

10 May 2013

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

INTERIM MANAGEMENT STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2013

DELIVERING AND LETTING PROJECTS

- 268,000 sq ft (24,900m²) let in Q1 at an annual rent of £3.5m
- Rents on open market lettings in Q1 3.6% above 31 December 2012 ERV
- Regeneration of The Buckley Building now complete and 62% let, including 26,400 sq ft (2,450m²) let to a member of the WPP group for £1.34m pa in Q2
- Current schemes total 404,400 sq ft (37,580m²) and over 400,000 sq ft (37,200m²) is due to start in H2
- White Collar Factory project brought forward, to complete in H2 2016
- Loan-to-value ratio remains low at 30%

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

"Derwent London has made a good start to 2013 with further lettings above ERV, a high level of enquiries for space and continuing rental growth in our markets. Against this background we remain confident with the scale of our development programme and the prospects for our substantial stock of future projects."

Webcast and conference call

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

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

Please say "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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Projects

Since the beginning of 2013 we have completed the 85,000 sq ft (7,900m²) regeneration of The Buckley Building, 49 Clerkenwell Green EC1 and the pre-let refurbishment and extension of the top two floors at Morelands Buildings, 5-27 Old Street EC1.

Following the recent start of 16 apartments at Queens, 96-98 Bishop's Bridge Road W2, we are on site at five major projects totalling 404,400 sq ft (37,580m²). These are all progressing to plan and the majority are in locations which will benefit from the arrival of Crossrail. The sites at Turnmill EC1 and 40 Chancery Lane WC2 have been cleared and construction of the new buildings has started whilst, at 1-2 Stephen Street W1, work is underway on 86,000 sq ft (7,990m²) of rolling refurbishment.

The design of 80 Charlotte Street W1 has been finalised and the construction contract is out to tender. At the White Collar Factory in Old Street EC1 we have completed the 3,000 sq ft (280m²) of prototype offices. Marketing presentations will begin here in June and we intend to commence construction of 289,000 sq ft (26,800m²) of this innovative concept on a speculative basis in early 2014. The island site adjoins the Old Street roundabout in the heart of 'London's Tech Belt' and completion of this energy-efficient scheme is expected in the second half of 2016.

The projects at Charlotte Street and the White Collar Factory will more than double the area of schemes under construction in the next 12 months.

As previously announced in February 2013, Derwent London entered into an option agreement with the freeholder and long leaseholder to restructure our headlease at 55-65 North Wharf Road, Paddington W2. This agreement unlocks the opportunity for a 240,000 sq ft (22,300m²) office development adjacent to the Paddington Crossrail station. Vacant possession can be obtained from 2014 and we are advancing our development plans.

Progress also continues with our scheme at 1-5 Grosvenor Place SW1 where, with our partner, we are in advanced negotiations with a hotel operator.

Further details of our projects are given in the attached Appendix.

Letting progress

The letting momentum from last year has been carried forward into 2013 with strong tenant demand, particularly from the TMT/creative industries. The Group let 268,000 sq ft (24,900m²) of space in the first quarter at an annual rent of £3.5m, 1.7% above the estimated rental values (ERV) at 31 December 2012. Excluding short-term lets at future development sites, open market lettings were agreed on average at 3.6% above December 2012 ERV.

The largest letting in the first quarter was 217,000 sq ft (20,160m²) at 132-142 Hampstead Road NW1 which was pre-let to UCL (University College London) for £1.6m pa. This letting provides income, reduces our void cost by £1.0m pa and, most importantly, preserves our development options at this

site until the uncertainty created by the HS2 rail project is resolved. Elsewhere media company VCCP took a further 10,600 sq ft (980m²) for £0.51m pa at Greencoat House, Victoria SW1 and three tenants leased 10,900 sq ft (1,010m²) at the Tea Building, Shoreditch E1 for a total of £0.38m pa. The rent achieved on the best space was £37.50 psf (£405 per m²), a new level of office rent for the Tea Building.

Since the end of the quarter we have let a further 41,100 sq ft (3,820m²) at £1.7m pa. Of this 31,600 sq ft (2,930m²) relates to The Buckley Building where Hill+Knowlton Strategies, a subsidiary of WPP, has taken 26,400 sq ft (2,450m²) on the top two floors. Their rent is £1.34m pa on a 15-year lease, with a tenant break at year 12 and incentives equivalent to a 24-month rent free period. The headline rent on the top floor is £52.50 per sq ft (£565 per m²) and the overall rent is at a 7.0% premium to the December 2012 ERV. Additionally the restaurant unit of 5,200 sq ft (480m²) has been let for £0.12m pa. The building is now 62% let.

Completion of developments has resulted in our EPRA vacancy rate rising to 2.7% from 1.6% at the start of 2013.

