

A photograph of a modern building facade. The building features a grid of rectangular windows and is clad in light-colored bricks. A prominent rusted metal overhang is visible in the lower-left foreground. The text 'DERWENT LONDON' is overlaid in white on the left side.

# DERWENT LONDON

Annual Results 2019

# CONTENTS

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## Presenters

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# INTRODUCTION AND OVERVIEW

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PAUL WILLIAMS



# 2019 HIGHLIGHTS

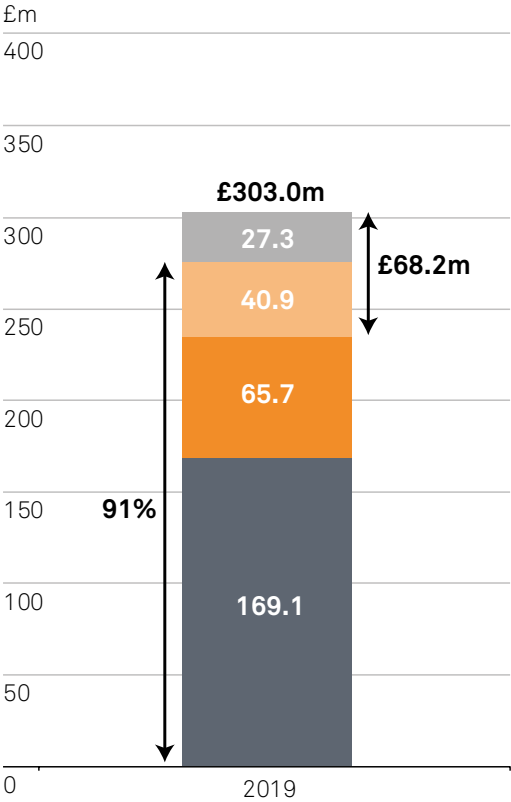
- Total return +6.6%
- £34.0m of lettings on 498,500 sq ft:
  - 6.9% above Dec 2018 ERV
- Three on-site developments 790,000 sq ft:
  - 72% pre-let
- EPRA vacancy rate down to 0.8%
- £181.7m of disposals completed
- Net zero carbon target brought forward to 2030
- Successful refinancings

Brunel Building W2



# CAPTURING OUR REVERSION

## ERV PROFILE



- Portfolio ERV at 31 Dec 2019 £303.0m
- 91% is contractual
- £68.2m of reversion contributing to future reported income
- Only £27.3m of ERV still to capture
- £334m capex to complete three on-site developments

- ERV to capture
- Contractual pre-lets
- Contractual rental uplifts (excl. pre-lets)
- Contractual rent

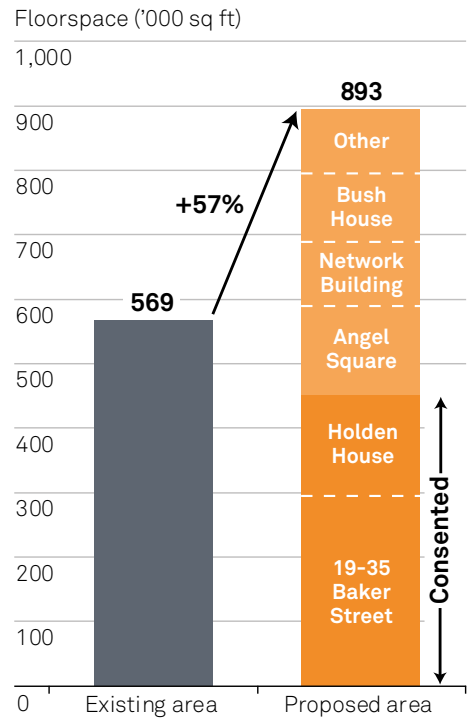
# PLENTY TO COME

- 569,000 sq ft of existing floorspace either consented or under appraisal
- Potential to increase to at least 893,000 sq ft:
  - 50% has planning consent



19-35 Baker Street W1

## SPACE EITHER CONSENTED OR UNDER APPRAISAL





# MAINTAINING OUR CUSTOMER FOCUS

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- Continuing to raise the bar for our design-led space:
  - Adding quality buildings to up-and-coming areas
  - Available on a wide range of lease terms
- Amenity rich buildings
- Provision of furnished and flexible units
- To promote well-being
- Evolving the use of technology to develop smart buildings



# FUTURE PROOFING OUR BUSINESS - PROGRESS IN 2019

- Committed to the Better Buildings Partnership's climate change initiative
- One of the London Mayor's 11 Business Climate Leaders
- Launched new revolving credit facility, the first by a UK REIT to contain a 'green' tranche



**MAYOR OF LONDON**



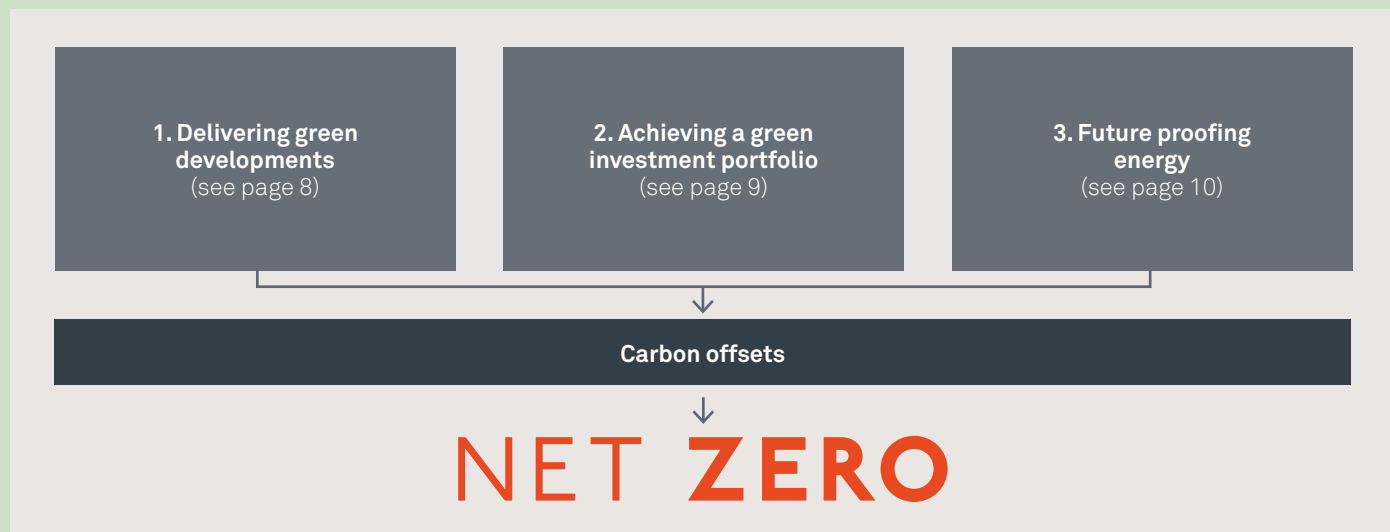


# NET ZERO CARBON BY 2030

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- Net zero carbon target on the existing portfolio brought forward by 20 years to 2030
- The Group will realign its science-based targets accordingly

## OUR NET ZERO CARBON STRATEGY



# DELIVERING GREEN DEVELOPMENTS

- Three on-site developments will be net zero carbon
- Operated using renewable energy:
  - 80 Charlotte Street - our first 'all-electric' building
- Offset embodied carbon produced in the development process
- Future schemes will be subject to carbon appraisals

1. Developments

2. Investment  
portfolio

3. Energy

80 Charlotte Street W1



# ACHIEVING A GREEN INVESTMENT PORTFOLIO

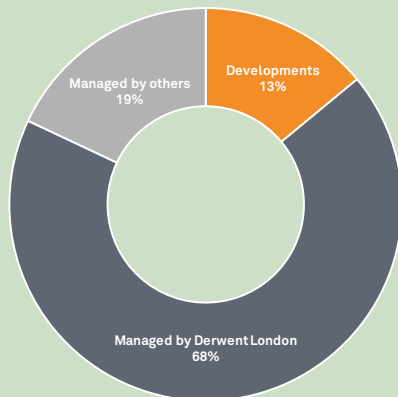
1. Developments

2. Investment  
portfolio

3. Energy

- Current portfolio to be net zero carbon by 2030
- Aim to reduce energy consumption and use renewable sources of energy
- Older buildings will need retro-fitting
- Increased collaboration with our occupiers

## MANAGED PORTFOLIO BY VALUE



Angel Building EC1



# FUTURE PROOFING ENERGY

## Energy to come from renewable sources

- Managed portfolio electricity 100% renewable
- Gas supplies to come from renewable resources
- Safeguard our supply of renewable energy

1. Developments

2. Investment  
portfolio

3. Energy

## Monitoring our carbon reduction targets since 2013

- Good progress made against our benchmarks



# BUSINESS IMPACTS

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## Short-term costs balanced by long-term benefits

- Improvements will come with a financial cost
- Green buildings should attract higher rents and better covenants
- Green buildings should have longer economic lives
- Our net zero carbon strategy will evolve along with the science, planning and regulations

## An opportunity

- The Group will continue to acquire less carbon efficient buildings
- Turning 'brown' buildings 'green'

Johnson Building EC1



# CENTRAL LONDON OFFICE MARKET

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## Central London take-up and supply

- 12.8m sq ft of central London take-up in 2019
- 9.3m sq ft vacant at 2019 year end
- 5.3m sq ft available under construction

## Active ongoing demand

- 9.1m sq ft of active demand at year end from a diverse range of occupiers (see right)



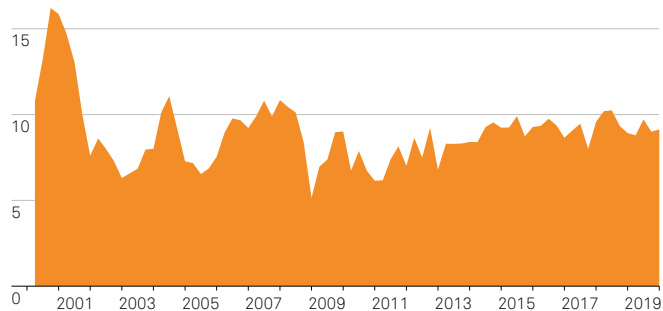


# 2020 OUTLOOK

## CENTRAL LONDON OFFICE DEMAND

Active demand (million sq ft)

20



Source: JLL

## Rents

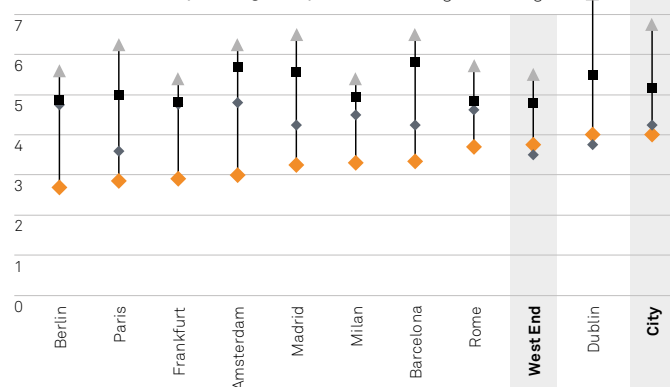
**ERV 2020 estimate at +1% to +4%**

- Favourable supply-demand balance
- Improved London business confidence

## CENTRAL LONDON OFFICE INVESTMENT

Prime office yield (%)

8  
 ◆ Current Yield ▲ Cyclical High ◆ Cyclical Low ■ Long-term average



Source: CBRE

## Yields

**Tightening investment yields in 2020**

- Property yields still looking attractive
- Significant weight of money

# RESULTS AND FINANCIAL REVIEW

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DAMIAN WISNIEWSKI

# FINANCIAL HIGHLIGHTS

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## EPRA net asset value per share<sup>1,2</sup>

**3,958p**  
2018: 3,776p  
**+4.8%**

## EPRA total return

**6.6%**  
2018: 5.3%  
2017: 7.7%

## Underlying earnings per share

**103.1p**  
2018: 99.1p  
**+4.0%**

## Net rental income

**£178.0m**  
2018: £161.1m  
**+10.5%**

## Final dividend per share<sup>3</sup>

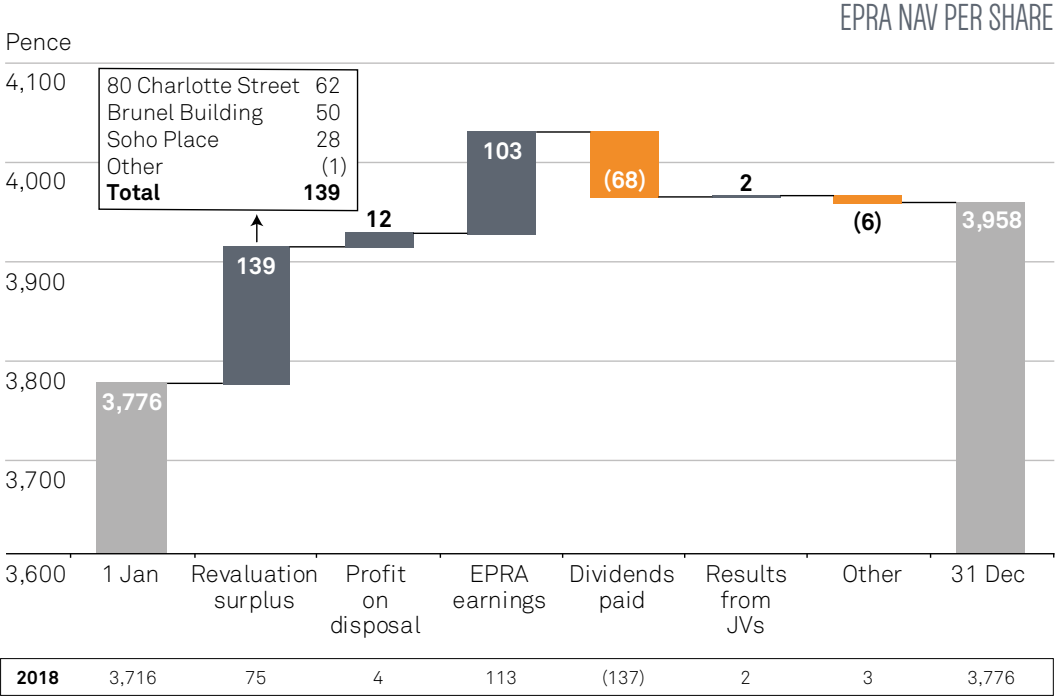
**51.45p**  
2018: 46.75p  
**+10.1%**

## Loan-to-value (LTV) ratio

**16.9%**  
2018: 17.2%

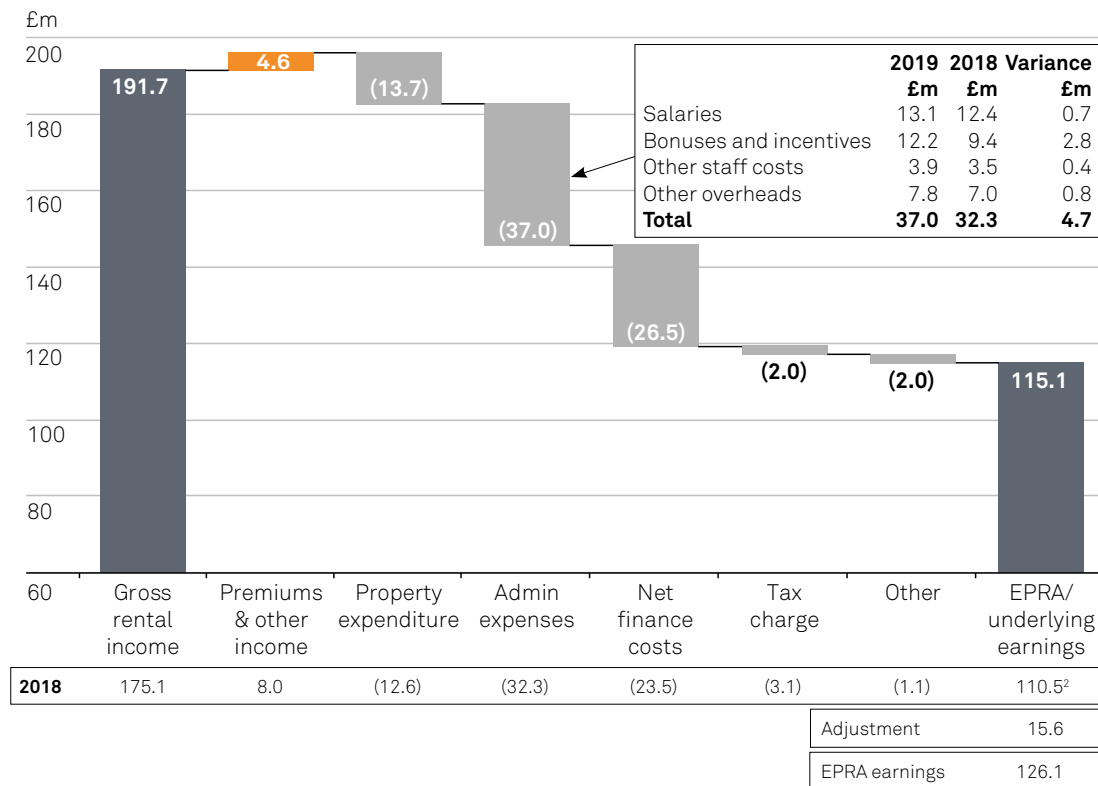
<sup>1</sup> On a diluted basis    <sup>2</sup> Reconciliation to IFRS figures in Appendix 3    <sup>3</sup> 2019 dividend subject to approval

