

DERWENT

LONDON

PRESENTATIONS AND

PROPERTY TOUR

14 OCTOBER 2015



1. FAVOURABLE MARKET  
CONDITIONS  
JOHN BURNS

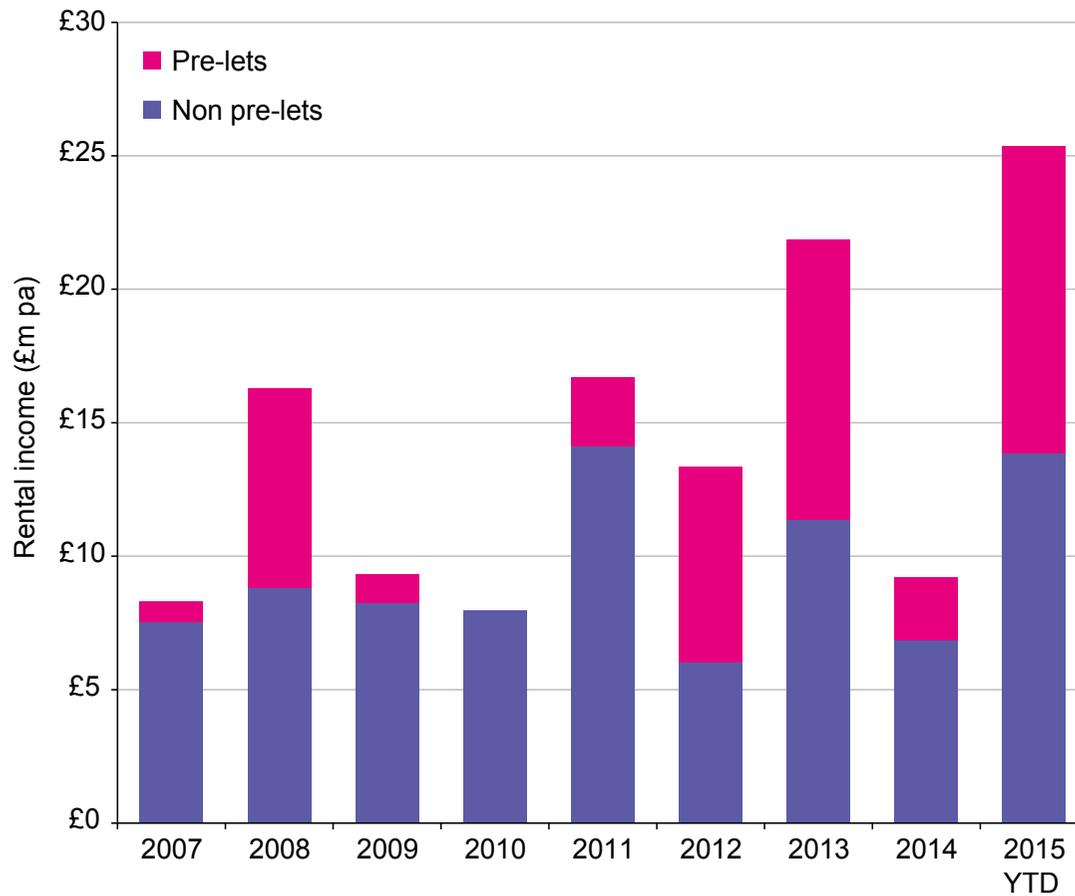
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- |   |                 |
|---|-----------------|
| 1. Favourable market conditions                   | John Burns      |
| 2. Fitzrovia - our most important village         | Nigel George    |
| 3. Working the core portfolio: 1-2 Stephen Street | Simon Silver    |
| 4. Creating special space                         | Paul Williams   |
| 5. Acquisitions and disposals                     | David Silverman |

# MIDDLESEX HOUSE - A DERWENT LONDON CLASSIC

1. Improving ownership - Acquisition of freehold.
2. Good bones - Office conversion.
3. Major reconfiguration.
4. Update and reposition ancillary space.
5. Mid-market rents - Reversionary potential.



## DERWENT LONDON LETTING ACTIVITY



Excellent letting activity year to date:

- £25.5m pa of income (£9.1m in H2 so far)
- 488,600 sq ft
- 63 transactions
- 10.2% above Dec 2014 ERV.

£5.2m pa of lettings since 10 August.

Already 17% above previous record year of 2013.

Central London office vacancy rate of 2.8%.

Sustained additional supply potential:

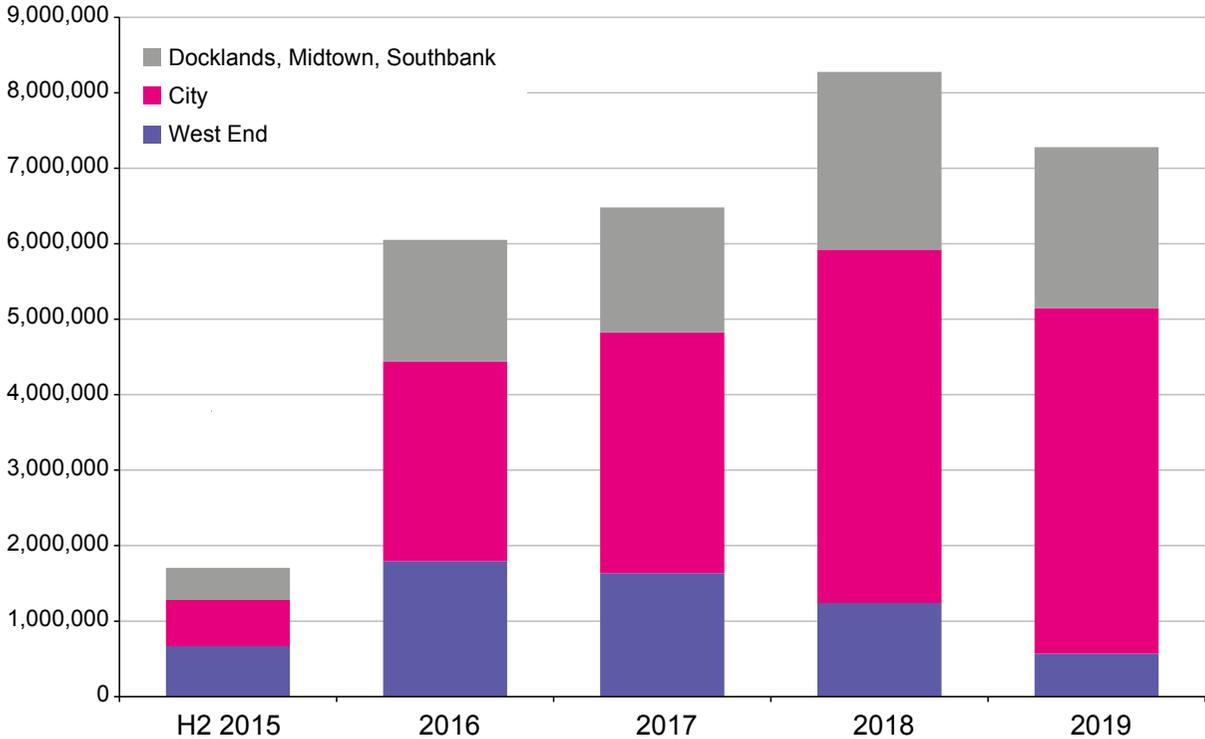
- Possible delays.

After 2016, supply focussed in the City.

West End likely to remain a tight market:

- Increasingly a pre-let market.

### CBRE CENTRAL LONDON OFFICE COMPLETIONS



£8.2bn of transactions in H1.

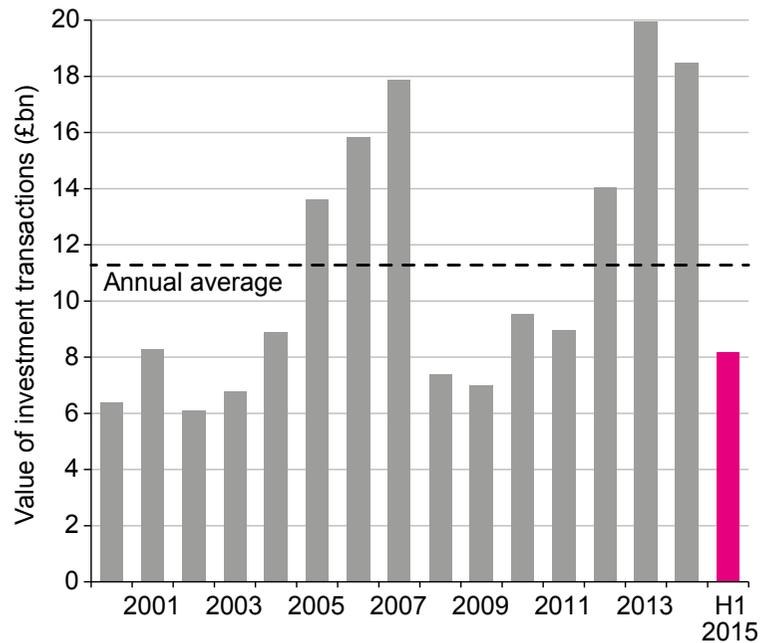
Significant stock on the market:

- £3.7bn in the City
- £1.5bn in the West End.

