

# **CONTENTS**

#### Presenters: Contents: John Burns Introduction and overview 01 Simon Silver Results and financial review 07 Damian Wisniewski Valuation and portfolio analysis 19 Nigel George Portfolio management 28 Paul Williams 40 **Projects** David Silverman 52 Investment activity Summary 58 Appendices 61 Disclaimer 99

# INTRODUCTION AND OVERVIEW

John Burns

### HIGHLIGHTS

#### FINANCIAL

- Final dividend per share +25.0%
- EPRA earnings +8.9%
- EPRA NAV per share +0.5%
- Total return +1.7%

### **OPERATIONAL**

- £31.4m¹ pa of lettings in 2016, 6.3% above Dec 2015 ERV
- £208m of investment disposals, 3.7% above Dec 2015 value
- Committed pipeline now fully funded

### 2017 ACTIVITY

- Regeared 231,400 sq ft with Expedia
- Pre-let 133,600 sq ft at 80 Charlotte Street for an initial rent of £9.7m pa
- Contracted sales of £327m:
  - 8 Fitzroy Street £197m
  - 132-142 Hampstead Road £130m
- Special dividend of 52p per share

1 £30.2m pa net



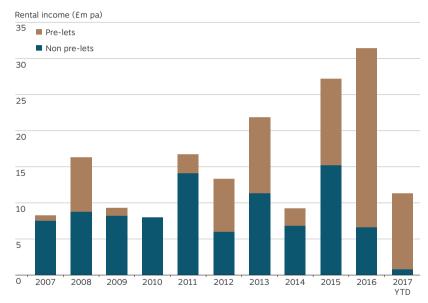




# **RECORD LETTING ACTIVITY IN 2016**

- £31.4m of new lettings at 6.3% above Dec 2015 ERV:
  - Previous record of £27.1m in 2015
- Spread evenly throughout the year:
  - H1: £16.7m 267,700 sq ft
  - H2: £14.7m 279,800 sq ft

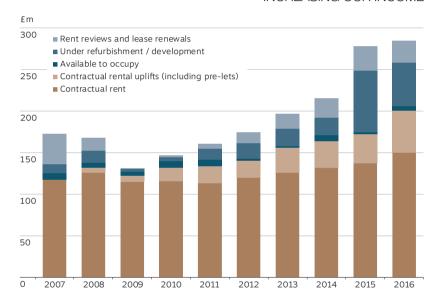
### **LETTING ACTIVITY**



# LOCKING IN SIGNIFICANT CASH RENTAL GROWTH

- Contractual rent in the year increased from £137.1m to £150.3m, despite £6.7m of rent lost from disposals
- Including contractual uplifts and pre-lets, topped-up rent of £202.3m, up £29.7m on the prior year
- Topped-up yield of 4.1%
- Another £82.2m of potential reversion, which requires £363m of committed capital expenditure

#### INCREASING OUR INCOME



# CENTRAL LONDON OFFICE OUTLOOK FOR 2017

	Estimates for our portfolio	Market factors
Rents	0 to -5% ERV movement	<ul> <li>London's economic growth estimated at 1.5-2%</li> <li>Wide range of occupiers looking for space</li> <li>Central London's low vacancy rate, 4.3% in Dec 2016</li> <li>Central London development demand, 53% of space under construction is pre-let or under offer</li> </ul>
Yields	Modest increase	<ul> <li>London remains one of the most liquid global commercial property markets</li> <li>£3.1bn of central London investment transactions YTD</li> <li>Yield gap with bonds widened to above average levels</li> <li>Interest rates likely to remain low</li> </ul>

### A PROACTIVE APPROACH

- Recurring earnings support dividend growth
- Opportunity-rich portfolio and proven management:
- 1

Capturing the reversion:

- New lettings in 2017 have added £11.5m pa of rent
- Expedia deal locks in £3.7m of reversion
- 2

Additional value:

- Exceeding ERV
- Extending leases
- Selling above book value

3

Strong financing:

- Recycling capital
- Returning surplus funds where appropriate



# **RESULTS AND FINANCIAL REVIEW**

Damian Wisniewski

# **HEADLINE NUMBERS**

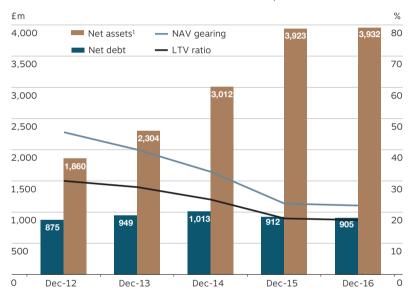
	Dec 2016	Dec 2015	% change
Total portfolio at fair value <sup>1</sup>	£4,942.7m	£4,954.5m	(0.2)
Net asset value	£3,999.4m	£3,995.4m	0.1
EPRA net asset value per share <sup>2,3</sup>	3,551p	3,535p	0.5
EPRA triple NAV per share <sup>2,3</sup>	3,450p	3,463p	(0.4)
Gross property income	£156.0m	£152.0m	2.6
Net rental income	£145.9m	£138.7m	5.2
EPRA earnings <sup>3</sup>	£85.7m	£78.7m	8.9
EPRA EPS	76.99p	71.34p	7.9
Profit for the year	£53.6m	£777.2m	(93.1)
Total dividend per share	52.36p	43.40p	20.6
Recommended final dividend per share	38.50p	30.80p	25.0
Net debt	£904.8m	£911.7m	(0.8)
Loan-to-value (LTV) ratio	17.7%	17.8%	n/a
NAV gearing	22.6%	22.8%	n/a
Net interest cover ratio	370%	362%	n/a

 $<sup>^{1}</sup>$  Excludes Group share of joint ventures  $^{2}$  On a diluted basis  $^{3}$  Reconciliations to IFRS figures in Appendices 2 and 4 Derwent London plc Annual Results 2016

# NET ASSETS, DEBT AND GEARING

- EPRA NAV per share up 0.5%:
  - **3,551p from 3,535p**
  - Increased 1.8% in H1
  - Decreased 1.3% in H2
- Equity shareholders' funds increased to £3,932m
- Net debt decreased marginally to £904.8m from £911.7m:
  - £105m of unsecured US private placement funding drawn down in May 2016
  - Acquisitions and capex £231.5m
  - Disposal proceeds £224.7m including trading properties
- Slight improvement in both LTV and NAV gearing

#### NET ASSETS, DEBT AND GEARING



<sup>&</sup>lt;sup>1</sup> Attributable to equity shareholders

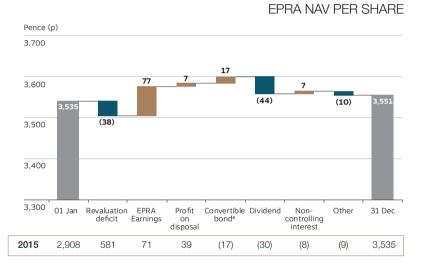
# **EPRA NAV MOVEMENT**

Revaluation (deficit)/surplus:
 Investment properties
 Owner-occupied property<sup>1</sup>
 Trading property write-down<sup>2</sup>
 Share of JV revaluation surplus
 For EPRA NAV movement

£(37.1)m £(5.5)m £(1.6)m £1.8m £(42.4)m (38)p

Profit on disposal:
 Investment properties
 Trading properties
 Per accounts
 Trading property adjustment<sup>3</sup>
 For EPRA NAV movement

£7.5m £1.9m £9.4m £(1.8)m £7.6m 7p



<sup>&</sup>lt;sup>1</sup> Recognised in other comprehensive income <sup>2</sup> Asta House residential units <sup>3</sup> £1.8m revaluation surplus on trading properties was reflected in EPRA NAV in 2015 but not in balance sheet <sup>4</sup> At 31 Dec 2015, EPRA NAV per share included 17p per share of dilution in relation to the convertible bonds as both the NAV and share price were above the conversion price of £33.35. At 31 Dec 2016, the bonds were not dilutive as the share price was below the conversion price.

### EPRA EARNINGS<sup>1</sup>

- EPRA earnings £85.7m, up 8.9% from £78.7m in 2015
- Excludes profit on disposals
- Property income and outgoings are covered on pages 12-13
- Admin costs fell by 2.9% after adjusting for impact in 2016 of prior year bonus under-accrual of £0.9m
- £4.7m out of £13.0m capitalised interest relates to The White Chapel Building:

	2016 £m	2015 £m
Interest on borrowings	37.4	35.9
Capitalised interest	(13.0)	(5.0)
	24.4	30.9
Headlease interest	1.0	1.1
Fees and costs	3.4	3.8
Amortisation of the fair value of the secured bonds	(1.0)	(1.0)
Net finance costs	27.8	34.8

2015

Difference

7.1

(3.1)

0.1

(0.6)

(0.9)

7.0

(0.5)

(1.7)

#### £m 200 180 0.6 160 155.4 (9.5)140 120 (30.9) 100 0.5 (27.8)(2.6)(2.4) 80 60 40 20 0 Rental Other Other Property Admin Net Share Tax Non-FPRA of joint controlling income property income less expenditure expenses finance earnin qs income other costs costs ventures interest 148.3 3.7 2.3 (8.9)(30.0)(34.8)1.0 (0.9)(2.0)78.7

(0.4)

**EPRA EARNINGS** 

7.0

 $<sup>^{\</sup>mbox{\tiny 1}}$  An explanation of EPRA adjustments is provided in Appendix 5

# **GROSS PROPERTY INCOME**

### ■ Disposals include:

Davidson Building £1.4m
Portobello Dock £1.0m

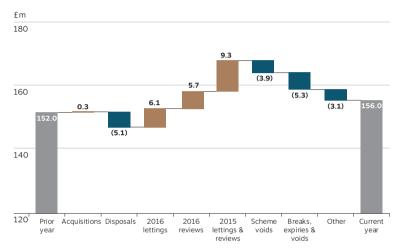
### ■ Lettings and reviews include:

	2016 lettings	2016 reviews	lettings & reviews
1-2 Stephen Street	£0.3m	£0.7m	£1.9m
40 Chancery Lane	-	-	£2.4m
20 Farringdon Road	£0.5m	£0.1m	£1.2m
Tea Building	£1.2m	£0.1m	£0.5m
Angel Building	-	£1.2m	£0.4m
Holden House	£0.2m	£0.2m	£0.9m
The White Chapel Building	£1.1m	-	-
1 Oliver's Yard	-	£0.7m	-

#### Scheme voids include:

80 Charlotte Street £1.6m Brunel Building £1.4m

### MOVEMENTS IN GROSS PROPERTY INCOME



	2016 £m	2015 £m	Movement £m
Rental income demanded	145.1	136.7	8.4
SIC 15 lease incentives & IAS17 fixed uplifts	10.3	11.6	(1.3)
Gross rental income	155.4	148.3	7.1
Other property income <sup>1</sup>	0.6	3.7	(3.1)
Gross property income	156.0	152.0	4.0

<sup>&</sup>lt;sup>1</sup> 2016: Includes surrender premiums received and rights of light receipts 2015: Compensation from contractors for lost rental income in connection with the late delivery of schemes

2015

# PROPERTY OUTGOINGS AND EPRA RATIOS

PROPERTY OUTGOINGS	2016 £m	2015 £m	
Property outgoings	8.8	9.2	Decrease due to a reduction in void costs
Ground rents <sup>1</sup>	0.7	0.4	── Increase due to 40 Chancery Lane
Surrender premiums paid	0.1	-	
Dilapidation receipts	(0.1)	(0.7)	
	9.5	8.9	
EPRA COST RATIOS	2016	2015	

