



INTERIM RESULTS 2016

# DERWENT LONDON PLC

# CONTENTS

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# INTRODUCTION AND OVERVIEW

John Burns

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# HIGHLIGHTS

## POSITIVE RESULTS

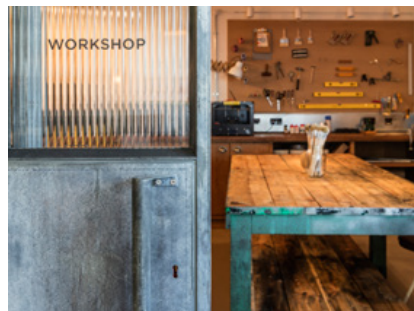
- NAV growth +1.8%<sup>1</sup>
- EPRA PBT +14.9%<sup>2</sup>
- Dividend per share +10.0%<sup>2</sup>
- Total return +2.7%<sup>1</sup>

## GOOD LETTINGS

- £21.3m<sup>3</sup> pa of lettings in year to date including £4.6m pa in H2 to date
- Lettings 5.4% above Dec 15 ERV
- Low vacancy rate of 2.0%

## FINANCIAL

- LTV 19.1% at 30 June 2016
- Interest cover ratio increased to 371%
- £105m of USPP funding signed in February 2016 and drawn in May 2016

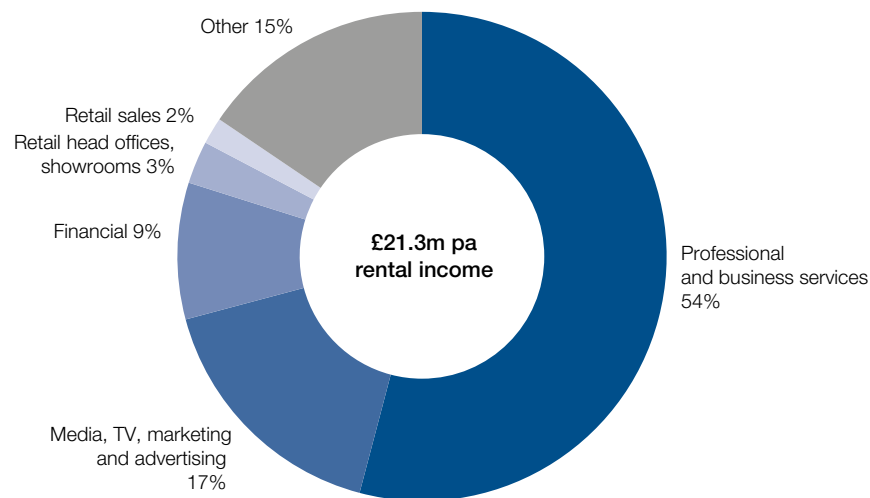


<sup>1</sup> Increase on 31 Dec 2015    <sup>2</sup> Increase on H1 2015    <sup>3</sup> £20.2m pa net

# EU REFERENDUM RAISES UNCERTAINTY

- Potential negative impacts:
  - Economic slowdown
  - Relocation risks
  - Loss of EU status
- Potential positive impacts:
  - Weaker sterling
  - Lower interest rates for longer
  - Stimulus packages
- Limited impact on occupiers so far:
  - 100% of Group's pre-referendum deals exchanged or completed

DERWENT LONDON TAKE-UP YTD BY SECTOR



# CENTRAL LONDON OFFICE OUTLOOK

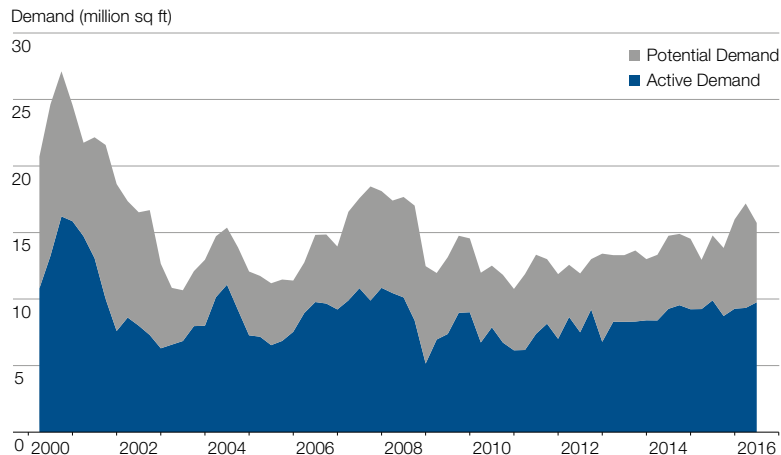
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	Estimates for our portfolio 2016	Market factors
Rents	1-5% ERV growth	<ul style="list-style-type: none"><li>■ Current demand for our space holding up</li><li>■ London's economic growth is expected to slow</li><li>■ Central London's vacancy remains low</li><li>■ Developers likely to be more cautious</li></ul>
Yields	Risk of marginal rise	<ul style="list-style-type: none"><li>■ London is an important global city</li><li>■ Overall liquidity levels expected to remain high</li><li>■ Yield gap with bonds has widened close to historical highs</li><li>■ Falling interest rates</li><li>■ Weaker sterling</li><li>■ London has safe haven status</li></ul>

# OCCUPIER DEMAND STEADY IN CENTRAL LONDON

- Total occupier demand of 15.7m sq ft as at 30 June:
  - 2% lower than the start of the year
  - 5% above the long-term average and the third highest in the last eight years
- Active demand of 9.8m sq ft:
  - 5% higher than the start of the year
  - 10% above the long-term average
- A wide range of well known occupiers active in the market:

## OFFICE OCCUPIER DEMAND



Source: JLL



THE BOSTON CONSULTING GROUP

# LOCKING IN POTENTIAL GROWTH

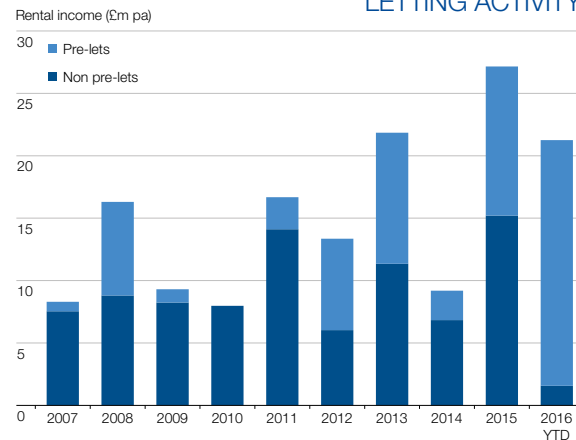
## ■ Strong letting activity YTD:

- 380,300 sq ft at £21.3m pa of rental income:
  - H2: 112,600 sq ft at £4.6m pa
- 93% pre-let (by income)
- Overall, +5.4% above Dec 2015 ERV

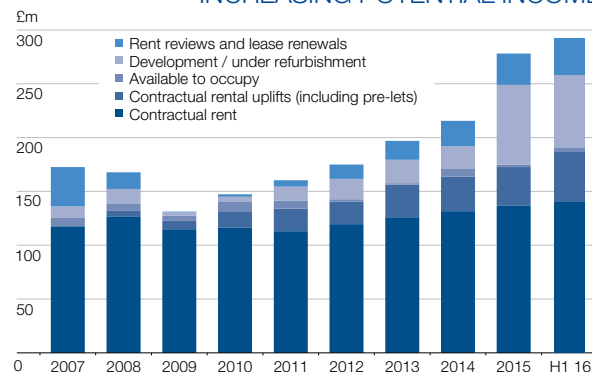
## ■ Reversion estimated at £150.8m pa:

- Now 34% contractual uplifts or pre-let:
  - Pre-lets (including refurbishments) increased to £21.1m pa
- 42% from letting developments/refurbishments
- 22% from lease renewals and rent reviews
- 2% from existing vacancies

## LETTING ACTIVITY



## INCREASING POTENTIAL INCOME





# DEVELOPMENT & REFURBISHMENT ACTIVITY OVERVIEW

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- Major source of income reversion
- Significant capital expenditure
- Flexibility with timing
- Yield on cost on four developments 6.7%
- Significant value add if market neutral:
  - Improved product
  - Space gain

Development ERV<sup>1</sup>

**£82.6m**  
+5% in H1

Development  
capex to complete






**£479m**  
-8% in H1

Profit on cost<sup>2</sup>

**36%**  
+1% in H1

<sup>1</sup> Includes refurbishments    <sup>2</sup> Four on-site developments - Appendix 27

# DEVELOPMENT & REFURBISHMENT ACTIVITY IN DETAIL

		Space gain '000 sq ft	ERV £m Pre-let	Vacant	Capex to complete £m	
Advanced stage (including refurbishments):	<div><div>Development</div></div> <div>White Collar Factory EC1</div>	175	20.7	22.0	125	
	<div><div>Refurbishment</div></div> <div>The White Chapel Building E1</div>					
	<div><div>Development</div></div> <div>The Copyright Building W1</div>					
Early stage - some flexibility on timing:	<div><div>Development</div></div> <div>Brunel Building W2</div>	308	-	41.2	338	
	<div><div>Development</div></div> <div>80 Charlotte Street W1</div>					
Consented schemes and under appraisal <sup>1</sup> :	<div><div>■ Existing floorspace of 0.8m sq ft</div><div>■ 13% of the portfolio, includes 1 Oxford Street W1</div><div>■ Average office rent £32 psf</div></div>		580 <sup>2</sup>	n/a	n/a	16 <sup>3</sup>
			1,063	20.7 <sup>4</sup>	63.2	479

<sup>1</sup> See Appendix 26   <sup>2</sup> Excluding Balmoral Grove   <sup>3</sup> Preparatory work only   <sup>4</sup> £1.3m included in contractual uplifts in June 2016

# RENT REVIEWS, LEASE RENEWALS AND REGEARS

- Rent reviews and lease renewals estimated to add £33.5m pa (+15% in H1)



1-2 STEPHEN STREET W1

- Rent review settled on 21,100 sq ft
- Rent increased from £0.9m to £1.5m pa
- 41% above Dec 2015 ERV



60 WHITFIELD STREET W1

- Lease regear on 36,200 sq ft
- Rent increases from £1.6m to £2.2m pa in 2018
- Term extended from 2018 to 2029



1 OLIVER'S YARD EC1

- Regear completed on 50,300 sq ft
- £1.39m pa rent increased to £2.34m pa
- Lease extended three years to 2021 (break on 17% of the space in 2018)

# MIDDLE MARKET PRODUCT WELL PLACED

- Middle market investment portfolio with robust financing

£43 psf

Average 'topped-up'  
office rent

6.8 years

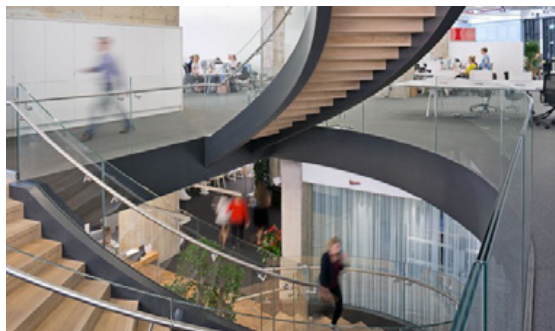
Average unexpired  
lease length<sup>1</sup>

4.6%

True  
equivalent yield

£923 psf

Average  
office value



<sup>1</sup> Including pre-lets 8.1 years

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## **RESULTS AND FINANCIAL REVIEW**

Damian Wisniewski

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# HEADLINE NUMBERS

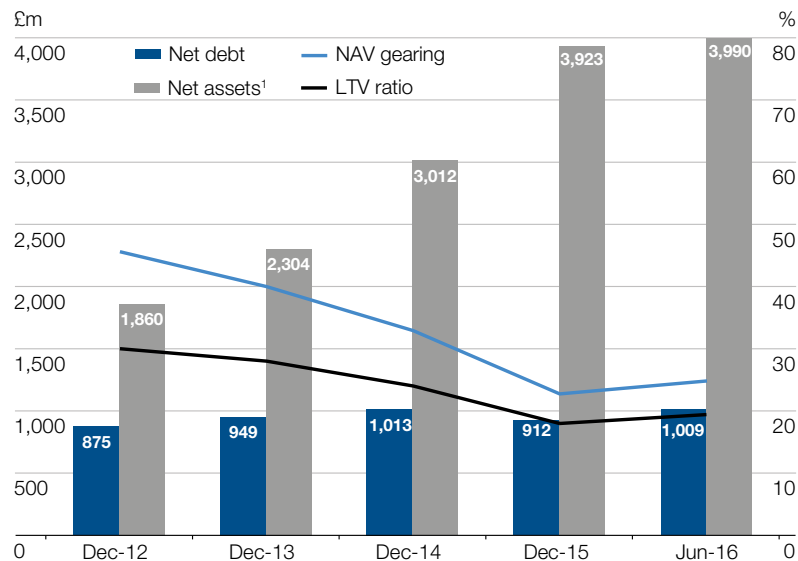
	Jun 2016	Dec 2015	Jun 2015
Total portfolio at fair value <sup>1</sup>	£5,128.3m	£4,954.5m	£4,551.8m
EPRA net asset value per share <sup>2,3</sup>	3,598p	3,535p 1.8% ↑	3,226p 11.5% ↑
EPRA triple NAV per share <sup>2,3</sup>	3,486p	3,463p	3,125p
Gross property income	£76.7m	£152.0m	£74.3m
EPRA profit before tax <sup>3</sup>	£44.8m	£81.6m	£39.0m 14.9% ↑
EPRA earnings per share	37.13p	71.34p	33.97p 9.3% ↑
Profit for the year	£97.5m	£777.2m	£403.3m
Interim dividend per share	13.86p	12.60p 10.0% ↑	12.60p 10.0% ↑
Net debt	£1,008.6m	£911.7m	£875.9m
Loan-to-value (LTV) ratio	19.1%	17.8%	18.6%
NAV gearing	24.8%	22.8%	24.1%
Net interest cover ratio	371%	362%	343%

<sup>1</sup> Excludes Group share of joint ventures    <sup>2</sup> On a diluted basis    <sup>3</sup> Reconciliations to IFRS figures in Appendices 2 and 4

# NET ASSETS, DEBT AND GEARING

- EPRA NAV per share up 1.8% to 3,598p from 3,535p
- Equity shareholders' funds increase to £3,990m
- Net debt increased to £1,008.6m from £911.7m:
  - £105m of unsecured US private placement funding drawn down in May 2016
  - Acquisitions and capex £111.2m
- Small rise in gearing ratios but LTV remains low at 19.1%

