

DERWENT LONDON

Annual Results 2019

CONTENTS

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INTRODUCTION AND OVERVIEW

PAUL WILLIAMS



2019 HIGHLIGHTS

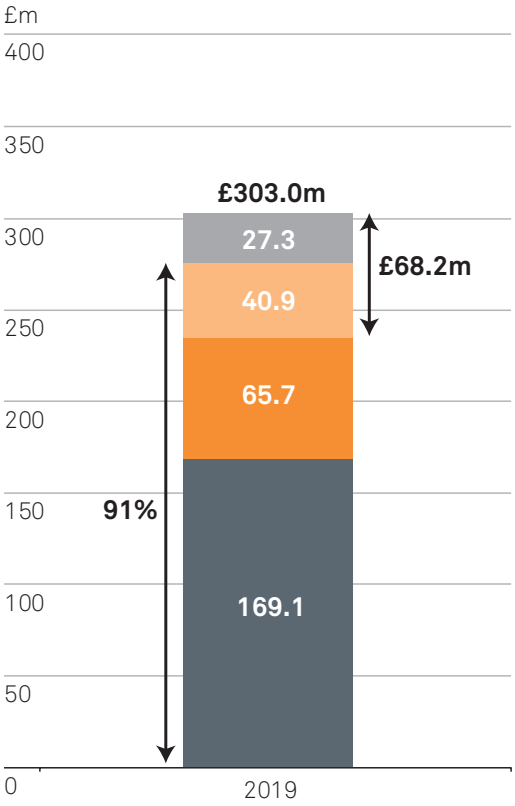
- Total return +6.6%
- £34.0m of lettings on 498,500 sq ft:
  - 6.9% above Dec 2018 ERV
- Three on-site developments 790,000 sq ft:
  - 72% pre-let
- EPRA vacancy rate down to 0.8%
- £181.7m of disposals completed
- Net zero carbon target brought forward to 2030
- Successful refinancings



Brunel Building W2

CAPTURING OUR REVERSION

ERV PROFILE

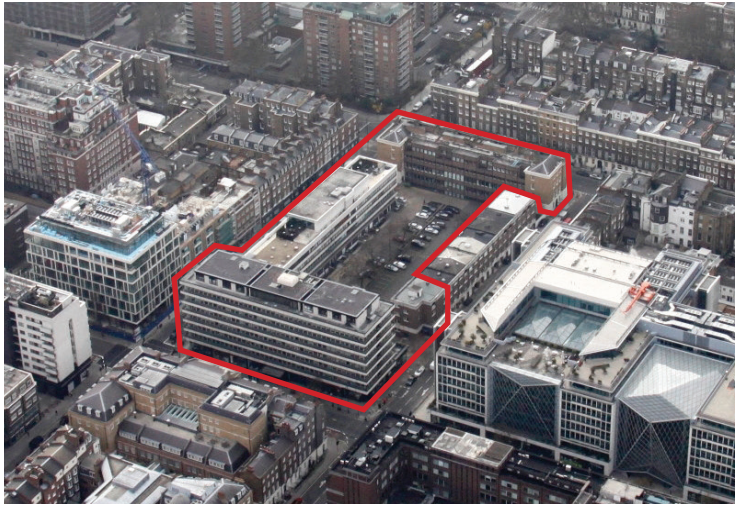


- Portfolio ERV at 31 Dec 2019 £303.0m
- 91% is contractual
- £68.2m of reversion contributing to future reported income
- Only £27.3m of ERV still to capture
- £334m capex to complete three on-site developments

ERV to capture
Contractual pre-lets
Contractual rental uplifts (excl. pre-lets)
Contractual rent

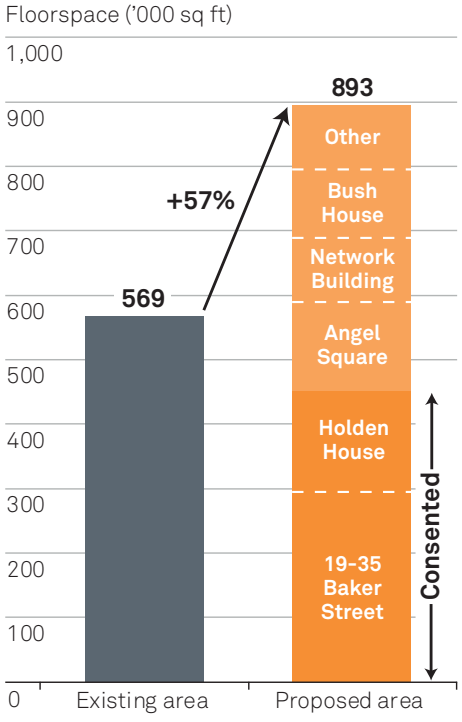
PLENTY TO COME

- 569,000 sq ft of existing floorspace either consented or under appraisal
- Potential to increase to at least 893,000 sq ft:
  - 50% has planning consent



19-35 Baker Street W1

SPACE EITHER CONSENTED OR UNDER APPRAISAL



MAINTAINING OUR CUSTOMER FOCUS

- Continuing to raise the bar for our design-led space:
  - Adding quality buildings to up-and-coming areas
  - Available on a wide range of lease terms
- Amenity rich buildings
- Provision of furnished and flexible units
- To promote well-being
- Evolving the use of technology to develop smart buildings

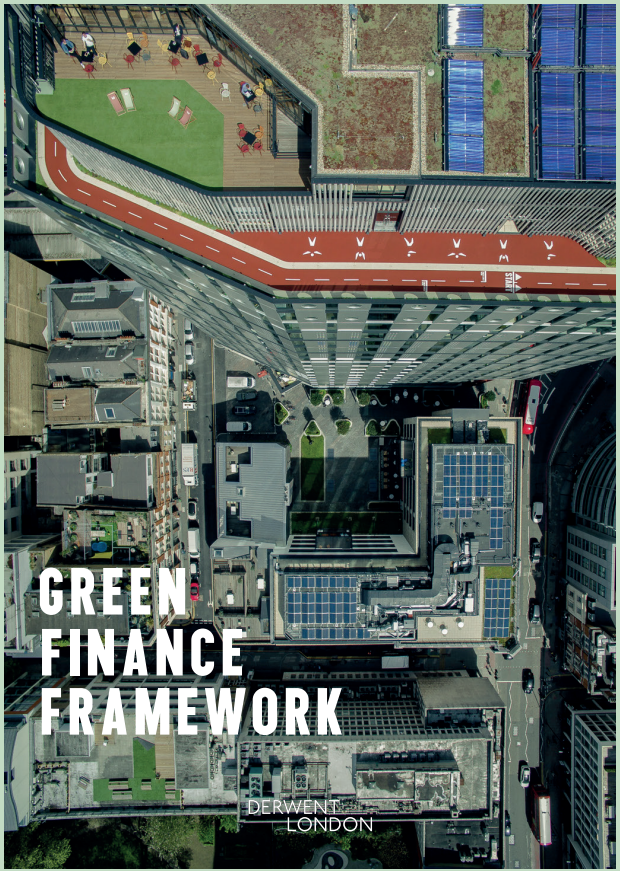


FUTURE PROOFING OUR BUSINESS - PROGRESS IN 2019

- Committed to the Better Buildings Partnership's climate change initiative
- One of the London Mayor's 11 Business Climate Leaders
- Launched new revolving credit facility, the first by a UK REIT to contain a 'green' tranche

BBP | BETTER BUILDINGS PARTNERSHIP

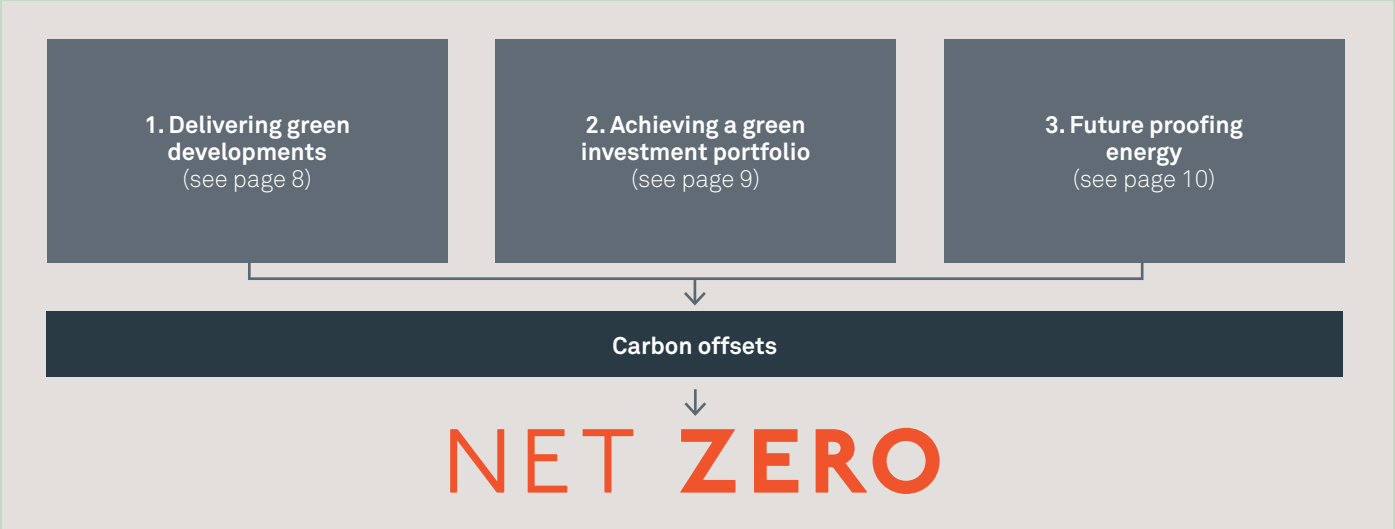
MAYOR OF LONDON



NET ZERO CARBON BY 2030

- Net zero carbon target on the existing portfolio brought forward by 20 years to 2030
- The Group will realign its science-based targets accordingly

OUR NET ZERO CARBON STRATEGY



DELIVERING GREEN DEVELOPMENTS

- Three on-site developments will be net zero carbon
- Operated using renewable energy:
  - 80 Charlotte Street - our first ‘all-electric’ building
- Offset embodied carbon produced in the development process
- Future schemes will be subject to carbon appraisals

80 Charlotte Street W1



ACHIEVING A GREEN INVESTMENT PORTFOLIO

1. Developments | **2. Investment portfolio** | 3. Energy

- Current portfolio to be net zero carbon by 2030
- Aim to reduce energy consumption and use renewable sources of energy
- Older buildings will need retro-fitting
- Increased collaboration with our occupiers

MANAGED PORTFOLIO BY VALUE





Angel Building EC1

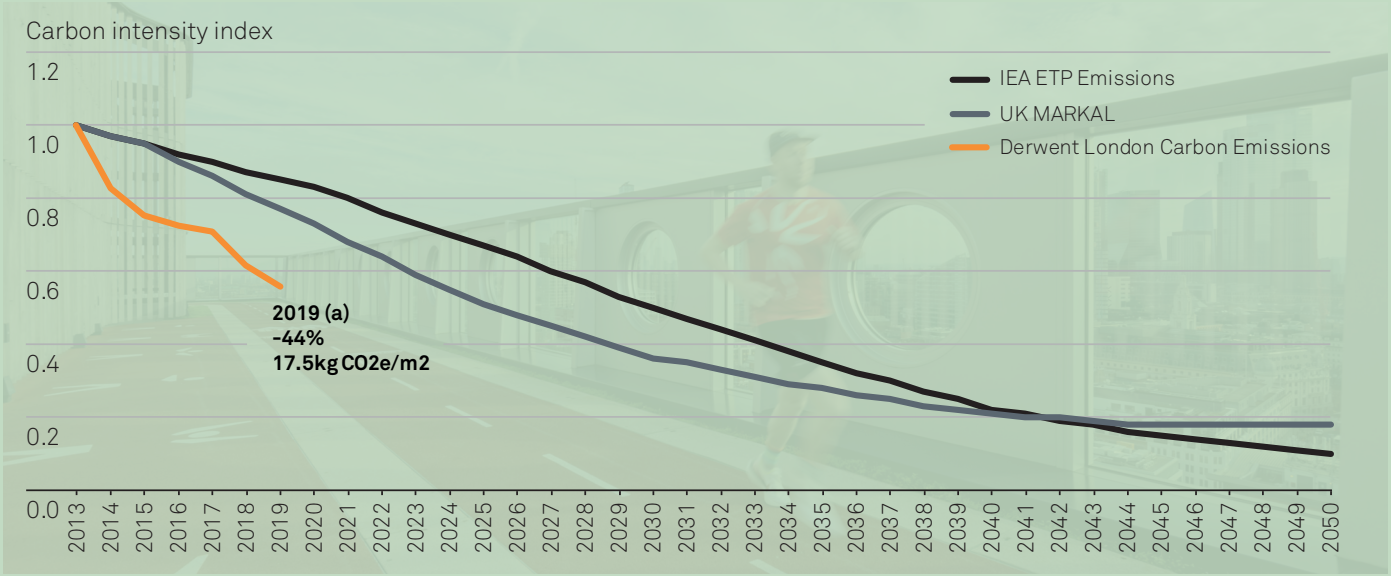
FUTURE PROOFING ENERGY

Energy to come from renewable sources

- Managed portfolio electricity 100% renewable
- Gas supplies to come from renewable resources
- Safeguard our supply of renewable energy

Monitoring our carbon reduction targets since 2013

- Good progress made against our benchmarks



BUSINESS IMPACTS

Short-term costs balanced by long-term benefits

- Improvements will come with a financial cost
- Green buildings should attract higher rents and better covenants
- Green buildings should have longer economic lives
- Our net zero carbon strategy will evolve along with the science, planning and regulations

An opportunity

- The Group will continue to acquire less carbon efficient buildings
- Turning 'brown' buildings 'green'

Johnson Building EC1



CENTRAL LONDON OFFICE MARKET

Central London take-up and supply

- 12.8m sq ft of central London take-up in 2019
- 9.3m sq ft vacant at 2019 year end
- 5.3m sq ft available under construction

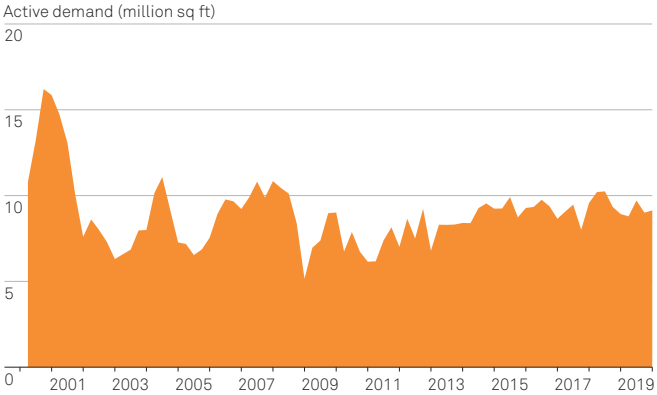
Active ongoing demand

- 9.1m sq ft of active demand at year end from a diverse range of occupiers (see right)



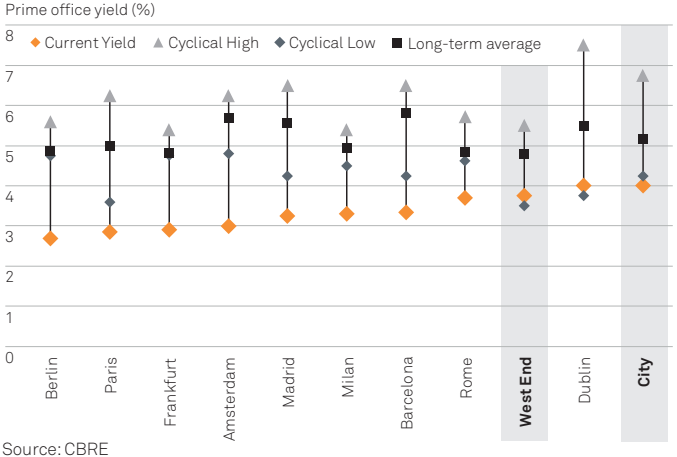
2020 OUTLOOK

CENTRAL LONDON OFFICE DEMAND



Source: JLL

CENTRAL LONDON OFFICE INVESTMENT



Source: CBRE

Rents

ERV 2020 estimate at +1% to +4%

- Favourable supply-demand balance
- Improved London business confidence

Yields

Tightening investment yields in 2020

- Property yields still looking attractive
- Significant weight of money

RESULTS AND FINANCIAL REVIEW

DAMIAN WISNIEWSKI



FINANCIAL HIGHLIGHTS

EPRA net asset value per share[1, 2]
3,958p
2018: 3,776p
+4.8%

EPRA total return
6.6%
2018: 5.3%
2017: 7.7%

Underlying earnings per share
103.1p
2018: 99.1p
+4.0%

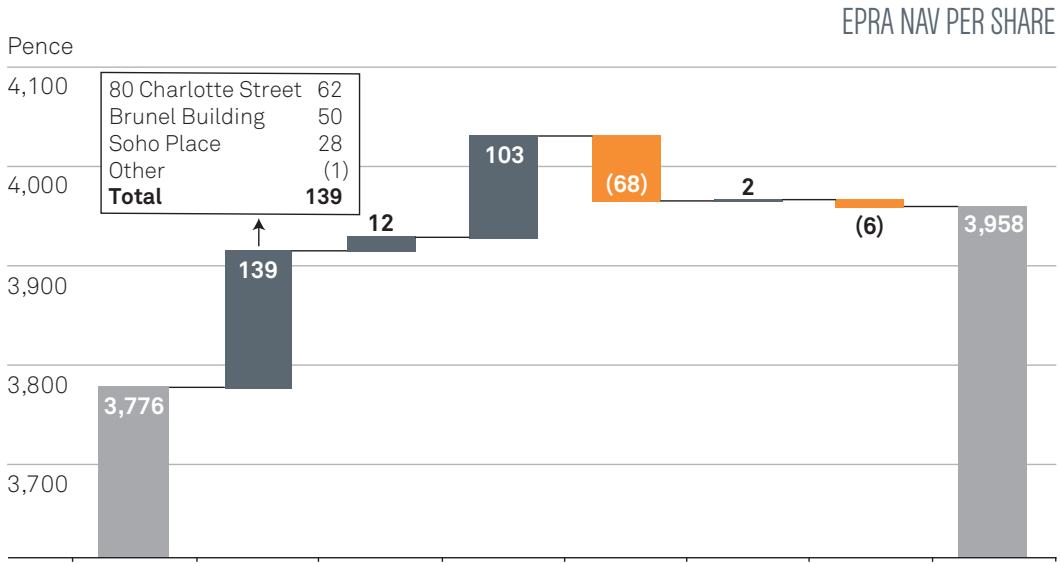
Net rental income
£178.0m
2018: £161.1m
+10.5%

Final dividend per share[3]
51.45p
2018: 46.75p
+10.1%

Loan-to-value (LTV) ratio
16.9%
2018: 17.2%

[1] On a diluted basis [2] Reconciliation to IFRS figures in Appendix 3 [3] 2019 dividend subject to approval