2016 %	2015 %
24.0	24.3
22.4	22.3
0.8	0.7
	% 24.0 22.4

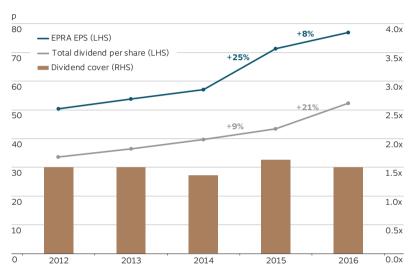
EPRA LIKE-FOR-LIKE RENTAL INCOME <sup>3</sup>	Rental income N		Net property
	Gross	Net	income
Compared with 2015	5.1%	5.7%	5.7%

<sup>&</sup>lt;sup>1</sup> Excludes £1.0m (2015: £1.1m) of ground rent that was accounted for as headlease interest (see page 11) <sup>2</sup> EPRA costs including direct vacancy costs on an annualised basis as a percentage of portfolio fair value <sup>3</sup> See Appendix 6 for detailed reconciliation of like-for-like rental income

# DIVIDEND

- We are proposing a final dividend of 38.50p per share, up 25.0% on 2015
- We are also expecting to increase the 2017 interim dividend by 25.0%
- The pipeline to 2018 is now substantially de-risked
- Dividend cover remains at 1.5 times
- 2016 dividend 2.1 times the 24.50p paid in 2008, representing annual compound growth of 10%
- In addition, a special dividend of 52p per share is proposed (page 60)

### EARNINGS AND DIVIDEND

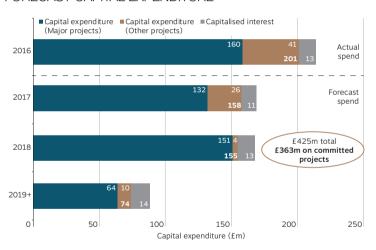


	2012	2013	2014	2015	2016
EPRA EPS (p)	50.36	53.87	57.08	71.34	76.99
Total dividend per share (p)	33.70	36.50	39.65	43.40	52.36
Dividend cover	1.5	1.5	1.4	1.6	1.5

### **CASH FLOW**

- Decrease in net debt of £6.9m to £904.8m
- Cash from operations is net of a payment of £5.3m to Capita's existing landlord

### FORECAST CAPITAL EXPENDITURE<sup>1</sup>



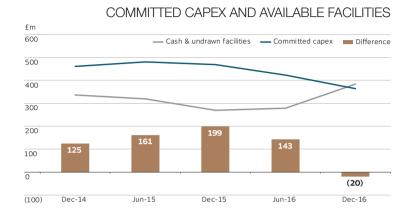
#### **NET CASH FLOW MOVEMENTS**

	2016 £m	2015 £m
Cash from operations	77.7	76.0
Acquisitions	Г (18.0)	Γ (246.2)
Capex	(6.8) - (213.5)	(85.4) - (116.4)
Disposal proceeds	_ 224.7	277.2
Property and equipment	(4.5)	(0.9)
Financial derivative termination costs	(9.0)	(6.4)
Dividends paid	(49.4)	(34.9)
Other cash flow movements	2.8	1.2
Decrease/(increase) in net borrowing	10.8	(50.4)
Bond conversion	-	170.5
Non cash flow items	3.9	(18.5)
Decrease in net debt	6.9	101.6

<sup>&</sup>lt;sup>1</sup> Further details of forecast capital expenditure can be found in Appendix 31 Derwent London plc Annual Results 2016

### COMMITTED CAPEX FULLY FUNDED AT YEAR END

- The graph shows that the capex on committed projects of £363m at 31 Dec 2016 was fully funded by cash and undrawn facilities
- The table shows the impact of capex and void costs assuming no disposals or further lettings other than those already contracted at 31 Dec 2016



#### PROFORMA IMPACT OF MAJOR PROJECTS

	Dec 2016	Committed capex <sup>1</sup>	Contracted income on schemes	Void Costs <sup>2</sup>	Proforma
Gross property income	£156m		£26m		£182m
Net property income (adjusted)	£146m		£25m	£(19)m	£152m
Interest cost <sup>3</sup>	£40m	£7m <sup>4</sup>			£47m
Net interest cover ratio	370%				323%
Portfolio fair value	£4,943m	£363m			£5,306m
Drawn debt net of cash	£877m	£363m			£1,240m
Loan-to-value ratio	17.7%				23.4%

<sup>1 £347</sup>m for major schemes plus £16m of other committed schemes. See page 15 and Appendix 31 2 Void costs upon completion of schemes 3 Annualised

<sup>&</sup>lt;sup>4</sup> Assuming a marginal interest rate of 2.0%

### **DEBT SUMMARY**

- Total facilities increased due to £105m of 12/15 year USPP notes drawn in May 2016
- First one-year extension option on the £75m Wells Fargo revolving facility exercised, extending the term date to July 2021
- Second one-year extension option on £450m of the £550m revolving facility exercised, extending the maturity to Jan 2022
- Accordion option agreed on the remaining £100m which could extend maturity to Jan 2022
- Very significant headroom under financial covenants as at 31 Dec 2016:
  - Values could fall by 68% without breaching the gearing covenant
  - Property income could fall by 60% before breaching the interest cover covenant
- Unutilised facilities plus cash totalled £383m at 31 Dec 2016 (£269m at 31 Dec 2015)

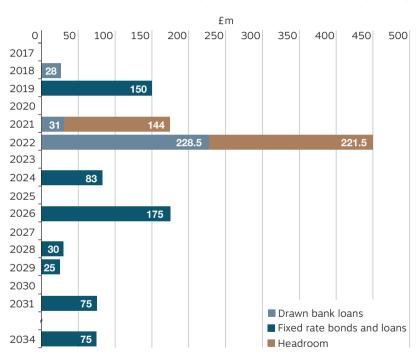
	Dec 2016	Dec 2015
Total facilities		
Total facilities	£1,266m	£1,161m
Net debt	£905m	£912m
Unutilised facilities	£365m	£262m
Percentage of unsecured debt	68%	68%
Uncharged properties	£3,777m	£3,709m
Uncharged properties % of portfolio	76%	75%
Percentage of non-bank debt	68%	57%
Gearing:		
LTV ratio	17.7%	17.8%
NAV	22.6%	22.8%
Net interest cover ratio	370%	362%

# **DEBT FACILITIES**

#### MATURITY PROFILE OF DEBT FACILITIES

	Dec 2016	Dec 2015
Average spot interest rate (cash basis)	3.65%	3.68%
Average spot interest rate (IFRS basis)	3.90%	3.93%
Proportion of drawn facilities at fixed rate or hedged	95%	85%
Average maturity of facilities	6.9 years	6.8 years
Average maturity of borrowings	7.7 years	7.3 years

	Dec 2016	Dec 2015
Unsecured bank loans	£260m	£363m
Secured bank loans	£28m	£28m
Unsecured bonds and non-bank loans	£355m	£250m
Secured bonds and non-bank loans	£258m	£258m
Total facilities drawn	£901m	£899m



# **VALUATION AND PORTFOLIO ANALYSIS**

Nigel George

# **VALUATION**

### Investment portfolio valued at £5.0bn:

■ Flat capital values (0.2)% 2015: 16.5%:

■ West End (0.7)% 2015: 14.6%

■ City Borders 1.0% 2015: 22.5%

### Four on-site developments valued at £662m:

■ Valuation uplift 4.7%:

■ 2017 completions outperformed:

■ White Collar Factory EC1 13.9%

■ The Copyright Building W1 14.8%

■ Early stages:

■ 80 Charlotte Street W1 (9.2)%

■ Brunel Building W2 2.5%

	Portfolio valuation £m	Joint venture valuation £m <sup>1</sup>	Total £m	H1 2016 valuation movement %	H2 2016 valuation movement %	Full year valuation movement %
West End	3,142.5	13.6	3,156.1	1.8	(2.5)	(0.7)
City Borders <sup>2</sup>	1,699.9	24.2	1,724.1	1.2	(0.3)	1.0
Central London	4,842.4	37.8	4,880.2	1.6	(1.7)	(0.1)
Provincial	100.3	-	100.3	0.1	(2.0)	(1.9)
Investment portfolio	4,942.7	37.8	4,980.5	1.6	(1.7)	(0.2)

<sup>1 50%</sup> joint venture interests in 9 and 16 Prescot Street E1 and Porters North N1 2 Principally properties in the Tech Belt

# PROPERTY RETURN

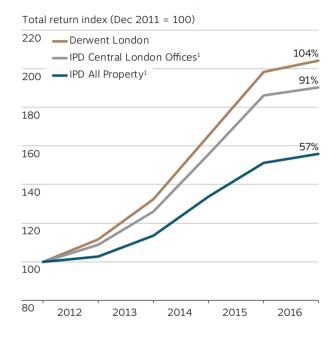
### Total property returns:

Derwent London	2.9%	(2015: 19.9%)
■ IPD Central London Offices¹	2.6%	(2015: 19.7%)
■ IPD All Property¹	3.5%	(2015: 13.1%)

### **VALUATION PERFORMANCE**



#### TOTAL RETURN PERFORMANCE



<sup>&</sup>lt;sup>1</sup> Quarterly index

# RENTAL VALUE GROWTH

■ Underlying rental growth of 5.1% in 2016:

■ West End 5.5%

■ City Borders 4.4%

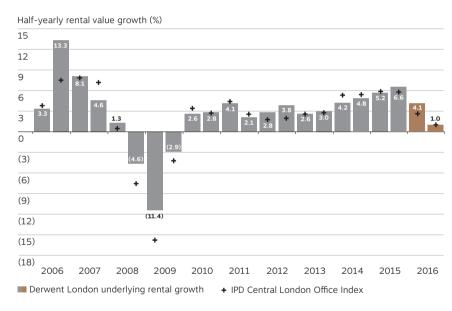
Strong rental growth performance:

	ERV uplift	
West End	%	Comments
Holden House W1	10.3	Lettings & rent reviews
1-5 Maple Place W1	28.7	Rent review
80-85 Tottenham Court Road W1	22.5	Rent review

#### City Borders

Tea Building E1	7.7	Asset management
Johnson Building EC1	8.1	Asset management

#### RENTAL VALUE GROWTH

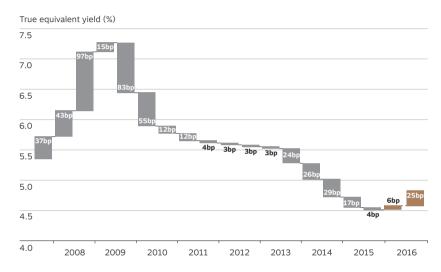


# MOVEMENT IN YIELDS

### **EPRA** yields

- True equivalent yield 4.83% (Dec 2015: 4.52%):
  - 31 basis points outward movement in 2016
- Net initial yield 3.4% (Dec 2015: 3.1%):
  - 'Topped-up' net initial yield 4.1% (Dec 2015: 3.8%)
- Net reversionary yield 4.9% (Dec 2015: 4.6%)

### TRUE EQUIVALENT YIELD MOVEMENT<sup>1</sup>



# PORTFOLIO INCOME POTENTIAL - REVERSION

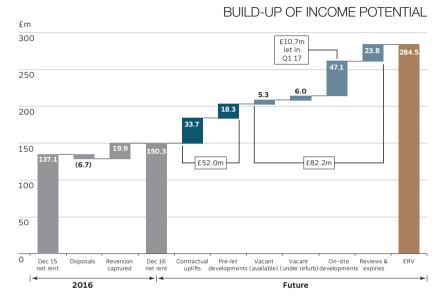
- £150.3m net contractual rent:
  - £19.9m of reversion captured in 2016
- Future income reversion of £134.2m¹:
  - £52.0m (39%) locked in, including:

The White Chapel Building	£5.7m
1-2 Stephen Street	£3.9m
White Collar Factory	£11.8m
The Copyright Building	£6.5m

■ £5.3m available space:

The White Chapel Building £1.9m

- £6.0m refurbishments
- £23.8m of reviews and expiries
- £47.1m of vacant on-site projects:



	ERV £m	Let £m	Vacant £m	Delivery	Let in 2017 £m	Proforma vacant £m
White Collar Factory	16.9	11.8	5.1	2017	1.0	4.1
The Copyright Building	7.3	6.5	0.8	2017	-	0.8
80 Charlotte Street	26.4	-	26.4	2019	9.7	16.7
Brunel Building	14.8	-	14.8	2019	-	14.8
Total	65.4	18.3	47.1		10.7	36.4

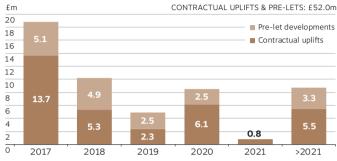
<sup>&</sup>lt;sup>1</sup> Requires additional capex of £363m as set out in Appendix 31

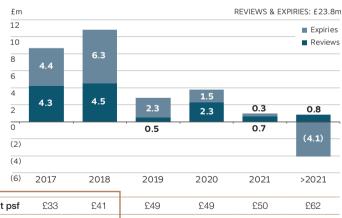
# CAPTURING THE REVERSION AND LEASE EXPIRIES

- £52.0m of the reversion locked in:
  - Strong pre-letting activity at £18.3m by year end

- £23.8m of the reversion from reviews and expiries:
  - 82% due over the next two years
  - Defensive passing rents and undemanding ERVs
  - Strong track record of tenant retention
- Average lease length 6.5 years:
  - Including pre-lets 7.8 years

### TIMING OF REVERSION





# CENTRAL LONDON OFFICE RENTAL VALUES

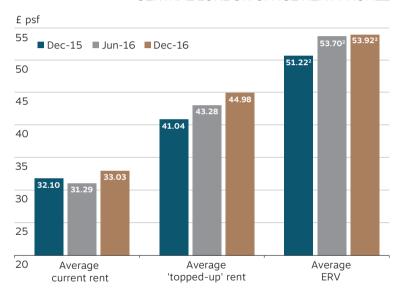
### Our resilient mid-market portfolio:

- Average 'topped-up' office rent¹ only £44.98 psf
- Average ERV £53.92 psf

'Topped-up' rents	2016	2015
<£30 psf	6%	9%
£30-£40 psf	12%	18%
£40-£50 psf	24%	29%
£50-£60 psf	34%	32%
>£60 psf	24%	12%

	'Topped-up' rent £ psf	ERV £ psf
Central London offices <sup>3</sup> :	44.98	53.92
Core income	47.17	53.95
On-site projects	69.16	69.84
Potential projects	33.00	40.25

#### CENTRAL LONDON OFFICE RENT PROFILE



<sup>1 86%</sup> of portfolio income from central London offices 2 Includes ERV of recently commenced schemes of 80 Charlotte Street and Brunel Building

<sup>&</sup>lt;sup>3</sup> Appendix 18

### **DEVELOPMENT VALUATIONS**

■ ERV £65.4m on our four on-site developments would provide 6.7% yield on cost

### Valuer's assumptions allow for a level of risk:

- Finance costs:
  - Finance rate adopted is higher than our marginal cost of debt
- Letting costs:
  - 24 to 36 months letting voids and rent frees
  - Includes service charge and empty rates
- Developer's profit margins:
  - Narrowed on 2017 deliveries significantly de-risked
  - Widened on 2019 deliveries reflecting uncertainty
- Blended valuation yield of 4.6%:
  - Results in £203m of surplus yet to come
  - Yield upside subject to letting profile









Summary	£m
End value	1,405
Less: Total cost <sup>1</sup>	1,054
Project surplus	351
Less: Booked to Dec 2016	148
Surplus to come	203
Profit on total cost	33%
Profit to come on total cost	19%
Yield on cost <sup>2</sup>	6.7%

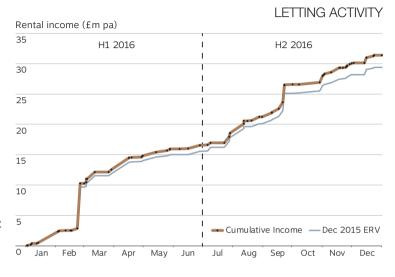
<sup>&</sup>lt;sup>1</sup> Comprising book value at commitment, capex, fees and notional interest on land, voids and other costs. 80 Charlotte Street W1 land value as at Dec 2011, following receipt of planning permission and Brunel Building W2 land value as at Jun 2015 
<sup>2</sup> Assumes the residential value reduces the total costs

# **PORTFOLIO MANAGEMENT**

Paul Williams

### LETTINGS HIGHLIGHTS

- Highest letting year on record:
  - £31.4m pa of income
  - 547,500 sq ft
  - 63 transactions
  - Income on this space as at Dec 15 of £3.3m
- Continued outperformance throughout 2016:
  - Overall, 6.3% above Dec 15 ERV
- A good start to 2017 with 161,000 sq ft let at £11.5m pa:
  - £9.7m pa to Arup at 80 Charlotte Street W1
  - £1.0m pa to Adobe at White Collar Factory EC1
- EPRA vacancy rate increased from 1.3% to 2.6% in 2016



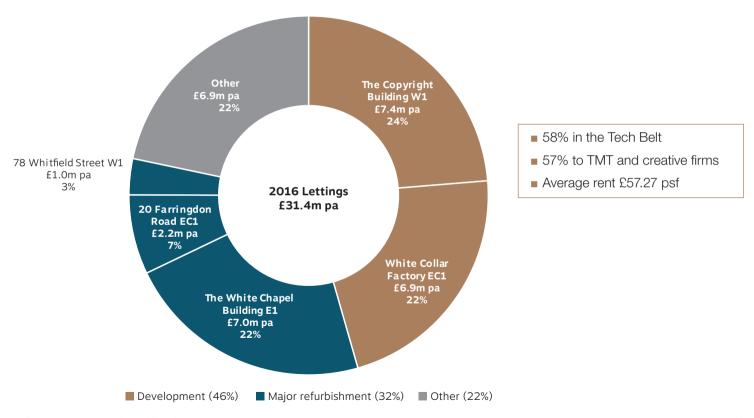
	L	Let		RV (%)
	Area sq ft	Income £m pa	Open market	Overall <sup>1</sup>
H1	267,700	16.7	6.5	6.3
H2	279,800	14.7	9.0	6.3
2016	547,500	31.4	7.7	6.3

Porformanco against

<sup>&</sup>lt;sup>1</sup> Includes short-term lettings at properties earmarked for redevelopment Derwent London plc Annual Results 2016

# **LETTING ACTIVITY IN 2016**

■ Developments and major refurbishments comprised £24.5m (78%) of 2016 letting activity:



### **DELIVERING RENTAL GROWTH**

### Lettings continued to achieve new rental levels:

#### **FITZROVIA**



The Copyright Building W1

- Capita
- 87,150 sq ft

### WHITECHAPEL



The White Chapel Building E1

- GDS
- 54,700 sq ft

#### **CLERKENWELL**



20 Farringdon Road EC1

- Okta
- 10,000 sq ft

#### **OLD STREET**



White Collar Factory EC1

- Spark44
- 22,900 sq ft
- £70 psf minimum uplift

#### **HOLBORN**



### Johnson Building EC1

- Audio Network
- 10,800 sq ft

#### **FITZROVIA**



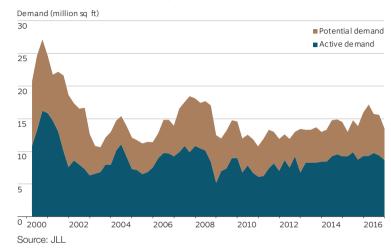
### 78 Whitfield Street W1

- Inter Fund Management
- 3,800 sq ft

# DEMAND FOR CENTRAL LONDON OFFICES

- 13.5m sq ft of total occupier demand at year end:
  - 9.7% below the long-term average
  - Down from 16.0m sq ft at the start of 2016
- 8.7m sq ft of active demand:
  - 2.7% lower than the long-term average
  - 6.7% less than a year earlier
- In the West End, active demand is 6.6% above average
- A wide range of sizeable active requirements:

#### CENTRAL LONDON OFFICE DEMAND



















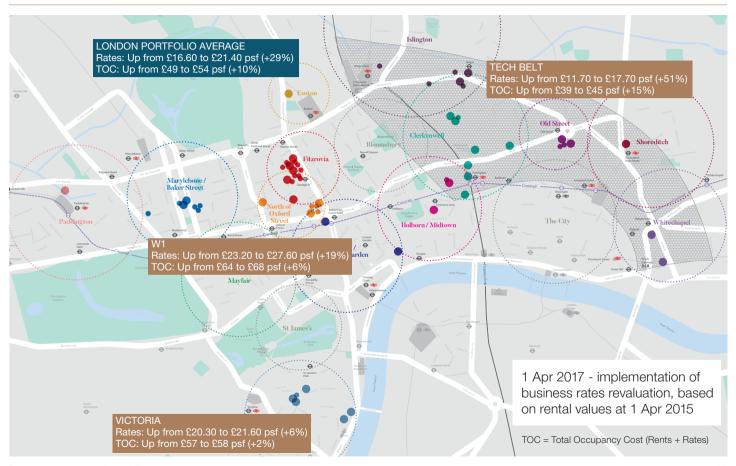




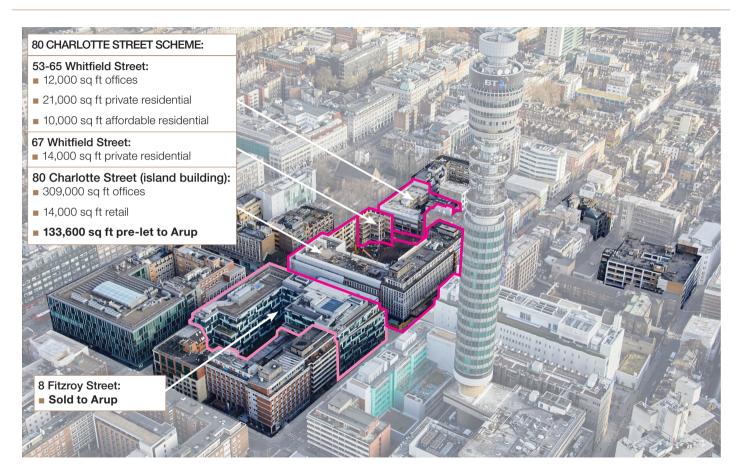




# DEALING WITH HIGHER BUSINESS RATES



# 80 CHARLOTTE STREET IN CONTEXT



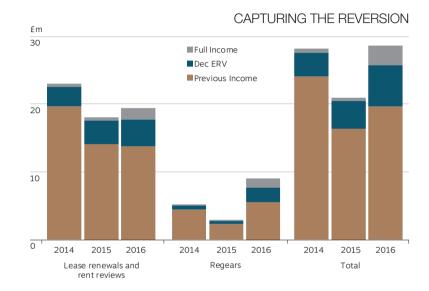
## PRE-LETTING OUR DEVELOPMENTS - 80 CHARLOTTE STREET W1

- 380,000 sq ft mixed-use development
- 133,600 sq ft pre-let to Arup in Feb 2017:
  - 20-year lease on the lower floors
  - Rent of £9.74m pa £75 psf on main office floors
  - Rent rises 2.25% pa for the first 15 years
  - Average rent over the first five years is in line with Jun and Dec 2016 ERV
  - Incentives equivalent to 33 months rent free
  - Option on a further 40,700 sq ft
- Completion H2 2019
- Main island building now 41% pre-let (54% with option)