# EPRA NAV MOVEMENT



- Dividends paid in 2018 included a special dividend of 75p per share

# EPRA AND UNDERLYING EARNINGS<sup>1</sup>

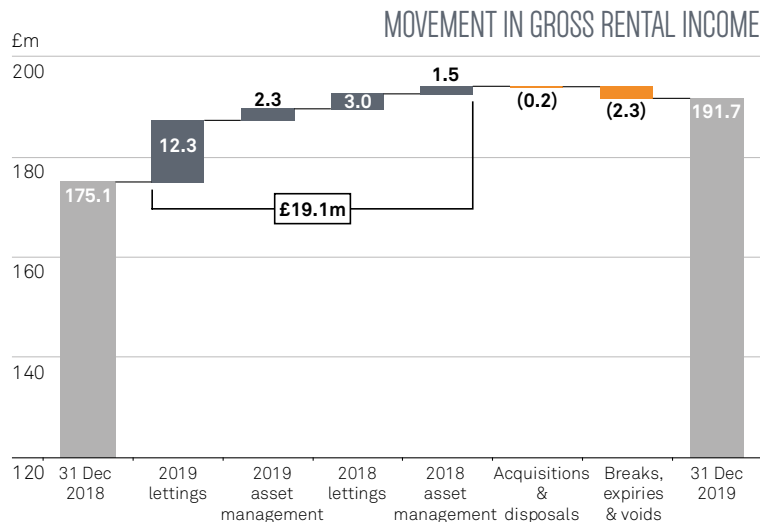


<sup>1</sup> An explanation of EPRA adjustments is provided in Appendix 6 <sup>2</sup> A one-off access rights receipt of £15.8m (net of costs of £0.2m) was excluded in 2018 from EPRA earnings to derive underlying earnings of £110.5m

# GROSS RENTAL INCOME

- Gross rental income increased by £16.6m, or 9.5%, to £191.7m in 2019
- 2019 lettings include £6.3m from Brunel Building W2
- Reconciliation of gross rental income to gross property income:

	2019 £m	2018 £m	Variance £m
<b>Gross rental income</b>	<b>191.7</b>	<b>175.1</b>	<b>16.6</b>
Surrender premiums received	1.0	3.2	(2.2)
Rights of access receipt	-	15.8	(15.8)
Rights of lights receipt	-	1.9	(1.9)
<b>Gross property income</b>	<b>192.7</b>	<b>196.0</b>	<b>(3.3)</b>



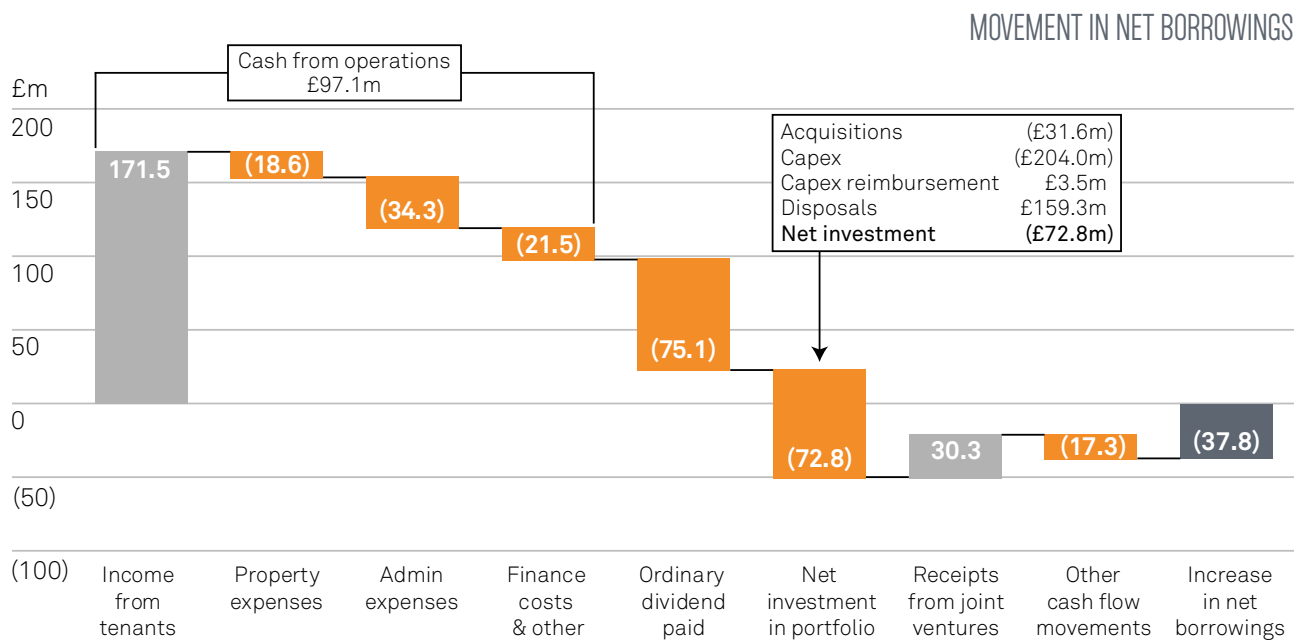
Asset management activities delivered a 4.7% increase in like-for-like net rental income<sup>1</sup>

<sup>1</sup> See Appendix 8 for reconciliation of like-for-like income

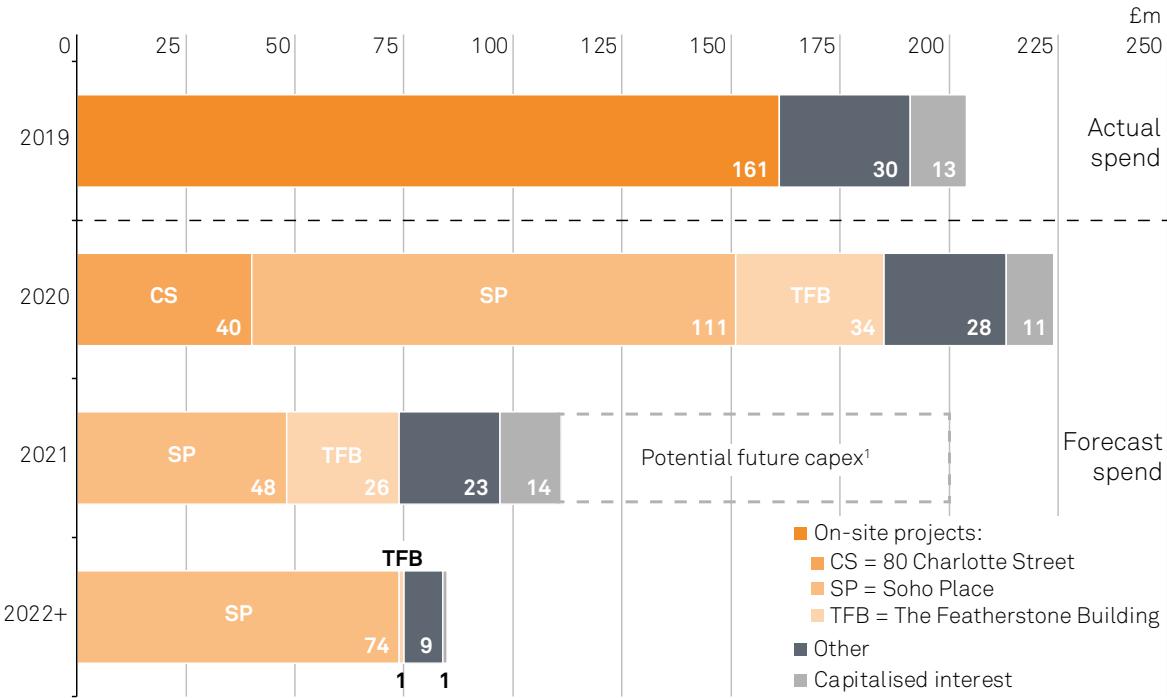


# CASH FLOW

- Net borrowings (drawn facilities less cash) increased by £37.8m in the year to £930.0m



# COMMITTED CAPITAL EXPENDITURE



<sup>1</sup> Potential additional capital expenditure relating to schemes currently under appraisal

# PROFORMA IMPACT OF MAJOR PROJECTS, DISPOSALS AND ACQUISITIONS

- Assumes no further lettings other than those already contracted
- Shows impact of estimated remaining capital expenditure on both completed and on-site projects

		PROFORMA IMPACT OF COMPLETED PROJECTS, DISPOSALS & ACQUISITIONS				PROFORMA IMPACT OF ON-SITE PROJECTS			
		Brunel Building contracted income	Sale of 40 Chancery Lane	Purchase of Blue Star House	Proforma 1	Capex and site acquisition cost <sup>1</sup>	Contracted income	Void costs <sup>2</sup>	Proforma 2
Dec 2019									
Gross property income	£193m	£8m	(£5m)	£1m	£197m	£34m			£231m
Net property income (adjusted)	£178m	£8m	(£4m)	£1m	£183m	£33m (£6m)			£210m
Interest cost	£38m	£2m <sup>3</sup>	(£3m) <sup>3</sup>	£1m <sup>3</sup>	£38m	£8m <sup>3</sup>			£46m
Net interest cover ratio	462%				481%				456%
Portfolio fair value	£5,475m		(£119m)	£38m	£5,394m	£334m			£5,728m
Drawn debt net of cash	£923m		(£120m)	£41m	£844m	£334m			£1,178m
Loan-to-value ratio	16.9%				15.6%				20.6%

<sup>1</sup> See Appendix 40 for capex. Includes remaining Soho Place site acquisition cost and profit share to Crossrail <sup>2</sup> Void costs upon completion of project

<sup>3</sup> Assuming a marginal interest rate of 2.25%

# AN ACTIVE YEAR OF REFINANCING

## New long-term debt issued

- £250m US private placement notes with a weighted average interest rate of 2.89% and maturity of 10.8 years
- Six new relationship lenders

## Repurchase of convertible bonds

- £150m 1.125% 2019 convertible bonds repurchased/repaid at a premium of £8.5m
- Effective rate of 2.1% pa, including the premium

## New convertible bonds issued

- £175m 1.5% 2025 convertible bonds with conversion price of £44.96
- IFRS interest rate of 2.3% with NAV uplift of £7.5m on issue

## Revolving credit facility (RCF) refinanced

- £450m RCF extended to 2024 and headline margin reduced to 95 bps
- Now includes a £300m 'green' tranche

### Total facilities

£1,441m ↑ £275m  
2018: £1,166m

### Unutilised facilities and cash

£511m ↑ £237m  
2018: £274m

### Maturity of borrowings

7.8 years ↑ 1.9 years  
2018: 5.9 years

# REVOLVING CREDIT FACILITY

- Includes a £300m 'green' tranche linking financing to our projects' green credentials:
  - Raising the bar
  - A measurable benchmark
- Part of the refinanced £450m RCF
- Green Finance Framework (GFF) published in Oct 2019
- Green loan reporting and GFF independently assured for compliance with LMA Green Loan Principles<sup>1</sup>
- Eligible Green Projects:
  - New developments and major refurbishments that achieve a minimum BREEAM rating of Excellent or LEED Gold
  - Minor refurbishments where the EPC is D or below and will improve by at least two rating bands

## NET ZERO

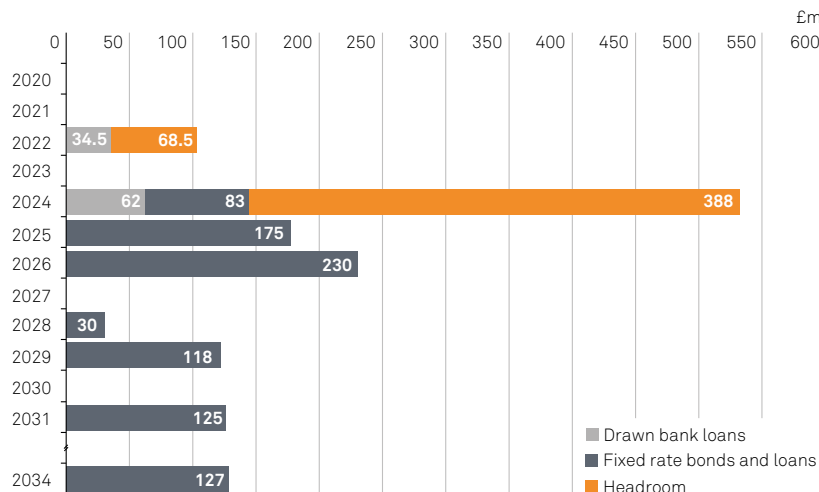


<sup>1</sup> LMA - The Loan Market Association sets the standards and provides guidance for loan documentation for the EMEA region

# DEBT SUMMARY

	Dec 2019	Dec 2018
Total facilities	£1,441m	£1,166m
Net borrowings (drawn facilities less cash)	£930m	£892m
Unutilised facilities and cash	£511m	£274m
Net debt	£982m	£957m
Uncharged properties	£4,423m	£4,117m
Average spot interest rate (cash basis)	3.54%	3.43%
Average spot interest rate (IFRS basis)	3.68%	3.68%
Marginal interest rate	1.38%	1.60%
Average maturity of facilities	6.8 years	5.3 years
Average maturity of borrowings	7.8 years	5.9 years

## MATURITY PROFILE OF DEBT FACILITIES



### Loan-to-value (LTV) ratio

**16.9%**  
2018: 17.2%

### NAV gearing

**21.9%**  
2018: 22.4%

### Net interest cover ratio

**462%**  
2018: 491%



# VALUATION AND PORTFOLIO ANALYSIS

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NIGEL GEORGE



# VALUATION

## Investment portfolio valued at £5.5bn

- Underlying capital growth 3.9% 2018: 2.2%:
  - West End 4.8% 2018: 2.3%
  - City Borders 2.9% 2018: 2.6%
- MSCI IPD Central London Offices<sup>1</sup> 0.6%

- Valuation themes:

### Tenure

Freehold	↔
Leasehold >100 years	↔
Leasehold <100 years	↓

### Occupational leases

Long-term	↔
Short-term	↓

## Four developments drove performance

- Valued at £1.05bn, uplift of 21.2%:
  - Brunel Building W2 (100% let)<sup>2</sup> 23.9%
  - 80 Charlotte Street W1 (92% pre-let)<sup>3</sup> 17.9%
  - Soho Place W1 (79% pre-let) 34.0%
  - The Featherstone Building EC1 8.8%
- Excluding developments, portfolio up 0.4%

	Portfolio valuation £m	H1 2019 valuation movement %	H2 2019 valuation movement %	Full year valuation movement %
West End	3,448.6	2.9	1.9	4.8
City Borders <sup>4</sup>	1,920.5	0.5	2.4	2.9
<b>Central London</b>	<b>5,369.1</b>	<b>2.0</b>	<b>2.1</b>	<b>4.1</b>
Provincial	85.9	(2.2)	(6.8)	(8.9)
<b>Underlying</b>	<b>5,455.0</b>	<b>1.9</b>	<b>1.9</b>	<b>3.9</b>
Acquisitions	20.2	(4.6)	0.5	(4.2)
<b>Investment portfolio</b>	<b>5,475.2</b>	<b>1.9</b>	<b>1.9</b>	<b>3.8</b>

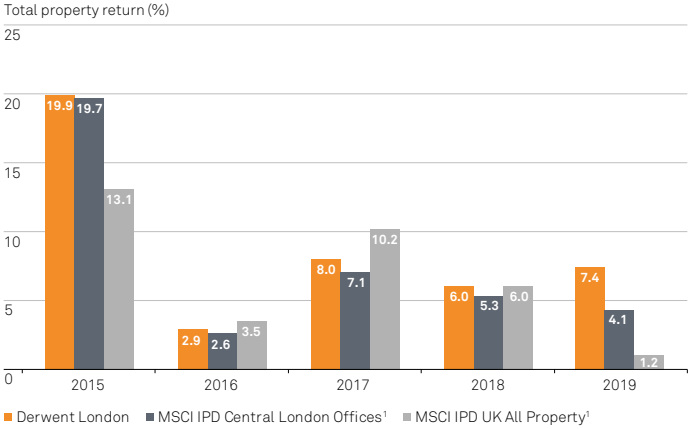
<sup>1</sup> Quarterly index <sup>2</sup> Completed in Q2 2019 <sup>3</sup> Excludes residential units <sup>4</sup> Principally properties in the Tech Belt - Appendix 43

# PROPERTY RETURN

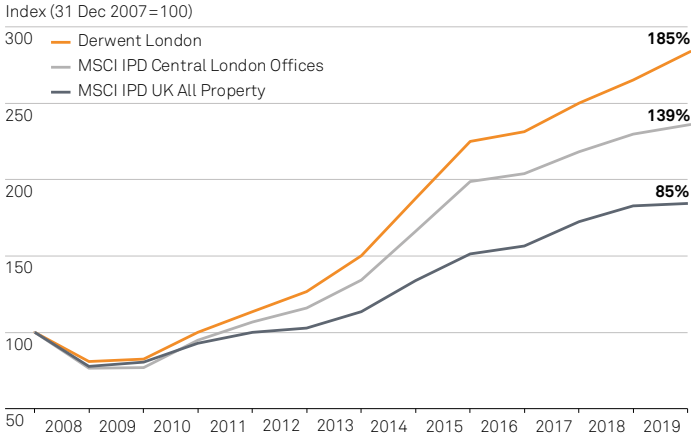
## Total property returns in 2019

- Derwent London 7.4%
- MSCI IPD Central London Offices<sup>1</sup> 4.1%
- MSCI IPD UK All Property<sup>1</sup> 1.2%

