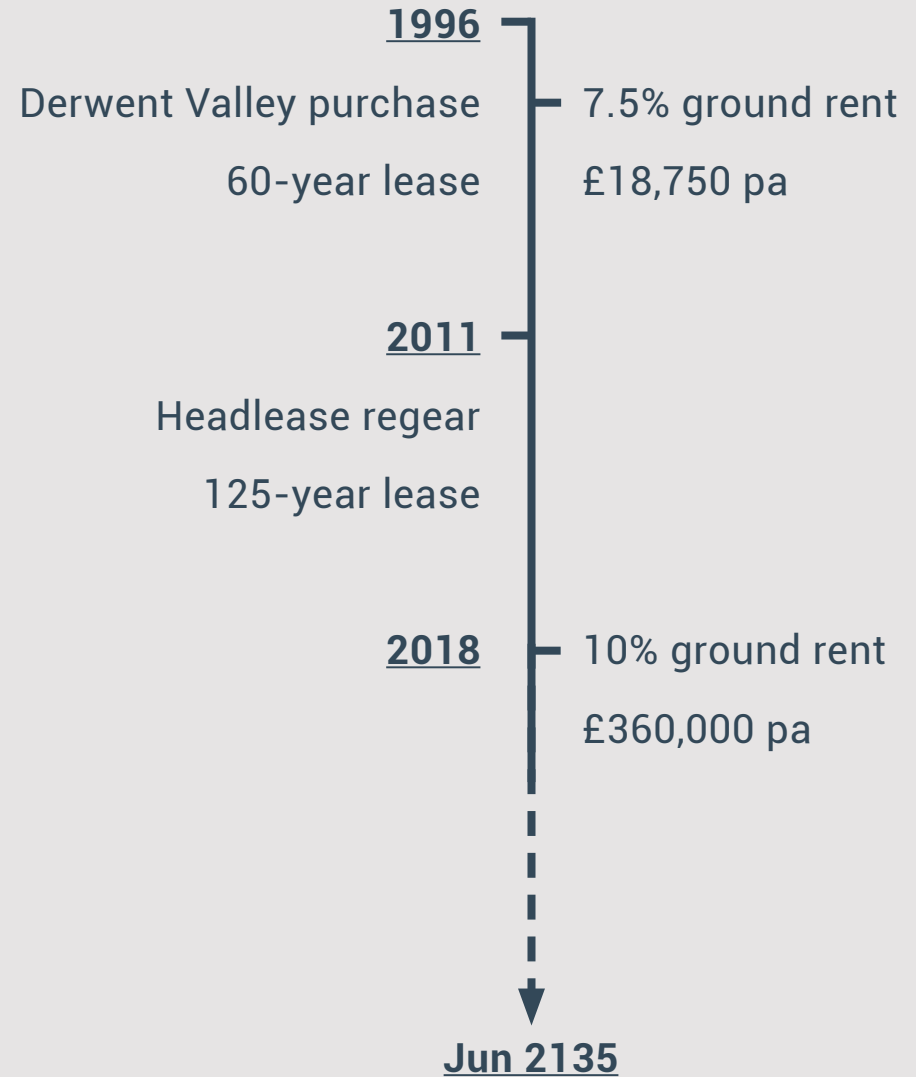
MORELANDS EC1 - 89,500 SQ FT



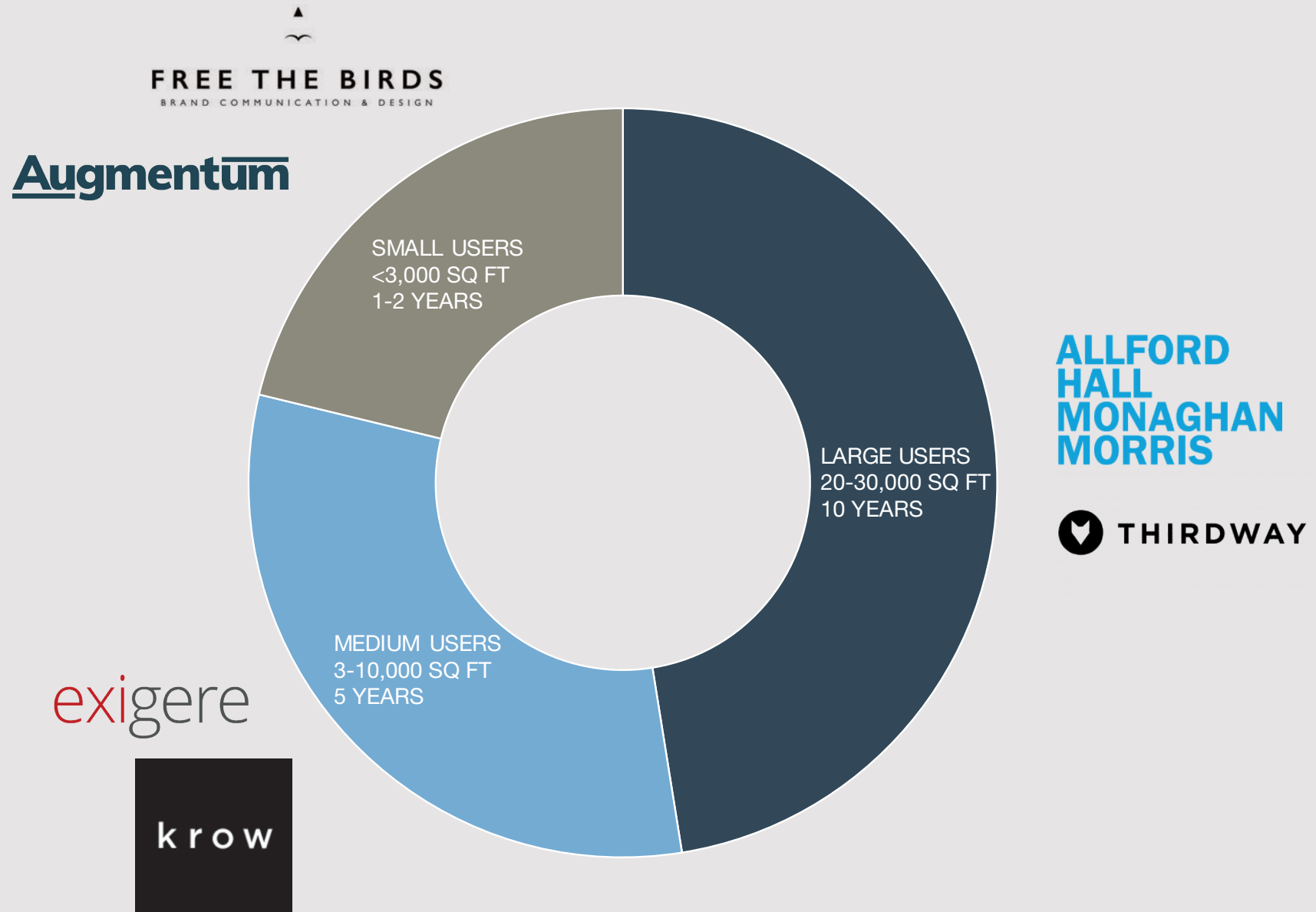
- Long leasehold acquired in 1996
- Initial rental income of £0.25m pa, with rents ranging from just £3 to £4 psf
- Recently completed Phase 6, embarking on Phase 7
- 16 occupiers on a range of sizes and terms