## ASSET MANAGEMENT HIGHLIGHTS

- Portfolio reversion captured through our asset management activities
- 594,000 sq ft of rent reviews, lease renewals and regears concluded in 2016:
  - Income up 46%, from £19.5m to £28.5m pa
  - Rent reviews added £5.4m pa (+42%)
  - Regears added £3.4m pa (+60%)



#### ASSET MANAGEMENT 2016

	Area sq ft	Previous rent £m pa	New rent £m pa	Uplift %	Income v Dec 15 ERV %
Rent reviews	395,500	12.9	18.3	42	10
Lease renewals	23,900	0.9	1.1	22	(3)
Lease regears	174,600	5.7	9.1	60	16
Total	594,000	19.5	28.5	46	11

## RENT REVIEWS, LEASE RENEWALS AND REGEARS

#### During the second half of the year, the following transactions were concluded:





- Rent review settled on 32,500 sq ft
- Rent increased from £0.89m to £1.62m pa (+82%)
- 11.2% above Dec 2015 ERV



#### 80-85 Tottenham Court Road W1

- Rent review settled on 28,600 sq ft
- Rent increased from £1.22m to £1.82m pa (+49%)
- 31.0% above Dec 2015 ERV



#### Porters North N11

- Lease regeared on 21,800 sq ft
- Space being upgraded
- Rent increased from £0.48m to £1.16m pa (+142%)¹
- Lease extended from 2017 to 2034

<sup>&</sup>lt;sup>1</sup> Joint venture, 50% share

### Q1 2017: MAJOR REGEAR WITH EXPEDIA

#### Prior

- Expedia occupies 93,400 sq ft
- Leases expire in 2021

#### Regear and assignment

- To occupy 231,400 sq ft to 2030 (93% of the offices)
- Total office income to rise from £13.3m to a minimum of £15.0m in 2020
- First refusal on remaining 17,100 sq ft of offices when lease expires in 2021
- Incentives equivalent to 21 months rent
- Locks in £3.7m of reversion
- Retail income of £0.5m pa





<sup>&</sup>lt;sup>1</sup> Potential floor space if option taken

Derwent London plc Annual Results 2016

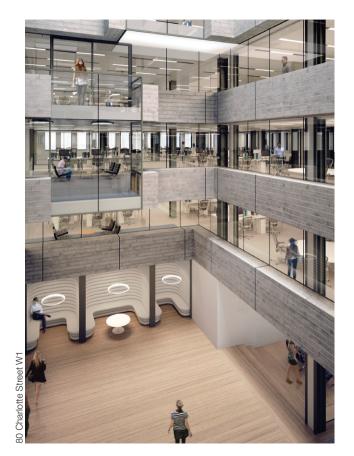
# **PROJECTS**

Simon Silver

### **DERISKING OUR PIPELINE**

#### **Developments**

- Two major refurbishments totalling 273,000 sq ft completed in the year (79% pre-let):
  - The White Chapel Building E1 (Phase 1)
  - 20 Farringdon Road EC1
- A further 1,020,150 sq ft on site (42% pre-let¹):
  - 400,150 sq ft due to complete in 2017 (73% pre-let):
    - White Collar Factory EC1
    - The Copyright Building W1
  - 620,000 sq ft due in 2019 (22% pre-let):
    - Brunel Building W2
    - 80 Charlotte Street W1
- 400,000 sq ft of planning consents:
  - 1 Oxford Street W1
  - Monmouth House FC1



## 2016 COMPLETION: THE WHITE CHAPEL BUILDING E1

- Light touch office refurbishment of 185,000 sq ft (Phase 1):
  - Refurbishment of floors 1-7
  - Remodelled and enlarged reception area
  - Introduction of a number of new amenities
  - Completed Q4 2016
- 78% pre-let at £7.0m pa to a range of occupiers:







PERKINS+WILL







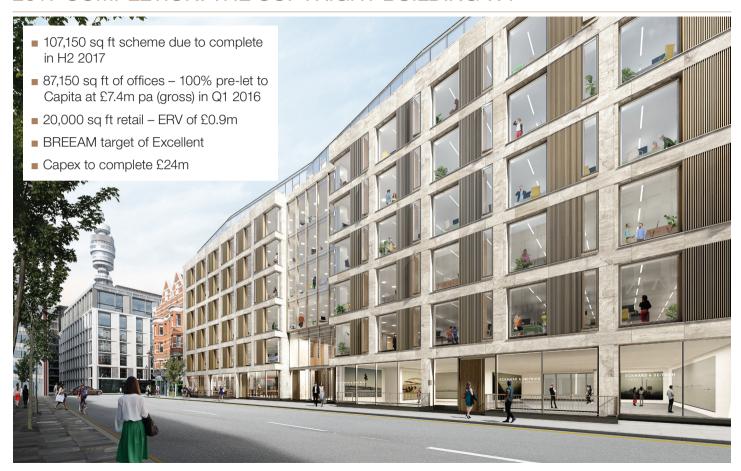
■ 85,000 sq ft (Phase 2) recently received planning permission







## 2017 COMPLETION: THE COPYRIGHT BUILDING W1

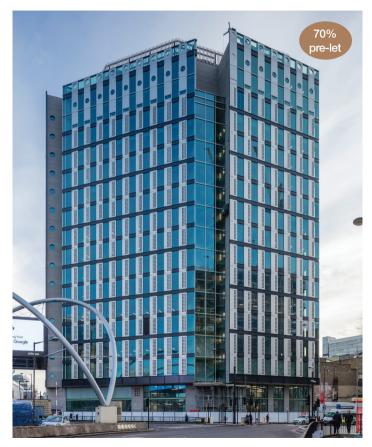


## 2017 COMPLETION: WHITE COLLAR FACTORY EC1

- 293,000 sq ft mixed-use scheme:
  - 205,300 sq ft pre-let at £12.8m pa
- Winner of MIPIM UK Visionary Building of the Year award 2016
- UK's first Wired Certified Platinum for Development & Redevelopment rating
- BREEAM target of Excellent
- ERV £16.9m
- Completion Q1 2017

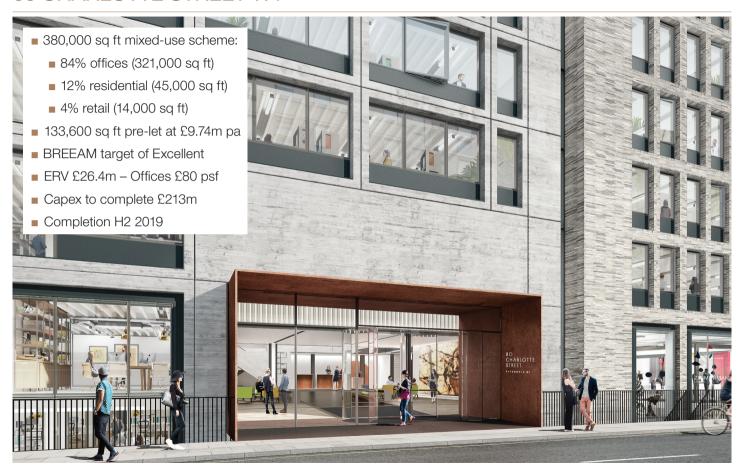








## 80 CHARLOTTE STREET W1





## BRUNEL BUILDING, 55 NORTH WHARF ROAD W2





### **FUTURE OPPORTUNITIES**



1 Oxford Street W1

- Planning permission
- 275,000 sq ft office, retail and theatre scheme



Nionnoun nouse E

- Planning permission
- 125,000 sq ft office development



- Progressing planning options
- c.150,000 sq ft retail-led scheme



19-35 Baker Street W1

- JV with The Portman Estate<sup>1</sup>
- Planning application submitted in Dec 2016
- 293,000 sq ft development:
  - 206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail

<sup>&</sup>lt;sup>1</sup> Derwent London share 55%

## **INVESTMENT ACTIVITY**

David Silverman

## **INVESTMENT ACTIVITY 2016**

- One principal acquisition in the year:
  - The White Chapel Building E1 30,500 sq ft lower ground floor for a total of £12.0m (£395 psf)
- £208m of total investment sales in the year:
  - 3.7% net surplus to Dec 15 book value
  - Rental income of £6.7m pa
  - 3.4% sale yield excluding Balmoral Grove site



Property	Date	Area	Net p	roceeds	Net yield to purchaser
		sq ft	£m	£ psf	%
75 Wells Street W1	Q3	34,800	40.3	1,160	2.9
Balmoral Grove site N7	Q4	67,000	23.9	n/a	n/a
Tower House WC2	Q4	53,700	65.9	1,230	4.31
120-134 Tottenham Court Road W1	Q4	26,400²	68.9	n/a	3.1
Other	-	-	9.0	-	-
	-	-	208.0	-	-

<sup>&</sup>lt;sup>1</sup> Includes rental top-ups for vacant space and rent free periods <sup>2</sup> 330-bed hotel plus 26,400 sq ft retail

## PRINCIPAL DISPOSALS



#### 75 Wells Street W1

- Rolling refurbishment on c.60% of offices
- Recent lettings at £85 psf
- Further 6,500 sq ft of vacant space



#### **Tower House WC2**

- Effective special purchaser
- New headline rent of £81 psf on 7th/8th floors
- Further 6,300 sq ft of vacant space



120-134 Tottenham Court Road W1

- 330-bed hotel let to Radisson Edwardian:
  - Long term income 147 year lease
  - Fixed rental uplifts 5-yearly reviews at 3% pa compounded
- Ground floor multi-let retail and restaurant space

## CENTRAL LONDON OFFICE INVESTMENT ACTIVITY

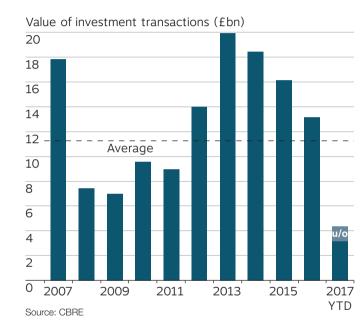
#### Market statistics

- £13.1bn of central London office transactions in 2016
- £3.1bn of investment transactions YTD
- £1.2bn under offer
- CBRE estimate that there is between £38-40bn of current investment demand

#### **Derwent London**

- £327m of investment sales YTD:
  - 6.5% of our Dec 2016 portfolio

#### CENTRAL LONDON OFFICE INVESTMENT



## SALE OF 132-142 HAMPSTEAD ROAD NW1

- Planning consent granted in 2010 for a 265,000 sq ft office and residential redevelopment:
  - Attracted considerable pre-letting interest
  - Plans stalled by HS2 proposals announced in 2012
- Agreed sale to The Secretary of State for Transport for £130m before costs
- 219,700 sq ft of warehouse and office space:
  - Let to University College London for £1.7m pa
- 13% above Dec 2016 book value



## SALE OF 8 FITZROY STREET W1

- Part of the pre-let transaction at 80 Charlotte Street (pages 34-35)
- 147,900 sq ft Fitzrovia office:
  - Let to Arup until 2033, no breaks
  - Rental income of £7.2m pa
  - Annual stepped increases until 2021 then upward only open market rent review
- Agreed sale to Arup for £197m before costs
- Disposal price reflects a purchaser's net initial yield of 3.4%
- 2.8% premium before costs to Dec 2016 book value