## TOTAL PROPERTY RETURN PERFORMANCE



## CUMULATIVE TOTAL PROPERTY RETURN



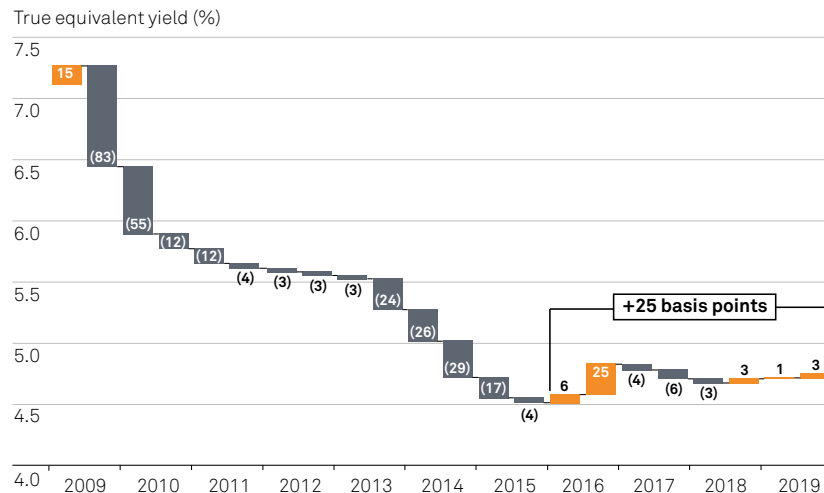
<sup>1</sup> Quarterly Index

# MOVEMENT IN YIELDS

## EPRA yields

- Net initial yield 3.4% (Dec 2018: 3.4%):
  - ‘Topped-up’ net initial yield 4.7% (Dec 2018: 4.6%)
  - Locking in the reversion - up 12 basis points in 2019
- True equivalent yield 4.77% (Dec 2018: 4.73%)
- Net reversionary yield 4.9% (Dec 2018: 4.9%)

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

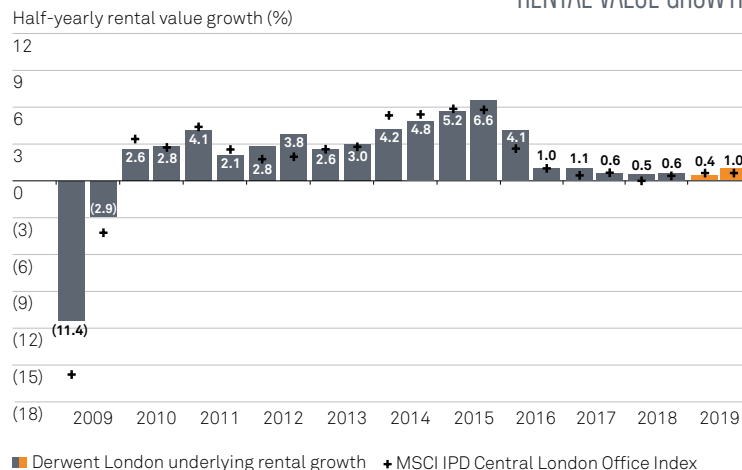


<sup>1</sup> Post H2 2010 portfolio on an EPRA basis

# RENTAL VALUE GROWTH

- Underlying rental growth of 1.4% in 2019:
  - City Borders 2.7%
  - West End 0.4%
- Good demand for our high quality product
- Average 'topped-up' office rent £57.47 psf<sup>1</sup> (Dec 2018: £53.25 psf)
- Cumulative rental growth of 60% since 2007, outperforming the 42% from the MSCI IPD Central London Office benchmark

## RENTAL VALUE GROWTH



Central London offices	Portfolio % <sup>2</sup>	Passing rent £ psf <sup>1</sup>	'Topped-up' rent £ psf <sup>1</sup>	ERV £ psf <sup>3</sup>
Core income	57	38.30	59.64	59.82
Potential projects	29	37.53	41.45	47.53
	<b>86</b>	<b>38.07</b>	<b>54.10</b>	<b>56.02</b>
On-site developments	14	-	83.96	81.14
<b>Total</b>	<b>100</b>	<b>-</b>	<b>57.47</b>	<b>59.60</b>

<sup>1</sup> Occupied office area <sup>2</sup> Portfolio area - see Appendix 22 <sup>3</sup> Total office area

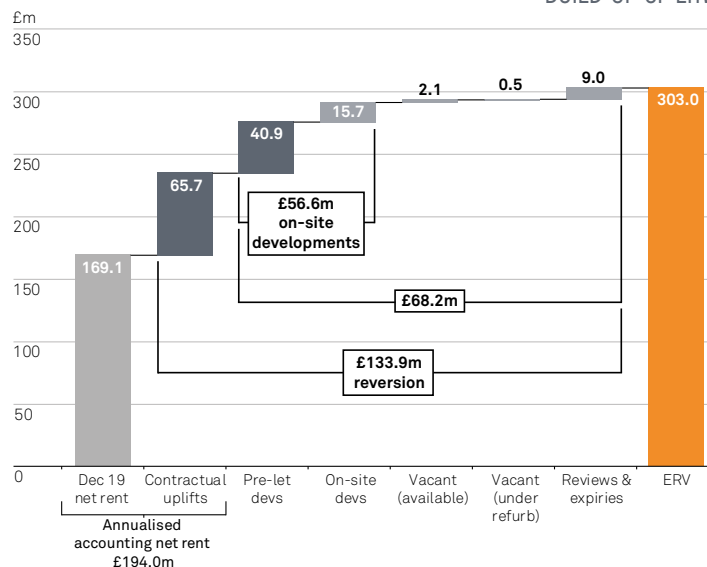
# BUILD-UP OF PORTFOLIO ERV

- Portfolio reversion of £133.9m<sup>1</sup>:
  - £65.7m (49%) contracted, including:
    - Brunel Building W2 £12.5m
    - Angel Building EC1 £10.9m
    - White Collar Factory EC1 £6.6m
  - £68.2m of further reversion:
    - £40.9m of pre-lets on developments:

	Let £m	Vacant £m	ERV £m
80 Charlotte Street W1	24.3 <sup>2</sup>	1.2	25.5
Soho Place W1	16.6	6.4	23.0
The Featherstone Building EC1	-	8.1	8.1
	<b>40.9</b>	<b>15.7</b>	<b>56.6</b>

- £18.3m from vacant and projects:
  - Under development/refurbishment £16.2m
  - Available £2.1m
- £9.0m from anticipated rent reviews and lease renewals

## BUILD-UP OF ERV<sup>3</sup>



<b>Dec 2018</b>	159.5	55.3	31.9	10.8	4.1	1.7	11.1	274.4
<b>Change</b>	9.6	10.4	9.0	4.9	(2.0)	(1.2)	(2.1)	28.6

<sup>1</sup> Requires additional capex as set out in Appendix 40    <sup>2</sup> Initial rent on Arup space £9.7m pa, subject to 2.25% annual uplifts for the first 15 years

<sup>3</sup> Before lease incentives





# LEASING, ASSET MANAGEMENT & INVESTMENT

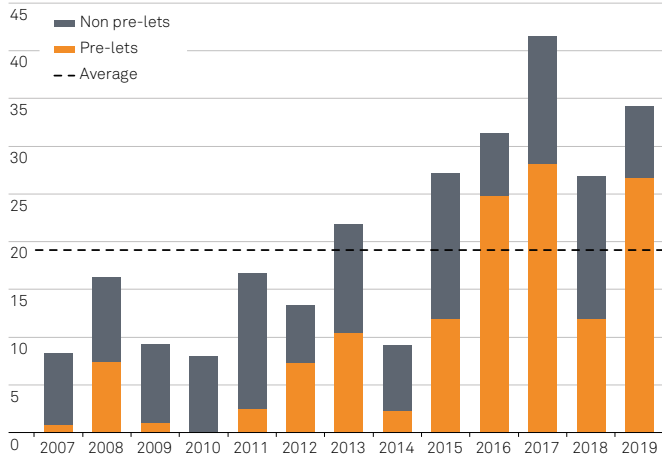
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DAVID SILVERMAN



# LETTING ACTIVITY 2019

Rental income (£m pa)



- 498,500 sq ft of lettings at a rent of £34.0m pa:
  - Second highest on record
  - Transactions 6.9% ahead of Dec 2018 ERV

Brunel Building W2





# SIGNIFICANT OFFICE LETTINGS IN 2019

## Soho Place

W1



Area: 185,700 sq ft  
Income: £17.2m pa  
Rents: £90 to £100 psf  
Min term: 15 years

## BRUNEL • BUILDING



Area: 82,600 sq ft  
Income: £6.3m pa  
Rents: £75 to £77.50 psf  
Min term: 10 & 12 years

80  
CHARLOTTE  
STREET.  
FITZROVIA W1



Area: 40,650 sq ft  
Income: £3.4m pa  
Rents: £82.50 psf  
Min term: 12 years

90  
Whitefield  
St



Area: 16,100 sq ft  
Income: £1.2m pa  
Rents: £72 to £83 psf  
Min term: 5 & 10 years

TEA



Area: 6,925 sq ft  
Income: £0.5m pa  
Record rent: £65 psf  
Min term: 5 years

APOLLO

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BCG

LONDONNEWCASTLE

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RESEARCH  
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paymentsense  
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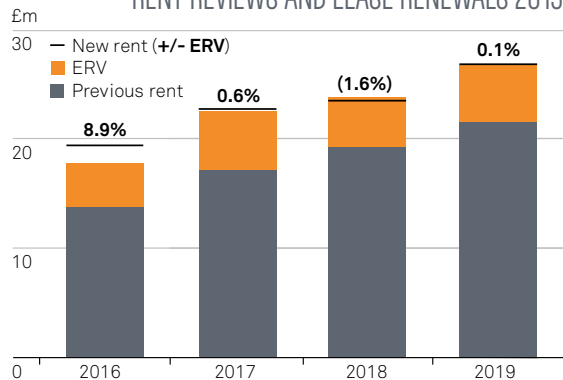
# ASSET MANAGEMENT

- 545,000 sq ft of lease renewals and rent reviews completed in the year at around Dec 2018 ERV
- Income up 24.1%, from £21.6m pa to £26.8m
- Vacancy rate of 0.8% at 31 Dec 2019 compared to:
  - 1.8% at 31 Dec 2018
  - 1.6% at 30 Jun 2019

## ASSET MANAGEMENT 2019

	Area '000 sq ft	Previous rent £m pa	New rent £m pa	Uplift %	New rent vs Dec 2018 ERV %
Rent reviews	413	16.2	19.7	21.6	(0.8)
Lease renewals	132	5.4	7.1	31.4	2.9
<b>Total</b>	<b>545</b>	<b>21.6</b>	<b>26.8</b>	<b>24.1</b>	<b>0.1</b>

## RENT REVIEWS AND LEASE RENEWALS 2019



1 Oliver's Yard EC1



# KEY ASSET MANAGEMENT TRANSACTIONS

## Lease renewals



### 1 Oliver's Yard EC1

Sage Publications  
Area: 37,900 sq ft  
Previous income: £1.35m  
New income: £2.63m  
Space upgraded



### Charlotte Building W1

The&Partnership  
Area: 12,400 sq ft  
Previous income: £0.75m  
New income: £0.87m



## Rent reviews



### 1 Page Street SW1

Burberry  
Area: 127,800 sq ft  
Previous income: £5.37m  
New income: £5.90m



### 19 Charterhouse St EC1

LCA Business School  
Area: 63,700 sq ft  
Previous income: £1.69m  
New income: £2.63m  
Rent review settled and  
regeared to take outside  
L&T Act



# DERWENT LONDON DISPOSALS

- Five major disposals completed or exchanged in 2019 with gross proceeds totalling £303.0m:
  - 5.1% above Dec 2018 book value:

	Date	Area sq ft <sup>1</sup>	Gross proceeds £m <sup>1</sup>	Net yield to purchaser %	Rent £m <sup>1</sup>
<b>2019 completions</b>					
Premier House SW1	Q1	60,700	50.0	-	-
9 Prescott Street E1 (50% interest)	Q2	48,500	26.9	4.5	1.3
16 Prescott Street E1 (50% interest)	Q3	4,400	1.8	2.6	0.05
The Buckley Building EC1	Q3	85,100	103.0	4.4	4.9
<b>Total</b>		<b>198,700</b>	<b>181.7</b>	<b>-</b>	<b>6.25</b>
<b>2019 exchanged</b>					
40 Chancery Lane WC2	Q4	103,700	121.3	4.2	5.5
<b>Total</b>		<b>302,400</b>	<b>303.0</b>	<b>-</b>	<b>11.75</b>



Premier House SW1



9 & 16 Prescott Street E1



The Buckley Building EC1



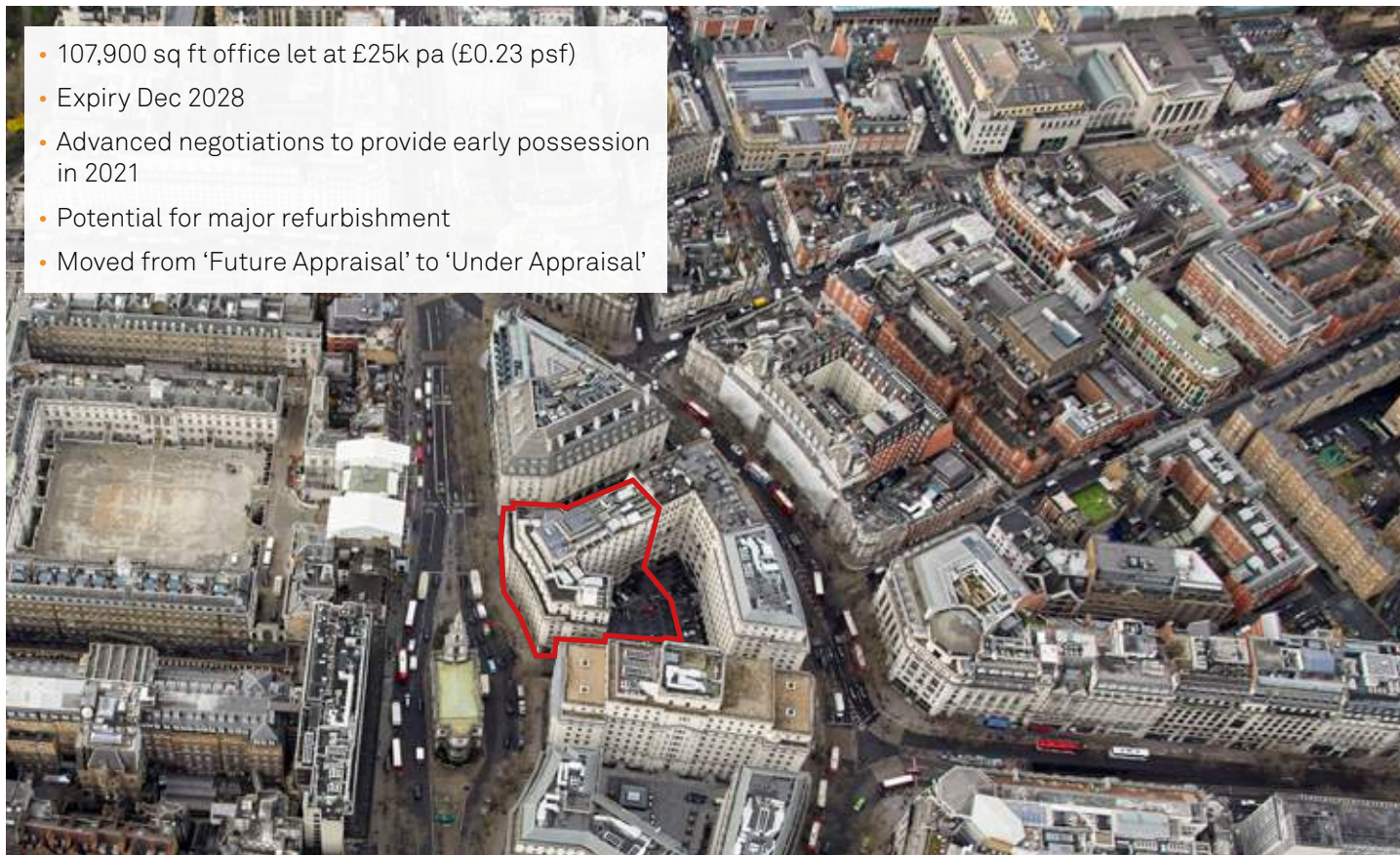
40 Chancery Lane WC2

<sup>1</sup> Derwent London share



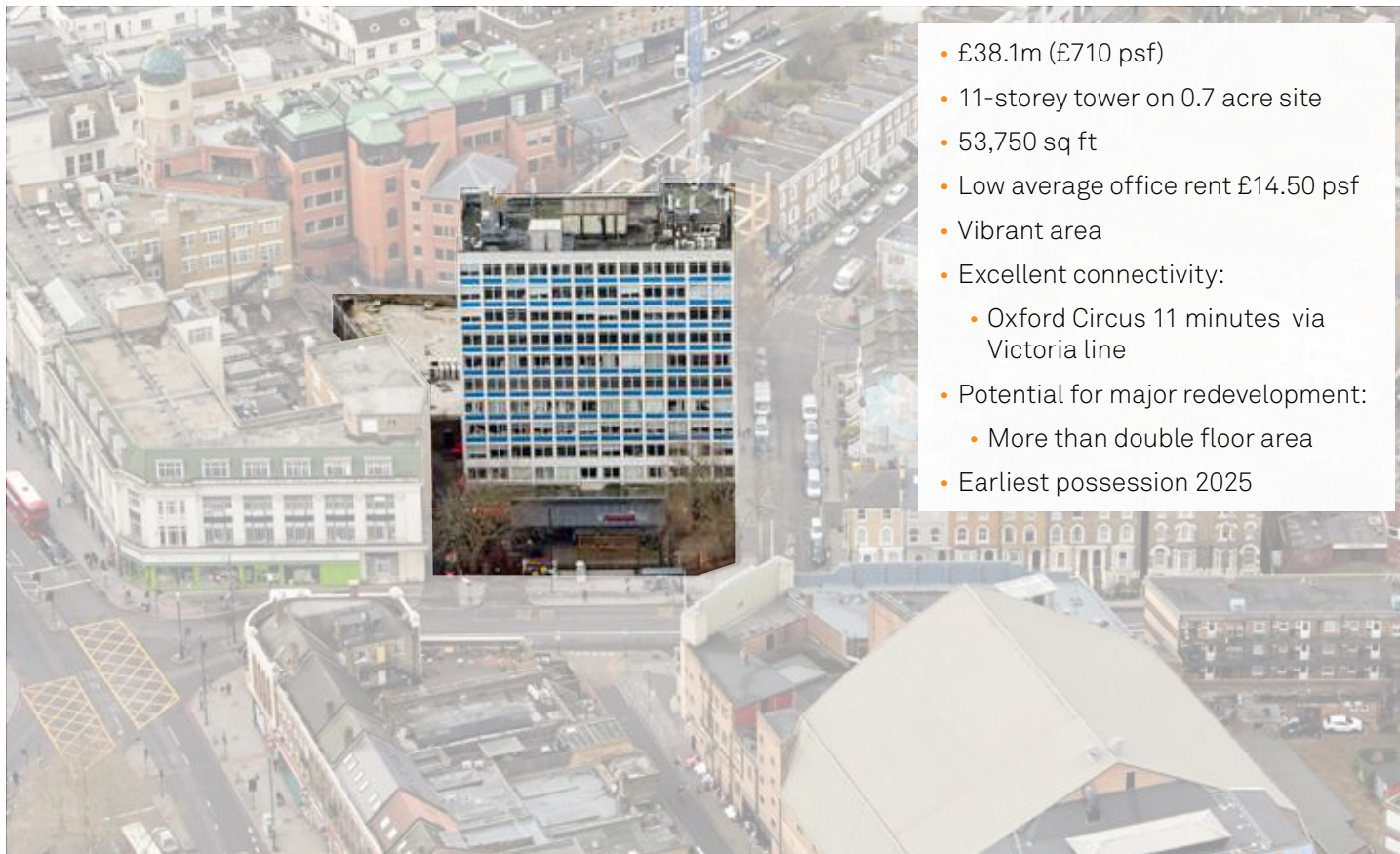
# ADVANCING THE PIPELINE: BUSH HOUSE WC2

