

8 May 2014

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

FIRST QUARTER INTERIM MANAGEMENT STATEMENT

DEVELOPING IN A STRONG MARKET

Highlights

- 626,000 sq ft of developments on site with future capital expenditure of c.£180m
- Lettings of 57,500 sq ft for £2.4m pa in the first quarter, with comparable lettings 5.2% ahead of December 2013 ERV
- EPRA vacancy rate remains low at 0.9%
- £13m of acquisitions and £38m of disposals in the year to date
- 19-23 Featherstone Street EC1 (27,500 sq ft of offices) acquired for £11.8m before costs
- £100m New York Life long-term funding drawn down in January
- Undrawn facilities of £390m at the end of April

John Burns, Chief Executive Officer of Derwent London, commented:

“We continue to experience deep demand for Derwent London’s brand of space. This gives us the confidence to drive our extensive development programme forward and to reiterate our 2014 guidance for portfolio rental value growth of around 5% to 7% and for property yields to remain firm.”

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:15 BST today. The audio webcast can be accessed via www.derwentlondon.com.

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

Please say "IMS" when asked for the participant code.

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

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Significant committed development programme

During 2014 to date the Group has focussed on the delivery of its development pipeline.

At the beginning of the year demolition work started at the site of the White Collar Factory, Old Street EC1. This will be our largest scheme to date. The regeneration and extension of the retail units at Tottenham Court Walk W1 (18-30 Tottenham Court Road) has also now begun. This brings our on-site development programme to 626,000 sq ft, with future capital expenditure on these projects of c.£180m.

The Tottenham Court Walk project will transform the retail frontage of 1-2 Stephen Street, extending the units outwards and converting some of the basement car parking to retail use. The scheme, with an estimated rental value (ERV) of c.£3m pa, will take approximately 12 months to complete. The nearby retail offering at the east end of Oxford Street has already improved and, with Crossrail due to start operating in 2018, there are excellent prospects for further growth in this area.

Four of our current projects, totalling 277,500 sq ft, are due for completion in 2014.

These include 83,800 sq ft of refurbished office space at 1-2 Stephen Street W1. Here the main office entrance is now complete and the first of the ground floor studios is occupied. The other ground floor studio and the remaining office space under refurbishment are due to complete in the summer. We have yet to market this space, but are very encouraged by early interest in this design-led regeneration.

The pre-let office schemes at Turnmill EC1 and 40 Chancery Lane WC2 and the residential-led scheme at Queens, Bishop's Bridge Road W2 will reach practical completion later in the year. We are due to deliver Turnmill to the tenant for fit out in the third quarter and expect to hand over 40 Chancery Lane in the fourth quarter. In addition our residential schemes at Queens and at 73 Charlotte Street W1 are both progressing well.

Further details of the major projects are given in the Appendix.

Strong letting activity

There is excellent demand for Derwent London space and during the first quarter we let 57,500 sq ft at a headline rent of £2.4m pa. These lettings, excluding Middlesex House that is discussed below, were agreed at an average premium of 5.2% to the December 2013 ERV. Our portfolio currently has an EPRA vacancy rate of just 0.9%.

The largest letting was the pre-let of the basement space at Middlesex House in Fitzrovia W1, where we received planning permission to change car parking to offices. The tenant is taking 12,200 sq ft at an initial rent of £0.5m pa on a 15-year lease with a tenant break option at year 10 and incentives equivalent to a nine month rent free period. These basement offices are let at £37.50 per sq ft with a fixed uplift after five years to £42.50 per sq ft. Work on the conversion has commenced with completion expected in the second quarter of 2015.

In the Tech Belt we achieved record rents at both Morelands Buildings EC1 and 1 Oliver's Yard EC2. At Morelands 8,300 sq ft of refurbished offices were let on a 10-year lease at £0.4m pa (£49.50 per sq ft) for

the first five years with a minimum uplift to £54.50 per sq ft thereafter. In addition, at 1 Oliver's Yard we let 6,400 sq ft at £50.00 per sq ft on a 10-year lease, with a minimum uplift to £52.50 per sq ft after five years. Both these lettings have a rent free period equivalent to 10½ months with an additional 4½ months rent free if a tenant-only break at year five is not exercised.

Lease renewals and reviews in the quarter told a similarly positive story, increasing the income on 61,000 sq ft by 16.6% to £3.3m pa.

Effective portfolio recycling

In the first quarter the Group acquired the freehold of 19-23 Featherstone Street EC1 for £11.8m before costs. This 27,500 sq ft office building adjoins our Monmouth House, opposite the White Collar Factory development. The vendor has leased back the building for three years at an initial annual rent of £0.27m (£10 per sq ft) with a tenant break after 12 months.

The acquisition reflects an attractive capital value of £430 per sq ft and adds to our holdings in the Tech Belt. It provides the Group with further development opportunities, either in isolation or in conjunction with Monmouth House where the occupational lease expires in mid-2016.

Early in the second quarter we completed the disposal of Jaeger House, 57 Broadwick Street W1 to a special purchaser for £30.75m before costs. The sale attracted interest from a wide range of parties, illustrating the depth of the investment market in central London. Allowing for capital expenditure, the sale price was 69% ahead of the June 2013 valuation, 34% ahead of the December 2013 valuation and reflected a net initial yield of 2.7%.