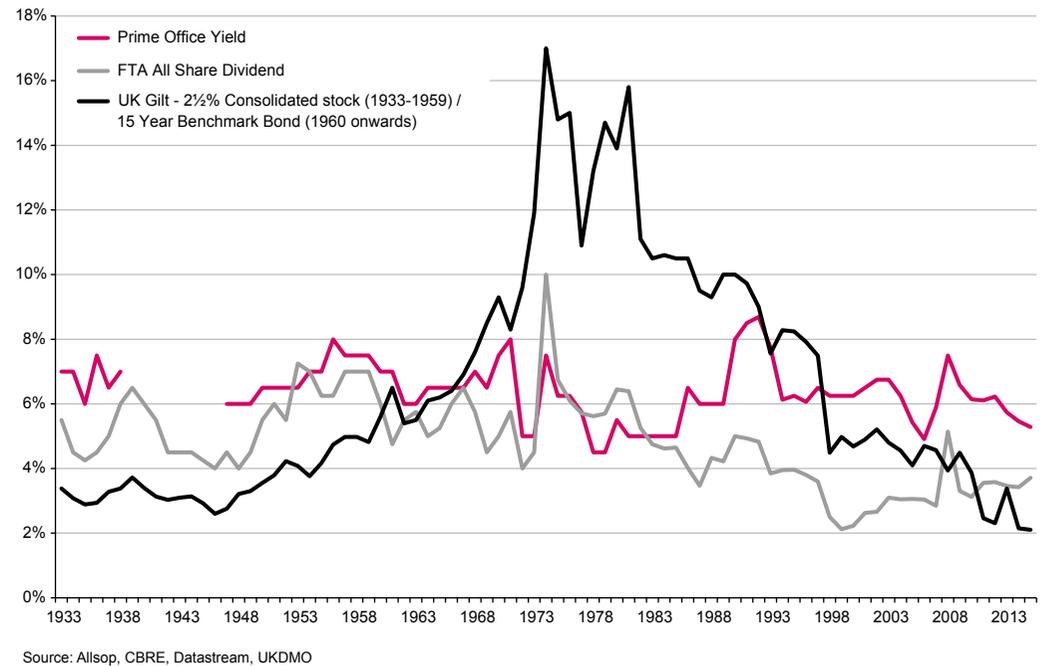
Unlikely to be many forced sellers.

Yield levels appear comfortable whilst rents rise.

CBRE CENTRAL LONDON INVESTMENT



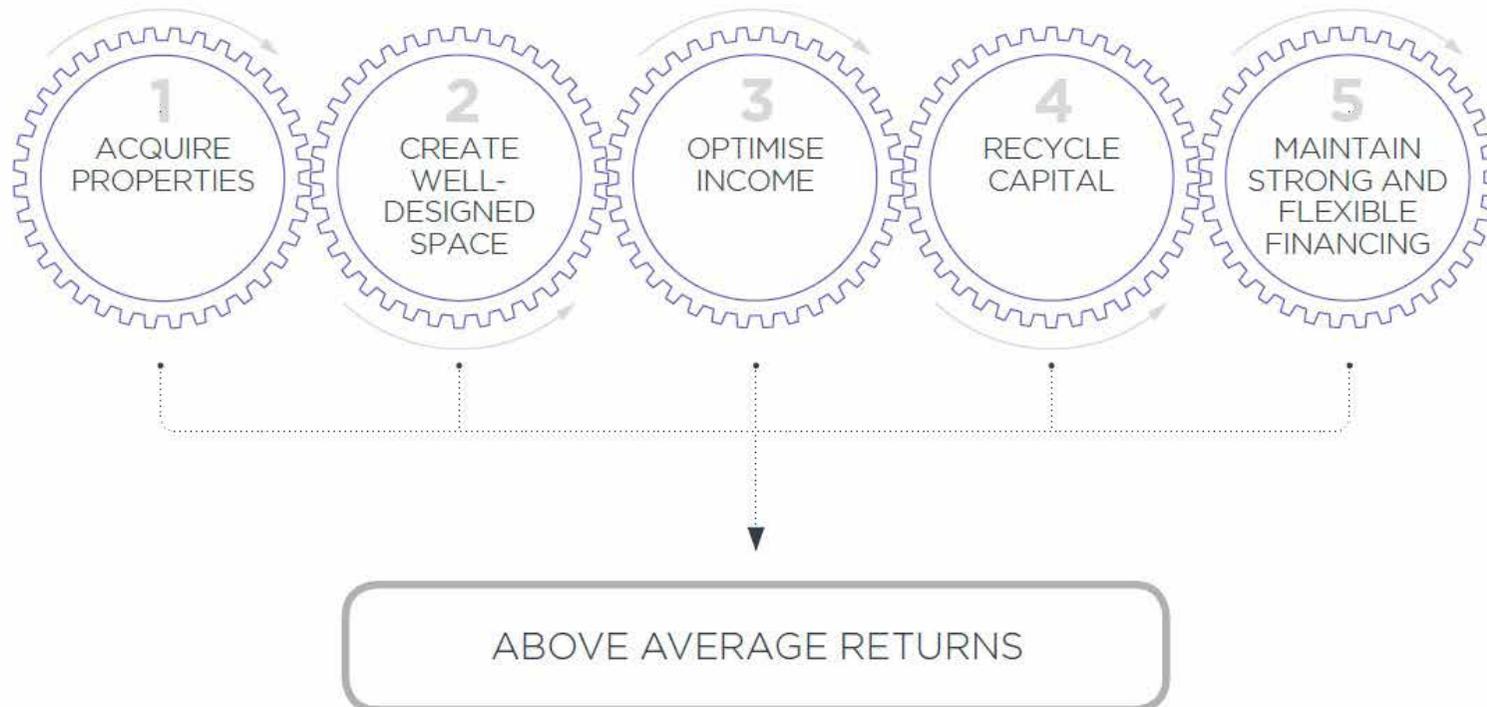
PROPERTY YIELDS, EQUITIES & GILTS (TO Q2 2015)



Derwent London's business model is designed to:

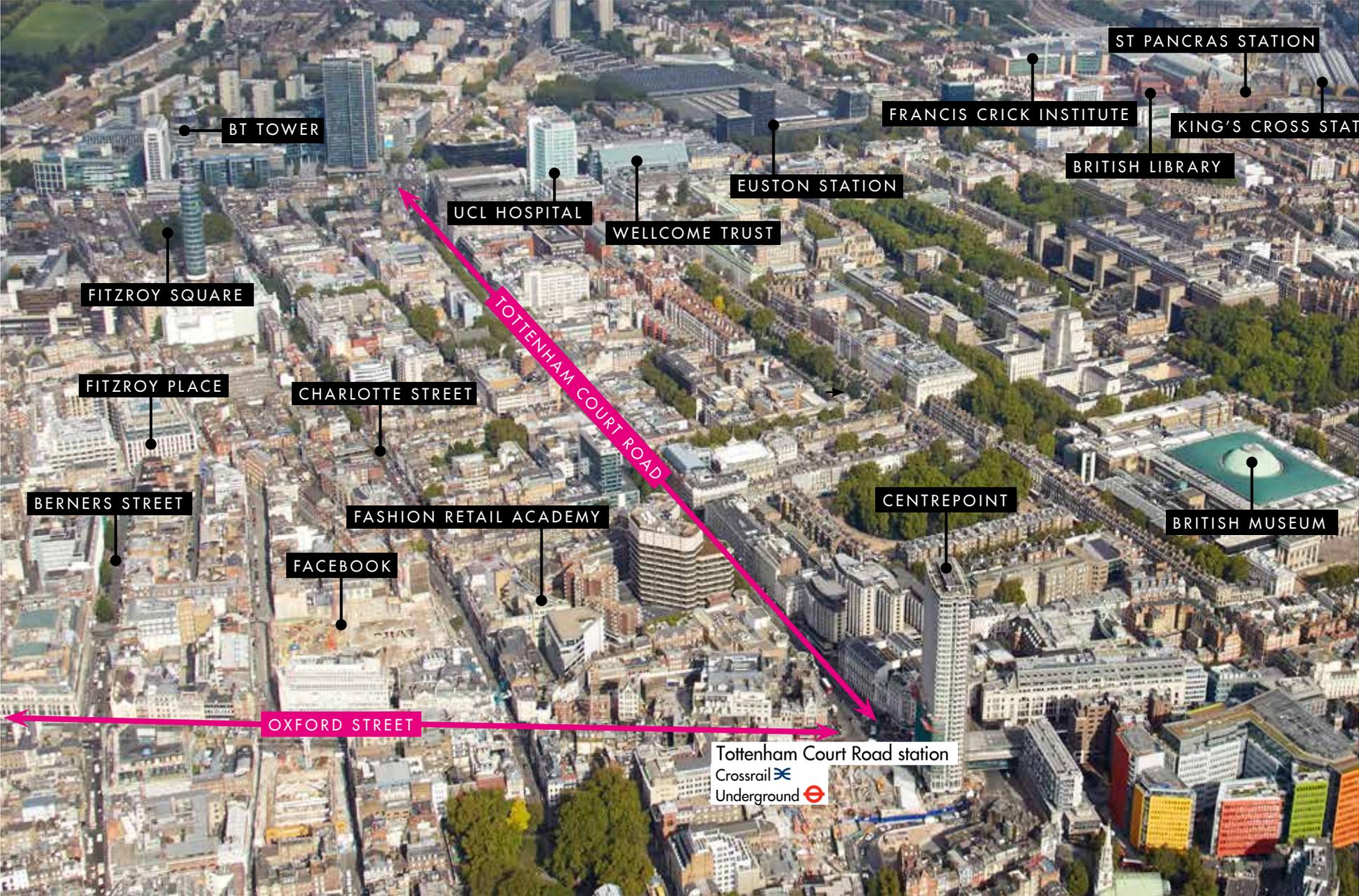
- Take full advantage of current demand
- Be flexible enough to cope if conditions change.

