



DERWENT

LONDON

INVESTOR

PRESENTATION

10 NOVEMBER 2016

TIMETABLE

14.15 Arrival at The White Chapel Building

14.30 Introduction John Burns, Chief Executive, Derwent London

Market View:
Investment and Valuation Nick Knight, CBRE
Central London Occupier Market Dan Hanmer, CBRE

Derwent London's opportunities:
Appropriate Development Risk Damian Wisniewski, Finance Director, Derwent London
Portfolio Qualities Nigel George, Director, Derwent London
Letting and Asset Management Paul Williams, Director, Derwent London
Investment Activity David Silverman, Director, Derwent London
Adding Value to our Acquisitions Simon Silver, Director, Derwent London

Conclusions John Burns, Chief Executive, Derwent London

Q&A

16.00 Refreshments

17.00 End

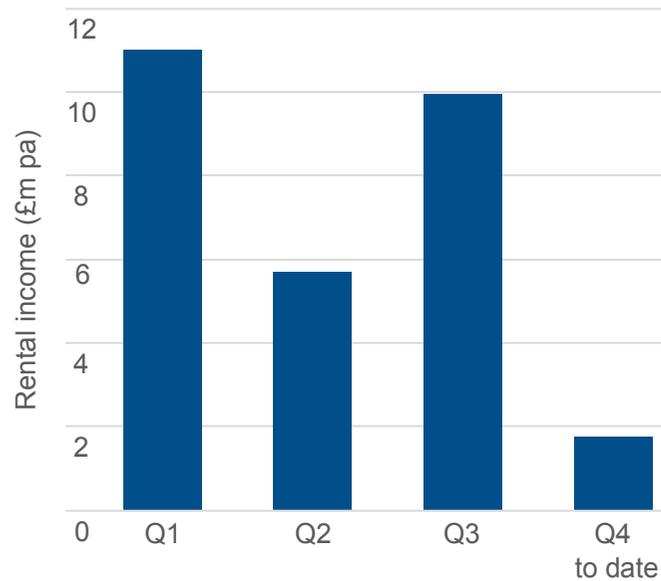
INTRODUCTION

JOHN BURNS



NEW LETTINGS

- £28.3m YTD
 - +6.9% over Dec 15 ERV
 - H2: +2.8% over Jun 16 ERV



DELIVERING DEVELOPMENTS

- Developments 2017:
 - 400,000 sq ft - 66% pre-let
- Developments 2019:
 - 620,000 sq ft
- Refurbishments 2016:
 - 344,000 sq ft - 64% let

ROBUST FINANCES

- LTV 19.3% in Sep 2016
- Undrawn resources £269m
- Subsequent disposals £90m



CHANGE IN MARKET MOMENTUM

- Slower economic growth
- Impact of new business rates (April 2017)
- Limited availability but rising

DERWENT LONDON'S GROWING BUSINESS

Well positioned:

- Product
- Pricing
- Places
- People

Significant opportunities:

- Adding area
- Improving quality
- Growing income



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- Q&A



MARKET PRESENTATION

Nick Knight and Dan Hanmer

10 November 2016

**DERWENT
LONDON**

01.

Market Snapshot

02.

Investment
Activity

03.

Valuation
Performance
since June

04.

Outlook for
Values

05.

Office Occupier
Market

1. MARKET SNAPSHOT

The 10-year Average

Take-Up – **Below**
Availability – **Below**
Under Offer – **Above**
Demand - **Unchanged**

Active: Chinese, Thai, Singaporean and HK

Absent: UK Funds

Limited investment appetite
Larger Lots
Development
Short AWAULT

Strongest investment appetite
Private buyers
Sub £50m
Long Income

Wells Fargo at 33 King William Street

Vote of confidence in London

£ v \$

Sterling remains at lowest rate against the dollar in over 30 years \$1.22

Occupational market remains relatively **ROBUST** across most sectors, **BUT...**

Investment volumes down
£1.3 bn in Q3

Capital Growth City (June - September)

-5.1%

Capital Growth West End (June - September)

-4.3%

Gilt yields YTD

-92bps

10 year gilt yield at 0.96%

EU Referendum

UK Votes Leave

But when 2, 5, 10 years?

Yields trending:

WEAKER

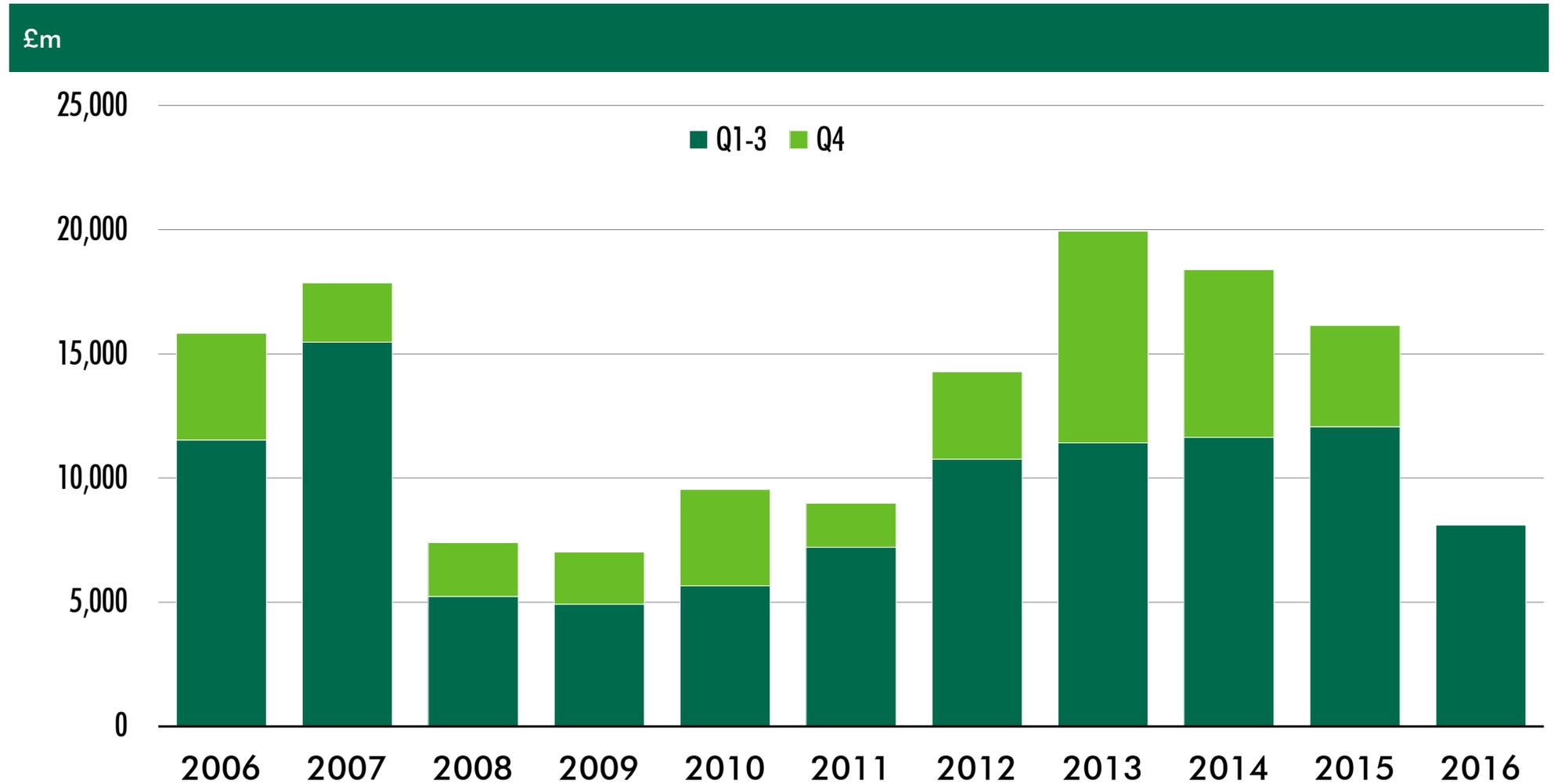
Prime City: 4.25%

Prime WE: 3.75%

2. INVESTMENT ACTIVITY

INVESTMENT TRANSACTIONS AT LOWEST LEVEL ¹² SINCE 2011

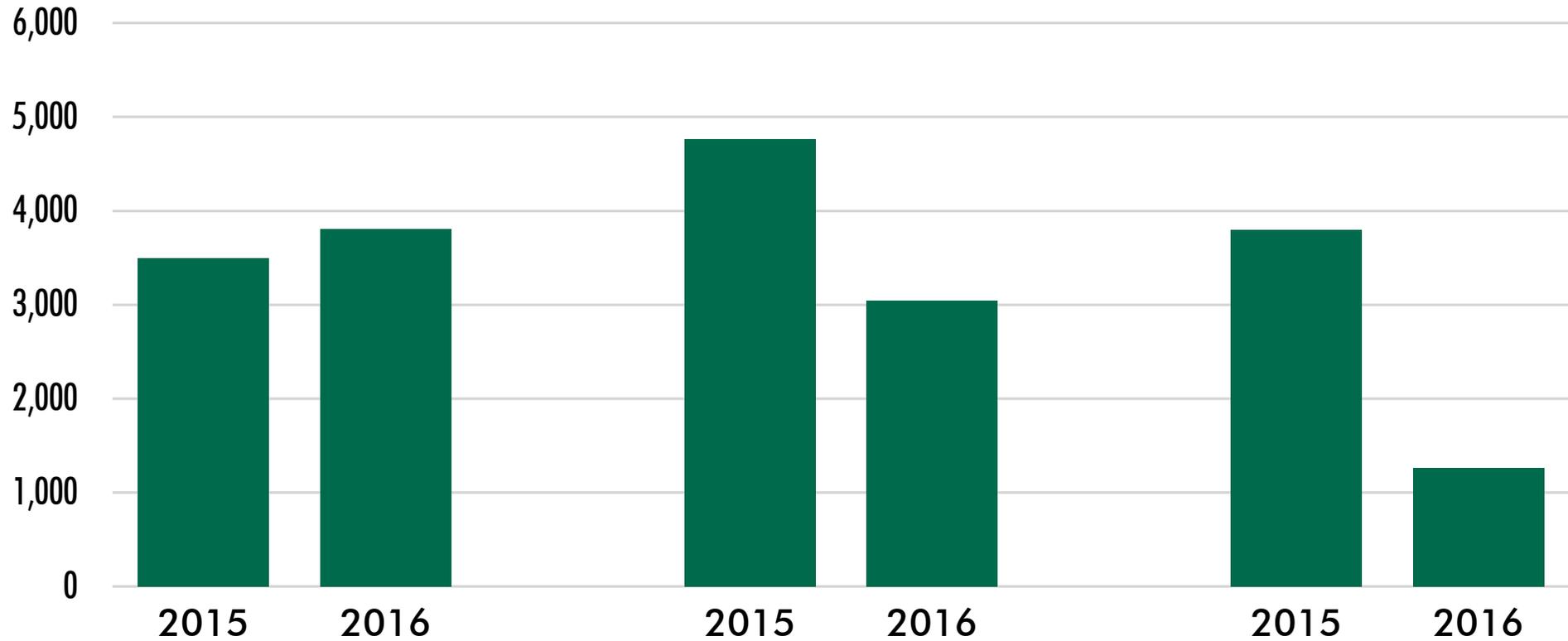
Central London capital transactions



REFERENDUM EFFECT IN 2016 NUMBERS

Central London capital transactions

£m



Q1

Q2

Q3

THE CITY OFFICE INVESTMENT MARKET

120 Holborn (Holborn Island)
(September 2016 - Exchanged)



Type: Mixed-use investment
Tenure: Freehold
Area: 350,000 sq ft
WAULT: 6.92 (expiry)/6.33 (break)
Sale Price: £229.6m (£666 psf)
Circa IY 5.58%
Purchaser: UOL Grp (Singapore)

20 Moorgate, London, EC2
(Available)



Type: Office investment
Tenure: LLH 10%
Area: 154,385 sq ft
WAULT: 11.25 yrs to PRA
Asking Price : £158.8m
Net Initial Yield: 4.00%

Moor Place, London EC2
(October 2016- Exchanged)



Type: Office investment
Tenure: Freehold
Area: 236,793 sq ft
WAULT: 17.4 (expiries)/17(breaks)
Sale Price: £271m
Net Initial Yield: 4.85%
Vendor: Brookfield
Purchaser: Kingboard Chemical Holdings

77 Gracechurch Street, London, EC3
(Sold October 2016)



Type: Mixed use multi-let investment
Tenure: Freehold
Area: 48,925 sq ft
WAULT: 7.3 (expiries)/5.9 (breaks)
Sale Price: £48m (£975 psf)
NIY: 5.15%
Vendor: Standard Life
Purchaser: Private Thai buyer

5 King William Street, London, EC4
(Sold August 2016)



Type: Office investment
Tenure: Freehold
Area: 82,205 sq ft
WAULT: Multi-Let – 11.08 years
Sale Price: £85m (£1,036 psf)
NIY: 3.85% EY: 4.92%
Vendor: Maori European Holding
Purchaser: Private Middle Eastern

33 Central, King William Street, London, EC4
(Sold August 2016)



Type: Office investment
Tenure: Freehold
Area: 227,700 sq ft
WAULT: Owner Occupier
Sale Price: £300m (£1,322 psf)
Vendor: HB Reavis
Purchaser: Wells Fargo

THE WEST END OFFICE INVESTMENT MARKET

One Southampton St, WC2 (May 2016 - Exchanged)



Type: Office /Retail investment
 Tenure: Freehold
 Area: 34,494 sq ft
 WAULT: 7.6 (expiry)/3.52 (break)
 Price: c.£52.0 m (£1,600 psf)
 Net initial yield: 3.92%
 Equivalent yield: c.4.15%
 Vendor: Aviva
 Purchaser: Salamanca

Asticus Building, 21 Palmer St , SW1 (June 2016)



Type: Office Investment
 Tenure: Freehold
 Area: 59,942 sq ft
 WAULT: Multi 2016/17
 Price: £80.9m (£1,349 psf)
 Net initial yield: 3.83%
 Equivalent Yield: +4.5%
 Vendor: Aberdeen
 Purchaser: Axax

440 Strand, WC2 (September 2016 – U/O)



Type: Office investment
 Tenure: LLH (15% offs/ 20% retail)
 Area: 180,480 sq ft
 WAULT: 75% to Coutts for 20.5yrs
 Price: c.£200m
 Net Initial Yield: c.4.00 %
 Vendor: TH Real Estate

Ryder Court, SW1 (September 2016 – Exchanged)



Type: Office investment
 Tenure: Leasehold 10 % (125 years)
 Area: 70,786 sq ft
 WAULT: Multi 10.45 yrs (9.94bk)
 Price: £115.0m (£1,483 psf)
 Net initial yield: 4.35%
 Vendor: TH Real Estate
 Purchaser: China Vanke

10-12 Great Marlborough St, W1 (September 2016 – Exchanged)

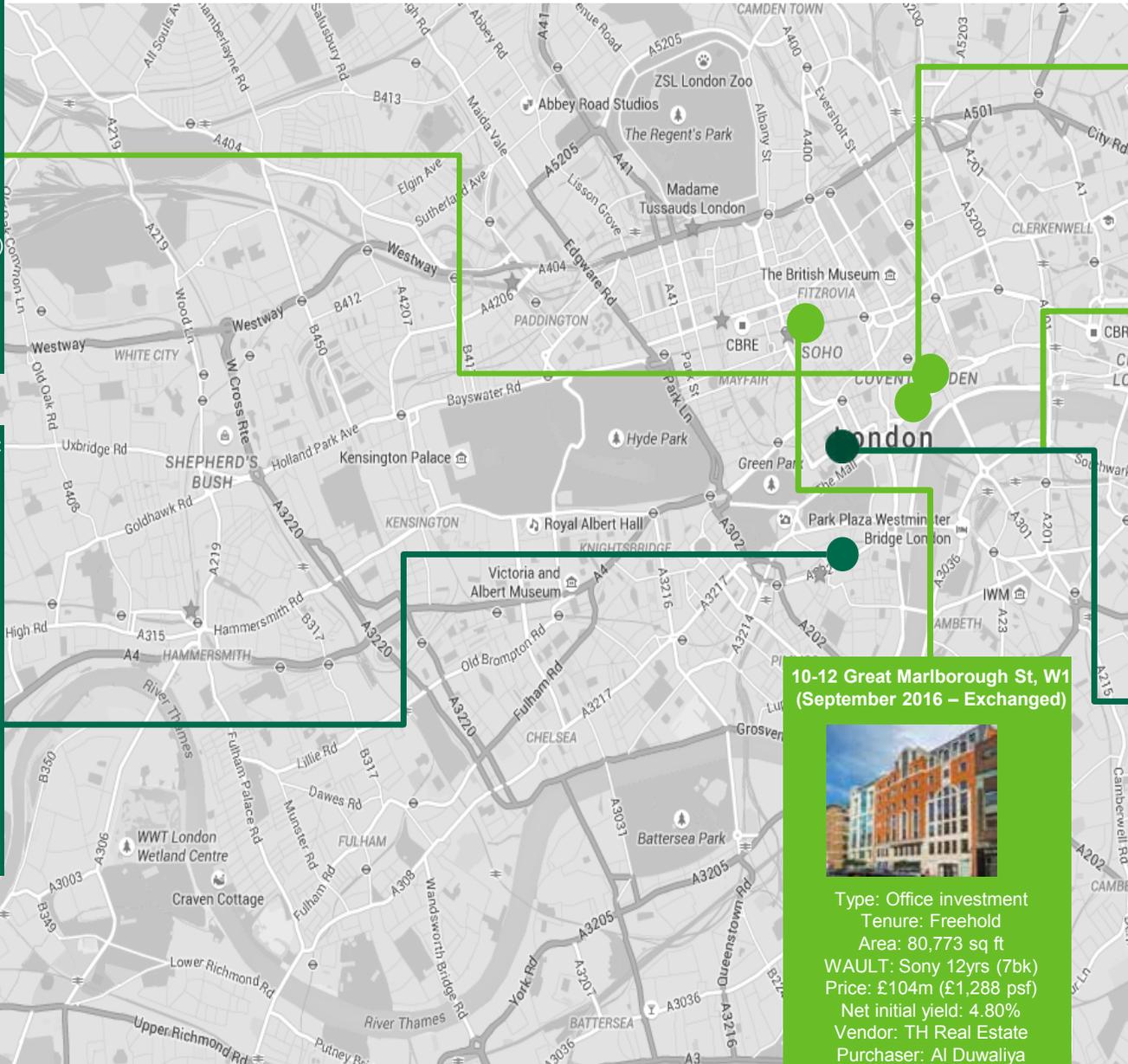


Type: Office investment
 Tenure: Freehold
 Area: 80,773 sq ft
 WAULT: Sony 12yrs (7bk)
 Price: £104m (£1,288 psf)
 Net initial yield: 4.80%
 Vendor: TH Real Estate
 Purchaser: Al Duwaliya

23 King Street, SW1 (July 2016)



Type: Office investment
 Tenure: Freehold
 Area: 47,351 sq ft
 WAULT: Multi 12 yrs (10 bk)
 Price: £116m (£2,577 psf)
 Net initial yield: 4.00%
 Vendor: Standard Life
 Purchaser: Private overseas



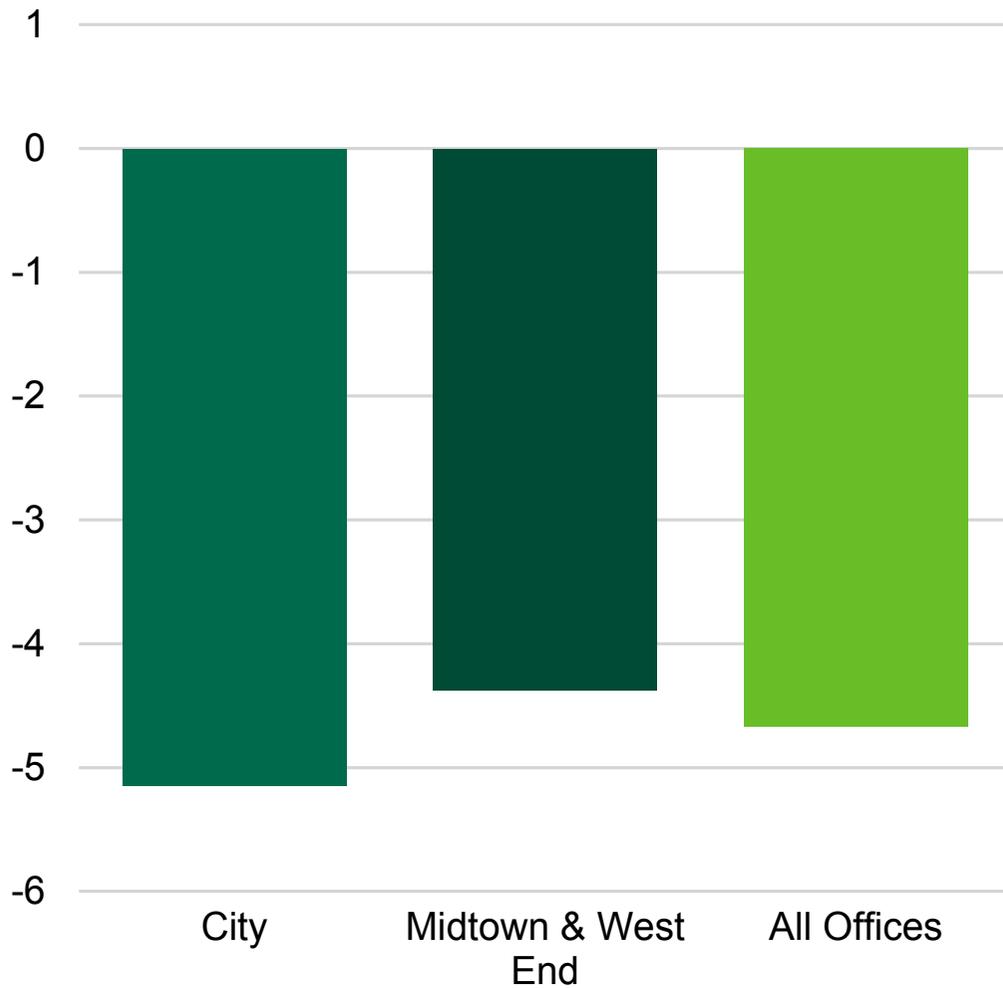
3. VALUATION PERFORMANCE SINCE JUNE

CAPITAL AND RENTAL VALUE GROWTH

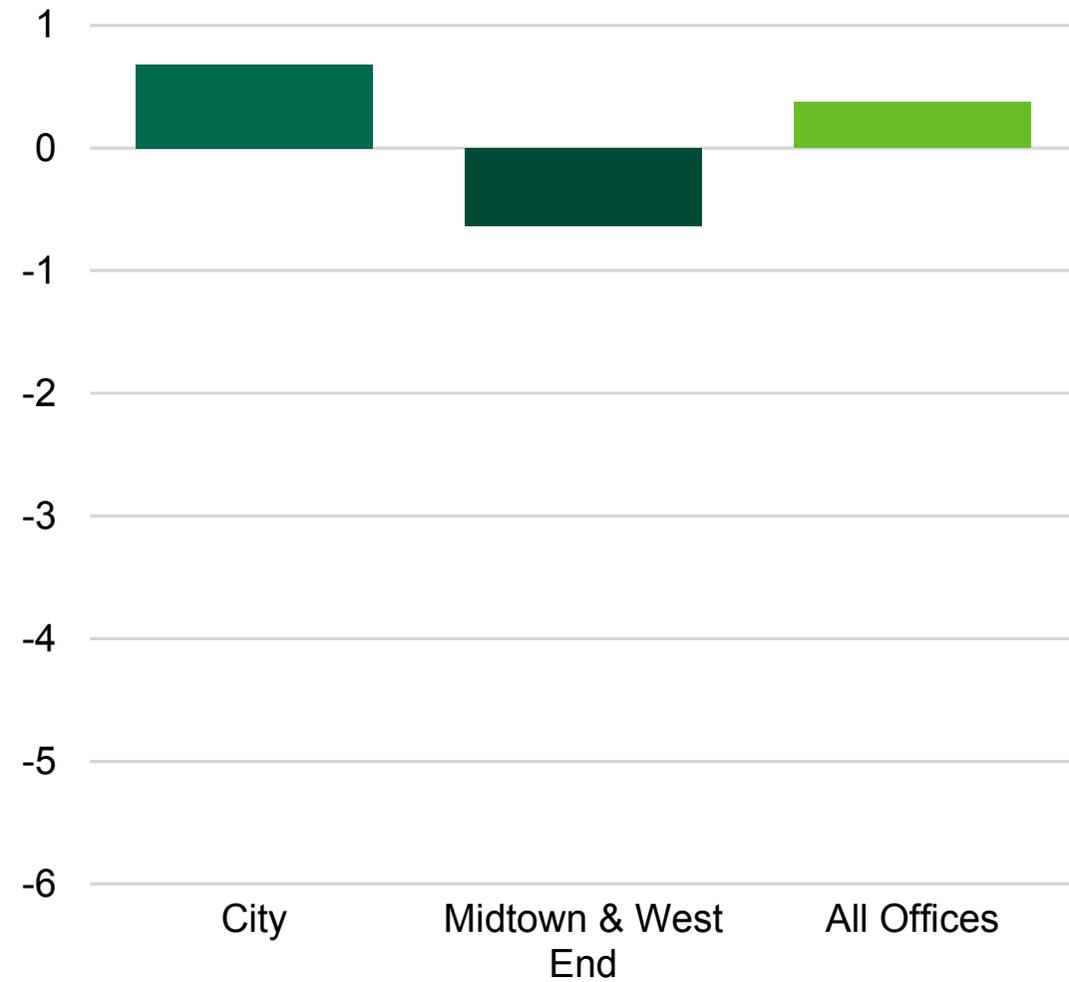
Central London Offices

% change from Jun-16 to Sep-16

Capital Value growth (%)