BUILDING A GOOD RELATIONSHIP WITH THE FREEHOLDER



MANAGING OCCUPIER DIVERSITY



PROVIDING FLEXIBILITY FOR BUSINESSES TO GROW

ALLFORD HALL MONAGHAN MORRIS

Moved in March 1995

- 1,800 sq ft at £4,500 pa
- £2.50 psf

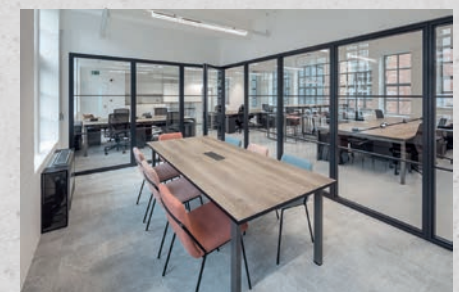
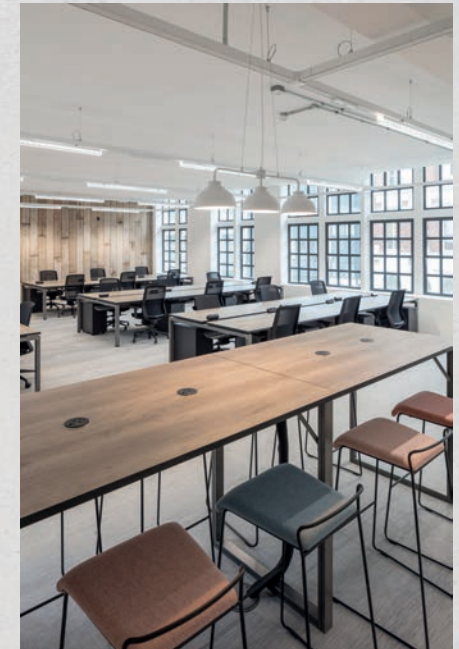
November 2018

- 29,400 sq ft at £1.62m pa
- £55 psf
- Ability to grow organically
- Integrating workspaces through bridges and staircases



THINKING SMALL

- In 2017 we had nine small units totalling 7,000 sq ft
- We opted to upgrade and reconfigure the space creating five units
- We trialled “ready-to-go” space on three units:
 - Ready furnished
 - Fibre wired
 - All-inclusive including rents, rates and service charges
- We offered simplified leases with flexible terms
- Refurbishment completed in March 2018 and fully let within a month on a mixture of 2-5 year terms



SUMMARY

- Individual building business plan, but aligned with overall Group goals
- Producing long-term sustainable performance
- Teamwork with other client facing parts of the Group
- Current trends:
 - Occupiers remain fully engaged
 - Derwent London has been successful letting smaller units this year
 - Modest retail exposure, therefore limited impact
 - Occupiers are expecting more, but Derwent London has always been occupier focused