## OUR BUSINESS MODEL



2. FITZROVIA - OUR MOST  
IMPORTANT VILLAGE  
NIGEL GEORGE

# FITZROVIA - A GREAT OPPORTUNITY



Fitzrovia accounts for 36% of the Derwent London portfolio:

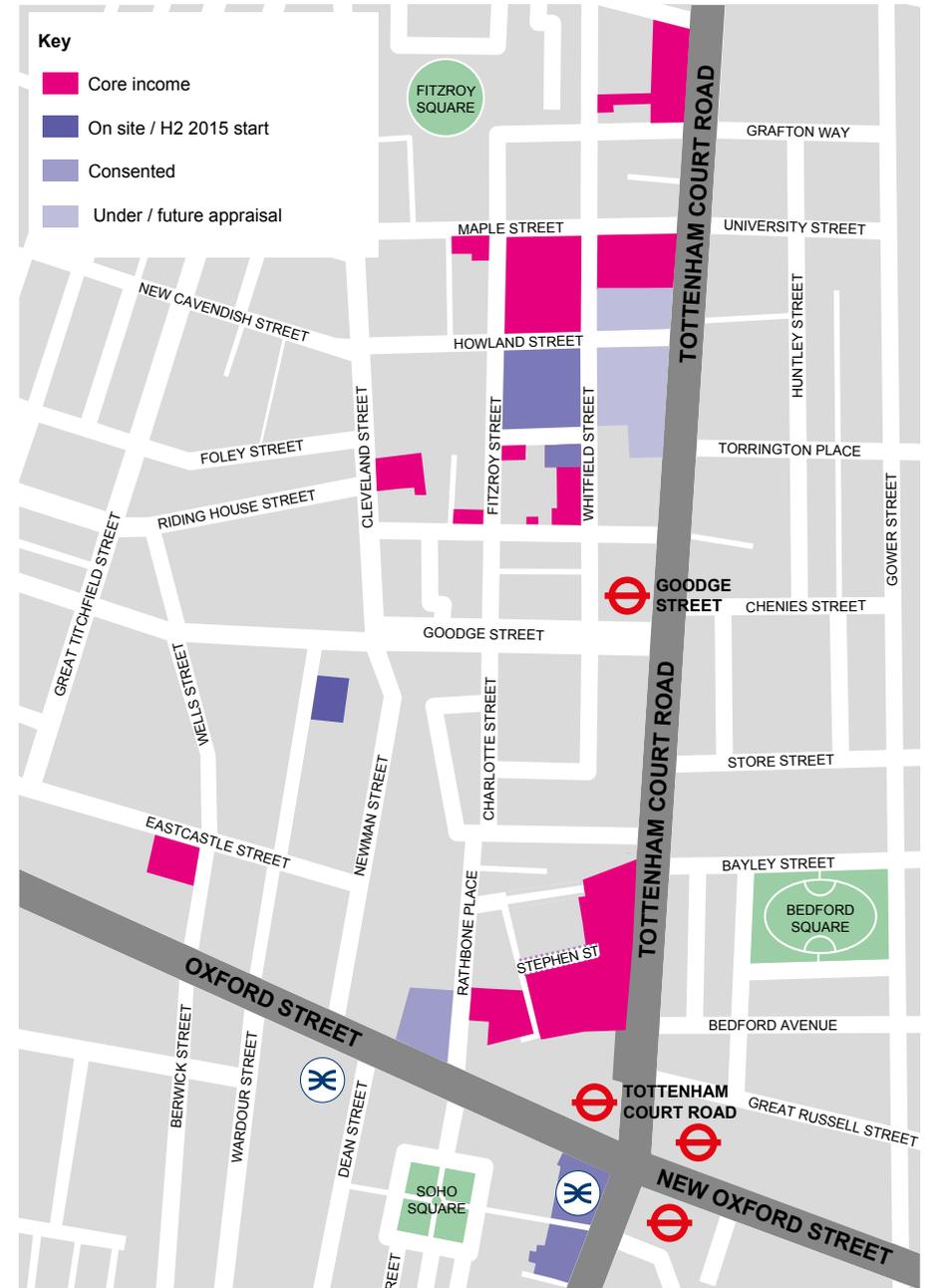
- £1.7bn capital value
- 1.8m sq ft floorspace
- 37 properties
- £47m pa rental income

Mix of refurbished properties and development opportunities, together with good reversionary prospects.

Excellent transport infrastructure:

- Crossrail services begin at Tottenham Court Road station in 2018.

Area undergoing significant regeneration and investment.



<sup>1</sup> Includes Fitzrovia, North of Oxford Street and Euston

## OPPORTUNITIES ACROSS THE PORTFOLIO

### Core income:

- Grafton Hotel
- Qube
- 8 Fitzroy Street
- Middlesex House
- 75 Wells Street
- 1-2 Stephen Street

### On site:

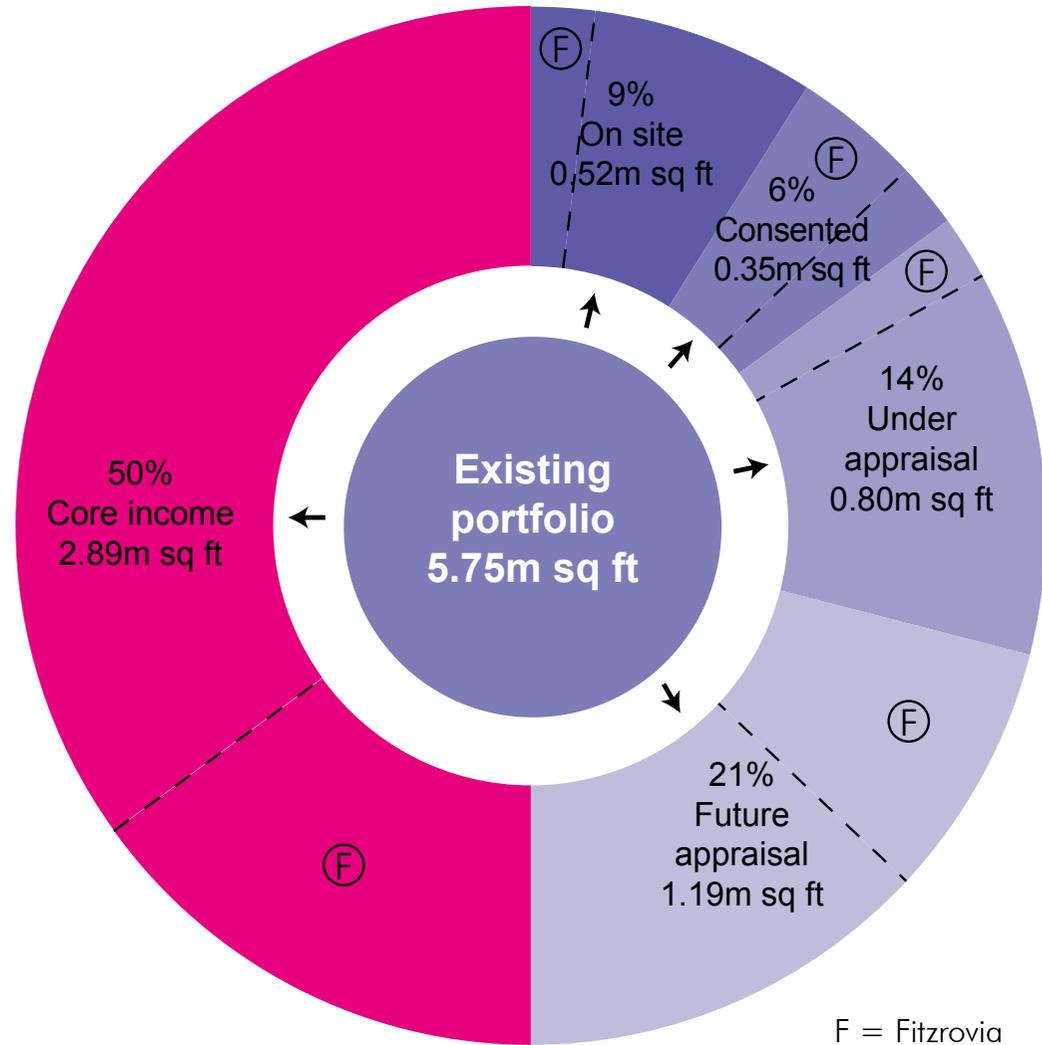
- The Copyright Building

### Consented:

- 80 Charlotte Street
- 1 Oxford Street (Soho)