Rental Value growth (%)

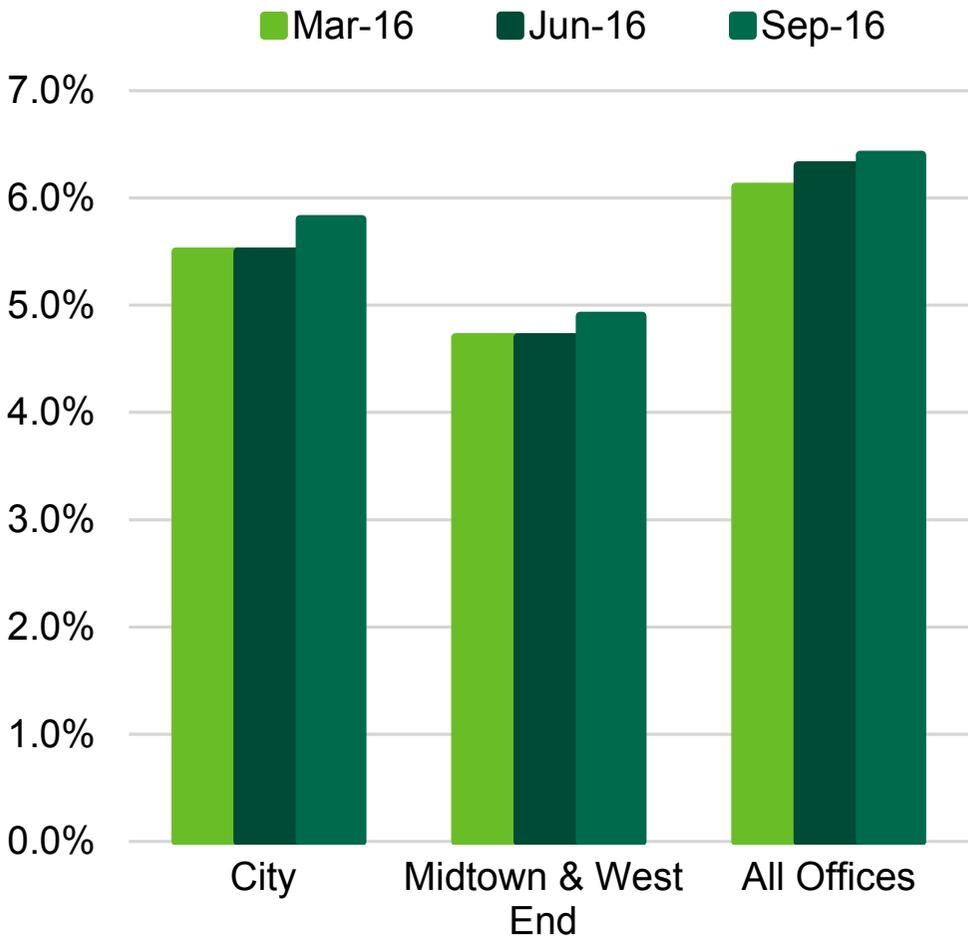


EQUIVALENT YIELDS & INITIAL YIELDS IPD

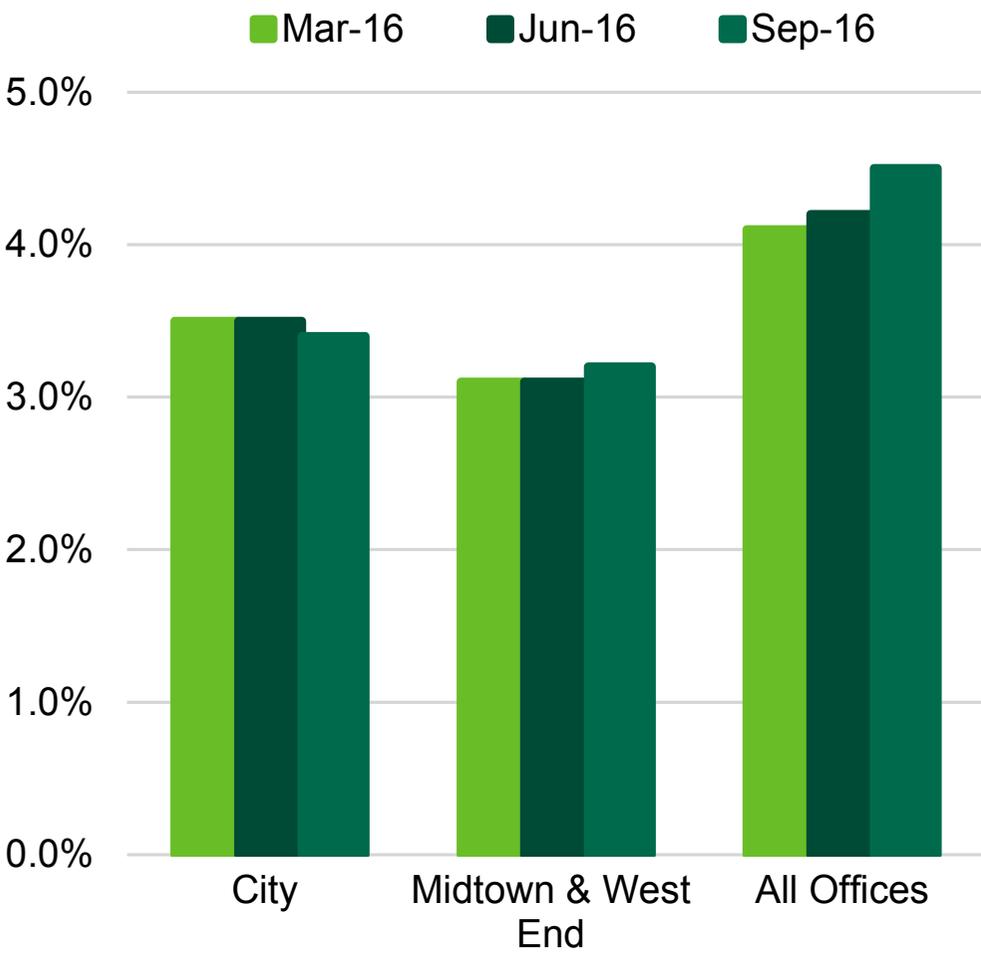
Central London Offices

%

Equivalent Yield



Initial Yield



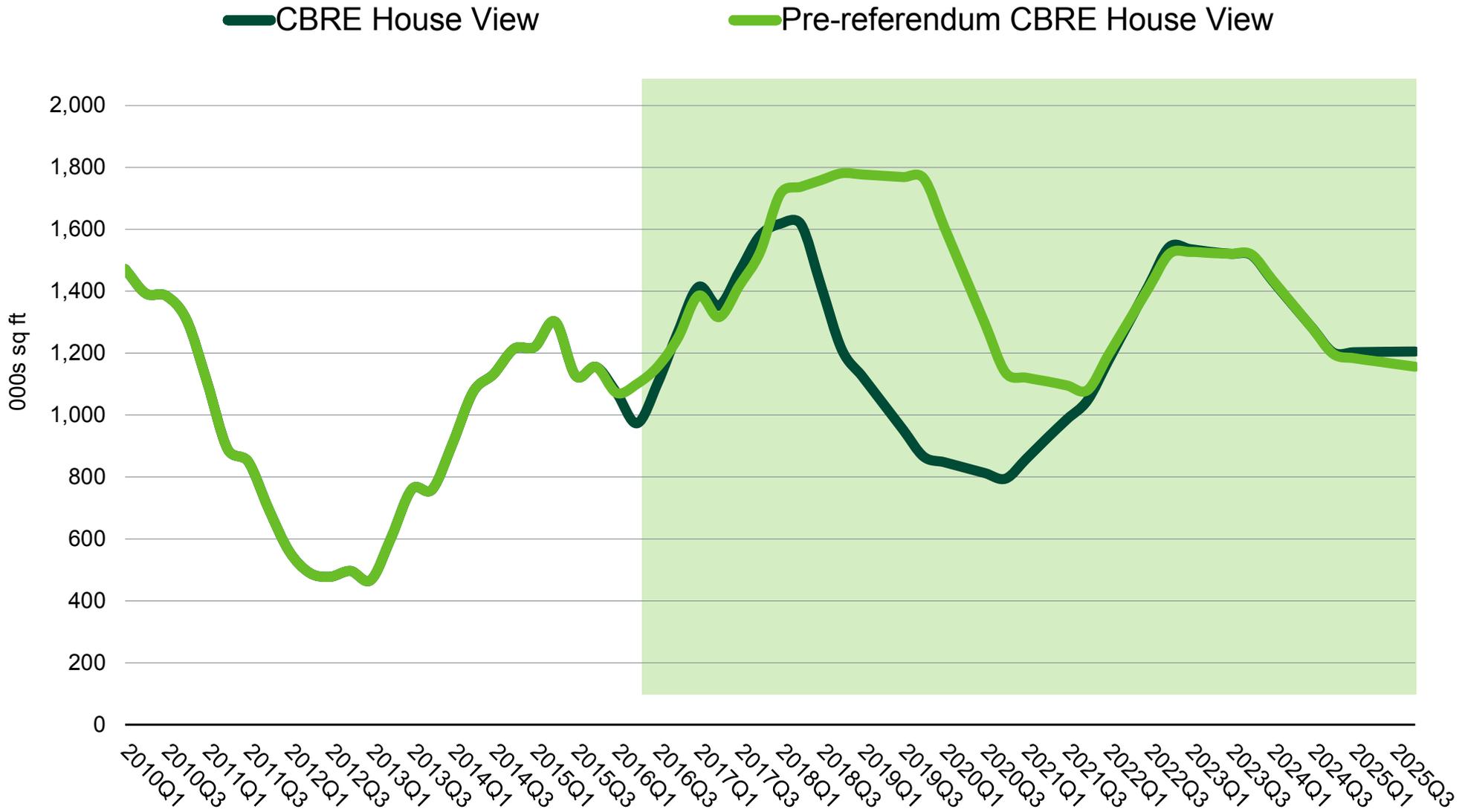
RECENT CAPITAL VALUES FALL HAS MODERATED MARKEDLY ¹⁹

	July 16 (%)	August 16 (%)	Sept 16 (%)
All Property	-3.40	-0.54	-0.19
Shopping centres	-3.53	-0.63	-0.50
Retail Warehouses	-4.05	-0.71	-0.62
Offices	-4.12	-0.84	-0.19
Industrials	-2.17	-0.25	0.25
Central London	-4.10	-0.90	-0.23

4. OUTLOOK FOR VALUES

IMPACT ON DEVELOPMENT: THE LONDON EXAMPLE

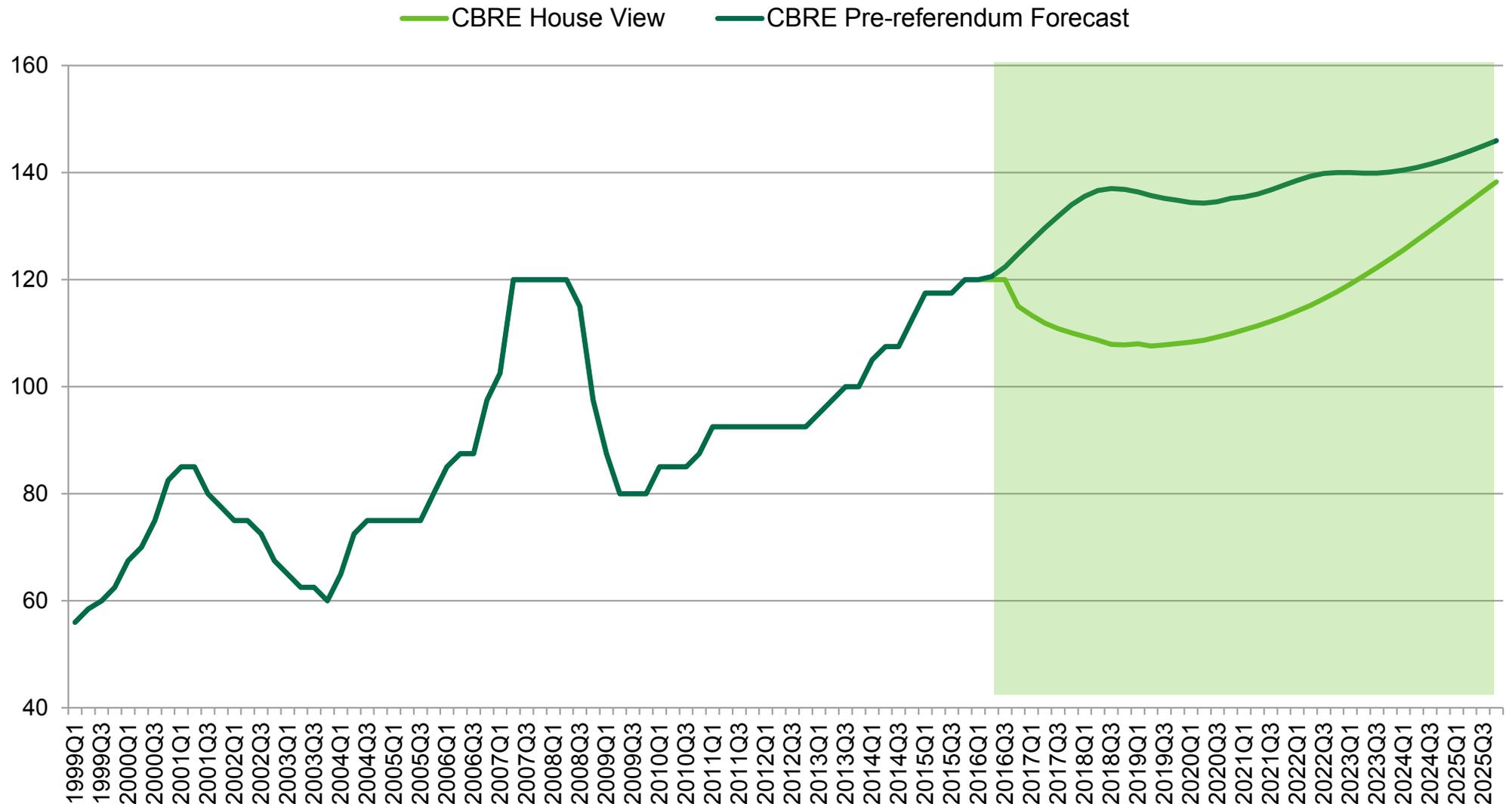
Central London office quarterly completions, 2016-25,
2-year rolling average



Source: CBRE

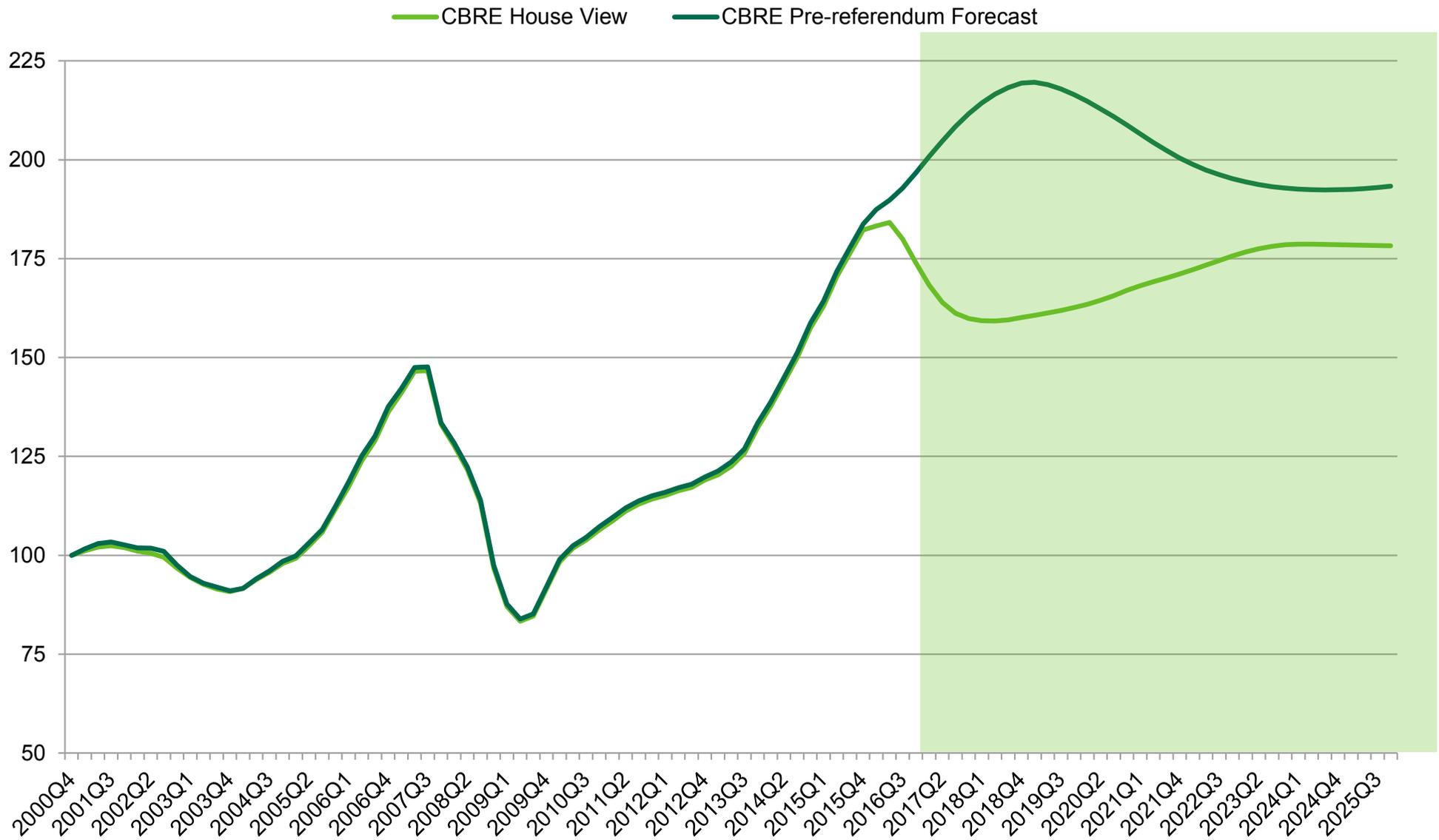
RENTS: FALLING IN 2017, BUT DECENT RECOVERY THEREAFTER

Prime West End office rents, 1999-2025, £/sq ft



CAPITAL VALUES: MODEST FALLS

Central London office capital values, 2000-2025, index



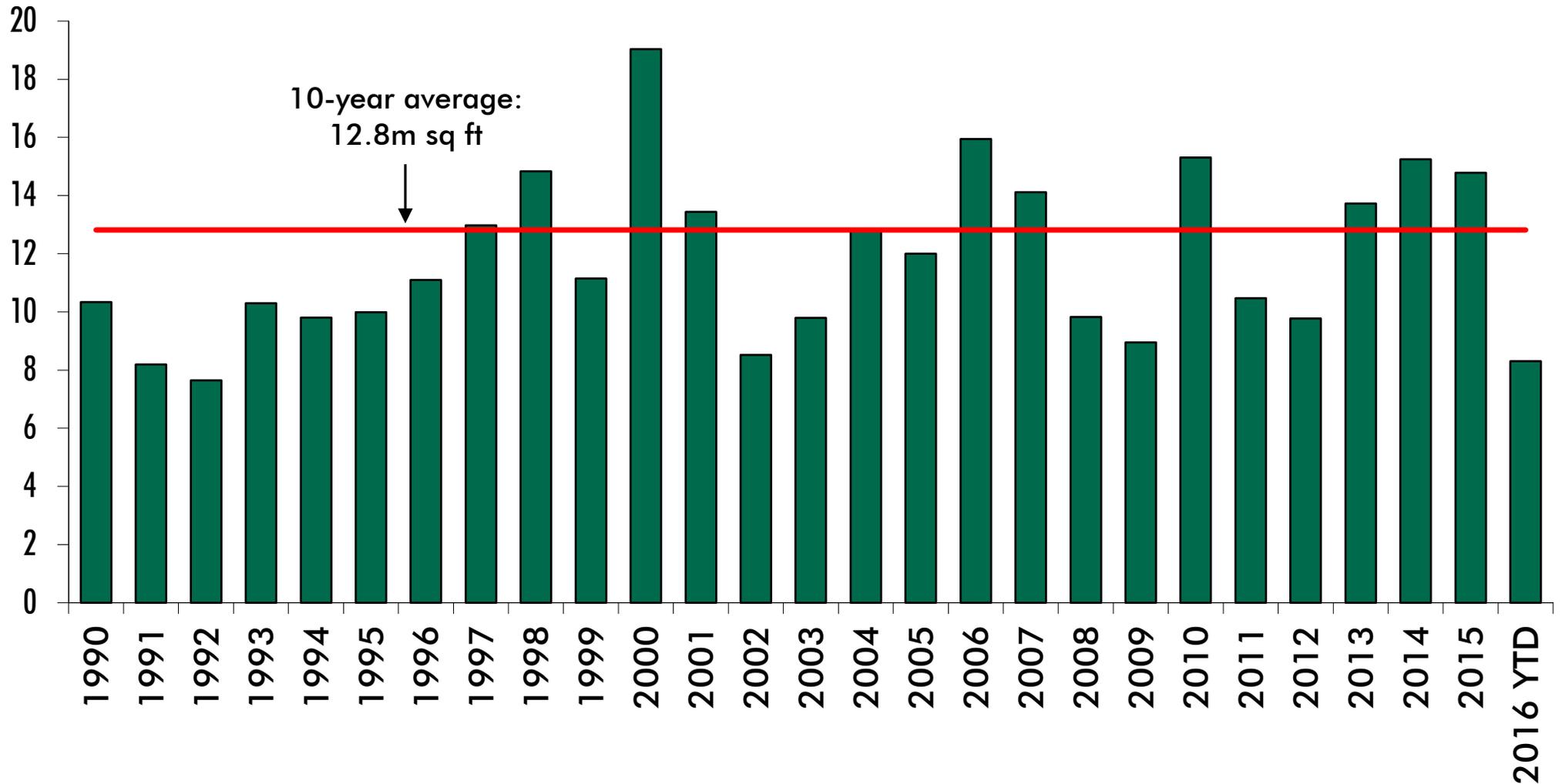
- Initial period of inactivity post Referendum, but liquidity returning;
- Stress in open ended fund space eased;
- Valuation “certainty clauses” to disappear;
- Good level of investment demand, particularly overseas and private money;
- Occupational market resilient to date but weaker forecast;
- Good availability of debt, total cost largely unchanged;
- Value correction circa 5% to date but rate of capital fall moderating;
- Research forecasts indicate only modest falls to come.