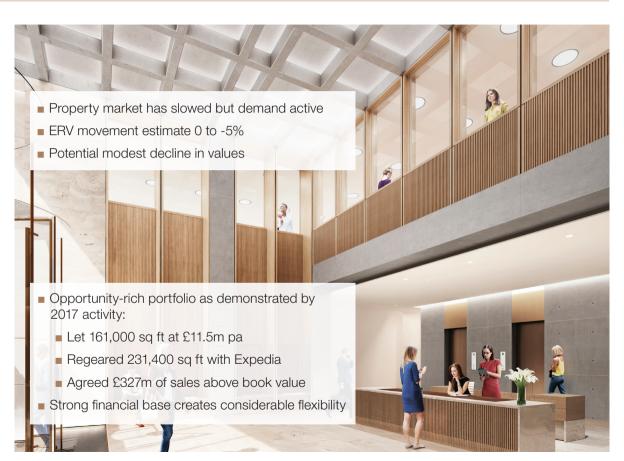
# **SUMMARY**

John Burns

## **SUMMARY**

## Our market

## Derwent London



## PROFORMA IMPACT OF POST YEAR END EVENTS

- Impact of transactions announced today estimated at +56p per share
- Special dividend of 52p per share

NAV IMPACT	Proforma figures from page 16	Lettings	Disposals <sup>1</sup>	Proforma impact of transactions	Special dividend	impact of events and dividend
Expedia letting at Angel Building		22p				
2. Arup letting at 80 Charlotte Street		16p				
3. 132-142 Hampstead Road disposal			13p			
4. 8 Fitzroy Street disposal			5р			
5. Special dividend £58m					(52)p	
NAV per share	3,551p	38p	18p	3,607p	(52)p	3,555p
FINANCIAL RATIOS +56p (52)p						
Gross property income	£182m	£12m	£(10)m	£184m	-	£184m
Net property income (adjusted)	£152m	£12m	£(10)m	£154m	-	£154m
Interest cost <sup>2</sup>	£47m		£(7)m³	£40m	£1m³	£41m
Net interest cover ratio	323%			385%		376%
Portfolio fair value	£5,306m	£42m	£(307)m	£5,042m	-	£5,042m
Drawn debt net of cash	£1,240m		£(326)m	£914m	£58m	£972m
Loan-to-value ratio	23.4%			18.1%		19.3%

Droformo

<sup>&</sup>lt;sup>1</sup> After deducting disposal fees <sup>2</sup> Annualised <sup>3</sup> Assuming a marginal interest rate of 2.0%

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## APPENDIX 1 - GROUP BALANCE SHEET

	Dec 2016 £m	Dec 2015 £m
Investment property	4,803.8	4,832.3
Owner-occupied property	34.2	36.1
Investments in joint ventures	36.0	30.7
Other non-current assets	113.0	94.8
	4,987.0	4,993.9
Other current assets and liabilities	(73.5)	(73.7)
Trading property	11.7	10.5
Cash and cash equivalents	17.7	6.5
	(44.1)	(56.7)
Financial liabilities - non-current	(922.5)	(918.2)
Other non-current liabilities	(21.0)	(23.6)
	(943.5)	(941.8)
Total net assets	3,999.4	3,995.4
Non-controlling interest	(67.1)	(72.9)
Attributable to equity shareholders	3,932.3	3,922.5

## APPENDIX 2 - NET ASSET VALUE PER SHARE

	£m	Dec 2016 Diluted p	£m	Dec 2015 Diluted p
Net assets attributable to equity shareholders	3,932.3		3,922.5	
Conversion of unsecured convertible bonds <sup>1</sup>	-		140.2	
Net assets for diluted NAV	3,932.3	3,521	4,062.7	3,501
Revaluation of trading properties net of tax	-		1.4	
Fair value of secured bonds	(36.6)		(27.2)	
Fair value of unsecured convertible bonds	(8.0)		-	
Fair value of fixed rate secured loan	(5.2)		(0.3)	
Fair value of fixed rate unsecured private placement notes	(18.7)		(9.1)	
Unamortised issue and arrangement costs	(10.3)		(8.7)	
EPRA triple NAV	3,853.5	3,450	4,018.8	3,463
Fair value of bonds and costs	78.8		45.3	
Deferred tax on revaluation surplus	5.3		8.7	
Fair value of derivatives	17.3		17.6	
Fair value adjustment to secured bonds on acquisition less amortisation	14.0		15.0	
Non-controlling interest in respect of the above	(2.6)		(3.7)	
EPRA NAV	3,966.3	3,551	4,101.7	3,535

<sup>&</sup>lt;sup>1</sup> At 31 Dec 2015, the convertible bonds were considered dilutive as the share price and the NAV were above the conversion price of £33.35. Although the NAV was above the conversion price at 31 Dec 2016, the share price was below it and the bonds were not, therefore, considered to be dilutive

## APPENDIX 3 - GROUP INCOME STATEMENT

			`	ear ended Dec 2016 £m	Year ended Dec 2015 £m
Gross property income				156.0	152.0
Profit on disposal of trading properties				1.9	3.2
Write-down of trading property				(1.6)	-
Other income less other costs				2.4	2.3
Property outgoings				(9.5)	(8.9)
Net property and other income				149.2	148.6
Administrative expenses			24.4	(30.9)	(30.0)
Revaluation (deficit)/surplus		H1 H2	61.4 (98.5)	(37.1)	339.8
Profit on disposal of investment properties			(00.0)	7.5	40.2
Net finance costs				(27.8)	(34.8)
Loan issue costs write-off				-	(0.3)
Joint venture (JV) results	JV reval Other JV		1.8	2.3	3.6
Derivatives fair value adjustment	Oti ici ov	pront	0.0	0.3	7.6
Financial derivative termination costs				(9.0)	(6.4)
IFRS profit before tax				54.5	779.5
Tax charge				(0.9)	(2.3)
IFRS profit for the year				53.6	777.2
Attributable to:					
Equity shareholders <sup>1</sup>				58.7	766.2
Non-controlling interest				(5.1)	11.0
				53.6	777.2

 $<sup>^{1}</sup>$  A reconciliation of the IFRS profit attributable to shareholders to the EPRA earnings is shown in Appendix 4

## APPENDIX 4 - RECONCILIATION OF IFRS PROFIT TO EPRA EARNINGS

### Reconciliation of IFRS profit attributable to equity shareholders to EPRA earnings

	Year ended Dec 2016 £m	Year ended Dec 2015 £m
IFRS profit for the year attributable to equity shareholders	58.7	766.2
Revaluation deficit/(surplus)	37.1	(650.0)
Joint value revaluation surplus	(1.8)	(3.6)
Profit on disposal of properties	(7.5)	(40.2)
Profit on disposal of trading properties	(1.9)	(3.2)
Write-down of trading property	1.6	-
Derivatives fair value adjustment	(0.3)	(7.6)
Financial derivative termination costs	9.0	6.4
Loan arrangement costs written off	-	0.3
Tax adjustment	(1.7)	1.4
Non-controlling interest in respect of the above	(7.5)	9.0
EPRA earnings	85.7	78.7

## APPENDIX 5 - EXPLANATION OF EPRA ADJUSTMENTS

		Adju	ıstments	2016	2016	
	2016 IFRS —	Α	В	С	EPRA basis	EPRA basis
	£m	£m	£m	£m	£m	£m
Net property and other income	149.2	(1.9)	1.6		148.9	145.4
Administrative expenses	(30.9)				(30.9)	(30.0)
Revaluation deficit	(37.1)		37.1		-	-
Profit on disposal of investment property	7.5	(7.5)			-	-
Net finance costs	(27.8)			-	(27.8)	(34.8)
Derivatives fair value adjustment	0.3			(0.3)	-	-
Financial derivative termination costs	(9.0)			9.0	-	-
Share of results of joint ventures	2.3		(1.8)		0.5	1.0
Profit before tax	54.5	(9.4)	36.9	8.7	90.7	81.6
Tax charge	(0.9)	0.5	(2.2)	-	(2.6)	(0.9)
Profit for the year	53.6	(8.9)	34.7	8.7	88.1	80.7
Non-controlling interest	5.1	-	(7.6)	0.1	(2.4)	(2.0)
Earnings attributable to equity shareholders	58.7	(8.9)	27.1	8.8	85.7	78.7
Earnings per share	52.73p				76.99p	71.34p

A – Disposal of investment and trading properties and associated tax and non-controlling interest

B - Write-down of trading property and revaluation on investment property and in joint ventures, and associated deferred tax and non-controlling interest

C - Fair value movement and termination costs relating to derivative financial instruments and associated non-controlling interest

## APPENDIX 6 - EPRA LIKE-FOR-LIKE RENTAL INCOME

	Properties owned throughout the year £m	Acquisitions £m	Disposals £m	Development property £m	Total £m
2016					
Gross rental income	120.8	5.4	3.0	26.2	155.4
Property expenditure	(4.6)	(1.0)	(1.0)	(2.9)	(9.5)
Net rental income	116.2	4.4	2.0	23.3	145.9
Profit on disposal of trading properties	-	-	1.9	-	1.9
Write-down of trading property	-	-	-	(1.6)	(1.6)
Other <sup>1</sup>	2.8	0.1	-	0.1	3.0
Net property income	119.0	4.5	3.9	21.8	149.2
2015					
Gross rental income	114.9	3.1	8.1	22.2	148.3
Property expenditure	(5.0)	(0.2)	(1.0)	(3.4)	(9.6)
Net rental income	109.9	2.9	7.1	18.8	138.7
Profit on disposal of trading properties	-	-	3.2	-	3.2
Other <sup>1</sup>	2.7	-	0.6	3.4	6.7
Net property income	112.6	2.9	10.9	22.2	148.6
Increase based on gross rental income	5.1%				4.8%
Increase based on net rental income	5.7%				5.2%
Increase based on net property income	5.7%				0.4%

<sup>&</sup>lt;sup>1</sup> Includes surrender premiums paid or received, dilapidation receipts and other income Derwent London plc Annual Results 2016

## APPENDIX 7 - DEBT FACILITIES

	£m	£m	Maturity
6.5% secured bonds		175	March 2026
3.99% secured loan		83	October 2024
1.125% unsecured convertible bonds		150	July 2019
4.41% unsecured private placement notes		25	January 2029
4.68% unsecured private placement notes		75	January 2034
3.46% unsecured private placement notes		30	May 2028
3.57% unsecured private placement notes		75	May 2031
Committed bank facilities			
Bilateral term - secured	28		June 2018
Bilateral revolving credit - unsecured	75		July 2021
Club revolving credit - unsecured	100		January 2021
Club revolving credit - unsecured	450		January 2022
		653	
At 31 December 2016		1,266	

## APPENDIX 8 - NET DEBT

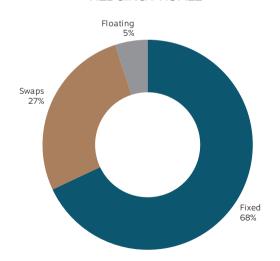
	Dec 2016 £m	Dec 2015 £m
Financial liabilities - due after more than 1 year	922.5	918.2
Acquired fair value of secured bonds less amortisation	(14.0)	(15.0)
Equity component of unsecured bonds	12.6	12.6
Unwinding of discount of unsecured bonds	(7.0)	(4.9)
Unamortised issue and arrangement costs	10.3	10.8
Leasehold liabilities	(23.9)	(23.2)
Facilities - drawn	900.5	898.5
Facilities - undrawn	365.5	262.5
Total debt facilities	1,266.0	1,161.0

	Dec 2016 £m	Dec 2015 £m
Financial liabilities	922.5	918.2
Cash and cash equivalents	(17.7)	(6.5)
Net debt	904.8	911.7