- 107,900 sq ft office let at £25k pa (£0.23 psf)
- Expiry Dec 2028
- Advanced negotiations to provide early possession in 2021
- Potential for major refurbishment
- Moved from 'Future Appraisal' to 'Under Appraisal'





# ADDING TO THE PIPELINE: ACQUISITION OF BLUE STAR HOUSE, BRIXTON SW9



- £38.1m (£710 psf)
- 11-storey tower on 0.7 acre site
- 53,750 sq ft
- Low average office rent £14.50 psf
- Vibrant area
- Excellent connectivity:
  - Oxford Circus 11 minutes via Victoria line
- Potential for major redevelopment:
  - More than double floor area
- Earliest possession 2025





Blue Star House

o academy  
by star



# PROJECTS

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SIMON SILVER





# PROJECT UPDATE

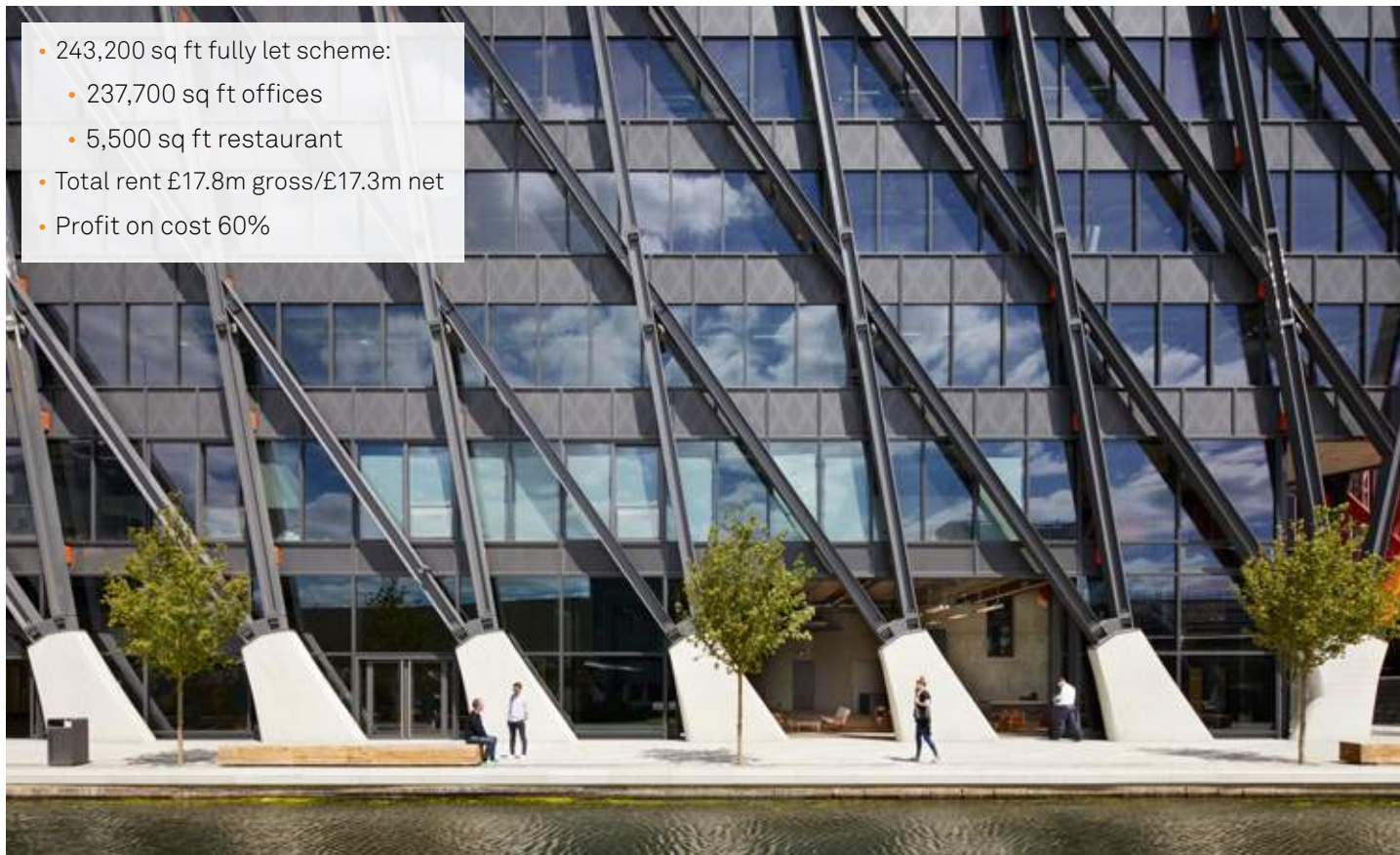
- Brunel Building W2 completed and fully let
- Three major projects, totalling 790,000 sq ft, on site:
  - 80 Charlotte Street W1
  - Soho Place W1
  - The Featherstone Building EC1
- Two further projects with full planning permission:
  - 19-35 Baker Street W1
  - Holden House W1
- Further opportunities being progressed across the portfolio such as:
  - Angel Square EC1
  - Network Building W1
  - Blue Star House SW9
  - Bush House WC2

Soho Place W1



# H1 2019 COMPLETION: BRUNEL BUILDING W2

- 243,200 sq ft fully let scheme:
  - 237,700 sq ft offices
  - 5,500 sq ft restaurant
- Total rent £17.8m gross/£17.3m net
- Profit on cost 60%







# H1 2020 COMPLETION: 80 CHARLOTTE STREET W1



- 380,000 sq ft mixed-use scheme:
  - Offices: 100% pre-let at £25.1m pa
  - Retail: 14,000 sq ft available
  - Residential: 13 out of 22 units sold
- Completion H1 2020
- Capex to complete £40m

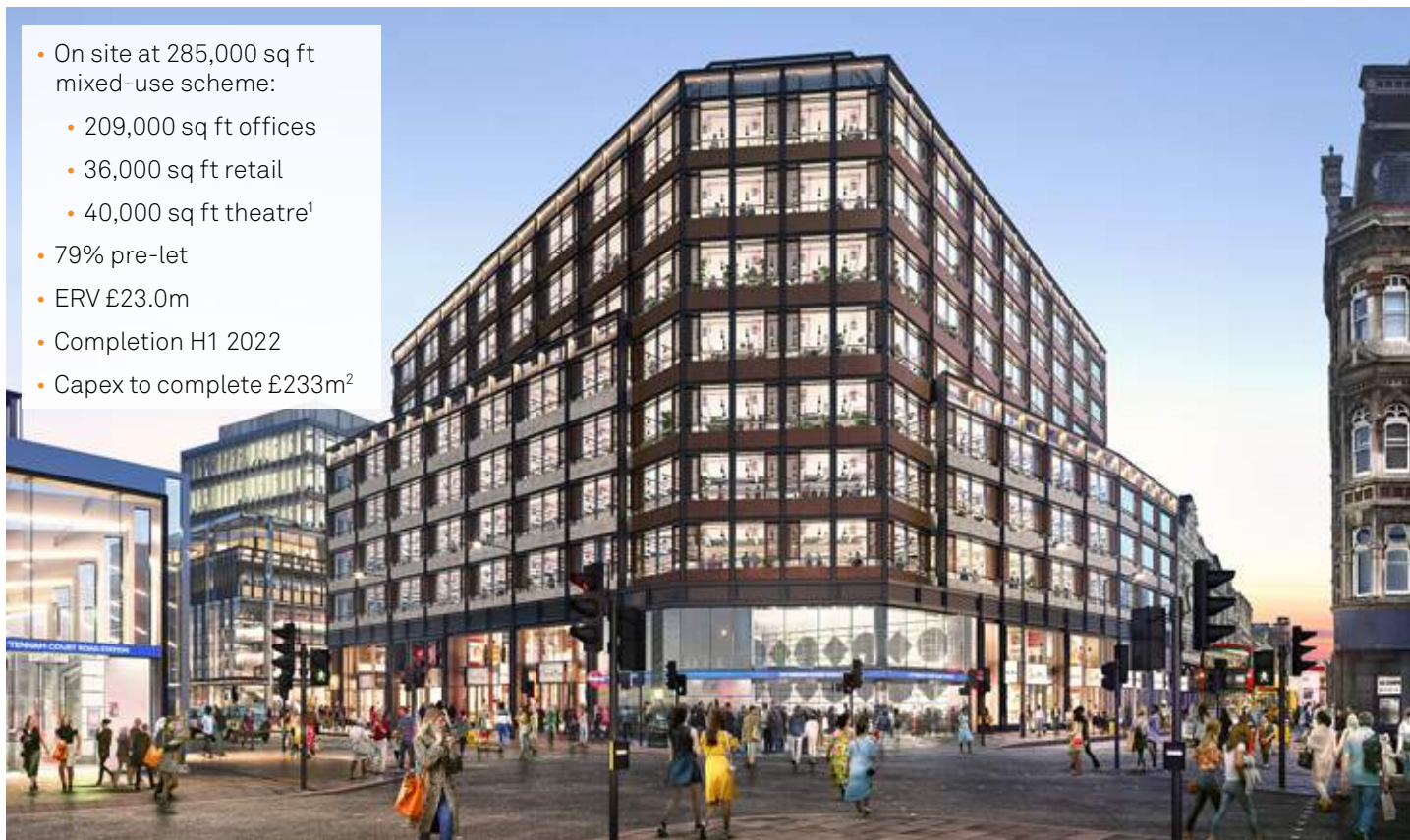






# H1 2022 COMPLETION: SOHO PLACE W1

- On site at 285,000 sq ft mixed-use scheme:
  - 209,000 sq ft offices
  - 36,000 sq ft retail
  - 40,000 sq ft theatre<sup>1</sup>
- 79% pre-let
- ERV £23.0m
- Completion H1 2022
- Capex to complete £233m<sup>2</sup>



<sup>1</sup> Pre-let at a nominal ground rent    <sup>2</sup> Includes remaining site acquisition cost and 16% profit share payaway to freeholder Crossrail





# H1 2022 COMPLETION: THE FEATHERSTONE BUILDING EC1

- Construction underway at this 125,000 sq ft office and retail scheme
- ERV £8.1m with office ERV £70 psf
- Completion H1 2022
- Capex to complete £61m







# ADVANCING OUR PIPELINE: 19-35 BAKER STREET W1



- Earliest start date 2021
- 293,000 sq ft scheme:
  - 206,000 sq ft offices
  - 52,000 sq ft residential
  - 35,000 sq ft retail
- New public realm

# ADVANCING OUR PIPELINE: HOLDEN HOUSE W1

- Earliest start date 2021
- 150,000 sq ft scheme:
  - 67% floorspace uplift
  - Retail/offices



# ADVANCING AND INCREASING OUR PIPELINE

## UNDER APPRAISAL

Existing: 424,000 sq ft  
Proposed: 520,000+ sq ft



**6-8 Greencoat Place SW1**

Earliest start date 2020  
32,000 sq ft



**Francis House SW1**

Earliest start date 2021  
40,000 sq ft



**Bush House WC2**

Earliest start date TBC  
108,000 sq ft



**Angel Square EC1**

Earliest start date 2021  
126,000 sq ft



**Network Building W1**

Earliest start date 2021  
64,000 sq ft



**Blue Star House SW9**

Earliest start date 2025  
53,750 sq ft

# SUMMARY

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PAUL WILLIAMS





# SUMMARY

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- Stronger central London office outlook
- Good occupier demand for our product
- Significant reversion to add to our income
- Advancing our next wave of developments
- Targetting net zero carbon portfolio by 2030
- ERV forecast of +1 to +4% with yields tightening
- Robust financial position

# APPENDICES

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# APPENDICES

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# APPENDIX 1 - HEADLINE NUMBERS

	<b>Dec 2019</b>	<b>Dec 2018</b>	<b>% change</b>
Net asset value (NAV)	£4,476.9m	£4,263.4m	5.0
EPRA NAV per share <sup>1,2</sup>	3,958p	3,776p	4.8
EPRA triple NAV per share <sup>1,2</sup>	3,847p	3,696p	4.1
EPRA total return	6.6%	5.3%	n/a
Gross rental income	£191.7m	£175.1m	9.5
Net rental income	£178.0m	£161.1m	10.5
EPRA earnings per share <sup>2</sup>	103.09p	113.07p <sup>3</sup>	(8.8)
Underlying earnings per share	103.09p	99.08p	4.0
Profit for the year	£278.1m	£218.9m	27.0
Final dividend per share <sup>4</sup>	51.45p	46.75p	10.1
Interim and final dividend per share	72.45p	65.85p	10.0
Net debt	£981.6m	£956.9m	2.6
Loan-to-value (LTV) ratio	16.9%	17.2%	n/a
NAV gearing	21.9%	22.4%	n/a
Net interest cover ratio	462%	491%	n/a

<sup>1</sup> On a diluted basis    <sup>2</sup> Reconciliations to IFRS figures in Appendices 3 and 6    <sup>3</sup> Includes a one-off access rights receipt of 14p per share which was excluded to derive an underlying performance    <sup>4</sup> 2019 dividend subject to approval

## APPENDIX 2 - GROUP BALANCE SHEET

	Dec 2019 £m	Dec 2018 £m
Investment property	5,174.3	5,028.2
Owner-occupied property	45.3	47.0
Investment in joint ventures	1.3	29.1
Other non-current assets	139.8	129.5
	<b>5,360.7</b>	<b>5,233.8</b>
Non-current assets held for sale	118.6	-
Other current assets and liabilities	(55.1)	(44.1)
Trading property	40.7	36.3
Cash and cash equivalents	54.5	18.3
Borrowings – current	-	(148.4)
	<b>40.1</b>	<b>(137.9)</b>
Borrowings – non-current	(976.6)	(766.1)
Other non-current liabilities	(65.9)	(66.4)
	<b>(1,042.5)</b>	<b>(832.5)</b>
<b>Total net assets</b>	<b>4,476.9</b>	<b>4,263.4</b>
Non-controlling interest	(55.7)	(61.5)
<b>Attributable to equity shareholders</b>	<b>4,421.2</b>	<b>4,201.9</b>

# APPENDIX 3 - EPRA NET ASSET VALUE MEASURES

	per share diluted p	£m
<b>Net assets attributable to equity shareholders</b>	<b>3,941</b>	<b>4,421.2</b>
Revaluation of trading properties		2.3 <sup>1</sup>
Deferred tax on revaluation surplus		3.3
Fair value of derivative financial instruments		3.7
Less share of non-controlling interest		(0.8)
Fair value adjustment to secured bonds		10.6
<b>EPRA NAV</b>	<b>3,958</b>	<b>4,440.3</b>
Deferred tax on revaluation surplus		(3.3)
Fair value of derivative financial instruments		(3.7)
Less share of non-controlling interest		0.8
Mark-to-market of fixed rate debt		(107.2)
Unamortised issue and arrangement costs		(11.5)
<b>EPRA triple NAV/EPRA NDV<sup>2</sup></b>	<b>3,847</b>	<b>4,315.4</b>

	EPRA NRV <sup>1</sup> £m	EPRA NTA <sup>3</sup> £m
EPRA NAV	4,440.3	4,440.3
Purchasers' costs <sup>4</sup>	372.3	-
Deferred tax adjustment <sup>5</sup>	-	(1.7)
	<b>4,812.6</b>	<b>4,438.6</b>
	<b>4,290p</b>	<b>3,957p</b>

<sup>1</sup> Net Reinstatement Value   <sup>2</sup> Net Disposal Value   <sup>3</sup> Net Tangible Assets   <sup>4</sup> Includes Stamp Duty Land Tax. Total costs assumed to be 6.8% of the portfolio's fair value

<sup>5</sup> Only 50% of the deferred tax on the revaluation surplus is excluded, rather than 100% under EPRA NAV