Market background

Central London offices continue to outperform the wider UK investment and occupier markets in 2013, with IPD reporting a total return for central London offices of 2.2% in the first quarter compared with 1.1% for the All UK Property Index.

CBRE estimated central London office investment activity in the first quarter at £2.8bn, 20% down on the previous quarter but in line with the 10-year average. Demand remained high, but transaction volumes were constrained by a lack of buildings for sale. London continues to be a key location for overseas investors who accounted for 61% of transactions in the period.

Take-up of office space in central London remains robust with 2.5m sq ft (232,600m²) let in the first three months of the year. Whilst a number of speculative developments started as expected during the quarter, the supply of available space remains low. According to CBRE, the central London vacancy rate of immediately available space was 5.4% at the end of the quarter, well below the 10-year average of 6.3%. With demand outpacing supply, central London rents are rising with 1.3% rental growth in the IPD Central London Office Index in the first three months of the year compared with a 0.1% increase in the IPD All UK Property Index.

This rental growth, in a continuing low yield environment, has led to a 1.1% capital value increase in central London offices in the first quarter according to IPD. Although the Group's portfolio was not valued during this period our valuers, CBRE, have indicated that the performance of the portfolio over the quarter is likely to have at least matched that of the IPD Central London Office Index.

Finance

Capital expenditure in the first quarter increased to £31.5m including £1.6m of capitalised interest. The equivalent total in Q1 2012 was £13.2m, demonstrating the significant increase in development spending over the last year. However, the disposal of properties, principally at Commercial Road E1, raised £17.8m before costs with the result that net debt only increased marginally to £878.8m at the quarter end from £874.8m at 31 December 2012. Overall gross interest cover for the three month period was 350% and the Group's loan-to-value ratio remained low at 30%. With our strong balance sheet, we are actively seeking selective purchases that fit the Group's business model.

The level of bank facilities was unchanged, of which £319m remained undrawn at 31 March 2013 with £624m of properties uncharged. The proportion of debt that was fixed or hedged fell marginally to 91% and the weighted average cost of debt on an IFRS basis also fell marginally from 4.88% at the year end to 4.86% at 31 March 2013. Using the cash coupon of 2.75% for the convertible bonds, the weighted average cost of debt fell from 4.63% to 4.61%.

Receipt of rents for the March to June quarter was prompt with negligible amounts uncollected.

The recommended final dividend for 2012 of 23.75p per share, of which 18.75p will be a Property Income Distribution, will be paid on 14 June 2013 to shareholders on the register at 10 May 2013. A scrip alternative has once again been offered to shareholders.

Outlook

Derwent London has made a good start to 2013 with continuing rental growth in our markets. Whilst the supply of office space is expected to increase during 2013, we are seeing a highly encouraging level of enquiries for both our available space and our current projects. Against this background we remain confident with the scale of our current development programme and the prospects for our substantial stock of future schemes.

Appendix – Current project pipeline as at 10 May 2013

Projects on site

Property	Proposed area sq ft	Proposed area m ²	Comment and delivery date
<u>Developments</u>			
1 Page Street SW1	127,000	11,800	Offices, 100% pre-let, Q2 2013
40 Chancery Lane WC2	100,000	9,300	Offices, Q4 2014
Turnmill, 63 Clerkenwell Road EC1	70,000	6,500	Offices, Q3 2014
Queens, 96-98 Bishop's Bridge Road W2	21,400	1,990	Residential, Q4 2014
<u>Phased scheme</u>			
1-2 Stephen Street W1 – Ph 1 & 2	86,000	7,990	Offices, part pre-let, 2013/14
	404,400	37,580	

Projects starting in next 12 months

Property	Proposed area sq ft	Proposed area m ²	Comment
80 Charlotte Street W1	385,000	35,800	Offices and residential
White Collar Factory, Old Street EC1	289,000	26,800	Offices due to start early 2014
73 Charlotte Street W1	15,500	1,440	Residential and offices
	689,500	64,040	

Major planning consents

Property	Proposed area sq ft	Proposed area m ²	Comment
55-65 North Wharf Road W2	240,000	22,300	Offices
1 Oxford Street W1	275,000	25,500	Offices, retail and theatre
Wedge House, 30-40 Blackfriars Road SE1	80,000	7,400	Offices
18-30 Tottenham Court Road W1 – Ph 3	41,000	3,810	Retail, Part 1-2 Stephen St
	636,000	59,010	

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 £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.

In 2011, Angel Building was shortlisted for the RIBA Stirling Prize following its RIBA London 2011 award and has also won numerous accolades from other organisations such as the British Council for Offices, the British Construction Industry, the American Institute of Architects and New London Architecture.

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