DEVELOPMENT

BENJAMIN LESSER



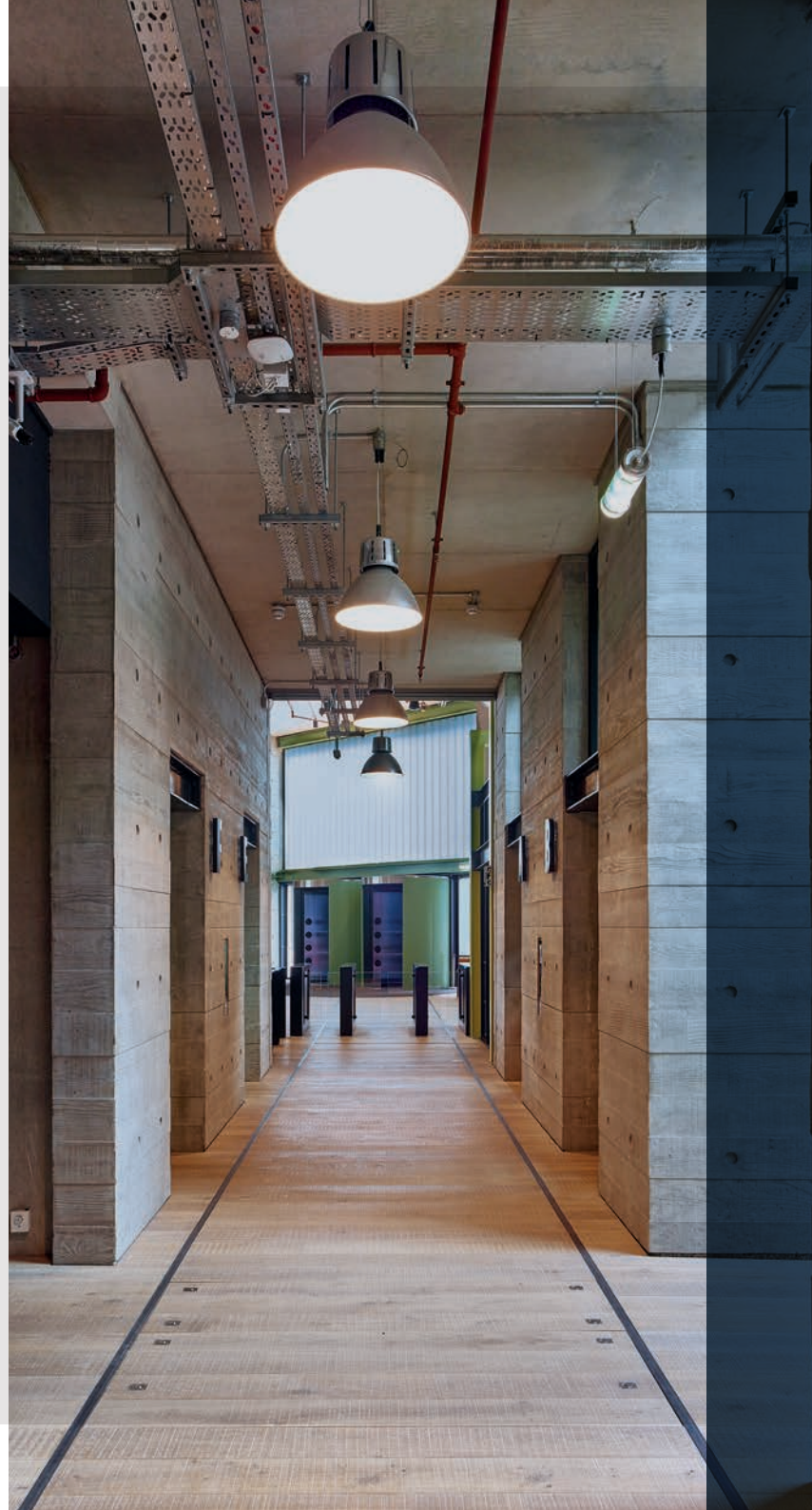


THE FEATHERSTONE BUILDING EC1 PETER PULFORD, DERWENT LONDON



CONCLUSIONS & Q&A

JOHN BURNS



PROPERTY TOUR



BRUNEL BUILDING W2



BRUNEL BUILDING, 2 CANALSIDE WALK W2

243,000 SQ FT - ON SITE



2001

Acquired 77,600 sq ft leasehold building for £22.2m before costs – tired, dated offices let at £20 psf

2008

Planning consent gained for a 316,000 sq ft office and residential scheme in two buildings

2012

Headlease extended from 83 to 999 years with 2.5% ground rent and residential site sold - Derwent London to develop 243,000 sq ft office building

2016

Demolition commenced in January and completed in August with construction following immediately after despite having the option to pause following the EU referendum result in June

2018

Scheme 64% pre-let with 155,100 sq ft let at a rent of £11.3m pa (£11.0m net) – tenants include Sony Pictures, FA Premier League, Coach and Alpha FX

2019

Scheme due to complete in H1. Striking external diagrid structure, communal and private roof terraces, full air-conditioning, floor to soffit heights of 3.5m with no columns, canalside location, on-site retail/restaurant and next to Paddington station with the Elizabeth line opening in Autumn

SOHO PLACE W1



SOHO PLACE W1 285,000 SQ FT - CONSENTED



1986

Acquired a 25% leasehold interest in 135-155 Charing Cross Road (62,000 sq ft)

1998

Acquired remaining 75% leasehold interest and freehold in 135-155 Charing Cross Road

2006

Acquired 17 Oxford Street (3,300 sq ft) and Astoria (42,300 sq ft)

2009

Buildings subjected to compulsory purchase by Crossrail. Derwent entered into an option to re-acquire the site upon completion of Crossrail works

2012

Planning consent granted in April for a major development of 285,000 sq ft - 209,000 sq ft offices, 36,000 sq ft retail, 40,000 sq ft theatre (350+ seats) and new public space
Architects: AHMM