5. OFFICE OCCUPIER MARKET

CENTRAL LONDON OFFICE TAKE-UP

Q3 2016

Million sq ft



WHO'S TAKING SPACE?

Central London take-up, 12 months to Q3 2016

Creative Industries

27%



UNIVERSAL MUSIC



THOMSON REUTERS



Adobe



audio network



Gorkana
a CISION company

Banking & Finance

24%



RBC



WELLS FARGO

Rathbones
Look forward



Jefferies



HSBC

Business Services

21%



BOUYGUES

EQUINOX



wework



PA

THE
OFFICE
GROUP

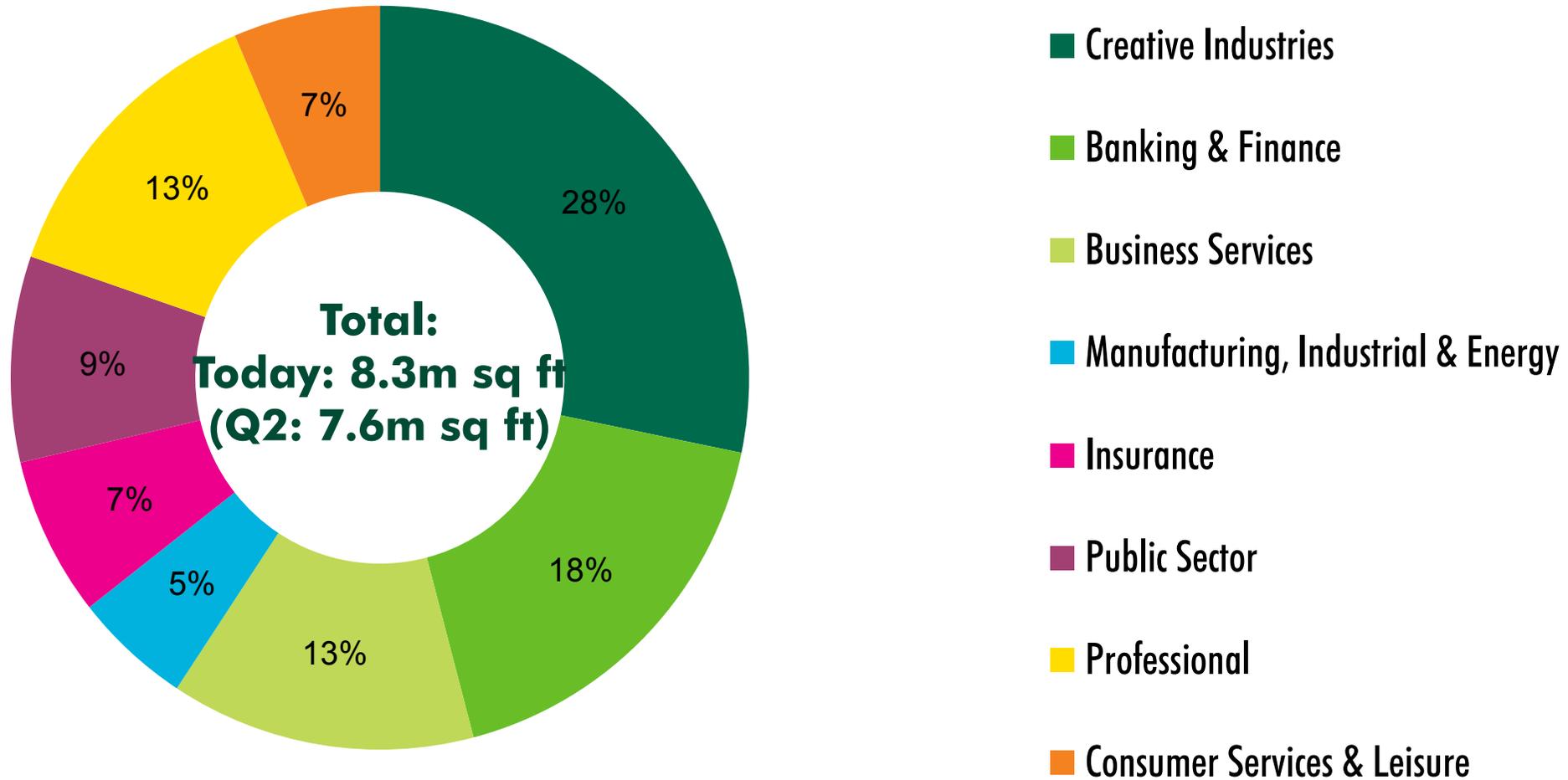


CAPITA

Business Services Ltd

ACTIVE DEMAND REMAINS STRONG

Central London Demand

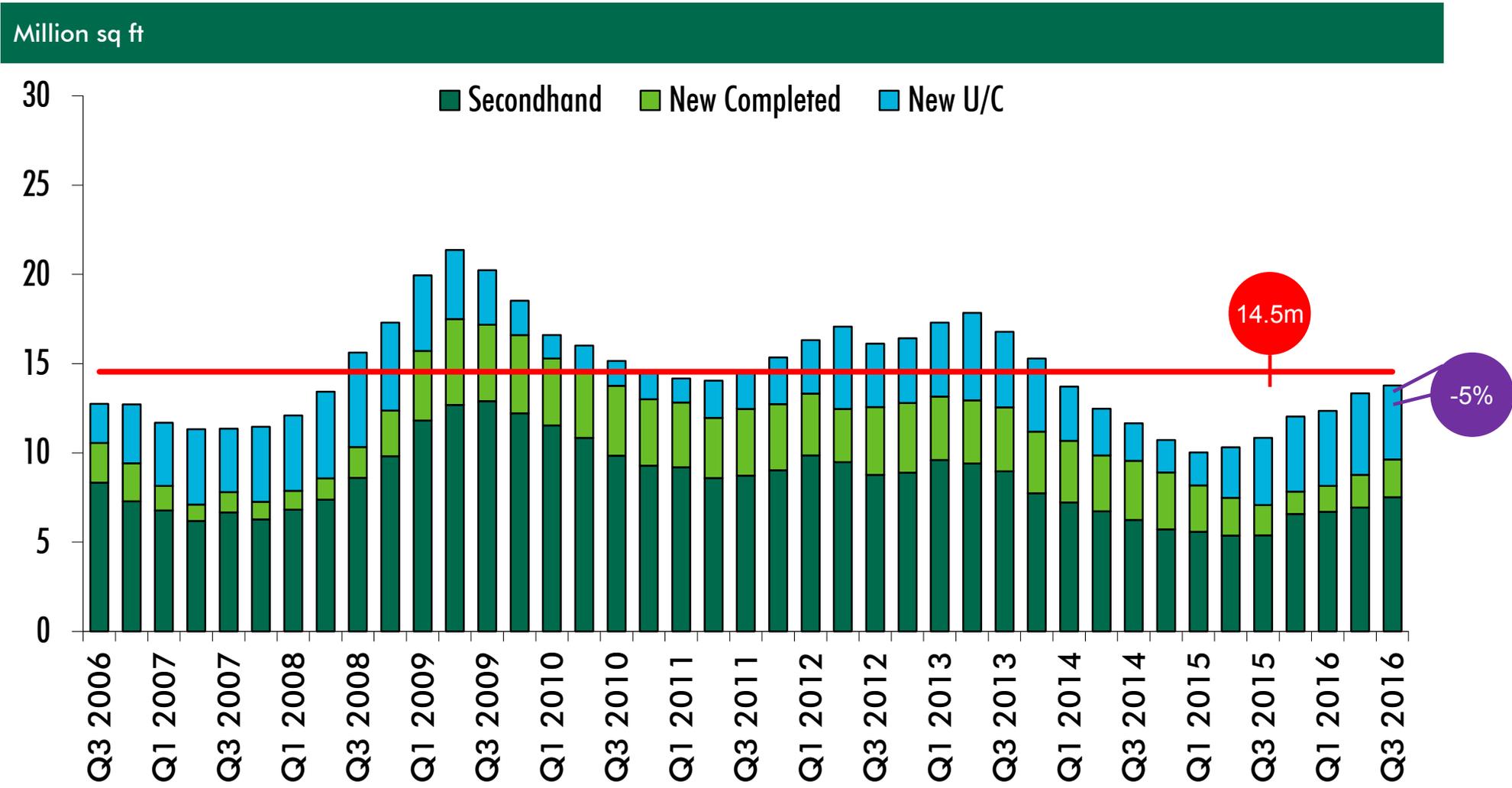


CENTRAL LONDON ACTIVE DEMAND OVER 50,000 SQ FT



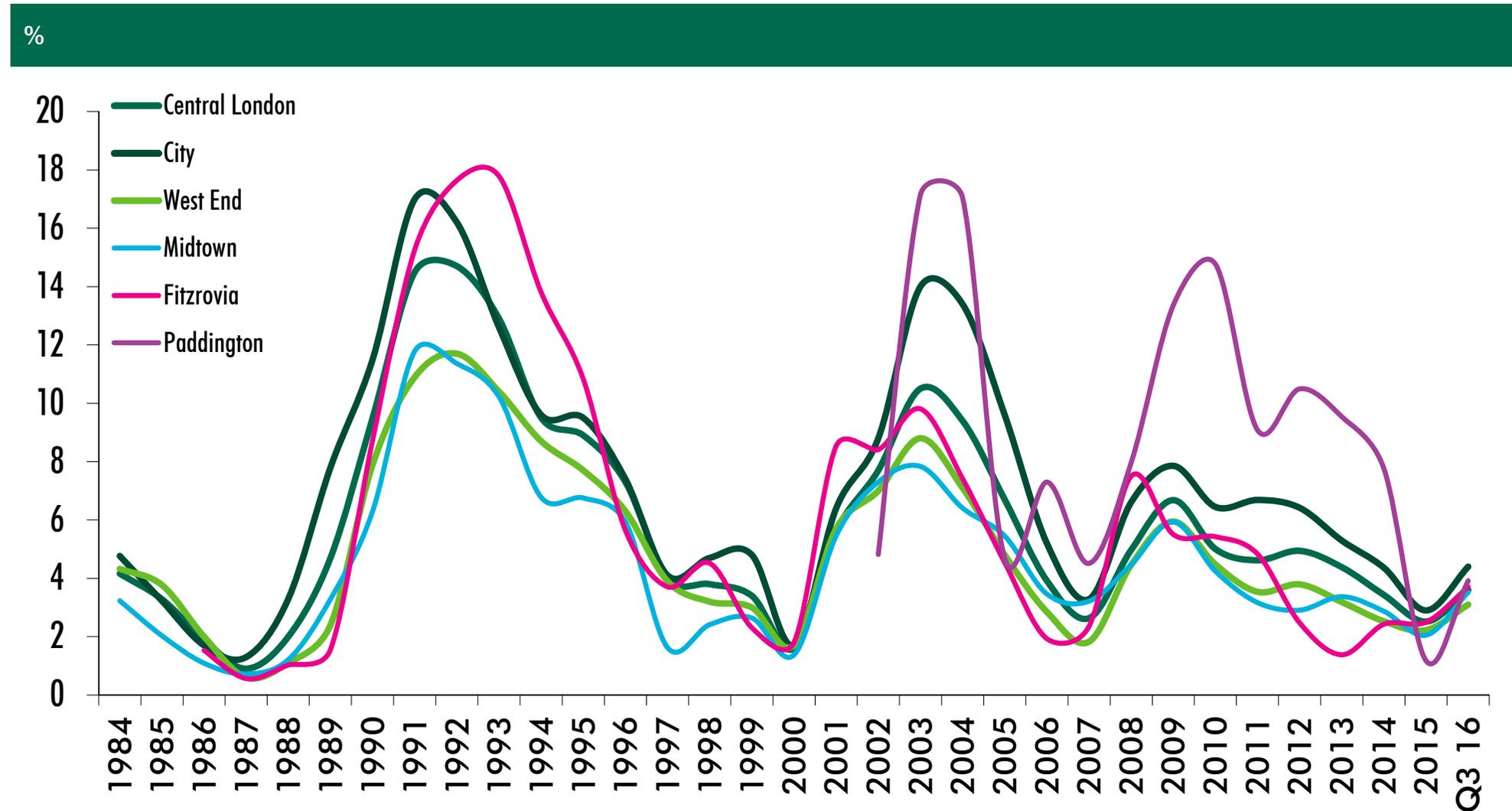
SUPPLY RISES TO 13.8M SQ FT

Central London availability



HAVE VACANCY RATES REACHED A TURNING POINT?

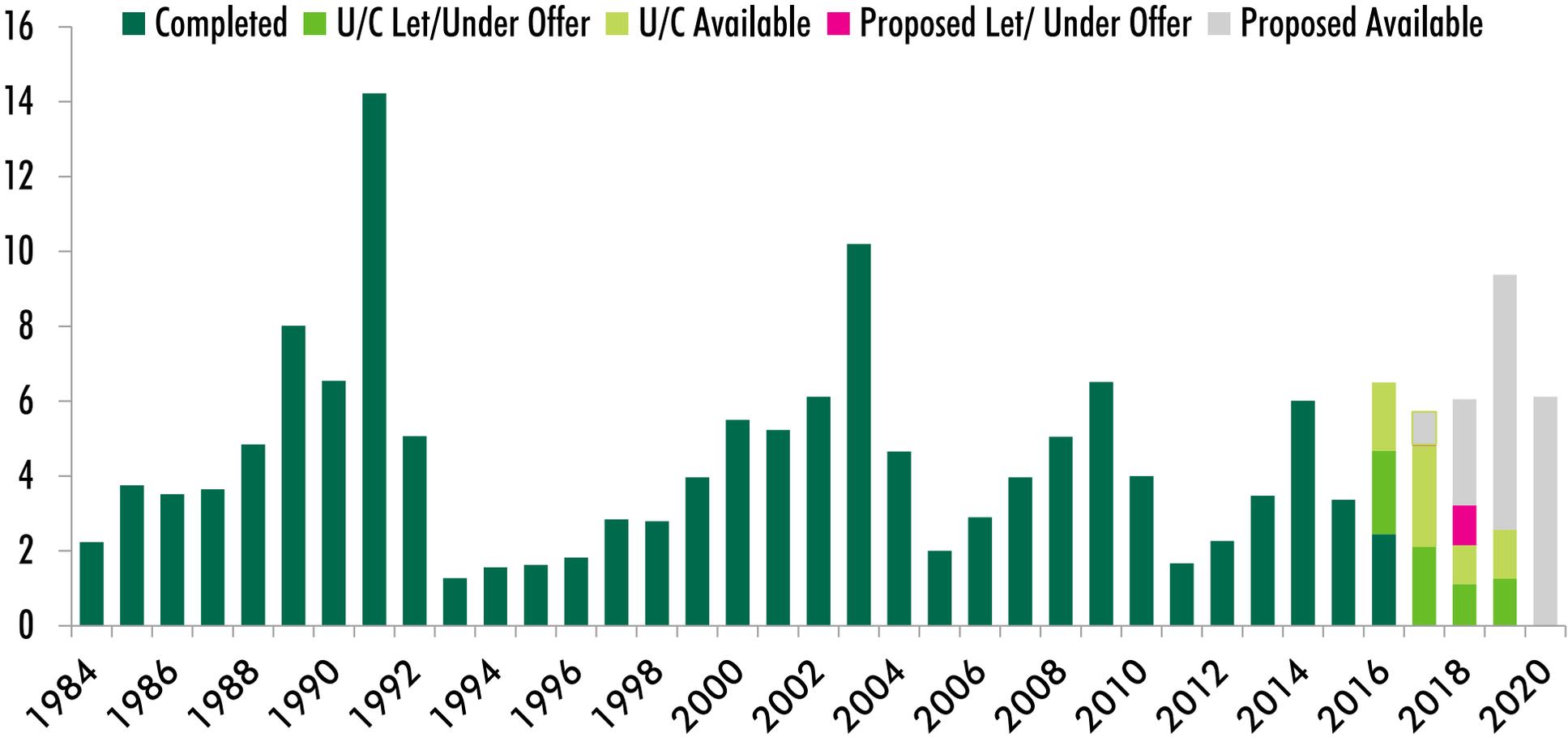
Central London vacancy rates



COMPLETIONS STARTING TO PICK UP IN 2016

Central London

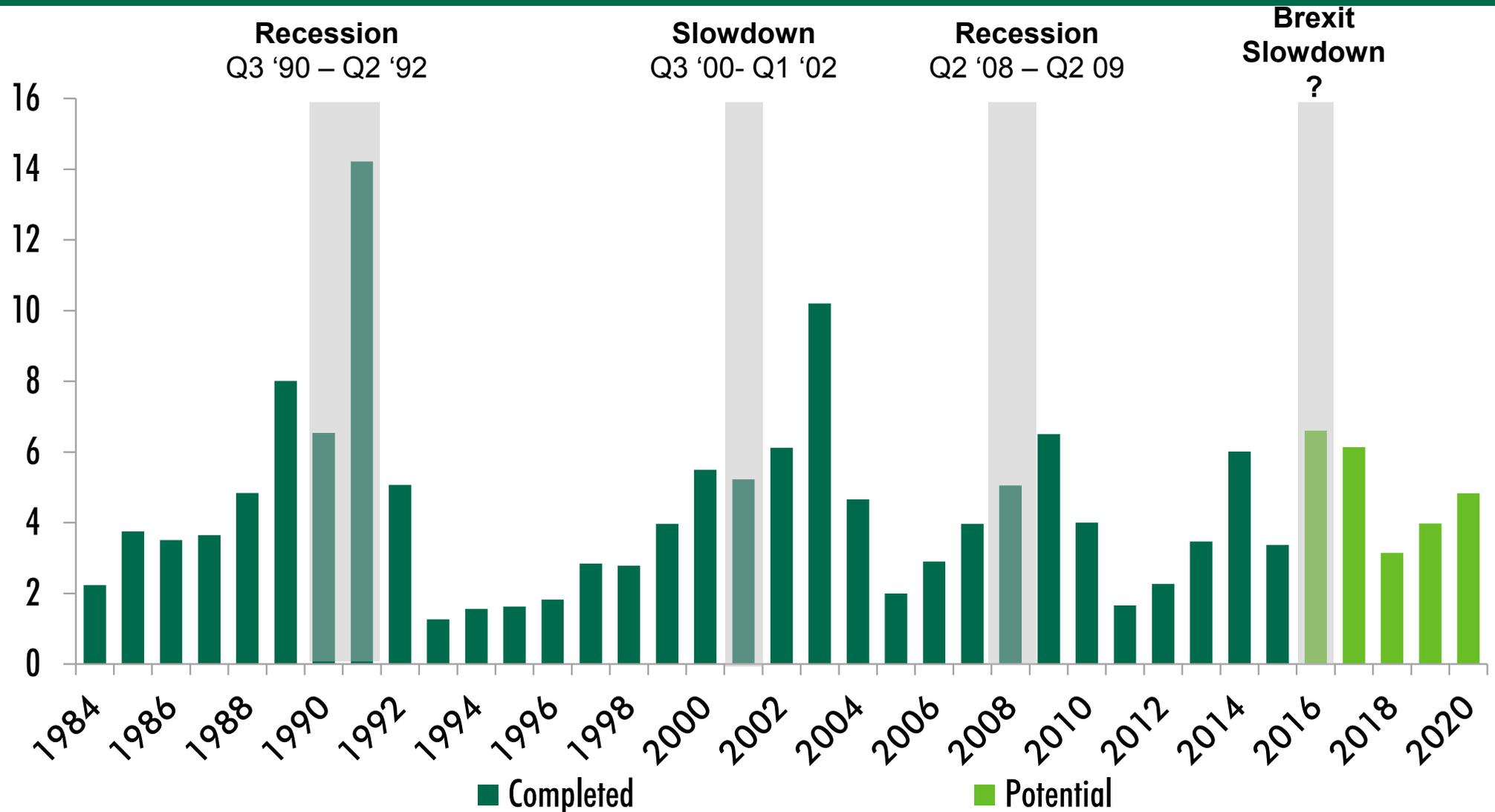
Million sq ft



HOW MIGHT THE PIPELINE REACT?