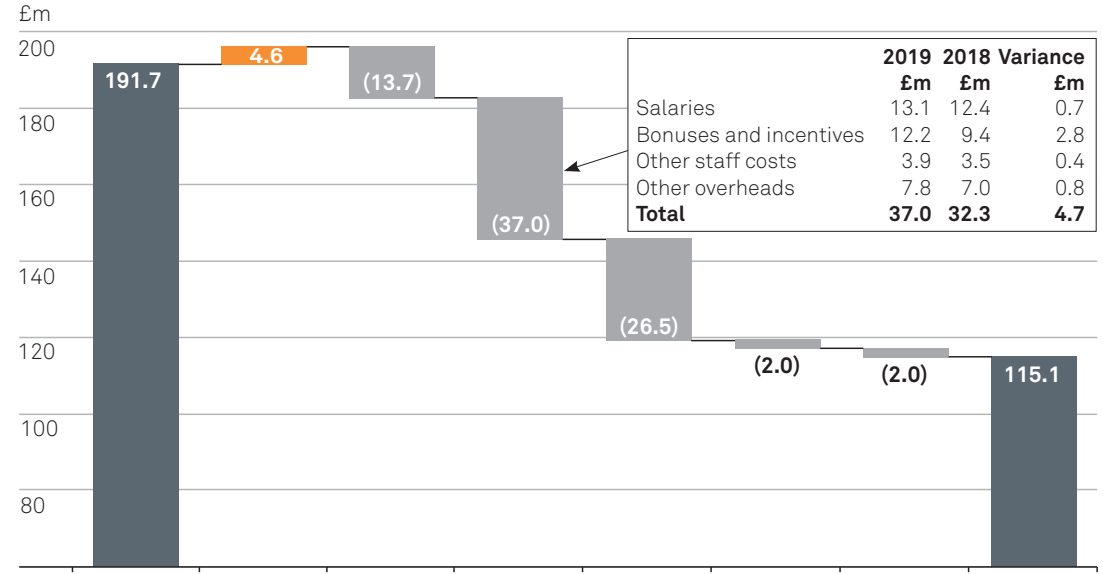
EPRA NAV MOVEMENT



2018	3,716	75	4	113	(137)	2	3	3,776

- Dividends paid in 2018 included a special dividend of 75p per share

EPRA AND UNDERLYING EARNINGS[1]



	2019 £m	2018 £m	Variance £m
Salaries	13.1	12.4	0.7
Bonuses and incentives	12.2	9.4	2.8
Other staff costs	3.9	3.5	0.4
Other overheads	7.8	7.0	0.8
Total	**37.0**	**32.3**	**4.7**

	Gross rental income	Premiums & other income	Property expenditure	Admin expenses	Net finance costs	Tax charge	Other	EPRA/ underlying earnings
2018	175.1	8.0	(12.6)	(32.3)	(23.5)	(3.1)	(1.1)	110.5[2]

Adjustment	15.6
EPRA earnings	126.1

[1] An explanation of EPRA adjustments is provided in Appendix 6 to derive underlying earnings of £110.5m

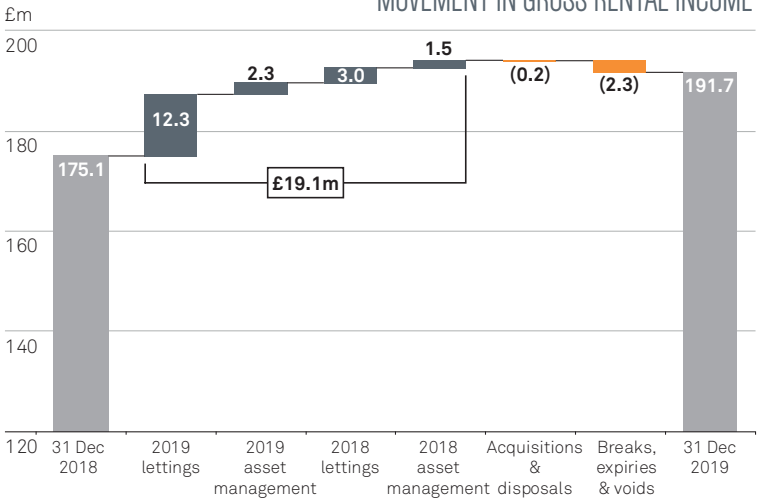
[2] A one-off access rights receipt of £15.8m (net of costs of £0.2m) was excluded in 2018 from EPRA earnings

GROSS RENTAL INCOME

- Gross rental income increased by £16.6m, or 9.5%, to £191.7m in 2019
- 2019 lettings include £6.3m from Brunel Building W2
- Reconciliation of gross rental income to gross property income:

	2019 £m	2018 £m	Variance £m
Gross rental income	**191.7**	**175.1**	**16.6**
Surrender premiums received	1.0	3.2	(2.2)
Rights of access receipt	-	15.8	(15.8)
Rights of lights receipt	-	1.9	(1.9)
Gross property income	**192.7**	**196.0**	**(3.3)**

MOVEMENT IN GROSS RENTAL INCOME

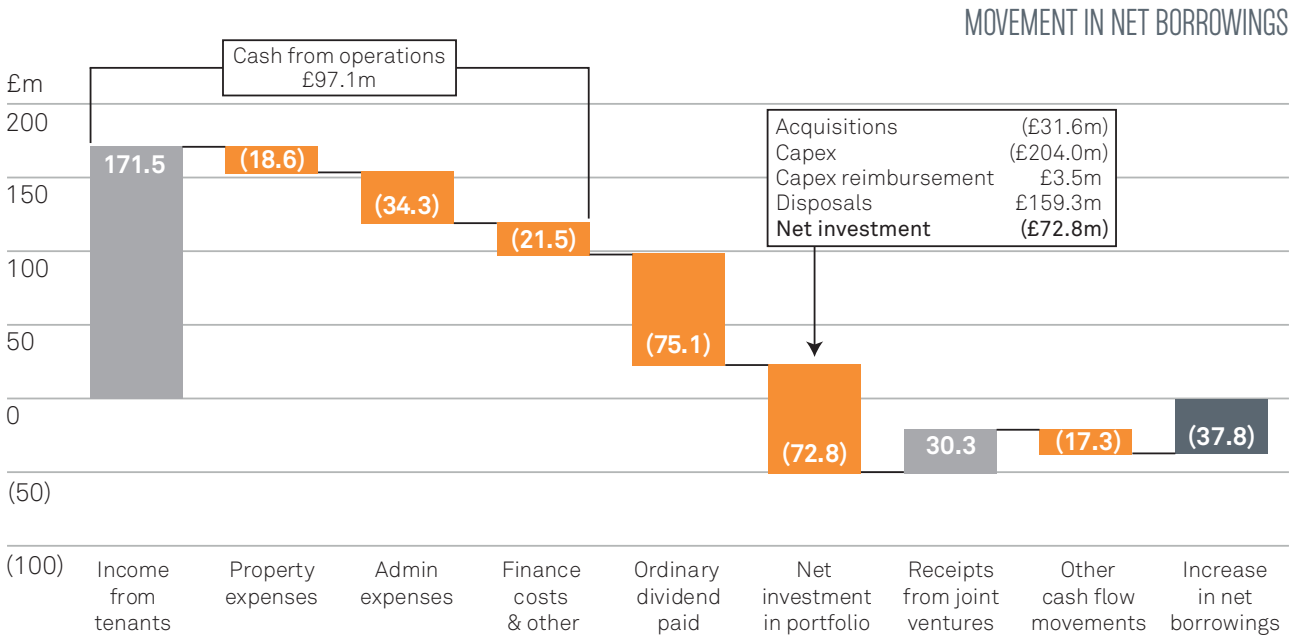


Asset management activities delivered a 4.7% increase in like-for-like net rental income[1]

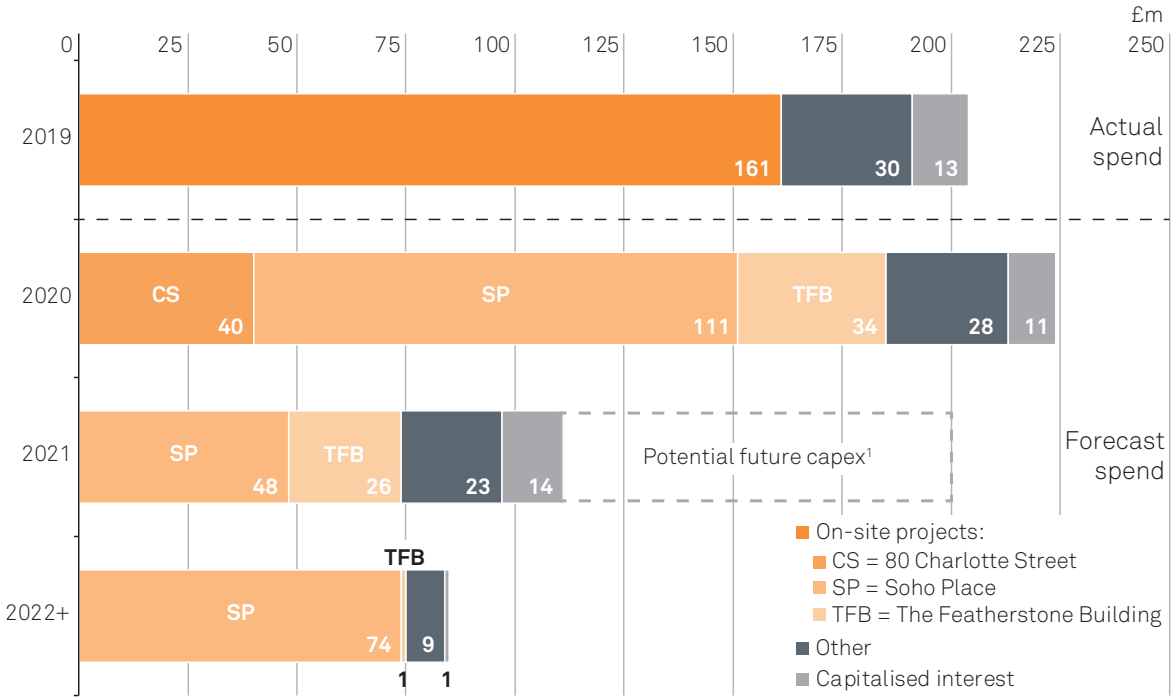
[1] See Appendix 8 for reconciliation of like-for-like income

CASH FLOW

- Net borrowings (drawn facilities less cash) increased by £37.8m in the year to £930.0m



COMMITTED CAPITAL EXPENDITURE



[1] Potential additional capital expenditure relating to schemes currently under appraisal

PROFORMA IMPACT OF MAJOR PROJECTS, DISPOSALS AND ACQUISITIONS

- Assumes no further lettings other than those already contracted
- Shows impact of estimated remaining capital expenditure on both completed and on-site projects

		PROFORMA IMPACT OF COMPLETED PROJECTS, DISPOSALS & ACQUISITIONS				PROFORMA IMPACT OF ON-SITE PROJECTS			
	Dec 2019	Brunel Building contracted income	Sale of 40 Chancery Lane	Purchase of Blue Star House	Proforma 1	Capex and site acquisition cost[1]	Contracted income	Void costs[2]	Proforma 2
Gross property income	**£193m**	**£8m**	(£5m)	**£1m**	**£197m**		**£34m**		**£231m**
Net property income (adjusted)	£178m	£8m	(£4m)	£1m	£183m		£33m	(£6m)	£210m
Interest cost	£38m	£2m[3]	(£3m)[3]	£1m[3]	£38m	£8m[3]			£46m
Net interest cover ratio	**462%**				**481%**				**456%**
Portfolio fair value	£5,475m		(£119m)	£38m	£5,394m	£334m			£5,728m
Drawn debt net of cash	£923m		(£120m)	£41m	£844m	£334m			£1,178m
Loan-to-value ratio	**16.9%**				**15.6%**				**20.6%**

[1] See Appendix 40 for capex. Includes remaining Soho Place site acquisition cost and profit share to Crossrail [2] Void costs upon completion of project
[3] Assuming a marginal interest rate of 2.25%

AN ACTIVE YEAR OF REFINANCING

New long-term debt issued

- £250m US private placement notes with a weighted average interest rate of 2.89% and maturity of 10.8 years
- Six new relationship lenders

Repurchase of convertible bonds

- £150m 1.125% 2019 convertible bonds repurchased/repaid at a premium of £8.5m
- Effective rate of 2.1% pa, including the premium

New convertible bonds issued

- £175m 1.5% 2025 convertible bonds with conversion price of £44.96
- IFRS interest rate of 2.3% with NAV uplift of £7.5m on issue

Revolving credit facility (RCF) refinanced

- £450m RCF extended to 2024 and headline margin reduced to 95 bps
- Now includes a £300m 'green' tranche

Total facilities

£1,441m ↑ £275m

2018: £1,166m

Unutilised facilities and cash

£511m ↑ £237m

2018: £274m

Maturity of borrowings

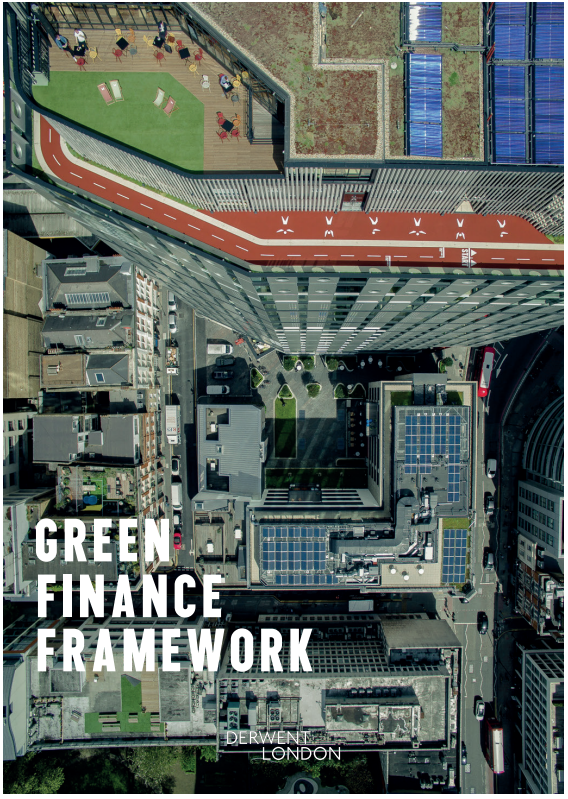
7.8 years ↑ 1.9 years

2018: 5.9 years

REVOLVING CREDIT FACILITY

- Includes a £300m 'green' tranche linking financing to our projects' green credentials:
  - Raising the bar
  - A measurable benchmark
- Part of the refinanced £450m RCF
- Green Finance Framework (GFF) published in Oct 2019
- Green loan reporting and GFF independently assured for compliance with LMA Green Loan Principles[1]
- Eligible Green Projects:
  - New developments and major refurbishments that achieve a minimum BREEAM rating of Excellent or LEED Gold
  - Minor refurbishments where the EPC is D or below and will improve by at least two rating bands

NET ZERO

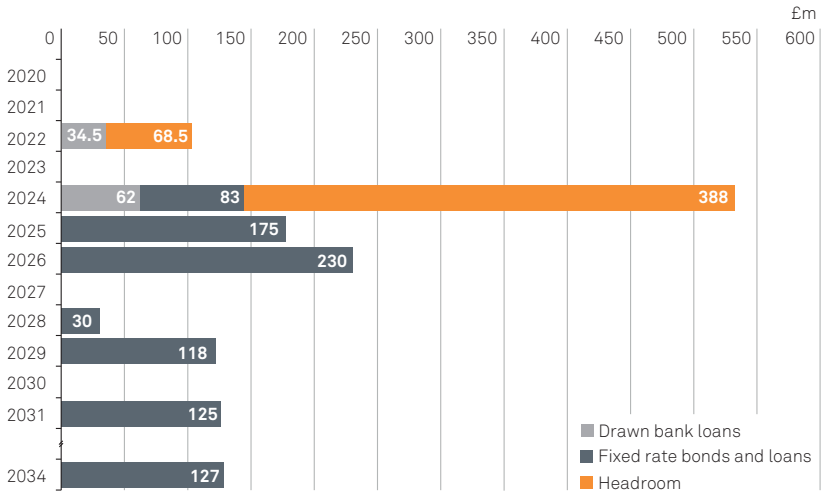


[1] LMA - The Loan Market Association sets the standards and provides guidance for loan documentation for the EMEA region

DEBT SUMMARY

	Dec 2019	Dec 2018
Total facilities	£1,441m	£1,166m
Net borrowings (drawn facilities less cash)	£930m	£892m
Unutilised facilities and cash	£511m	£274m
Net debt	£982m	£957m
Uncharged properties	£4,423m	£4,117m
Average spot interest rate (cash basis)	3.54%	3.43%
Average spot interest rate (IFRS basis)	3.68%	3.68%
Marginal interest rate	1.38%	1.60%
Average maturity of facilities	6.8 years	5.3 years
Average maturity of borrowings	7.8 years	5.9 years

MATURITY PROFILE OF DEBT FACILITIES



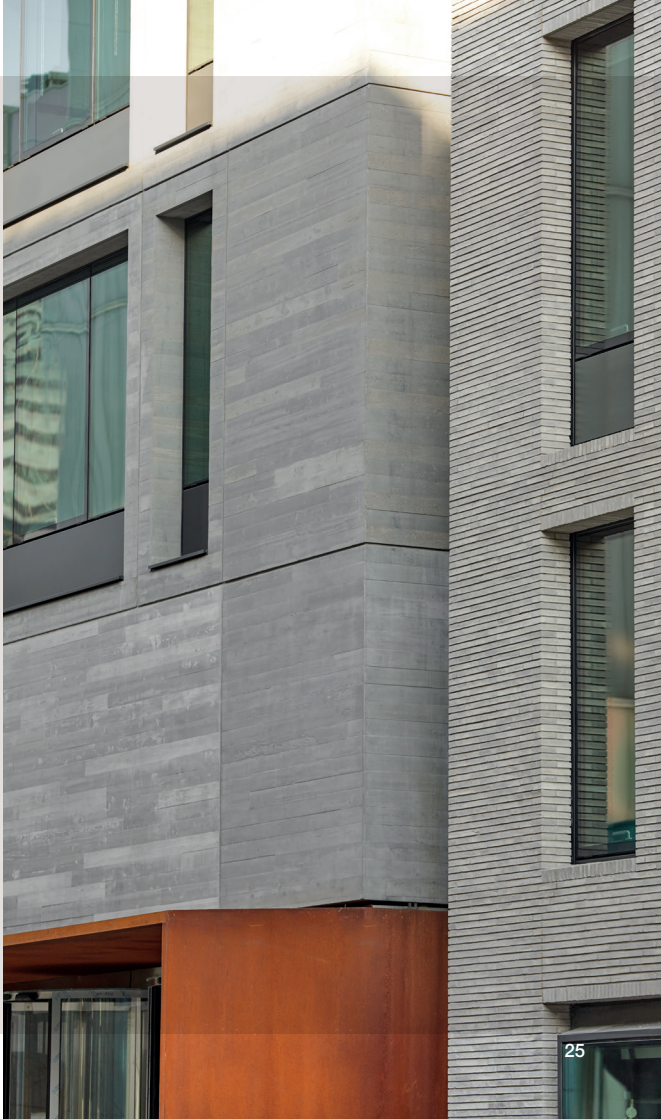
Loan-to-value (LTV) ratio
16.9%
2018: 17.2%

