

9 May 2019

Derwent London plc (“Derwent London” / “the Group”)
FIRST QUARTER BUSINESS UPDATE
STRONG OCCUPIER DEMAND ADDS £17M TO RENTAL INCOME

Highlights

- Lettings year to date total £17.2m on 217,600 sq ft, on average 6.2% above December 2018 ERV
- Over one million sq ft under construction with 64% pre-let:
 - Brunel Building W2 – 98% pre-let, completion H1 2019
 - 80 Charlotte Street W1 – 80% of commercial space pre-let, completion H1 2020
 - Soho Place W1 – 42% of commercial space pre-let, completion H1 2022
 - The Featherstone Building EC1 – demolition under way, completion H1 2022
- EPRA vacancy rate 1.7%, down from 1.8% in December 2018
- Sale contracts exchanged on Premier House SW1 and 9 Prescott Street E1 for a previously announced Group share of £76.9m
- LTV ratio at 31 March 2019 was 17.5%* with undrawn facilities and cash of £500m

John Burns, Chief Executive of Derwent London, said:

“Demand for Derwent London’s space remains strong. We have now pre-let over 600,000 sq ft of our one million sq ft development programme. These lettings combined with our financial strength put the Group in a very good position to pursue new opportunities.”

*LTV based on December 2018 property values

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 register at www.derwentlondon.com

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LETTING ACTIVITY (see Appendix 1)

During the quarter we completed the letting of the remaining office space at Brunel Building W2 with two transactions totalling 82,600 sq ft. The offices, comprising 98% of the 243,200 sq ft building, were pre-let in under a year. More recently we achieved our first office pre-let at Soho Place W1 with G-Research taking a 15-year lease on 102,600 sq ft at £9.7m pa. This transaction, achieved at such an early stage of construction, reflects the demand for well-designed buildings in good locations. In addition, the EPRA vacancy rate has reduced to 1.7% from 1.8% in December 2018.

DEVELOPMENT PROGRESS (see Appendix 2)

Brunel Building is expected to complete in the first half of 2019 and 80 Charlotte Street remains on track to complete in the first half of 2020. In the first quarter we have added Soho Place and The Featherstone Building to our on-site developments taking our space under construction to over one million sq ft, of which 64% is pre-let. In February 2019 we signed the main building contract on Soho Place with Laing O'Rourke for £195m. The two new projects are due for completion in the first half of 2022.

DISPOSALS (see Appendix 3)

In the year to date we have exchanged contracts to sell Premier House SW1 and 9 Prescott Street E1. The latter was held in a 50:50 joint venture. Both transactions have been previously announced and the Group's share of the gross proceeds was £76.9m which, after deducting costs, is on average 6.9% above December 2018 book values.

FINANCE

Net debt increased in the quarter ended 31 March 2019 by £23.8m to £980.7m after capital expenditure incurred of £48.1m. This marginally increased the loan-to-value ratio to 17.5%, based on 31 December 2018 property values, from 17.2% at the year end. Interest cover for the quarter was 460%.

Following the drawdown on 31 January 2019 of £250m of new senior unsecured US private placement notes, undrawn facilities and cash increased to £500m at 31 March and the weighted average maturity of borrowings was extended to 7.5 years. The Group's weighted average interest rate also increased slightly to 3.54% on a cash basis and 3.78% on an IFRS basis.

Subject to shareholder approval, the 2018 final dividend of 46.75p per share will be paid to shareholders on 7 June 2019, the shares having become ex-dividend on 2 May. These dividends have given rise to an adjustment in the conversion price of the Group's £150m 1.125% convertible bonds due 24 July 2019 from £31.78 per share to £31.43.

PROPERTY VALUES

In Q1 2019 MSCI IPD's central London office index reported virtually flat capital and rental growth, both up 0.2%.

Appendix 1: Principal lettings in 2019 to date

Property	Tenant	Area sq ft	Office rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
1 Soho Place W1	G-Research	102,600	94.70	9.7	15	-	32
Brunel Building W2	Splunk	49,600	75.00	3.7	12	-	20
Brunel Building W2	Paymentsense	33,000	77.50	2.6	15	10	20, plus 6 if no break
		185,200	86.40	16.0	-	-	-

Appendix 2: Major developments pipeline

Property	Area sq ft	Capex to complete £m ¹	Comment
On-site projects			
Brunel Building, 2 Canalside Walk W2	243,200	16	Offices and retail – 98% pre-let
80 Charlotte Street W1	380,000	117	321,000 sq ft offices, 45,000 sq ft residential and 14,000 sq ft retail – 74% pre-let / pre-sold overall
Soho Place W1	285,000	283 ⁴	209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre – 42% commercial space pre-let ⁵
The Featherstone Building EC1	125,000	76	110,000 sq ft offices, 13,000 sq ft workspaces and 2,000 sq ft retail
	1,033,200	492	
Other major planning consents			
19-35 Baker Street W1 ²	293,000 ³		206,000 sq ft offices, 52,000 sq ft residential and 35,000 sq ft retail
Holden House W1	150,000		Retail flagship or retail and office scheme
	443,000		
Total	1,476,200		

¹ As at 31 Dec 2018 ² Resolution to grant' planning permission ³ Total area - Derwent London has a 55% share of the joint venture

⁴ Includes remaining site acquisition cost and profit share to Crossrail ⁵ In addition 40,000 sq ft theatre is pre-let

Appendix 3: Major disposals exchanged in 2019 to date

Property	Date	Area sq ft	Gross proceeds £m	Gross proceeds £ psf	Net yield to purchaser %	Rent £m pa
Premier House SW1	Q1	60,700	50.0	820	-	-
9 Prescott Street E1 (50%)	Q1	48,500	26.9	560	4.5	1.3
Total		109,200	76.9	705	-	1.3

Notes to editors

Derwent London plc

Derwent London plc owns 86 buildings in a commercial real estate portfolio predominantly in central London valued at £5.2 billion (including joint ventures) as at 31 December 2018, 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 5.4 million sq ft portfolio include White Collar Factory EC1, Angel Building EC1, The Buckley Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2019 to date, the Group has won the CoStar West End Deal of the Year for Brunel Building. In 2018, we won EG Offices Company of the Year, whilst White Collar Factory scooped RIBA National and London awards, RICS National and London awards, two BCO awards for Commercial Workplace and Innovation, an EG Creative Places award and an NLA Wellbeing award. 25 Savile Row also won RIBA National and London awards and SKA Gold for the fit-out. In 2013 Derwent London launched a voluntary Community Fund and has to date supported 76 community projects in Fitzrovia and the Tech Belt.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER.

For further information see 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.