Central London

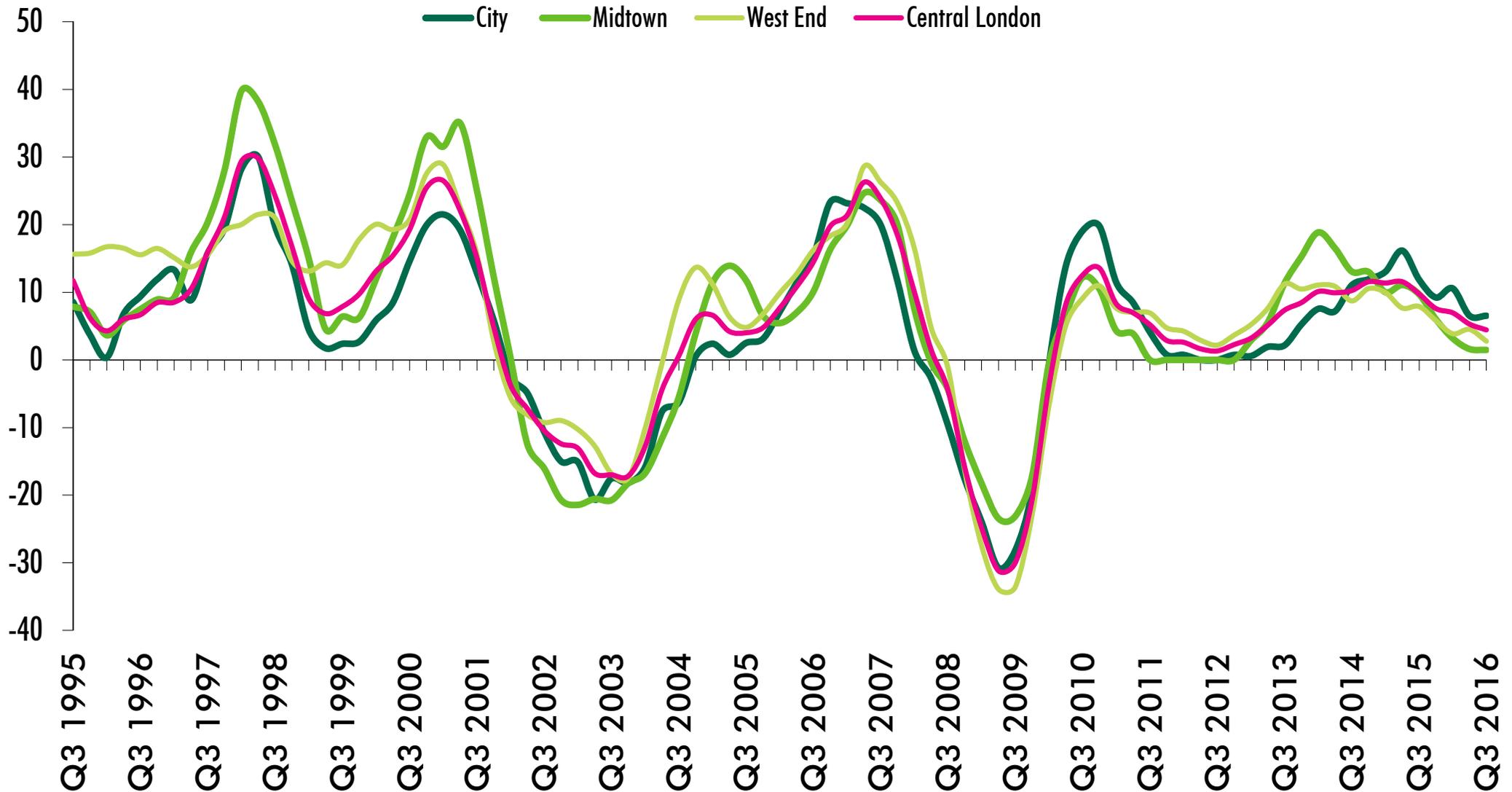
Million sq ft



RENTAL GROWTH IS MODERATING

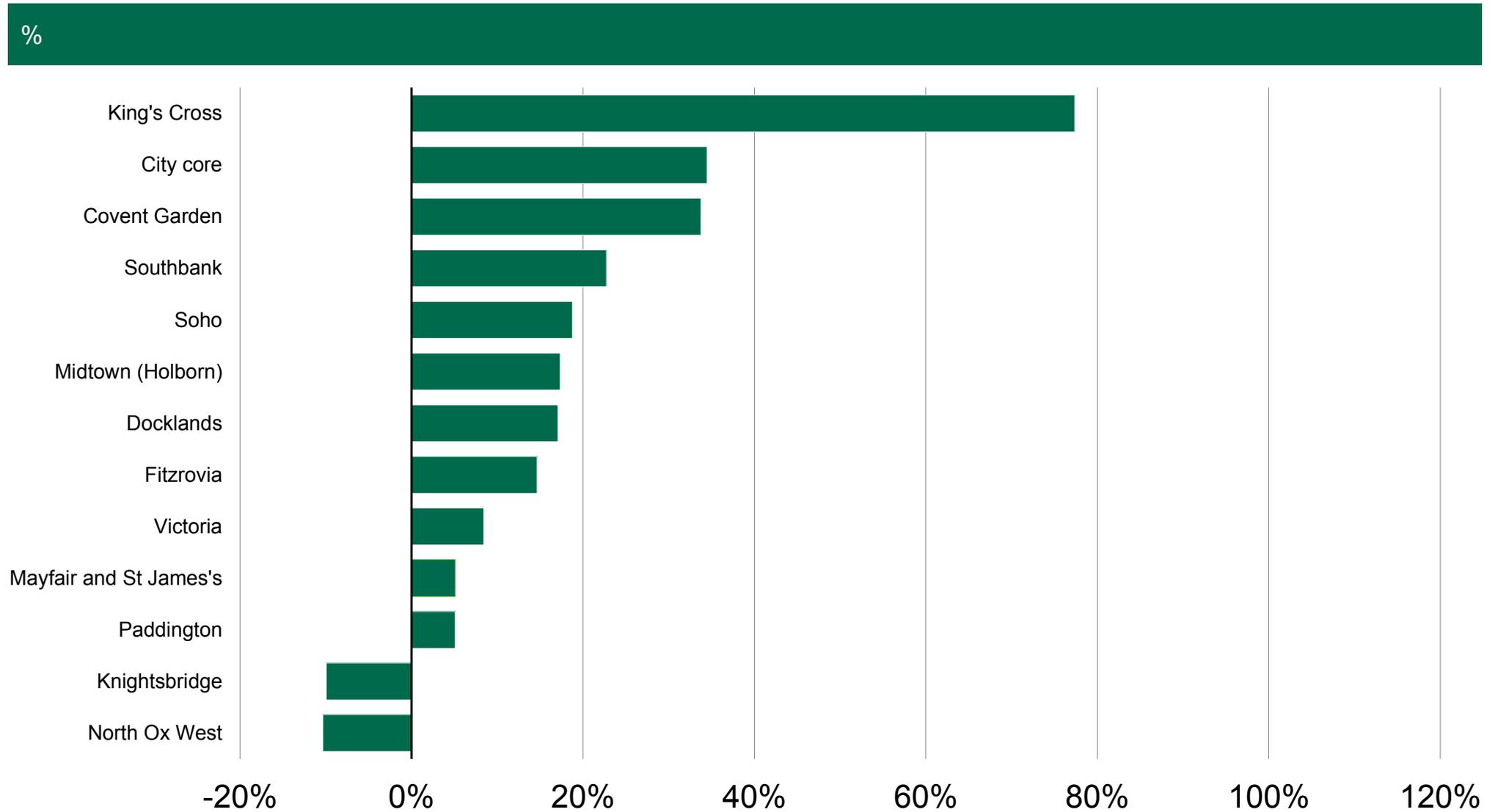
Central London prime rent index annual growth

%



NEW RATES PRODUCED SOME UNEXPECTED RESULTS

Rates payable percentage increase, 2016/17 – 2020/21



CENTRAL LONDON OCCUPIER COSTS

£ per sq ft

Forecast year-end 2016 rent plus rates payable post re-val. Excludes service charge / estate charge

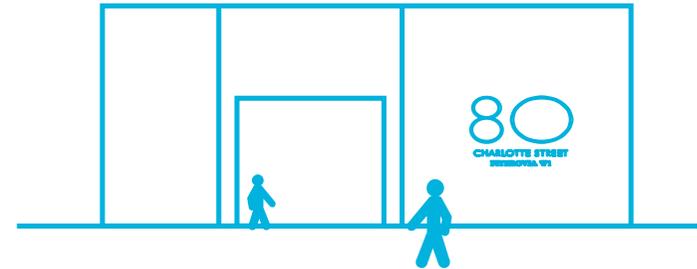


LOCATION



EXPERIENTIAL ARRIVAL

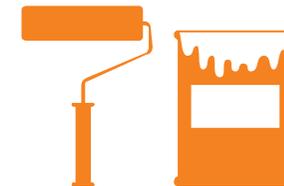
OWN BRAND



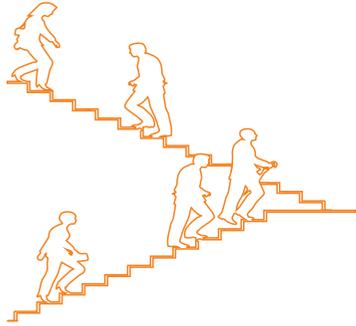
MAXIMISING VALUE FROM BASEMENT UP



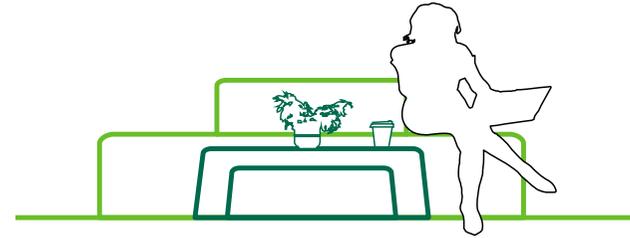
FLOOR FINISHES



VERTICAL VISUAL INTEGRATION



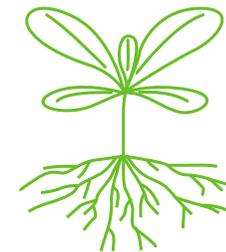
FLEXIBLE FOOTPRINT



TECHNOLOGY



WELLNESS / SUSTAINABILITY

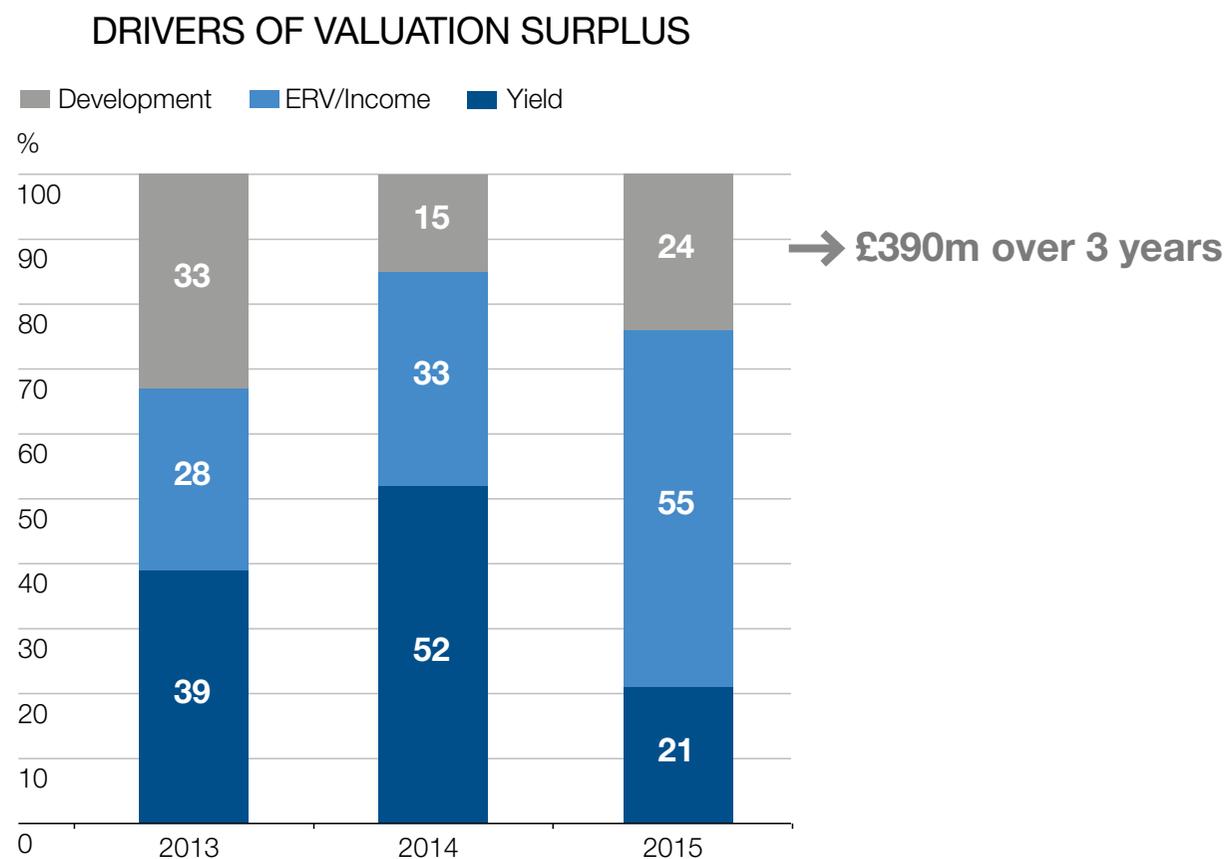


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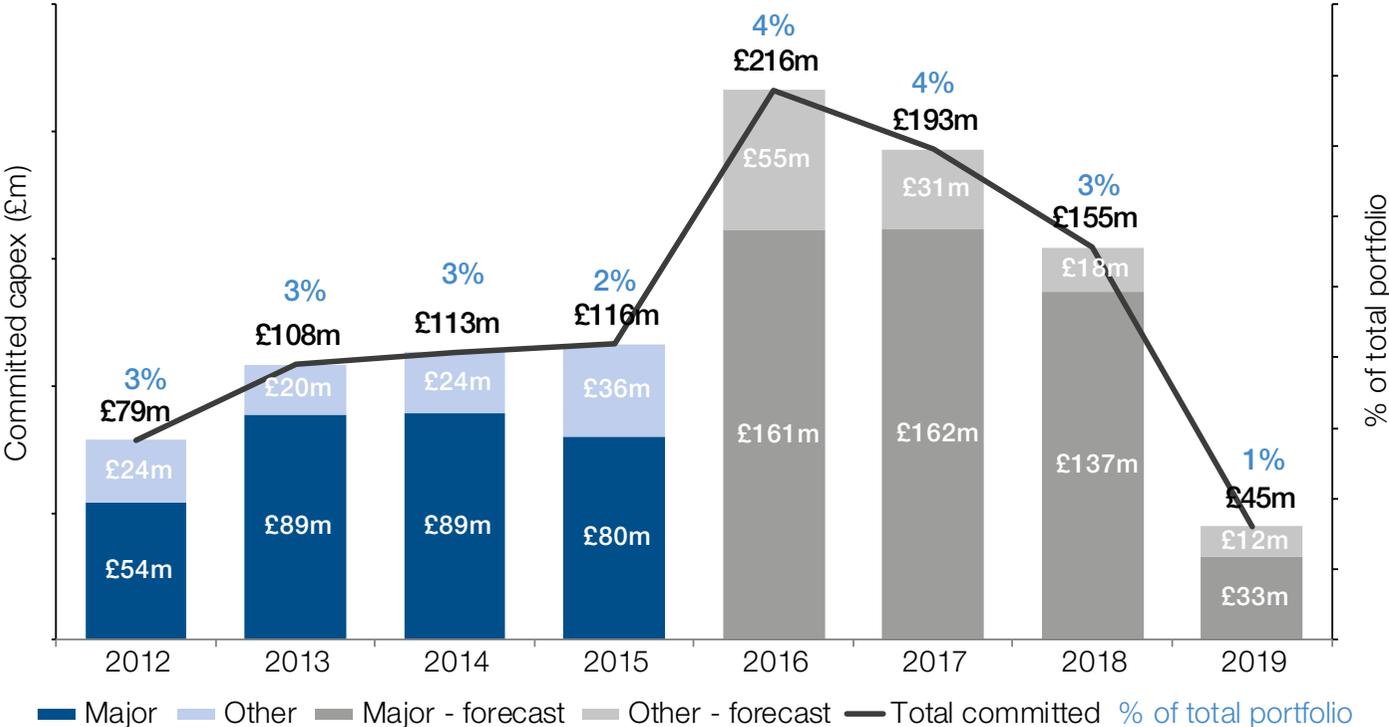
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APPROPRIATE
DEVELOPMENT RISK
DAMIAN WISNIEWSKI

- Part of our total return model
 - Recurring earnings → dividend
 - Adding value through the property cycle



- In H1 2016, about 25% of our overall valuation surplus came from developments



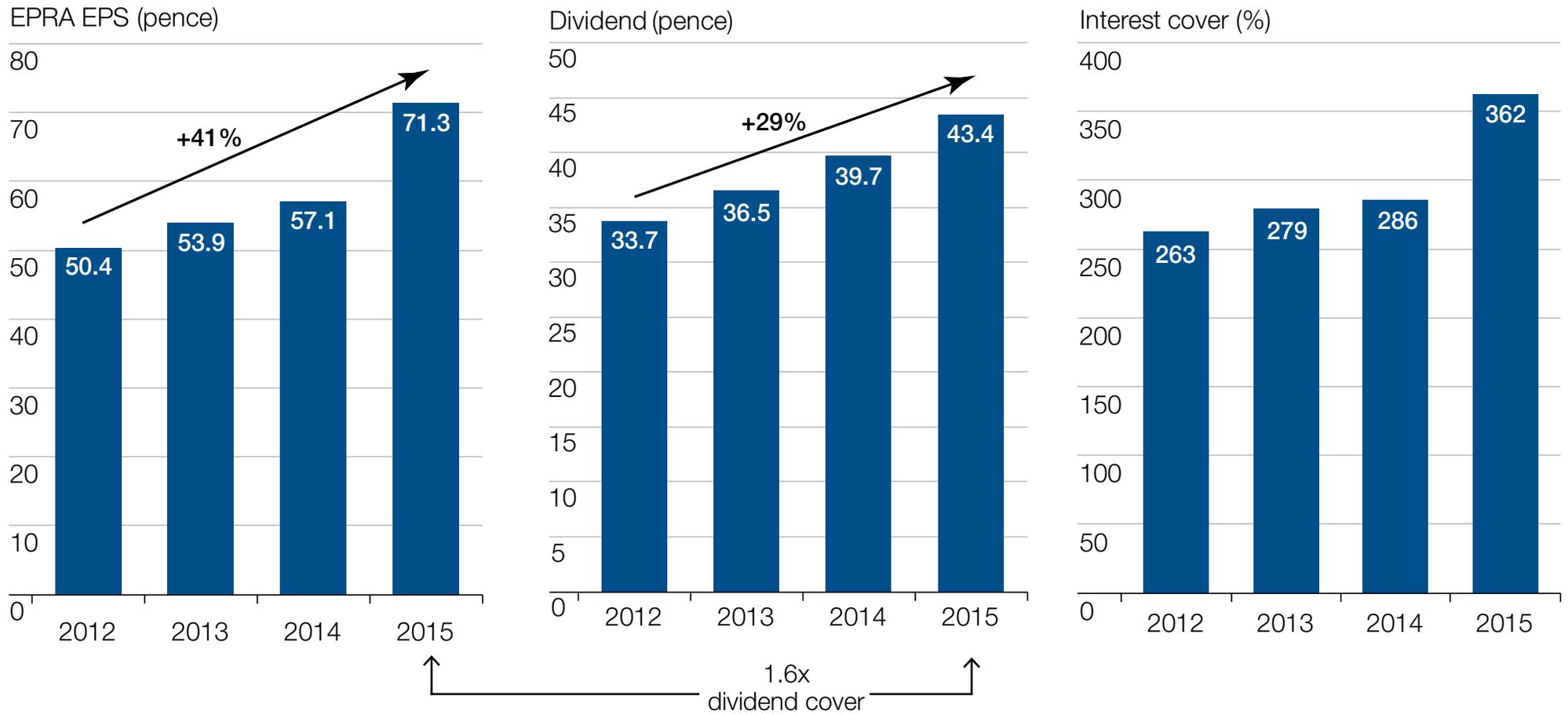
Development adds value:

- by area uplift
- by growing income and improving quality

Examples of recent schemes:

	Area uplift
Buckley Building EC1	+13%
Turnmill EC1	+71%
40 Chancery Lane WC2	+67%
White Collar Factory EC1	+136%
Brunel Building W2	+208%
80 Charlotte Street W1	+62%

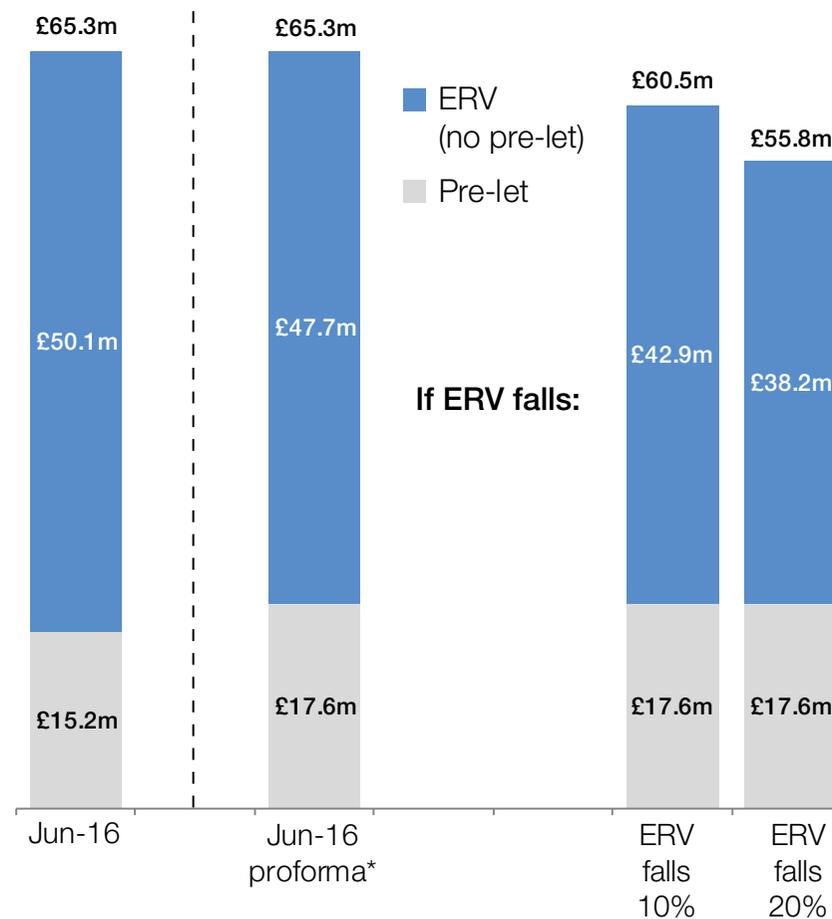
GROWING EARNINGS WITHIN A BALANCED PORTFOLIO