## NET ASSETS, DEBT AND GEARING



<sup>1</sup> Attributable to equity shareholders

# EPRA NAV MOVEMENT

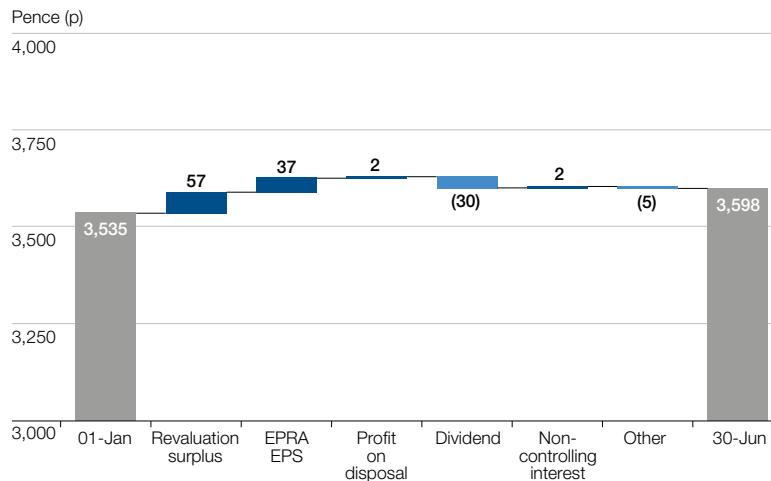
## Revaluation surplus:

Investment properties	£64.5m
Owner-occupied property <sup>1</sup>	£0.5m
Trading property write-down <sup>2</sup>	(£1.4m)
Share of JV revaluation surplus	£0.2m
For EPRA NAV movement	£63.8m <b>57p</b>

## Profit on disposal:

Investment properties	£2.5m
Trading properties	£1.9m
Profit on disposal per accounts	£4.4m
Trading property <sup>3</sup>	(£1.8m)
For EPRA NAV movement	£2.6m <b>2p</b>

## EPRA NAV PER SHARE



■ EPRA NAV per share includes 18p per share of dilution in relation to the convertible bonds with a conversion price of £33.35

<sup>1</sup> Recognised in other comprehensive income    <sup>2</sup> Asta House residential units

<sup>3</sup> £1.8m revaluation surplus on trading properties was reflected in EPRA NAV in 2015 but not in balance sheet

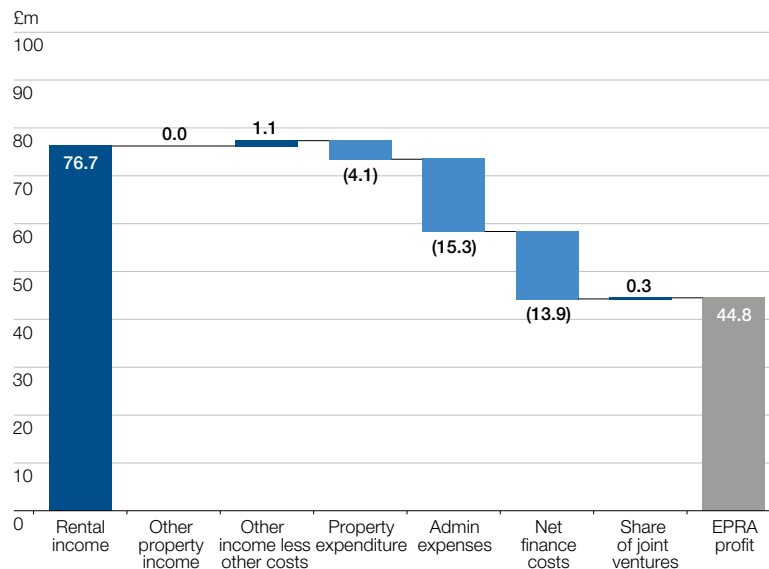


# EPRA PROFIT BEFORE TAX<sup>1</sup>

- EPRA profit £44.8m, up 14.9% from £39.0m in H1 2015
- Excludes profit on sale of trading property
- Property income & outgoings covered on pages 16-17
- Admin costs down 2.7% after adjusting for impact in 2016 of prior year bonus under-accrual of £0.9m
- £2.9m out of £6.3m capitalised interest relates to The White Chapel Building:

	H1 2016 £m	H1 2015 £m
Interest	18.5	18.4
Capitalised interest	(6.3)	(3.0)
	12.2	15.4
Fees and costs	1.7	2.0
<b>Net finance costs</b>	<b>13.9</b>	<b>17.4</b>

## EPRA PROFIT BEFORE TAX



H1 2015	72.0	2.3	0.9	(4.5)	(14.8)	(17.4)	0.5	39.0
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<sup>1</sup> An explanation of EPRA adjustments is provided in Appendix 5

# GROSS PROPERTY INCOME

## ■ Disposals include:

Davidson Building WC2	£0.6m
22 Kingsway WC2	£0.5m

## ■ Lettings and reviews include:

40 Chancery Lane WC2	£2.4m
1-2 Stephen Street W1	£2.3m
20 Farringdon Road EC1	£1.0m
Holden House W1	£1.0m

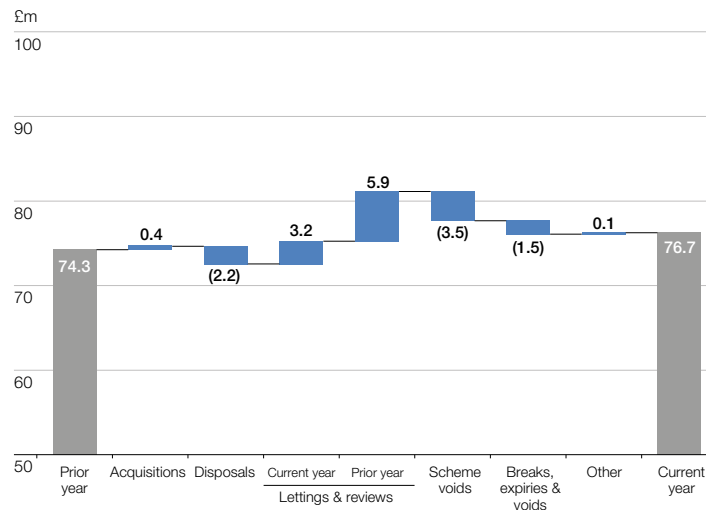
## ■ Scheme voids include:

80 Charlotte Street W1	£1.5m
Brunel Building W2	£0.8m

■ Well diversified tenant base - see Appendix 22

■ No significant bad debts in the period

## MOVEMENTS IN GROSS PROPERTY INCOME



	H1 2016 £m	H1 2015 £m	Movement £m
Rental income	71.2	67.5	3.7
SIC15 lease incentives & IAS17 fixed uplifts	5.5	4.5	1.0
Gross rental income	76.7	72.0	4.7
Other property income <sup>1</sup>	-	2.3	(2.3)
<b>Gross property income</b>	<b>76.7</b>	<b>74.3</b>	<b>2.4</b>

<sup>1</sup> 2015: Compensation from contractors for lost rental income in connection with the late delivery of schemes

# PROPERTY OUTGOINGS, COST RATIOS AND EPRA RENTAL INCOME

## PROPERTY OUTGOINGS

	H1 2016 £m	H1 2015 £m	
Property outgoings	3.8	5.0	→ Decrease due to a reduction in void costs
Ground rents	0.3	0.1	
Surrender premiums paid	0.1	-	
Dilapidation receipts	(0.1)	(0.6)	
	4.1	4.5	

## EPRA COST RATIOS

	H1 2016 %	FY 2015 %	H1 2015 %
EPRA - including direct vacancy costs	23.4	24.3	25.2
EPRA - excluding direct vacancy costs	21.8	22.3	22.5
Portfolio cost ratio <sup>1</sup>	0.7	0.7	0.8

## EPRA LIKE-FOR-LIKE RENTAL INCOME<sup>2</sup>

	Rental income Gross	Net	Net property income
Compared with H1 2015	3.8%	4.2%	3.9%
Compared with H2 2015	2.2%	2.7%	1.9%

<sup>1</sup> EPRA costs including direct vacancy costs on an annualised basis as a percentage of portfolio fair value

<sup>2</sup> See Appendix 6 for detailed reconciliation of like-for-like rental income

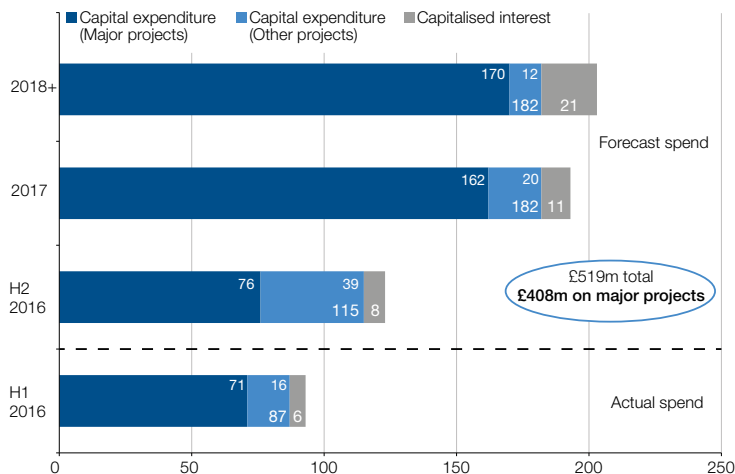
# CASH FLOW

- Increase in net debt of £96.9m to £1,008.6m
- Cash from operations is net of a payment of £5.3m (inclusive of SDLT) to Capita's existing landlord

## NET CASH FLOW MOVEMENTS

	H1 2016 £m	H1 2015 £m
Cash from operations	29.5	34.5
Acquisitions	(18.0)	(96.3)
Capex	(90.8) (93.2)	(29.4) (54.4)
Disposal proceeds	20.4	121.3
Dividends paid	(30.9)	(21.3)
Other cash flow movements	(2.4)	(0.4)
<b>Increase in net borrowing</b>	<b>(94.6)</b>	(16.6)
Bond conversion	-	170.5
Other non cash flow items	(2.3)	(16.5)
<b>(Increase)/decrease in net debt</b>	<b>(96.9)</b>	137.4

## FORECAST CAPITAL EXPENDITURE<sup>1</sup>



<sup>1</sup> Further details of forecast capital expenditure can be found in Appendix 28

# PROFORMA IMPACT OF MAJOR SCHEMES

- Assumes no disposals and no further lettings other than those already contracted
- Shows impact of estimated capital expenditure and schemes commencing

	Jun 2016	Estimated capex <sup>1</sup>	Contracted income on schemes	Schemes commencing <sup>2</sup>	Proforma
<b>Gross property income</b>	<b>£153m</b>		<b>£21m</b>		<b>£174m</b>
Net property income (adjusted)	£145m		£21m	(£18m)	£148m
Interest cost <sup>3</sup>	£39m	£9m <sup>4</sup>			£48m
<b>Net interest cover ratio</b>	<b>371%</b>				<b>307%</b>
Portfolio fair value	£5,128m	£422m			£5,550m
Drawn debt net of cash	£981m	£422m			£1,403m
<b>Loan-to-value ratio</b>	<b>19.1%</b>				<b>25.3%</b>

<sup>1</sup> £408m for major schemes plus £14m for The White Chapel Building and 20 Farringdon Road. See page 18 and Appendix 28

<sup>2</sup> Income lost and increase in void costs from schemes commencing    <sup>3</sup> Annualised    <sup>4</sup> Assuming a marginal interest rate of 2.25%

## DEBT SUMMARY

- Total facilities increased due to £105m of 12/15 year USPP notes drawn in May 2016
- Maturity of the £75m Wells Fargo unsecured revolving bank facility extended by one year to July 2021
- Very significant headroom under financial covenants as at 30 June 2016:
  - Values could fall by 66% without breaching the gearing covenant
  - Property income could fall by 60% before breaching the interest cover covenant
- Unutilised facilities plus cash totalled £279m at 30 June 2016 (£269m at 31 December 2015)

	Jun 2016	Dec 2015
Total facilities	£1,266m	£1,161m
Net debt	£1,009m	£912m
Unutilised facilities	£266m	£262m
Percentage of unsecured debt	71%	68%
Uncharged properties	£3,868m	£3,709m
Uncharged properties % of portfolio	75%	75%
Percentage of non-bank debt	61%	57%
Gearing:		
LTV ratio	19.1%	17.8%
NAV	24.8%	22.8%
Net interest cover ratio	371%	362%

# DEBT FACILITIES

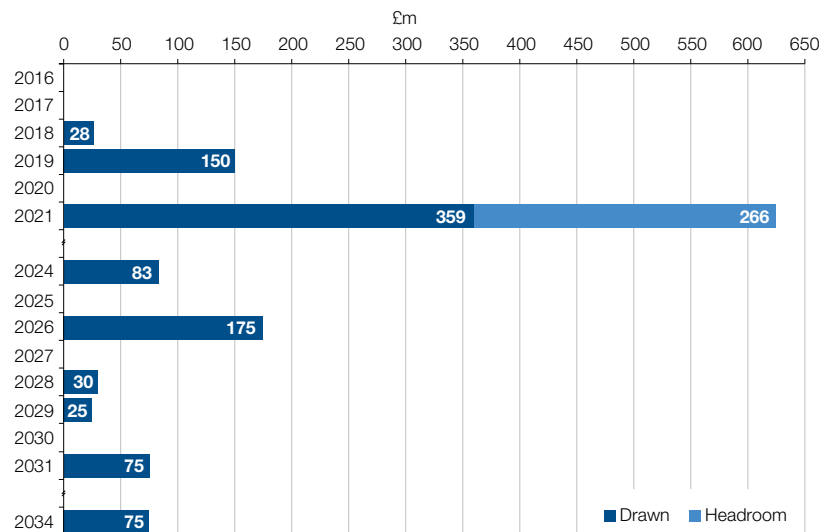
	Jun 2016	Dec 2015
Average interest rate (spot) <sup>1</sup>	3.65%	3.68%
Average interest rate (spot) <sup>2</sup>	3.88%	3.93%
Proportion of drawn facilities at fixed rate or hedged	86%	85%
Average maturity of facilities	7.0 years	6.8 years
Average maturity of borrowings	7.7 years	7.3 years