## APPENDIX 9 - FIXED RATES AND HEDGING

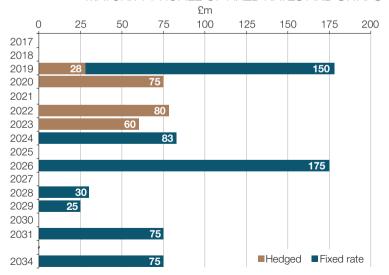
	Dec 2016	Dec 2015
Proportion of drawn facilities at fixed rates or hedged	95%	85%
Weighted average duration of swaps <sup>1</sup>	4.6 years	4.6 years
Mark-to-market cost of swaps	£17.3m	£17.6m
Weighted average duration of fixed rate instruments	9.2 years	9.3 years

#### HEDGING PROFILE



 $<sup>^{\</sup>mbox{\tiny 1}}$  Excludes £70m forward start swap from Mar 2017 to Mar 2020

#### MATURITY PROFILE OF FIXED RATES AND SWAPS<sup>1</sup>

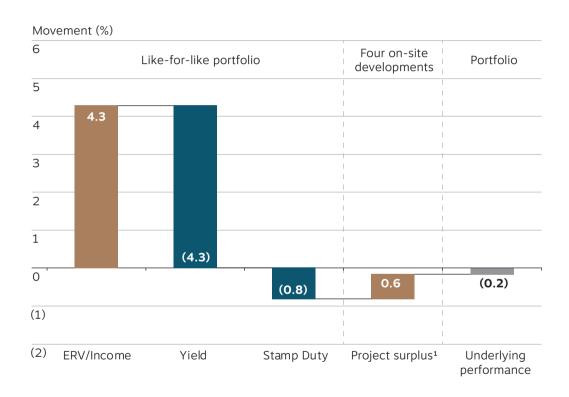


# APPENDIX 10 - VALUATION PERFORMANCE BY VILLAGE

	Valuation Dec 2016 £m	Weighting Dec 2016 %	Valuation movement 2016 <sup>1</sup> %
West End Central			
Fitzrovia <sup>2</sup>	1,764.8	35	2.5
Victoria	552.4	11	(5.0)
Baker Street/Marylebone	188.4	4	(8.7)
Paddington	85.9	2	2.5
Mayfair	81.4	1	(13.3)
Soho/Covent Garden	43.1	1	(3.9)
	2,716.0	54	(0.6)
West End Borders			
Islington/Camden	440.1	9	(1.5)
West End	3,156.1	63	(0.7)
City Borders			
Clerkenwell	561.4	11	0.0
Old Street	478.3	10	6.2
Shoreditch/Whitechapel	398.0	8	2.2
Holborn	284.3	6	(6.7)
Other	2.1	-	0.0
	1,724.1	35	1.0
Central London	4,880.2	98	(0.1)
Provincial	100.3	2	(1.9)
Investment portfolio	4,980.5	100	(0.2)

<sup>&</sup>lt;sup>1</sup> Underlying - properties held throughout the period <sup>2</sup> Includes Euston and North of Oxford Street Derwent London plc Annual Results 2016

# APPENDIX 11 - DRIVERS OF THE VALUATION



<sup>&</sup>lt;sup>1</sup> A combination of stamp duty increase, letting activity, yield movement and valuer's part release of development surpluses Derwent London plc Annual Results 2016

# APPENDIX 12 - RENTAL VALUE GROWTH

#### RENTAL VALUE GROWTH<sup>1</sup>

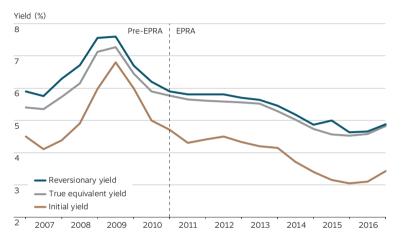
	2015 %	H1 2016 %	H2 2016 %	2016 %
West End	10.8	4.4	1.1	5.5
City Borders	15.2	3.8	0.6	4.4
Central London	12.0	4.2	0.9	5.1
Provincial	3.3	2.3	2.2	4.5
Underlying	11.8	4.1	1.0	5.1

<sup>&</sup>lt;sup>1</sup> On EPRA portfolio

# **APPENDIX 13 - VALUATION YIELDS**

#### YIELD PROFILE<sup>1</sup>

#### EPRA INITIAL YIELDS



	Net initial yield %	'Topped-up' initial yield %
West End	3.7	4.1
City Borders	2.8	4.0
Central London	3.4	4.1
Provincial	6.4	6.4
EPRA portfolio	3.4	4.1

#### TRUE EQUIVALENT YIELDS<sup>2</sup>

	Dec 2015 %	H1 2016 movement basis points	Jun 2016 %	H2 2016 movement basis points	Dec 2016 %
West End	4.38	6	4.44	26	4.70
City Borders	4.70	7	4.77	19	4.96
Central London	4.48	6	4.54	25	4.79
Provincial	6.32	18	6.50	39	6.89
Underlying	4.52	6	4.58	25	4.83

 $<sup>^{\</sup>rm 1}$  Six-monthly data  $^{\rm 2}$  On EPRA portfolio

# APPENDIX 14 - CONTEXT TO YIELD MOVEMENT

- Yields supported by:
  - Low interest rates
  - Currency rates favourable to overseas investors
  - Significant spread of 359 basis points between true equivalent yield and 10-year gilt
- Undemanding capital values<sup>2</sup>:

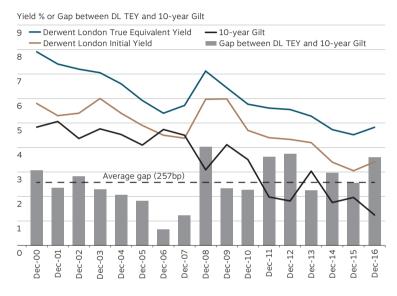
■ Central London £911 psf

■ West End Central £1,010 psf

■ Tech Belt £802 psf

- Average lease length 6.5 years (Dec 2015: 7.0 years):
  - Including pre-lets 7.8 years

#### VALUATION YIELDS<sup>1</sup>



<sup>&</sup>lt;sup>1</sup> Post H2 2010 portfolio on an EPRA basis <sup>2</sup> Excludes 1.0m sq ft of on-site developments - Appendix 31 Derwent London plc Annual Results 2016

# APPENDIX 15 - PORTFOLIO STATISTICS BY VILLAGE

	Valuation £m	Weighting %	Floor area '000 sq ft¹	Vacant floor area '000 sq ft	Net contracted rental income £m pa	Average rental income £ psf	Vacant space rental value £m pa	Rent review/ lease renewal reversion £m pa	Total reversion £m pa	Estimated rental value £m pa
West End Central										
Fitzrovia <sup>2</sup>	1,764.8	35	1,860	435	50.6	27.63	29.4	22.8	52.2	102.8
Victoria	552.4	11	581	13	21.7	38.08	0.7	5.1	5.8	27.5
Baker Street/Marylebone	188.4	4	198	6	8.2	42.90	0.4	1.4	1.8	10.0
Paddington	85.9	2	248	248	-0.1	-	14.8	0.1	14.9	14.8
Mayfair	81.4	1	45	23	0.2	8.23 <sup>3</sup>	2.4	1.7	4.1	4.3
Soho/Covent Garden	43.1	1	108	-	-	0.23	-	-	-	-
	2,716.0	54	3,040	725	80.6	35.20	47.7	31.1	78.8	159.4
West End Borders										
Islington/Camden	440.1	9	516	-	19.8	38.43	-	5.1	5.1	24.9
	440.1	9	516	-	19.8	38.43	-	5.1	5.1	24.9
West End	3,156.1	63	3,556	725	100.4	35.79	47.7	36.2	83.9	184.3
City Borders										
Clerkenwell	561.4	11	652	27	20.0	33.35	1.0	8.5	9.5	29.5
Old Street	478.3	10	546	102	6.0	13.46	5.1	15.4	20.5	26.5
Shoreditch/Whitechapel	398.0	8	591	153	10.0	22.80	4.2	9.6	13.8	23.8
Holborn	284.3	6	293	5	8.7	31.91	0.3	5.9	6.2	14.9
Other	2.1	-	-	-	-	-	-	-	-	-
City Borders	1,724.1	35	2,082	287	44.7	25.62	10.6	39.4	50.0	94.7
Central London	4,880.2	98	5,638	1,012	145.1	31.84	58.3	75.6	133.9	279.0
Provincial	100.3	2	343	6	5.2	15.44	0.1	0.2	0.3	5.5
Investment portfolio	4,980.5	100	5,981	1,018	150.3	30.73	58.4	75.8	134.2	284.5

<sup>&</sup>lt;sup>1</sup> Includes 1.0m sq ft of on-site developments <sup>2</sup> Includes Euston and North of Oxford Street

<sup>&</sup>lt;sup>3</sup> If owner occupied area (part 25 Savile Row W1) is excluded the average rental income is £77.40 psf

# APPENDIX 16 - PORTFOLIO INCOME POTENTIAL - REVERSION

		Rent uplift pa	Rent pa
	£m	£m	£m
Contracted rental income at Dec 2016, net of ground rents			150.3
Contractual rental uplifts			
The White Chapel Building E1	5.7		
1-2 Stephen Street W1	3.9		
40 Chancery Lane WC2	2.81		
Tea Building E1	2.3		
Turnmill EC1	1.9		
Other	17.1	33.7	
Vacant space <sup>2</sup>			
Available to occupy	5.3		
Under refurbishment	6.0	11.3	
Lease reversions			
Anticipated rent reviews and lease renewals		23.8	68.8
·			219.1
Four on-site developments (non-EPRA) <sup>3</sup>			
Pre-let element <sup>4</sup>	18.3		
On-site <sup>4</sup>	47.1		65.4
Estimated rental value			284.5

<sup>&</sup>lt;sup>1</sup> Net income after deduction of ground rents <sup>2</sup> Detailed in Appendix 17 <sup>3</sup> Committed capex to complete £363m excluding capitalised interest - see Appendix 31