- Derwent London is in great shape to take reasonable development risk

THE IMPACT OF DEVELOPMENT ON REVERSION

- Total additional income potential at 30 June 2016 of £150.8m
- Good proportion (20%) from contractual cash flow growth
- £65.3m or 43% from development lettings (30 June 2016)
- Less dependent on movements in ERV than the pure reversion



* Jun-16 adjusted for £2.4m of development pre-lets agreed in H2

INCOME YIELDS ON CURRENT PROJECTS

		WHITE COLLAR FACTORY EC1	THE COPYRIGHT BUILDING W1	BRUNEL BUILDING W2	80 CHARLOTTE STREET W1
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 ²
Total cost (£m) ¹	1,054	193	140	238	483
Pre-let area (sq ft)	265,650	178,500	87,150	-	-
Pre-let income (£m pa)	17.6	11.1	6.5	-	-
ERV (£m pa)	65.3	16.7	7.4	14.8	26.4

Summary	£m
Project surplus	382
Less: Booked to Jun 2016	157
Surplus to come	225
Profit on total cost	36%
Profit to come on total cost	21%
Yield on cost³	6.7%



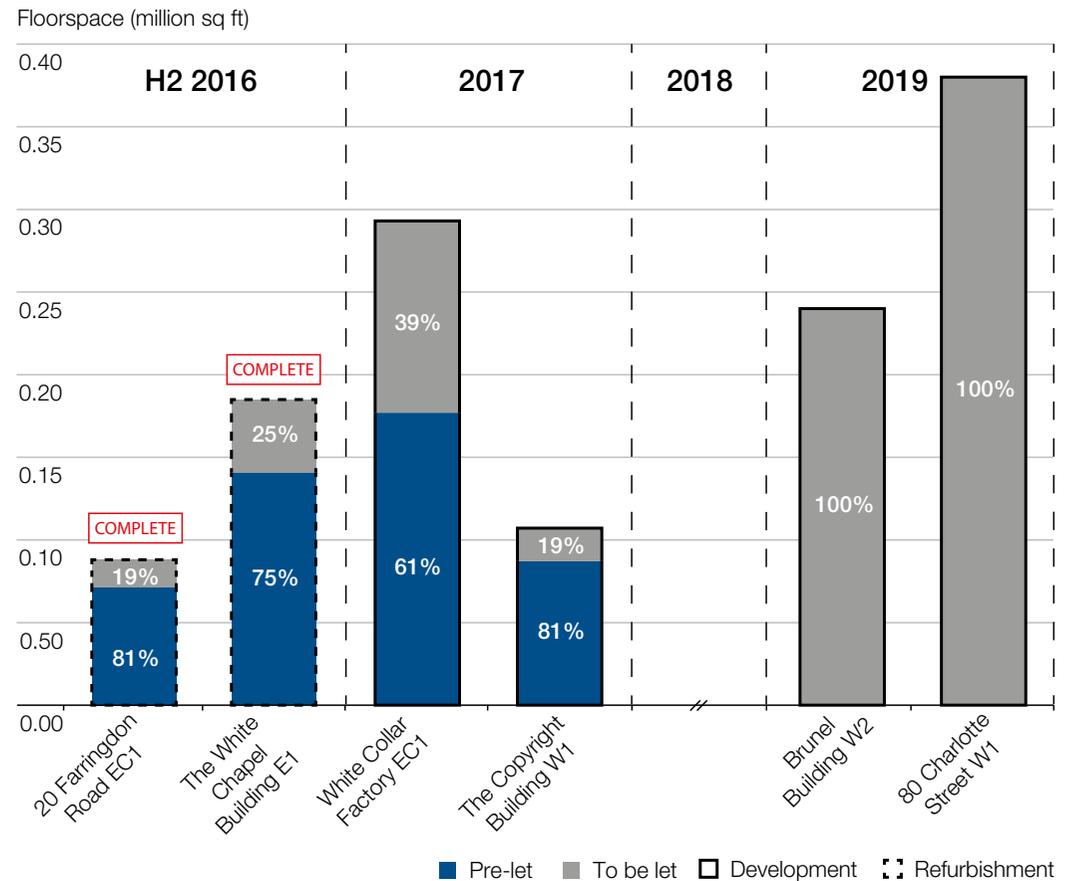
Recycling since January 2014:

- Sold £483m commercial (includes 75 Wells Street W1 and Tower House WC2)
- Sold £63m residential / land
- Invested £388m⁴ into project capex:
- Acquired £357m:
 - The White Chapel Building £151m
 - Other £206m

Yield
3.5% (cash)
nil%
c.8%
nil%
3.1%

¹ Comprising book value at commitment, capex, fees and notional interest on land, voids and other costs. 80 Charlotte Street W1 land value as at December 2011, following receipt of planning permission and Brunel Building, 55-65 North Wharf Road W2 land value as at June 2015 ² Private residential 35,000 sq ft and affordable housing 10,000 sq ft
³ Assumes the residential value reduces the total costs ⁴ Includes capitalised interest

- Fixing costs - 74% fixed
- Using Tier 1 contractors - Multiplex, Skanska, Laing O'Rourke
- Working closely with chosen subcontractors
- Building in generous void and rent free allowances - typically 30-36 months
- Experienced team
- Flexible finance with no development facilities
- Pre-letting record based on quality of space, locations and value for money

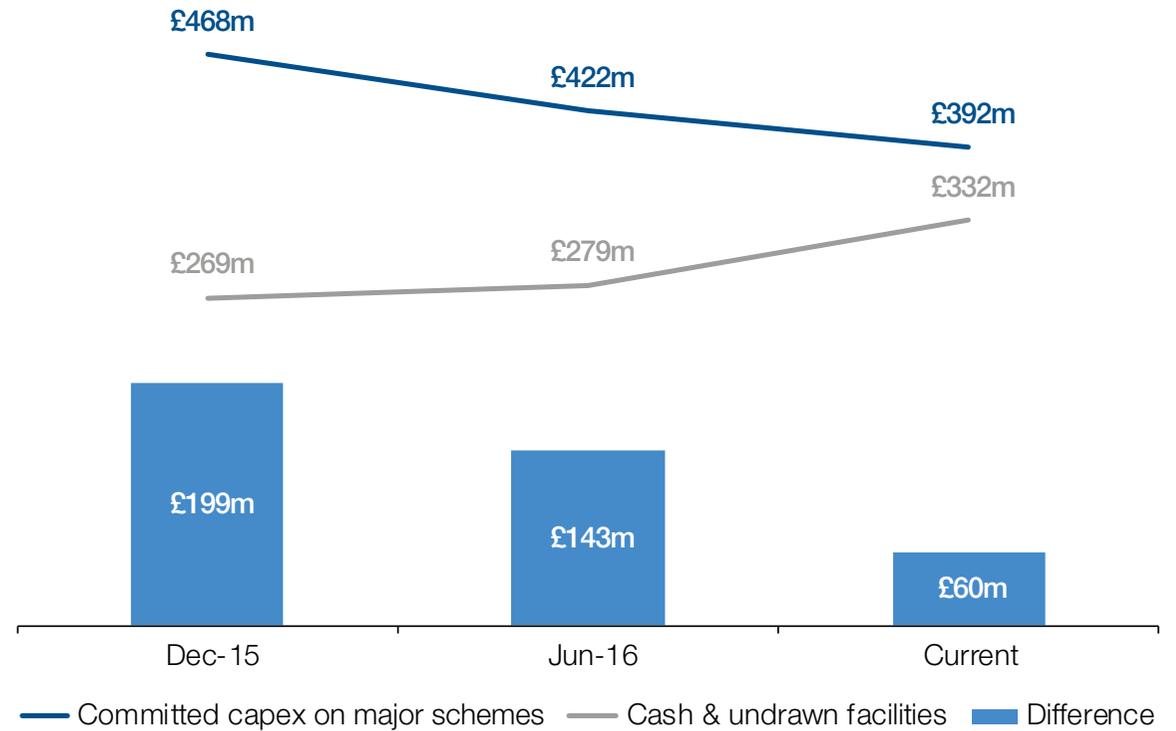


- Great building offering good value
- Crossrail location
- Others investing in the area
- Letting market for big space: low vacancy rate and limited choice
- Very valuable planning permission with good returns likely
- Fixed costs at strong £
- Low break even rent of £46 psf – we will let at realistic levels if necessary
- Capex to complete £105m and ERV of £14.8m (net)
- Void costs about £3.8m pa
- Marginal revenue needed to cover additional holding costs is low:

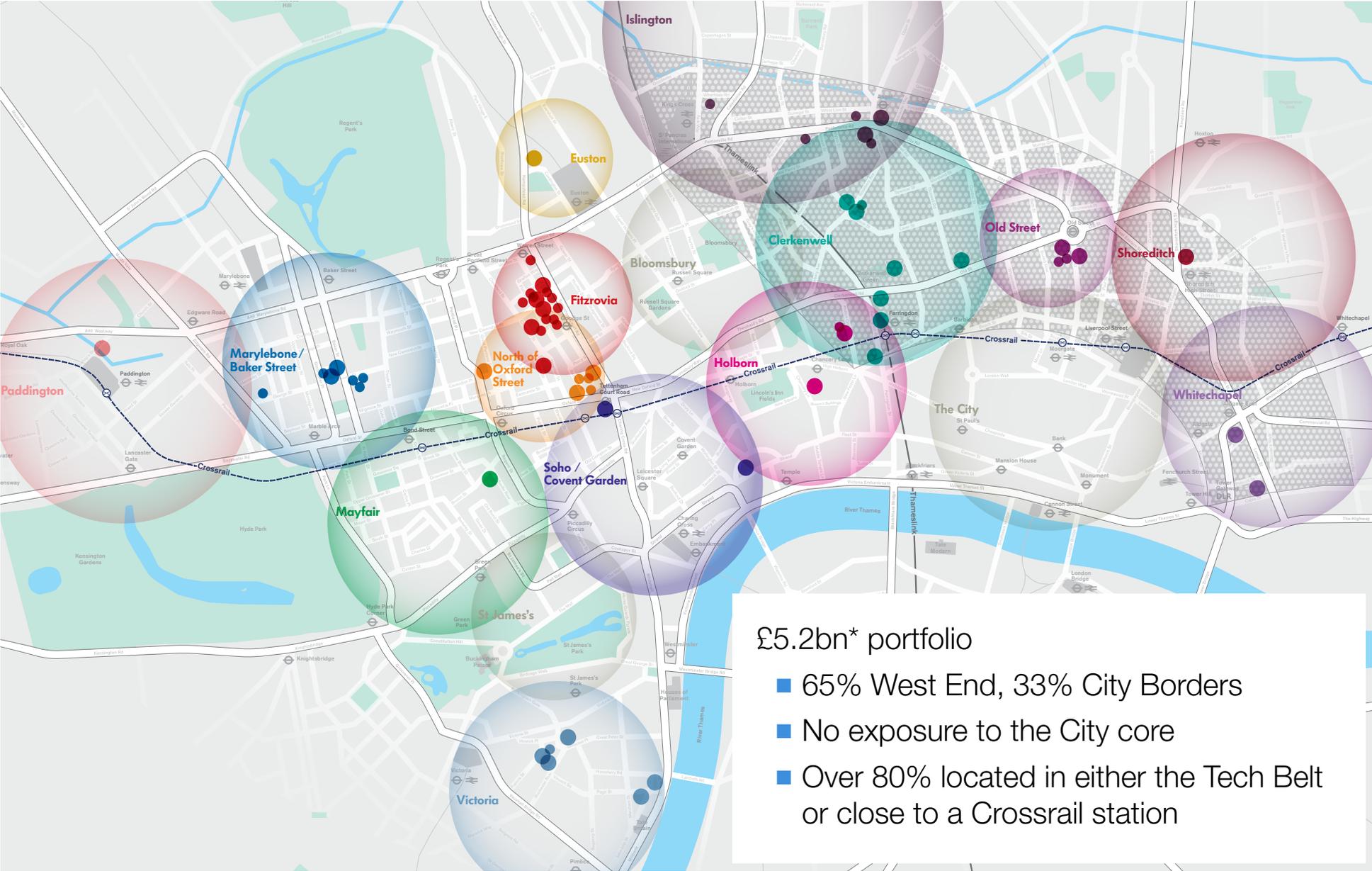


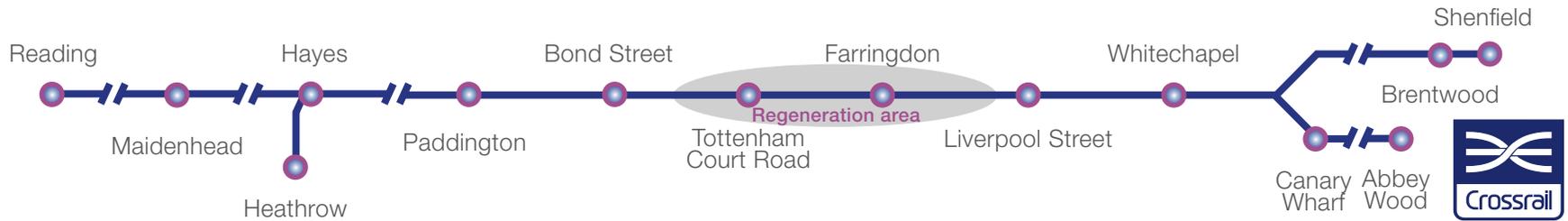
	0% pre-let	25% pre-let	50% pre-let
Interest on capex to complete at 2.25%	(2.4)	(2.4)	(2.4)
Void costs	(3.8)	(2.9)	(1.9)
Rent @ £62.50 psf	-	3.7	7.4
Net	(6.2)	(1.6)	3.1

- Trend shown here:
- Recycling and adding debt facilities
- Business generates circa £30m of recurring cash flow per annum after dividends
- New project commitments will be more cautious but retain optionality
- LTV ratio expected to remain low



PORTFOLIO QUALITIES NIGEL GEORGE





	Paddington	Mayfair	Fitzrovia North Oxford St Soho	Clerkenwell Holborn	Old Street Shoreditch Whitechapel
Prime rents psf	£65	£115	£85	£67.50	£70
Derwent Properties psf	-	-	£32.00 - £85.00	£25.00 - £62.50	£17.00 - £67.50
	4.1m sq ft / 66% of portfolio				

The making of an office location:

- 2 million sq ft West End office hub
- Crossrail will transform connectivity
- Major rail and underground terminus
- Extensive street scape improvements underway
 - Pocket parks, public arts, canal walkways

Offers tremendous West End value compared to the West End core - rents circa £65 psf

BRUNEL BUILDING

- Prime canal location
- A gateway to Paddington - opposite the Crossrail entrance
- Striking design with volume
- 240,000 sq ft - delivery 2019
 - 17,000 floor places - divisible



TRAVEL TIMES FROM PADDINGTON (MINS) TO:

	CURRENT*	CROSSRAIL
Tottenham Court Road	20	4
Liverpool Street	23	10
Canary Wharf	34	17
Heathrow	52	23

* By underground

Grade A Office Rents:

- Paddington circa £65 psf
- Other West End locations:
 - Knightsbridge £85 psf
 - Fitzrovia £85 psf
 - Victoria £80 psf
 - King's Cross £77.50 psf
 - Southbank £62.50 psf

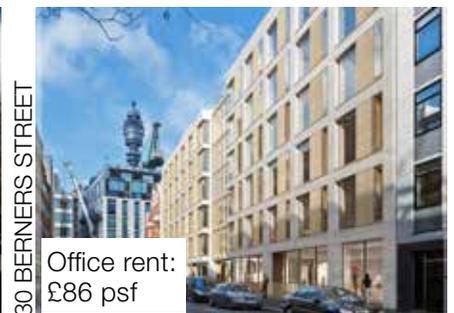


An increasingly popular and vibrant area:

- A core “W1” location undergoing major regeneration
- Attracting new occupiers, including:
 - Office: Estée Lauder and Facebook
 - Retail: Primark, Zara, Oasis and Planet Organic
- Crossrail now acting as major occupier draw
- Significant proposals to reconfigure Tottenham Court Road:
 - Traffic reductions
 - Increased pedestrianisation
 - Improved public spaces

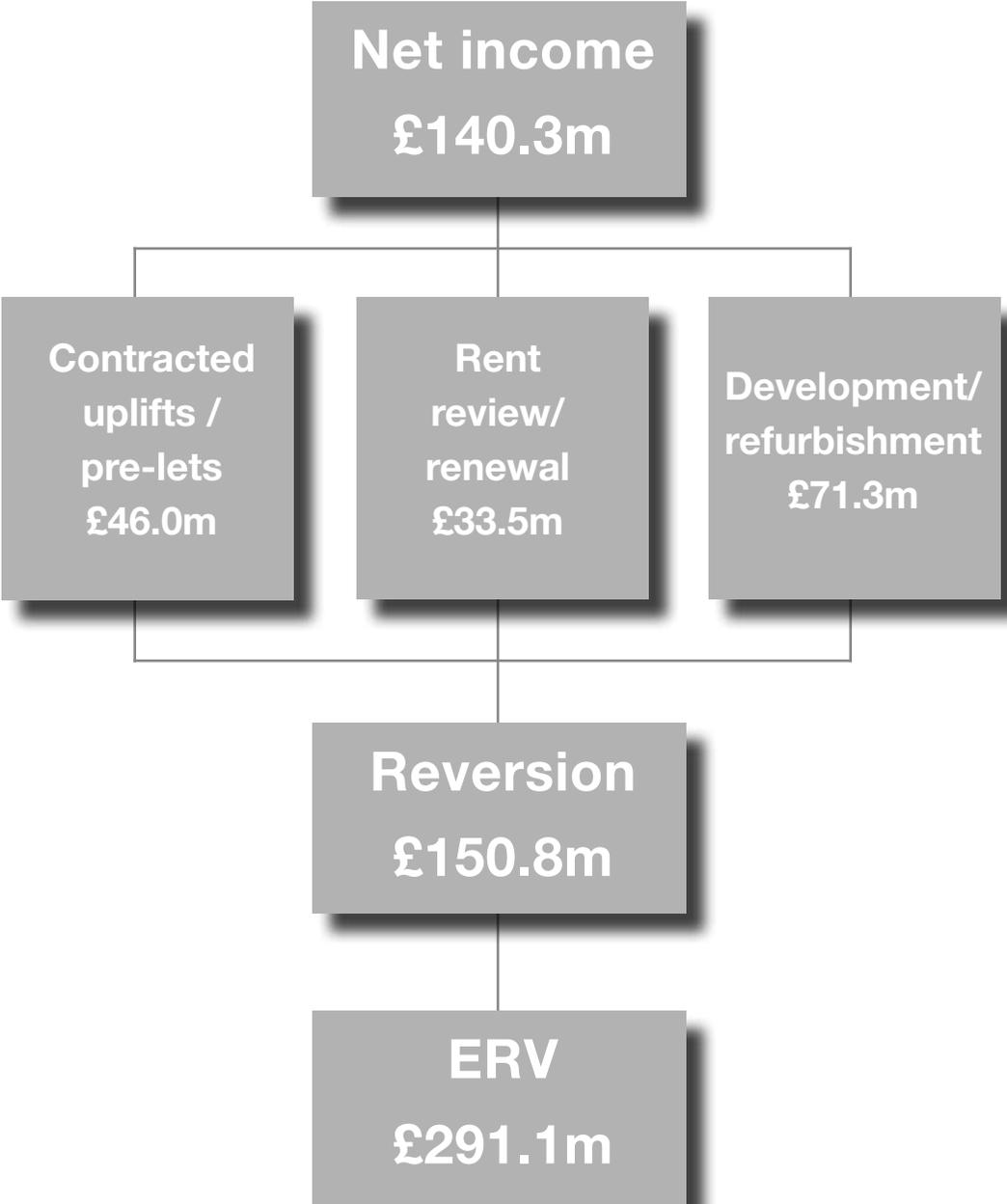
DERWENT PORTFOLIO 2.0M SQ FT IN THE VICINITY

- 35 buildings with a rental income of £49.4m
- 80 Charlotte Street (380,000 sq ft) under construction
- 1.4 acre island site
- Delivery 2019

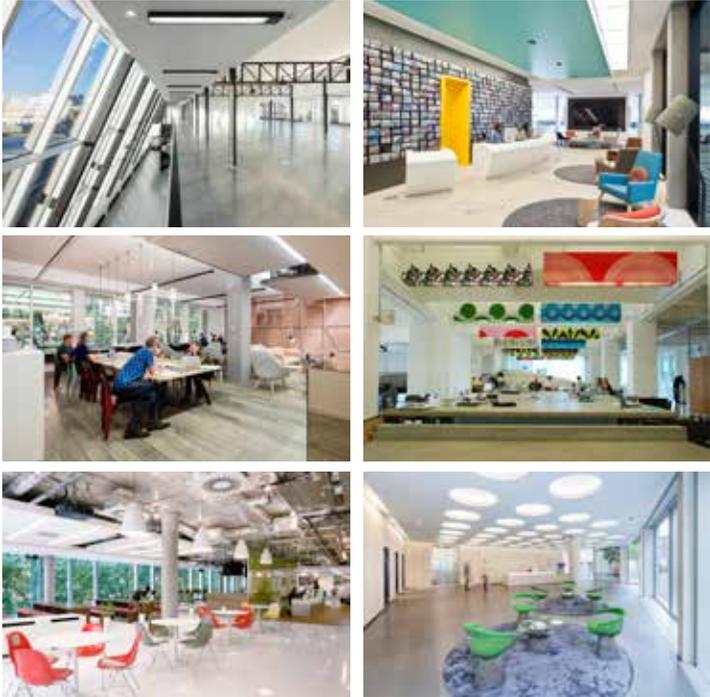
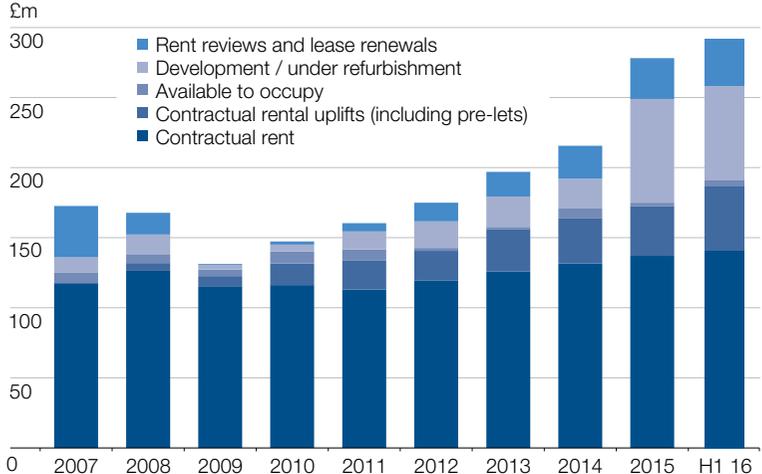