NAV gearing
21.9%
2018: 22.4%

Net interest cover ratio
462%
2018: 491%

VALUATION AND PORTFOLIO ANALYSIS

NIGEL GEORGE



VALUATION

Investment portfolio valued at £5.5bn

- Underlying capital growth 3.9% 2018: 2.2%:
  - West End 4.8% 2018: 2.3%
  - City Borders 2.9% 2018: 2.6%
- MSCI IPD Central London Offices[1] 0.6%
- Valuation themes:

Tenure	
Freehold	⟷
Leasehold >100 years	⟷
Leasehold <100 years	↓
Occupational leases	
Long-term	⟷
Short-term	↓

Four developments drove performance

- Valued at £1.05bn, uplift of 21.2%:
  - Brunel Building W2 (100% let)[2] 23.9%
  - 80 Charlotte Street W1 (92% pre-let)[3] 17.9%
  - Soho Place W1 (79% pre-let) 34.0%
  - The Featherstone Building EC1 8.8%
- Excluding developments, portfolio up 0.4%

	Portfolio valuation £m	**H1 2019 valuation movement %**	**H2 2019 valuation movement %**	**Full year valuation movement %**
West End	3,448.6	2.9	1.9	4.8
City Borders[4]	1,920.5	0.5	2.4	2.9
Central London	**5,369.1**	**2.0**	**2.1**	**4.1**
Provincial	85.9	(2.2)	(6.8)	(8.9)
Underlying	**5,455.0**	**1.9**	**1.9**	**3.9**
Acquisitions	20.2	(4.6)	0.5	(4.2)
Investment portfolio	**5,475.2**	**1.9**	**1.9**	**3.8**

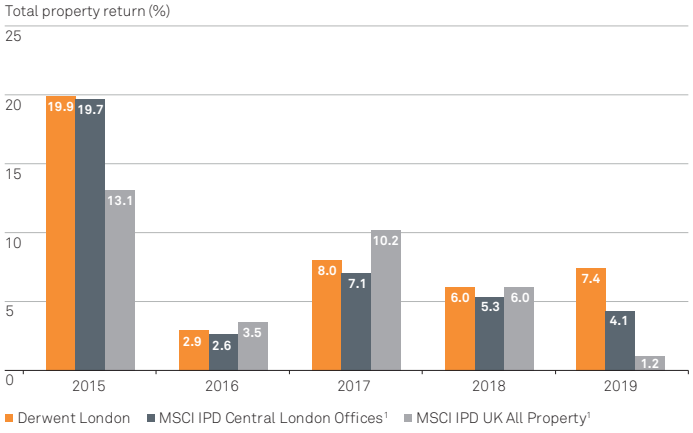
[1] Quarterly index [2] Completed in Q2 2019 [3] Excludes residential units [4] Principally properties in the Tech Belt - Appendix 43

PROPERTY RETURN

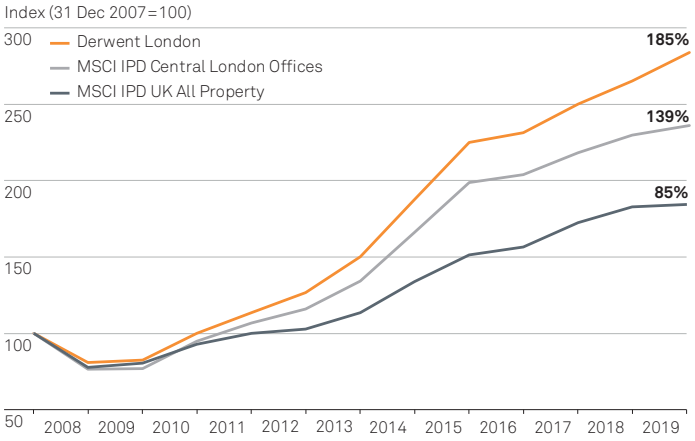
Total property returns in 2019

- Derwent London 7.4%
- MSCI IPD Central London Offices[1] 4.1%
- MSCI IPD UK All Property[1] 1.2%

TOTAL PROPERTY RETURN PERFORMANCE



CUMULATIVE TOTAL PROPERTY RETURN



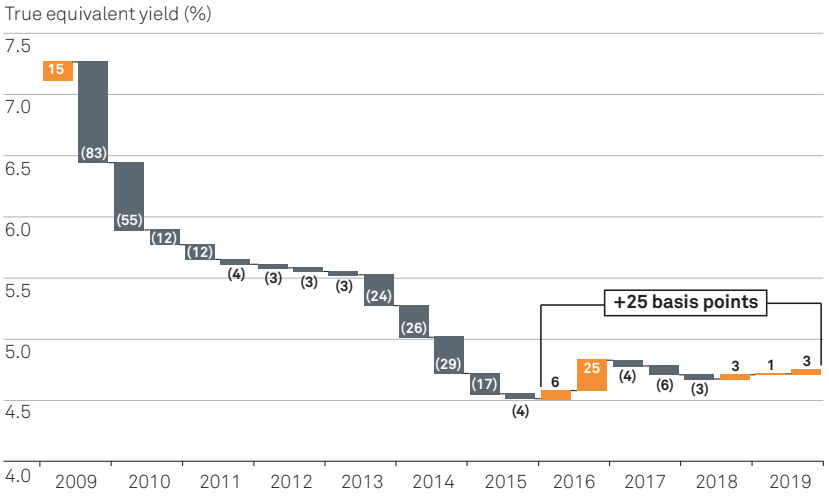
[1] Quarterly Index

MOVEMENT IN YIELDS

EPRA yields

- Net initial yield 3.4% (Dec 2018: 3.4%):
  - 'Topped-up' net initial yield 4.7% (Dec 2018: 4.6%)
  - Locking in the reversion - up 12 basis points in 2019
- True equivalent yield 4.77% (Dec 2018: 4.73%)
- Net reversionary yield 4.9% (Dec 2018: 4.9%)

TRUE EQUIVALENT YIELD MOVEMENT[1]

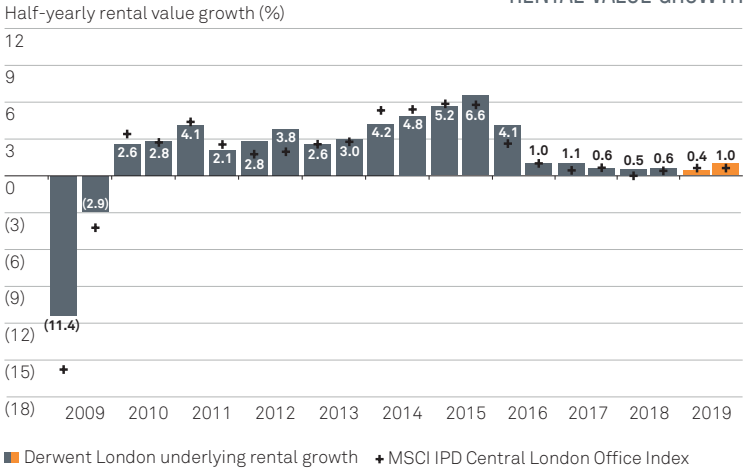


[1] Post H2 2010 portfolio on an EPRA basis

RENTAL VALUE GROWTH

- Underlying rental growth of 1.4% in 2019:
  - City Borders 2.7%
  - West End 0.4%
- Good demand for our high quality product
- Average 'topped-up' office rent £57.47 psf[1] (Dec 2018: £53.25 psf)
- Cumulative rental growth of 60% since 2007, outperforming the 42% from the MSCI IPD Central London Office benchmark

RENTAL VALUE GROWTH



Central London offices	Portfolio %[2]	Passing rent £ psf[1]	'Topped-up' rent £ psf[1]	ERV £ psf[3]
Core income	57	38.30	59.64	59.82
Potential projects	29	37.53	41.45	47.53
	86	**38.07**	**54.10**	**56.02**
On-site developments	14	-	83.96	81.14
Total	**100**	**-**	**57.47**	**59.60**

[1] Occupied office area [2] Portfolio area - see Appendix 22 [3] Total office area

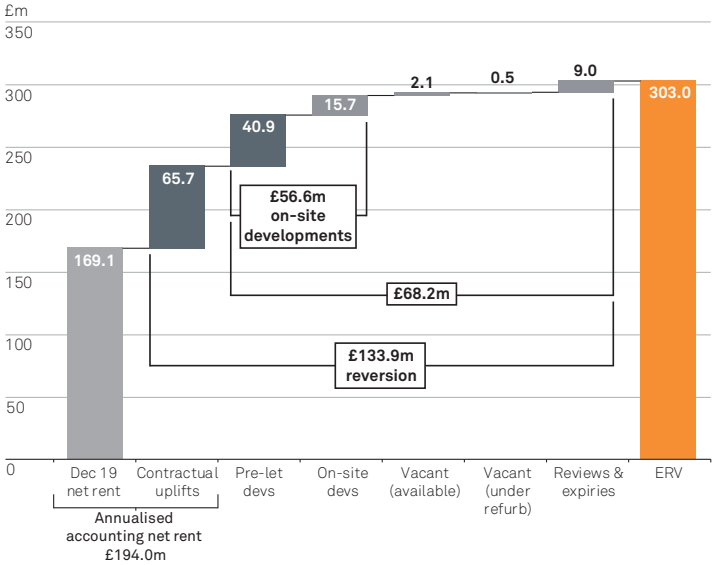
BUILD-UP OF PORTFOLIO ERV

- Portfolio reversion of £133.9m[1]:
  - £65.7m (49%) contracted, including:
    - Brunel Building W2 £12.5m
    - Angel Building EC1 £10.9m
    - White Collar Factory EC1 £6.6m
  - £68.2m of further reversion:
    - £40.9m of pre-lets on developments:

	Let £m	Vacant £m	ERV £m
80 Charlotte Street W1	24.3[2]	1.2	25.5
Soho Place W1	16.6	6.4	23.0
The Featherstone Building EC1	-	8.1	8.1
	40.9	**15.7**	**56.6**

    - £18.3m from vacant and projects:
      - Under development/refurbishment £16.2m
      - Available £2.1m
    - £9.0m from anticipated rent reviews and lease renewals

BUILD-UP OF ERV[3]



Dec 2018	159.5	55.3	31.9	10.8	4.1	1.7	11.1	274.4
Change	9.6	10.4	9.0	4.9	(2.0)	(1.2)	(2.1)	28.6

[1] Requires additional capex as set out in Appendix 40 [2] Initial rent on Arup space £9.7m pa, subject to 2.25% annual uplifts for the first 15 years
[3] Before lease incentives

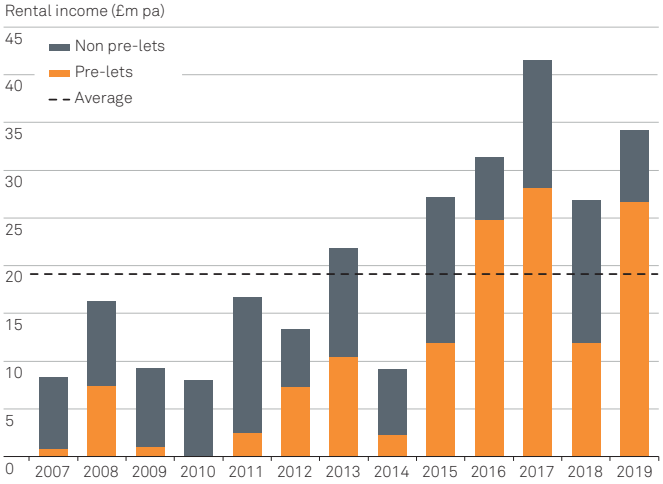

The UK's Best Mobile Network
vodafone
SHOREDITCH GRIND
BRUNCH NOT BREXIT

LEASING, ASSET MANAGEMENT & INVESTMENT

DAVID SILVERMAN



LETTING ACTIVITY 2019



- 498,500 sq ft of lettings at a rent of £34.0m pa:
  - Second highest on record
  - Transactions 6.9% ahead of Dec 2018 ERV



Brunel Building W2

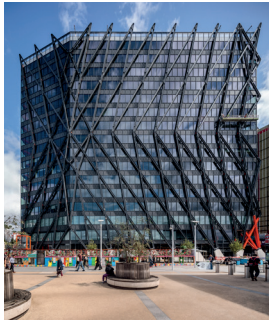
SIGNIFICANT OFFICE LETTINGS IN 2019

Soho Place
W1



Area: 185,700 sq ft
Income: £17.2m pa
Rents: £90 to £100 psf
Min term: 15 years

BRUNEL · BUILDING



Area: 82,600 sq ft
Income: £6.3m pa
Rents: £75 to £77.50 psf
Min term: 10 & 12 years

80 CHARLOTTE STREET.
FITZROVIA W1



Area: 40,650 sq ft
Income: £3.4m pa
Rents: £82.50 psf
Min term: 12 years

90 Whitfield St



Area: 16,100 sq ft
Income: £1.2m pa
Rents: £72 to £83 psf
Min term: 5 & 10 years

TEA



Area: 6,925 sq ft
Income: £0.5m pa
Record rent: £65 psf
Min term: 5 years

APOLLO

RESEARCH

splunk>

paymentsense
beyond ordinary

BCG

LONDONEWCASTLE

one
Savings Bank

loopup

Ekimetrics.

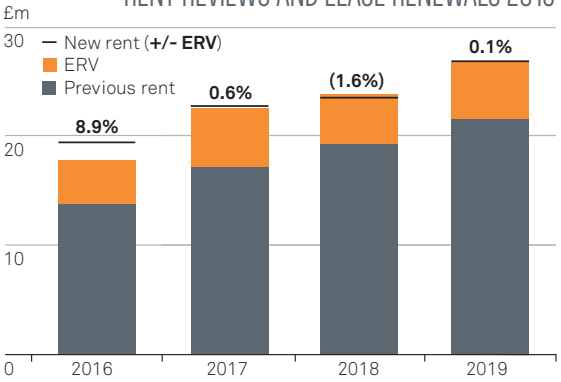
ASSET MANAGEMENT

- 545,000 sq ft of lease renewals and rent reviews completed in the year at around Dec 2018 ERV
- Income up 24.1%, from £21.6m pa to £26.8m
- Vacancy rate of 0.8% at 31 Dec 2019 compared to:
  - 1.8% at 31 Dec 2018
  - 1.6% at 30 Jun 2019

ASSET MANAGEMENT 2019

	Area '000 sq ft	Previous rent £m pa	New rent £m pa	Uplift %	New rent vs Dec 2018 ERV %
Rent reviews	413	16.2	19.7	21.6	(0.8)
Lease renewals	132	5.4	7.1	31.4	2.9
Total	**545**	**21.6**	**26.8**	**24.1**	**0.1**

RENT REVIEWS AND LEASE RENEWALS 2019



1 Oliver's Yard EC1



KEY ASSET MANAGEMENT TRANSACTIONS

Lease renewals



1 Oliver's Yard EC1

Sage Publications

Area: 37,900 sq ft

Previous income: £1.35m

New income: £2.63m

Space upgraded



Charlotte Building W1

The&Partnership

Area: 12,400 sq ft

Previous income: £0.75m

New income: £0.87m

Rent reviews



1 Page Street SW1

Burberry

Area: 127,800 sq ft

Previous income: £5.37m

New income: £5.90m



19 Charterhouse St EC1

LCA Business School

Area: 63,700 sq ft

Previous income: £1.69m

New income: £2.63m

Rent review settled and regeared to take outside L&T Act

DERWENT LONDON DISPOSALS

- Five major disposals completed or exchanged in 2019 with gross proceeds totalling £303.0m:
  - 5.1% above Dec 2018 book value:

	Date	Area sq ft[1]	Gross proceeds £m[1]	Net yield to purchaser %	Rent £m[1]
2019 completions					
Premier House SW1	Q1	60,700	50.0	-	-
9 Prescot Street E1 (50% interest)	Q2	48,500	26.9	4.5	1.3
16 Prescot Street E1 (50% interest)	Q3	4,400	1.8	2.6	0.05
The Buckley Building EC1	Q3	85,100	103.0	4.4	4.9
Total		**198,700**	**181.7**	**-**	**6.25**
2019 exchanged					
40 Chancery Lane WC2	Q4	103,700	121.3	4.2	5.5
Total		**302,400**	**303.0**	**-**	**11.75**


Premier House SW1


9 & 16 Prescot Street E1


The Buckley Building EC1


40 Chancery Lane WC2

[1] Derwent London share

ADVANCING THE PIPELINE: BUSH HOUSE WC2



- 107,900 sq ft office let at £25k pa (£0.23 psf)
- Expiry Dec 2028
- Advanced negotiations to provide early possession in 2021
- Potential for major refurbishment
- Moved from ‘Future Appraisal’ to ‘Under Appraisal’

ADDING TO THE PIPELINE: ACQUISITION OF BLUE STAR HOUSE, BRIXTON SW9



- £38.1m (£710 psf)
- 11-storey tower on 0.7 acre site
- 53,750 sq ft
- Low average office rent £14.50 psf
- Vibrant area
- Excellent connectivity:
  - Oxford Circus 11 minutes via Victoria line
- Potential for major redevelopment:
  - More than double floor area
- Earliest possession 2025


Blue Star House
UNDERGROUND
o2academy
BRIXTON

PROJECTS

SIMON SILVER



PROJECT UPDATE

- Brunel Building W2 completed and fully let

- Three major projects, totalling 790,000 sq ft, on site:
  - 80 Charlotte Street W1
  - Soho Place W1
  - The Featherstone Building EC1

