DERWENT
LONDON

5 May 2022

Derwent London plc (“Derwent London” / “the Group”)
FIRST QUARTER BUSINESS UPDATE
Well positioned in continuing flight to quality

Summary

Portfolio update – letting space above ERV

- £3.9m of new leases achieved YTD, 8.2% above December 2021 ERV
- In addition, £3.3m of space is under offer, at rents above ERV, including 28,000 sq ft at The Featherstone Building EC1 (125,000 sq ft) which reached practical completion in April
- 3.1% EPRA vacancy rate at Q1 2022 (FY2021: 1.6%), with current vacancy at 6.4%, in line with our expectations and principally reflecting Featherstone completion

Investment activity – adding c.1.0m sq ft to the development pipeline

- Conditional exchange of contracts for the £239m acquisition of City Road Island EC1 (the site of the Moorfields Eye Hospital) in the Tech Belt adding a potential 750,000+ sq ft regeneration super-site – see separate announcement for further details
- Completed the purchase of 230 Blackfriars Road SE1, a future super-site, for £58.3m currently yielding £2.1m pa

Major developments on track – delivering net zero carbon schemes

- 1 Soho Place W1 achieved practical completion in February. Occupier fit-out of the fully pre-let offices has commenced. The adjacent 2 & 4 Soho Place W1 is expected to complete in Q2 2022
- Commitment to Network Building W1 (137,000 sq ft of offices). Start on site June 2022

Financial position – strong balance sheet

- LTV 23.2%[1] at Q1 2022
- Cash and undrawn facilities of £441m at Q1 2022

[1] LTV based on 31 December 2021 property values and includes the Group’s share of joint ventures

Paul Williams, Chief Executive of Derwent London, said:

“London is busy again and maintains its global appeal in an uncertain macro environment. The flight to quality continues, our portfolio is well positioned and we are seeing a high level of enquiries and viewings. As a result, we have committed to our next major office development at Network Building.”

For further information, please contact:

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Webcast and conference call
There will be a webcast and conference call for investors and analysts at 09.00 BST today. To participate in the call, please register at www.derwentlondon.com

Portfolio update (Appendices 1 & 2)

New leases totalling £3.9m of rent on 64,700 sq ft have been achieved in the year to date at an average 8.2% above December 2021 Estimated Rental Values (ERV). A further £3.3m is under offer. With the shortage of Grade A space becoming more apparent, many occupiers are prepared to pay premium rents for space that meets their requirements.

Our EPRA vacancy rate at 31 March 2022 was 3.1%, up from 1.6% at 31 December 2021. One-third of the year-end vacancy has already been let or is under offer. Following completion of The Featherstone Building EC1 in April, the current EPRA vacancy rate is 6.4%, in line with our expectations, and we have 45,000 sq ft under offer. This includes 28,000 sq ft at Featherstone at rents ahead of ERV with further negotiations underway.

Overall rent collection so far for the March 2022 quarter has reached 98%, in line with pre-pandemic levels, with 99% of office rents collected.

Capital recycling (Appendix 3)

We have exchanged conditional contracts for the acquisition of City Road Island EC1 for a base price of £239m before costs. This 2.5 acre freehold site is located in the heart of the Tech Belt, an area where we have substantial holdings and have undertaken several regeneration schemes over many years. Our early appraisals show the site has potential to deliver a major 750,000+ sq ft campus with generous public realm and strong environmental credentials. The existing buildings total c.400,000 sq ft. See separate announcement for further details.

In January, we completed the acquisition of 230 Blackfriars Road SE1 for £58.3m including costs. This 60,300 sq ft building, with an income of £2.1m pa, has potential for a 200,000+ sq ft scheme. This super-site adds to our long-term development pipeline. Completion of the disposal of New River Yard EC1 for £65.9m (after rental top-ups) is scheduled for this month. The sale of 2 & 4 Soho Place W1 is due to complete later in Q2 for £40.5m before costs.

Development progress (Appendix 4)

Good progress has been made this year on our near-term developments, including The Featherstone Building as noted above. In February, 1 Soho Place W1 reached practical completion and a new headlease from TfL was subsequently granted for £71.9m. Leases on the offices, which were 100% pre-let to Apollo and G-Research, have now completed and the 36,000 sq ft of retail was launched last week. We are confident in the prospects for this space which we expect to benefit from the forthcoming opening of the Elizabeth line. 2 & 4 Soho Place W1 is due to reach practical completion imminently.

At Network Building W1, our latest net zero carbon development, we have committed to develop the office-led scheme (137,000 sq ft, 96% uplift on existing area). Work is due to commence in June 2022.

19-35 Baker Street W1 (298,000 sq ft, an uplift of 108%) commenced in October 2021 with demolition works due to complete shortly. As previously reported, we have signed the building contract and 97% of capex on the office element (80% of the overall scheme) is fixed and in line with budget, thereby reducing our exposure to further build cost inflation. Completion is scheduled for H1 2025.

Finance

After capex of £38.6m and acquisitions of the Soho Place headlease and 230 Blackfriars Road, net debt increased to £1,368.5m at 31 March 2022 from £1,251.5m at 31 December 2021.

