

12 November 2014

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

**THIRD QUARTER INTERIM MANAGEMENT STATEMENT  
STRONG DEMAND UNDERPINS GROWTH ACROSS THE BUSINESS**

**Highlights**

- Developments: 277,500 sq ft to be completed by early 2015 (66% let) and a further 485,000 sq ft to start next year
- Lettings: 70,000 sq ft let in Q3, securing £4.0m per annum, 8.9% above June 2014 ERV
- Vacancy: rose to 3.9% from 1.4% in June reflecting recent development completions
- Investment activity: H2 sales of c.£69m to date achieved at 12% over June 2014 values
- LTV ratio of 25.5% with cash and undrawn facilities of £385m at 30 September 2014

John Burns, Chief Executive Officer, commented:

*“We remain confident about our portfolio’s prospects for both rental growth and firm property yields during the rest of this year and into 2015. Against this background Derwent London is well positioned with its substantial and flexible development programme.”*

**Webcast and conference call**

There will be a live webcast together with a conference call for investors and analysts at 08:00 GMT today. The audio webcast can be accessed via [www.derwentlondon.com](http://www.derwentlondon.com).

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

Please say "Derwent London" 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](http://www.derwentlondon.com).

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### **Development progress** (see Appendix 1 for details)

Since the half year, we have finished the latest phase of 1-2 Stephen Street W1 (83,800 sq ft offices - 34% let), and Queens, 96-98 Bishop's Bridge Road W2 (18,700 sq ft residential). Since completion of the latter at the end of October, seven out of the 16 apartments have been reserved or exchanged.

We will complete Turnmill EC1 and 40 Chancery Lane WC2 shortly for handing over the offices to Publicis early in 2015, and the retail elements of both schemes are under offer. Tottenham Court Walk W1 and 73 Charlotte Street W1 are on track to finish in 2015, and White Collar Factory EC1 in 2016. Once Publicis is in occupation of its new premises we expect to start 80 Charlotte Street W1 in the second half of 2015, for completion in 2018.

We continued to add to our extensive pipeline securing planning consent for 105,000 sq ft of offices and retail at 25-29 Berners Street, Fitzrovia W1 in October. We obtain vacant possession of the property in January 2015, and discussions with the freeholder are progressing well. In addition, we have applied for residential planning on our own offices at 25 Savile Row, Mayfair W1. At Wedge House SE1 we are working up a planning application with a hotel operator to develop a mixed-use project comprising a hotel and offices. If successful, the new permission will supplant the current office consent.

### **Occupier demand remains strong** (see Appendix 2 for details)

In the three months to September 2014 we let 70,000 sq ft securing £4.0m per annum of rental income. This was 16.8% above December 2013 Estimated Rental Value (ERV) and 8.9% above June 2014 ERV. The largest letting was the previously announced pre-let to Freud Communications at 1-2 Stephen Street W1, and we have interest in a number of other floors. In the first nine months of the year we let 159,800 sq ft securing £7.6m per annum of rental income, which was 13.1% above December 2013 ERV.

The EPRA vacancy rate (by rental value) has risen from 1.4% in June to 3.9% due to the recent completions at 1-2 Stephen Street and Davidson Building WC2 (23,200 sq ft refurbishment). The ERV of the EPRA vacant space is £6.5m per annum, and we remain very positive about the letting outlook.

### **Investment activity** (see Appendix 3 for details)

During the third quarter 186 City Road EC1 and 35 & 37 Kentish Town NW1 were sold for a total of £37.4m, which we reported at the time of our half year results in August. Since September we have sold Suncourt House N1 and exchanged on the sale of 136-142 Bramley Road W10 for a total of £31.6m. In the year to date we have raised c.£100m from disposals before costs at an average of 41% above December 2013 values, with second half disposals 12% above June valuations. There have been no purchases in the period, but we are currently appraising a number of opportunities.

### **Financial review**

At 30 September 2014 net debt was £963.7m, which was £10.4m lower than in June 2014. Capital expenditure for the third quarter was £26.3m including £1.6m of capitalised interest. At the same date, the proportion of our debt that was fixed or hedged was 97%. The interest cost of our debt was 4.38% on an IFRS basis and 3.93% on a cash basis, both marginally lower than at June 2014. The level of cash and undrawn bank facilities was £384.8m and the Group's LTV ratio was 25.5%.

### **Property values and outlook**

The central London office market continued to perform well in Q3 with the IPD Central London Office Quarterly Index reporting rental value growth of 2.4% and capital growth of 4.2%. The Derwent London portfolio was not revalued but our valuers, CBRE, have indicated that the valuation performance of the portfolio is likely to have at least matched that of the IPD.