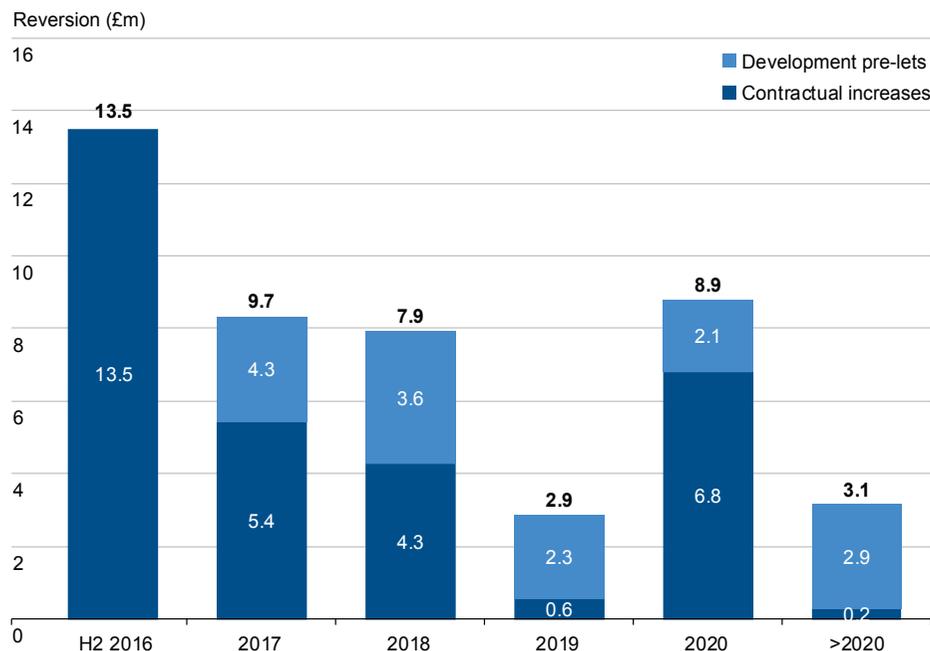
- A landmark building
- 40,000 sq ft floor plates - divisible
- Extensive terraces
- Circa 3m floor to ceiling heights
- Opportunity for multiple entrances
- Rent circa £80 psf





INCREASING POTENTIAL INCOME





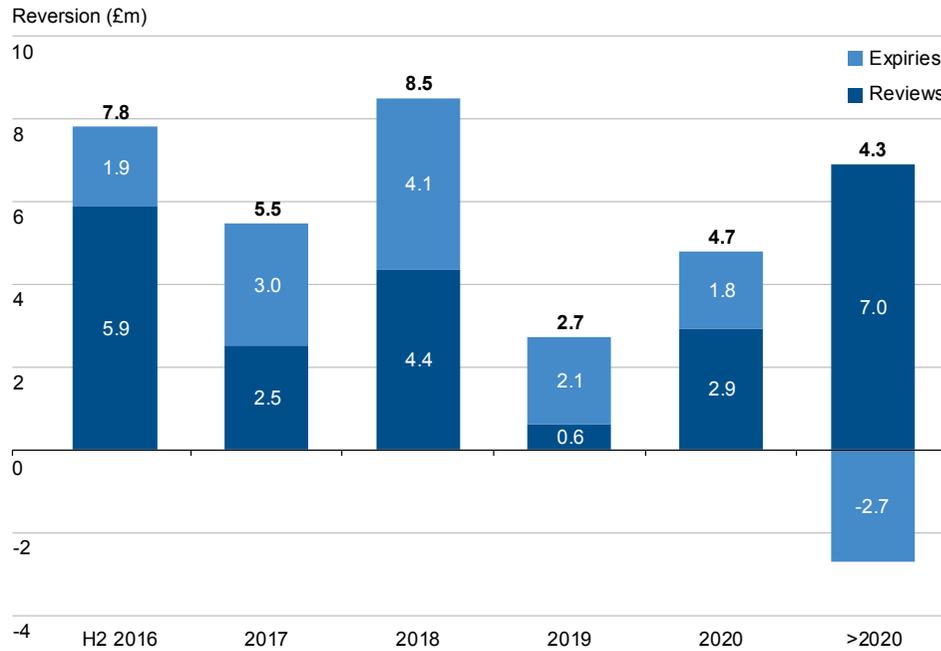
- Contractual - £30.8m:
 - Rent frees and guaranteed increases on review
 - Income is spread over the lease length

- Development pre-lets - £15.2m:
 - Income to be recognised and spread from commencement of lease

- Positive for the valuation

EXAMPLES OF MINIMUM UPLIFTS

BUILDING	TENANT	AREA sq ft	RENT £ psf	MIN/FIXED UPLIFT £ psf
White Collar Factory	Various	164,800	57.50 67.50	63.50 70.00
1 Page Street	Burberry	127,800	45.00	47.50
Angel Building	Cancer Research	125,500	46.50	51.00
40 Chancery Lane	Publicis	102,000	57.50	60.00
Turnmill	Publicis	58,000	55.00	57.50
4 & 10 Pentonville Road	Ticketmaster	50,500	42.50	45.00
1 Oliver's Yard	Equinix Telecity	22,400	35.00	44.00
1-2 Stephen Street	AnaCap	16,100	82.50	85.00



Rent ¹ psf	£37	£32	£42	£52	£46	£42
ERV ¹ psf	£52	£48	£50	£61	£53	£45
Uplift ¹ %	41	50	19	17	15	7

- Low passing rents
- Potential to capture 65% of reversion over next 2.5 years

¹Average offices

2016 RENT REVIEW TRANSACTIONS

1-2 STEPHEN STREET



Office 21,100 sq ft
Rent £70 psf
Uplift 61%

30 GLOUCESTER PLACE



Office 23,600 sq ft
Rent £50 psf
Uplift 34%

1-5 MAPLE PLACE

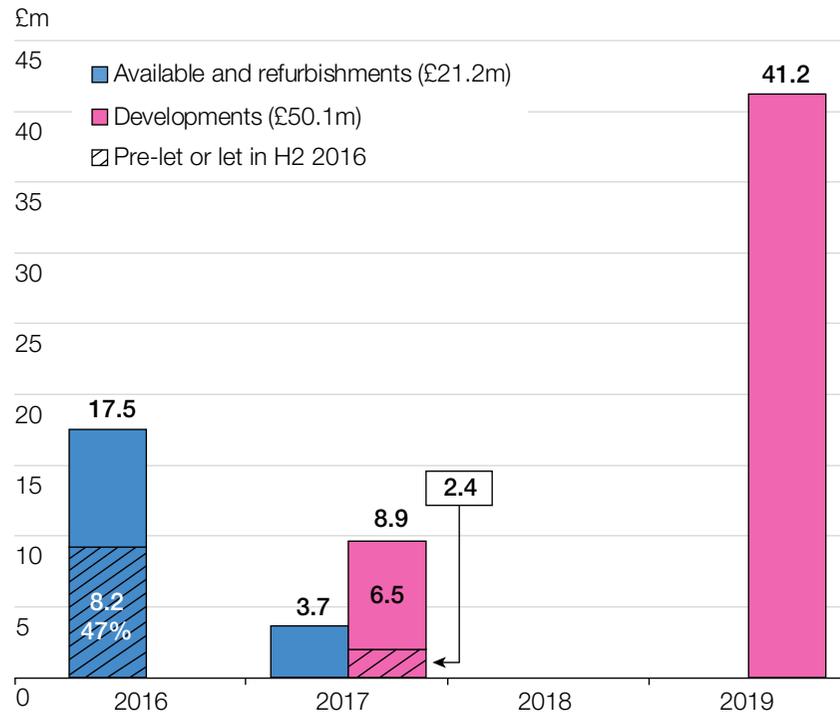


Office 11,500 sq ft
Rent £63 psf
Uplift 52%

HOLDEN HSE, OXFORD ST



Retail 1,400 sq ft
Rent £460 Zone A
Uplift 78%



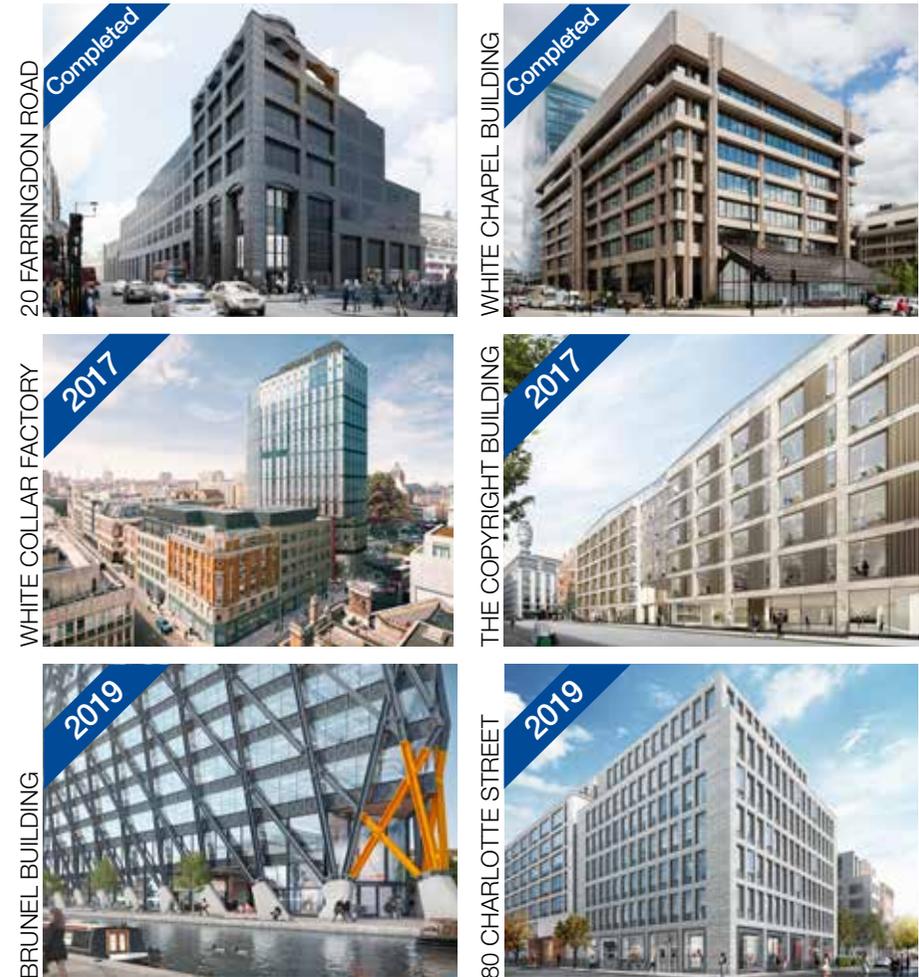
2016

- 47% of project reversion secured in H2 2016
- Balance principally:
 - 45,700 sq ft at The White Chapel Building

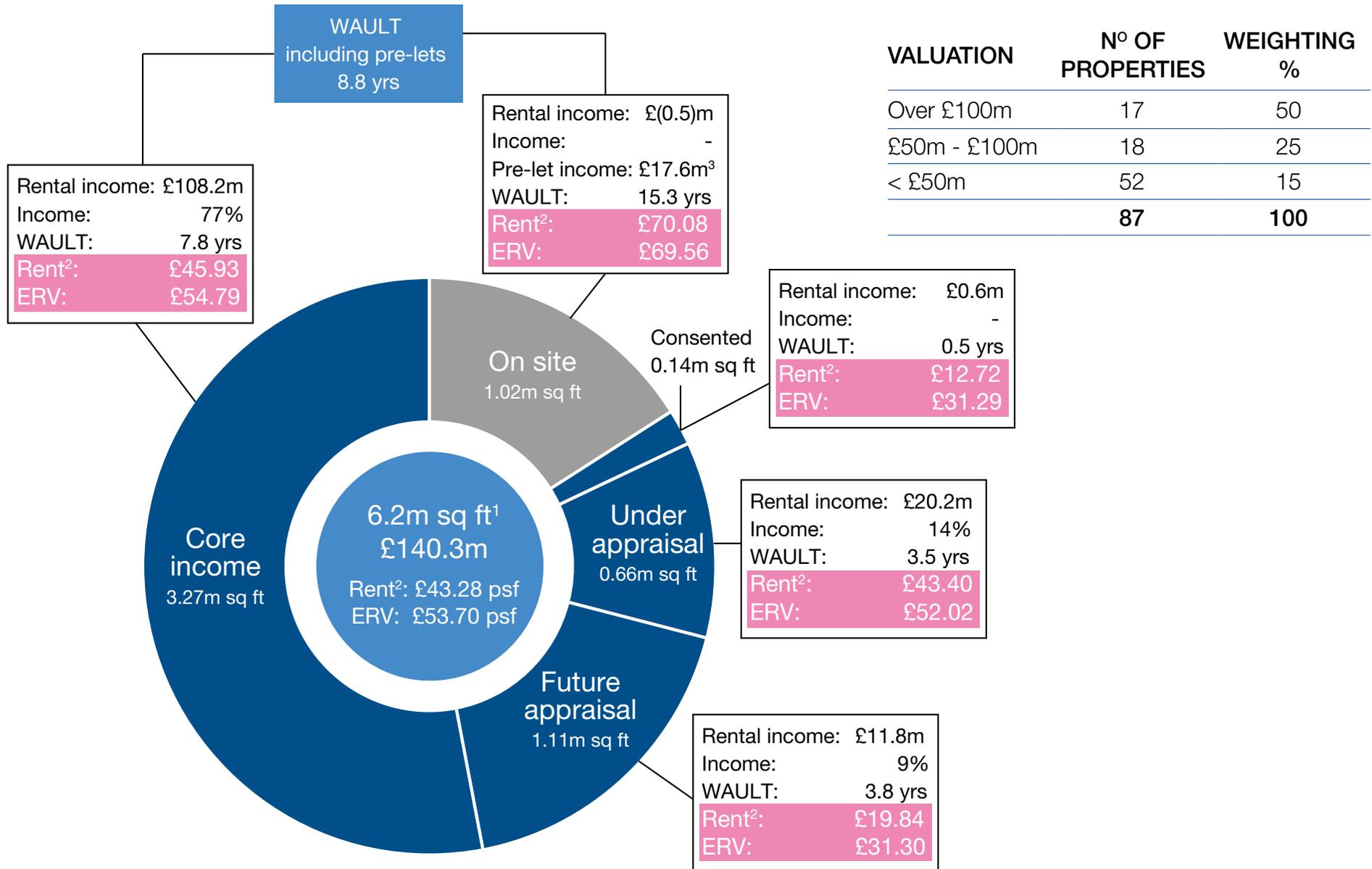
2017

- 19% of reversion secured leaving:
 - 114,700 sq ft at White Collar Factory
 - 20,000 sq ft of retail at The Copyright Building
 - 22,000 sq ft at 25 Savile Row (refurbishment)

DELIVERY



PORTFOLIO COMPOSITION AT JUNE 2016

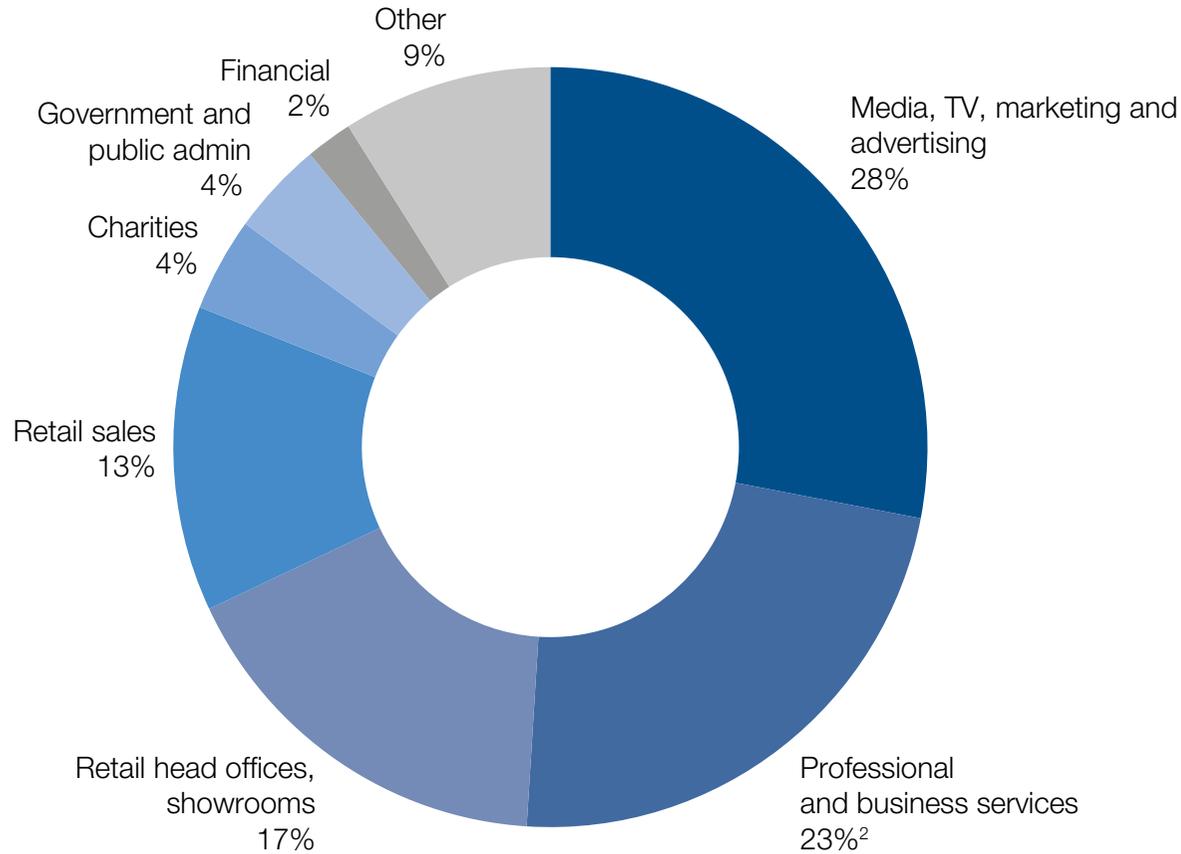


¹ Comprises 5.2m sq ft of existing buildings plus 1.0m sq ft of on-site developments

² Topped-up office rent psf

³ £15.2m at June 2016 and £2.4m in H2 2016

PROFILE OF TENANTS' BUSINESS SECTOR¹, 30 JUNE 2016



¹ Expressed as a percentage of annualised rental income of the whole portfolio

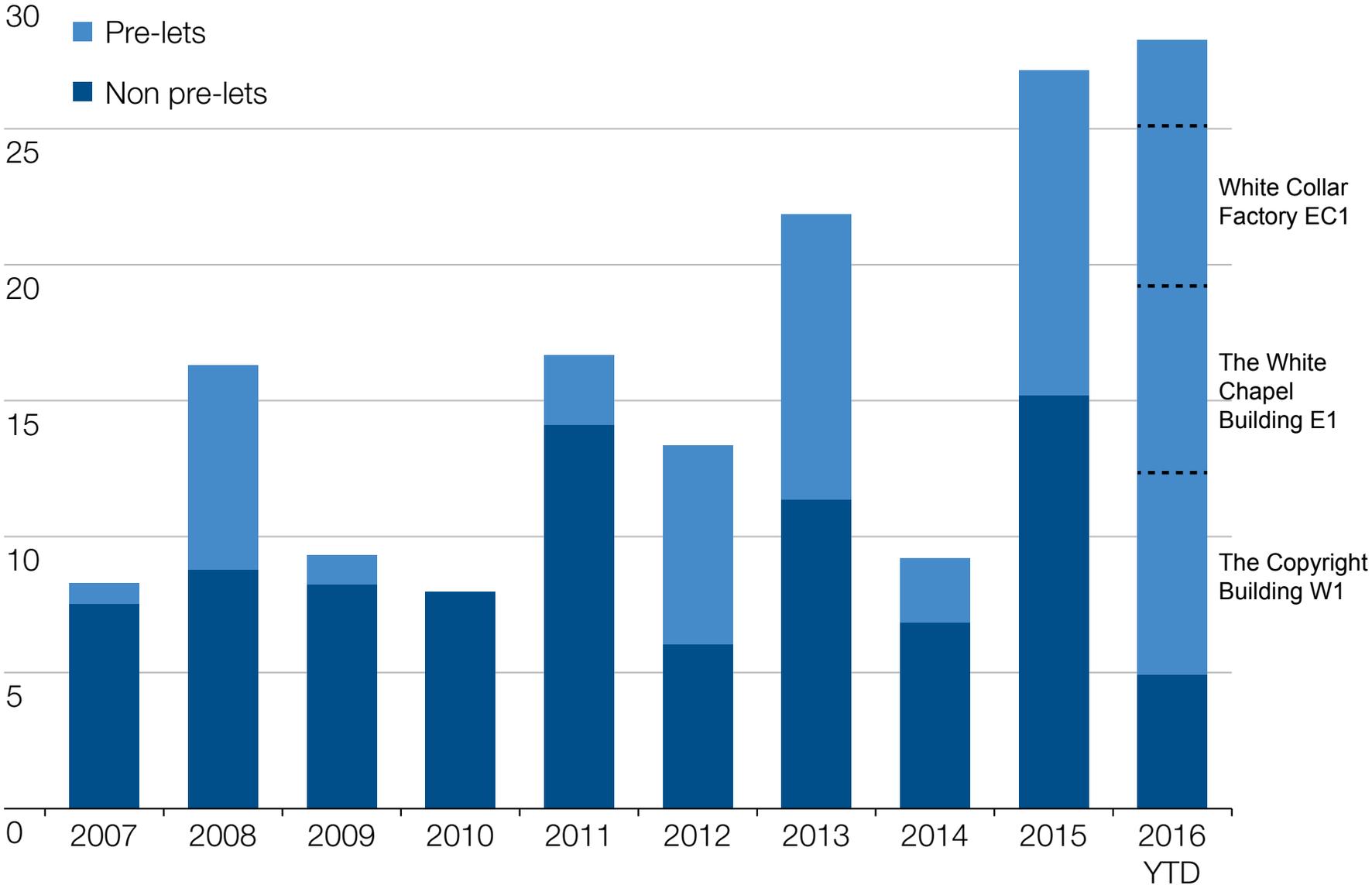
² Serviced/flexible office providers comprised 4% of the annualised rental income of the whole portfolio