# APPENDIX 4 - GROUP INCOME STATEMENT

		Year ended Dec 2019 £m	Year ended Dec 2018 £m
Gross property income		192.7	196.0
Write-down of trading property		-	(0.2)
Other income		3.6	2.9
Property outgoings		(13.7)	(12.8)
<b>Net property and other income</b>		<b>182.6</b>	<b>185.9</b>
Administrative expenses		(37.0)	(32.3)
Revaluation surplus		156.4	83.4
Profit on disposal		13.8	5.2
Net finance costs		(26.5)	(23.5)
Bond redemption premium		(7.8)	-
Joint venture (JV) results	JV revaluation	-	(0.1)
	Profit on disposal of JV property	1.7	1.3
	Other JV profit	0.2	0.9
Derivatives fair value movement		(0.1)	4.3
Financial derivative termination costs		(2.7)	(3.5)
<b>IFRS profit before tax</b>		<b>280.6</b>	<b>221.6</b>
Tax charge		(2.5)	(2.7)
<b>IFRS profit for the year</b>		<b>278.1</b>	<b>218.9</b>
Attributable to:			
Equity shareholders <sup>1</sup>		283.4	222.3
Non-controlling interest		(5.3)	(3.4)
		<b>278.1</b>	<b>218.9</b>

<sup>1</sup> A reconciliation of the IFRS profit attributable to shareholders to the EPRA earnings is shown in Appendix 5

## APPENDIX 5 - IFRS PROFIT AND EPRA/UNDERLYING EARNINGS

	Year ended Dec 2019 £m	Year ended Dec 2018 £m
IFRS profit for the year attributable to shareholders	283.4	222.3
Revaluation surplus	(156.4)	(83.4)
Joint venture revaluation deficit	-	0.1
Profit on disposal	(13.8)	(5.2)
Profit on disposal of share of associate's properties	(1.7)	(1.3)
Write-down of trading property	-	0.2
Derivatives fair value movement	0.1	(4.3)
Financial derivative termination costs	2.7	3.5
Debt redemption premium	7.8	-
Tax adjustment	0.5	(0.4)
Non-controlling interest in respect of the above	(7.5)	(5.4)
<b>EPRA earnings</b>	<b>115.1</b>	<b>126.1</b>
Deduction for access rights receipt	-	(15.6)
<b>Underlying earnings</b>	<b>115.1</b>	<b>110.5</b>



# APPENDIX 6 - EXPLANATION OF EPRA ADJUSTMENTS

	2019 IFRS £m	Adjustments			2019 EPRA basis £m	2018 EPRA basis £m
		A £m	B £m	C £m		
Net property and other income	182.6				182.6	186.1
Administrative expenses	(37.0)				(37.0)	(32.3)
Revaluation surplus	156.4		(156.4)		-	-
Profit on disposal	13.8	(13.8)			-	-
Net finance costs	(26.5)				(26.5)	(23.5)
Derivatives fair value movement	(0.1)			0.1	-	-
Financial derivative termination costs	(2.7)			2.7	-	-
Debt redemption premium	(7.8)			7.8	-	-
Share of results of joint ventures	1.9	(1.7)			0.2	0.9
<b>Profit before tax</b>	<b>280.6</b>	<b>(15.5)</b>	<b>(156.4)</b>	<b>10.6</b>	<b>119.3</b>	<b>131.2</b>
Tax charge	(2.5)	0.7	(0.2)	-	(2.0)	(3.1)
<b>Profit for the year</b>	<b>278.1</b>	<b>(14.8)</b>	<b>(156.6)</b>	<b>10.6</b>	<b>117.3</b>	<b>128.1</b>
Non-controlling interest	5.3	-	(7.5)	-	(2.2)	(2.0)
<b>Earnings attributable to equity shareholders</b>	<b>283.4</b>	<b>(14.8)</b>	<b>(164.1)</b>	<b>10.6</b>	<b>115.1</b>	<b>126.1</b>
<b>Earnings per share</b>	<b>253.82p</b>				<b>103.09p</b>	<b>113.07p</b>

A – Disposal of investment and trading properties (including the Group's share of joint ventures) and associated tax and non-controlling interest

B – Write-down of trading properties and revaluation on investment property and in joint ventures, and associated deferred tax and non-controlling interest

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

## APPENDIX 7 - CASH FLOW

	Year ended Dec 2019 £m	Year ended Dec 2018 £m
Property income	171.5	181.7
Property expenses	(18.6)	(19.1)
Other income	3.6	2.9
Administrative expenses	(34.3)	(27.2)
Finance costs	(21.6)	(20.0)
Tax paid in respect of operating activities	(3.5)	(3.1)
<b>Net cash from operating activities</b>	<b>97.1</b>	<b>115.2</b>
Net investment in portfolio	(72.8)	(228.6)
Payments from joint ventures	29.7	12.7
Other cash used in investing activities	(1.2)	6.8
<b>Net cash used in investing activities</b>	<b>(44.3)</b>	<b>(209.1)</b>
Movement in debt	66.7	180.3
Bond redemption premium	(8.5)	-
Ordinary dividend paid	(75.1)	(152.0)
Other cash from financing activities	0.3	(3.1)
<b>Net cash (used in)/from financing activities</b>	<b>(16.6)</b>	<b>25.2</b>
Increase/(decrease) in cash and cash equivalents during the year	36.2	(68.7)
Cash and cash equivalents at the beginning of the year	18.3	87.0
<b>Cash and cash equivalents at the end of the year</b>	<b>54.5</b>	<b>18.3</b>

## APPENDIX 8 - RECONCILIATION OF LIKE-FOR-LIKE INCOME TO IFRS INCOME

	Properties owned throughout the year £m	Development property £m	Acquisitions & disposals £m	Total £m
<b>2019</b>				
<b>Gross rental income</b>	<b>174.9</b>	<b>10.3</b>	<b>6.5</b>	<b>191.7</b>
Property expenditure	(11.0)	(2.8)	0.1	(13.7)
<b>Net rental income</b>	<b>163.9</b>	<b>7.5</b>	<b>6.6</b>	<b>178.0</b>
Other	4.6	-	-	4.6
<b>Net property and other income</b>	<b>168.5</b>	<b>7.5</b>	<b>6.6</b>	<b>182.6</b>
<b>2018</b>				
<b>Gross rental income</b>	<b>167.5</b>	<b>1.0</b>	<b>6.6</b>	<b>175.1</b>
Property expenditure	(11.0)	(2.9)	(0.1)	(14.0)
<b>Net rental income</b>	<b>156.5</b>	<b>(1.9)</b>	<b>6.5</b>	<b>161.1</b>
Other property income	17.7	-	-	17.7
Other	7.3	(0.2)	-	7.1
<b>Net property income</b>	<b>181.5</b>	<b>(2.1)</b>	<b>6.5</b>	<b>185.9</b>
Gross rental income	4.4%			9.5%
Net rental income	4.7%			10.5%
Net property income	(7.2%)			(1.8%)

## APPENDIX 9 - DEBT FACILITIES

	Drawn £m	Undrawn £m	Total £m	Maturity
6.5% secured loan	175.0	-	175.0	March 2026
3.99% secured bonds	83.0	-	83.0	October 2024
1.5% unsecured convertible bonds	175.0	-	175.0	June 2025
2.68% unsecured private placement notes	55.0	-	55.0	January 2026
3.46% unsecured private placement notes	30.0	-	30.0	May 2028
4.41% unsecured private placement notes	25.0	-	25.0	January 2029
2.87% unsecured private placement notes	93.0	-	93.0	January 2029
2.97% unsecured private placement notes	50.0	-	50.0	January 2031
3.57% unsecured private placement notes	75.0	-	75.0	May 2031
4.68% unsecured private placement notes	75.0	-	75.0	January 2034
3.09% unsecured private placement notes	52.0	-	52.0	January 2034
<b>Non-bank loans</b>	<b>888.0</b>	<b>-</b>	<b>888.0</b>	
Bilateral term – secured	28.0	-	28.0	July 2022
Bilateral revolving credit – unsecured	6.5	68.5	75.0	July 2022
Club revolving credit – unsecured	62.0	388.0	450.0	October 2024
<b>Committed bank facilities</b>	<b>96.5</b>	<b>456.5</b>	<b>553.0</b>	
<b>At 31 Dec 2019</b>	<b>984.5</b>	<b>456.5</b>	<b>1,441.0</b>	

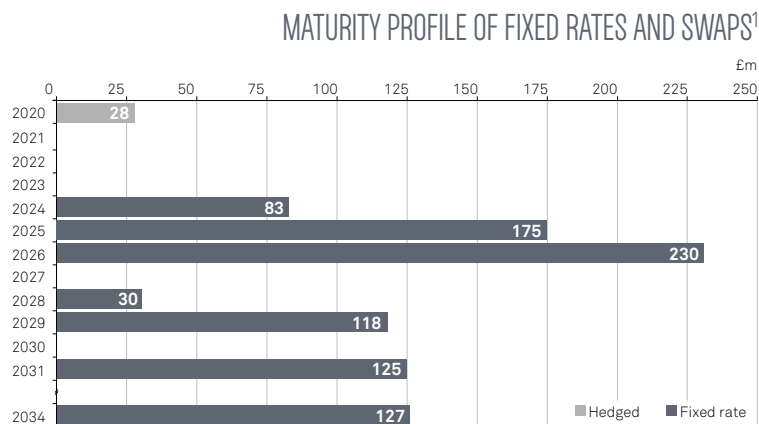
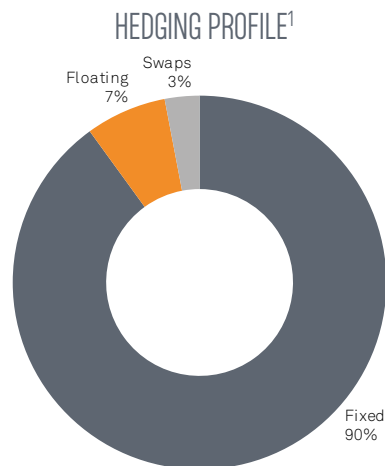
## APPENDIX 10 - NET DEBT

	Dec 2019 £m	Dec 2018 £m
Borrowings – current	-	148.4
Borrowings – non-current	976.6	766.1
Acquired fair value of secured bonds less amortisation	(10.6)	(11.8)
Equity component of unsecured bonds	7.7	12.6
Unwinding of discount of unsecured bonds	(0.7)	(11.3)
Unamortised issue and arrangement costs	11.5	6.5
<b>Facilities – drawn</b>	<b>984.5</b>	<b>910.5</b>
Facilities – undrawn	456.5	255.5
<b>Total debt facilities</b>	<b>1,441.0</b>	<b>1,166.0</b>

	Dec 2019 £m	Dec 2018 £m
Borrowings	976.6	914.5
Leasehold liabilities	59.5	60.7
Cash and cash equivalents	(54.5)	(18.3)
<b>Net debt</b>	<b>981.6</b>	<b>956.9</b>

# APPENDIX 11 - FIXED RATES AND HEDGING

	Dec 2019	Dec 2018
Proportion of drawn facilities at fixed rates or hedged	93%	70%
Weighted average duration of swaps <sup>1</sup>	0.2 years	1.2 years
Mark-to-market cost of swaps and forward-start swaps	£3.7m	£3.6m
Weighted average duration of fixed rate instruments	8.2 years	7.2 years



<sup>1</sup> Excludes the following forward-start swaps:

Principal £m	Rate %	Forward start date	Expiry date
40.0	2.45	January 2020	July 2022
75.0	1.36	January 2020	April 2025

## APPENDIX 12 - VALUATION PERFORMANCE BY VILLAGE

	Valuation Dec 2019 £m	Weighting Dec 2019 %	Valuation movement 2019 <sup>1</sup> %
<b>West End Central</b>			
Fitzrovia <sup>2</sup>	1,766.6	32	4.0
Victoria	469.2	9	(0.2)
Paddington	340.0	6	23.9
Soho/Covent Garden	174.7	3	29.4
Baker Street/Marylebone	156.9	3	(9.8)
Mayfair	97.2	2	1.4
	<b>3,004.6</b>	<b>55</b>	<b>5.5</b>
<b>West End Borders</b>			
Islington/Camden	464.2	8	0.3
<b>West End</b>	<b>3,468.8</b>	<b>63</b>	<b>4.8</b>
<b>City Borders</b>			
Old Street	621.7	11	5.0
Clerkenwell	547.7	10	2.9
Shoreditch/Whitechapel	453.4	8	2.8
Holborn	295.5	6	(1.2)
Other	2.2	-	-
<b>City Borders</b>	<b>1,920.5</b>	<b>35</b>	<b>2.9</b>
<b>Central London</b>	<b>5,389.3</b>	<b>98</b>	<b>4.1</b>
Provincial	85.9	2	(8.9)
<b>Investment portfolio</b>	<b>5,475.2</b>	<b>100</b>	<b>3.9</b>

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



## APPENDIX 13 - RENTAL VALUE GROWTH

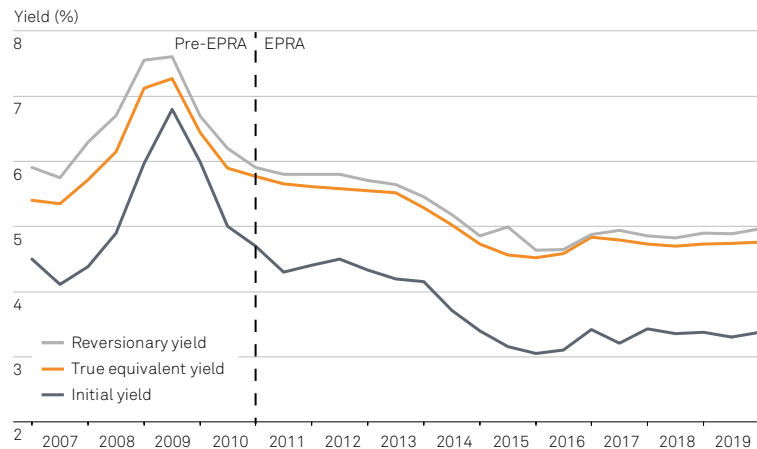
### RENTAL VALUE GROWTH<sup>1</sup>

	2018 %	H1 2019 %	H2 2019 %	2019 %
West End	0.6	0.1	0.3	0.4
City Borders	2.0	0.9	1.8	2.7
<b>Central London</b>	<b>1.2</b>	<b>0.4</b>	<b>1.0</b>	<b>1.4</b>
Provincial	(4.3)	0.6	(0.6)	0.0
<b>Underlying</b>	<b>1.1</b>	<b>0.4</b>	<b>1.0</b>	<b>1.4</b>

<sup>1</sup> On EPRA portfolio

# APPENDIX 14 - VALUATION YIELDS

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



## EPRA INITIAL YIELDS

	Net initial yield %	'Topped-up' initial yield %
West End	3.2	4.5
City Borders	3.5	4.8
<b>Central London</b>	<b>3.3</b>	<b>4.6</b>
Provincial	7.4	7.8
<b>EPRA portfolio</b>	<b>3.4</b>	<b>4.7</b>

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

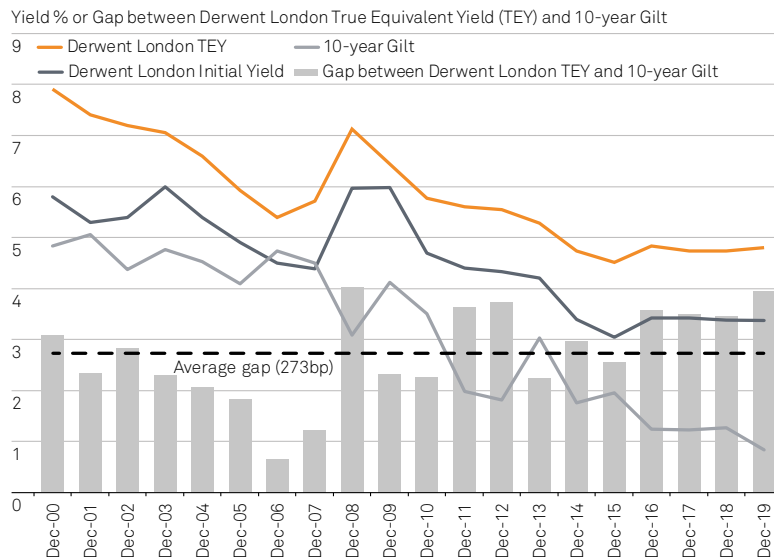
	Dec 2018 %	H1 2019 movement basis points	Jun 2019 %	H2 2019 movement basis points	Dec 2019 %
West End	4.62	2	4.64	4	4.68
City Borders	4.79	-	4.79	-	4.79
<b>Central London</b>	<b>4.69</b>	<b>1</b>	<b>4.70</b>	<b>2</b>	<b>4.72</b>
Provincial	7.68	32	8.00	44	8.44
<b>Underlying</b>	<b>4.73</b>	<b>1</b>	<b>4.74</b>	<b>3</b>	<b>4.77</b>

