

19 June 2013

Derwent London in talks to sell its interest in 1-5 Grosvenor Place SW1 to Peninsula Hotels for £132.5 million

Following the announcement made by The Hongkong & Shanghai Hotels, Limited (“Peninsula Hotels”) on the Hong Kong Stock Exchange, Derwent London plc (“Derwent London”/ “the Group”) announces that it has entered into non-binding heads of terms to sell its 50% interest in 1-5 Grosvenor Place SW1 to Peninsula Hotels for £132.5 million before costs. As at 31 December 2012 the Group’s interest was valued at £78 million. The proposed transaction reflects a 70% premium to that valuation.

The existing properties comprise mainly offices and extend to 168,000 sq ft (15,600m²), net, at Hyde Park Corner, Belgravia.

In 2012, Derwent London and Grosvenor, the freeholder of 1-5 Grosvenor Place, restructured their interests and established a joint venture. Under that agreement Derwent London’s leases, which were due to expire in 2063 and 2084, were restructured onto a 150-year term. Simultaneously the Group sold 50% of its ownership to Grosvenor for £67.3 million.

On completion of the proposed transaction with Peninsula Hotels, Derwent London will have received proceeds of almost £200 million from 1-5 Grosvenor Place since the start of 2012.

It is intended that, following the disposal of Derwent London’s interest, Peninsula Hotels and Grosvenor will work together towards redevelopment of the site as an hotel and residential scheme.

The heads of terms entered into with Peninsula Hotels are not legally binding and consequently the sale may or may not proceed.

Derwent London has a committed capital expenditure programme of around £400 million and is currently on site at projects totalling over 400,000 sq ft (37,200m²). Over the next 12 months Derwent London will start construction of a further 345,500 sq ft (32,050m²) with our White Collar Factory offices at Old Street EC1, retail space at 18-30 Tottenham Court Road W1 complementing our current office scheme at 1-2 Stephen Street W1 (together 127,000 sq ft/ 11,800m²) and a residential development at 73 Charlotte Street W1. The regeneration of 385,000 sq ft (35,800m²) at 80 Charlotte Street W1 will now commence in early 2015.

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

“These heads of terms move Derwent London towards securing most of our anticipated gain from the redevelopment of 1-5 Grosvenor Place. The Group will receive the proceeds five to six years ahead of the expected completion date for the scheme and continues to invest in other opportunities, principally its extensive development pipeline which amounts to over 2.5 million sq ft of space that could potentially be delivered before 2020.”

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Notes to editors

Derwent London

Derwent London owns a portfolio of commercial real estate predominantly in central London valued at £2.9bn as at 31 December 2012, making us the largest London-focused real estate investment trust (REIT).

Our experienced team has a proven record of value creation through development, refurbishment and asset management activities. We take a fresh approach to each building, adopting a design-led and tenant-led philosophy. We focus on buildings with reversionary mid-market rents, particularly those in improving locations around the West End and the City borders.

The business is grounded on a strong balance sheet with modest leverage, a robust income stream and flexible financing.

Landmark schemes in our portfolio of 5.4 million sq ft (505,800m²) as at 31 December 2012 include Angel Building EC1, Buckley Building EC1, Qube W1, Horseferry House SW1 and Tea Building E1.

Derwent London came seventh overall in the 2012 Management Today awards for 'Britain's Most Admired Companies', topping the real estate sector for the third year in a row. Earlier in 2012 the Group won the Estates Gazette Property Company of the Year – Offices award. Last year the Tea Building also won a RIBA regional award and an AJ Retrofit award for the 'Green Tea' refurbishment to improve the environmental performance of the building.

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