<sup>&</sup>lt;sup>4</sup> As at 31 Dec 2016

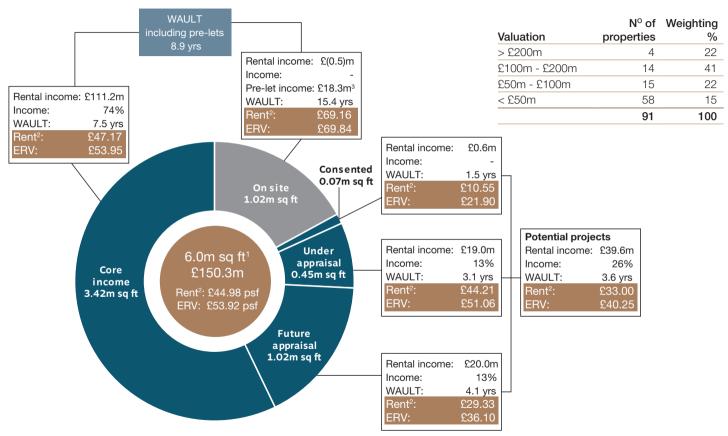
# APPENDIX 17 - AVAILABLE SPACE AND PROJECTS

	area '000	Pre-let area '000	Total area '000	ERV	Ground rent	vacant ERV	Pre-let rent ERV	Total net ERV	
Available to accurat (EDDA)	sq ft	sq ft	sq ft	£m pa	£m pa	£m pa	£m pa	£m pa	Activity post year end
Available to occupy (EPRA)	10		40	1.0		1.0		1.0	
The White Chapel Building E1	40		40	1.9		1.9	-	1.9	0.000 (1   1 (1 0.000
95-100 Tottenham Court Road W1	18	-	18	1.1	-	1.1	-	1.1	9,600 sq ft under offer @ £0.6m
9 Prescot Street E1 <sup>1</sup>	18	-	18	0.7	-	0.7	-	0.7	11,750 sq ft under offer @ £0.5m
20 Farringdon Road EC1	17	-	17	0.7	0.1	0.6	-	0.6	11,600 sq ft under offer @ £0.6m
Other	20	-	20	1.0	-	1.0	-	1.0	
	113		113	5.4	0.1	5.3		5.3	
Under refurbishment									
The White Chapel Building E12	85	-	85	1.1	-	1.1	-	1.1	
25 Savile Row W1	24	-	24	2.4	-	2.4	-	2.4	
90 Whitfield Street W1	12	-	12	0.9	-	0.9	-	0.9	
Tea Building E1	10	-	10	0.4	-	0.4	-	0.4	
Other	32	-	32	1.2	-	1.2	-	1.2	
	163	-	163	6.0	_	6.0	-	6.0	
On-site developments (non-EPR	A)								
White Collar Factory EC1	102	191	293	5.1	-	5.1	11.8	16.9	14,900 sq ft pre-let @ £1.0m
The Copyright Building W1	20	87	107	0.9	0.1	0.8	6.5	7.3	
80 Charlotte Street W1	380	-	380	26.4	-	26.4	-	26.4	133,600 sq ft pre-let @ £9.7m
Brunel Building W2	240	-	240	15.2	0.4	14.8	-	14.8	· ·
-	742	278	1,020	47.6	0.5	47.1	18.3	65.4	
Total	1,018	278	1,296	59.0	0.6	58.4	18.3	76.7	

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<sup>&</sup>lt;sup>1</sup> Derwent London's 50% interest <sup>2</sup> Phase 2 refurbishment

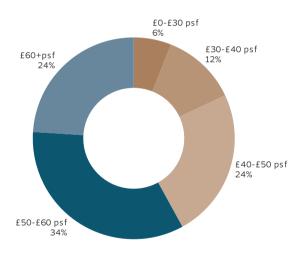
### APPENDIX 18 - PORTFOLIO SUMMARY



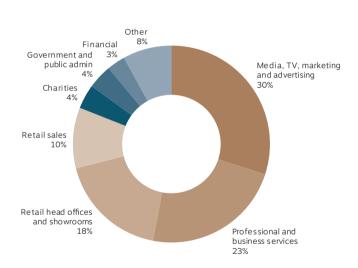
<sup>&</sup>lt;sup>1</sup> Comprises 5.0m sq ft of existing buildings plus 1.0m sq ft of on-site developments <sup>2</sup> Topped-up office rent psf <sup>3</sup> As at 31 Dec 2016

# APPENDIX 19 - RENT AND TENANT BANDING

# CENTRAL LONDON 'TOPPED-UP' OFFICE RENT BANDING<sup>1</sup>



# PROFILE OF TENANTS' BUSINESS SECTOR<sup>2</sup>



<sup>&</sup>lt;sup>1</sup> Expressed as a percentage of annualised rental income after expiry of rent free periods and stepped rents

<sup>&</sup>lt;sup>2</sup> Expressed as a percentage of annualised rental income of the whole portfolio

# APPENDIX 20 - LEASE EXPIRIES AND BREAKS / VACANCY RATES

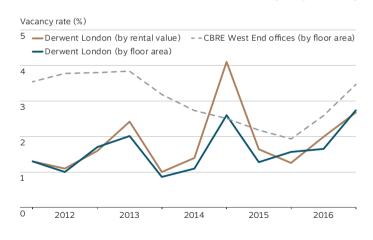
- £11.0m of income subject to breaks / expiries in 2016:
  - £2.3m taken into projects or sold
  - 89% of remainder retained or re-let
- Portfolio average lease length 6.5 years

■ EPRA vacancy rate of 2.6%² at the year end – up from 1.3% at the start of 2016

#### LEASE EXPIRY AND BREAK ANALYSIS<sup>1</sup>

#### Percentage of income (%) n Retained ■ Re-let ■ Vacant

#### **EPRA VACANCY RATES**



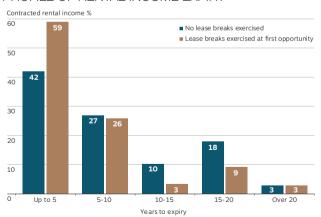
<sup>&</sup>lt;sup>1</sup> As at end of reporting period <sup>2</sup> Calculated as space immediately available to occupy Derwent London plc Annual Results 2016

# APPENDIX 21 - LEASE EXPIRY PROFILE AND LEASE LENGTH

#### EXPIRIES AND BREAKS AS A PERCENTAGE OF PORTFOLIO INCOME<sup>1</sup>

	West	City							
	End	Borders	Provincial	2017	2018	2019	2020	2021	Total
Expiries	1	1	1	3	9	4	8	12	36
Holding over	-	-	-	-	-	-	-	-	-
Rolling breaks	1	1	-	2	1	-	-	1	4
Single breaks	1	-	-	1	5	5	4	4	19
	3	2	1	6	15	9	12	17	59

#### PROFILE OF RENTAL INCOME EXPIRY<sup>1</sup>



#### AVERAGE UNEXPIRED LEASE LENGTH2



<sup>&</sup>lt;sup>1</sup> Based upon annualised contracted rental income of £150.3m <sup>2</sup> Lease length weighted by rental income at year end and assuming tenants break at first opportunity Derwent London plc Annual Results 2016

# APPENDIX 22 - CENTRAL LONDON OFFICE DEMAND

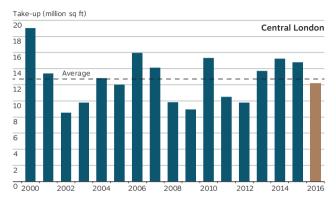
#### Market statistics

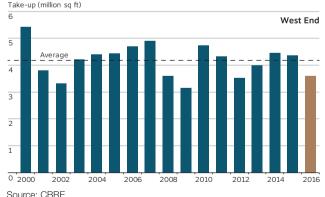
- Central London take-up of 12.2m sq ft in 2016:
  - 4% below the annual average
  - 17% lower than 2015
- West End take-up stood at 3.6m sq ft:
  - 14% below average
  - 18% lower than 2015
- Prime central London rental growth of 1.3% in 2016:
  - +8.0% in Paddington to £67.50 psf
  - +3.3% in Victoria to £77.50 psf
  - No change in Fitzrovia at £82.50 psf
  - -2.5% in Midtown at £78.00 psf
  - -6.3% in Mayfair/St James's at £112.50 psf

#### **Derwent London's view**

- Good demand for our mid-market product
- Limited space currently available

#### OFFICE TAKE-UP





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# APPENDIX 23 - CENTRAL LONDON OFFICE SUPPLY

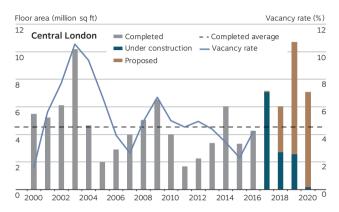
#### Market statistics

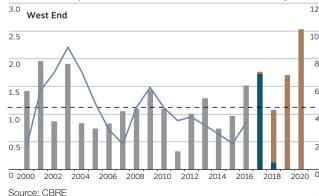
- Vacancy rates increased steadily in 2016 but remain below the long term averages:
  - Central London 4.3%, from 2.3% at the start of the year (5.2% average)
  - West End 3.5%, from 1.9% (4.3% average)
- Below average central London deliveries in 2015 and 2016
- Near-term completions forecast to be at or above average although a significant proportion is let or under offer:
  - Central London: 58% above average in 2017 (52% let or u/o), 33% above in 2018 (39% let or u/o)
  - West End: 57% above in 2017 (43% let or u/o), 4% below in 2018 (9% let or u/o)

#### Derwent London's view

- Supply forecast to increase but vacancy rate still below average
- Longer term supply appears to be reducing

#### OFFICE DEVELOPMENT PIPELINE

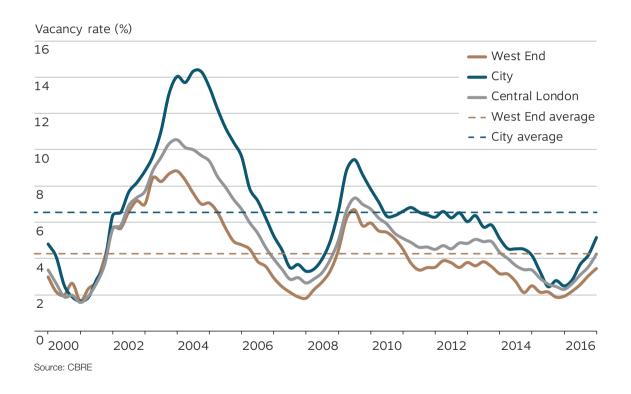




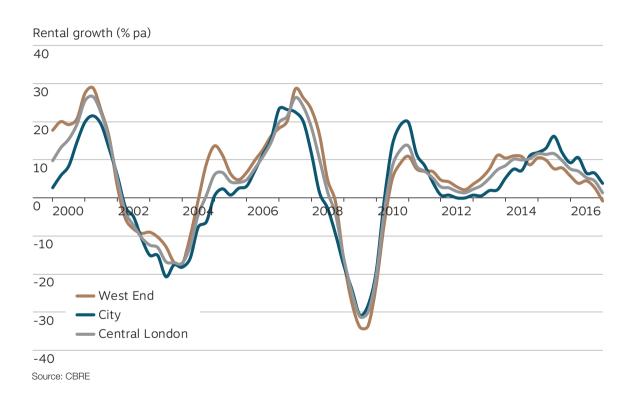
Floor area (million sq ft)

Vacancy rate (%)

# APPENDIX 24 - CENTRAL LONDON OFFICE VACANCY



# APPENDIX 25 - CENTRAL LONDON OFFICE RENTAL GROWTH



# APPENDIX 26 - CENTRAL LONDON OFFICE INVESTMENT MARKET

#### Market statistics

- £13.1bn of central London investment transactions in 2016:
  - 13% above average although 19% lower than 2015
  - Overseas investors accounted for 70% (58% in 2015)
  - Prime yields up 25 basis points in 2016 to 3.75% in the West End and 4.25% in the City

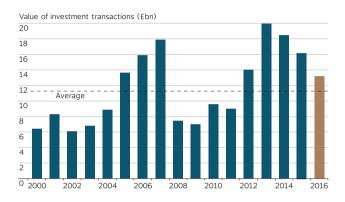
#### Outlook for 2017

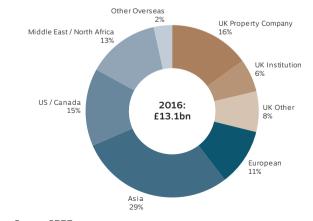
- Uncertainty caused by the outcome of the EU referendum
- Firm overseas demand encouraged by sterling's weakness
- UK interest rates expected to remain low

#### Impact on Derwent London

■ Good start to the year with strong sales

#### CENTRAL LONDON OFFICE INVESTMENT





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Source: CBRE

# APPENDIX 27 - WHITE COLLAR FACTORY LETTING UPDATE

- 205,300 sq ft let at £12.8m pa (now 70% pre-let):
  - 189,700 sq ft (£11.9m pa) in the tower
  - 15,600 sq ft (£0.9m pa) let in the low rise campus offices
  - Three restaurants under offer