### Appraisal studies:

- Holden House
- Network Building



1-2 Stephen Street



<b>FLOOR AREA SQ FT</b>	267,400
<b>CURRENT RENT PSF</b>	£40-£82.50
<b>JUNE 2015 ERV PSF</b>	£47.50-£85
<b>OMLP* PSF</b>	£75-£85

Qube, 90 Whitfield Street



<b>FLOOR AREA SQ FT</b>	109,900
<b>CURRENT RENT PSF</b>	£55-£65
<b>JUNE 2015 ERV PSF</b>	£60-£65
<b>OMLP* PSF</b>	£75-£85

Charlotte Building, 17 Gresse Street



<b>FLOOR AREA SQ FT</b>	47,200
<b>CURRENT RENT PSF</b>	£60-£82.50
<b>JUNE 2015 ERV PSF</b>	£65- £80
<b>OMLP* PSF</b>	£75-£85

8 Fitzroy Street



<b>FLOOR AREA SQ FT</b>	147,900
<b>CURRENT RENT PSF</b>	£47
<b>STEPPED RENT</b>	+2.5% PA
<b>JUNE 2015 ERV PSF</b>	£56

Grafton Hotel, 120-134 Tottenham Court Road



<b>ROOMS</b>	330-Room HOTEL
<b>CURRENT RENT PA</b>	£920,000 PA
<b>STEPPED RENT</b>	+3% PA
<b>JUNE 2015 ERV PA</b>	£976,000 PA

\* OPEN MARKET LETTING POTENTIAL

# FITZROVIA: CURRENT & CONSENTED DEVELOPMENTS



73 Charlotte Street

80 Charlotte Street



1 Oxford Street



The Copyright Building

Holden House, 54-68 Oxford Street



Appraisal studies are underway that could see the floor area increased by over 50% to around 137,000 sq ft:

- New destination retail store totalling 73,000 sq ft
- 46m Oxford Street frontage with potential retail depth of 42m
- Offices of 53,000 sq ft
- Residential of 11,000 sq ft.



Network Building, 95-100 Tottenham Court Road



Major future development opportunity.

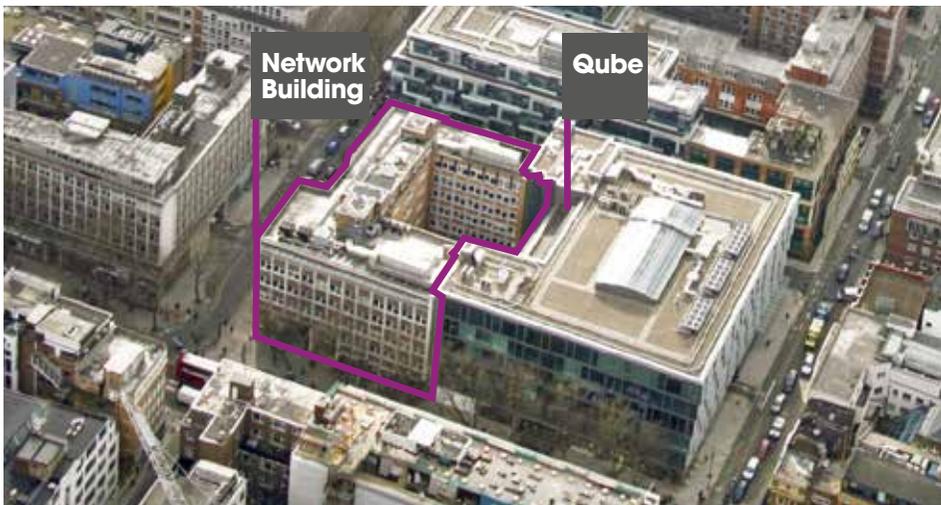
0.5 acre site - similar to Qube next door.

Potential to increase the floor area by 56% to c.100,000 sq ft.

Earliest possession 2021.

Low site coverage.

Significant potential to increase floor area and rents.



# 3. WORKING THE CORE

PORTFOLIO:

1 -2 STEPHEN STREET

SIMON SILVER

# 1-2 STEPHEN STREET W1 - AT ACQUISITION

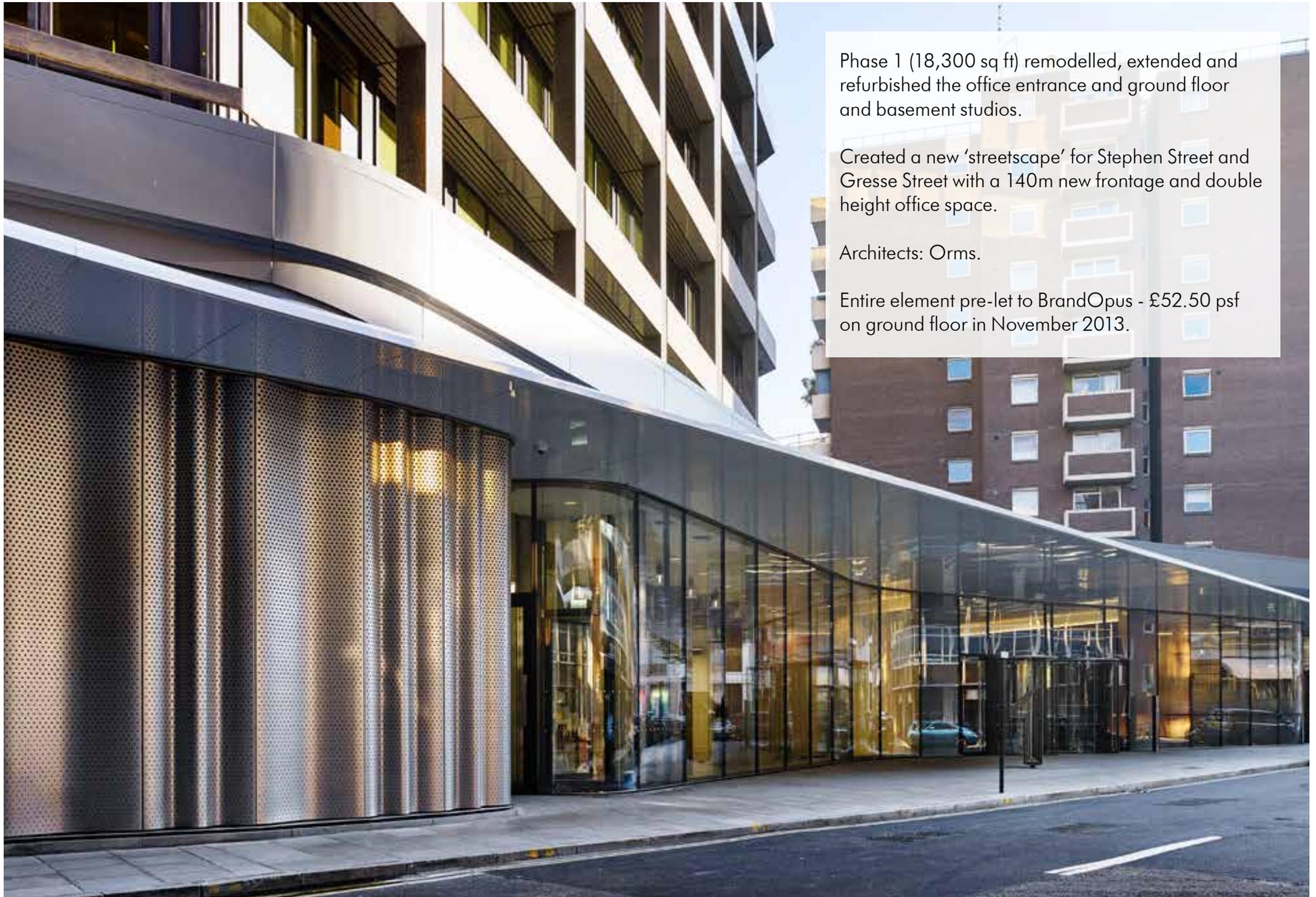
251,000 sq ft freehold property acquired for £146m before costs (£582 psf) in July 2010.

216,000 sq ft offices, 24,000 sq ft retail and 11,000 sq ft cinema.

Annual rent of £8.1m pa at an average rent of £34 psf.

Significant opportunities to add value.