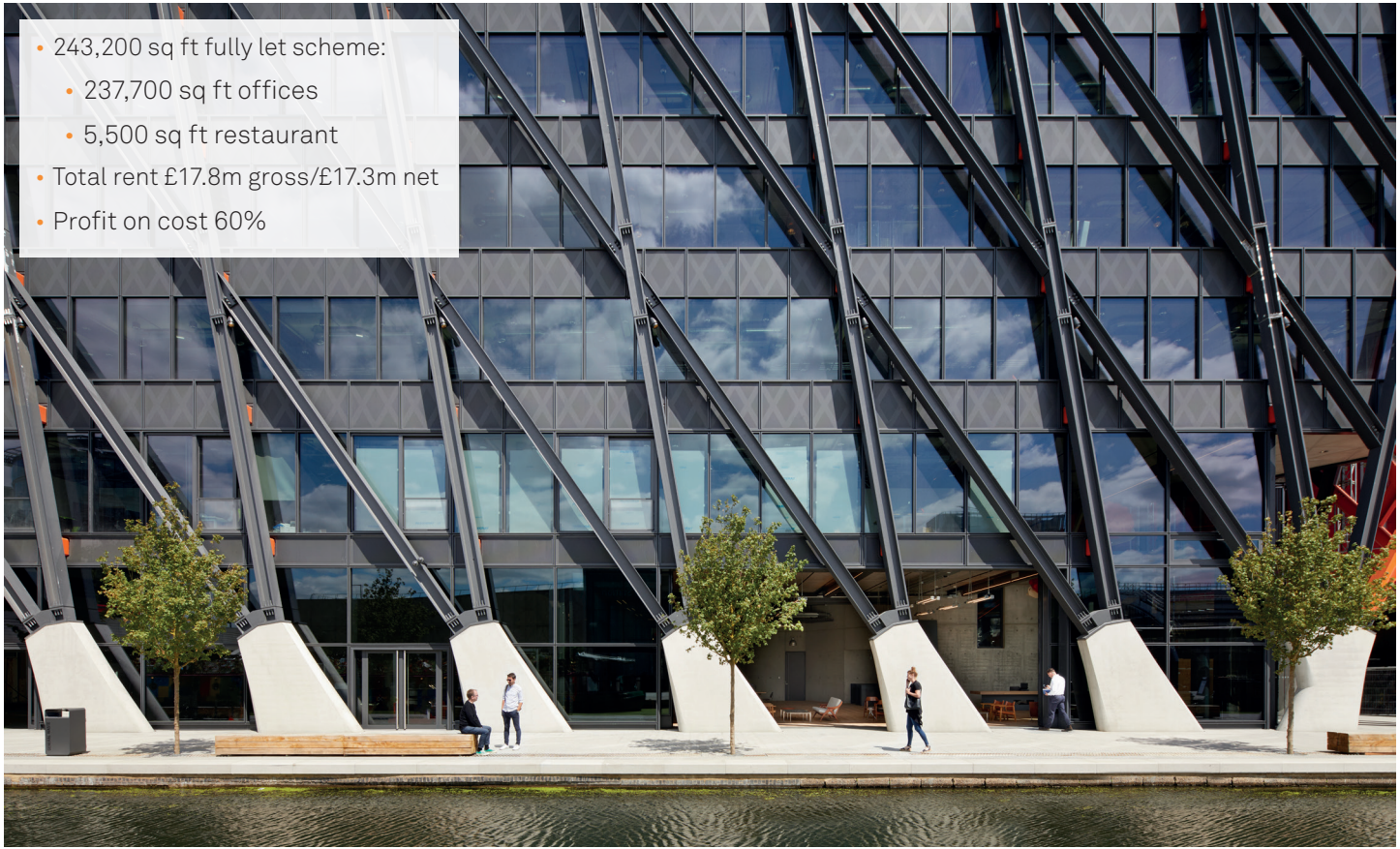
- Two further projects with full planning permission:
  - 19-35 Baker Street W1
  - Holden House W1

- Further opportunities being progressed across the portfolio such as:
  - Angel Square EC1
  - Network Building W1
  - Blue Star House SW9
  - Bush House WC2



Soho Place W1

H1 2019 COMPLETION: BRUNEL BUILDING W2




THE CITIES BOOK

H1 2020 COMPLETION: 80 CHARLOTTE STREET W1



- 380,000 sq ft mixed-use scheme:
  - Offices: 100% pre-let at £25.1m pa
  - Retail: 14,000 sq ft available
  - Residential: 13 out of 22 units sold
- Completion H1 2020
- Capex to complete £40m



H1 2022 COMPLETION: SOHO PLACE W1

- On site at 285,000 sq ft mixed-use scheme:
  - 209,000 sq ft offices
  - 36,000 sq ft retail
  - 40,000 sq ft theatre[1]
- 79% pre-let
- ERV £23.0m
- Completion H1 2022
- Capex to complete £233m[2]



[1] Pre-let at a nominal ground rent [2] Includes remaining site acquisition cost and 16% profit share payaway to freeholder Crossrail



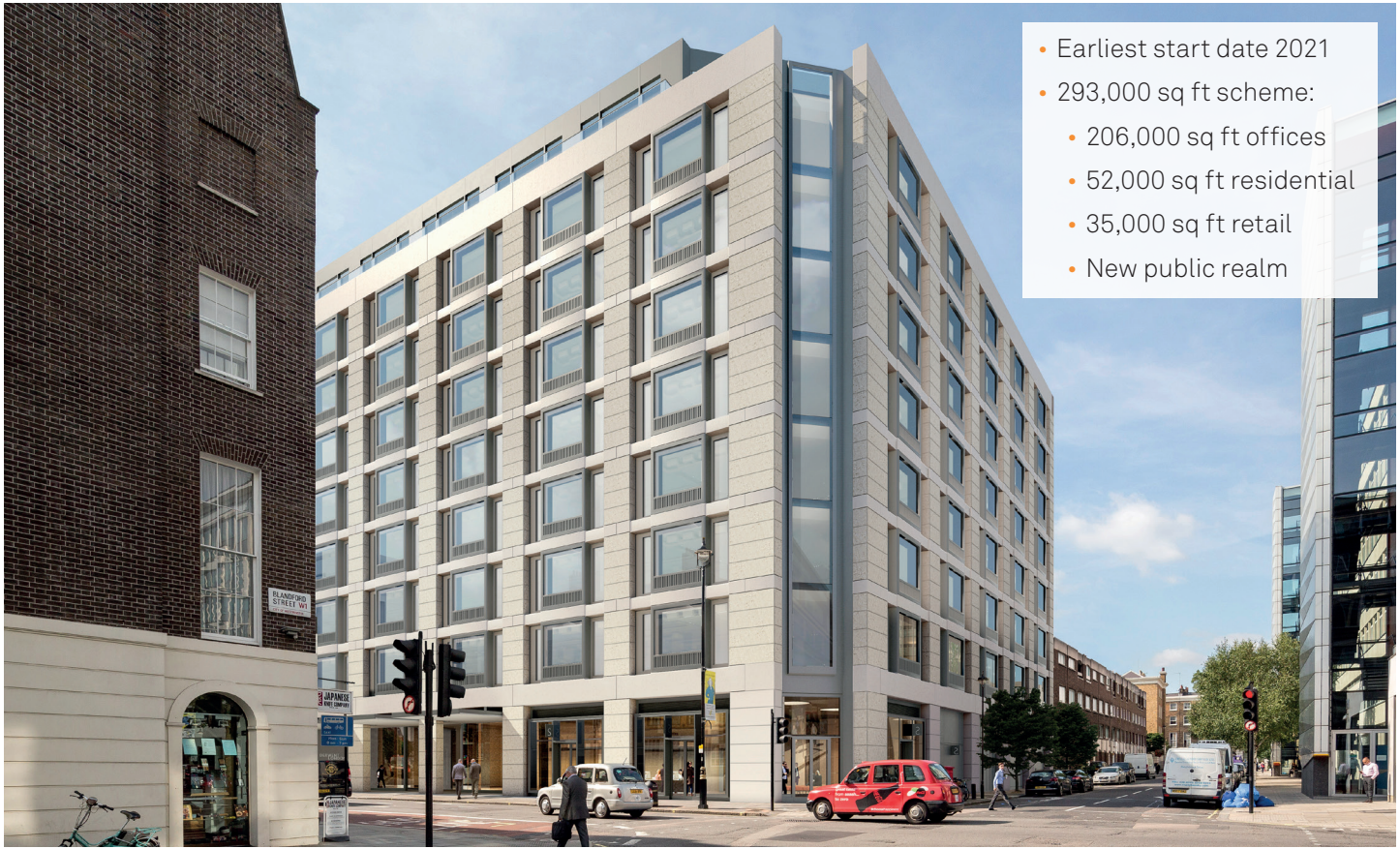
H1 2022 COMPLETION: THE FEATHERSTONE BUILDING EC1



- Construction underway at this 125,000 sq ft office and retail scheme
- ERV £8.1m with office ERV £70 psf
- Completion H1 2022
- Capex to complete £61m


We are considerate constructors
THE FEATHERSTONE BUILDING
Lightness of touch.
attention to detail
A warehouse for creative working
THE FEATHERSTONE BUILDING

ADVANCING OUR PIPELINE: 19-35 BAKER STREET W1



- Earliest start date 2021
- 293,000 sq ft scheme:
  - 206,000 sq ft offices
  - 52,000 sq ft residential
  - 35,000 sq ft retail
  - New public realm

ADVANCING OUR PIPELINE: HOLDEN HOUSE W1



ADVANCING AND INCREASING OUR PIPELINE

UNDER APPRAISAL

Existing: 424,000 sq ft
Proposed: 520,000+ sq ft



6-8 Greencoat Place SW1
Earliest start date 2020
32,000 sq ft



Francis House SW1
Earliest start date 2021
40,000 sq ft



Bush House WC2
Earliest start date TBC
108,000 sq ft



Angel Square EC1
Earliest start date 2021
126,000 sq ft



Network Building W1
Earliest start date 2021
64,000 sq ft



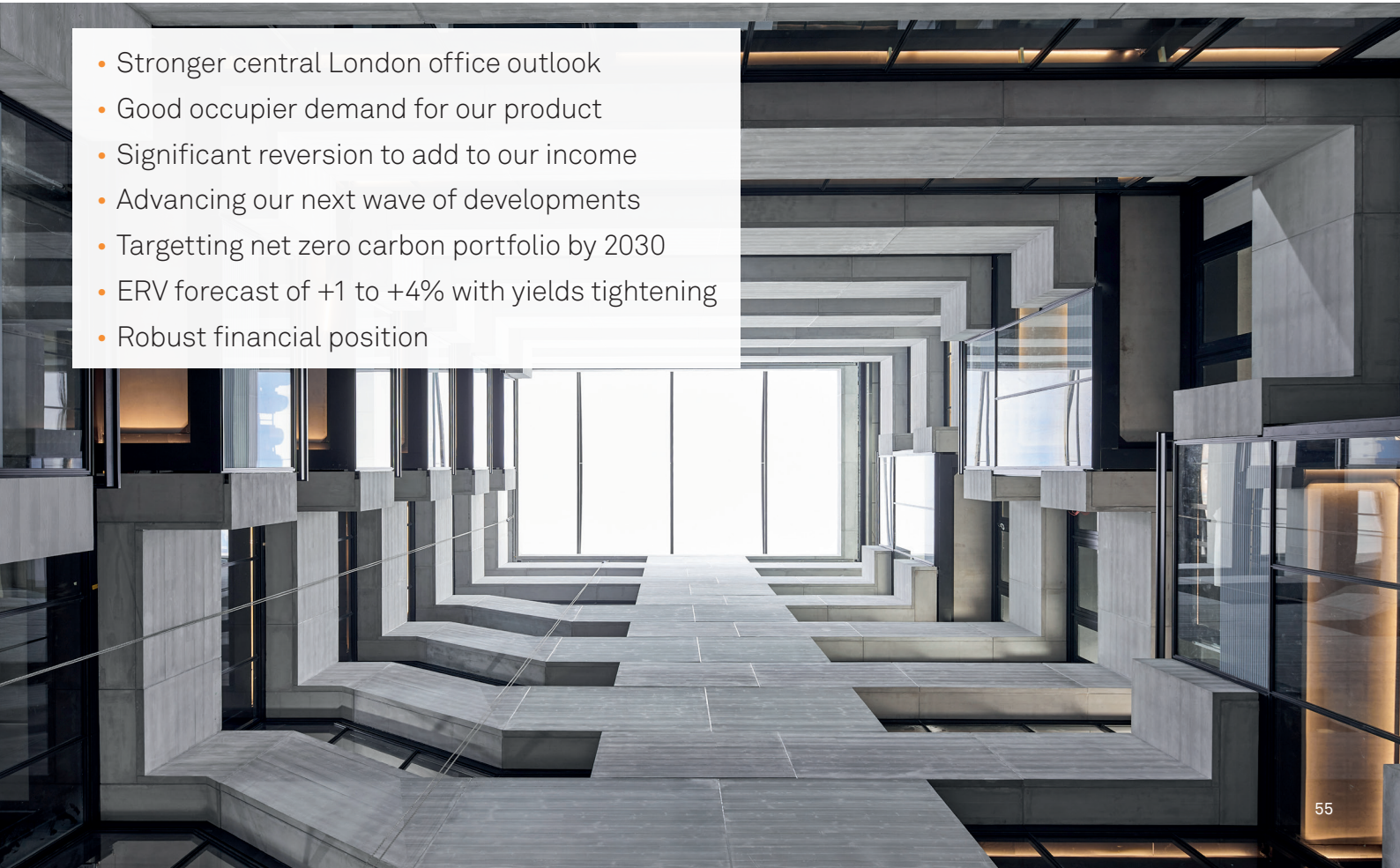
Blue Star House SW9
Earliest start date 2025
53,750 sq ft

SUMMARY

PAUL WILLIAMS



SUMMARY



- Stronger central London office outlook
- Good occupier demand for our product
- Significant reversion to add to our income
- Advancing our next wave of developments
- Targetting net zero carbon portfolio by 2030
- ERV forecast of +1 to +4% with yields tightening
- Robust financial position

APPENDICES



APPENDICES

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APPENDIX 1 - HEADLINE NUMBERS

	Dec 2019	Dec 2018	% change
Net asset value (NAV)	£4,476.9m	£4,263.4m	5.0
EPRA NAV per share[1,2]	3,958p	3,776p	4.8
EPRA triple NAV per share[1,2]	3,847p	3,696p	4.1
EPRA total return	6.6%	5.3%	n/a
Gross rental income	£191.7m	£175.1m	9.5
Net rental income	£178.0m	£161.1m	10.5
EPRA earnings per share[2]	103.09p	113.07p[3]	(8.8)
Underlying earnings per share	103.09p	99.08p	4.0
Profit for the year	£278.1m	£218.9m	27.0
Final dividend per share[4]	51.45p	46.75p	10.1
Interim and final dividend per share	72.45p	65.85p	10.0
Net debt	£981.6m	£956.9m	2.6
Loan-to-value (LTV) ratio	16.9%	17.2%	n/a
NAV gearing	21.9%	22.4%	n/a
Net interest cover ratio	462%	491%	n/a

[1] On a diluted basis [2] Reconciliations to IFRS figures in Appendices 3 and 6 [3] Includes a one-off access rights receipt of 14p per share which was excluded to derive an underlying performance [4] 2019 dividend subject to approval

APPENDIX 2 - GROUP BALANCE SHEET

	Dec 2019 £m	Dec 2018 £m
Investment property	5,174.3	5,028.2
Owner-occupied property	45.3	47.0
Investment in joint ventures	1.3	29.1
Other non-current assets	139.8	129.5
	5,360.7	**5,233.8**
Non-current assets held for sale	118.6	-
Other current assets and liabilities	(55.1)	(44.1)
Trading property	40.7	36.3
Cash and cash equivalents	54.5	18.3
Borrowings – current	-	(148.4)
	40.1	**(137.9)**
Borrowings – non-current	(976.6)	(766.1)
Other non-current liabilities	(65.9)	(66.4)
	(1,042.5)	**(832.5)**
Total net assets	**4,476.9**	**4,263.4**
Non-controlling interest	(55.7)	(61.5)
Attributable to equity shareholders	**4,421.2**	**4,201.9**

APPENDIX 3 - EPRA NET ASSET VALUE MEASURES

	per share diluted p	£m
Net assets attributable to equity shareholders	**3,941**	**4,421.2**
Revaluation of trading properties		2.3[1]
Deferred tax on revaluation surplus		3.3
Fair value of derivative financial instruments		3.7
Less share of non-controlling interest		(0.8)
Fair value adjustment to secured bonds		10.6
EPRA NAV	**3,958**	**4,440.3**
Deferred tax on revaluation surplus		(3.3)
Fair value of derivative financial instruments		(3.7)
Less share of non-controlling interest		0.8
Mark-to-market of fixed rate debt		(107.2)
Unamortised issue and arrangement costs		(11.5)
EPRA triple NAV/EPRA NDV[2]	**3,847**	**4,315.4**

	EPRA NRV[1] £m	EPRA NTA[3] £m
EPRA NAV	4,440.3	4,440.3
Purchasers' costs[4]	372.3	-
Deferred tax adjustment[5]	-	(1.7)
	4,812.6	**4,438.6**
	4,290p	**3,957p**

[1] Net Reinstatement Value [2] Net Disposal Value [3] Net Tangible Assets [4] Includes Stamp Duty Land Tax. Total costs assumed to be 6.8% of the portfolio's fair value
[5] Only 50% of the deferred tax on the revaluation surplus is excluded, rather than 100% under EPRA NAV

APPENDIX 4 - GROUP INCOME STATEMENT

	Year ended Dec 2019 £m	Year ended Dec 2018 £m
Gross property income	192.7	196.0
Write-down of trading property	-	(0.2)
Other income	3.6	2.9
Property outgoings	(13.7)	(12.8)
Net property and other income	**182.6**	**185.9**
Administrative expenses	(37.0)	(32.3)
Revaluation surplus	156.4	83.4
Profit on disposal	13.8	5.2
Net finance costs	(26.5)	(23.5)
Bond redemption premium	(7.8)	-
Joint venture (JV) results	1.9	2.1
Derivatives fair value movement	(0.1)	4.3
Financial derivative termination costs	(2.7)	(3.5)
IFRS profit before tax	**280.6**	**221.6**
Tax charge	(2.5)	(2.7)
IFRS profit for the year	**278.1**	**218.9**
Attributable to:		
Equity shareholders[1]	283.4	222.3
Non-controlling interest	(5.3)	(3.4)
	278.1	**218.9**

JV revaluation	-	(0.1)
Profit on disposal of JV property	1.7	1.3
Other JV profit	0.2	0.9

[1] A reconciliation of the IFRS profit attributable to shareholders to the EPRA earnings is shown in Appendix 5

APPENDIX 5 - IFRS PROFIT AND EPRA/UNDERLYING EARNINGS

	Year ended Dec 2019 £m	Year ended Dec 2018 £m
IFRS profit for the year attributable to shareholders	283.4	222.3
Revaluation surplus	(156.4)	(83.4)
Joint venture revaluation deficit	-	0.1
Profit on disposal	(13.8)	(5.2)
Profit on disposal of share of associate's properties	(1.7)	(1.3)
Write-down of trading property	-	0.2
Derivatives fair value movement	0.1	(4.3)
Financial derivative termination costs	2.7	3.5
Debt redemption premium	7.8	-
Tax adjustment	0.5	(0.4)
Non-controlling interest in respect of the above	(7.5)	(5.4)
EPRA earnings	**115.1**	**126.1**
Deduction for access rights receipt	-	(15.6)
Underlying earnings	**115.1**	**110.5**

APPENDIX 6 - EXPLANATION OF EPRA ADJUSTMENTS

	2019 IFRS £m	Adjustments A £m	Adjustments B £m	Adjustments C £m	2019 EPRA basis £m	2018 EPRA basis £m
Net property and other income	182.6				182.6	186.1
Administrative expenses	(37.0)				(37.0)	(32.3)
Revaluation surplus	156.4		(156.4)		-	-
Profit on disposal	13.8	(13.8)			-	-
Net finance costs	(26.5)				(26.5)	(23.5)
Derivatives fair value movement	(0.1)			0.1	-	-
Financial derivative termination costs	(2.7)			2.7	-	-
Debt redemption premium	(7.8)			7.8	-	-
Share of results of joint ventures	1.9	(1.7)			0.2	0.9
Profit before tax	**280.6**	**(15.5)**	**(156.4)**	**10.6**	**119.3**	**131.2**
Tax charge	(2.5)	0.7	(0.2)	-	(2.0)	(3.1)
Profit for the year	**278.1**	**(14.8)**	**(156.6)**	**10.6**	**117.3**	**128.1**
Non-controlling interest	5.3	-	(7.5)	-	(2.2)	(2.0)
Earnings attributable to equity shareholders	**283.4**	**(14.8)**	**(164.1)**	**10.6**	**115.1**	**126.1**
Earnings per share	**253.82p**				**103.09p**	**113.07p**