	Jun 2016	Dec 2015
Unsecured bank loans	£359m	£363m
Secured bank loans	£28m	£28m
Unsecured bonds and non-bank loans	£355m	£250m
Secured bonds and non-bank loans	£258m	£258m
Total facilities drawn	£1,000m	£899m

- The average cost of debt is approximately 20bp higher than the average interest rate

<sup>1</sup> Cash basis    <sup>2</sup> IFRS basis

## MATURITY PROFILE OF DEBT FACILITIES



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# VALUATION AND PORTFOLIO ANALYSIS

Nigel George

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# VALUATION

## Valuation date 30 June:

- A week after EU referendum:
  - Market uncertainty
- Stamp Duty Land Tax increased by 1% in March 2016 Budget

	Portfolio valuation £m	Joint venture valuation £m <sup>1</sup>	Total £m	H1 2016 valuation movement %
West End	3,364.6	12.3	3,376.9	1.8
City Borders <sup>2</sup>	1,662.5	23.4	1,685.9	1.2
<b>Central London</b>	<b>5,027.1</b>	<b>35.7</b>	<b>5,062.8</b>	<b>1.6</b>
Provincial	101.2	-	101.2	0.1
<b>Investment portfolio</b>	<b>5,128.3</b>	<b>35.7</b>	<b>5,164.0</b>	<b>1.6</b>

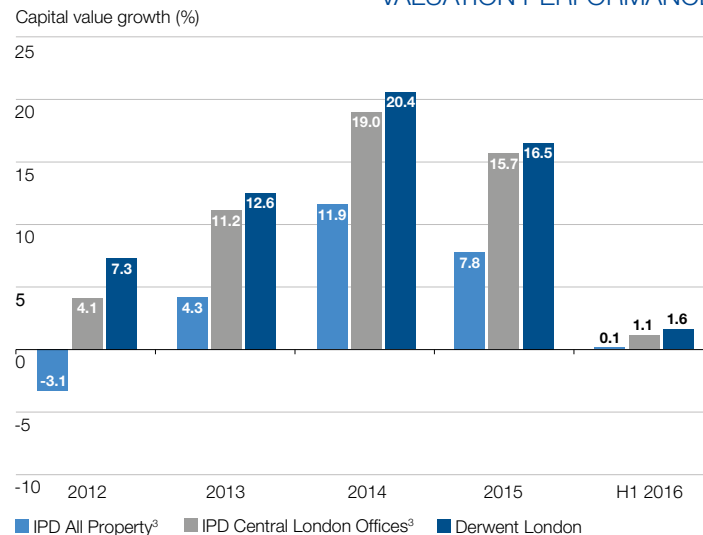
## Investment portfolio valued at £5.2bn:

- Underlying growth 1.6% (H2 2015: 7.1%):
  - West End 1.8% (H2 2015: 6.0%)
  - City Borders 1.2% (H2 2015: 10.5%)

## Total property return ahead of benchmarks:

- Derwent London 3.1%
- IPD Central London Offices<sup>3</sup> 2.8%
- IPD All Property<sup>3</sup> 2.5%

## VALUATION PERFORMANCE



<sup>1</sup> 50% joint venture interests in 9 and 16 Prescott Street E1 and Porters North N1

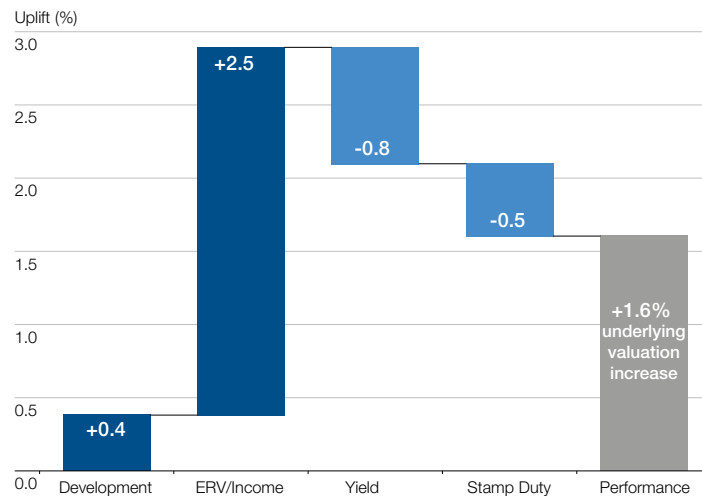
<sup>2</sup> Principally properties in the Tech Belt - Appendix 31 <sup>3</sup> Quarterly Index

# VALUATION PERFORMANCE AND DRIVERS

## On-site developments contribute to outperformance:

- Valued at £591m (+3.4% in H1 2016):
  - Advanced stage: White Collar Factory +7.1%  
The Copyright Building +14.3%
  - Early stages: 80 Charlotte Street -2.5%  
Brunel Building -2.5%

## DRIVERS OF VALUATION SURPLUS



# RENTAL VALUE GROWTH

- Underlying rental growth of 4.1% in H1 2016, driven by:

- Low average rents
- Letting activity
- Asset management

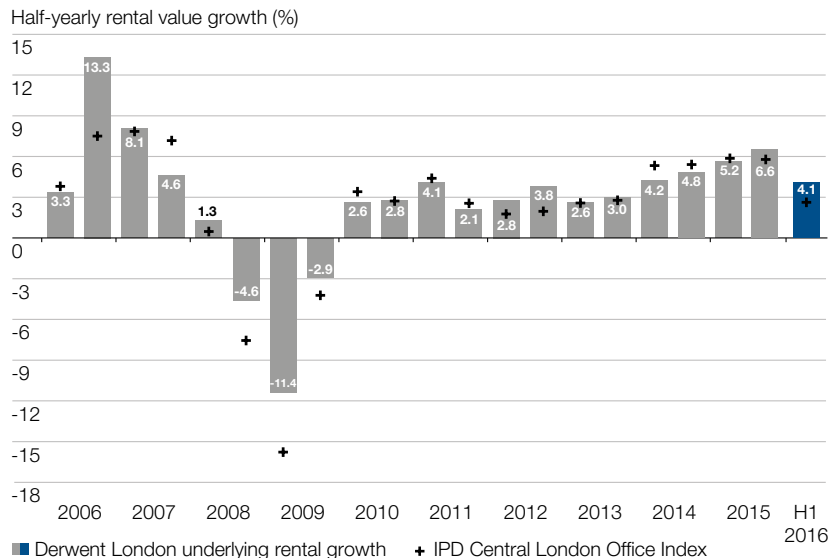
- West End (+4.4%) outperformed City Borders (+3.8%) for the first time in five years

- Examples of rental growth performance:

West End	ERV uplift	
60 Whitfield Street	32.2%	Asset management
1-2 Stephen Street	10.1%	Rent review
Angel Square	9.3%	Lettings

City Borders (principally Tech Belt)		
20 Farringdon Road	5.3%	Lettings
Tea Building	5.3%	Asset management
Morelands	5.2%	Asset management

## RENTAL VALUE GROWTH

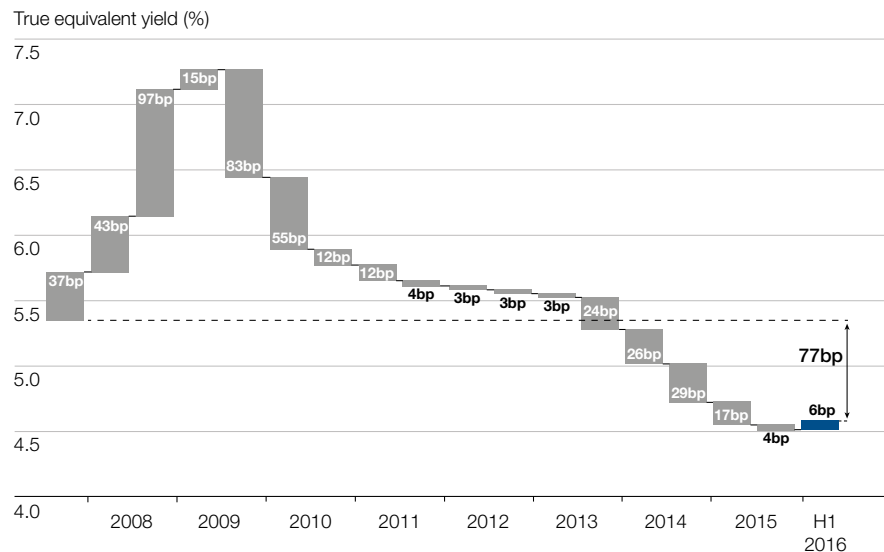


# MOVEMENT IN YIELDS

## EPRA yields

- Net initial yield 3.1% (Dec 2015: 3.1%):
  - 'Topped-up' net initial yield 3.8% (Dec 2015: 3.8%)
- True equivalent yield 4.58% (Dec 2015: 4.52%):
  - 6 basis points increase in H1 2016
- Net reversionary yield 4.7% (Dec 2015: 4.6%)

## TRUE EQUIVALENT YIELD MOVEMENT<sup>1</sup>



<sup>1</sup> Post H2 2010 portfolio on an EPRA basis

# CONTEXT TO YIELD MOVEMENT

## ■ Spread between true equivalent yield and 10-year Gilt widens to 371bp:

- Gilt yield fell from 2.0% to 0.9% in H1
- Economic slowdown:
  - Impact on tenant demand

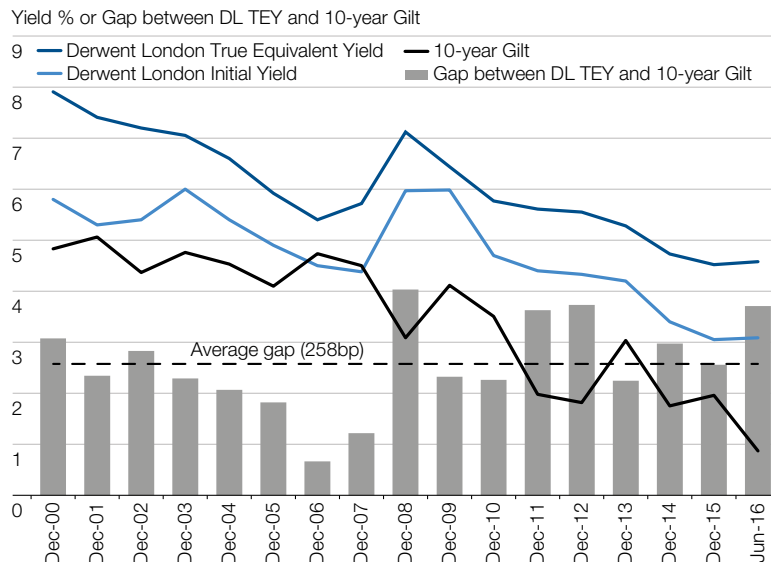
## ■ Undemanding capital values<sup>2</sup>:

- Central London £923 psf
- West End Central £1,037 psf
- Tech Belt £811 psf

## ■ Average lease length 6.8 years (Dec 2015: 7.0 years):

- Including pre-lets 8.1 years

## VALUATION YIELDS<sup>1</sup>



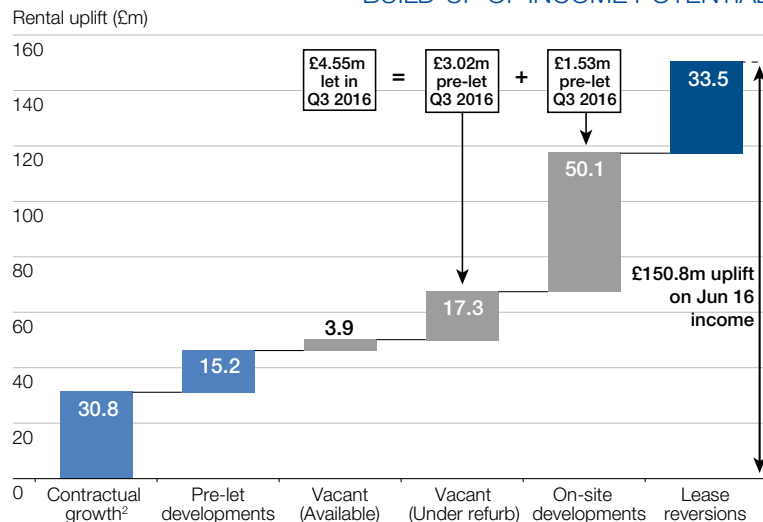
<sup>1</sup> Post H2 2010 portfolio on an EPRA basis    <sup>2</sup> Excludes 1.0m sq ft of on-site developments - Appendix 28

# PORTFOLIO INCOME POTENTIAL - REVERSION

- Net income of £140.3m with ERV of £291.1m
- Significant income potential of 107% or £150.8m<sup>1</sup>:
  - 31% (£46.0m) locked in, including:
    - 1-2 Stephen Street £5.3m
    - 1 Page Street £3.0m
  - Development pre-lets:
    - White Collar Factory £8.7m
    - The Copyright Building £6.5m
- Available space to be occupied £3.9m:
  - EPRA vacancy rate 2.0% (Dec 2015 1.3%)
- Refurbishments of £17.3m - 2016 delivery:
  - The White Chapel Building £8.8m
- On-site developments vacant ERV (Jun 2016) of £50.1m (net):

	Pre-let	Vacant	ERV	Delivery
White Collar Factory	8.7	8.0	16.7	2016
The Copyright Building	6.5	0.9	7.4	2017
80 Charlotte Street	-	26.4	26.4	2019
Brunel Building	-	14.8	14.8	2019
	<b>15.2</b>	<b>50.1</b>	<b>65.3</b>	

## BUILD-UP OF INCOME POTENTIAL



<sup>1</sup> Requires additional capex as set out in Appendix 28

<sup>2</sup> Under IFRS, income from contractual uplifts is recognised on a straight-line basis over the expected lease term from the commencement of the lease

# CENTRAL LONDON OFFICE RENTAL VALUES

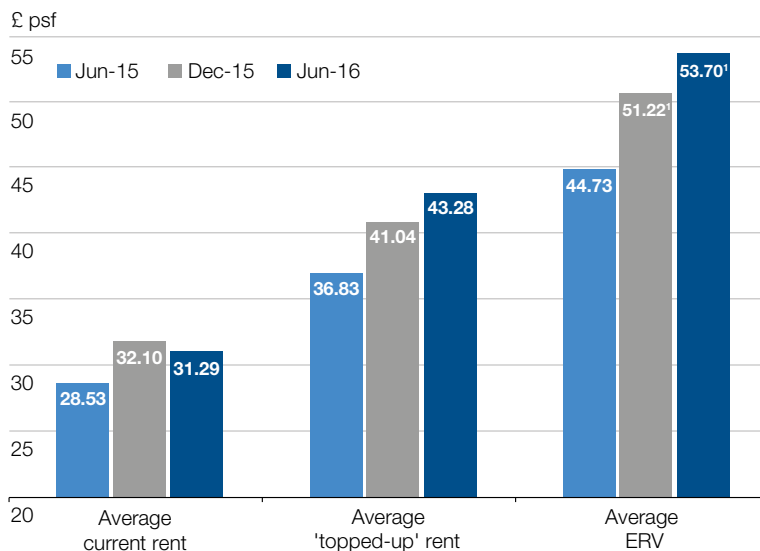
## 84% of portfolio income from central London offices:

- Potential to drive rents - average 'topped-up' office rent only £43.28 psf

'Topped-up' rents	H1 2016	2015
<£30 psf	7%	9%
£30-£40 psf	15%	18%
£40-£50 psf	26%	29%
£50-£60 psf	31%	32%
>£60 psf	21%	12%

	'Topped-up' rent £ psf	ERV £ psf
Central London offices:	43.28	53.70
Core income	45.93	54.79
On-site projects	70.08	69.56
Potential projects	30.52	40.00

## CENTRAL LONDON OFFICE RENT PROFILE



<sup>1</sup> Includes ERV of recently commenced schemes of 80 Charlotte Street and Brunel Building





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## PROJECTS

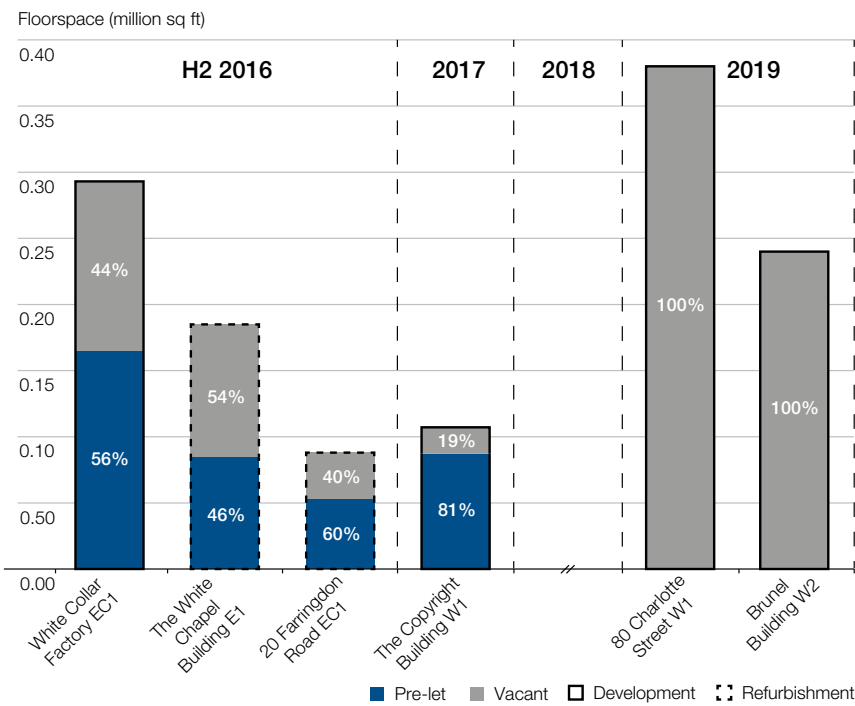
Simon Silver

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# DELIVERY OF CURRENT PIPELINE

- Three projects totalling 566,000 sq ft due to complete in H2 2016 (53% pre-let)
- One project of 107,000 sq ft due to complete in 2017 (81% pre-let)
- Two schemes totalling 620,000 sq ft due to complete in 2019

## DEVELOPMENT COMPLETIONS



## H2 2016 COMPLETION: WHITE COLLAR FACTORY EC1

- 293,000 sq ft scheme due to complete Q4 2016:
  - 237,000 sq ft 16-storey office tower
  - Additional office campus, restaurants, residential and a new public square
- 56% pre-let overall and office tower 70% pre-let
- Capex to complete £30m



Derwent London plc Interim Results 2016



# WHITE COLLAR FACTORY FILLING UP

- Mixed-use scheme with ERV of £16.7m:

- 164,800 sq ft pre-let:
  - £10.2m pa rental income
- Good interest on further space



**SPARK44**



**THE  
OFFICE  
GROUP**



Q3 2016 Spark44 £1.53m pa

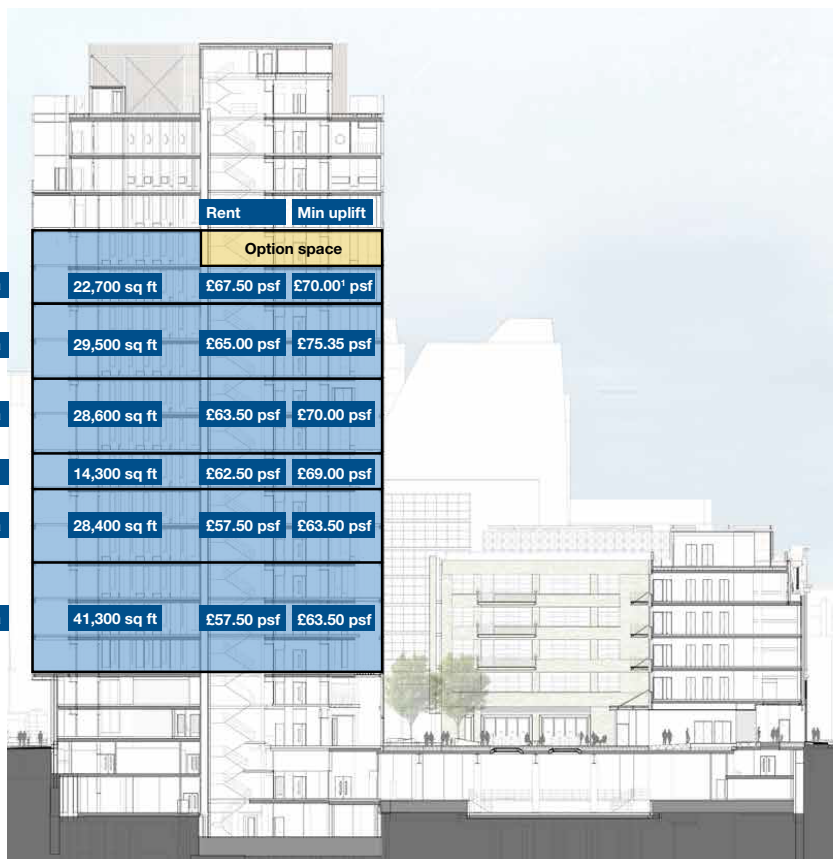
Q2 2016 Capital One £1.92m pa

Q1 2016 Adobe £1.81m pa

Q3 2015 BGL £0.89m pa

Q3 2015 AKT II £1.64m pa

Q2 2015 The Office Group £2.38m pa



## H2 2016 COMPLETION: THE WHITE CHAPEL BUILDING E1



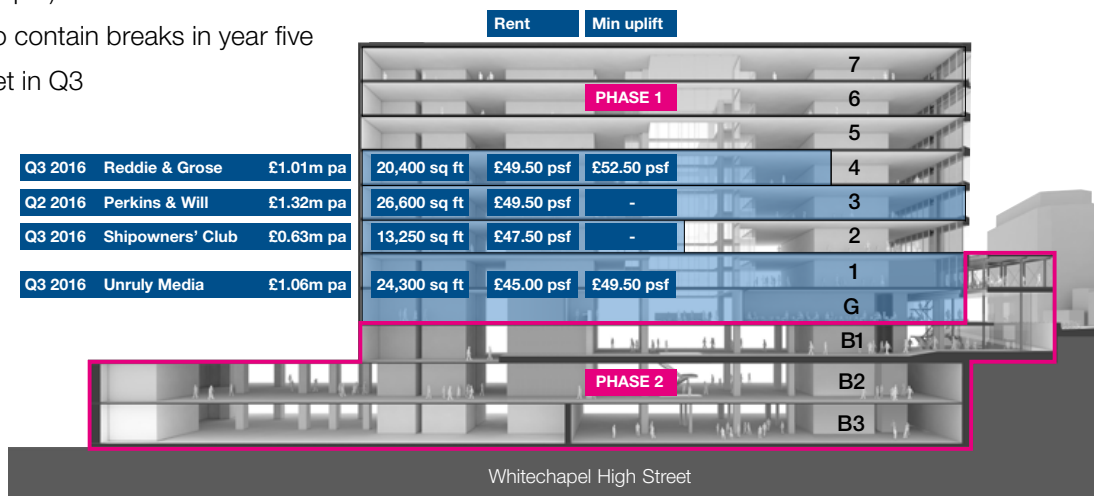
- 270,000 sq ft light touch office refurbishment:
  - Phase 1 (185,000 sq ft):
    - On site and completes Q4 2016
    - ERV £9.1m
    - Capex to complete £10m
  - Phase 2 (85,000 sq ft):
    - Lower ground storage
    - Exploring alternative uses



# GOOD PRE-LETTING PROGRESS SINCE MAY 2016

## THE WHITE CHAPEL BUILDING E1

- 84,550 sq ft, 46% of Phase 1, pre-let to four tenants:
  - £4.0m pa (£45 to £49.50 psf)
  - Four 10-year leases, two contain breaks in year five
  - Two thirds (by income) let in Q3





## 2017 COMPLETION: THE COPYRIGHT BUILDING W1

- 107,150 sq ft development due to complete in H2 2017
- 87,150 sq ft of offices pre-let to Capita in Q1 2016:
  - £7.4m pa (gross) / £6.5m pa (net)
  - 20-year lease with no breaks
  - Rental incentives equivalent to a 34 months rent-free period
- 20,000 sq ft of retail - £0.9m Jun 2016 ERV (net)
- Capex to complete £40m



## 2019 COMPLETION: BRUNEL BUILDING W2

- Demolition completed in Aug 2016
- Potential to defer development
- 240,000 sq ft of offices
- ERV £14.8m (net) - Offices c.£62.50 psf
- Capex to complete £113m
- Completion H1 2019





## 2019 COMPLETION: 80 CHARLOTTE STREET W1

- 380,000 sq ft development on site:
  - 321,000 sq ft offices
  - 45,000 sq ft residential
  - 14,000 sq ft retail
- ERV £26.4m – Offices c.£80 psf
- Capex to complete £225m
- Completion H2 2019



# PLANNING CONSENTS



## 1 OXFORD STREET W1

- Two striking buildings of 275,000 sq ft - 204,000 sq ft offices, 37,000 sq ft retail and 34,000 sq ft theatre
- Positioned above Tottenham Court Road Crossrail and London Underground Station
- Scheme could commence in 2018



## MONMOUTH HOUSE EC1

- 125,000 sq ft office-led development
- 81% floor area uplift
- Scheme could commence in 2020

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## **SUMMARY**

John Burns

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# SUMMARY

## Our market

- Increased uncertainty following EU referendum
- Rental growth likely to slow
- Investment yields may rise marginally in H2 2016

## Derwent London

- Middle market product well placed
- Significant potential income growth
- Robust financial position



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## APPENDICES

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# APPENDICES

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## APPENDIX 1 - GROUP BALANCE SHEET

	Jun 2016 £m	Dec 2015 £m	Jun 2015 £m
Investment property	4,997.0	4,832.3	4,420.3
Owner-occupied property	36.6	36.1	35.8
Investments in joint ventures	32.9	30.7	26.2
Other non-current assets	104.8	94.8	86.8
	<b>5,171.3</b>	<b>4,993.9</b>	<b>4,569.1</b>
Other current assets and liabilities	(73.8)	(73.7)	(61.6)
Trading property	9.6	10.5	26.1
Cash and cash equivalents	12.7	6.5	11.7
	<b>(51.5)</b>	<b>(56.7)</b>	<b>(23.8)</b>
Financial liabilities - non-current	(1,021.3)	(918.2)	(887.6)
Other non-current liabilities	(36.2)	(23.6)	(26.8)
	<b>(1,057.5)</b>	<b>(941.8)</b>	<b>(914.4)</b>
<b>Total net assets</b>	<b>4,062.3</b>	<b>3,995.4</b>	<b>3,630.9</b>
Non-controlling interest	(71.9)	(72.9)	(69.6)
<b>Attributable to equity shareholders</b>	<b>3,990.4</b>	<b>3,922.5</b>	<b>3,561.3</b>



## APPENDIX 2 - NET ASSET VALUE PER SHARE

	£m	Jun 2016 Diluted p	£m	Dec 2015 Diluted p
Net assets attributable to equity shareholders	3,990.4		3,922.5	
Conversion of unsecured convertible bonds	141.5		140.2	
Net assets for diluted NAV	4,131.9	3,556	4,062.7	3,501
Revaluation of trading properties	-		1.4	
Fair value of secured bonds	(42.6)		(27.2)	
Fair value of fixed rate secured loan	(6.6)		(0.3)	
Fair value of fixed rate unsecured private placement notes	(23.2)		(9.1)	
Unamortised issue and arrangement costs	(8.6)		(8.7)	
<b>EPRA triple NAV</b>	<b>4,050.9</b>	<b>3,486</b>	<b>4,018.8</b>	<b>3,463</b>
Fair value of bonds and costs	81.0		45.3	
Deferred tax on revaluation surplus	7.3		8.7	
Fair value of derivatives	30.4		17.6	
Fair value adjustment to secured bonds on acquisition less amortisation	14.5		15.0	
Non-controlling interest in respect of the above	(3.3)		(3.7)	
<b>EPRA NAV</b>	<b>4,180.8</b>	<b>3,598</b>	<b>4,101.7</b>	<b>3,535</b>

## APPENDIX 3 - GROUP INCOME STATEMENT

				Half year ended Jun 2016 £m					Year ended Dec 2015 £m					Half year ended Jun 2015 £m	
Gross property income				76.7				152.0				74.3			
Profit on disposal of trading properties				1.9				3.2				0.6			
Write-down of trading property				(1.4)				-				-			
Other income less other costs				1.1				2.3				0.9			
Property outgoings				(4.1)				(8.9)				(4.5)			
Net property and other income				74.2				148.6				71.3			
Total administrative expenses				(15.3)				(30.0)				(14.8)			
Revaluation surplus				64.5				650.0				361.0			
Profit on disposal of investment property				2.5				40.2				0.4			
Net finance costs				(13.9)				(34.8)				(17.4)			
Loan issue costs write-off				-				(0.3)				-			
Joint venture (JV) results		JV revaluation Other JV profit	0.2 0.3	↔	0.5	↔	3.6 1.0	↔	4.6	↔	0.4 0.5	↔	0.9		
Derivatives fair value movement				(12.8)				7.6				4.8			
Financial derivative termination costs				(1.2)				(6.4)				(1.2)			
IFRS profit before tax <sup>1</sup>				98.5				779.5				405.0			
Tax charge				(1.0)				(2.3)				(1.7)			
IFRS profit for the period				97.5				777.2				403.3			