As at 31 March 2022, the LTV ratio was 23.2% based on 31 December 2021 valuations, including the Group's share of joint ventures, up from 20.8% at 31 December 2021. Interest cover for the first three months of 2022 was 4.1 times (FY 2021: 4.6 times) and cash and undrawn facilities totalled £441m at the quarter end.

Appendix 1: Leasing activity 2022 YTD

	Let		Performance against Dec 21 ERV (%)	
	Area sq ft	Income £m pa	Open market	Overall
Q1	55,500	3.5	6.8	6.8
Q2 (to date)	9,200	0.4	20.0	20.0
H1 2022 (to date)	**64,700**	**3.9**	**8.2**	**8.2**

Appendix 2: Principal lettings in 2022 YTD

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
Q1							
90 Whitfield Street W1	Michael Kors	18,850	72.50	1.4	10	-	24
White Collar Factory EC1	Brain Labs Digital	11,540	71.70	0.8	6	-	10.4
80 Charlotte Street W1	NewRiver REIT	4,090	70.00	0.3	5	-	11
Holden House W1	Talon Outdoor	5,120	49.50	0.3	5	3.5	6
Q2 (to date)							
230 Blackfriars Road SE1	Wandle Housing Association	7,290	49.50	0.4	7.5	4	7, plus 6 if no break
Sub-total		**46,890**	**68.30**	**3.2**	**-**	**-**	**-**
Other		17,810	39.30	0.7	-	-	-
Total		**64,700**	**60.30**	**3.9**	**-**	**-**	-

Appendix 3: Major acquisitions and disposals in 2022 YTD

Property	Date	Area sq ft	Total after costs £m	Net yield %	Net rental income £m pa	Net rental income £ psf
Acquisition						
230 Blackfriars Road SE1	Q1	60,300	58.3	3.5	2.1	41.00
Soho Place W1 headlease	Q1	-	71.9	-	-	-
Total acquisitions		**60,300**	**130.2**	**-**	**2.1**	**-**
Disposals						
New River Yard EC1 (exchanged)	Q1	70,700	65.9[1]	4.5	3.3	

[1] After deduction of rental top-ups

Appendix 4: Major developments pipeline

Property	**Proposed area** **sq ft**	**Capex to complete** **£m[1]**	**Comment**
H1 2022 completion			
The Featherstone Building EC1	125,000	10	110,000 sq ft offices, 13,000 sq ft workspaces, 2,000 sq ft retail – 22% under offer.
On-site projects			
Soho Place W1	285,000	79[2]	209,000 sq ft offices, 36,000 sq ft retail and 40,000 sq ft theatre - 87% pre-let / pre-sold. Completes H1 2022.
Francis House SW1	38,000	10	38,000 sq ft offices – 100% pre-let. Completes H1 2022.
19-35 Baker Street W1	298,000	266[3]	218,000 sq ft offices, 28,000 sq ft retail, 45,000 sq ft private residential and 7,000 sq ft affordable residential. Demolition about to complete, piling underway. Completes H1 2025.
	621,000	**355**	
2022 project starts			
Network Building W1	137,000	c.100	Committed to 137,000 sq ft office-led scheme. 96% uplift on existing floor area.
Bush House WC2	130,000	c.100	Refurbishment and extension project, totalling c.130,000 sq ft. Potential 25% uplift to existing floor area.
	267,000	**c.200**	
Total	**1,013,000**	**565**	

[1] As at 31 December 2021

[2] Includes remaining site acquisition cost and potential profit share to Crossrail

[3] Includes potential profit share to The Portman Estate

Notes to editors

Derwent London plc

Derwent London plc owns 77 buildings in a commercial real estate portfolio predominantly in central London valued at £5.7 billion as at 31 December 2021, 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.

As part of our commitment to lead the industry in mitigating climate change, Derwent London has committed to becoming a net zero carbon business by 2030, publishing its pathway to achieving this goal in July 2020. In 2019 the Group became the first UK REIT to sign a Revolving Credit Facility with a 'green' tranche. At the same time, we also launched our Green Finance Framework and signed the Better Buildings Partnership's climate change commitment. The Group is a member of the 'RE100' which recognises Derwent London as an influential company, committed to 100% renewable power by purchasing renewable energy, a key step in becoming a net zero carbon business. Derwent London is one of only a few property companies worldwide to have science-based carbon targets validated by the Science Based Targets initiative (SBTi).

Landmark buildings in our 5.6 million sq ft portfolio include 80 Charlotte Street W1, Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In January 2022 we were proud to announce that we had achieved the National Equality Standard – the UK's highest benchmark for equality, diversity and inclusion. In April 2022, Derwent London won the BCO Best Commercial Workplace award for 80 Charlotte Street. In October 2021, the Group won EG's UK Company of the Year award and in January 2022 came top of the Property Sector and 38th position overall in Management Today's Britain's Most Admired Companies awards 2021. In 2020 the Group won several awards for Brunel Building with the most prominent being the BCO Best Commercial Workplace award. In 2019 the Group won EG Offices Company of the Year, the CoStar West End Deal of the Year for Brunel Building and Westminster Business Council's Best Achievement in Sustainability award. In 2013 the Company launched a voluntary Community Fund and has to date supported well over 100 community projects in the West End 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.