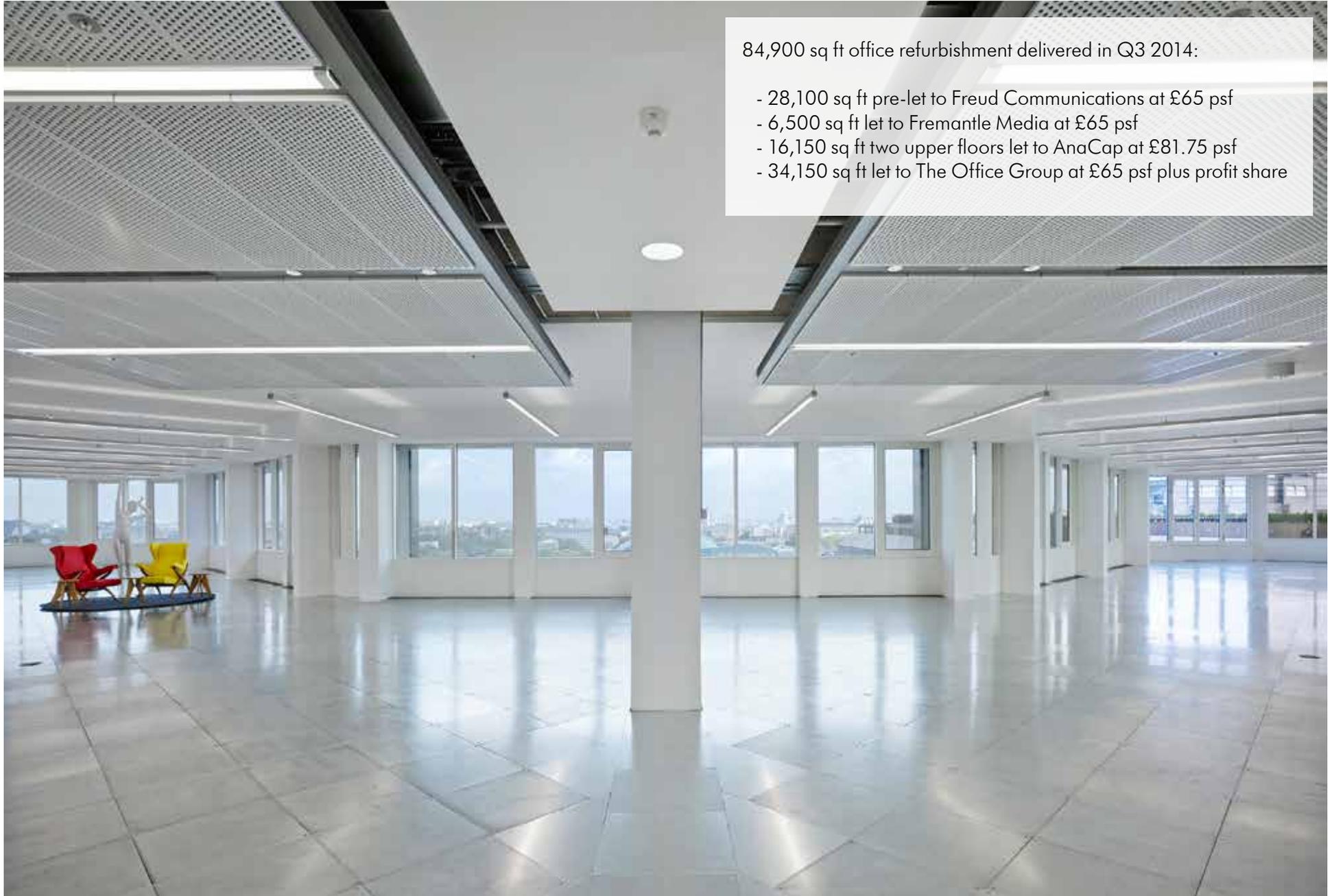
Phase 1 (18,300 sq ft) remodelled, extended and refurbished the office entrance and ground floor and basement studios.

Created a new 'streetscape' for Stephen Street and Gresse Street with a 140m new frontage and double height office space.

Architects: Orms.

Entire element pre-let to BrandOpus - £52.50 psf on ground floor in November 2013.





84,900 sq ft office refurbishment delivered in Q3 2014:

- 28,100 sq ft pre-let to Freud Communications at £65 psf
- 6,500 sq ft let to Fremantle Media at £65 psf
- 16,150 sq ft two upper floors let to AnaCap at £81.75 psf
- 34,150 sq ft let to The Office Group at £65 psf plus profit share



Previously let to low grade electrical shops at £0.7m pa.

Retail extended from 24,000 sq ft to 38,000 sq ft (+58%) - creation of more desirable larger units along this prominent 109 metre Tottenham Court Road frontage.

Completed in Q2 2015 with ERV of £2.4m pa.

Seven of the nine units now let - DF Mexico, Hotel Chocolat, Leon, Oasis, Planet Organic, T2 and Waterstones.

Adds to the significant regeneration of the eastern end of Oxford Street.



Before



After







Based on new floor area:

Acquired:	£146.0m	£545 psf
Total capex:	£46.8m	£175 psf
Total spend:	£192.8m	£720 psf

June 2015 book value: £321.8m £1,200 psf

ERV increased from £8.9m pa on acquisition to £15.1m pa in June 2015.

Total property return since acquisition of 16.5% pa.