# Runpath

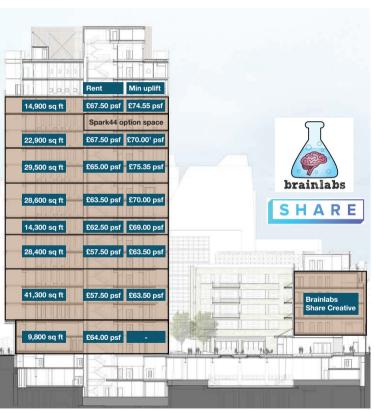






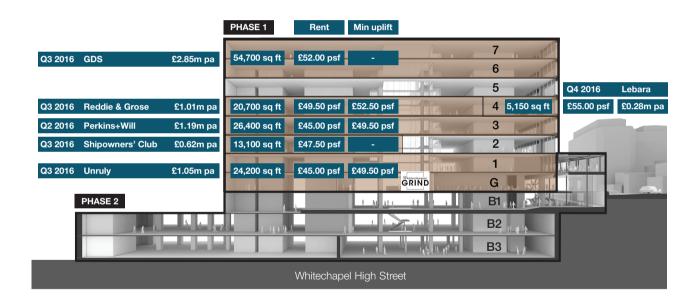


Q1 2017	Adobe	£1.01m pa
Q3 2016	Spark44	£1.55m pa
Q2 2016	Capital One	£1.92m pa
Q1 2016	Adobe	£1.81m pa
Q3 2015	BGL	£0.89m pa
Q3 2015	AKT II	£1.64m pa
Q2 2015	The Office Group	£2.38m pa
Q3 2016	Runpath	£0.63m pa



# APPENDIX 28 - THE WHITE CHAPEL BUILDING LETTING UPDATE

- 144,250 sq ft let at £7.0m pa (78% of Phase 1):
  - Rents range from £45-55 psf



# APPENDIX 29 - 2016 COMPLETION - OTHER REFURBISHMENTS

### Three other smaller refurbishments totalling 159,000 sq ft completed over the year:



#### 20 Farringdon Road EC1

- 88,000 sq ft office refurbishment (52% of property)
- Tenants: Indeed, Moo Print, Okta, The UK Trade Desk
- Rental income: £3.7m pa
- 11,600 sq ft under offer



#### 78 Chamber Street E11

- 37,000 sq ft of offices
- 23,500 sq ft under offer at £1.0m pa



#### 78 Whitfield Street W1

- 34,000 sq ft of offices
- Tenants: Global Eagle Entertainment, Inter Fund Management, Mailmanager
- Rental income: £1.0m pa

<sup>&</sup>lt;sup>1</sup> Joint venture

# APPENDIX 30 - CURRENT PROJECTS - PROFIT ON COST









Completion		Q1 2017	H2 2017	H1 2019	H2 2019
Commercial area (sq ft)	967,000	285,000	107,000	240,000	335,000
Residential area (sq ft)	53,000	8,000	-	=	45,000 <sup>2</sup>
Est. future capex (£m)	347	11	24	99	213
Total cost (£m)1	1,054	189	139	238	488
ERV (£ psf)	-	c.60.00	c.80.00	c.62.50	c.80.00
ERV (£m pa)	65.4	16.9	7.33	14.84	26.4
Pre-let area (sq ft), Dec 16	278	191	87	-	-
Pre-let income (£m pa), Dec 16	18.3	11.8	6.5	-	-

Summary	£m
End value	1,405
Less: Total cost <sup>1</sup>	1,054
Project surplus	351 -
Less: Booked to Dec 2016	148
Surplus to come	203
Profit on total cost	33%
Profit to come on total cost	19%
Yield on cost <sup>6</sup>	6.7%

Sensitivity<sup>5</sup> - project surplus (£m) and profit on cost (%)

		Valuation yield							
		+0.25%	Base	-0.25%					
	-£5.00 psf	£217m	£282m	£354m					
	-£3.00 psi	21%	27%	34%					
ŧ	Base	£282m	£351m	£427m					
Rent	Dase	27%	33%	41%					
	. OF OOf	£348m	£420m	£501m					
	+£5.00 psf	33%	40%	47%					

<sup>&</sup>lt;sup>1</sup> Comprising book value at commitment, capex, fees and notional interest on land, voids and other costs. 80 Charlotte Street W1 land value as at Dec 2011, following receipt of planning permission and Brunel Building W2 land value as at Jun 2015 

<sup>2</sup> Private residential 35,000 sq ft and affordable housing 10,000 sq ft 

<sup>3</sup> As a long leasehold interest, ERV is net of 12.5% ground rent 

<sup>5</sup> Sensitivity applies to non pre-let commercial floor areas

<sup>&</sup>lt;sup>6</sup> Assumes the residential value reduces the total costs

# APPENDIX 31 - PROJECT SUMMARY - ON SITE

Property	Current net income £m pa	Pre- scheme area '000 sq ft	Proposed area '000 sq ft	2017 capex £m	2018 capex £m	2019+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
On-site developments									
White Collar Factory EC1	-	124	293	11	-	-	11	Q1 2017	£60
The Copyright Building W1	(0.4)	86	107	24	-	-	24	H2 2017	£80
Brunel Building W2	(0.1)	78	240	46	49	4	99	H1 2019	£62.50
80 Charlotte Street W1	-	234	380	51	102	60	213	H2 2019	£80
	(0.5)	522	1,020	132	151	64	347		
Other <sup>1</sup>	-	-	-	16	-	-	16		
Committed projects	(0.5)	522	1,020	148	151	64	363		
Planning and design	-	-	-	8	1	-	9		
Other	-	-	-	2	3	10	15		
	-	-	-	10	4	10	24		
Total	(0.5)	522	1,020	158	155	74	387		
Capitalised interest	-	-	-	11	13	14	38		
Total including interest	(0.5)	522	1,020	169	168	88	425		

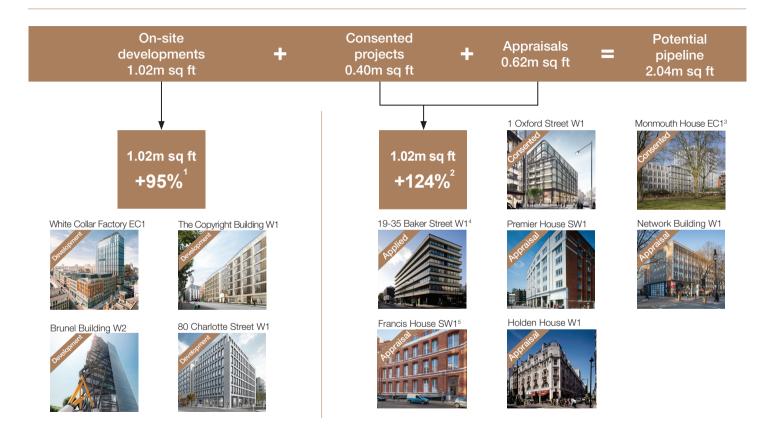
<sup>&</sup>lt;sup>1</sup> Mainly relates to The White Chapel Building E1 and 20 Farringdon Road EC1 Derwent London plc Annual Results 2016

# APPENDIX 32 - PROJECT SUMMARY - POTENTIAL FUTURE SCHEMES

Property	Current net income £m pa	Pre- scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
Consented					
1 Oxford Street W1	-	-	275	2018	Offices, retail and theatre
Monmouth House EC1 <sup>1</sup>	0.6	69	125	2020	2016 consent - Opposite White Collar Factory
	0.6	69	400		
Appraisals <sup>2</sup>					
19-35 Baker Street W13	5.8	146	293	2018	Joint venture - 55% Derwent London interest
Premier House SW1	2.2	62	80	2018	
Network Building W1	1.9	64	100	2021	
Francis House SW14	3.1	90	130	TBC	
Holden House W1	6.0	91	150	TBC	
	19.0	453	753		
Adjustments for JVs	(2.6)	(66)	(132)		19-35 Baker Street W1
	16.4	387	621		
Consented and appraisals	17.0	456	1,021		
On-site projects	(0.5)	522	1,020		Appendix 31
Pipeline	16.5	978	2,041		

<sup>&</sup>lt;sup>1</sup> Includes 19-23 Featherstone Street EC1 <sup>2</sup> Areas proposed are estimated from initial studies <sup>3</sup> Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street <sup>4</sup> Includes Greencoat Place SW1

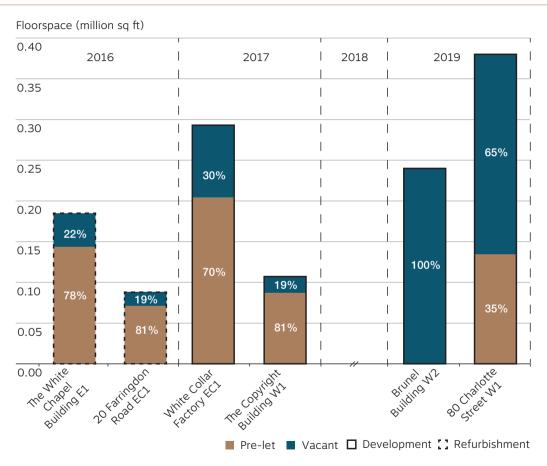
# **APPENDIX 33 - PROJECT PIPELINE**



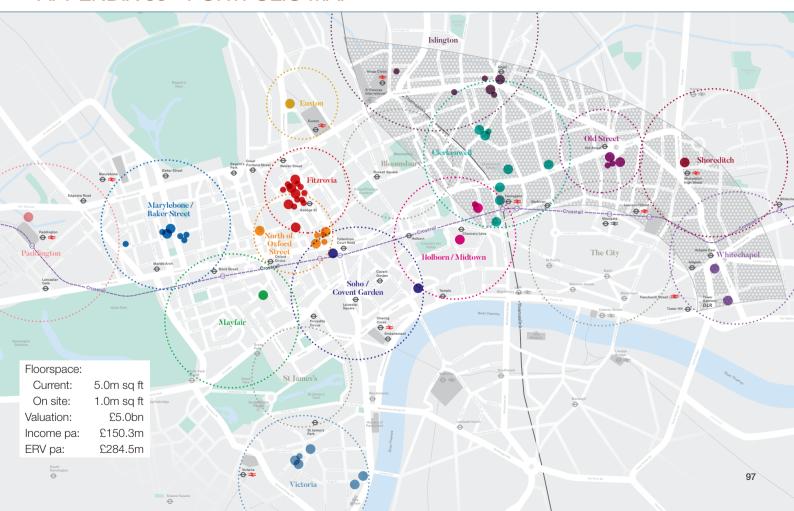
<sup>&</sup>lt;sup>1</sup> Uplift on previous floorspace <sup>2</sup> Uplift on existing floorspace Blandford Street 5 Includes Greencoat Place SW1

<sup>&</sup>lt;sup>3</sup> Includes 19-23 Featherstone Street EC1 <sup>4</sup> Includes 88-100 George Street, 30 Gloucester Place and 69-85

# APPENDIX 34 - DELIVERING OUR PIPELINE



# APPENDIX 35 - PORTFOLIO MAP



# APPENDIX 36 - MANAGEMENT STRUCTURE - EXECUTIVE TEAM

John Burns\* Chief Executive Officer

Damian Wisniewski\* **Finance Director** Simon Silver\* **Property Director** Nigel George\* **Property Director** Paul Williams\* **Property Director** David Silverman\* **Property Director** Tim Kite\* Company Secretary Richard Baldwin\* Head of Development Rick Meakin\* **Group Financial Controller** Ben Ridgwell\* Head of Asset Management

Celine Thompson\* Head of Leasing

Quentin Freeman Head of Investor & Corporate Communications

David Westgate Head of Tax

Emily Prideaux Leasing Associate

<sup>\*</sup> Members of Executive Committee

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