2017

Station works to complete

2018

Scheme handed back to Derwent London for enabling works and minor demolition

2019

Construction due to commence in H1
Elizabeth line opens in Autumn

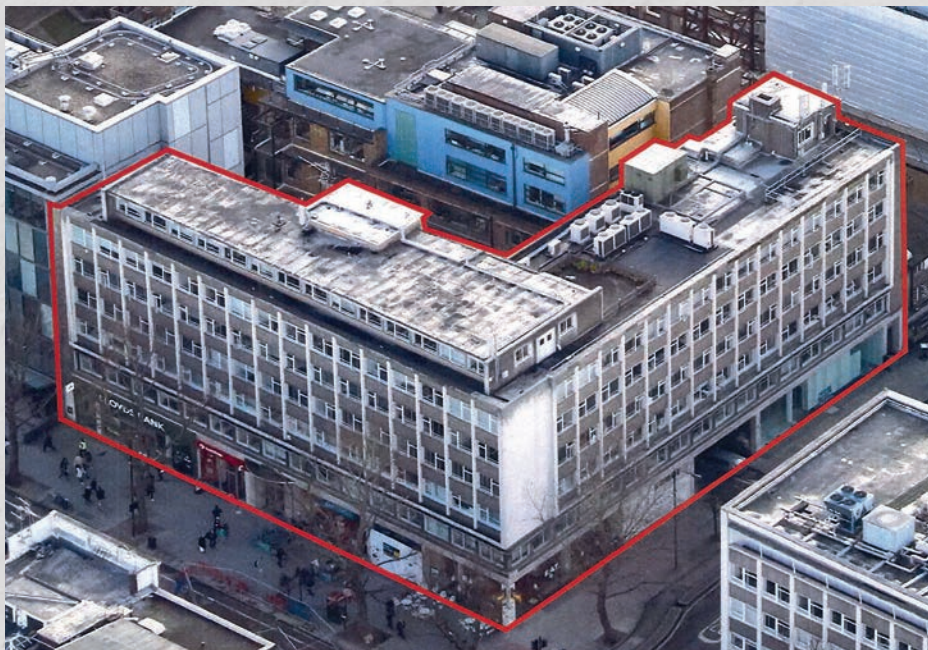
2022

Completes in H1

88-94 TOTTENHAM COURT ROAD W1



88-94 TOTTENHAM COURT ROAD W1 45,900 SQ FT - APPRAISAL STUDIES



2007

45,900 sq ft office and retail freehold building, a former LMS property, located on a prominent corner
47-year leasehold interest held by a third party

2018

Acquired 36-year leasehold interest for £42m before costs, £2.5m pa net rent (£48 psf) at 6.0% yield

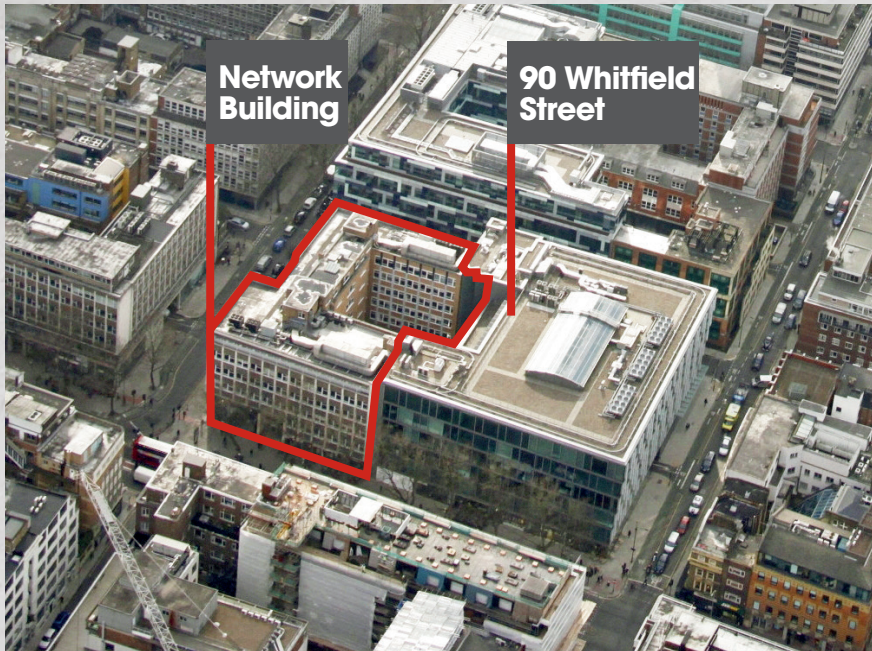
Retail: Eat, Greggs and Lloyds
Offices: UCL and Stack Works