A – Disposal of investment and trading properties (including the Group's share of joint ventures) and associated tax and non-controlling interest
B – Write-down of trading properties 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 borrowings, and associated non-controlling interest

APPENDIX 7 - CASH FLOW

	Year ended Dec 2019 £m	Year ended Dec 2018 £m
Property income	171.5	181.7
Property expenses	(18.6)	(19.1)
Other income	3.6	2.9
Administrative expenses	(34.3)	(27.2)
Finance costs	(21.6)	(20.0)
Tax paid in respect of operating activities	(3.5)	(3.1)
Net cash from operating activities	**97.1**	**115.2**
Net investment in portfolio	(72.8)	(228.6)
Payments from joint ventures	29.7	12.7
Other cash used in investing activities	(1.2)	6.8
Net cash used in investing activities	**(44.3)**	**(209.1)**
Movement in debt	66.7	180.3
Bond redemption premium	(8.5)	-
Ordinary dividend paid	(75.1)	(152.0)
Other cash from financing activities	0.3	(3.1)
Net cash (used in)/from financing activities	**(16.6)**	**25.2**
Increase/(decrease) in cash and cash equivalents during the year	36.2	(68.7)
Cash and cash equivalents at the beginning of the year	18.3	87.0
Cash and cash equivalents at the end of the year	**54.5**	**18.3**

APPENDIX 8 - RECONCILIATION OF LIKE-FOR-LIKE INCOME TO IFRS INCOME

	Properties owned throughout the year £m	Development property £m	Acquisitions & disposals £m	Total £m
2019				
Gross rental income	**174.9**	**10.3**	**6.5**	**191.7**
Property expenditure	(11.0)	(2.8)	0.1	(13.7)
Net rental income	**163.9**	**7.5**	**6.6**	**178.0**
Other	4.6	-	-	4.6
Net property and other income	**168.5**	**7.5**	**6.6**	**182.6**
2018				
Gross rental income	**167.5**	**1.0**	**6.6**	**175.1**
Property expenditure	(11.0)	(2.9)	(0.1)	(14.0)
Net rental income	**156.5**	**(1.9)**	**6.5**	**161.1**
Other property income	17.7	-	-	17.7
Other	7.3	(0.2)	-	7.1
Net property income	**181.5**	**(2.1)**	**6.5**	**185.9**
Gross rental income	4.4%			9.5%
Net rental income	4.7%			10.5%
Net property income	(7.2%)			(1.8%)

APPENDIX 9 - DEBT FACILITIES

	Drawn £m	Undrawn £m	Total £m	Maturity
6.5% secured loan	175.0	-	175.0	March 2026
3.99% secured bonds	83.0	-	83.0	October 2024
1.5% unsecured convertible bonds	175.0	-	175.0	June 2025
2.68% unsecured private placement notes	55.0	-	55.0	January 2026
3.46% unsecured private placement notes	30.0	-	30.0	May 2028
4.41% unsecured private placement notes	25.0	-	25.0	January 2029
2.87% unsecured private placement notes	93.0	-	93.0	January 2029
2.97% unsecured private placement notes	50.0	-	50.0	January 2031
3.57% unsecured private placement notes	75.0	-	75.0	May 2031
4.68% unsecured private placement notes	75.0	-	75.0	January 2034
3.09% unsecured private placement notes	52.0	-	52.0	January 2034
Non-bank loans	**888.0**	**-**	**888.0**	
Bilateral term – secured	28.0	-	28.0	July 2022
Bilateral revolving credit – unsecured	6.5	68.5	75.0	July 2022
Club revolving credit – unsecured	62.0	388.0	450.0	October 2024
Committed bank facilities	**96.5**	**456.5**	**553.0**	
At 31 Dec 2019	**984.5**	**456.5**	**1,441.0**	

APPENDIX 10 - NET DEBT

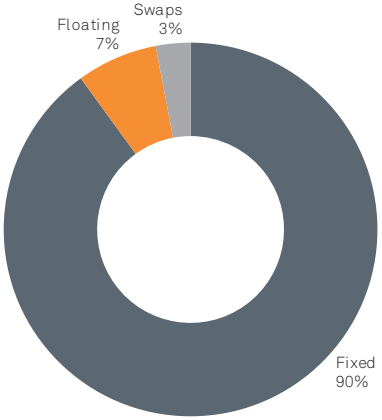
	Dec 2019 £m	Dec 2018 £m
Borrowings – current	-	148.4
Borrowings – non-current	976.6	766.1
Acquired fair value of secured bonds less amortisation	(10.6)	(11.8)
Equity component of unsecured bonds	7.7	12.6
Unwinding of discount of unsecured bonds	(0.7)	(11.3)
Unamortised issue and arrangement costs	11.5	6.5
Facilities – drawn	**984.5**	**910.5**
Facilities – undrawn	456.5	255.5
Total debt facilities	**1,441.0**	**1,166.0**

	Dec 2019 £m	Dec 2018 £m
Borrowings	976.6	914.5
Leasehold liabilities	59.5	60.7
Cash and cash equivalents	(54.5)	(18.3)
Net debt	**981.6**	**956.9**

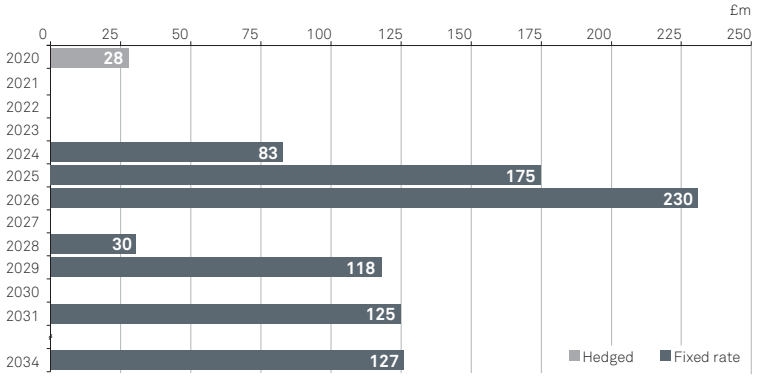
APPENDIX 11 - FIXED RATES AND HEDGING

	Dec 2019	Dec 2018
Proportion of drawn facilities at fixed rates or hedged	93%	70%
Weighted average duration of swaps[1]	0.2 years	1.2 years
Mark-to-market cost of swaps and forward-start swaps	£3.7m	£3.6m
Weighted average duration of fixed rate instruments	8.2 years	7.2 years

HEDGING PROFILE[1]



MATURITY PROFILE OF FIXED RATES AND SWAPS[1]



[1] Excludes the following forward-start swaps:

Principal £m	Rate %	Forward start date	Expiry date
40.0	2.45	January 2020	July 2022
75.0	1.36	January 2020	April 2025

APPENDIX 12 - VALUATION PERFORMANCE BY VILLAGE

	Valuation Dec 2019 £m	Weighting Dec 2019 %	Valuation movement 2019[1] %
West End Central			
Fitzrovia[2]	1,766.6	32	4.0
Victoria	469.2	9	(0.2)
Paddington	340.0	6	23.9
Soho/Covent Garden	174.7	3	29.4
Baker Street/Marylebone	156.9	3	(9.8)
Mayfair	97.2	2	1.4
	3,004.6	**55**	**5.5**
West End Borders			
Islington/Camden	464.2	8	0.3
West End	**3,468.8**	**63**	**4.8**
City Borders			
Old Street	621.7	11	5.0
Clerkenwell	547.7	10	2.9
Shoreditch/Whitechapel	453.4	8	2.8
Holborn	295.5	6	(1.2)
Other	2.2	-	-
City Borders	**1,920.5**	**35**	**2.9**
Central London	**5,389.3**	**98**	**4.1**
Provincial	85.9	2	(8.9)
Investment portfolio	**5,475.2**	**100**	**3.9**

[1] Underlying - properties held throughout the year [2] Includes North of Oxford Street

APPENDIX 13 - RENTAL VALUE GROWTH

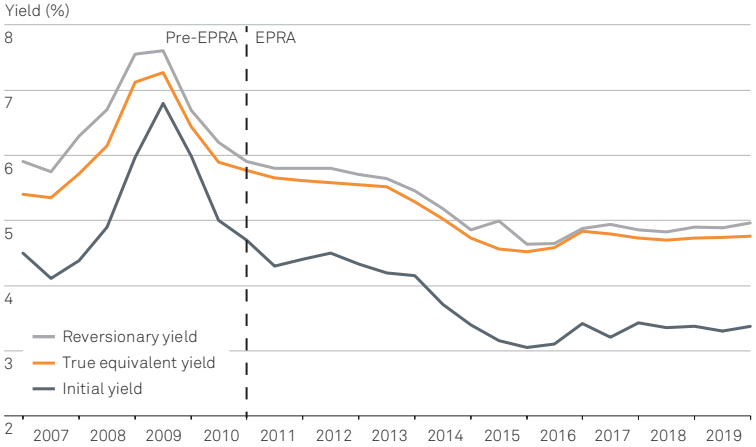
RENTAL VALUE GROWTH[1]

	2018 %	H1 2019 %	H2 2019 %	2019 %
West End	0.6	0.1	0.3	0.4
City Borders	2.0	0.9	1.8	2.7
Central London	**1.2**	**0.4**	**1.0**	**1.4**
Provincial	(4.3)	0.6	(0.6)	0.0
Underlying	**1.1**	**0.4**	**1.0**	**1.4**

[1] On EPRA portfolio

APPENDIX 14 - VALUATION YIELDS

YIELD PROFILE[1]



EPRA INITIAL YIELDS

	Net initial yield %	'Topped-up' initial yield %
West End	3.2	4.5
City Borders	3.5	4.8
Central London	**3.3**	**4.6**
Provincial	7.4	7.8
EPRA portfolio	**3.4**	**4.7**

TRUE EQUIVALENT YIELDS[2]

	Dec 2018 %	H1 2019 movement basis points	Jun 2019 %	H2 2019 movement basis points	Dec 2019 %
West End	4.62	2	4.64	4	4.68
City Borders	4.79	-	4.79	-	4.79
Central London	**4.69**	**1**	**4.70**	**2**	**4.72**
Provincial	7.68	32	8.00	44	8.44
Underlying	**4.73**	**1**	**4.74**	**3**	**4.77**

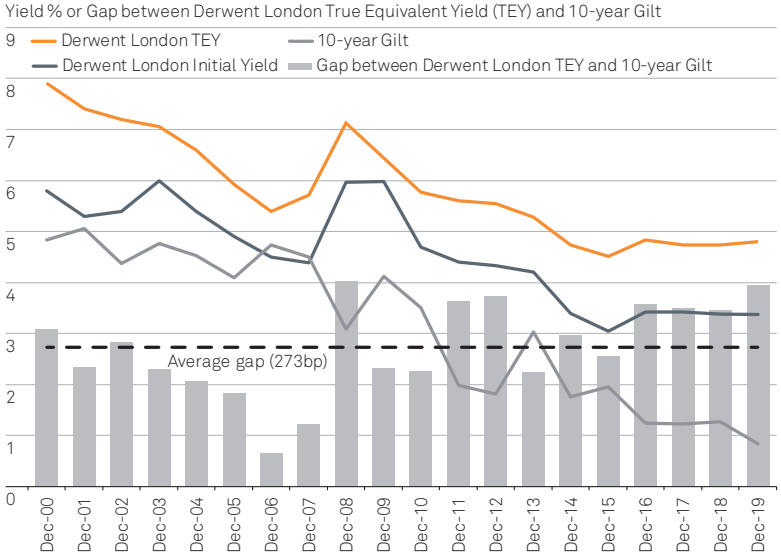
[1] Six-monthly data [2] On EPRA portfolio

APPENDIX 15 - CONTEXT TO YIELD MOVEMENT

- 395bp spread between the Derwent London true equivalent yield and the 10-year Gilt:
  - Second highest gap in the last 20 years
  - Average spread 273bp
  - Gilt yield declined from 1.27% at the start of 2019 to 0.84% at the half year and to 0.83% at the year end
  - Investor activity below average in 2019 but finished the year strongly

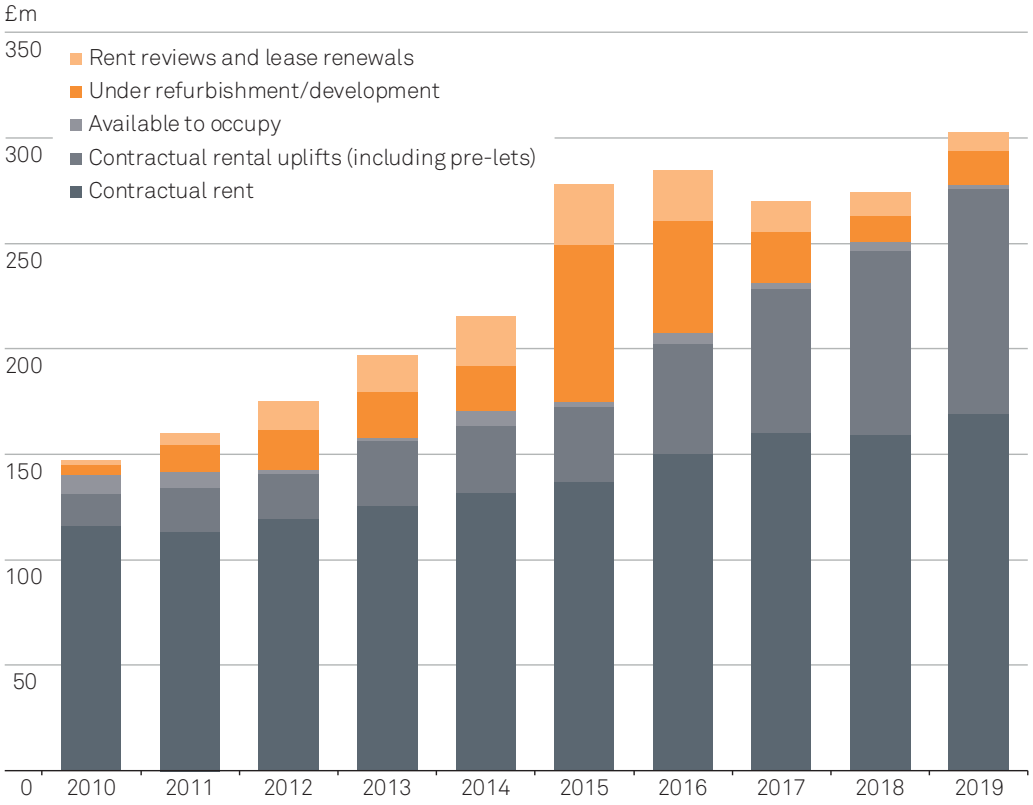
- Capital values[2]:
  - Central London £1,102 psf:
    - West End £1,190 psf
    - City Borders £992 psf

VALUATION YIELDS[1]



[1] Post H2 2010 portfolio on an EPRA basis [2] Excludes 0.79m sq ft of on-site developments - Appendix 40

APPENDIX 16 - EVOLUTION OF PORTFOLIO ERV



APPENDIX 17 - PORTFOLIO STATISTICS BY VILLAGE

	Valuation £m	Weighting %	Floor area[1] '000 sq ft	Vacant floor area '000 sq ft	Net contracted rental income £m pa	Average rental income £ psf	Vacant space rental value £m pa	Lease reversion[5] £m pa	Total reversion £m pa	Estimated rental value £m pa
West End Central										
Fitzrovia[2]	1,766.6	32	1,391	70	50.0	38.22	2.0	35.8	37.8	87.8
Victoria	469.2	9	523	11	18.0	35.12	0.4	6.2	6.6	24.6
Paddington	340.0	6	243	-	4.8	20.18[3]	-	12.5	12.5	17.3
Soho/Covent Garden	174.7	3	393	58	-	0.08	6.4	16.7	23.1	23.1
Baker Street/Marylebone	156.9	3	194	10	7.2	39.29	0.7	1.7	2.4	9.6
Mayfair	97.2	2	43	-	0.9	20.70[4]	-	3.4	3.4	4.3
	3,004.6	**55**	**2,787**	**149**	**80.9**	**30.91**	**9.5**	**76.3**	**85.8**	**166.7**
West End Borders										
Islington/Camden	464.2	8	495	3	12.7	25.85	0.1	13.3	13.4	26.1
West End	**3,468.8**	**63**	**3,282**	**152**	**93.6**	**30.12**	**9.6**	**89.6**	**99.2**	**192.8**
City Borders										
Old Street	621.7	11	604	134	20.1	42.79	8.3	8.2	16.5	36.6
Clerkenwell	547.7	10	564	5	21.9	41.39	0.1	5.4	5.5	27.4
Shoreditch/Whitechapel	453.4	8	544	5	19.1	35.38	0.3	5.7	6.0	25.1
Holborn	295.5	6	295	-	9.6	33.48	-	6.3	6.3	15.9
Other	2.2	-	-	-	-	-	-	-	-	-
City Borders	**1,920.5**	**35**	**2,007**	**144**	**70.7**	**38.75**	**8.7**	**25.6**	**34.3**	**105.0**
Central London	**5,389.3**	**98**	**5,289**	**296**	**164.3**	**33.34**	**18.3**	**115.2**	**133.5**	**297.8**
Provincial	85.9	2	347	7	4.8	14.03	-	0.4	0.4	5.2
Investment portfolio	**5,475.2**	**100**	**5,636**	**303**	**169.1**	**32.11**	**18.3**	**115.6**	**133.9**	**303.0**

[1] Includes 0.79m sq ft of on-site developments [2] Includes North of Oxford Street [3] Contracted rent of £73.03 psf after incentives
[4] Contracted rent of £104.16 psf after incentives [5] Contractual uplifts, rent review/lease renewal reversion and pre-lets

APPENDIX 18 - BUILD-UP OF PORTFOLIO ERV

	£m	Rent uplift pa £m	Rent pa £m
Contracted rental income, net of ground rents			**169.1**
Contractual rental uplifts			
Brunel Building W2	12.5		
Angel Building EC1	10.9		
White Collar Factory EC1	6.6		
Horseferry House SW1	5.2		
1-2 Stephen Street W1	3.3		
Tea Building E1	3.0		
Other	24.2	65.7	
Vacant space[1]			
Available to occupy	2.1		
Under refurbishment	0.5	2.6	
Lease reversions			
Anticipated rent reviews and lease renewals		9.0	77.3
			246.4
Three on-site developments (non-EPRA)[2]			
Pre-let element	40.9		
Available	15.7		56.6
Estimated rental value			**303.0**

[1] Detailed in Appendix 19 [2] Capex to complete £394m excluding capitalised interest – see Appendix 40