<sup>1</sup> A reconciliation of the IFRS profit before tax to the EPRA profit before tax is shown in Appendix 4

## APPENDIX 4 - RECONCILIATION OF IFRS AND EPRA PROFITS

	Half year ended Jun 2016 £m	Year ended Dec 2015 £m	Half year ended Jun 2015 £m
IFRS profit before tax	98.5	779.5	405.0
Revaluation surplus	(64.5)	(650.0)	(361.0)
Joint venture revaluation surplus	(0.2)	(3.6)	(0.4)
Profit on disposal of properties	(2.5)	(40.2)	(0.4)
Profit on disposal of trading properties	(1.9)	(3.2)	(0.6)
Write-down of trading property	1.4	-	-
Derivatives fair value movement	12.8	(7.6)	(4.8)
Financial derivative termination costs	1.2	6.4	1.2
Loan arrangement costs written off	-	0.3	-
<b>EPRA profit before tax</b>	<b>44.8</b>	<b>81.6</b>	<b>39.0</b>

## APPENDIX 5 - EXPLANATION OF EPRA ADJUSTMENTS

	2016 IFRS £m	Adjustments			H1 2016 EPRA £m	H1 2015 EPRA £m
		A £m	B £m	C £m		
Net property and other income	74.2	(1.9)	1.4		73.7	70.7
Total administrative expenses	(15.3)				(15.3)	(14.8)
Revaluation surplus	64.5		(64.5)		-	-
Profit on disposal of investment property	2.5	(2.5)			-	-
Net finance costs	(13.9)				(13.9)	(17.4)
Derivatives fair value movement	(12.8)			12.8	-	-
Financial derivative termination costs	(1.2)			1.2	-	-
Share of results of joint ventures	0.5		(0.2)		0.3	0.5
<b>Profit before tax</b>	<b>98.5</b>	<b>(4.4)</b>	<b>(63.3)</b>	<b>14.0</b>	<b>44.8</b>	<b>39.0</b>
Tax charge	(1.0)	-	(1.2)	-	(2.2)	(0.8)
<b>Profit for the period</b>	<b>97.5</b>	<b>(4.4)</b>	<b>(64.5)</b>	<b>14.0</b>	<b>42.6</b>	<b>38.2</b>
Non-controlling interest	1.0	-	(2.1)	(0.2)	(1.3)	(1.0)
<b>Profit for the period attributable to equity shareholders</b>	<b>98.5</b>	<b>(4.4)</b>	<b>(66.6)</b>	<b>13.8</b>	<b>41.3</b>	<b>37.2</b>
<b>Earnings per share</b>	<b>88.55p</b>				<b>37.13p</b>	<b>33.97p</b>

A – Disposal of investment and trading property and associated deferred tax and non-controlling interest

B – Revaluation surplus on investment property and in joint ventures and write-down in trading properties, and associated deferred tax and non-controlling interest

C – Fair value movement and termination costs relating to derivative financial instruments and associated non-controlling interest

## APPENDIX 6 - EPRA LIKE-FOR-LIKE RENTAL INCOME

	Like-for-like increase on: Properties owned throughout the year			Acquisitions	Disposals	Development property	Total
	H1 2015 %	H2 2015 %	£m	£m	£m	£m	£m
<b>H1 2016</b>							
<b>Gross rental income</b>	<b>3.8</b>	<b>2.2</b>	<b>59.7</b>	<b>2.0</b>	<b>-</b>	<b>15.0</b>	<b>76.7</b>
Property expenditure			(2.4)	(0.2)	-	(1.5)	(4.1)
<b>Net rental income</b>	<b>4.2</b>	<b>2.7</b>	<b>57.3</b>	<b>1.8</b>	<b>-</b>	<b>13.5</b>	<b>72.6</b>
Profit on disposal of trading properties			-	-	1.9	-	1.9
Other <sup>1</sup>			1.1	-	-	(1.4)	(0.3)
<b>Net property income</b>	<b>3.9</b>	<b>1.9</b>	<b>58.4</b>	<b>1.8</b>	<b>1.9</b>	<b>12.1</b>	<b>74.2</b>
<b>H1 2015</b>							
<b>Gross rental income</b>			<b>57.5</b>	<b>1.2</b>	<b>2.2</b>	<b>11.1</b>	<b>72.0</b>
Property expenditure			(2.5)	-	(0.6)	(2.0)	(5.1)
<b>Net rental income</b>			<b>55.0</b>	<b>1.2</b>	<b>1.6</b>	<b>9.1</b>	<b>66.9</b>
Profit on disposal of trading properties			-	-	0.6	-	0.6
Other <sup>1</sup>			1.2	-	0.6	2.0	3.8
<b>Net property income</b>			<b>56.2</b>	<b>1.2</b>	<b>2.8</b>	<b>11.1</b>	<b>71.3</b>
<b>H2 2015</b>							
<b>Gross rental income</b>			<b>58.4</b>	<b>1.9</b>	<b>1.4</b>	<b>14.6</b>	<b>76.3</b>
Property expenditure			(2.6)	(0.2)	(0.2)	(1.5)	(4.5)
<b>Net rental income</b>			<b>55.8</b>	<b>1.7</b>	<b>1.2</b>	<b>13.1</b>	<b>71.8</b>
Profit on disposal of trading properties			-	-	2.6	-	2.6
Other <sup>1</sup>			1.5	-	-	1.4	2.9
<b>Net property income</b>			<b>57.3</b>	<b>1.7</b>	<b>3.8</b>	<b>14.5</b>	<b>77.3</b>

<sup>1</sup> Includes surrender premiums paid or received, dilapidation receipts, other income and write-down on trading properties

## APPENDIX 7 - DEBT FACILITIES

	£m	£m	Maturity
6.5% secured bonds		175	March 2026
3.99% secured loan		83	October 2024
1.125% unsecured convertible bonds		150	July 2019
4.41% unsecured private placement notes		25	January 2029
4.68% unsecured private placement notes		75	January 2034
3.46% unsecured private placement notes		30	May 2028
3.57% unsecured private placement notes		75	May 2031
Committed bank facilities			
Bilateral term - secured	28		June 2018
Bilateral revolving credit - unsecured	75		July 2021
Club revolving credit - unsecured	550		January 2021
		653	
<b>At 30 June 2016</b>		<b>1,266</b>	

## APPENDIX 8 - NET DEBT

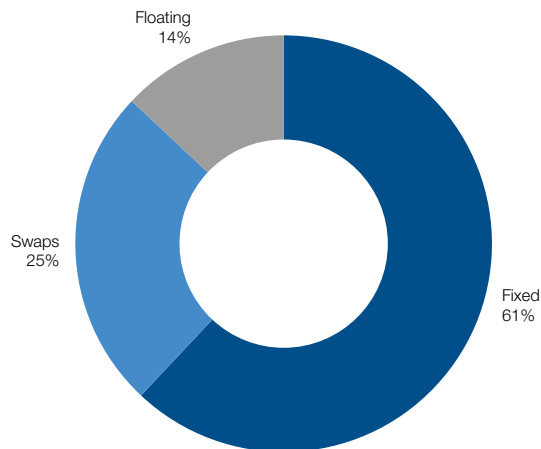
	Jun 2016 £m	Dec 2015 £m
Financial liabilities - due after more than 1 year	1,021.3	918.2
Acquired fair value of secured bonds less amortisation	(14.5)	(15.0)
Equity component of unsecured bonds	12.6	12.6
Unwinding of discount of unsecured bonds	(5.9)	(4.9)
Unamortised issue and arrangement costs	10.4	10.8
Leasehold liabilities	(23.9)	(23.2)
<b>Facilities - drawn</b>	<b>1,000.0</b>	<b>898.5</b>
Facilities - undrawn	266.0	262.5
<b>Total debt facilities</b>	<b>1,266.0</b>	<b>1,161.0</b>

	Jun 2016 £m	Dec 2015 £m
Financial liabilities	1,021.3	918.2
Cash and cash equivalents	(12.7)	(6.5)
<b>Net debt</b>	<b>1,008.6</b>	<b>911.7</b>

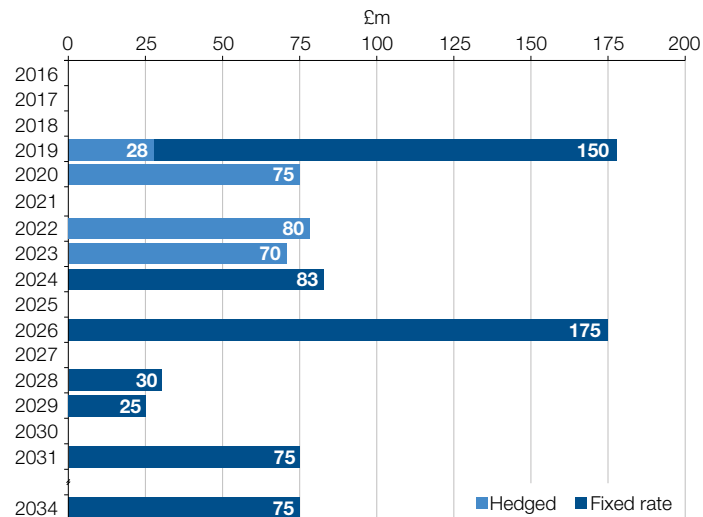
## APPENDIX 9 - FIXED RATES AND HEDGING

	Jun 2016	Dec 2015
Proportion of drawn facilities at fixed rates or hedged via swaps	86%	85%
Weighted average duration of swaps <sup>1</sup>	5.2 years	4.6 years
Mark-to-market cost of swaps	£30.4m	£17.6m
Weighted average duration of fixed rate instruments	9.7 years	9.3 years

HEDGING PROFILE



MATURITY PROFILE OF FIXED RATES AND SWAPS<sup>1</sup>



<sup>1</sup> Excludes £70m forward start swap from September 2016 to March 2020



# APPENDIX 10 - CENTRAL LONDON OFFICE DEMAND

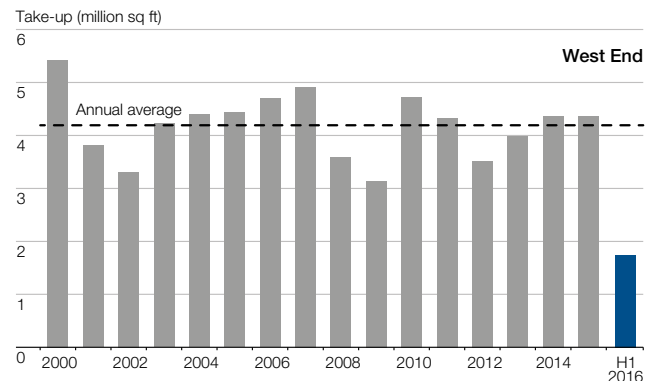
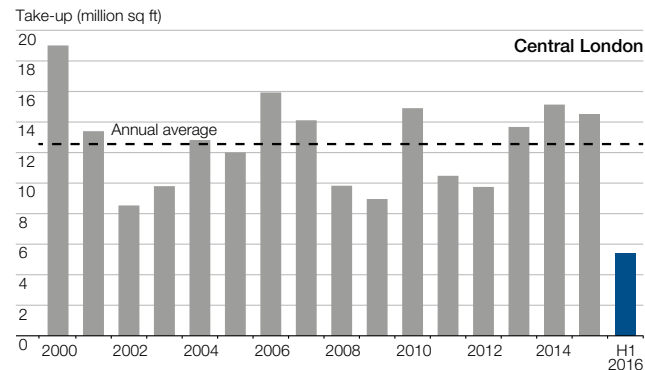
## Market statistics

- Central London take-up of 5.5m sq ft in H1 2016:
  - TMT 25%, Banking & Finance 23%, Business Services 22%, Consumer Services & Leisure 14%
  - 13% below the half-year average and 27% below H2 2015
  - 56% of activity in Q1
- West End take-up of 1.8m sq ft:
  - 15% below the half-year average and 24% below H2 2015
- Prime rents as at 30 June 2016:
  - £120 psf in Mayfair/St James's (+2.1% pa)
  - £82.50 psf in Fitzrovia (+6.5% pa)
  - £80 psf in Midtown (+6.7% pa)
  - £70 psf in City (+4.5% pa)
  - £67.50 psf in Paddington (+12.5%)

## Derwent London's view

- Good demand for our space from a wide range of tenants
- Increased emphasis on pre-lets

## OFFICE TAKE-UP



Source: CBRE

# APPENDIX 11 - CENTRAL LONDON OFFICE SUPPLY

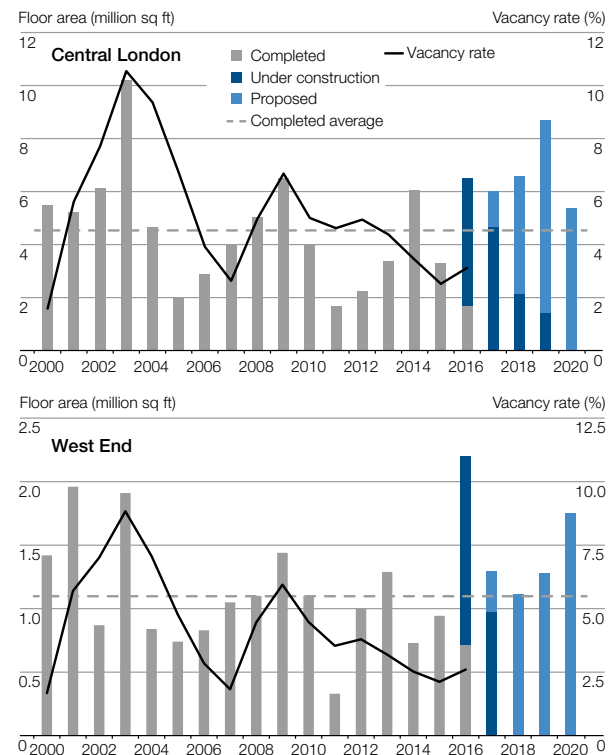
## Market statistics

- Available space increases but remains substantially below average:
  - Central London vacancy rate of 3.2% (2.3% Dec 2015) against 5.2% long-term average
  - West End rate of 2.5% (2.0% Dec 2015) against 4.3% average
- Above average supply expected in each of the next five years:
  - Central London: 6.6m sq ft in 2016 (45% above average) and 6.0m sq ft in 2017 (+32%):
    - 2016: 25% completed H1, 35% pre-let or under offer, 40% available (2.6m sq ft)
  - West End: 2.2m sq ft in 2016 (102% above average) and 1.3m sq ft in 2017 (+17%)
  - 19.3m sq ft of central London completions in 2016-18 inclusive:
    - 8% lower than forecast six months ago
    - Excluding H1 2016 completions, 36% pre-let