Also in the second quarter, we completed the sale of our 25% interest in the Prague Fashion Arena in the Czech Republic, a non-core legacy asset, for £6.8m net of costs, reflecting a premium of 21% to the book value of the investment at the end of 2013 after allowing for tax.

Market outlook remains favourable

The prospects for the UK economy have improved further since the beginning of 2014 with the IMF being one of the latest commentators to raise its growth estimates. It is now predicting 2.9% GDP growth in 2014. Unemployment continues to fall and inflation remains low with London leading the domestic economy. However, the overall recovery rate is slower than in previous cycles and domestic and overseas uncertainties remain. Against this background, central London offices remain a safe haven for investment with a vacancy rate of only 4.3%, rising rents and strong occupational demand.

Central London office investment transaction volumes were a healthy £2.7bn in the first quarter according to CBRE. In addition, the IPD Quarterly Index for central London offices showed rental growth of 2.7%, capital growth of 4.0% and slight yield compression.

The Group's portfolio was not valued during this period, but our valuers, CBRE, have indicated that the valuation performance of the portfolio is likely to have at least matched that of the IPD Central London Office Quarterly Index.

Financial performance

The drawdown of the £100m 15 and 20 year loans from New York Life in January 2014 completed the final step in the £800m refinancing which was arranged in the second half of 2013.

Capital expenditure for the first quarter of 2014 was £30.0m including £1.1m of capitalised interest. The equivalent total in 2013 was £31.5m, which included the statutory compensation paid to our tenant at 80 Charlotte Street. At the end of the first quarter of 2014, net debt increased accordingly to £982m from £949m at the year end. The level of undrawn bank facilities increased to £357m at 31 March 2014 and, following the sales of Jaeger House and our Prague joint venture in April, has now risen to £390m.

The proportion of debt that was fixed or hedged was 91% and, after drawdown of the long term debt in January, the weighted average interest rate on an IFRS basis increased marginally from 4.10% at the year end to 4.29% at 31 March 2014. Using the cash coupons for the convertible bonds, the weighted average interest rate increased to 3.84% from 3.64% at 31 December.

The recommended final dividend for 2013 of 25.75p per share, of which 23.50p will be a Property Income Distribution, will be paid on 13 June 2014 to shareholders on the register at 9 May 2014. A scrip alternative has once again been offered to shareholders.

Outlook

We continue to experience deep demand for Derwent London's brand of space. This gives us the confidence to drive our extensive development programme forward and to reiterate our 2014 guidance for portfolio rental value growth of around 5% to 7% and for property yields to remain firm.

Appendix – Major project pipeline

Property	Area sq ft ¹	Comment
Projects on site		
<u>Developments</u>		
White Collar Factory, Old Street EC1	293,000	Office-led development Completion due Q3 2016
40 Chancery Lane WC2	101,800	Offices and retail Completion due Q4 2014. 96% pre-let
Turnmill, 63 Clerkenwell Road EC1	70,500	Offices and retail Completion due Q3 2014. 83% pre-let
Queens, 96-98 Bishop's Bridge Road W2	21,400	Residential and retail Completion due Q4 2014
73 Charlotte Street W1	15,500	Residential and offices Completion due Q3 2015
<u>Refurbishments</u>		
1-2 Stephen Street W1	83,800	Offices Completion due Q2 2014
Tottenham Court Walk W1	40,000	Retail, Part 1-2 Stephen Street
	626,000	25% pre-let
Major planning consents		
80 Charlotte Street W1	380,000	Offices and residential
55-65 North Wharf Road W2	240,000	Offices
1 Oxford Street W1 ²	275,000	Offices, retail and theatre
Wedge House, 30-40 Blackfriars Road SE1	80,000	Offices
	975,000	

Notes

- 1 Areas are proposed figures
- 2 Crossrail option site

Disclaimer

This document includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Derwent London plc to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any such forward-looking statements speak only as of the date of this document and Derwent London plc does not undertake to update forward-looking statements to reflect events or circumstances after that date. Information contained in this document relating to the Group should not be relied upon as an indicator of future performance.

Notes to editors

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £3.4bn as at 31 December 2013, making us the largest London-focused real estate investment trust (REIT).

Our experienced team has a long track record of creating value throughout the property cycle by regenerating our buildings via development or refurbishment, effective asset management and capital recycling.

We typically acquire properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End or the Tech Belt. We capitalise on the unique qualities of each of our properties – taking a fresh approach to the regeneration of every building with a focus on anticipating tenant requirements and an emphasis on design.

Reflecting and supporting our long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

Landmark schemes in our portfolio of 5.7 million sq ft as at 31 December 2013 include Angel Building EC1, The Buckley Building EC1, White Collar Factory EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2014 to date the Group has won the Property Week 'Developer of the Year' and has been shortlisted for awards by Architects' Journal and RICS.

In 2013 Derwent London topped the real estate sector for the fourth year in a row and came tenth overall in the Management Today awards for 'Britain's Most Admired Companies'. During the year the Group was also awarded EPRA Gold for corporate and sustainability reporting, two OAS awards and AJ Retrofit and NLA awards.

For further information see www.derwentlondon.com or follow us on Twitter at @derwentlondon.