APPENDIX 19 - AVAILABLE SPACE AND PROJECTS

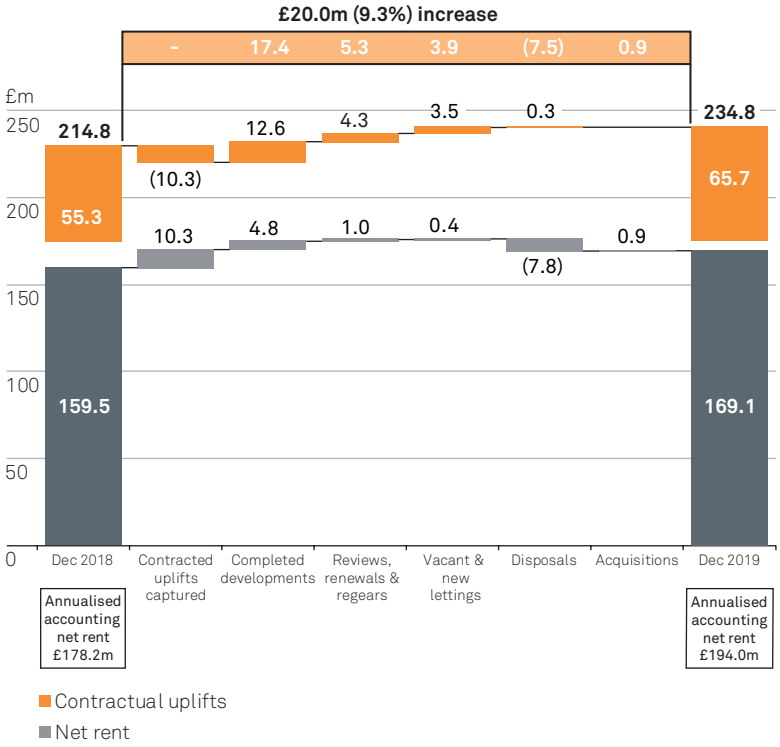
	Vacant area '000 sq ft	Pre-let area '000 sq ft	Total area '000 sq ft	Gross vacant ERV £m pa	Ground rent £m pa	Net vacant ERV £m pa	Pre-let net rent ERV £m pa	Total net ERV £m pa	Comment
Available to occupy (EPRA)									
26-27 Castlereagh Street W1	8	-	8	0.4	-	0.4	-	0.4	
Francis House SW1	8	-	8	0.4	-	0.4	-	0.4	
Tea Building E1	5	-	5	0.3	-	0.3	-	0.3	4,800 sq ft under offer at £0.3m pa
76-78 Charlotte Street W1	3	-	3	0.2	-	0.2	-	0.2	1,500 sq ft let in Q1 at £0.1m pa
Other	29	-	29	0.8	-	0.8	-	0.8	
	53	**-**	**53**	**2.1**	**-**	**2.1**	**-**	**2.1**	
Under refurbishment									
1 Oliver's Yard EC1	2	-	2	0.2	-	0.2	-	0.2	
9 Rathbone Place W1	2	-	2	0.1	-	0.1	-	0.1	
Other	6	-	6	0.2	-	0.2	-	0.2	
	10	**-**	**10**	**0.5**	**-**	**0.5**	**-**	**0.5**	
On-site developments (non-EPRA)									
80 Charlotte Street W1[1]	56	324	380	1.2	-	1.2	24.3	25.5	13,000 sq ft let in Q1 at £0.8m pa
Soho Place W1	59	226	285	6.7	0.3	6.4	16.6	23.0	
The Featherstone Building EC1	125	-	125	8.1	-	8.1	-	8.1	
	240	**550**	**790**	**16.0**	**0.3**	**15.7**	**40.9**	**56.6**	
Total	**303**	**550**	**853**	**18.6**	**0.3**	**18.3**	**40.9**	**59.2**	

[1] Includes residential areas

APPENDIX 20 - REVERSION ACTIVITY 2019

- £234.8m locked in, up £20.0m (9.3%):
  - Contracted uplifts have moved into net rent (£10.3m):
    - White Collar Factory EC1
    - The White Chapel Building E1
- £17.4m from Brunel Building W2
- £5.3m of asset management activities
- £3.9m from lettings:
  - EPRA vacancy rate 0.8% (1.8% Dec 2018)
- Disposals reduced income by £7.5m

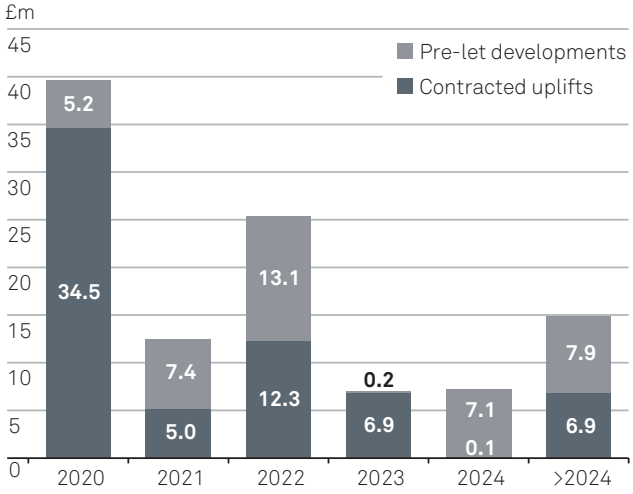
REVERSION ACTIVITY



APPENDIX 21 - TIMING OF THE REVERSION

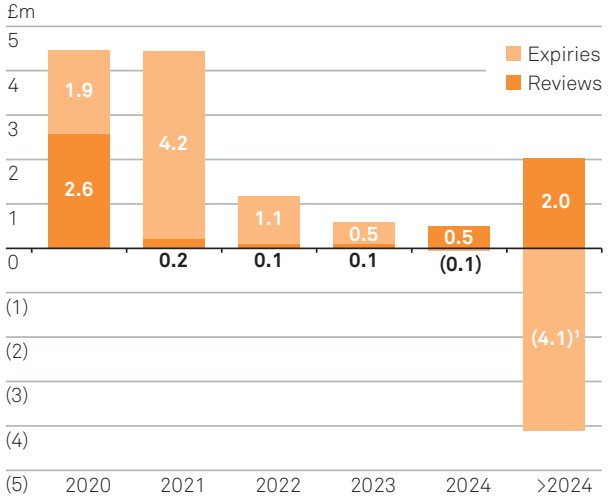
- £106.6m of the reversion contracted:
  - Contracted uplifts £65.7m
  - Pre-let developments £40.9m

CONTRACTUAL UPLIFTS AND PRE-LETS



- £9.0m of the reversion from reviews and expiries

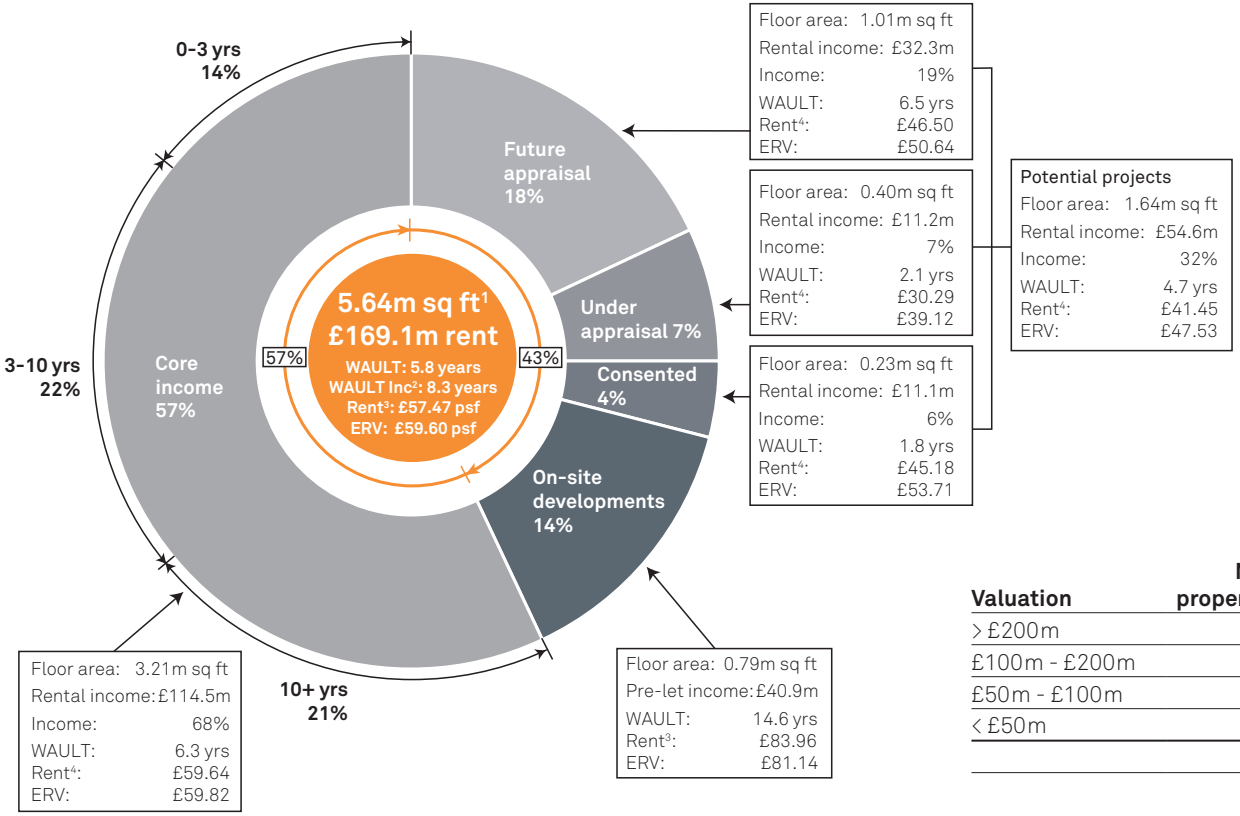
REVIEWS AND EXPIRIES



	2020	2021	2022	2023	2024	>2024
Rent psf	£48	£54	£53	£53	£47	£64
ERV psf	£58	£59	£58	£57	£63	£56
Uplift %	21	9	9	8	34	(13)

[1] Predominantly due to contracted uplifts reverting to Dec 2019 ERV at lease expiry

APPENDIX 22 - PORTFOLIO SUMMARY

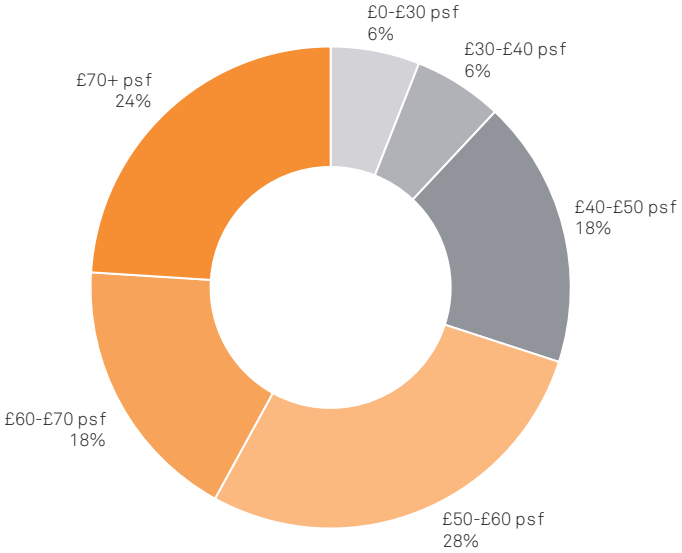


Valuation	N° of properties	Weighting %
> £200m	7	42
£100m - £200m	10	26
£50m - £100m	17	22
< £50m	48	10
	82	**100**

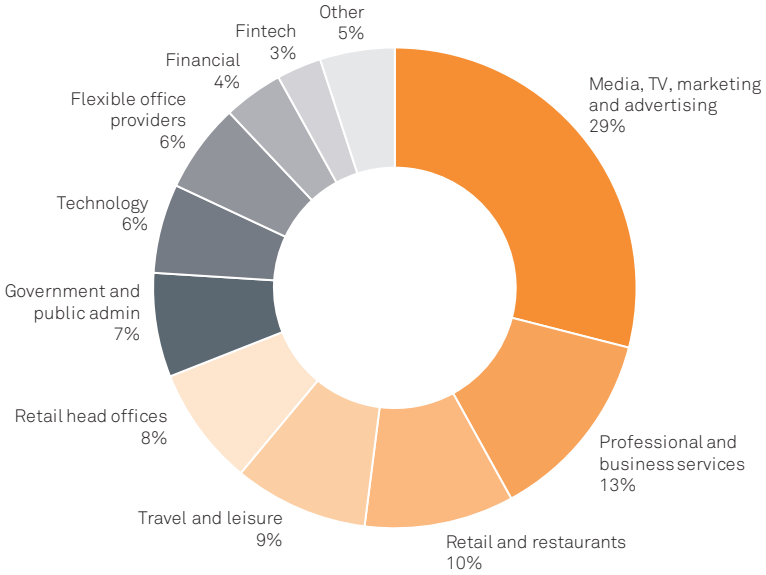
[1] Comprises 4.85m sq ft of existing buildings plus 0.79m sq ft of on-site developments
[2] After adjusting for 'topped-up' rents and pre-lets - Appendix 28 [3] 'Topped-up' office rent including development pre-lets [4] 'Topped-up' office rent

APPENDIX 23 - RENT AND TENANT BANDING

CENTRAL LONDON 'TOPPED-UP' OFFICE RENT BANDING[1]



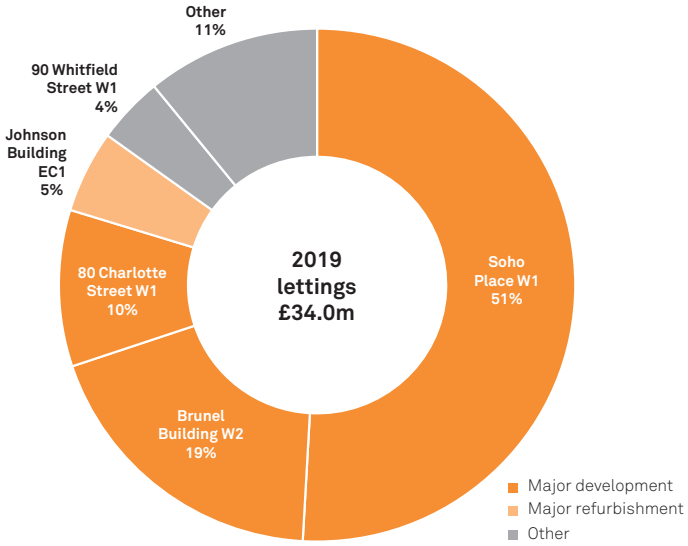
PROFILE OF TENANTS' BUSINESS SECTOR[2]



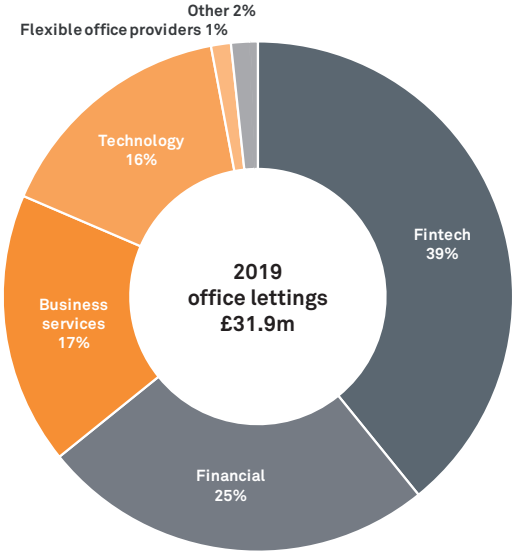
[1] Based on floor area [2] Based on annualised rental income

APPENDIX 24 - BREAKDOWN OF 2019 LETTINGS

- Of the £34.0m pa of lettings in 2019, 80% derived from major developments (on site and recently completed):



- 64% of our central London office lettings from either Fintech or Financial :



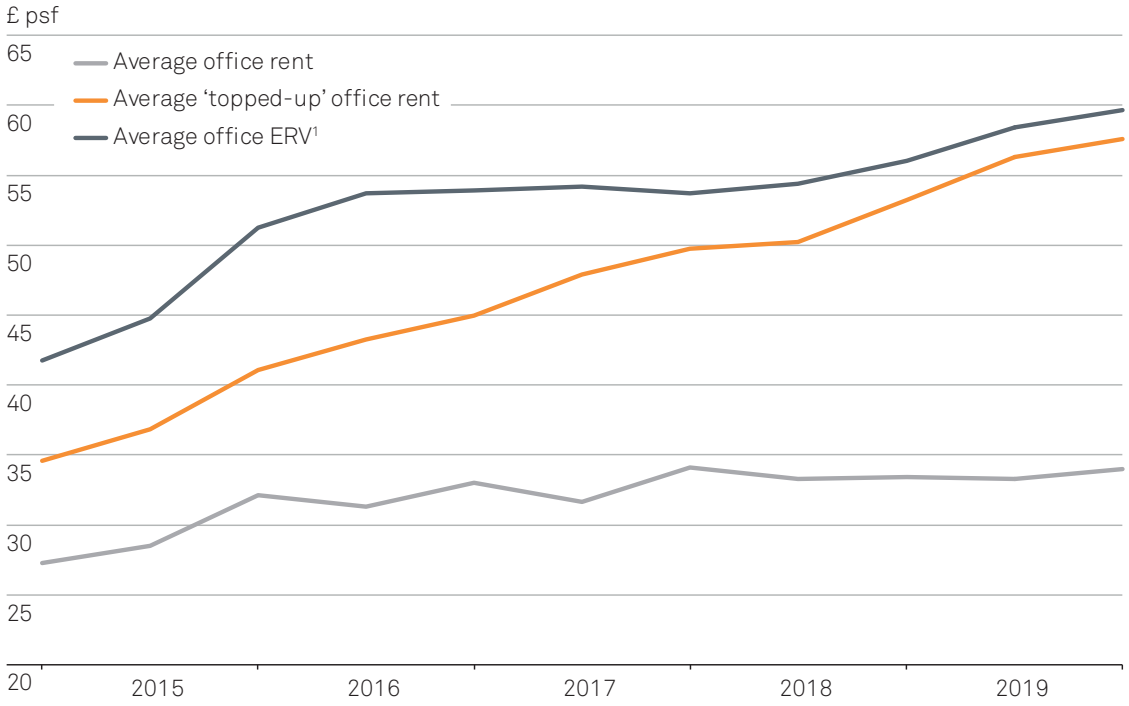
APPENDIX 25 - MAJOR TENANTS

Pre-lets:

		'Topped-up' income[1] %	
		Existing	**Pre-let**
01	Expedia	6.5	-
02	Burberry	5.3	-
03	The Boston Consulting Group	-	5.0
04	G-Research	-	3.9
05	Publicis Groupe	3.8	-
06	Arup	0.1	3.4
07	Government	3.5	-
08	Apollo	-	2.7
09	The Office Group	2.6	-
10	Sony Pictures	1.7	-
11	FremantleMedia Group	1.7	-
12	WPP Group	1.5	-
13	The Doctors Laboratory	1.5	-
14	VCCP	1.4	-
15	Splunk	1.3	-
16	Premier League	1.2	-
17	Telecity Group	1.2	-
18	Adobe	1.1	-
19	Ticketmaster	1.1	-
20	Mother London	1.0	-
	Total	**51.5**	