## Derwent London's view

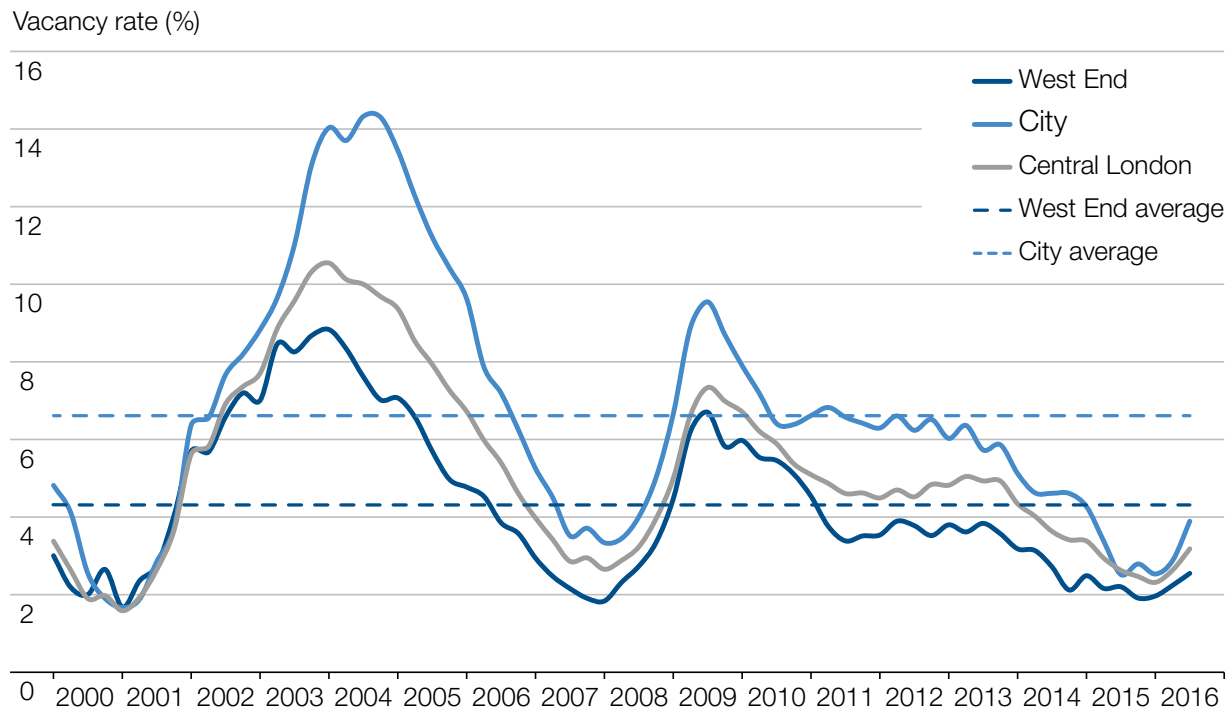
- Supply forecast to increase but impact limited due to low vacancy rate

## OFFICE DEVELOPMENT PIPELINE



Source: CBRE

## APPENDIX 12 - CENTRAL LONDON OFFICE VACANCY



Source: CBRE

# APPENDIX 13 - CENTRAL LONDON OFFICE RENTAL GROWTH



Source: CBRE

# APPENDIX 14 - CENTRAL LONDON OFFICE INVESTMENT MARKET

## Robust demand in the first half of the year

### ■ £6.8bn of central London office investment transactions in H1 2016:

- 17% above the long-term half year average although the lowest since H2 2011
- 62% of transactions occurred in the first quarter
- Overseas investors accounted for 70%, up from 58% in 2015
- Prime yields steady at 3.5% in the West End and 4.0% in the City

## Outlook for H2 2016

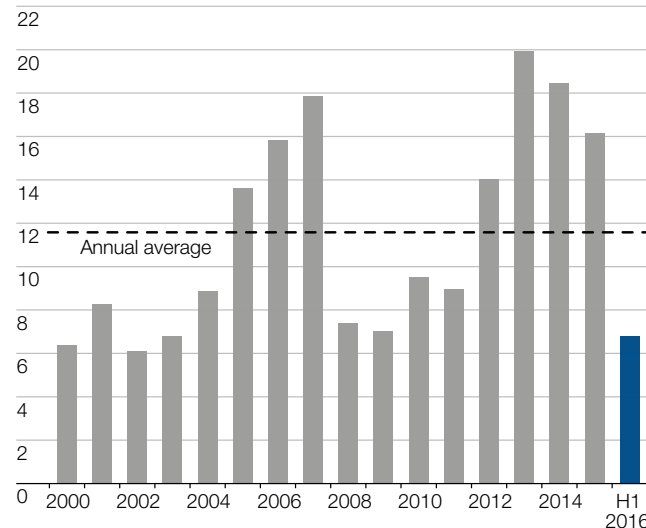
- Uncertainty due to the outcome of the EU referendum
- UK interest rates to remain low
- Demand likely to fall

## Impact on Derwent London

- Marginal rise in yields

## CENTRAL LONDON OFFICE INVESTMENT

Value of investment transactions (£bn)



## APPENDIX 15 - VALUATION PERFORMANCE BY VILLAGE

	Valuation Jun 2016 £m	Weighting Jun 2016 %	Valuation movement H1 2016 <sup>1</sup> %
<b>West End Central</b>			
Fitzrovia <sup>2</sup>	1,850.7	36	3.2
Victoria	581.9	11	0.6
Baker Street/Marylebone	199.6	4	(2.7)
Soho/Covent Garden	105.5	2	(3.7)
Mayfair	87.1	2	0.0
Paddington	71.6	1	(2.3)
	<b>2,896.4</b>	<b>56</b>	<b>1.8</b>
<b>West End Borders</b>			
Islington/Camden	480.5	9	2.2
<b>West End</b>	<b>3,376.9</b>	<b>65</b>	<b>1.8</b>
<b>City Borders</b>			
Clerkenwell	564.3	11	1.3
Old Street	446.3	9	3.5
Shoreditch/Whitechapel	378.5	7	0.1
Holborn	294.7	6	(0.7)
Other	2.1	0	0.0
	<b>1,685.9</b>	<b>33</b>	<b>1.2</b>
<b>Central London</b>	<b>5,062.8</b>	<b>98</b>	<b>1.6</b>
Provincial	101.2	2	0.1
<b>Investment portfolio</b>	<b>5,164.0</b>	<b>100</b>	<b>1.6</b>

<sup>1</sup> Underlying - properties held throughout the period    <sup>2</sup> Includes Euston and North of Oxford Street

## APPENDIX 16 - PORTFOLIO STATISTICS BY VILLAGE

	Valuation £m	Weighting %	Floor area <sup>1</sup> '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	Rent review/ lease renewal reversion £m pa	Total reversion £m pa	Estimated rental value £m pa
<b>West End Central</b>										
Fitzrovia <sup>2</sup>	1,850.7	36	1,947	455	49.4	25.83	30.7	26.3	57.0	106.4
Victoria	581.9	11	588	14	18.2	31.80	0.7	8.4	9.1	27.3
Baker Street/Marylebone	199.6	4	198	11	7.7	41.21	0.6	1.7	2.3	10.0
Soho/Covent Garden	105.5	2	161	6	2.3	14.57	0.4	0.5	0.9	3.2
Mayfair	87.1	2	43	22	0.2	8.23 <sup>3</sup>	2.5	1.9	4.4	4.6
Paddington	71.6	1	251	248	-	24.56	14.8	0.2	15.0	15.0
	2,896.4	56	3,188	756	77.8	32.39	49.7	39.0	88.7	166.5
<b>West End Borders</b>										
Islington/Camden	480.5	9	583	67	17.8	34.52	0.8	6.4	7.2	25.0
	480.5	9	583	67	17.8	34.52	0.8	6.4	7.2	25.0
<b>West End</b>	<b>3,376.9</b>	<b>65</b>	<b>3,771</b>	<b>823</b>	<b>95.6</b>	<b>32.76</b>	<b>50.5</b>	<b>45.4</b>	<b>95.9</b>	<b>191.5</b>
<b>City Borders</b>										
Clerkenwell	564.3	11	652	42	16.9	28.61	1.8	10.6	12.4	29.3
Old Street	446.3	9	548	176	6.3	16.85	8.8	12.0	20.8	27.1
Shoreditch/Whitechapel	378.5	7	592	256	8.0	23.86	9.5	5.9	15.4	23.4
Holborn	294.7	6	293	11	8.4	31.32	0.6	5.4	6.0	14.4
Other	2.1	-	-	-	-	-	-	-	-	-
<b>City Borders</b>	<b>1,685.9</b>	<b>33</b>	<b>2,085</b>	<b>485</b>	<b>39.6</b>	<b>25.36</b>	<b>20.7</b>	<b>33.9</b>	<b>54.6</b>	<b>94.2</b>
<b>Central London</b>	<b>5,062.8</b>	<b>98</b>	<b>5,856</b>	<b>1,308</b>	<b>135.2</b>	<b>30.16</b>	<b>71.2</b>	<b>79.3</b>	<b>150.5</b>	<b>285.7</b>
Provincial	101.2	2	342	6	5.1	15.10	0.1	0.2	0.3	5.4
<b>Investment portfolio</b>	<b>5,164.0</b>	<b>100</b>	<b>6,198</b>	<b>1,314</b>	<b>140.3</b>	<b>29.12</b>	<b>71.3</b>	<b>79.5</b>	<b>150.8</b>	<b>291.1</b>

<sup>1</sup> Includes 1.0m sq ft of on-site developments    <sup>2</sup> Includes Euston and North of Oxford Street

<sup>3</sup> If owner-occupied area (part 25 Savile Row W1) is excluded the average rental income is £77.40 psf

## APPENDIX 17 - PORTFOLIO INCOME POTENTIAL - REVERSION

	£m	Rent uplift pa £m	Rent pa £m
Contracted rental income, net of ground rents			140.3
<b>Contractual rental uplifts</b>			
1-2 Stephen Street W1	5.3		
1 Page Street SW1	3.0		
40 Chancery Lane WC2	2.8 <sup>1</sup>		
20 Farringdon Road EC1	2.4 <sup>1</sup>		
Turnmill EC1	2.1		
Other	15.2	30.8	
<b>Vacant space<sup>2</sup></b>			
Available to occupy	3.9		
Under refurbishment	17.3	21.2	
<b>Lease reversions</b>			
Anticipated rent reviews and lease renewals		33.5	85.5
			225.8
<b>Four on-site developments (non-EPRA)<sup>3</sup></b>			
Pre-let element <sup>4</sup>	15.2		
On-site	50.1		65.3
<b>Estimated rental value</b>			<b>291.1</b>

<sup>1</sup> Net income after deduction of ground rents    <sup>2</sup> Detailed in Appendix 18    <sup>3</sup> Capex to complete £408m excluding capitalised interest - see Appendix 28

<sup>4</sup> Excludes H2 2016 activity



## APPENDIX 18 - 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 rent ERV £m pa	Total net ERV £m pa	Comment
<b>Available to occupy (EPRA)</b>									
20 Farringdon Road EC1	35	-	35	1.7	0.2	1.5	-	1.5	
1-2 Stephen Street W1	14	-	14	1.0	-	1.0	-	1.0	
Johnson Building EC1	11	-	11	0.6	-	0.6	-	0.6	
Other	13	-	13	0.8	-	0.8	-	0.8	
	73	-	73	4.1	0.2	3.9	-	3.9	
<b>Under refurbishment</b>									
The White Chapel Building E1	243	27	270	8.8	-	8.8	1.3	10.1	57,950 sq ft pre-let in Q3 @ £2.7m pa
25 Savile Row W1	22	-	22	2.5	-	2.5	-	2.5	
Network Building W1	34	-	34	2.1	-	2.1	-	2.1	
9 Prescott Street E1	18	-	18	0.7	-	0.7	-	0.7	
Other	133	-	133	3.2	-	3.2	-	3.2	31,900 sq ft pre-let in Q3 @ £0.3m pa <sup>1</sup>
	450	27	477	17.3	-	17.3	1.3	18.6	
<b>On-site developments (non-EPRA)</b>									
White Collar Factory EC1	151	142	293	8.0	-	8.0	8.7	16.7	22,700 sq ft pre-let in Q3 @ £1.5m pa
The Copyright Building W1	20	87	107	1.0	0.1	0.9	6.5	7.4	
80 Charlotte Street W1	380	-	380	26.4	-	26.4	-	26.4	
Brunel Building W2	240	-	240	15.2	0.4	14.8	-	14.8	
	791	229	1,020	50.6	0.5	50.1	15.2	65.3	
<b>Total</b>	<b>1,314</b>	<b>256</b>	<b>1,570</b>	<b>72.0</b>	<b>0.7</b>	<b>71.3</b>	<b>16.5</b>	<b>87.8</b>	

<sup>1</sup> Monmouth House

## APPENDIX 19 - RENTAL VALUE GROWTH

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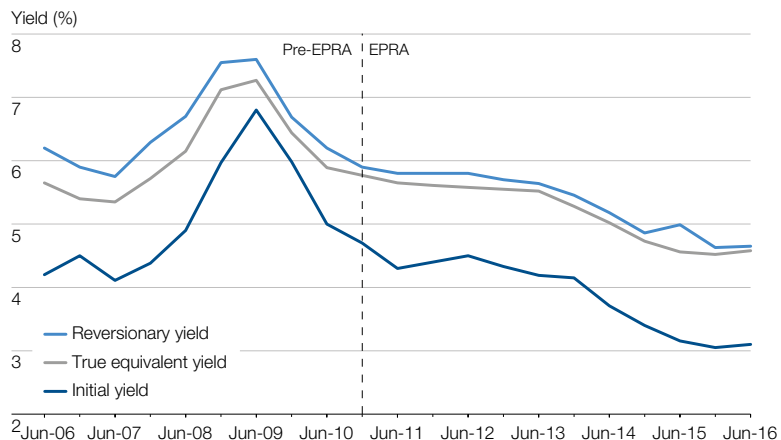
### RENTAL VALUE GROWTH<sup>1</sup>