Completes a cluster of ownerships totalling 129,500 sq ft – potential future redevelopment to 220,000 sq ft+

NETWORK BUILDING W1



NETWORK BUILDING, 95-100 TOTTENHAM COURT ROAD W1 64,200 SQ FT - APPRAISAL STUDIES



2007

A freehold mixed-use building of 64,200 sq ft, a former LMS property, fronting Tottenham Court Road

2011

Acquired headlease for £31m before costs (expired 2054) - giving us direct control of the property

2016

34,000 sq ft refurbishment completed at the rear of the property at 78 Whitfield Street

2018

Multi-let building producing an income of £3.6m pa.
55,500 sq ft offices – Includes Birchbox, Inflight Entertainment, Made Thought, Potato, Typhoo Tea, UCL, Vectos, YoYo Wallet
8,700 sq ft retail – Franco Manca, Ikea, Pret a Manger

Major future development opportunity at this 0.5 acre low density site - potential to increase floor area to 100,000 sq ft

80 CHARLOTTE STREET W1



80 CHARLOTTE STREET W1 380,000 SQ FT - ON SITE



2007

Outdated 234,000 sq ft of offices, a former LMS property, let to Saatchi & Saatchi (Publicis Groupe)
1.4 acre island site in a core West End location

2011

Planning permission granted for a 380,000 sq ft mixed-use Make designed project:

- 322,000 sq ft offices
- 44,000 sq ft residential (10,000 sq ft affordable housing)
- 14,000 sq ft retail

Increases floor area by 62%

2014

Publicis agreed to pre-let both 40 Chancery Lane WC2 and Turnmill EC1 and remain in occupation at 80 Charlotte Street until the schemes are complete

2015

Publicis Groupe relocate and demolition commences

2017

153,400 sq ft pre-let to Arup on a 20-year lease (no breaks) at £11.2m pa with annual increases of 2.25% for the first 15 years.
123,500 sq ft pre-let to The Boston Consulting Group on a 15-year lease (break in year 12) at £10.6m pa. Options on a further 33,100 sq ft

2018

11,000 sq ft pre-let to Elliott Wood taking the offices to 90% pre-let with BCG having options on the remaining 10%

2020

Scheme due to complete in H1

DERWENT LONDON ATTENDEES

JOHN BURNS*	Chief Executive	SIMON SILVER*	Property Director
DAMIAN WISNIEWSKI*	Finance Director	PAUL WILLIAMS*	Property Director
NIGEL GEORGE*	Property Director	DAVID SILVERMAN*	Property Director
BEN RIDGWELL*	Head of Asset & Property Management	EMILY PRIDEAUX*	Head of Leasing
RICK MEAKIN*	Group Financial Controller	JENNIFER WHYBROW*	Head of Group Financial Planning & Analysis
DAVID LAWLER*	Company Secretary	QUENTIN FREEMAN	Head of Investor & Corporate Communications
JOHN DAVIES	Head of Sustainability	DAVID WESTGATE	Head of Tax
JAY JOSHI	Treasurer	GILES SHEEHAN	Investment Associate
JONATHAN THEOBALD	Investment Valuer	TIM HYMAN	Group Architect
BENJAMIN LESSER	Development Manager	TOM FRENCH	Development Manager
PETER PULFORD	Development Manager	MATT MASSEY	Senior Project Manager
PHILIPPA DAVIES	Senior Leasing Surveyor	KANE LEWIS	Leasing Surveyor
CHARMAINE REES	Senior Asset Manager	RICH OLIVER	Asset Manager
OLI WILLIAMS	Asset Manager	LORNA O'NEIL	Asset Manager
NICOLE RANKIN	Investor & Communications Co-ordinator		

*Members of Executive Committee

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