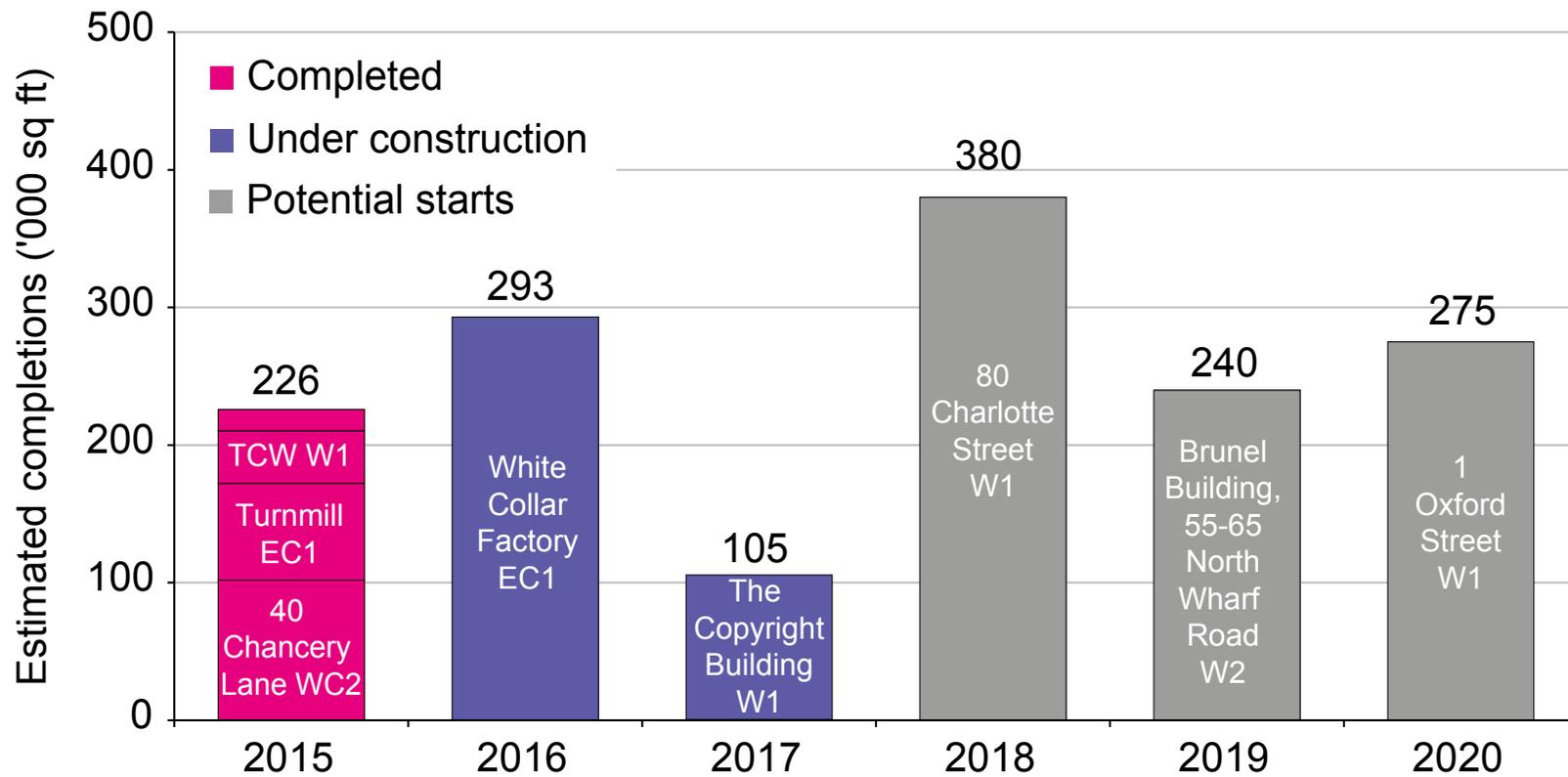


4. CREATING  
SPECIAL SPACE  
PAUL WILLIAMS

Four completions in 2015: 230,000 sq ft

Two major schemes under construction: 398,000 sq ft

Two major schemes about to commence: 620,000 sq ft



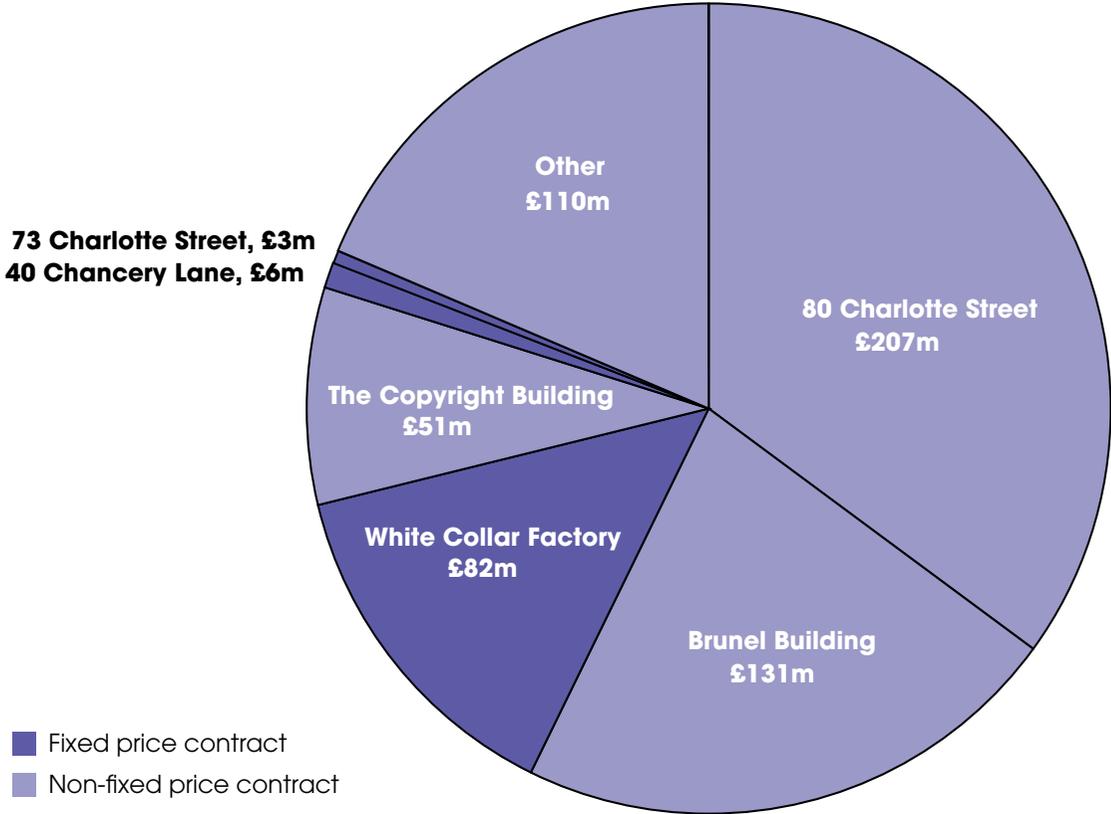
Estimated total capex to complete £590m:

- £480m on major developments
- 57% from 80 Charlotte Street and Brunel Building.

Construction costs rising fast:

- 15% of capex fixed
- Advanced discussions with three new contracts.

CAPEX TO COMPLETE (JUNE 2015)





SEAN AFFLECK, MAKE



KEITH PRIEST, FLETCHER PRIEST



PHILIP TURNER AND STEVE TAYLOR, AHMM

5. ACQUISITIONS  
& DISPOSALS  
DAVID SILVERMAN

Derwent London remain opportunistic buyers in a tough market.

Three major Tech Belt acquisitions\* exchanged or completed since Nov 2014:

- 554,300 sq ft offices
- c.£310m after costs
- £560 psf capital value
- Income at purchase £6.0m pa (gross) / £5.2m pa (net)

Clear acquisition strategy:

Short term - drive income (refurbish and re-let):

- 88% of space refurbished:
  - 124,000 sq ft delivered in 2015 (100% let)
  - 363,000 sq ft to be delivered in 2016
- Total capex c.£30m
- Total ERV c.£20m
- Yield when re-let c.5.75%.

Medium-term - study future development opportunities.

\* Excludes Aldgate Union lower ground floor acquisition.



Angel Square EC1



20 Farringdon Road EC1



Aldgate Union E1



At acquisition (Nov 2014):

- 128,700 sq ft
- £78.6m after costs (£620 psf)
- £2.4m pa income
- £21.68 psf on the let space
- Majority of leases expired in March 2015
- Net initial yield of 3.0%.

Post acquisition:

- £4.0m pa\* income (67% above total acquisition rent)
- £37 psf on let space
- Further 20,000 sq ft under refurbishment (ERV £0.6m pa)
- Total ERV £4.9m pa
- Estimated total capex of c.£6m
- Yield when re-let in excess of 5.5%

Medium term - potential to regenerate and add to this substantial building.



\* After expiry of rent free periods. Lettings to Expedia, The Office Group and Dr Ed.

At acquisition (Feb 2015):

- 170,600 sq ft long leasehold interest (175-year min term)
- £92.7m after costs (£545 psf)
- £3.6m pa gross / £3.2m pa (net) income, 10% ground rent
- £21 psf on let space, excluding ground floor offices let at £2 pa
- Net initial yield of 3.5%.



## Post acquisition:

- 25,700 sq ft ground floor renewed at 1.1m pa (£42.50 psf)
- 33,400 sq ft of refurbished space let at £1.5m pa / £45 psf
- Further 50,000 sq ft under refurbishment with ERV £2.2m pa
- Estimated total capex of c.£11m
- Once fully let, c.£6.0m pa (gross)
- Yield when re-let c.5.5%





Weight limit  
at Tower Bridge



Alternative route via  
Blackwall Tunnel  
follow A13 to A102

BRBS

BRBS

BRBS

- 255,000 sq ft Whitechapel office building.
- Exchanged in July for £139.3m after costs (£545 psf).
- Completes in Dec 2015 with vacant possession.
- Recently acquired 30,500 sq ft lower ground floor for £12m after costs which increases ownership to 285,500 sq ft.
- Light touch refurbishment commences Q1 2016 and completes Q3 2016.
- Significant opportunity to refurbish and extend the whole property over the medium term (2021+).
- Yield when re-let c.6.0%.



# 2015 DISPOSALS - PART OF 20 FARRINGDON ROAD SWAP 40

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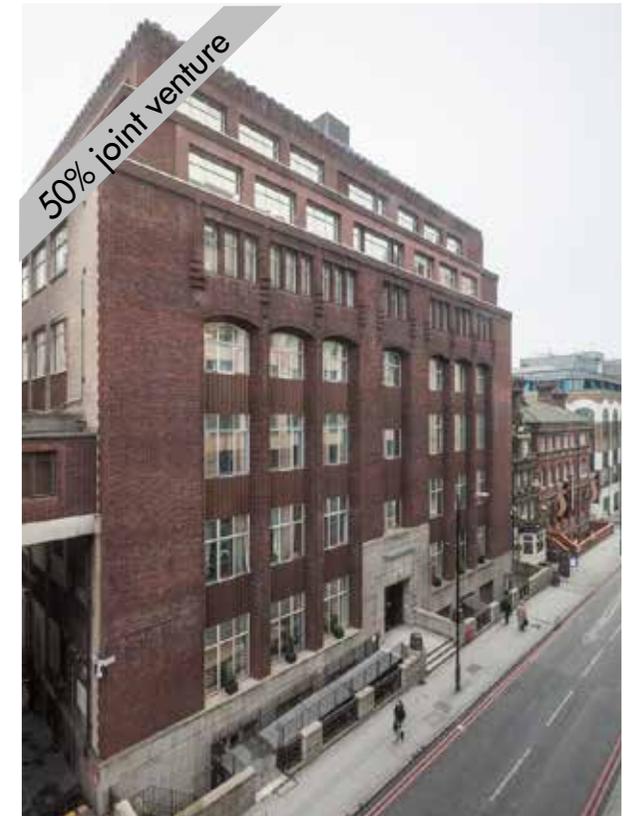
£114.7m of disposals in the year to date, 4% above June 2014 book value (4.2% net initial yield).



22 Kingsway WC2 (91,400 sq ft)



Mark Square House EC2 (61,700 sq ft)



9 & 16 Prescott Street E1 (53,700 sq ft)



Tower House WC2 (52,800 sq ft)