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

# APPENDIX 15 - CONTEXT TO YIELD MOVEMENT

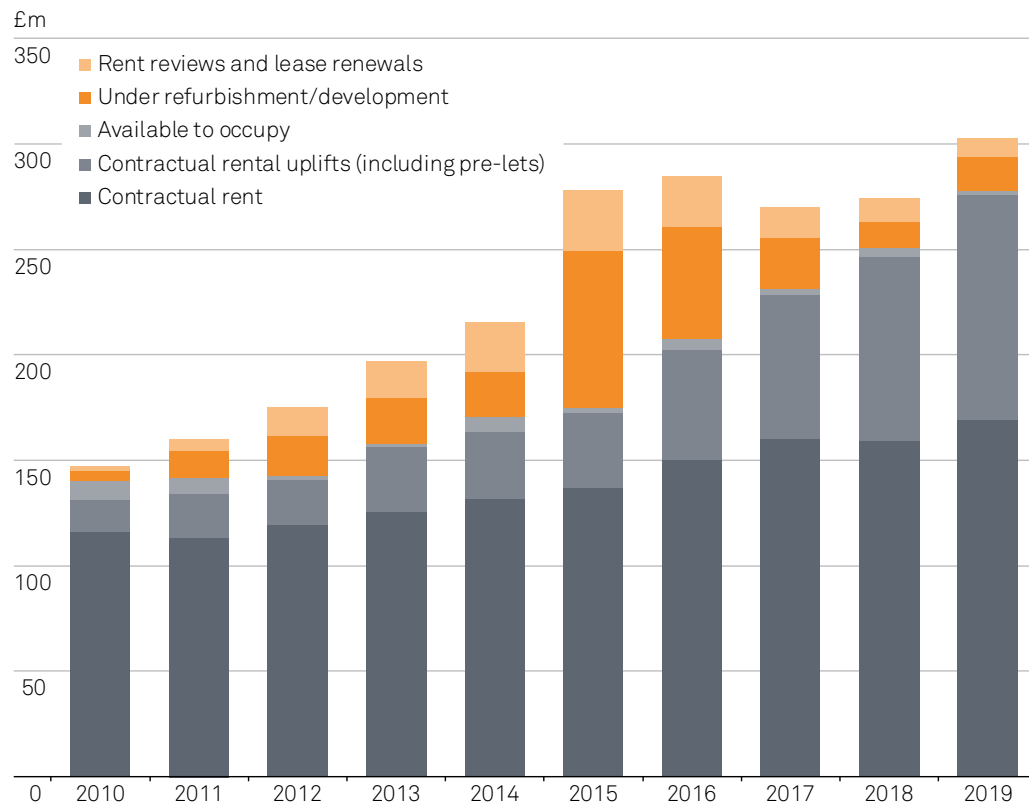
- 395bp spread between the Derwent London true equivalent yield and the 10-year Gilt:
  - Second highest gap in the last 20 years
  - Average spread 273bp
  - Gilt yield declined from 1.27% at the start of 2019 to 0.84% at the half year and to 0.83% at the year end
  - Investor activity below average in 2019 but finished the year strongly
- Capital values<sup>2</sup>:
  - Central London      £1,102 psf:
    - West End      £1,190 psf
    - City Borders      £992 psf

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



<sup>1</sup> Post H2 2010 portfolio on an EPRA basis    <sup>2</sup> Excludes 0.79m sq ft of on-site developments - Appendix 40

## APPENDIX 16 - EVOLUTION OF PORTFOLIO ERV



# APPENDIX 17 - PORTFOLIO STATISTICS BY VILLAGE

	Valuation £m	Weighting %	Floor area¹ '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	Lease reversion⁵ £m pa	Total reversion £m pa	Estimated rental value £m pa
<b>West End Central</b>										
Fitzrovia²	1,766.6	32	1,391	70	50.0	38.22	2.0	35.8	37.8	87.8
Victoria	469.2	9	523	11	18.0	35.12	0.4	6.2	6.6	24.6
Paddington	340.0	6	243	-	4.8	20.18³	-	12.5	12.5	17.3
Soho/Covent Garden	174.7	3	393	58	-	0.08	6.4	16.7	23.1	23.1
Baker Street/Marylebone	156.9	3	194	10	7.2	39.29	0.7	1.7	2.4	9.6
Mayfair	97.2	2	43	-	0.9	20.70⁴	-	3.4	3.4	4.3
	<b>3,004.6</b>	<b>55</b>	<b>2,787</b>	<b>149</b>	<b>80.9</b>	<b>30.91</b>	<b>9.5</b>	<b>76.3</b>	<b>85.8</b>	<b>166.7</b>
<b>West End Borders</b>										
Islington/Camden	464.2	8	495	3	12.7	25.85	0.1	13.3	13.4	26.1
<b>West End</b>	<b>3,468.8</b>	<b>63</b>	<b>3,282</b>	<b>152</b>	<b>93.6</b>	<b>30.12</b>	<b>9.6</b>	<b>89.6</b>	<b>99.2</b>	<b>192.8</b>
<b>City Borders</b>										
Old Street	621.7	11	604	134	20.1	42.79	8.3	8.2	16.5	36.6
Clerkenwell	547.7	10	564	5	21.9	41.39	0.1	5.4	5.5	27.4
Shoreditch/Whitechapel	453.4	8	544	5	19.1	35.38	0.3	5.7	6.0	25.1
Holborn	295.5	6	295	-	9.6	33.48	-	6.3	6.3	15.9
Other	2.2	-	-	-	-	-	-	-	-	-
<b>City Borders</b>	<b>1,920.5</b>	<b>35</b>	<b>2,007</b>	<b>144</b>	<b>70.7</b>	<b>38.75</b>	<b>8.7</b>	<b>25.6</b>	<b>34.3</b>	<b>105.0</b>
<b>Central London</b>	<b>5,389.3</b>	<b>98</b>	<b>5,289</b>	<b>296</b>	<b>164.3</b>	<b>33.34</b>	<b>18.3</b>	<b>115.2</b>	<b>133.5</b>	<b>297.8</b>
Provincial	85.9	2	347	7	4.8	14.03	-	0.4	0.4	5.2
<b>Investment portfolio</b>	<b>5,475.2</b>	<b>100</b>	<b>5,636</b>	<b>303</b>	<b>169.1</b>	<b>32.11</b>	<b>18.3</b>	<b>115.6</b>	<b>133.9</b>	<b>303.0</b>

¹ Includes 0.79m sq ft of on-site developments    ² Includes North of Oxford Street    ³ Contracted rent of £73.03 psf after incentives

⁴ Contracted rent of £104.16 psf after incentives    ⁵ Contractual uplifts, rent review/lease renewal reversion and pre-lets

# APPENDIX 18 - BUILD-UP OF PORTFOLIO ERV

	£m	Rent uplift pa £m	Rent pa £m
<b>Contracted rental income, net of ground rents</b>			<b>169.1</b>
<b>Contractual rental uplifts</b>			
Brunel Building W2	12.5		
Angel Building EC1	10.9		
White Collar Factory EC1	6.6		
Horseferry House SW1	5.2		
1-2 Stephen Street W1	3.3		
Tea Building E1	3.0		
Other	24.2	65.7	
<b>Vacant space<sup>1</sup></b>			
Available to occupy	2.1		
Under refurbishment	0.5	2.6	
<b>Lease reversions</b>			
Anticipated rent reviews and lease renewals		9.0	77.3
			246.4
<b>Three on-site developments (non-EPRA)<sup>2</sup></b>			
Pre-let element	40.9		
Available	15.7		56.6
<b>Estimated rental value</b>			<b>303.0</b>

<sup>1</sup> Detailed in Appendix 19    <sup>2</sup> Capex to complete £394m excluding capitalised interest – see Appendix 40

# APPENDIX 19 - AVAILABLE SPACE AND PROJECTS

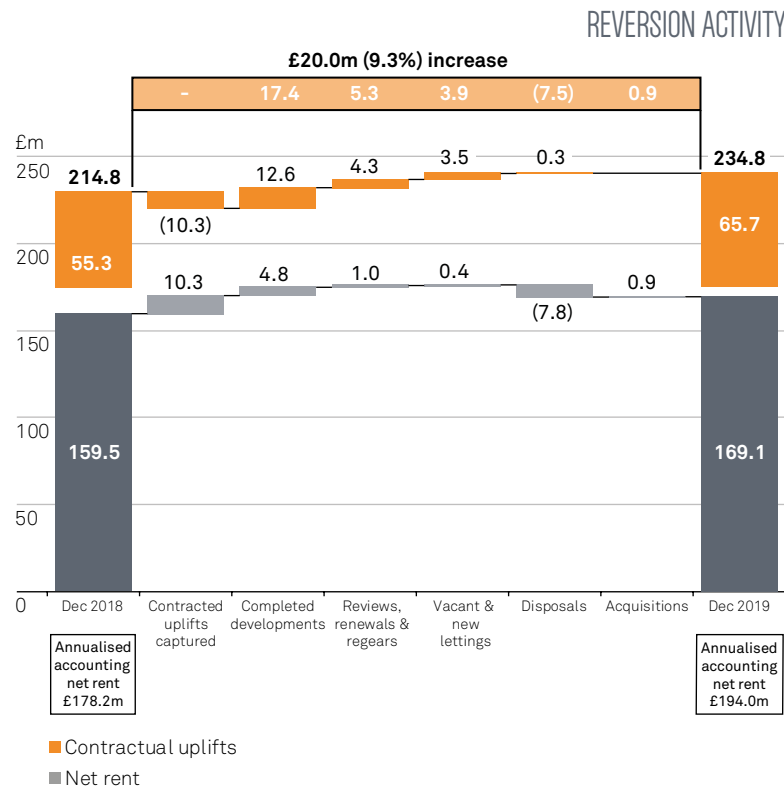
	Vacant area '000 sq ft	Pre-let area '000 sq ft	Total area '000 sq ft	Gross vacant ERV £m pa	Ground rent £m pa	Net vacant ERV £m pa	Pre-let net rent ERV £m pa	Total net ERV £m pa	Comment
<b>Available to occupy (EPRA)</b>									
26-27 Castlereagh Street W1	8	-	8	0.4	-	0.4	-	0.4	
Francis House SW1	8	-	8	0.4	-	0.4	-	0.4	
Tea Building E1	5	-	5	0.3	-	0.3	-	0.3	4,800 sq ft under offer at £0.3m pa
76-78 Charlotte Street W1	3	-	3	0.2	-	0.2	-	0.2	1,500 sq ft let in Q1 at £0.1m pa
Other	29	-	29	0.8	-	0.8	-	0.8	
	<b>53</b>	<b>-</b>	<b>53</b>	<b>2.1</b>	<b>-</b>	<b>2.1</b>	<b>-</b>	<b>2.1</b>	
<b>Under refurbishment</b>									
1 Oliver's Yard EC1	2	-	2	0.2	-	0.2	-	0.2	
9 Rathbone Place W1	2	-	2	0.1	-	0.1	-	0.1	
Other	6	-	6	0.2	-	0.2	-	0.2	
	<b>10</b>	<b>-</b>	<b>10</b>	<b>0.5</b>	<b>-</b>	<b>0.5</b>	<b>-</b>	<b>0.5</b>	
<b>On-site developments (non-EPRA)</b>									
80 Charlotte Street W1 <sup>1</sup>	56	324	380	1.2	-	1.2	24.3	25.5	13,000 sq ft let in Q1 at £0.8m pa
Soho Place W1	59	226	285	6.7	0.3	6.4	16.6	23.0	
The Featherstone Building EC1	125	-	125	8.1	-	8.1	-	8.1	
	<b>240</b>	<b>550</b>	<b>790</b>	<b>16.0</b>	<b>0.3</b>	<b>15.7</b>	<b>40.9</b>	<b>56.6</b>	
<b>Total</b>	<b>303</b>	<b>550</b>	<b>853</b>	<b>18.6</b>	<b>0.3</b>	<b>18.3</b>	<b>40.9</b>	<b>59.2</b>	

<sup>1</sup> Includes residential areas



# APPENDIX 20 - REVERSION ACTIVITY 2019

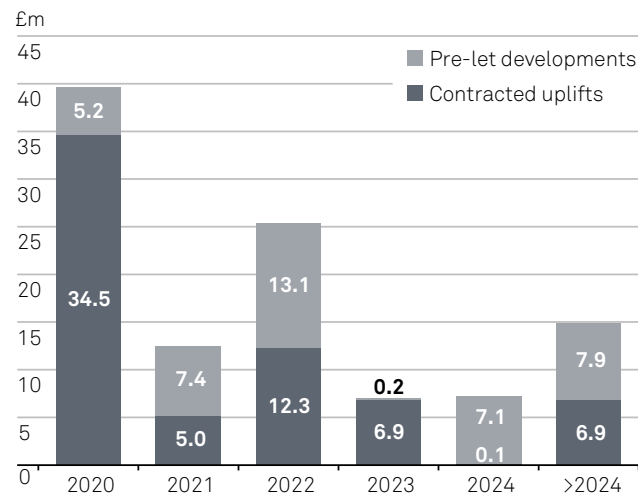
- £234.8m locked in, up £20.0m (9.3%):
  - Contracted uplifts have moved into net rent (£10.3m):
    - White Collar Factory EC1
    - The White Chapel Building E1
- £17.4m from Brunel Building W2
- £5.3m of asset management activities
- £3.9m from lettings:
  - EPRA vacancy rate 0.8% (1.8% Dec 2018)
- Disposals reduced income by £7.5m



# APPENDIX 21 - TIMING OF THE REVERSION

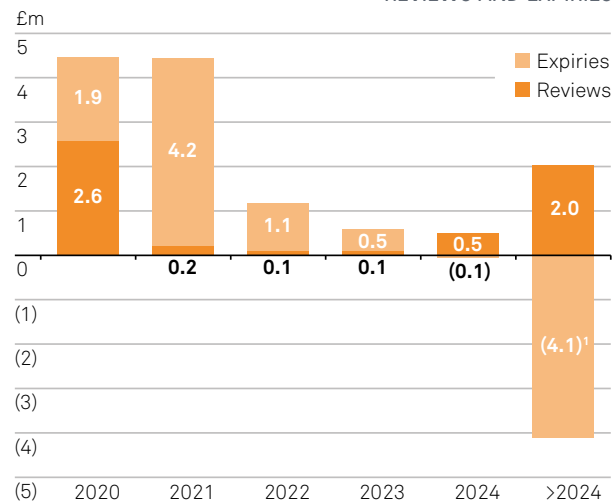
- £106.6m of the reversion contracted:
  - Contracted uplifts £65.7m
  - Pre-let developments £40.9m

## CONTRACTUAL UPLIFTS AND PRE-LETS



- £9.0m of the reversion from reviews and expiries

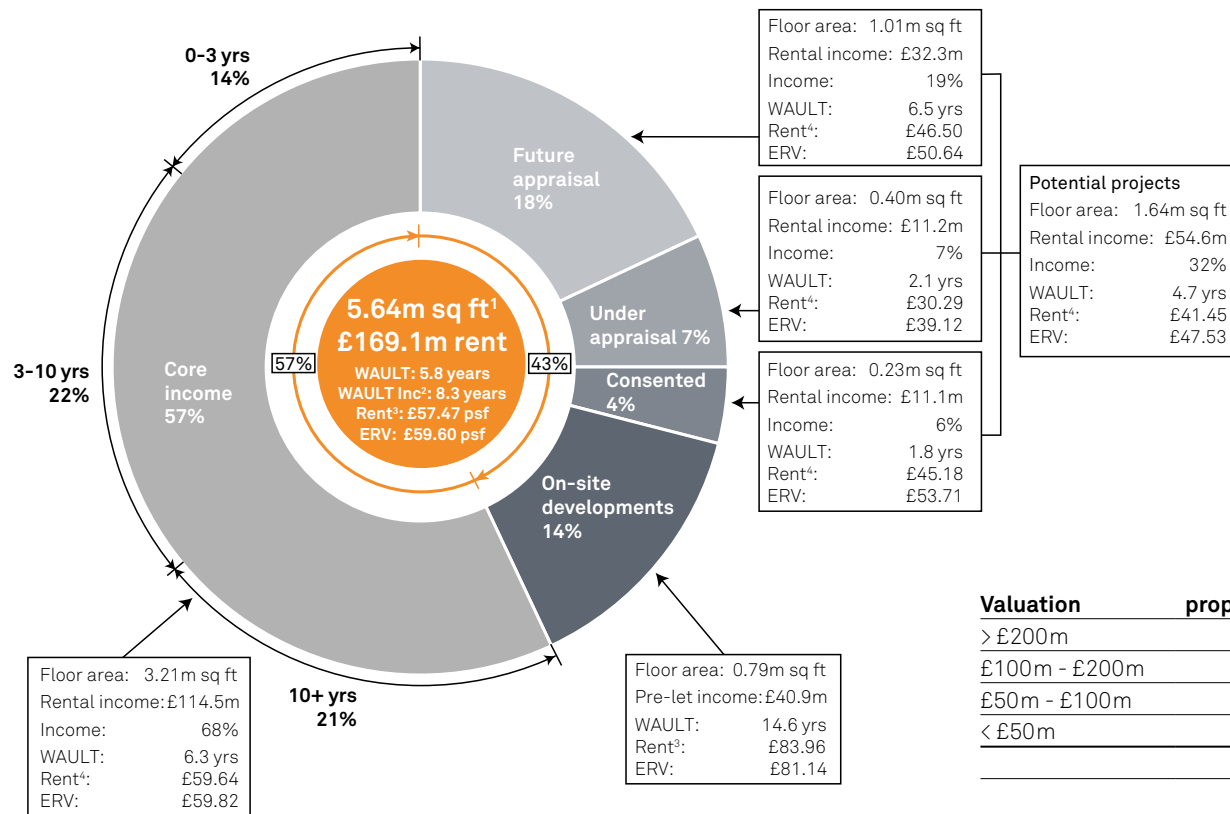
## REVIEWS AND EXPIRIES



Rent psf	£48	£54	£53	£53	£47	£64
ERV psf	£58	£59	£58	£57	£63	£56
Uplift %	21	9	9	8	34	(13)

<sup>1</sup> Predominantly due to contracted uplifts reverting to Dec 2019 ERV at lease expiry

# APPENDIX 22 - PORTFOLIO SUMMARY



Valuation	Nº of properties	Weighting %
> £200m	7	42
£100m - £200m	10	26
£50m - £100m	17	22
< £50m	48	10
	<b>82</b>	<b>100</b>

<sup>1</sup> Comprises 4.85m sq ft of existing buildings plus 0.79m sq ft of on-site developments

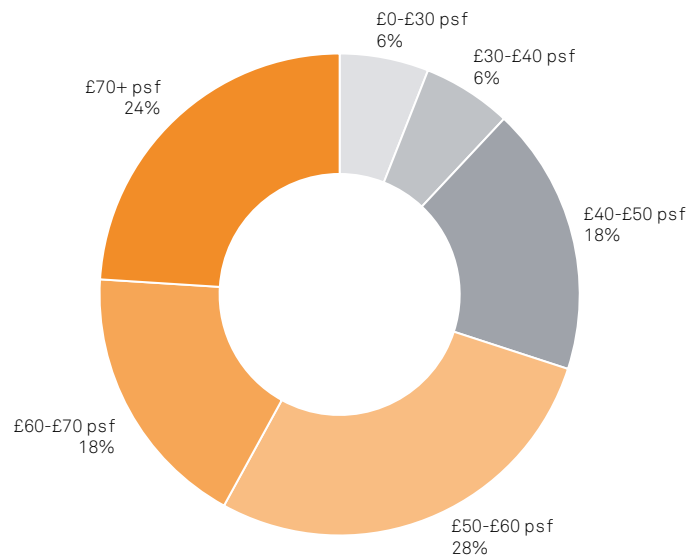
<sup>2</sup> After adjusting for 'topped-up' rents and pre-lets - Appendix 28