[1] Derwent London share

APPENDIX 26 - DERWENT LONDON CENTRAL LONDON OFFICE RENT PROFILE

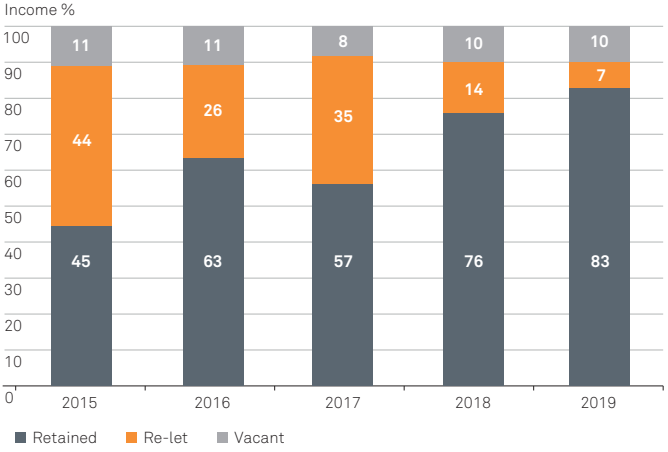


[1] Includes ERV of on-site schemes

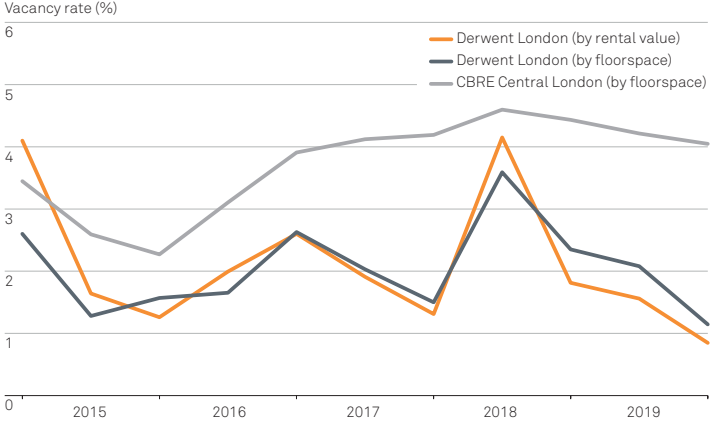
APPENDIX 27 - LEASE EXPIRIES, BREAKS AND VACANCY RATES

- £13.5m of income subject to breaks/expiries in 2019:
  - £3.1m from assets disposed
  - 90% of remainder retained or re-let
- EPRA vacancy rate[2] declined from 1.8% to 0.8% in 2019 (1.6% in Jun 2019):
  - Group's 10-year average of 2.3%

LEASE EXPIRY AND BREAK ANALYSIS[1]



EPRA VACANCY RATES



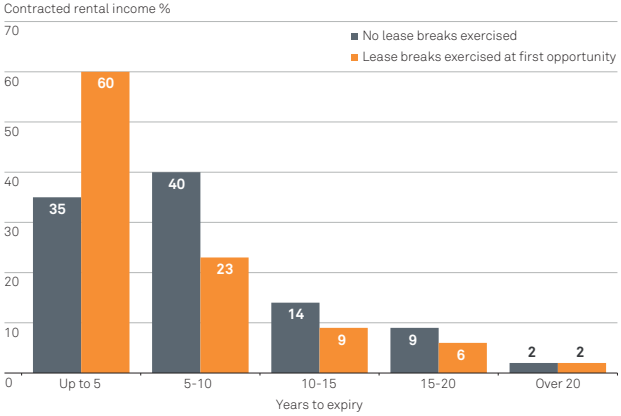
[1] As at end of reporting year [2] Calculated as space immediately available to occupy

APPENDIX 28 - LEASE EXPIRY PROFILE AND LEASE LENGTH

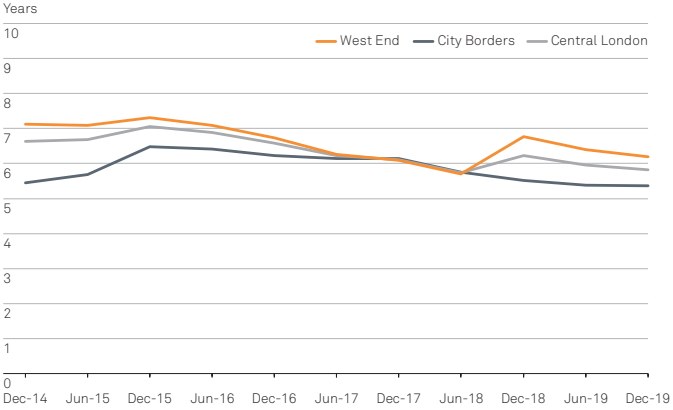
EXPIRIES AND BREAKS AS A PERCENTAGE OF PORTFOLIO INCOME[1]

	West End	City Borders	Provincial	2020	2021	2022	2023	2024	Total
Expiries	4	1	1	6	12	3	3	2	26
Rolling breaks	2	-	-	2	4	-	-	-	6
Single breaks	1	1	-	2	10	6	5	5	28
	7	2	1	10	26	9	8	7	60

PROFILE OF RENTAL INCOME EXPIRY[1]



AVERAGE UNEXPIRED LEASE LENGTH[2]



- Average lease length 5.8 years (Dec 2018: 6.1 years):
  - 8.3 years after adjusting for 'topped-up' rents and pre-lets (Dec 2018: 8.2 years)

[1] Based upon annualised contracted rental income of £169.1m [2] Lease length weighted by rental income and assuming tenants break at first opportunity

APPENDIX 29 - CENTRAL LONDON OFFICE DEMAND

Market statistics

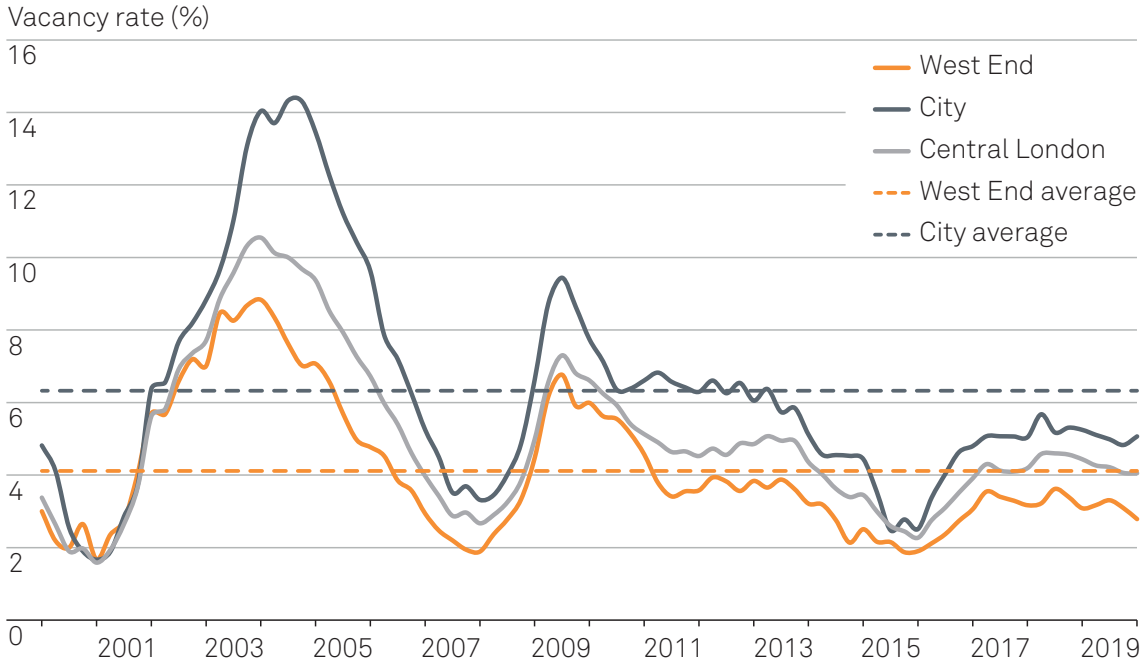
- Central London office take-up of 12.8m sq ft in 2019:
  - In line with the annual average
  - 7% below 2018 and 3% below 2017
  - 39% business & professional services, 24% banking & finance, 19% creative industries, 6% public sector, 5% consumer services & leisure, 4% insurance and 3% manufacturing industrial & energy
- Under offers at the year end were 3.5m sq ft, above average level
- West End take-up totalled 4.3m sq ft in 2019:
  - Just above the 4.2m sq ft annual average
  - 3% above 2018 but 9% below 2017

OFFICE TAKE-UP



Source: CBRE

APPENDIX 30 - CENTRAL LONDON OFFICE VACANCY RATES



Source: CBRE

APPENDIX 31 - CENTRAL LONDON OFFICE SUPPLY

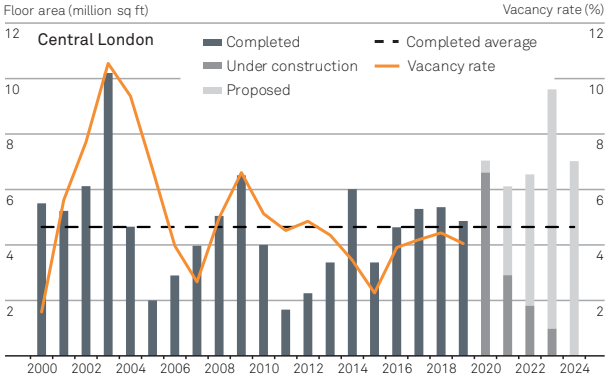
Existing supply

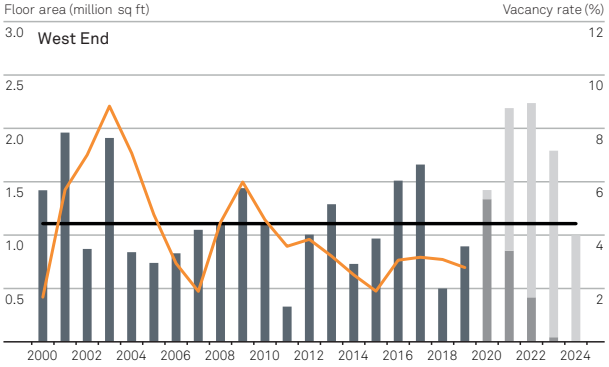
- Central London vacancy rate finished the year at 4.0%:
  - Down from 4.4% a year earlier and 4.2% at the half year
  - Below long-term average (LTA) of 5.0%
- West End rate dropped to 2.8%, from 3.1% at the start of the year and 3.3% at the half year (4.1% LTA)
- City rate at 5.1% compared to 5.2% a year before and 5.0% six months earlier (6.3% LTA)
- Completions of 4.9m sq ft in 2019, 5% above average

Future supply

- 6.6m sq ft of committed schemes to complete in 2020 (64% pre-let or under offer) plus a further 0.4m sq ft proposed
- Committed schemes to 2023 total 12.3m sq ft:
  - Already 57% pre-let

OFFICE DEVELOPMENT PIPELINE





Source: CBRE

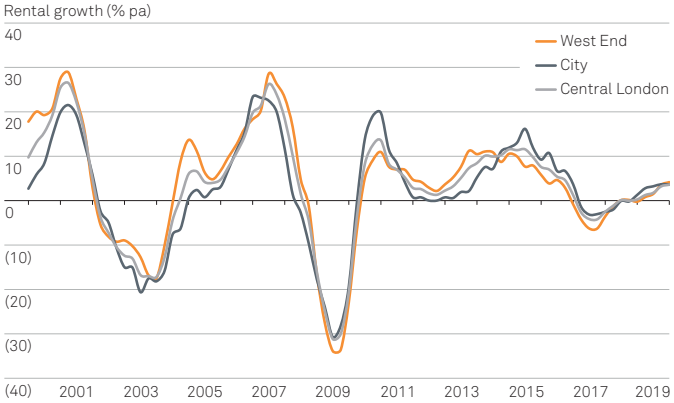
APPENDIX 32 - CENTRAL LONDON OFFICE RENTAL GROWTH

- CBRE estimated that prime office rents increased 3.6% in 2019:
  - West End: 4.2%
  - City: 3.6%

- Since the EU referendum three and a half years ago, CBRE prime sub-area rental growth performance has widely varied:
  - Paddington: +14.8% to £77.50 psf
  - Southbank: +12.0% to £70 psf
  - Fitzrovia: +6.1% to £87.50 psf
  - City: +4.3% to £73 psf
  - Midtown and King's Cross: +3.1% to £82.50 psf
  - Victoria: -6.1% to £77.50 psf
  - Mayfair/St James': -8.3% to £110 psf

- Over the next five years CBRE estimate prime rental growth of 3.7% pa in Southbank, 3.1% pa in the West End, 3.0% pa in both the City core and Docklands and 2.2% pa in Midtown

CENTRAL LONDON OFFICE RENTAL GROWTH



Source: CBRE

APPENDIX 33 - CENTRAL LONDON OFFICE INVESTMENT MARKET

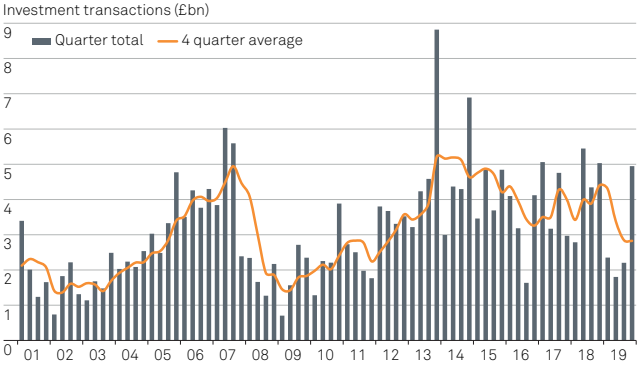
2019 activity

- CBRE reported £11.3bn of central London transactions:
  - 8% below the annual average
  - 36% lower than 2018
  - UK investors more active with 48% market share (2018: 25%)
  - Strong Q4 accounting for 44% of activity (£4.95bn)
- Prime yields at 31 Dec 2019:
  - West End: 3.75%, unchanged for 3.5 years
  - City: 4.0%, unchanged for 3.0 years

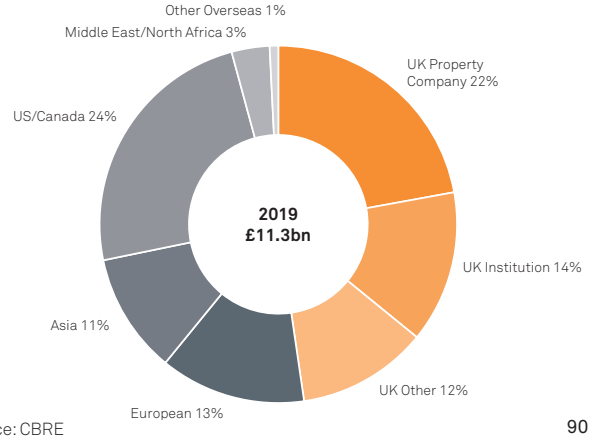
Supportive factors

- Increased political certainty following General Election
- London remains a popular choice for investors and is good value compared to other key European cities
- Low interest rates
- Only c.£3bn of properties on the market and c.£33bn of equity seeking investment opportunities