Both occupational and investment demand remain strong for our properties and we are confident about the prospects for both rental growth and firm yields during the rest of this year and into 2015.

## Appendix 1: Major projects pipeline

Property	Area sq ft <sup>1</sup>	Delivery	Comment
<b>Projects completed in 2014</b>			
1-2 Stephen Street W1	83,800	Q3 2014	Offices - 34% pre-let
Queens, 96-98 Bishop's Bridge Road W2	21,400	Q4 2014	Residential and retail
<b>Projects on site and due to complete shortly</b>			
Turnmill, 63 Clerkenwell Road EC1	70,500	Q4 2014	Offices and retail - 83% pre-let
40 Chancery Lane WC2	101,800	Q1 2015	Offices and retail - 96% pre-let
	<b>277,500</b>		<b>66% pre-let</b>
<b>Other projects on site</b>			
<u>Developments</u>			
White Collar Factory, Old Street EC1	293,000	Q3 2016	Office-led development
73 Charlotte Street W1	15,500	Q3 2015	Residential and offices
<u>Refurbishments</u>			
Tottenham Court Walk W1	40,000	Q2 2015	Retail, Part 1-2 Stephen Street
	<b>348,500</b>		
<b>Major planning consents due to start in 2015</b>			
80 Charlotte Street W1	380,000		Offices and residential
25-29 Berners Street W1	105,000		Offices and retail
	<b>485,000</b>		
<b>Other major planning consents</b>			
1 Oxford Street W1 <sup>2</sup>	275,000		Offices, retail and theatre
55-65 North Wharf Road W2	240,000		Offices
Wedge House, 30-40 Blackfriars Road SE1 <sup>3</sup>	80,000		Offices
	<b>595,000</b>		
<b>Active planning applications</b>			
25 Savile Row W1	58,000		Residential and retail

<sup>1</sup> Proposed areas

<sup>2</sup> Crossrail site under option

<sup>3</sup> Scheme undergoing potential revision to hotel and offices (see text)

## Appendix 2: Principal lettings in 2014

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
<b>Q1</b>								
Middlesex House W1	Make	12,200	37.50 <sup>1</sup>	0.5	42.50	15	10	9
Morelands EC1	Spark44	8,500	49.50	0.4	54.50	10	5	10.5, plus 4.5 if no break
1 Oliver's Yard EC2	Orms	6,400	50.00	0.3	52.50	10	5	10.5, plus 4.5 if no break
<b>Q2</b>								
Tower House WC2	World Nuclear Association	5,700	66.00	0.4	68.50	10	-	13.5
<b>Q3</b>								
1-2 Stephen Street W1	Freud Communications	28,100	65.00	1.8	75.00	15	10	18, plus 6 if no break
Morelands EC1	Stink London	8,700	54.00	0.5	58.00	10	-	12
Middlesex House W1	London First	4,200	65.00	0.3	70.00	10	8	9

<sup>1</sup> Lower ground floor converted from former car park.

### Appendix 3: Principal investment disposals in 2014

Property	Date	Area sq ft	Gross proceeds £m	Gross proceeds £ psf	Net yield to purchaser %	Rent £m pa	Net Surplus Dec 2013 %	Net Surplus Jun 2014 %
Jaeger House W1	Q2	24,900	30.7	1,235	2.7	0.9	32	-
186 City Road EC1	Q3	38,300	23.3	610	4.1	1.0	54	2
35 & 37 Kentish Town Road NW1	Q3	24,500	14.1	575	3.8	0.6	41	3
Suncourt House N1	Q4	26,500	17.5	660	3.9	0.7	36	24
136-142 Bramley Road W10	Q4	30,900	14.1	455	4.4	0.7	49	27
<b>Total</b>		<b>145,100</b>	<b>99.7</b>	<b>685</b>	<b>3.6</b>	<b>3.9</b>	<b>41</b>	<b>12</b>

## **Notes to editors**

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £3.7 billion as at 30 June 2014, making it 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 central London 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 30 June 2014 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 the RICS London Commercial Award, and was shortlisted for awards by Architects' Journal, BCO, NLA and OAS. The Group was also awarded EPRA Gold for corporate and sustainability reporting.

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

For further information see [www.derwentlondon.com](http://www.derwentlondon.com) or follow us on Twitter at @derwentlondon.

## **Forward-looking statements**

This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Derwent London does not undertake to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.