LETTING & ASSET
MANAGEMENT
PAUL WILLIAMS

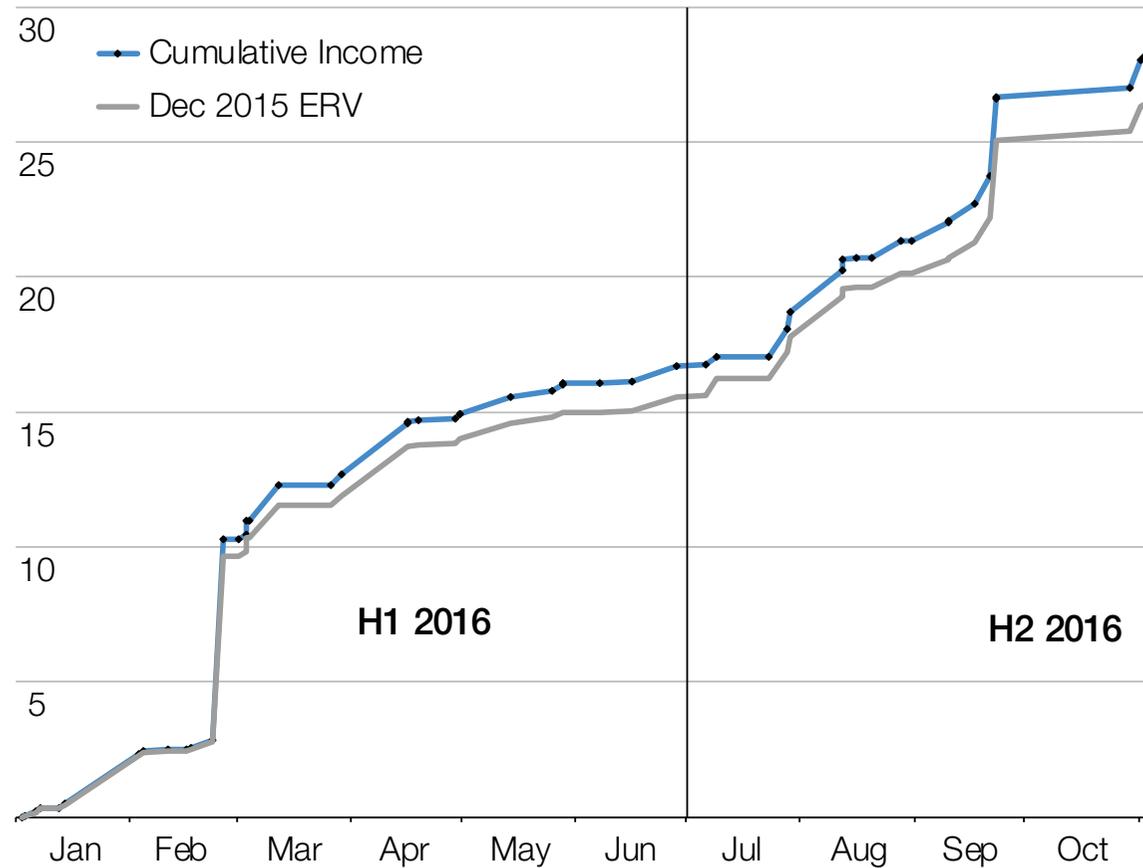
LETTING ACTIVITY YTD

■ Highest letting year on record securing £28.3m of rental income:

Rental income (£m pa)



LETTING PROGRESS THROUGHOUT THE YEAR



- Average lettings getting larger:
 - 10,500 sq ft in 2016 YTD
 - 6,200 sq ft in the last five years
 - 5,100 sq ft in the last ten years
- Good level of activity and interest in our space in H2

- A wide range of asset management initiatives were concluded in the first nine months of the year:

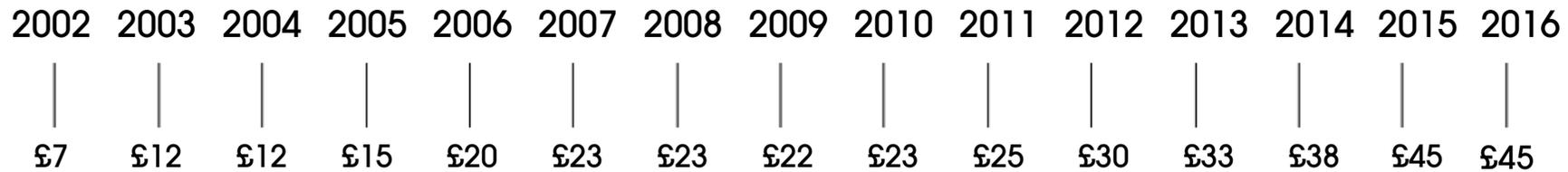
	sq ft	Previous rent £m pa	New rent £m pa	Change %	Income v ERV %
Rent reviews	165,700	5.28	7.62	44.4	10.1
Lease renewals	17,600	0.73	0.87	18.5	-0.8
Lease regears	150,400	5.07	7.80	53.7	12.6
	333,700	11.08	16.29	47.0	10.6

- Total additional rent of £5.21m



1 STEPHEN STREET W1

AVERAGE ERV (£ psf):



£57.50 psf achieved in Q3 2015

62% Green Tea:

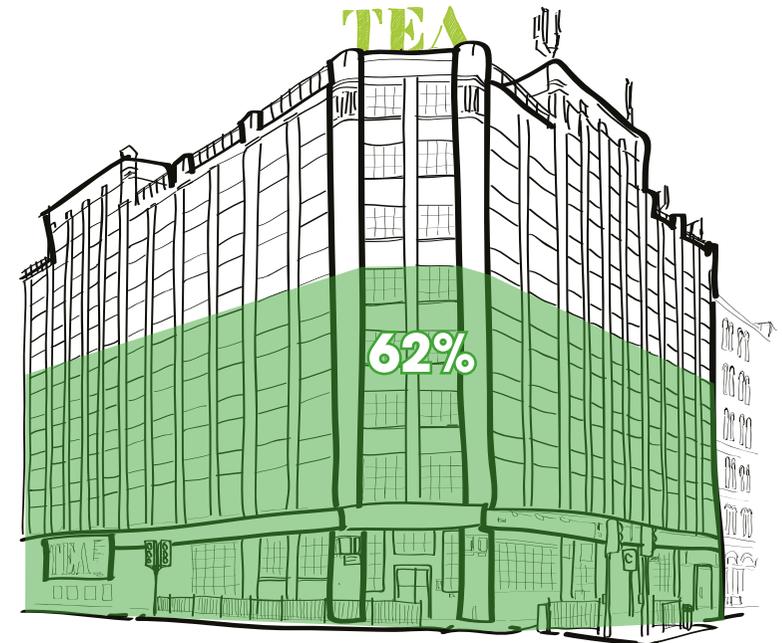
WHITE HORSE PUB

PRIOR TO ACQUISITION:

- 8,150 sq ft
- Five floors on the NW corner of Tea
- Rent of £44k pa (£5.40 psf)
- Expiry Dec 2024 (no breaks)

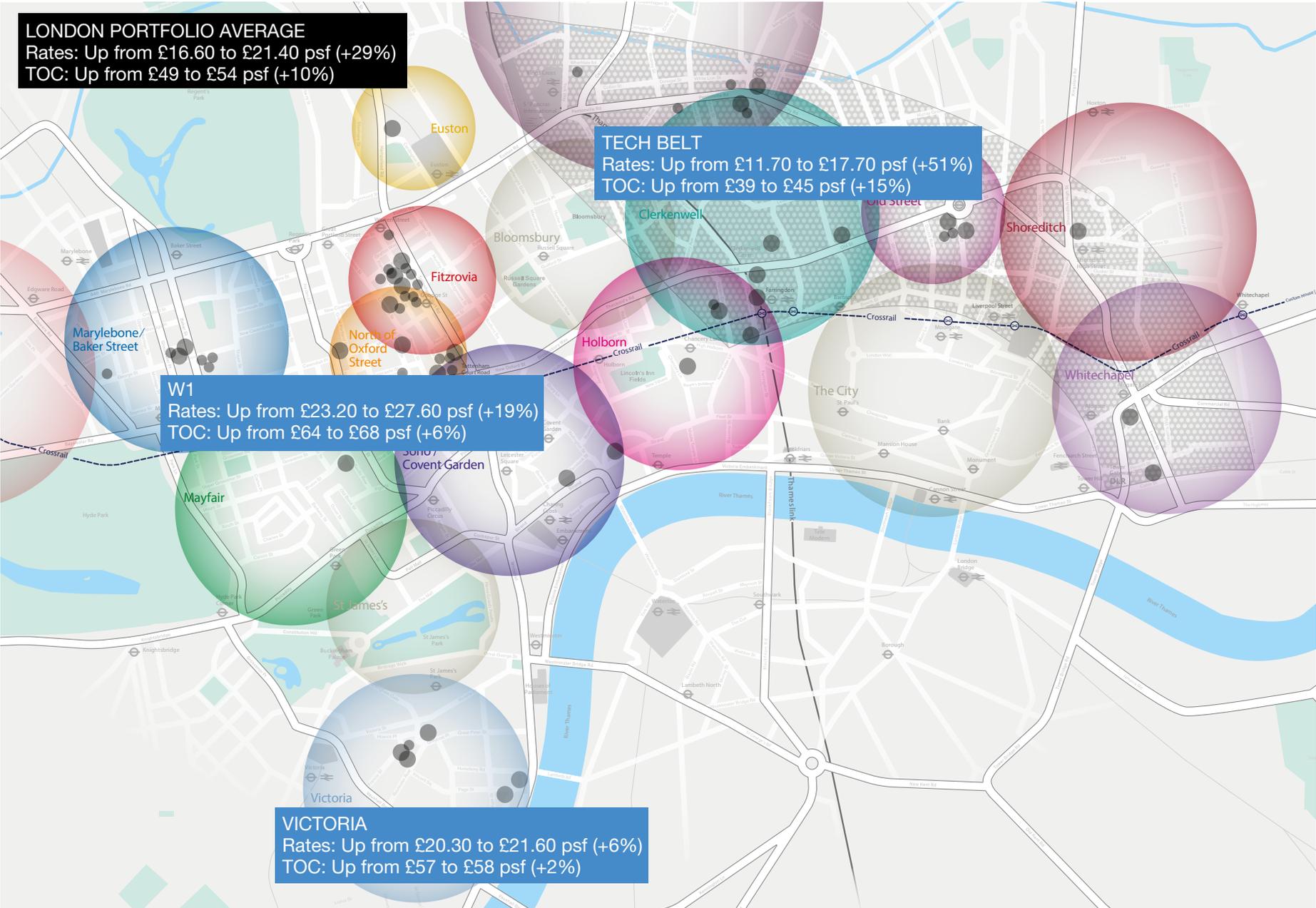
NOW:

- Acquired for £2.2m for freehold and lease surrender
- Possession gained in Aug 2016
- Upper two floors pre-let at £126k pa or £52 psf
- Lower three floors under offer to restaurant (ERV £145k)



- Two properties of 145,100 sq ft acquired in 1995
- Rents raised from c.£10 psf to c.£59 psf
- In 2014 we bought back the long lease on the basement space and have since been reconfiguring it to create 31,000 sq ft of lettable space:
 - 22,000 sq ft pre-let to a Gym operator at £0.3m pa - 20 year lease with no breaks
 - 9,000 sq ft studio offices due for completion in Q4 (ERV £450k) - images on right





INVESTMENT ACTIVITY

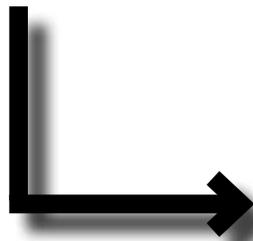
DAVID SILVERMAN

ACQUISITIONS
OPPORTUNITIES

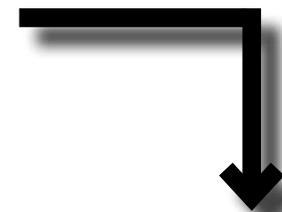


LOWER RETURNS

1. High capital values
2. Limited value - add opportunities
3. Non-core / too small



INVESTMENT
PORTFOLIO



HIGHER RETURNS

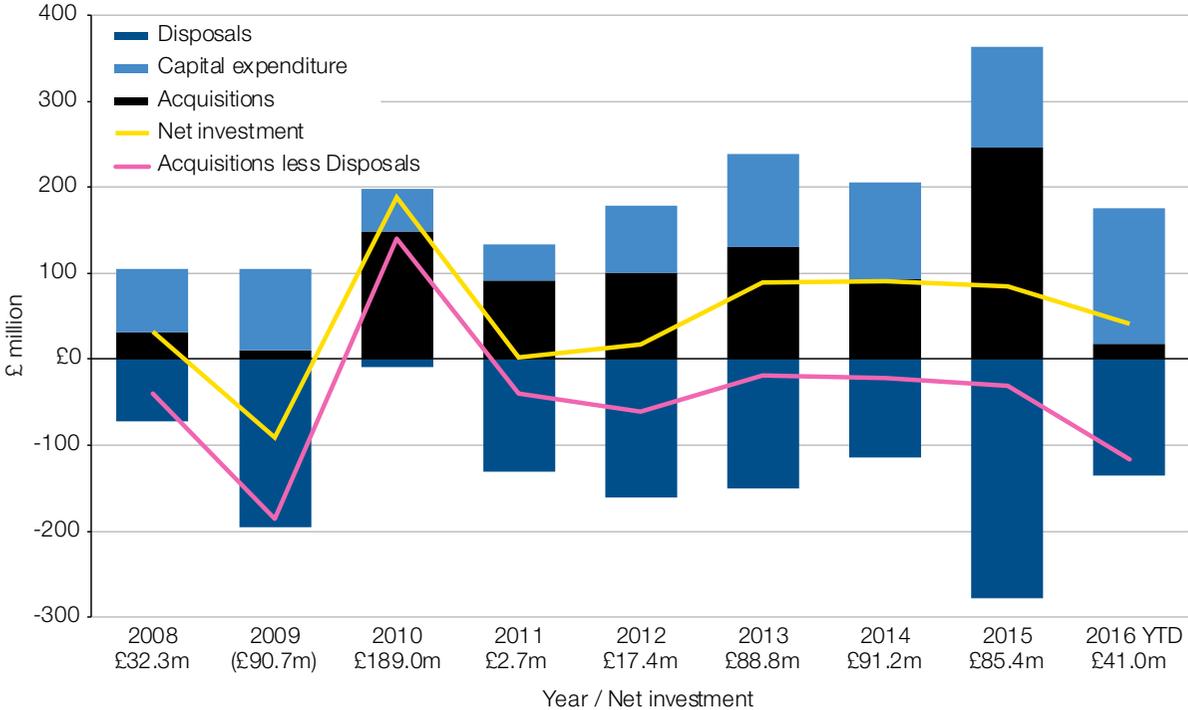
1. Low rents and capital values
2. Located in improving areas
3. Refurbishment and development potential
4. Income producing while formulating a plan for each asset
5. Often located near existing assets



MATURE ASSETS

DISPOSALS

	£m
Total acquisitions	868
Total disposals	(1,245)
Cash raised	377
Capital expenditure	833

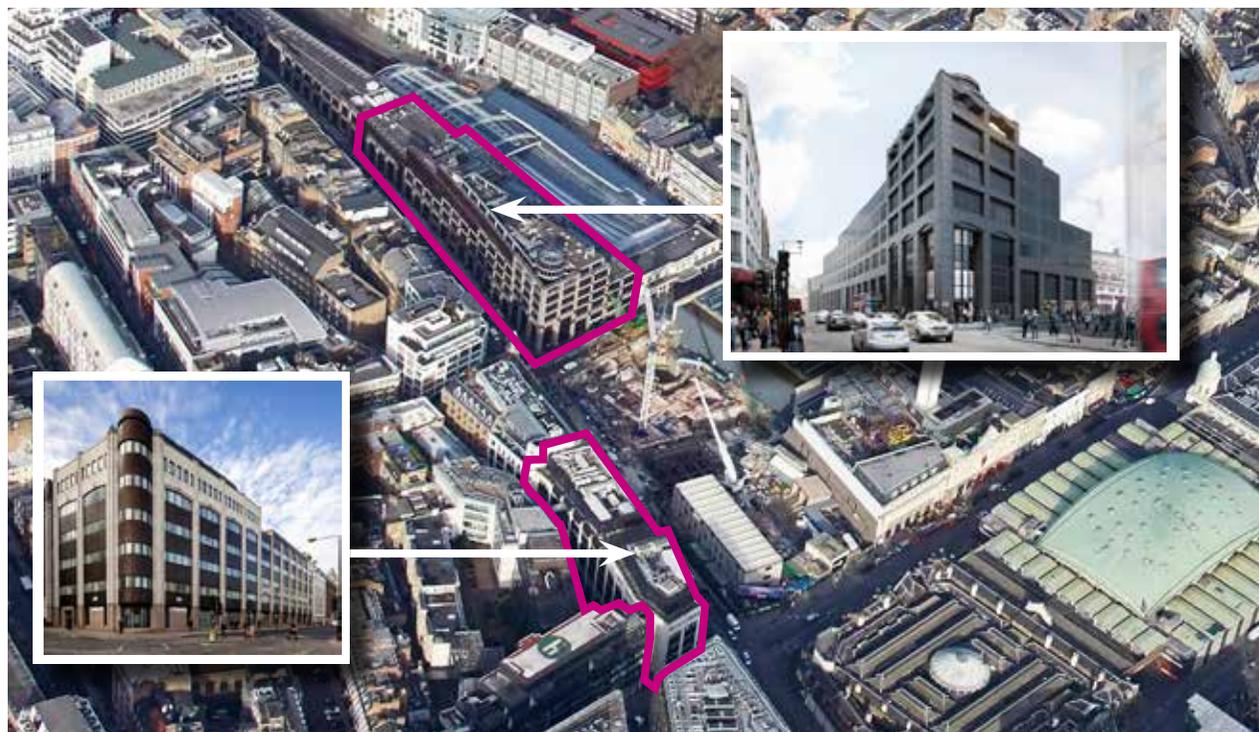


45% DEVELOPMENT CAPEX FUNDED BY NET INVESTMENT ACTIVITY

GOOD PRICES

	Capital value £ psf	Rent £ psf
2010		
1-2 Stephen Street	581	34
2011		
1 Page Street	380	N/A
Network Building	554	43
2012		
25-29 Berners Street	460	18
Francis House	537	37
9-16 Prescott Street	209	11
2013		
Mark Square House	479	24
19 Charterhouse Street	648	27
22 Kingsway	649	33
2014		
Angel Square	620	19
19 Featherstone Street	450	10
2015		
20 Farringdon Road	545	27
The White Chapel Building	530	N/A
50 Oxford Street	2,395	74

MAKING CLUSTERS



IMPROVING LOCATIONS

- Tech Belt 54%
- Fitzrovia 42%
- Victoria 4%



72%
(properties within 800m of
a Crossrail station)

POTENTIAL



- Good bones
- Good volume
- High levels of natural light
- Generous floor to ceiling heights
- Large / regular floor plates
- Corner / island positions

ACTIONS



- Increase their area: utilise atriums / courtyards / car park
- Roof top extensions
- Terraces
- Converting ground floor to retail
- Lower ground floors: storage to offices
- Improving / adding entrances
- Creating an identity

HIGHER VALUE

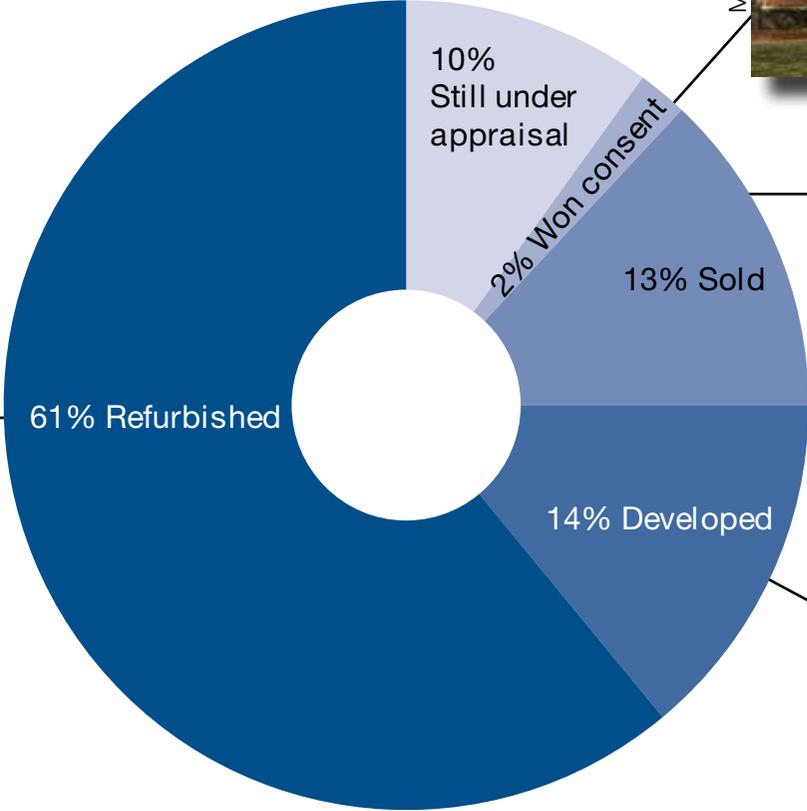


THE COPYRIGHT BUILDING W1

DERWENT LONDON IS NOT A PASSIVE INVESTOR

Since 2010 Derwent London has acquired over 1.5 million sq ft:

↳ 90% has been worked post acquisition



GOOD PRICES

	Capital value £ psf
2011	
Covent Garden	945
170 Tottenham Court Road	775
2012	
Riverwalk House	775
2013	
1-5 Grosvenor Place	1,555
60-62 Commercial Road	460
2014	
Jaeger House	1,215
186 City Road	595
Suncourt House	645
2015	
Davidson Building	1,520
Wedge House	855
Portobello Dock	660
2016	
75 Wells Street	1,160
Balmoral Grove	N/A
Tower House	1,230

- Since 2010 Derwent London has sold 770,000 sq ft of central London office space
- Average disposal price £1,080 psf



- Full rents
- Non-core / smaller assets
- Testing values
- Recycle into new opportunities and developments