Tower House and Davidson Building, Southampton Street WC2

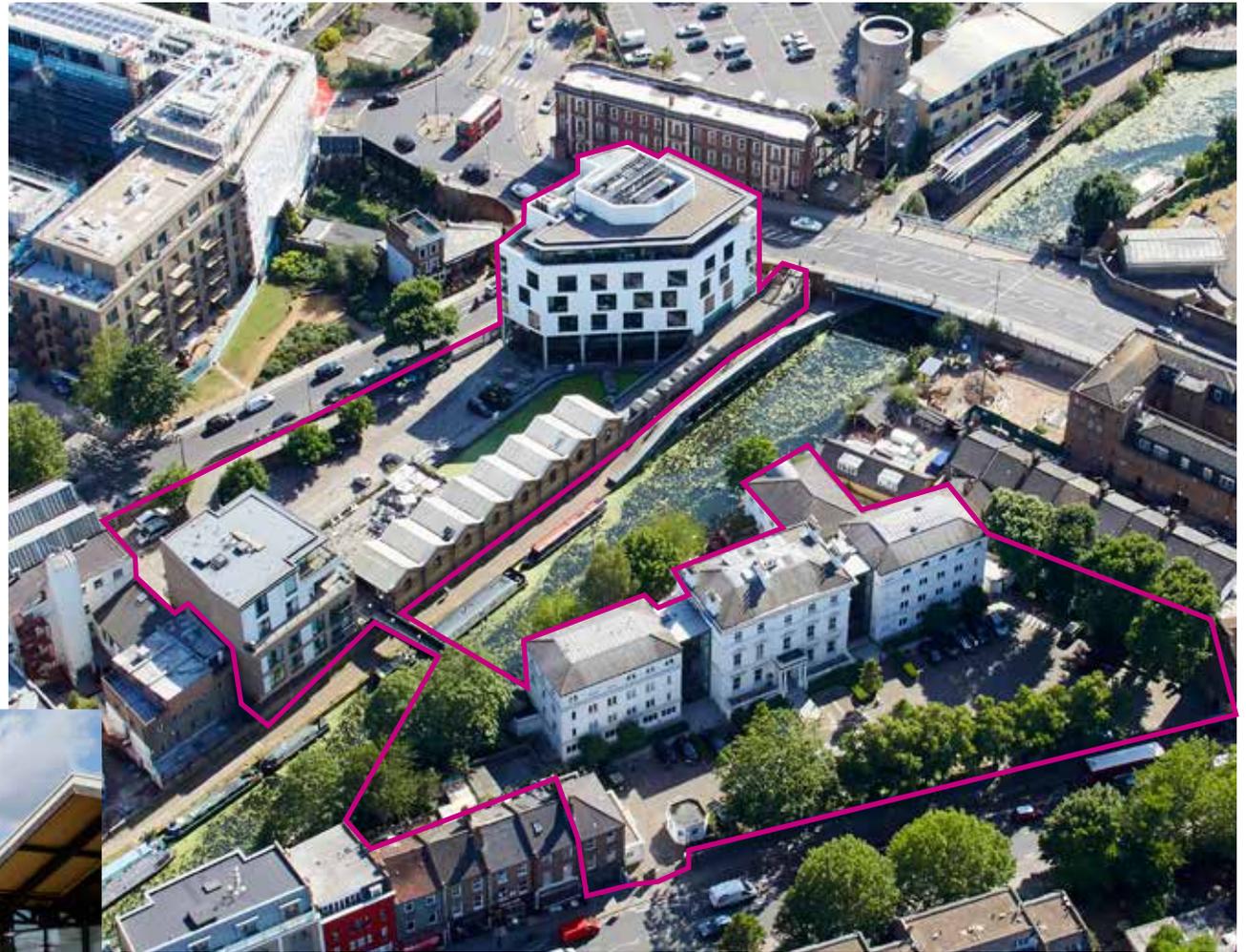
- Two adjoining properties in Covent Garden - 94,500 sq ft.
- Sold individually or together.
- Offers in excess of £136m.



Davidson Building WC2 (41,700 sq ft)

# CURRENTLY MARKETED FOR DISPOSAL - PORTOBELLO DOCK W10 <sup>42</sup>

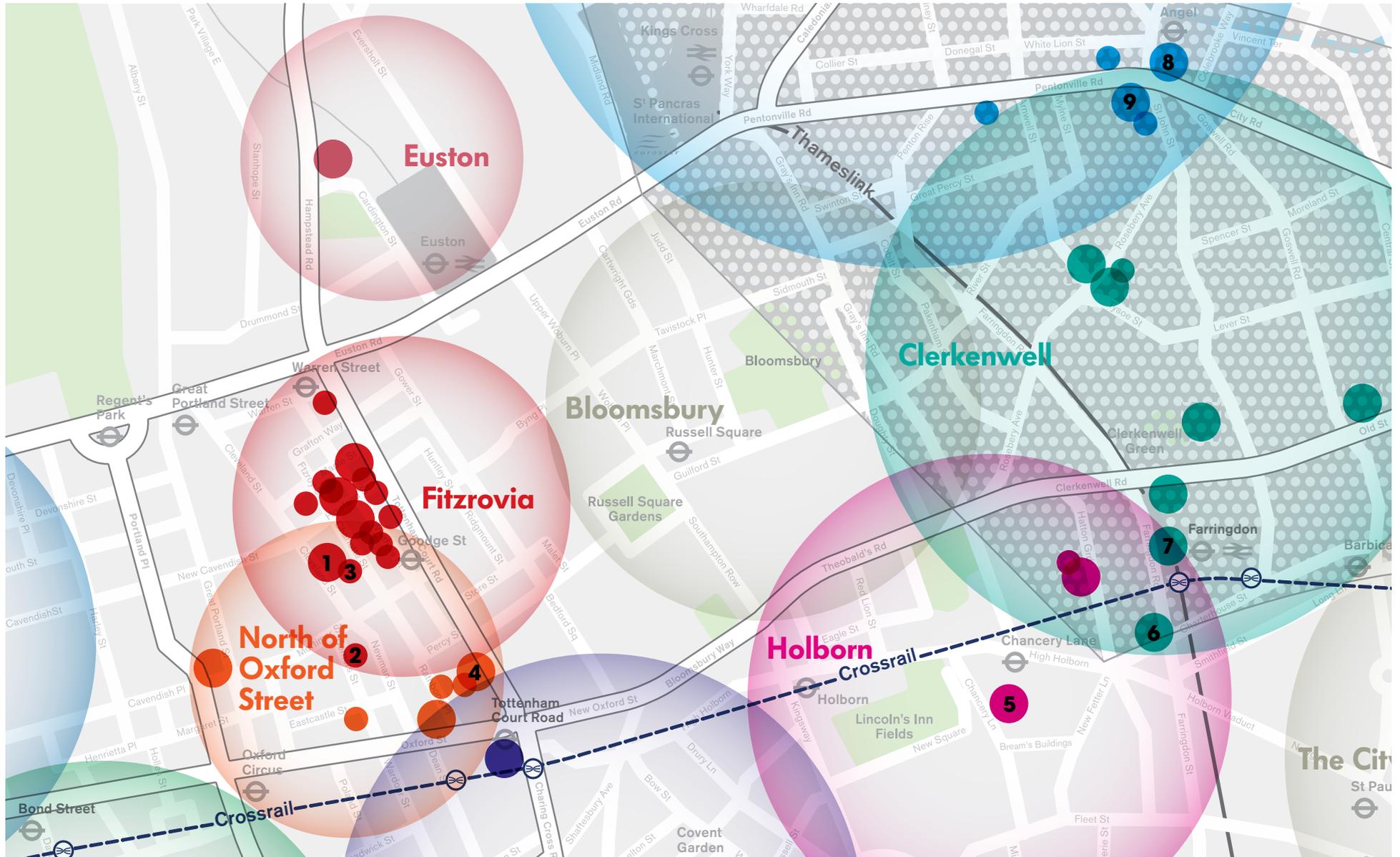
- Campus development.
- 51,600 sq ft.
- 51% of income secured against Innocent Drinks (Coca Cola).
- Asset management opportunities.
- £1.2m pa income.
- Offers in excess of £30m.
- Net initial yield of 4.23%.



# PROPERTY TOUR

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# KEY PROPERTIES IN FITZROVIA