<sup>3</sup> 'Topped-up' office rent including development pre-lets

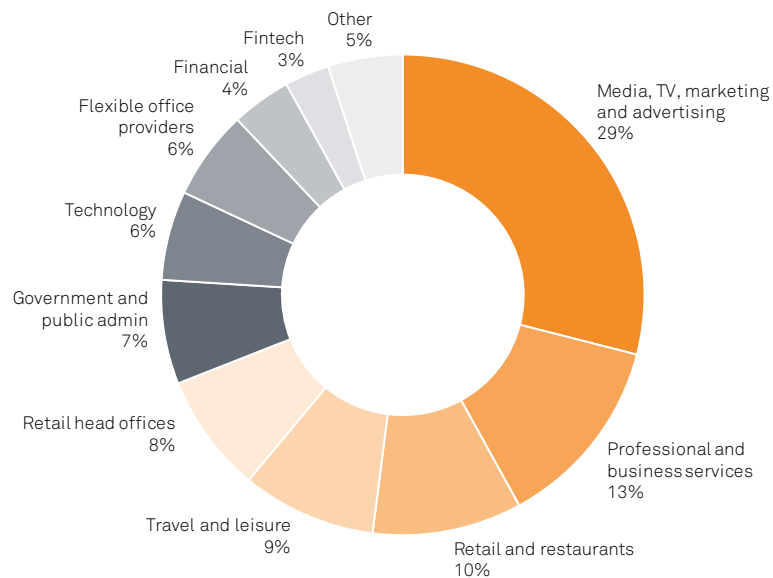
<sup>4</sup> 'Topped-up' office rent

## APPENDIX 23 - RENT AND TENANT BANDING

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



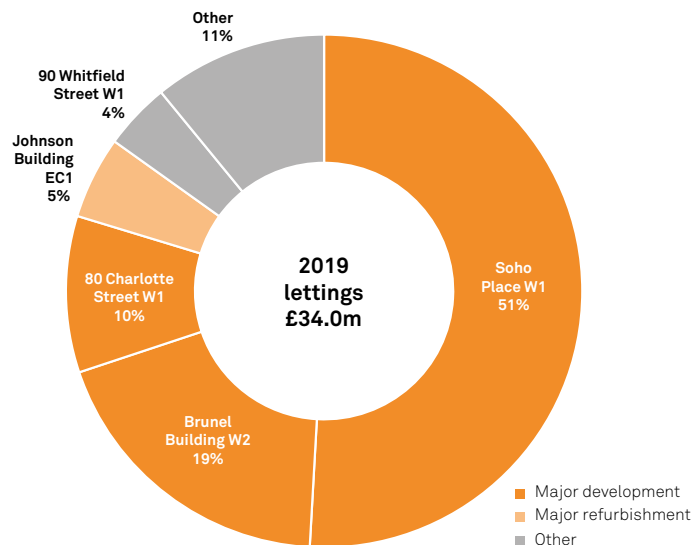
PROFILE OF TENANTS'  
BUSINESS SECTOR<sup>2</sup>



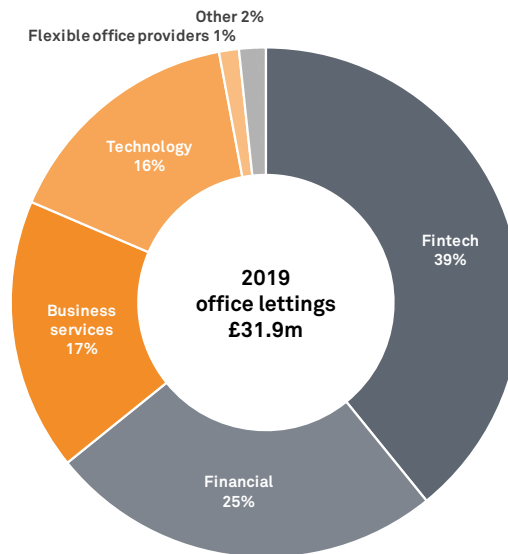
<sup>1</sup> Based on floor area    <sup>2</sup> Based on annualised rental income

## APPENDIX 24 - BREAKDOWN OF 2019 LETTINGS

- Of the £34.0m pa of lettings in 2019, 80% derived from major developments (on site and recently completed):



- 64% of our central London office lettings from either Fintech or Financial :





# APPENDIX 25 - MAJOR TENANTS



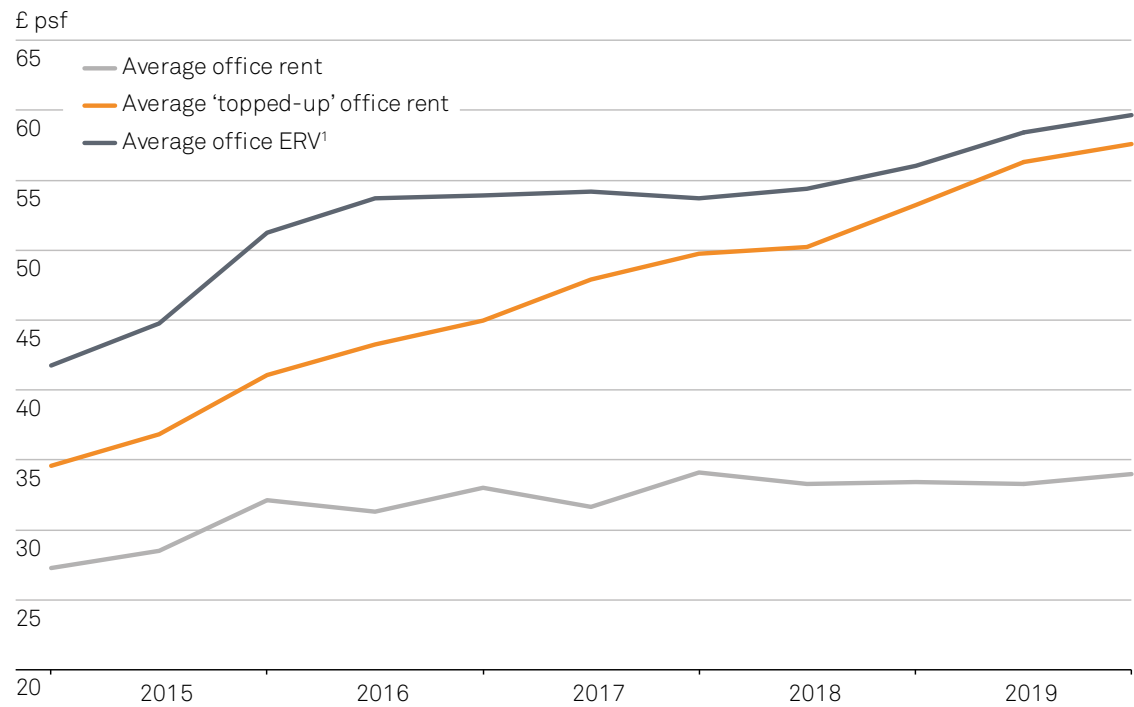
## Pre-lets:



		'Topped-up' income <sup>1</sup> %	
		Existing	Pre-let
01	Expedia	6.5	-
02	Burberry	5.3	-
03	The Boston Consulting Group	-	5.0
04	G-Research	-	3.9
05	Publicis Groupe	3.8	-
06	Arup	0.1	3.4
07	Government	3.5	-
08	Apollo	-	2.7
09	The Office Group	2.6	-
10	Sony Pictures	1.7	-
11	FremantleMedia Group	1.7	-
12	WPP Group	1.5	-
13	The Doctors Laboratory	1.5	-
14	VCCP	1.4	-
15	Splunk	1.3	-
16	Premier League	1.2	-
17	Telecity Group	1.2	-
18	Adobe	1.1	-
19	Ticketmaster	1.1	-
20	Mother London	1.0	-
<b>Total</b>		<b>51.5</b>	

<sup>1</sup> Derwent London share

# APPENDIX 26 - DERWENT LONDON CENTRAL LONDON OFFICE RENT PROFILE



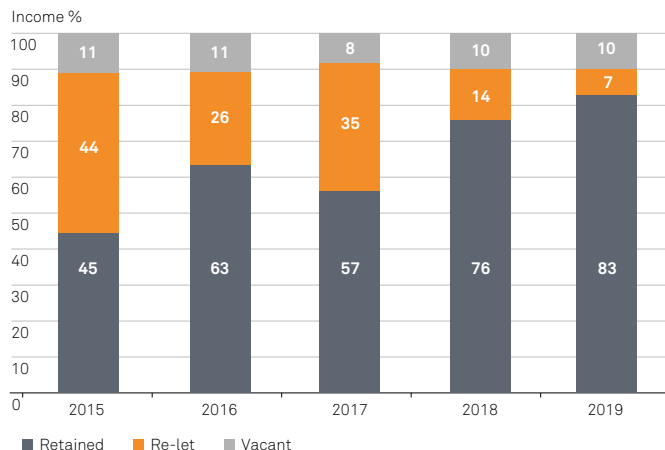
<sup>1</sup> Includes ERV of on-site schemes

# APPENDIX 27 - LEASE EXPIRIES, BREAKS AND VACANCY RATES

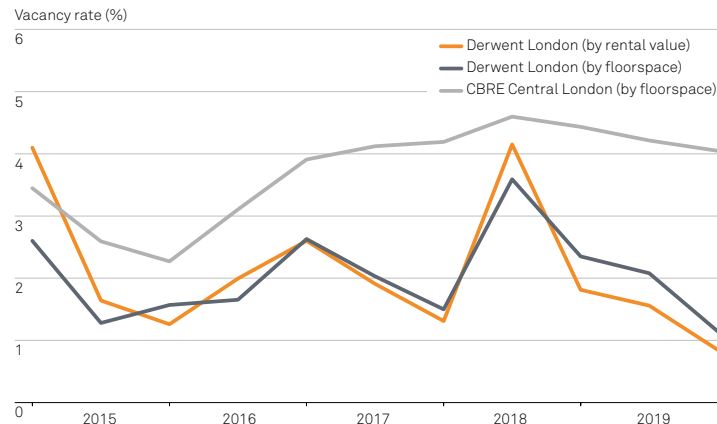
- £13.5m of income subject to breaks/expiries in 2019:
  - £3.1m from assets disposed
  - 90% of remainder retained or re-let

- EPRA vacancy rate<sup>2</sup> declined from 1.8% to 0.8% in 2019 (1.6% in Jun 2019):
  - Group's 10-year average of 2.3%

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



## EPRA VACANCY RATES



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

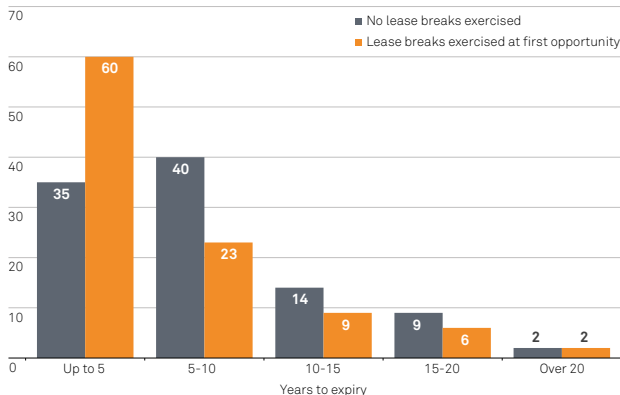
# APPENDIX 28 - LEASE EXPIRY PROFILE AND LEASE LENGTH

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

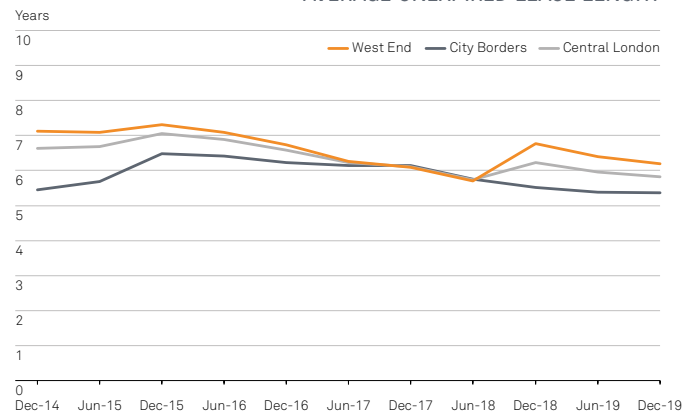
	West End	City Borders	Provincial	2020	2021	2022	2023	2024	Total
Expiries	4	1	1	6	12	3	3	2	26
Rolling breaks	2	-	-	2	4	-	-	-	6
Single breaks	1	1	-	2	10	6	5	5	28
	7	2	1	10	26	9	8	7	60

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

Contracted rental income %



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



- Average lease length 5.8 years (Dec 2018: 6.1 years):
  - 8.3 years after adjusting for 'topped-up' rents and pre-lets (Dec 2018: 8.2 years)

<sup>1</sup> Based upon annualised contracted rental income of £169.1m <sup>2</sup> Lease length weighted by rental income and assuming tenants break at first opportunity

# APPENDIX 29 - CENTRAL LONDON OFFICE DEMAND

## Market statistics

- Central London office take-up of 12.8m sq ft in 2019:
  - In line with the annual average
  - 7% below 2018 and 3% below 2017
  - 39% business & professional services, 24% banking & finance, 19% creative industries, 6% public sector, 5% consumer services & leisure, 4% insurance and 3% manufacturing industrial & energy
- Under offers at the year end were 3.5m sq ft, above average level
- West End take-up totalled 4.3m sq ft in 2019:
  - Just above the 4.2m sq ft annual average
  - 3% above 2018 but 9% below 2017

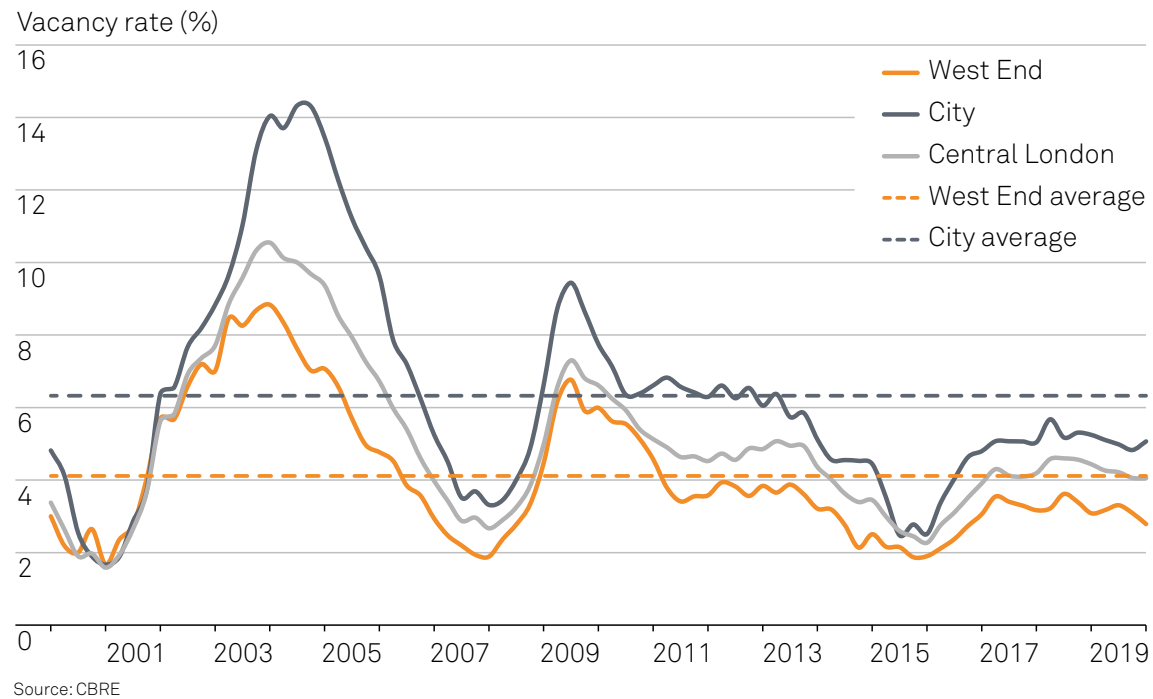
## OFFICE TAKE-UP



Source: CBRE



# APPENDIX 30 - CENTRAL LONDON OFFICE VACANCY RATES



# APPENDIX 31 - CENTRAL LONDON OFFICE SUPPLY

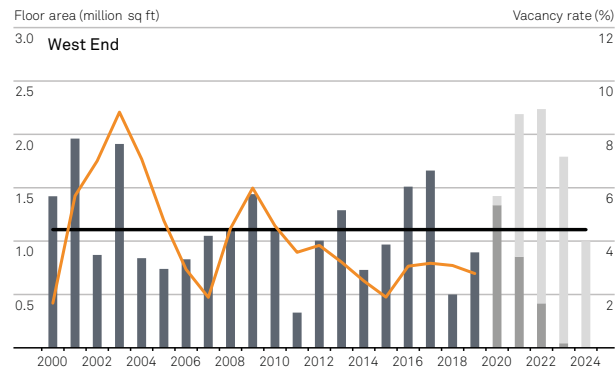
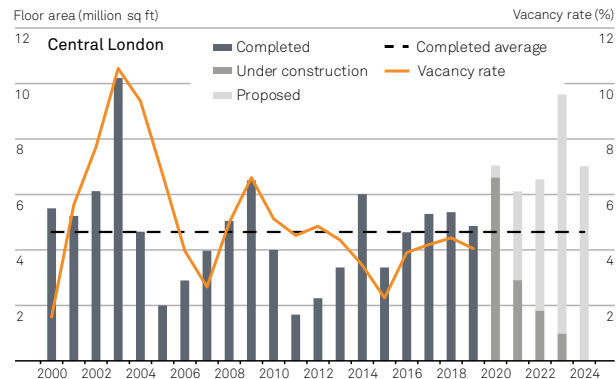
## Existing supply