- £130m of sales since June 2016, 96% of sales YTD
- In line with book value



75 Wells Street W1

34,800 sq ft

£40.3m / £1,160 psf

Purchaser: Private Overseas



Balmoral Grove N7

67,000 sq ft

£23.9m - residential consent

Purchaser: Developer



Tower House WC2

53,700 sq ft

£65.9m / £1,230 psf

Purchaser: UK REIT

ADDING VALUE TO OUR

ACQUISITIONS

SIMON SILVER

- Three major Tech Belt acquisitions in the last two years
- 585,000 sq ft of property at £322.6m (£550 psf)
- Repositioning the properties through light touch refurbishment:
 - High quality office space at an affordable price in desirable locations
 - Creating more of an identity - enlarging atriums, improving signage etc
 - Adding and upgrading amenities such as cafes and terraces
 - Capex of £35m / £60 psf



ANGEL SQUARE EC1



20 FARRINGTON ROAD EC1



THE WHITE CHAPEL BUILDING E1



ON ACQUISITION

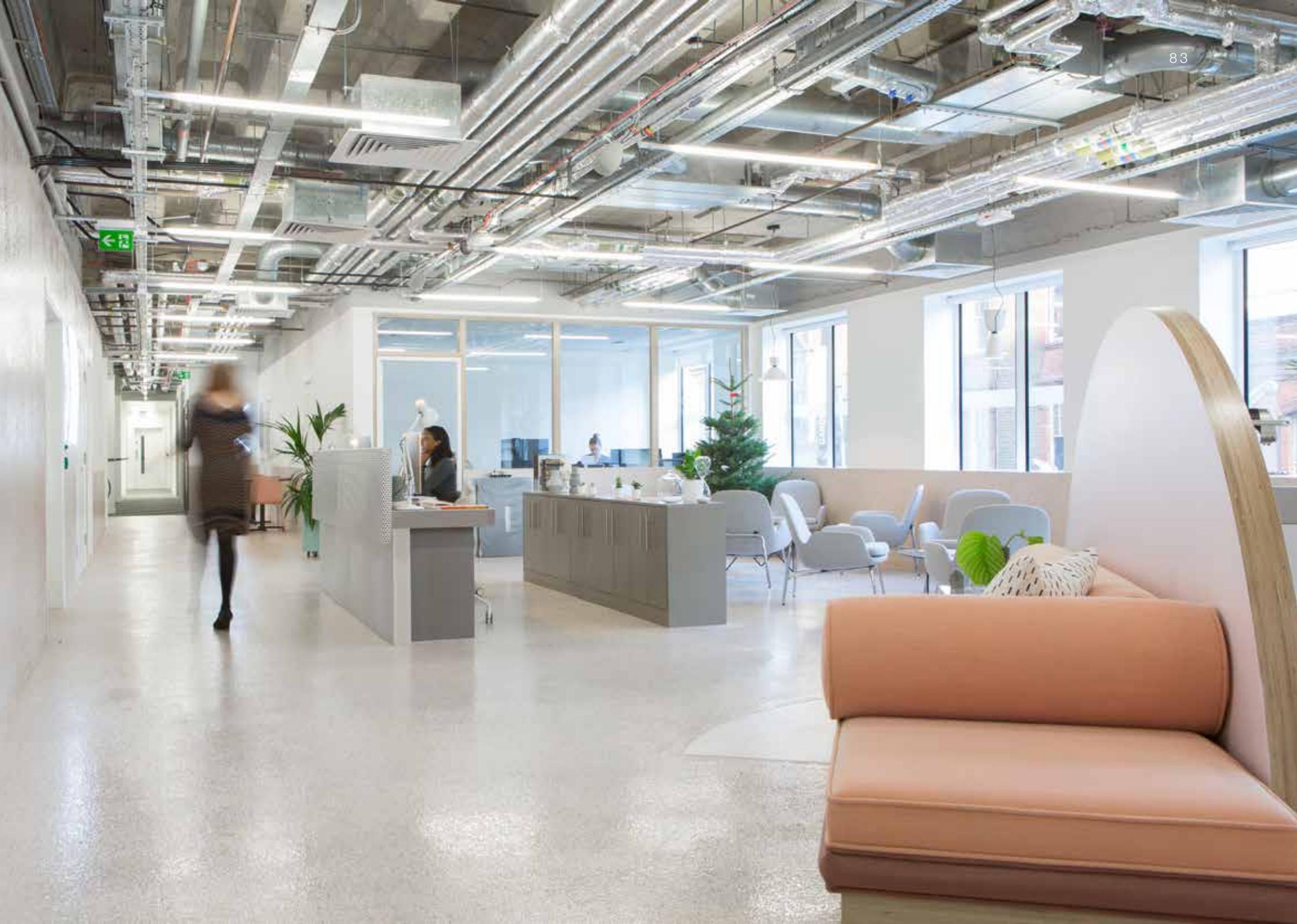
- Acquired in Q4 2014 for £78.6m (£620 psf):
 - 126,900 sq ft of offices
 - Rent of £2.4m pa (very low average rent of £21.68 psf)
 - Majority of leases expired in March 2015

POST ACQUISITION

- £6m light touch refurbishment undertaken shortly after acquisition:
 - Fully let at £4.8m pa – double the initial rent
 - Rents now range from £35 - £55 psf
 - ERV £6.2m

ANGEL
SQUARE
EC1









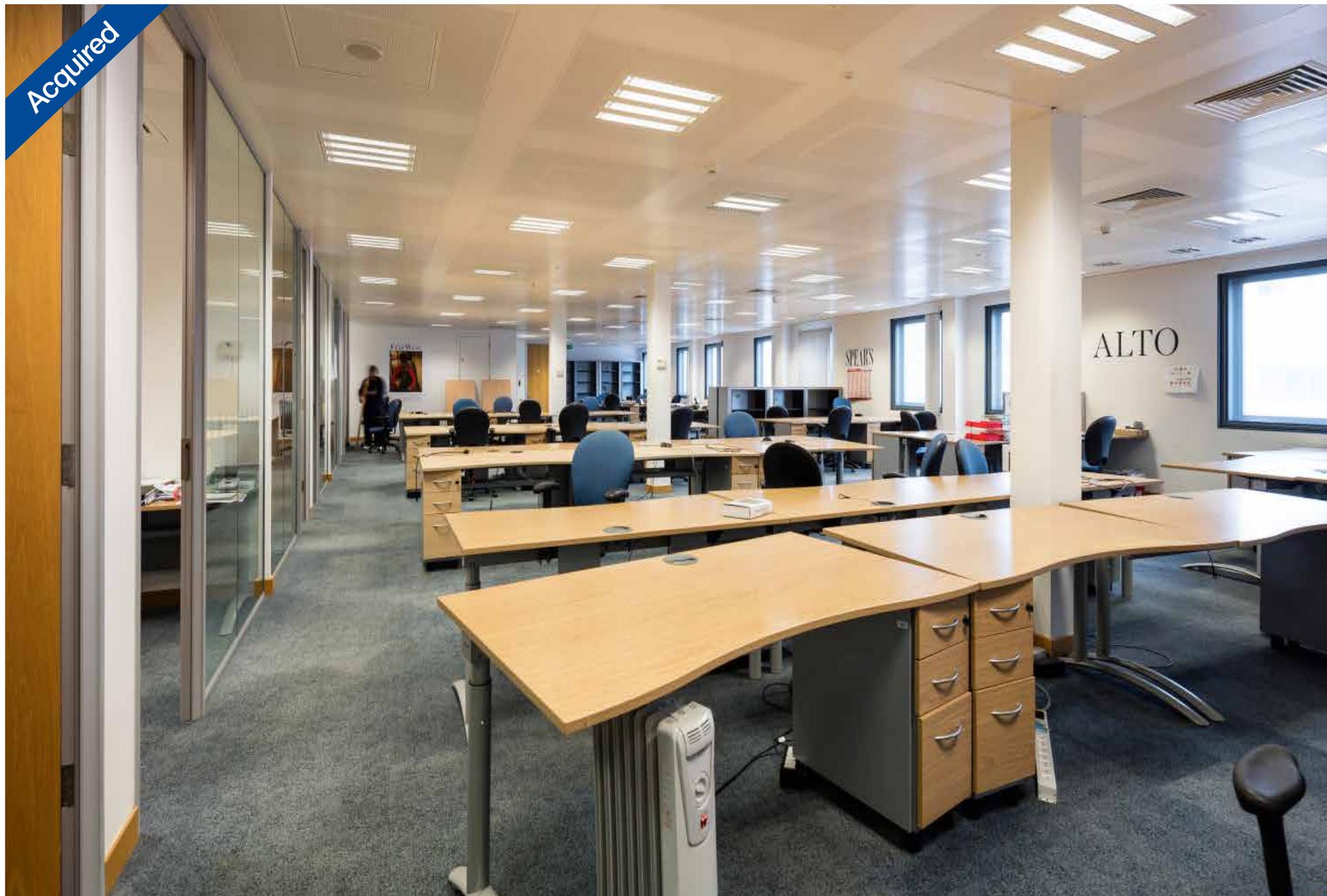
ON ACQUISITION

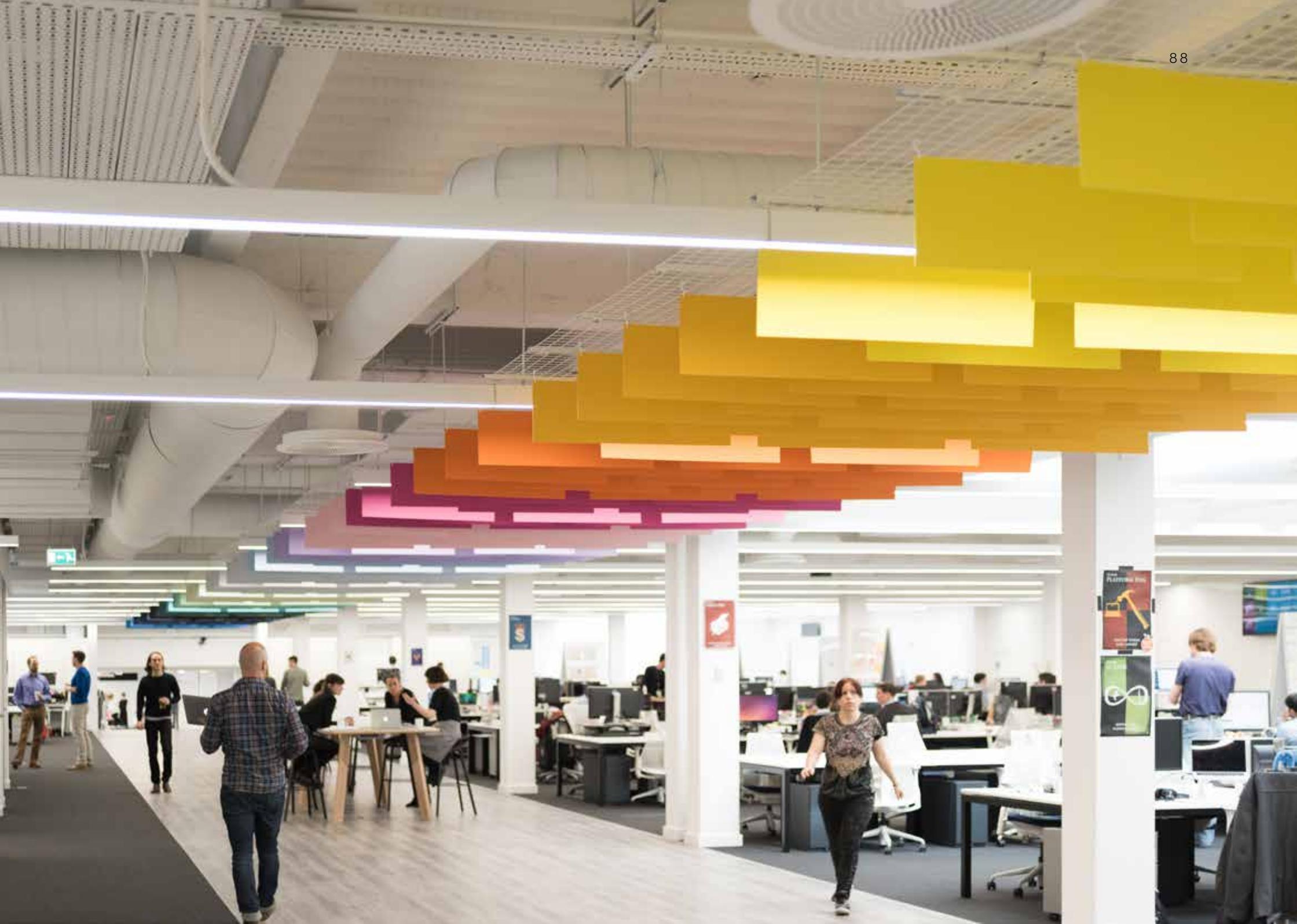
- Acquired 175-year long leasehold interest for £92.7m (£545 psf)
- Rent of £3.2m (net of 10% ground rent)
- Average rent of £27 psf
- Adjacent to Farringdon Crossrail interchange

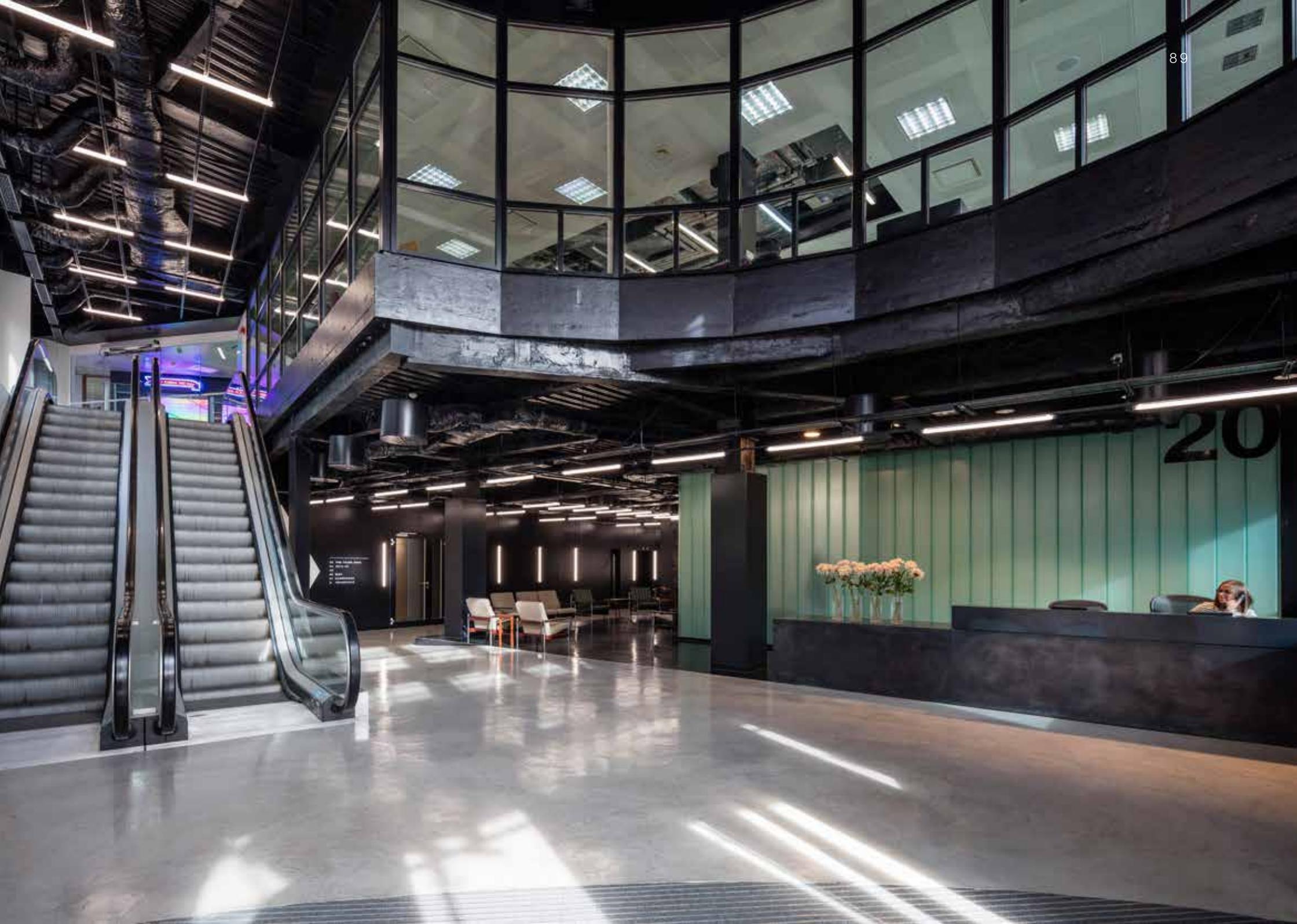
POST ACQUISITION

- £11m refurbishment undertaken on 88,000 sq ft
- Rent £6.1m (after rent frees)
- A further £0.7m (June 2016 ERV) to let
- ERV £7.6m
- Substantial future regeneration opportunity









20



ON ACQUISITION

- 285,500 sq ft office acquired with vacant possession for £151.3m (£530 psf)

POST ACQUISITION

- Rebranded from Aldgate Union
- Phase 1 (185,000 sq ft) - light touch refurbishment
 - 139,250 sq ft pre-let to five tenants at £6.9m pa (£45-£52 psf)
 - Negotiations underway on all of the remaining space
 - Total capex £18m
- Phase 2 (85,000 sq ft)
- ERV £10.1m

**THE
WHITE CHAPEL
BUILDING**
10 WHITECHAPEL HIGH STREET E1

WHITE CHAPEL

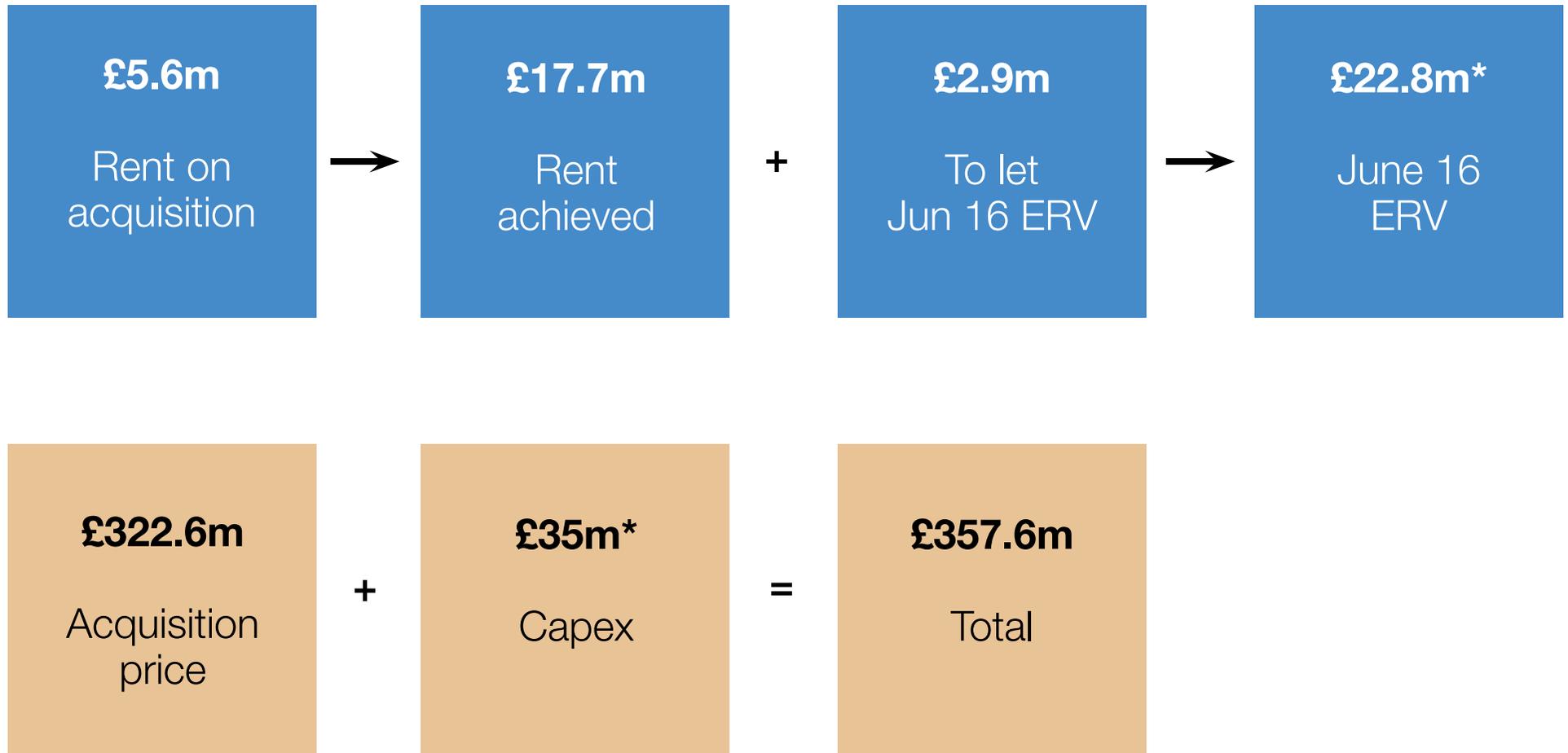
10





- Integration of ground and lower ground floors following additional acquisition
- Planning permission granted for a new entrance and pavilion
- 85,000 sq ft offices
- Potential income of £2m+





* Excludes Phase 2 of The White Chapel Building E1 and includes reversion on the let space

CONCLUSIONS
DERWENT LONDON
JOHN BURNS

- Good demand for our mid-market rental product has led to significant new lettings above ERV
- Disposal activity has been in line with book value
- Absolute debt levels remain low
- Appropriate development exposure focused on 2019 deliveries
- Portfolio is well placed to grow income and add value

DERWENT LONDON ATTENDEES

JOHN BURNS*	Chief Executive Officer	SIMON SILVER*	Property Director
DAMIAN WISNIEWSKI*	Finance Director	NIGEL GEORGE*	Property Director
PAUL WILLIAMS*	Property Director	DAVID SILVERMAN*	Property Director
RICHARD BALDWIN*	Head of Development	BEN RIDGWELL	Head of Asset Management
CELINE THOMPSON*	Head of Leasing	TIM KITE*	Company Secretary
QUENTIN FREEMAN	Head of Investor Relations	JON HALL	Investor Relations & Research Manager
RICK MEAKIN*	Group Financial Controller	JOHN DAVIES	Head of Sustainability
BENJAMIN LESSER	Development Manager	JO BENSON	Senior Project Manager
EMILY PRIDEAUX	Leasing Associate	KANE LEWIS	Leasing Surveyor
CHARMAINE REES	Senior Asset Manager	JONATHAN THEOBALD	Investment Valuer
GILES SHEEHAN	Investment Associate	JOSH TOBIN	Investment Surveyor
JENNIFER WHYBROW	Group Financial Planning	HEETHEN PATEL	Financial Planning & Control Manager
JAY JOSHI	Treasurer	LAWRENCE MCMORROW	Group Reporting Manager
NICOLE RANKIN	Investor & Communications Co-ordinator		

*Members of Executive Committee

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