DERWENT
LONDON

10 November 2016

Derwent London plc (“Derwent London” / “the Group”)

THIRD QUARTER BUSINESS UPDATE
RECORD LETTINGS DESPITE UNCERTAIN BACKGROUND

Highlights

- The current period has set a new record for lettings, surpassing the full year 2015, with 495,300 sq ft in the year to date securing £28.3m pa of rental income:
  - On average lettings have been 6.9% ahead of December 2015 ERV
  - £11.6m of lettings were in H2, at an average level 2.8% ahead of June 2016 ERV
  - Our EPRA vacancy rate remains low at 3.3%
- Continued progress with major development programme under construction:
  - 400,000 sq ft due for completion by H2 2017, 66% of which is already pre-let
  - 620,000 sq ft due for completion in 2019 including Brunel Building, Paddington W2
- Property disposals of £135m (net of costs) year to date in line with December 2015 book values:
  - £130m in the second half in line with June 2016 book values
  - This includes £90m in Q4
- At 30 September 2016, the LTV ratio was 19.3%, with cash and undrawn facilities of £269m

John Burns, Chief Executive Officer, commented:

“We are encouraged by our letting and disposal activities since June. Despite uncertain market conditions, our brand of good quality space at mid-market rental levels continues to attract occupiers. Given our positive lettings and sound financial base, we are progressing our major developments in Paddington and Fitzrovia, which are both due for completion in 2019 and expected to deliver attractive returns.”

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:00 GMT today. The audio webcast can be accessed via www.derwentlondon.com.

To participate in the call, please dial the following number: +44 (0)20 3059 8125

A recording of the conference call will also be made available following the conclusion of the call on www.derwentlondon.com.

There will also be an investor conference this afternoon. A copy of our presentation will be available on www.derwentlondon.com.

For further information, please contact:

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Record letting activity with maintained momentum *(see Appendix 1)*

In the year to date we have let or pre-let 495,300 sq ft securing £28.3m pa in rent (£27.2m pa net of ground rents). Of this, £11.6m pa, or 41%, has been signed since 30 June 2016. These latter deals achieved rents 2.8% above June 2016 estimated rental values (ERV). We have seen increased rental levels in both the West End and Tech Belt. Our EPRA vacancy rate has risen to 3.3% of which 62% is due to the timing of the recent refurbishment completions at The White Chapel Building E1, 78 Chamber Street E1 and Network Building W1. Together these buildings are 58% let leaving 107,400 sq ft available.

Development programme making further progress *(see Appendix 2)*

The Group is on site at four principal developments. White Collar Factory EC1, which is now due for completion in early 2017, is 61% pre-let overall, with the tower 74% pre-let and further space under offer. Earlier this year we pre-let the office element of The Copyright Building W1. This development is due for completion in H2 2017. Taken together these two developments are now 66% pre-let.

We have two significant West End developments due for completion in 2019. In August we stated the various options available in relation to Brunel Building W2. The site occupies an attractive canalside location in Paddington, an area which we expect to be a beneficiary from the opening of Crossrail in 2018. With flexible column-free office space, two upper floor terraces and relatively low all-in construction costs, the property will offer good value to potential occupiers. We have taken these factors into account together with our ongoing lettings and, despite the more uncertain outlook, we have decided to continue with this project. At 80 Charlotte Street W1, demolition work is in hand. Combined these two developments will require a further £326m of capital expenditure to complete and, as at June 2016, had a potential ERV when fully let of £41.2m.

We have completed three major refurbishments in the current year and these are letting well. Phase 1 at The White Chapel Building E1 is 75% let, 20 Farringdon Road EC1 is 81% let and Network Building W1 is 28% let. The potential ERV of these projects totalled £15.2m pa in December 2015. To date we have achieved rents of £11.2m pa and have good interest in the remaining space.

Investment activity *(see Appendices 3 and 4)*

Since the half year we have sold three properties for a total consideration of £130.1m. On average these have been in line with June 2016 book values. These disposals represent part of our ongoing process of selling properties where the opportunities to add value are limited with the proceeds being re-invested in our schemes where we expect cash yields to be considerably higher.

Secure and flexible finance base

Net debt increased by £10.4m in the three months to 30 September 2016 to £1,019.0m due mainly to capital expenditure of £65.0m less the proceeds from the sale of 75 Wells Street W1. At the quarter end, the loan-to-value ratio was 19.3% based on June 2016 property valuations. As we have drawn down more floating rate bank debt, our average interest rate has fallen from 3.65% at 30 June to 3.55% on a cash basis and from 3.88% to 3.78% on an IFRS basis. At 30 September, undrawn facilities and cash were £269m before the further property sales of £90m completed since that date.

Property values and outlook

The result of the EU referendum introduced considerable market uncertainty. In addition the recent confirmation of the higher business rates applicable from April 2017 and the rise in Stamp Duty Land Tax in March 2016 have had a negative impact. Together, these have led to a reduction in London commercial property values. The IPD Central London Office Quarterly Index has reported capital value declines of 2.9% since June 2016, resulting in a decline of 1.8% for the first nine months of 2016. As usual the Derwent London portfolio is revalued half-yearly. Our valuers CBRE have indicated that the valuation performance of the portfolio is unlikely to have been immune from the general weakness demonstrated by the IPD Central London Office Quarterly Index despite our high levels of lettings.