	H1 2015 %	H2 2015 %	2015 %	H1 2016 %
West End	5.0	5.8	10.8	4.4
City Borders	6.3	8.9	15.2	3.8
<b>Central London</b>	<b>5.3</b>	<b>6.7</b>	<b>12.0</b>	<b>4.2</b>
Provincial	2.9	0.4	3.3	2.3
<b>Underlying</b>	<b>5.2</b>	<b>6.6</b>	<b>11.8</b>	<b>4.1</b>

<sup>1</sup> On EPRA portfolio

# APPENDIX 20 - VALUATION YIELDS

## YIELD PROFILE<sup>1</sup>



## EPRA INITIAL YIELDS

	Net initial yield %	'Topped-up' initial yield %
West End	3.1	3.7
City Borders	2.9	3.8
Central London	3.1	3.7
Provincial	6.2	6.2
<b>EPRA portfolio</b>	<b>3.1</b>	<b>3.8</b>

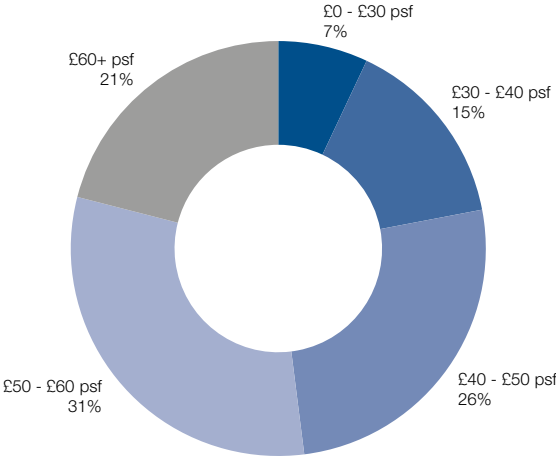
## TRUE EQUIVALENT YIELDS<sup>2</sup>

	Dec 2015 %	H1 2016 movement basis points	Jun 2016 %
West End	4.38	6	4.44
City Borders	4.70	7	4.77
<b>Central London</b>	<b>4.48</b>	<b>6</b>	<b>4.54</b>
Provincial	6.32	18	6.50
<b>Underlying</b>	<b>4.52</b>	<b>6</b>	<b>4.58</b>

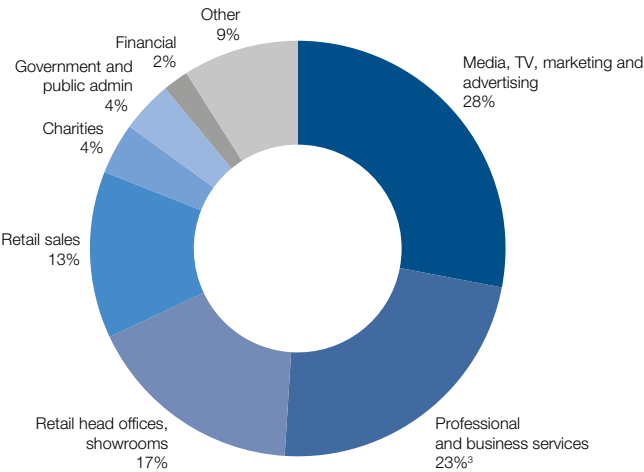
<sup>1</sup> Six-monthly data    <sup>2</sup> On EPRA portfolio

# APPENDIX 21 - RENT AND TENANT BANDING

CENTRAL LONDON 'TOPPED-UP'  
OFFICE RENT BANDING<sup>1</sup>



PROFILE OF TENANTS'  
BUSINESS SECTOR<sup>2</sup>



<sup>1</sup> Expressed as a percentage of annualised rental income after expiry of rent free periods and stepped rents

<sup>2</sup> Expressed as a percentage of annualised rental income of the whole portfolio

<sup>3</sup> Serviced/flexible office providers comprised 4% of the annualised rental income of the whole portfolio

## APPENDIX 22 – MAJOR TENANTS



THE  
OFFICE  
GROUP

CAPITA

GREY



TelecityGroup



MWB  
BusinessExchange



BBC

BURBERRY



HOUSE OF FRASER

ARUP

WPP Group plc



freuds



'Topped-up'  
income<sup>1</sup> %

01	Burberry	6.3
02	Publicis Groupe	5.6
03	Arup	4.3
04	Capita	3.9
05	Expedia	3.4
06	Cancer Research UK	3.4
07	Government	3.2
08	The Office Group	3.2
09	FremantleMedia Group	2.0
10	MWB Business Exchange	1.8
11	EDF Energy	1.4
12	House of Fraser	1.3
13	The Doctors Laboratory	1.2
14	Grey Communications Group	1.2
15	TelecityGroup UK	1.2
16	The British Broadcasting Corporation	1.1
17	Adobe	1.1
18	Freud Communications	1.1
19	Soho House	1.1
20	WPP Group	1.1
<b>Total</b>		<b>48.9</b>

<sup>1</sup> Including pre-lets

## APPENDIX 23 - LEASE EXPIRIES AND BREAKS / VACANCY RATES

■ £7.5m of income subject to breaks / expiries in H1 2016:

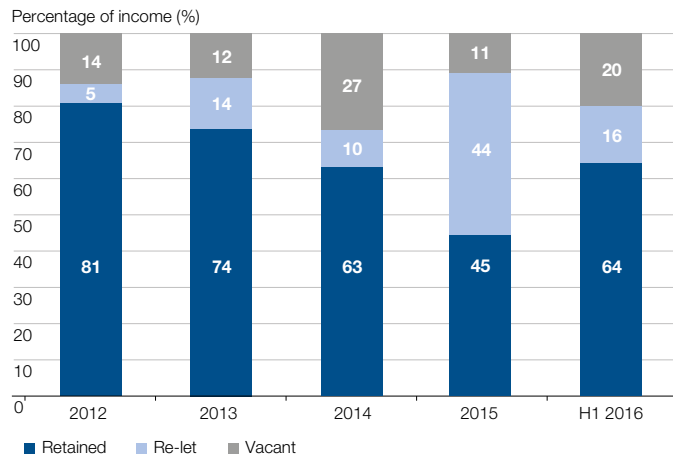
- £2.5m taken into projects
- 80% of remainder retained or re-let

■ Portfolio average unexpired lease length 6.8 years

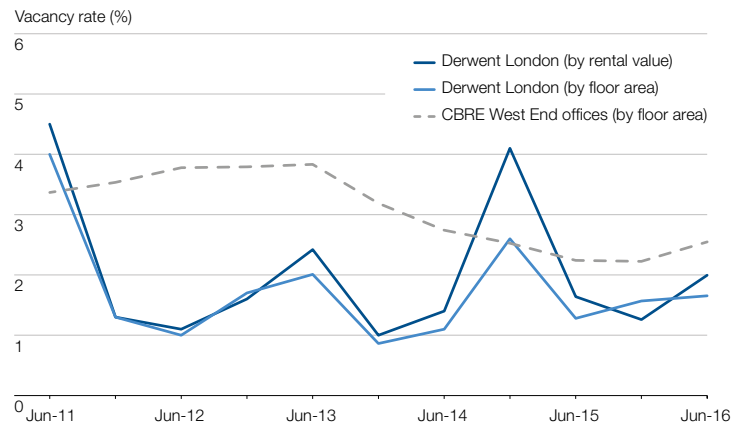
■ EPRA vacancy rate of 2.0%<sup>2</sup> at 30 June 2016:

- 1.3% at the start of 2016
- Vacant space ERV totals £3.9m pa net

### LEASE EXPIRY AND BREAK ANALYSIS<sup>1</sup>



### EPRA VACANCY RATES



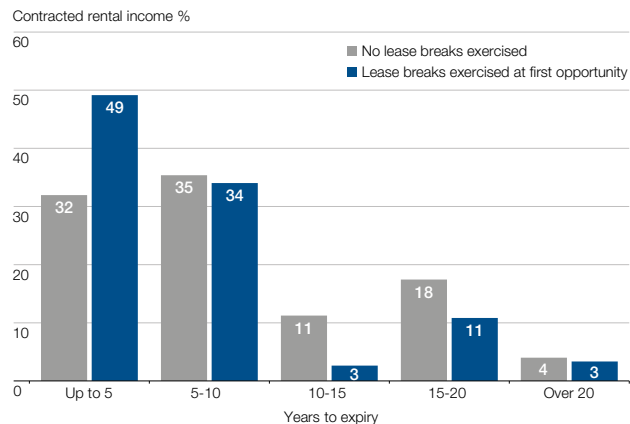
<sup>1</sup> As at end of reporting period    <sup>2</sup> Calculated as space immediately available to occupy

## APPENDIX 24 - LEASE EXPIRY PROFILE AND LEASE LENGTH

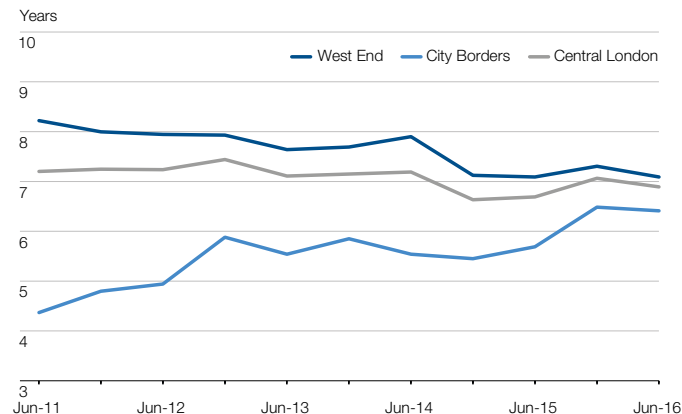
### EXPIRIES AND BREAKS AS A PERCENTAGE OF PORTFOLIO INCOME<sup>1</sup>

	West End	City Borders	Provincial	H2 2016	2017	2018	2019	2020	Total
Expiries	1	1	-	2	2	10	6	8	28
Holding over	-	-	-	-	-	-	-	-	-
Rolling breaks	2	-	-	2	-	2	-	-	4
Single breaks	-	-	-	-	4	5	5	3	17
	3	1	-	4	6	17	11	11	49

### PROFILE OF RENTAL INCOME EXPIRY<sup>1</sup>



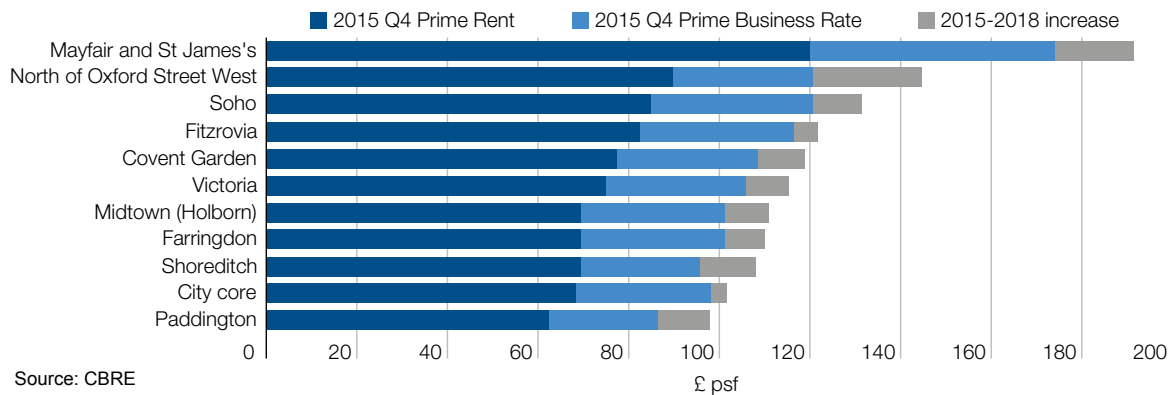
### AVERAGE UNEXPIRED LEASE LENGTH<sup>2</sup>



<sup>1</sup> Based upon annualised contracted rental income    <sup>2</sup> Lease length weighted by rental income and assuming tenants break at first opportunity

## APPENDIX 25 – BUSINESS RATES

- 1 April 2017 - implementation of business rates revaluation, based on rental values at 1 April 2015
- CBRE expects London to see the greatest rate rise:
  - A 40% increase on prime offices, equating to a 10.8% rise in occupancy cost (rent plus rates)
- 81% of our portfolio falls within a recent CBRE rates study. Of which:
  - 85% below average increase: 4.4% Fitzrovia (36% of Derwent London portfolio), 8.6% Farringdon, 8.8% Soho, 8.8% Victoria and 9.6% Midtown
  - 15% above average increase: 19.9% North of Oxford Street West, 13.1% Paddington and 12.8% Shoreditch



Source: CBRE



## APPENDIX 26 - PORTFOLIO SUMMARY

### On site:

White Collar Factory EC1  
The Copyright Building W1  
80 Charlotte Street W1  
Brunel Building W2

### Consented:

1 Oxford Street W1  
Monmouth House EC1  
Balmoral Grove N7

### Under appraisal:

Network Building W1  
19-35 Baker Street W1  
Premier House SW1  
Holden House W1  
20 Farringdon Road EC1  
Angel Square EC1

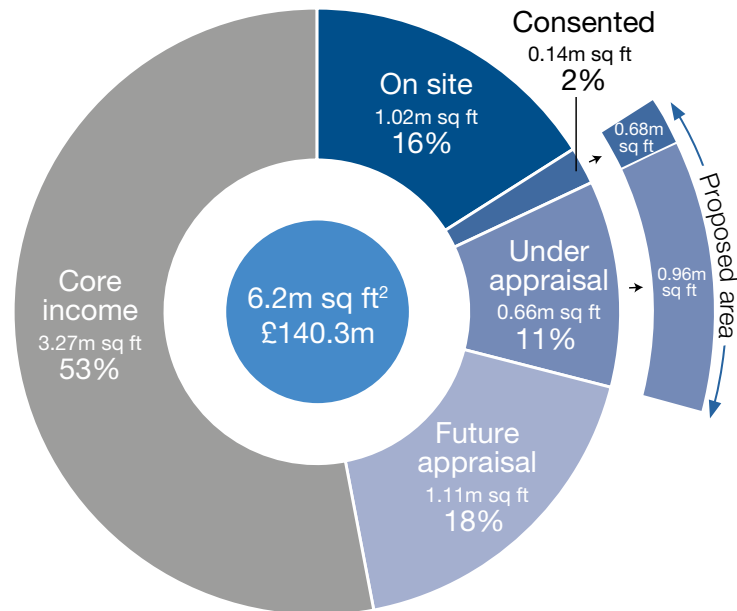
### Future appraisal<sup>1</sup>:

The White Chapel Building E1  
Bush House WC2  
19 Charterhouse Street EC1  
Francis House SW1

### Core income<sup>2</sup>:

Angel Building EC1  
1 Oliver's Yard EC1  
Tea Building E1  
1-2 Stephen Street W1  
Horseferry House SW1  
Johnson Building EC1  
8 Fitzroy Street W1  
1 Page Street SW1  
Qube W1  
Greencoat & Gordon SW1  
The Buckley Building EC1  
Morelands EC1

Net income £m	Vacant ERV net		
	Available £m	Refurbishment £m	Development £m
(0.5)	-	-	50.1
0.6	-	1.6	-
20.2	1.5	2.1	-
11.8	-	9.5	-
108.2	2.4	4.1	-
<b>140.3</b>	<b>3.9</b>	<b>17.3</b>	<b>50.1</b>



<sup>1</sup> Principal properties    <sup>2</sup> Comprises 5.2m sq ft of existing buildings plus 1.0m sq ft of on-site developments

## APPENDIX 27 - CURRENT PROJECTS - PROFIT ON COST



Completion		Q4 2016	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 <sup>2</sup>
Est. future capex (£m)	408	30	40	113	225
Total cost (£m) <sup>1</sup>	1,054	193	140	238	483
ERV (£ psf)	-	c.60.00	c.80.00	c.62.50	c.80.00
ERV (£m pa)	65.3	16.7	7.4 <sup>3</sup>	14.8 <sup>4</sup>	26.4
Pre-let area (sq ft)	251,950	164,800	87,150	-	-
Pre-let income (£m pa)	16.7	10.2 <sup>5</sup>	6.5	-	-

Summary	£m
End value	1,436
Less: Total cost <sup>1</sup>	1,054
<b>Project surplus</b>	<b>382</b>
Less: Booked to Jun 2016	157
Surplus to come	225
<b>Profit on total cost</b>	<b>36%</b>
<b>Profit to come on total cost</b>	<b>21%</b>
<b>Yield on cost<sup>7</sup></b>	<b>6.7%</b>

Sensitivity<sup>6</sup> - project surplus (£m) and profit on cost (%)

		Valuation yield		
		+0.25%	Base	-0.25%
Rent	-£5.00 psf	£241m 23%	£309m 29%	£385m 37%
	Base	£310m 29%	<b>£382m</b> <b>36%</b>	£462m 44%
	+£5.00 psf	£379m 36%	£455m 43%	£540m 51%

<sup>1</sup> 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 <sup>2</sup> Private residential 35,000 sq ft and affordable housing 10,000 sq ft

<sup>3</sup> As a long leasehold interest, ERV is net of 12.5% ground rent <sup>4</sup> As a long leasehold interest, ERV is net of 2.5% ground rent <sup>5</sup> £8.7m pre-let at half year

<sup>6</sup> Sensitivity applies to non pre-let commercial floor areas <sup>7</sup> Assumes the residential value reduces the total costs

## APPENDIX 28 - PROJECT SUMMARY - ON SITE

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	H2 2016 capex £m	2017 capex £m	2018+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
<b>On-site developments</b>									
White Collar Factory EC1	-	124	293	27	3	-	30	Q4 2016	£60
The Copyright Building W1	(0.4)	86	107	18	22	-	40	H2 2017	£80
Brunel Building W2	(0.1)	78	240	14	47	52	113	H1 2019	£62.50
80 Charlotte Street W1	-	234	380	17	90	118	225	H2 2019	£80
	(0.5)	522	1,020	76	162	170	408		
<b>General</b>									
20 Farringdon Road EC1	0.8	88	88	4	-	-	4	Q3 2016	£50
The White Chapel Building E1	-	285	270	10	-	-	10	Q4 2016 <sup>1</sup>	£45
Planning and design	-	-	-	7	9	-	16		
Other	-	-	-	18	11	12	41		
	0.8	373	358	39	20	12	71		
<b>Total</b>									
	0.3	895	1,378	115	182	182	479		
<b>Capitalised interest</b>									
	-	-	-	8	11	21	40		
<b>Total including interest</b>									
	0.3	895	1,378	123	193	203	519		

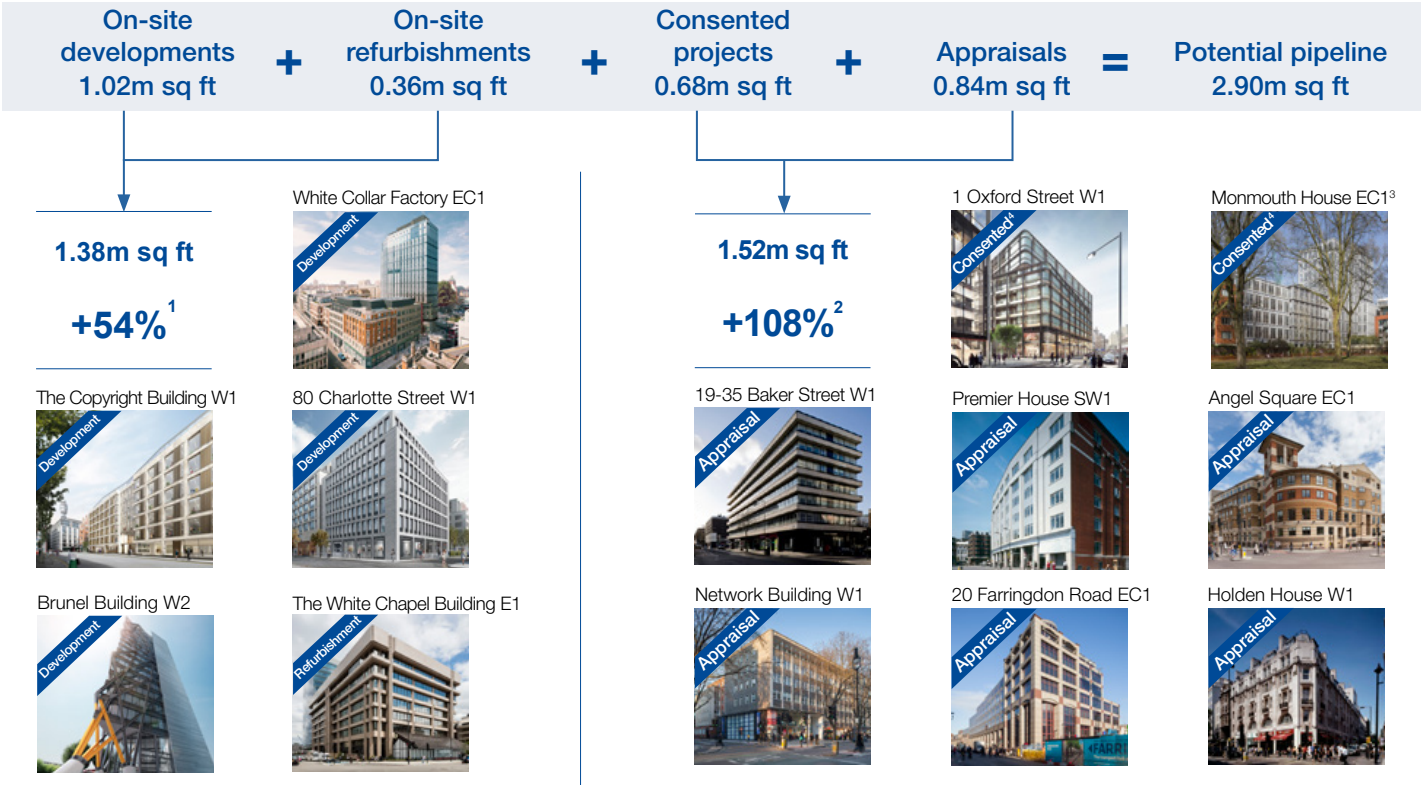
<sup>1</sup> Phase 1 - see page 35

## APPENDIX 29 - PROJECT SUMMARY - FUTURE SCHEMES

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
<b>Consented</b>					
1 Oxford Street W1	-	-	275	2018	Offices, retail and theatre
Monmouth House <sup>1</sup> EC1	0.6	69	125	2020	Opposite White Collar Factory
Balmoral Grove N7	-	67	280	-	Conditional sale exchanged
	<b>0.6</b>	<b>136</b>	<b>680</b>		
<b>Appraisals<sup>2</sup></b>					
19-35 Baker Street W1	5.6	146	250	2018	Joint venture - 55% Derwent London interest
Premier House SW1	2.2	62	80	2018	
Angel Square EC1	3.4	127	190	2020	
Network Building W1	1.4	64	100	2021	
20 Farringdon Road EC1	2.3	171	200	2026	
Holden House W1	5.3	91	137	TBC	
	<b>20.2</b>	<b>661</b>	<b>957</b>		
Adjustments for JVs	(2.5)	(66)	(113)		19-35 Baker Street W1
	<b>17.7</b>	<b>595</b>	<b>844</b>		
<b>Consented and appraisals</b>	<b>18.3</b>	<b>731</b>	<b>1,524</b>		
<b>On-site projects</b>	<b>0.3</b>	<b>895</b>	<b>1,378</b>		Appendix 28
<b>Pipeline</b>	<b>18.6</b>	<b>1,626</b>	<b>2,902</b>		

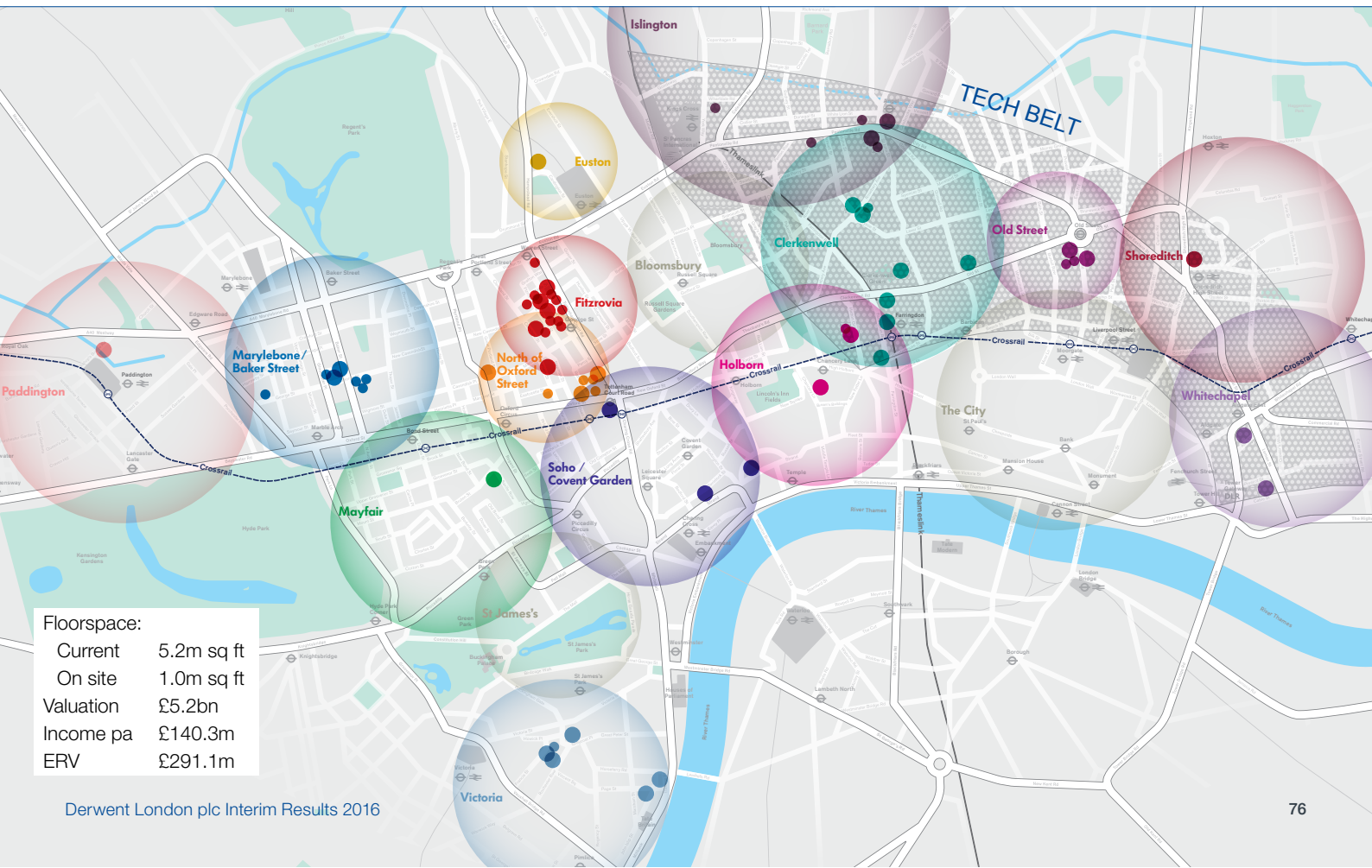
<sup>1</sup> Includes 19-23 Featherstone Street EC1    <sup>2</sup> Proposed areas are estimated from initial studies

# APPENDIX 30 - PROJECT PIPELINE



<sup>1</sup> Uplift on previous floorspace    <sup>2</sup> Uplift on existing floorspace    <sup>3</sup> Includes 19-23 Featherstone Street EC1    <sup>4</sup> CGI image of proposed scheme

## APPENDIX 31 - PORTFOLIO MAP



## APPENDIX 32 - MANAGEMENT STRUCTURE - EXECUTIVE TEAM

---

John Burns*	Chief Executive Officer
Damian Wisniewski*	Finance Director
Simon Silver*	Property Director
Nigel George*	Property Director
Paul Williams*	Property Director
David Silverman*	Property Director
Tim Kite*	Company Secretary
Richard Baldwin*	Head of Development
Simon Taylor*	Head of Asset Management
Celine Thompson*	Head of Leasing
Quentin Freeman	Head of Investor & Corporate Communications
David Westgate	Head of Tax
Rick Meakin*	Group Financial Controller

\* Members of Executive Committee

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