CENTRAL LONDON OFFICE INVESTMENT

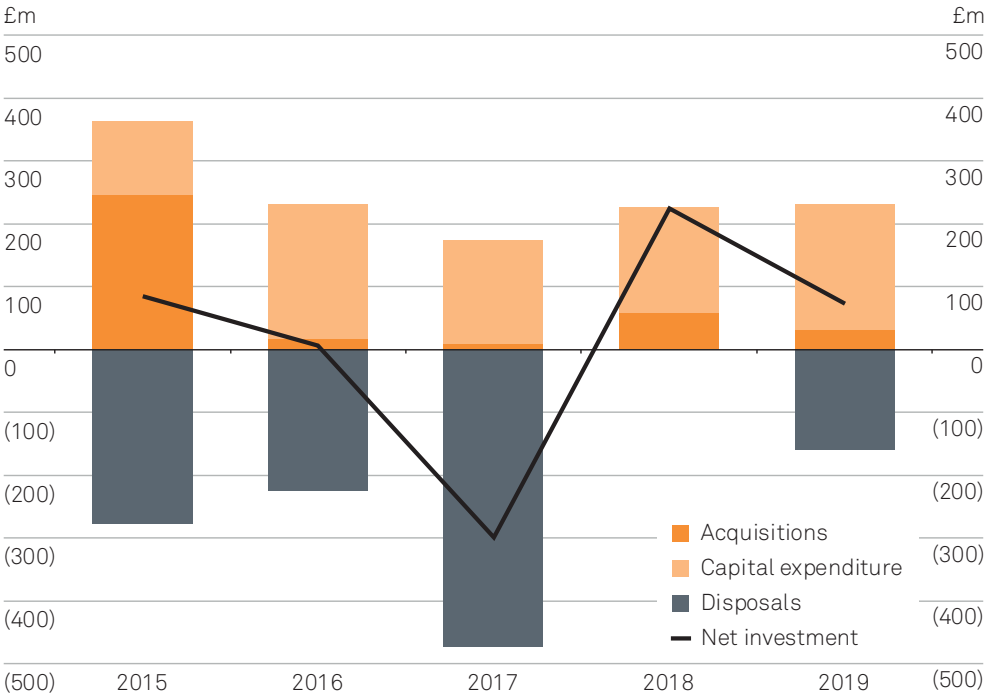


INVESTMENT ACTIVITY BY NATIONALITY



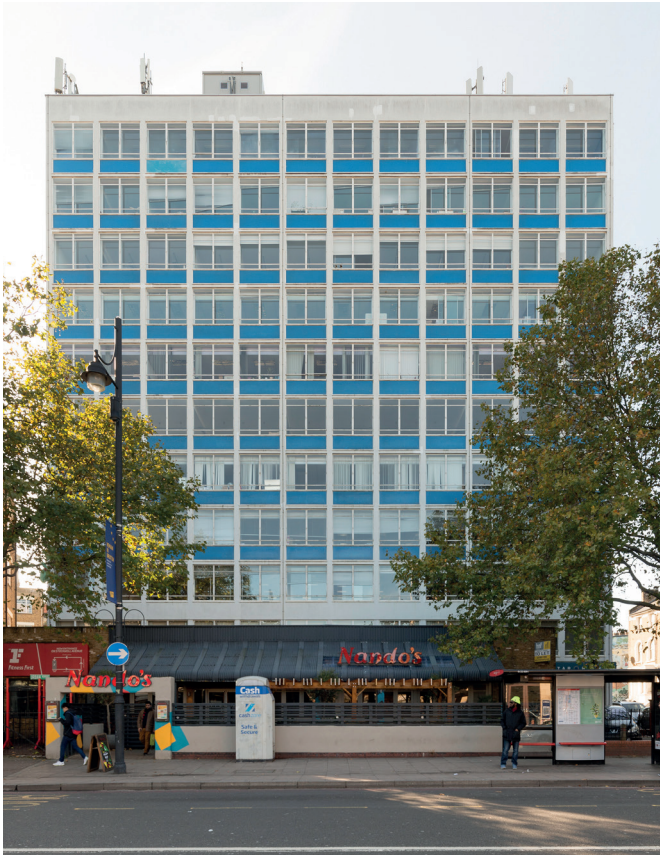
Source: CBRE

APPENDIX 34 - NET INVESTMENT



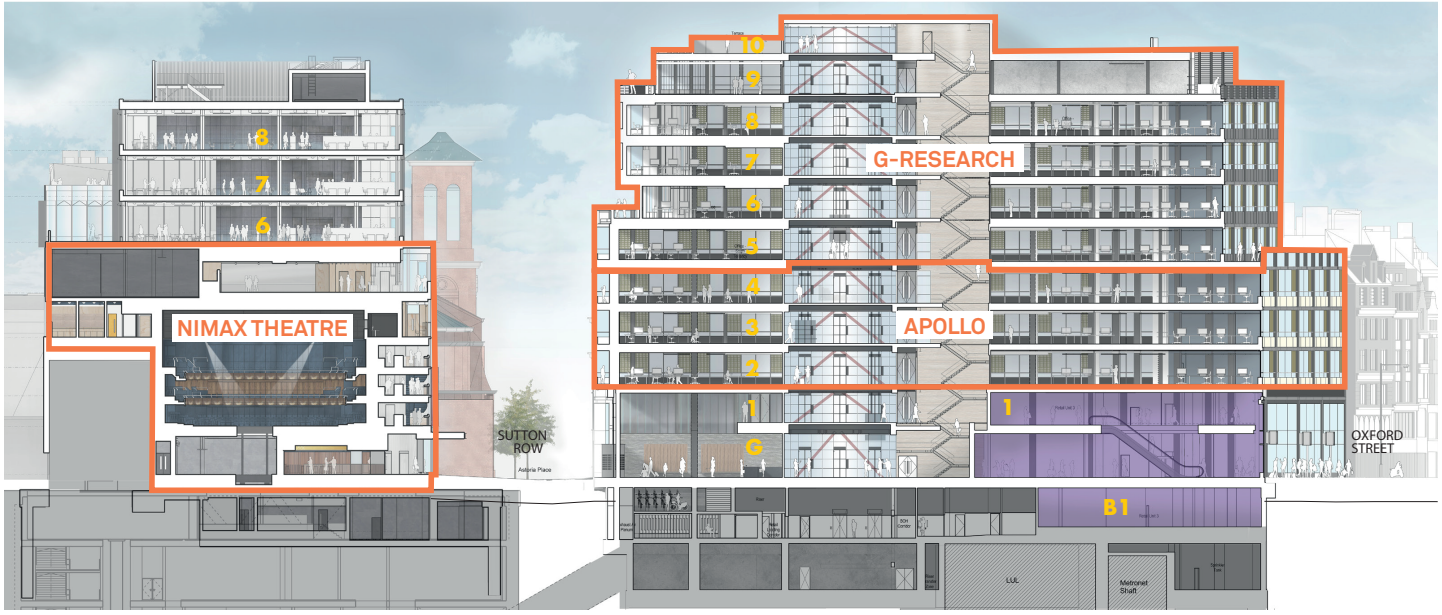
APPENDIX 35 - ACQUISITION: BLUE STAR HOUSE, BRIXTON SW9

- 53,750 sq ft 11-storey building:
  - 41,600 sq ft offices (8,260 sq ft vacant)
  - 3,800 sq ft restaurant
  - 8,350 sq ft fitness centre
  - 0.7 acre site including surface car park
  - Immediately opposite Brixton O2 Academy
- Acquired for £38.1m before costs:
  - Low average rent of £14.50 psf on occupied offices
  - Rental income of £0.8m pa
  - Capital value of £710 psf
  - Sale completed Feb 2020
- Well connected with Brixton underground only a few minutes walk
- Vacant possession can be achieved in next few years and potential for a significant development



APPENDIX 36 - SOHO PLACE W1

- 285,000 sq ft office, retail and theatre scheme split between two buildings:
  - 102,600 sq ft pre-let to G-Research at £9.7m pa (£94.70 psf average) for 15 years (no breaks)
  - 83,100 sq ft pre-let to Apollo for 15 years (no breaks) with an option on the 5,200 sq ft first floor (confidential rent)
  - 40,000 sq ft theatre pre-let on a long lease at £0.1m pa to Nimax



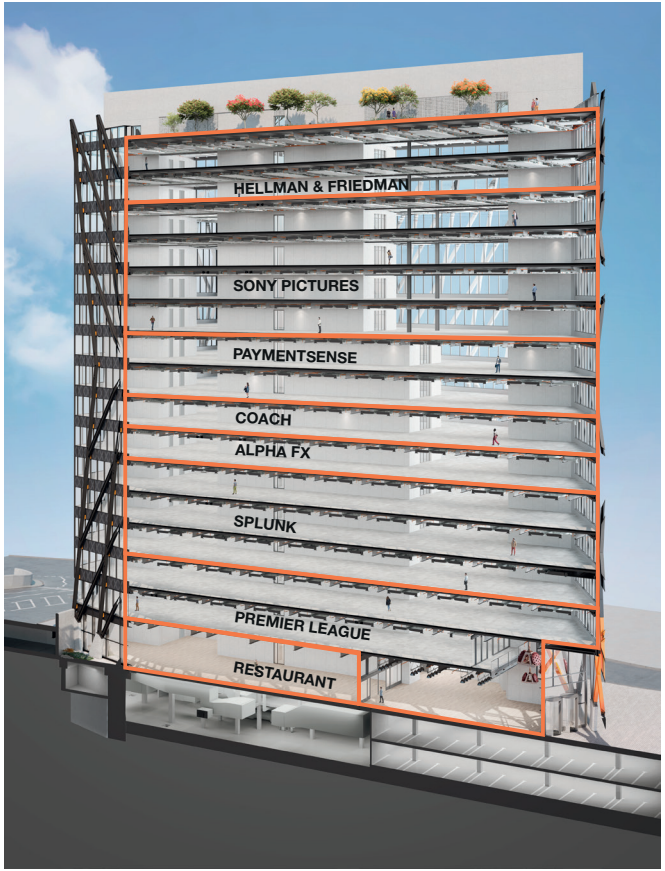
APPENDIX 37 - BRUNEL BUILDING W2

- 243,200 sq ft fully let project completed in H1 2019:
  - Total rent £17.8m pa (gross) or £17.3m pa (net)

- Offices:
  - 237,700 sq ft
  - Fully let prior to completion

		Gross rent £m pa	Area sq ft
2018	Sony Pictures	4.9	68,200
	Premier League	2.2	33,400
	Hellman & Friedman	1.8	20,500
	Coach	1.2	16,500
	Alpha FX	1.2	16,500
2019	Paymentsense	2.6	33,000
	Splunk	3.7	49,600
	Total	**17.6**	**237,700**

- Retail:
  - 5,500 sq ft ground floor restaurant let to Daisy Green at £0.2m pa (gross)
  - Rooftop café for the building's occupiers also to be operated by Daisy Green



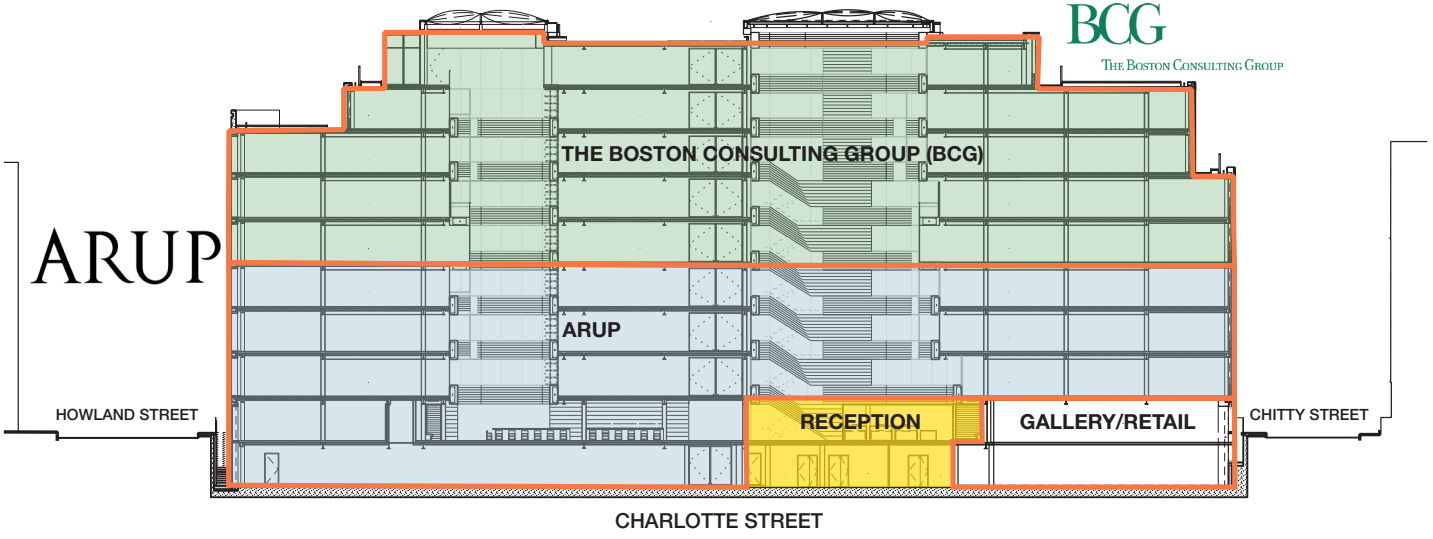
APPENDIX 38 - 80 CHARLOTTE STREET W1 (ISLAND SITE): MAJOR OCCUPIERS

ARUP

- 133,600 sq ft pre-let in 2017
- £9.7m pa with annual increases of 2.25% for the first 15 years
- Average rent of £75 psf on main office floors
- 20-year lease, no breaks

THE BOSTON CONSULTING GROUP

- 123,500 sq ft pre-let in Q3 2017 plus 40,650 sq ft in Q3 2019 (option space)
- £13.9m pa
- Average rent of £85 psf
- 15-year lease, break in year 12



APPENDIX 39 - ON-SITE DEVELOPMENTS: PROFIT ON COST

80 CHARLOTTE STREET.



Soho Place
W1



THE FEATHERSTONE BUILDING



Summary	
End value	1,308
Less: Total cost[1]	1,065
Project surplus	**243**
Less: Booked to Dec 19	139
Surplus to come	104
Profit on total cost	**23%**
Profit to come on total cost	**10%**
Yield on cost	**5.7%**

Completion		H1 2020	H1 2022	H1 2022
Commercial area (sq ft)	745,000	335,000	285,000[2]	125,000[3]
Residential area (sq ft)	45,000	45,000[4]	-	-
Est. future capex (£m)	334	40	233	61
Total cost (£m)[1]	1,065	511	412	142
ERV (£ psf)	-	c.80.00	c.92.50	c.70.00
ERV (£m pa)	56.6	25.5	23.0	8.1
Pre-let area[5] (sq ft)	534,450	308,750	225,700[7]	-
Pre-let income (£m pa)	40.9	24.3	16.6[8]	-

Sensitivity[6] - project surplus (£m) and profit on cost (%)

		Valuation yield		
		+0.25%	Base	-0.25%
Rent	-£5.00 psf	£159m 15%	£222m 21%	£293m 27%
	Base	£179m 17%	**£243m** **23%**	£315m 29%
	+£5.00 psf	£199m 19%	£264m 25%	£337m 31%

[1] Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. Soho Place includes a 16% profit share payaway to freeholder Crossrail [2] 209,000 sq ft office, 36,000 sq ft retail, 40,000 sq ft theatre [3] 110,000 sq ft offices, 13,000 sq ft workspaces, 2,000 sq ft retail
[4] Private residential 35,000 sq ft and affordable housing 10,000 sq ft [5] Commercial area [6] Sensitivity applied to non pre-let commercial floor areas
[7] Includes 40,000 sq ft theatre [8] Long leasehold, net of 4% ground rent

APPENDIX 40 - PROJECT SUMMARY: CURRENT PROJECTS

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	2020 capex £m	2021 capex £m	2022+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
On site									
80 Charlotte Street W1	-	234	380	40	-	-	40	H1 2020	£80.00
Soho Place W1	-	107	285	111	48	74	233[1]	H1 2022	£92.50
The Featherstone Building EC1	-	69	125	34	26	1	61	H1 2022	£70.00
	-	**410**	**790**	**185**	**74**	**75**	**334**		
Planning and design	-	-	-	11	3	-	14		
Other[2]	-	-	-	17	20	9	46		
Total	**-**	**410**	**790**	**213**	**97**	**84**	**394**		
Capitalised interest	-	-	-	11	14	1	26		
Total including interest	**-**	**410**	**790**	**224**	**111**	**85**	**420**		

[1] Includes remaining site acquisition cost and 16% profit share payaway to freeholder Crossrail [2] Includes 6-8 Greencoat Place and Francis House projects

APPENDIX 41 - PROJECT SUMMARY: FUTURE PROJECTS

Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
Consented					
19-35 Baker Street W1[1]	4.5	143	293	2021	Currently Derwent 55%, The Portman Estate 45%
Holden House W1	6.6	90	150	2021	Eastern end of Oxford Street
	11.1	**233**	**443**		
Adjustment for JV	(2.0)	(64)	-		19-35 Baker Street W1
	9.1	**169**	**443**		
Under appraisal[2]					
Angel Square EC1	4.7	126	140	2021	
Network Building W1	4.1	64	100	2021	
Bush House WC2	0.0	108	108	TBC	
Francis House SW1	1.0	40	40	2021	Refurbishment
6-8 Greencoat Place SW1	1.0	32	32	2020	Refurbishment
Other	0.4	30	30		
	11.2	**400**	**450**		
Consented and under appraisal	**20.3**	**569**	**893**		
On site	-	410	790		Appendix 40
Pipeline	**20.3**	**979**	**1,683**		
2020 acquisition	0.8	54	100	2025	Blue Star House, Brixton
Total	**21.1**	**1,033**	**1,783**		

[1] Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street [2] Areas proposed are estimated from initial studies

APPENDIX 42 - PROJECT PIPELINE

On-site developments 0.79m sq ft + **Consented projects 0.44m sq ft** + **Under appraisal 0.45m sq ft** = **Potential pipeline 1.68m sq ft**

0.79m sq ft

80 Charlotte Street W1



Soho Place W1



Featherstone Building EC1



0.89m sq ft

19-35 Baker Street W1[1]



Holden House W1



Angel Square EC1



Network Building W1



Bush House WC2

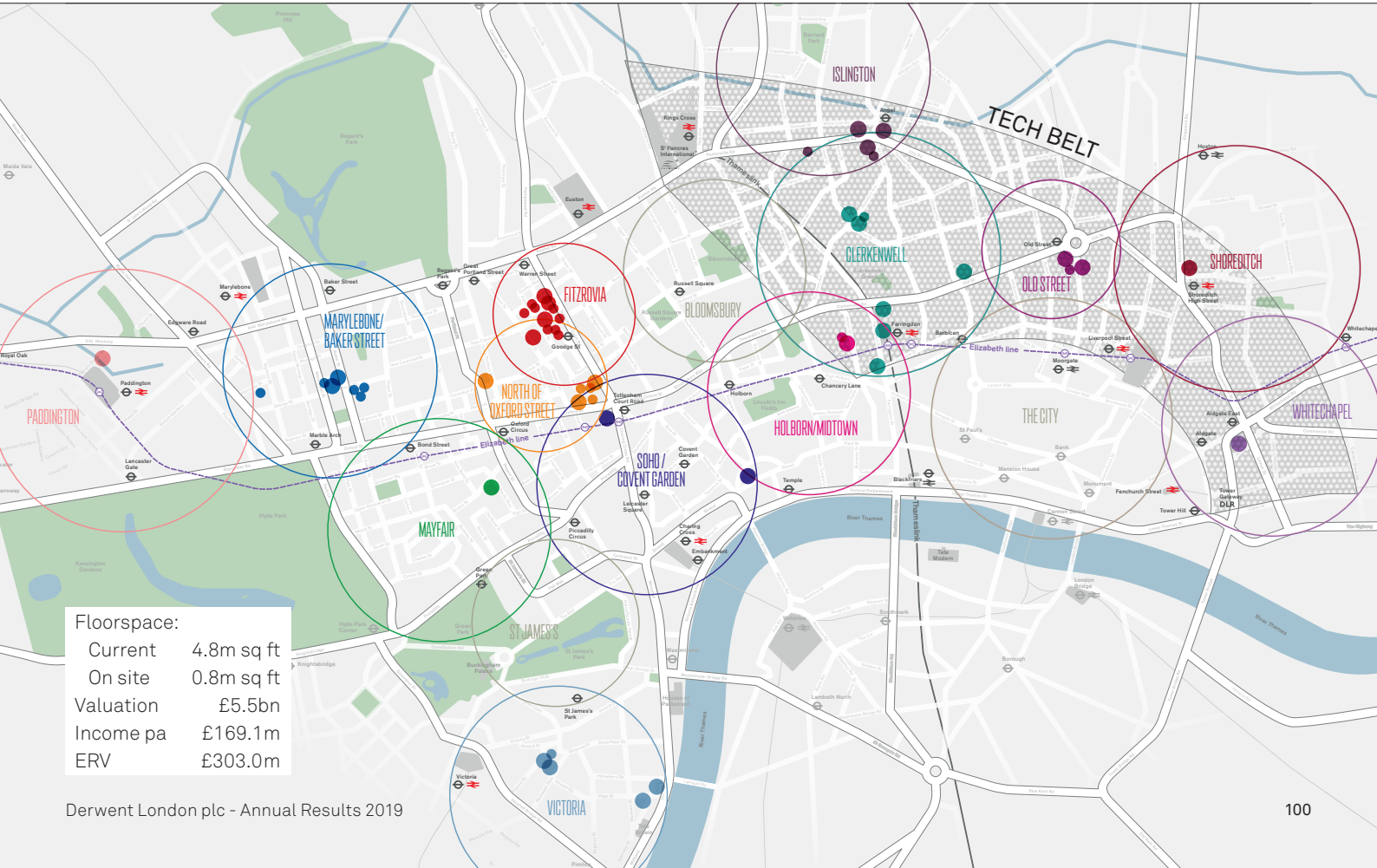


Francis House SW1



[1] Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street

APPENDIX 43 - PORTFOLIO MAP



Floorspace:	
Current	4.8m sq ft
On site	0.8m sq ft
Valuation	£5.5bn
Income pa	£169.1m
ERV	£303.0m

APPENDIX 44 - EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT

Executive Committee

Paul Williams	Chief Executive
Damian Wisniewski	Chief Financial Officer
Simon Silver	Property Director
Nigel George	Property Director
David Silverman	Property Director
David Lawler	Company Secretary
Richard Baldwin	Director of Development
Emily Prideaux	Director of Leasing
Rick Meakin	Group Financial Controller
Jennifer Whybrow	Head of Financial Planning & Analysis

Senior Management

Vasiliki Arvaniti	Head of Asset Management
Clive Johnson	Head of Health & Safety
Katy Levine	Head of Human Resources
Giles Sheehan	Head of Investment
Quentin Freeman	Head of Investor & Corporate Communications
Umar Loane	Head of Property Accounts
Victoria Steventon	Head of Property Management
Lesley Bufton	Head of Property Marketing
John Davies	Head of Sustainability
David Westgate	Head of Tax

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