The central London office market faces a number of challenges, including heightened global uncertainty, and business activity is likely to slow. It is times like these that demonstrate the benefits of the core elements of our business model: the provision of good quality space at mid-market rental levels founded on a conservative financial structure. We are very encouraged by our letting progress, especially since June, and remain committed to our two major projects completing in 2019 where we believe that the risk/reward profile is attractive.

Appendix 1 Principal lettings in 2016 year to date

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
Q1								
The Copyright Building W1	Capita	87,150	86.00[1]	7.4	-	20	-	34
White Collar Factory EC1	Adobe	28,600	63.50	1.8	70.00	11.5	-	18
Angel Square EC1	Expedia	9,850	53.50	0.5	57.50	5.3	2	2
Middlesex House W1	GHA Services	4,360	70.00	0.3	72.50	10	5	6
Q2								
White Collar Factory EC1	Capital One	29,500	65.00	1.9	75.35	11	-	17
The White Chapel Building E1	Perkins & Will	26,600	49.50	1.3	-	10	5	8, plus 7 if no break
20 Farringdon Road EC1	The UK Trade Desk	9,400	62.50	0.6	65.65	10	5	5
20 Farringdon Road EC1	Okta	10,000	62.50	0.6	-	10	5	6
Greencoat & Gordon House SW1	Gymbox	22,000	15.00	0.3	-	20	-	3
Q3								
The White Chapel Building E1	GDS	54,700	52.00	2.8	-	10	5	8, plus 10 if no break
White Collar Factory EC1	Spark44	22,700	67.50	1.5	70.00	15	5 & 11	9, plus 6 plus 6 if no break
The White Chapel Building E1	Unruly	24,300	45.00	1.1	49.50	10	5	9, plus 9 if no break
The White Chapel Building E1	Reddie & Grose	20,400	49.50	1.0	52.50	10	-	18
Johnson Building EC1	Audio Network	10,800	63.50	0.7	-	10	5	9, plus 8 if no break
The White Chapel Building E1	Shipowners' Club	13,250	47.50	0.6	-	10	-	19
78 Whitfield Street W1	Global Eagle Entertainment	9,500	65.00	0.6	-	10	5	6
Monmouth House EC1	Runway East	31,900	10.00	0.3	-	5	3	4
Q4								
20 Farringdon Road EC1	Indeed	18,200	56.50	1.0	-	5	3	5
50 Oxford Street W1	The Fragrance Shop	1,000	-	0.4	-	10	-	9

[1] Excludes reception area.

Appendix 2 Major projects pipeline

Property	Area sq ft	Delivery	Capex to complete[1] £m	Comment
Projects on site				
White Collar Factory, Old Street Yard EC1	293,000	Q1 2017	30	Office-led development – 61% pre-let
The Copyright Building, 30 Berners Street W1	107,000	H2 2017	40	Offices and retail – 81% pre-let
Brunel Building, 55-65 North Wharf Road W2	240,000	H1 2019	113	Offices
80 Charlotte Street W1	380,000	H2 2019	225	Offices, residential and retail
	1,020,000		**408**	
Other major planning consents				
1 Oxford Street W1	275,000			Offices, retail and theatre
Monmouth House EC1	125,000			Offices, workspaces and retail
	400,000			
Total	**1,420,000**			

[1] From 30 June 2016.

Appendix 3 Principal acquisition 2016

Property	Date	Area sq ft	Total cost £m	Total cost £ psf	Net yield %	Net rental income £m pa	Net rental income £ psf	Lease length Years
The White Chapel Building E1[1]	Q1	30,500	12.0	395	-	-	-	-

[1] Lower ground floor. Main building purchased in December 2015.

Appendix 4 Principal disposals 2016

Property	Date	Area sq ft	Net proceeds £m	Net proceeds £ psf	Net yield to purchaser %	Rent £m pa
75 Wells Street W1	Q3	34,800	40.3	1,160	2.9	1.3
Balmoral Grove N7	Q4	67,000	23.9	n/a	n/a	0.0
Tower House WC2	Q4	53,700	65.9	1,230	4.3[1]	3.1[1]

[1] Includes rental top-ups for vacant space and rent free periods.

Derwent London plc

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £5.2 billion (including joint ventures) as at 30 June 2016, making it the largest London-focused real estate investment trust (REIT).

Our experienced team has a long track record of creating value throughout the property cycle by regenerating our buildings via development or refurbishment, effective asset management and capital recycling.

We typically acquire central London properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End or the Tech Belt. We capitalise on the unique qualities of each of our properties – taking a fresh approach to the regeneration of every building with a focus on anticipating tenant requirements and an emphasis on design.

Reflecting and supporting our long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

Landmark schemes in our 6.2 million sq ft portfolio include Angel Building EC1, The Buckley Building EC1, White Collar Factory EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2015 Derwent London topped the real estate sector for the sixth year in a row and was placed third overall in the Management Today 2015 awards for 'Britain's Most Admired Companies'. In addition the Group won awards by Architects' Journal, British Council for Offices, Civic Trust and RIBA and achieved EPRA Gold for corporate and sustainability reporting. In 2016 Turnmill and The Corner House won RIBA National awards.

As part of its wider sustainability programme, in 2013 Derwent London launched a dedicated £250,000 voluntary Community Fund and, in 2016, made a further commitment of £300,000 for the next three years for Fitzrovia and the Tech Belt.

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

For further information see www.derwentlondon.com or follow us on Twitter at @derwentlondon.

Forward-looking statements