8 Fitzroy Street



80 Charlotte Street<sup>1</sup>



73 Charlotte Street<sup>1</sup>



Charlotte Building  
17 Gresse Street



Grafton Hotel  
120-134 Tottenham  
Court Road



Qube  
90 Whitfield Street



Network Building  
95-100 Tottenham  
Court Road

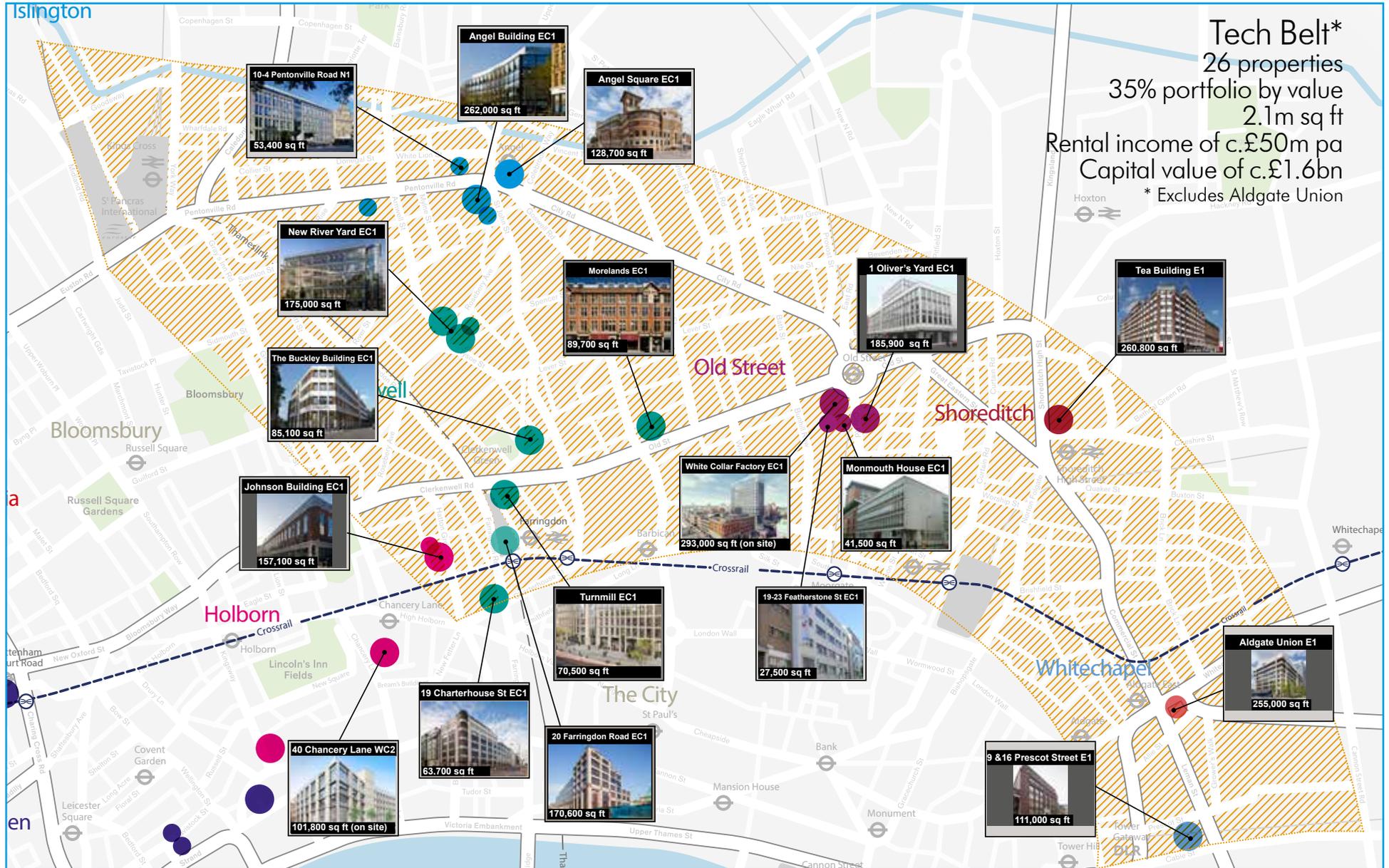


1-2 Stephen Street &  
Tottenham Court Walk



1 Oxford Street<sup>1</sup>

<sup>1</sup> CGI of proposed scheme



# MIDDLESEX HOUSE

34-42



## 65,700 SQ FT

1987

Acquired the leasehold of this 1934 industrial building with milliners and garment makers still in situ – rents £6-10 psf.

1988

Acquired freehold and delivered first two phases of refurbishment.

2001

Fully redesigned by John McAslan & Partners to offer light-filled, open-plan offices over five storeys centred around an open courtyard.

2012

Phased refurbishment - repositioned cores and converted loading bay into circulation space. Rent of £47.50 psf achieved.

2014

12,200 sq ft basement car park, previously let at £0.2m pa, converted into office space and pre-let to Make at £37.50 psf / £0.5m pa, rising to £42.50 psf in year 5. £65 psf achieved on fourth floor with minimum uplift to £70 psf at first review.

2015

Income of £2.1m pa.

Diverse tenant mix - media, communication agencies, architects etc.





## 105,000 SQ FT - ON SITE

### 2012

Acquired the long leasehold interests in 25 & 29 Berners Street from the owner occupier, PRS for Music, for £35.0m before costs (£440 psf) in December.

Both buildings were eight floors. 25 Berners Street comprised 35,200 sq ft and 29 Berners Street was 44,300 sq ft, providing a combined total floor area of 79,500 sq ft.

The head leases expired in 2080 and together had a fixed annual ground rent of £3,125.

PRS for Music leased back both properties for a term of three years, subject to a tenant only break option after 18 months, at a rent of £1.4m pa (£17.60 psf).

### 2014

Planning application granted in October for a new development of 105,000 sq ft - 85,000 sq ft offices and 20,000 sq ft retail - a 23% uplift on previous area\*.

New headlease agreed - 127-year term and 12.5% gearing with profit sharing arrangement above 20% profit on cost.

Vacant possession obtained in late December.

### 2015

On site in January.

### 2017

Scheme due to complete H2 2017.

Office rent of c.£77.50 psf (June 2015).

Capex to complete c.£51m (from June 2015).

\* Includes a 6,100 sq ft building which was not part of our ownership until the new headlease was agreed.





## 15,500 SQ FT - RECENTLY COMPLETED

2007

13,000 sq ft freehold office building.

2012

Planning permission granted in November for 13,600 sq ft of residential (9 private, 2 affordable) and 1,900 sq ft of offices.

Architects: DSDHA.

Enablement scheme that provides residential requirement for Tottenham Court Walk retail (part of 1-2 Stephen Street) and provides residential credit in order to offset future planning requirements in the area.

2013

Vacant possession obtained in H2 and commenced construction.

2015

Six units released to the market.

Scheme delivered in Q3.

2016

The three penthouses due to be released to the market in late January.





## 267,400 SQ FT - CORE INCOME

### 2010

Acquired this 251,000 sq ft freehold property for £146m before costs (£582 psf) in July  
- 216,000 sq ft offices, 24,000 sq ft retail and 11,000 sq ft cinema.  
Annual rent of £8.1m pa from 10 tenants at an average rent of £34 psf.  
Significant opportunities to add value.

### 2013

Commenced the refurbishment of 103,000 sq ft of offices.  
Architects: Orms.  
Created a new 'streetscape' for Stephen Street and Gresse Street with a 140m new frontage and double height office space.  
Delivered 18,300 sq ft office refurbishment on ground and lower ground floors in November  
- 100% pre-let to BrandOpus at £52.50 psf on ground.

### 2014

28,100 sq ft of refurbished offices delivered in August - pre-let to Freud Communications at £65 psf.  
A further 56,800 sq ft of refurbished offices delivered in September. 6,500 sq ft let to Fremantle Media at £65 psf.

### 2015

Two upper floors (16,150 sq ft) let to AnaCap at £81.75 psf.  
Remaining 34,150 sq ft let to The Office Group at £65 psf plus profit share.



- Nine retail units (38,000 sq ft)
- Seven let - 26,600 sq ft at £1.8m pa



## 38,000 SQ FT - RECENTLY COMPLETED

### 2010

Retail totalled 24,000 sq ft and produced £0.7m pa.  
Tottenham Court Road frontage of 109m.

### 2014

Commenced 38,000 sq ft retail extension in March - nine units.  
Architects: Orms.  
Increases floorspace by 58% and creates more desirable larger units.  
Adds to the significant regeneration of the eastern end of Oxford Street - Primark and Zara have already committed to the area and rents are seeing strong upward momentum.  
ERV of c.£2.4m pa.

### 2015

Completed in Q2.  
Seven of the nine units now let - DF Mexico, Hotel Chocolat, Leon, Oasis, Planet Organic, T2, Waterstones.  
Major improvement to the area.

### 2018

Opening of Crossrail.



Waterstones

PLANET  
ORGANIC

LEON

ODEON

oasis

T2

HOTEL  
Chocolat

DF /  
MEX  
ICO



40

## 102,000 SQ FT

1999

Property acquired for £9.9m after costs. Low average rent of £14 psf.

2001

Rolling refurbishment commenced. £34 psf achieved.

2008

Planning permission achieved for 102,000 sq ft office and retail development.

2012

Ownership re-gearred to unlock this scheme and now held on a 128-year headlease across entire site. Ground rent gearing 18% with the right to buy down to 10%. Commenced office and retail redevelopment that includes roof terraces and a new landscaped courtyard.

2013

Office accommodation of 97,400 sq ft pre-let to Publicis Groupe on a 20-year lease at £5.7m pa (gross) or £4.7m pa (net). Typical mid-level office rent of £62.50 to £65.00 psf.

2015

Development completed in July and handed over to Publicis.





## 63,700 SQ FT - EARMARKED FOR APPRAISAL

### 2013

Six-storey freehold office building acquired in November for £41.3m after costs (£648 psf) at a net initial yield of 4.1%.

Corner position on Farringdon Road and Charterhouse Street, opposite Farringdon Crossrail interchange.

Fully let to the London College of Accountancy until 2025 with tenant's break in 2020.

Rent of 1.4m pa, topped up to £1.7m pa (£26.50 psf) by the vendor - 2015 rent review capped at £1.7m pa.

Let off a low rent, large floor plates for the area, good natural light.

Potential opportunity on ground floor.

Significant future regeneration potential.





## 262,000 SQ FT

2007

Vacant office property (162,500 sq ft) let on a long lease.

2008

Planning consent granted for office/retail remodelling and extension to 262,000 sq ft – a 61% floorspace gain. As part of the lease surrender terms tenant agrees to pay rent (£4.2m pa) until March 2010. Over half space pre-let to Cancer Research UK at £5.0m pa for 20 years (break at 15).

2010

Property completed, including introduction/regeneration of ground floor retail.

2011

Fully let in just 13 months

Office tenants: Cancer Research, Expedia, Sage Pay, NG Bailey.

Retailers: Jamie's Italian, Naamyaa Cafe and Hummingbird Bakery.

2015

Current income £11.3m pa.

ERV £12.5m pa with Office ERV of £47 to £52.50 psf.



# DERWENT LONDON ATTENDEES

64

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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	SIMON TAYLOR*	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
TOM FRENCH	Development Manager	BENJAMIN LESSER	Development Manager
ED SNEDDON	Development Manager	DAVID WESTGATE	Group Head of Tax
PHILIPPA DAVIES	Leasing Surveyor	EMILY PRIDEAUX	Leasing Surveyor
GILES SHEEHAN	Investment Surveyor	JOSH TOBIN	Investment Surveyor
JENNIFER WHYBROW	Group Financial Planning	JAY JOSHI	Treasurer
CLAIRE FREEMAN	Asset Manager	JONATHAN THEOBALD	Investment Valuer
LAWRENCE MCMORROW	Group Reporting Manager	NICOLE RANKIN	Investor & Communications Co-ordinator

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\*Members of Executive Committee

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