- Central London vacancy rate finished the year at 4.0%:
  - Down from 4.4% a year earlier and 4.2% at the half year
  - Below long-term average (LTA) of 5.0%
- West End rate dropped to 2.8%, from 3.1% at the start of the year and 3.3% at the half year (4.1% LTA)
- City rate at 5.1% compared to 5.2% a year before and 5.0% six months earlier (6.3% LTA)
- Completions of 4.9m sq ft in 2019, 5% above average

## Future supply

- 6.6m sq ft of committed schemes to complete in 2020 (64% pre-let or under offer) plus a further 0.4m sq ft proposed
- Committed schemes to 2023 total 12.3m sq ft:
  - Already 57% pre-let

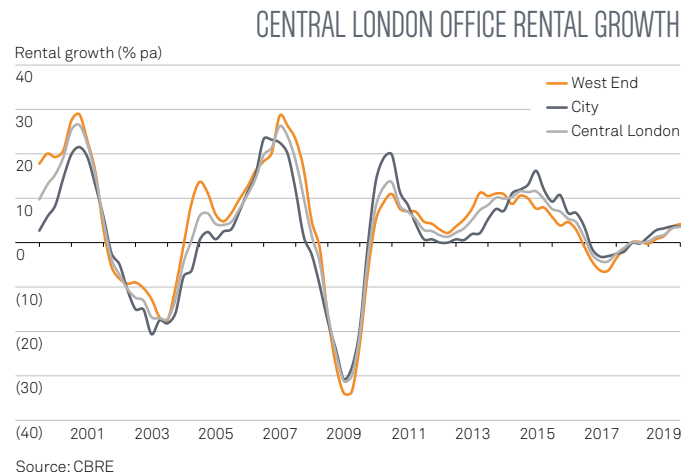
## OFFICE DEVELOPMENT PIPELINE



Source: CBRE

## APPENDIX 32 - CENTRAL LONDON OFFICE RENTAL GROWTH

- CBRE estimated that prime office rents increased 3.6% in 2019:
  - West End: 4.2%
  - City: 3.6%
- Since the EU referendum three and a half years ago, CBRE prime sub-area rental growth performance has widely varied:
  - Paddington: +14.8% to £77.50 psf
  - Southbank: +12.0% to £70 psf
  - Fitzrovia: +6.1% to £87.50 psf
  - City: +4.3% to £73 psf
  - Midtown and King's Cross: +3.1% to £82.50 psf
  - Victoria: -6.1% to £77.50 psf
  - Mayfair/St James': -8.3% to £110 psf
- Over the next five years CBRE estimate prime rental growth of 3.7% pa in Southbank, 3.1% pa in the West End, 3.0% pa in both the City core and Docklands and 2.2% pa in Midtown



# APPENDIX 33 - CENTRAL LONDON OFFICE INVESTMENT MARKET

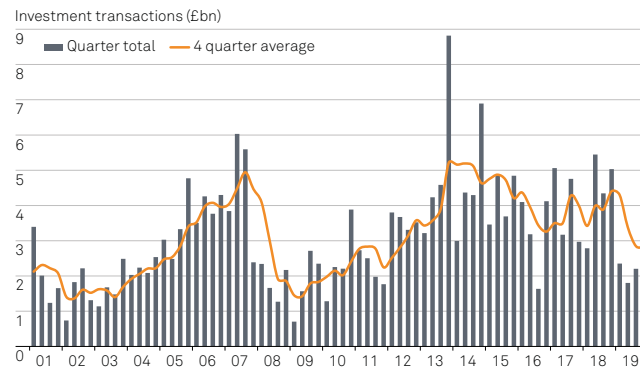
## 2019 activity

- CBRE reported £11.3bn of central London transactions:
  - 8% below the annual average
  - 36% lower than 2018
  - UK investors more active with 48% market share (2018: 25%)
  - Strong Q4 accounting for 44% of activity (£4.95bn)
- Prime yields at 31 Dec 2019:
  - West End: 3.75%, unchanged for 3.5 years
  - City: 4.0%, unchanged for 3.0 years

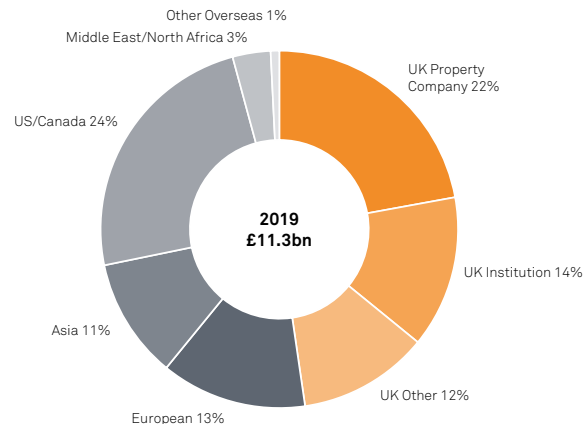
## Supportive factors

- Increased political certainty following General Election
- London remains a popular choice for investors and is good value compared to other key European cities
- Low interest rates
- Only c.£3bn of properties on the market and c.£33bn of equity seeking investment opportunities

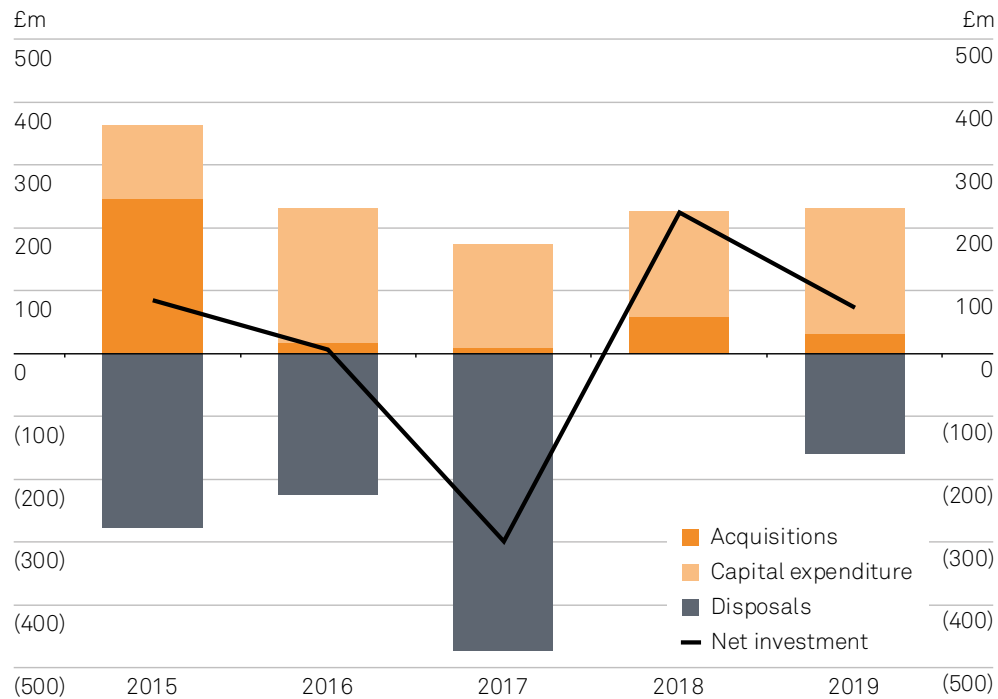
## CENTRAL LONDON OFFICE INVESTMENT



## INVESTMENT ACTIVITY BY NATIONALITY



## APPENDIX 34 - NET INVESTMENT



## APPENDIX 35 - ACQUISITION: BLUE STAR HOUSE, BRIXTON SW9

---

- 53,750 sq ft 11-storey building:
  - 41,600 sq ft offices (8,260 sq ft vacant)
  - 3,800 sq ft restaurant
  - 8,350 sq ft fitness centre
  - 0.7 acre site including surface car park
  - Immediately opposite Brixton O2 Academy
- Acquired for £38.1m before costs:
  - Low average rent of £14.50 psf on occupied offices
  - Rental income of £0.8m pa
  - Capital value of £710 psf
  - Sale completed Feb 2020
- Well connected with Brixton underground only a few minutes walk
- Vacant possession can be achieved in next few years and potential for a significant development





## APPENDIX 36 - SOHO PLACE W1

- 285,000 sq ft office, retail and theatre scheme split between two buildings:
  - 102,600 sq ft pre-let to G-Research at £9.7m pa (£94.70 psf average) for 15 years (no breaks)
  - 83,100 sq ft pre-let to Apollo for 15 years (no breaks) with an option on the 5,200 sq ft first floor (confidential rent)
  - 40,000 sq ft theatre pre-let on a long lease at £0.1m pa to Nimax

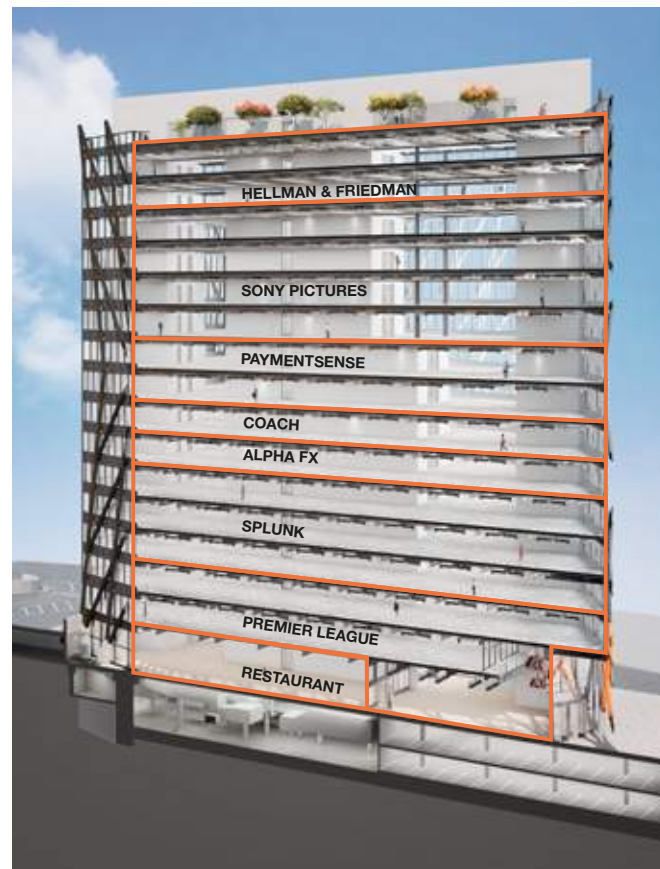


## APPENDIX 37 - BRUNEL BUILDING W2

- 243,200 sq ft fully let project completed in H1 2019:
  - Total rent £17.8m pa (gross) or £17.3m pa (net)
- Offices:
  - 237,700 sq ft
  - Fully let prior to completion

		Gross rent £m pa	Area sq ft
2018	Sony Pictures	4.9	68,200
	Premier League	2.2	33,400
	Hellman & Friedman	1.8	20,500
	Coach	1.2	16,500
	Alpha FX	1.2	16,500
2019	Paymentsense	2.6	33,000
	Splunk	3.7	49,600
	<b>Total</b>	<b>17.6</b>	<b>237,700</b>

- Retail:
  - 5,500 sq ft ground floor restaurant let to Daisy Green at £0.2m pa (gross)
  - Rooftop café for the building's occupiers also to be operated by Daisy Green



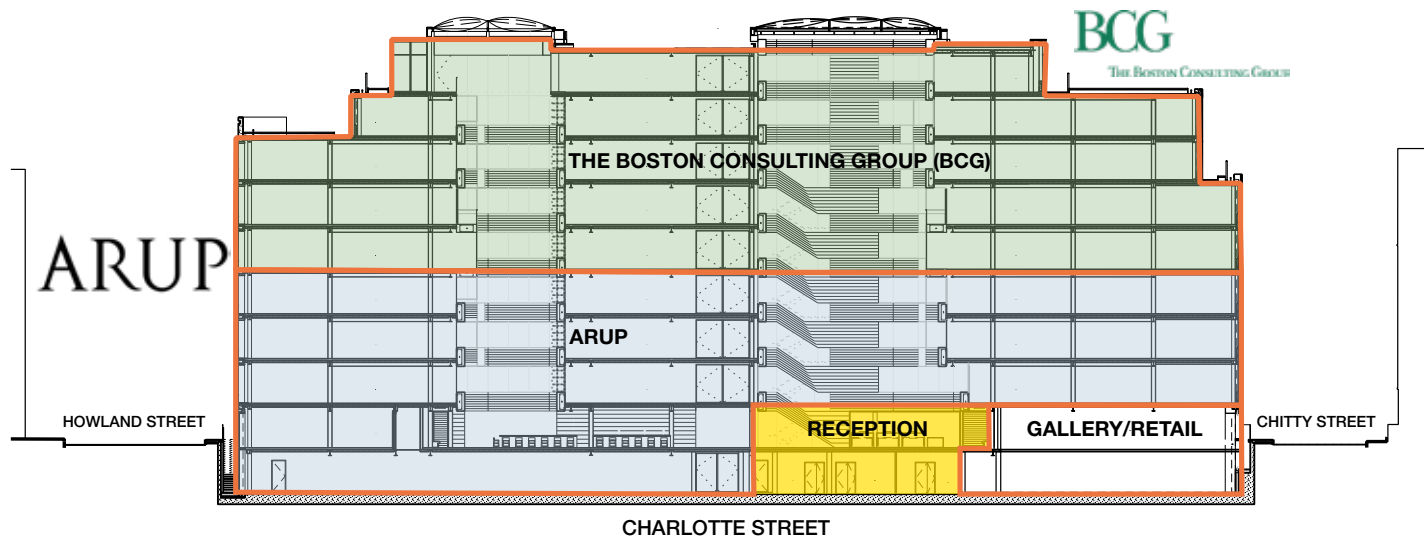
# APPENDIX 38 - 80 CHARLOTTE STREET W1 (ISLAND SITE): MAJOR OCCUPIERS

## ARUP

- 133,600 sq ft pre-let in 2017
- £9.7m pa with annual increases of 2.25% for the first 15 years
- Average rent of £75 psf on main office floors
- 20-year lease, no breaks

## THE BOSTON CONSULTING GROUP

- 123,500 sq ft pre-let in Q3 2017 plus 40,650 sq ft in Q3 2019 (option space)
- £13.9m pa
- Average rent of £85 psf
- 15-year lease, break in year 12



# APPENDIX 39 - ON-SITE DEVELOPMENTS: PROFIT ON COST

80  
CHARLOTTE  
STREET.



Soho Place  
W1



THE  
FEATHERSTONE  
BUILDING



Summary	
End value	1,308
Less: Total cost <sup>1</sup>	1,065
<b>Project surplus</b>	<b>243</b>
Less: Booked to Dec 19	139
Surplus to come	104
<b>Profit on total cost</b>	<b>23%</b>
<b>Profit to come on total cost</b>	<b>10%</b>
<b>Yield on cost</b>	<b>5.7%</b>



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

		Valuation yield		
		+0.25%	Base	-0.25%
Rent	-£5.00 psf	£159m 15%	£222m 21%	£293m 27%
	Base	£179m 17%	<b>£243m</b> <b>23%</b>	£315m 29%
	+£5.00 psf	£199m 19%	£264m 25%	£337m 31%

Completion		H1 2020	H1 2022	H1 2022
Commercial area (sq ft)	745,000	335,000	285,000 <sup>2</sup>	125,000 <sup>3</sup>
Residential area (sq ft)	45,000	45,000 <sup>4</sup>	-	-
Est. future capex (£m)	334	40	233	61
Total cost (£m) <sup>1</sup>	1,065	511	412	142
ERV (£ psf)	-	c.80.00	c.92.50	c.70.00
ERV (£m pa)	56.6	25.5	23.0	8.1
Pre-let area <sup>5</sup> (sq ft)	534,450	308,750	225,700 <sup>7</sup>	-
Pre-let income (£m pa)	40.9	24.3	16.6 <sup>8</sup>	-

<sup>1</sup> Comprising book value at commencement, capex, fees and notional interest on land, voids and other costs. Soho Place includes a 16% profit share payaway to freeholder Crossrail <sup>2</sup> 209,000 sq ft office, 36,000 sq ft retail, 40,000 sq ft theatre <sup>3</sup> 110,000 sq ft offices, 13,000 sq ft workspaces, 2,000 sq ft retail

<sup>4</sup> Private residential 35,000 sq ft and affordable housing 10,000 sq ft <sup>5</sup> Commercial area <sup>6</sup> Sensitivity applied to non pre-let commercial floor areas

<sup>7</sup> Includes 40,000 sq ft theatre <sup>8</sup> Long leasehold, net of 4% ground rent

## APPENDIX 40 - PROJECT SUMMARY: CURRENT PROJECTS

Property	Current net income £m pa	Pre scheme area '000 sq ft	Proposed area '000 sq ft	2020 capex £m	2021 capex £m	2022+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
<b>On site</b>									
80 Charlotte Street W1	-	234	380	40	-	-	40	H1 2020	£80.00
Soho Place W1	-	107	285	111	48	74	233 <sup>1</sup>	H1 2022	£92.50
The Featherstone Building EC1	-	69	125	34	26	1	61	H1 2022	£70.00
	<b>-</b>	<b>410</b>	<b>790</b>	<b>185</b>	<b>74</b>	<b>75</b>	<b>334</b>		
Planning and design	-	-	-	11	3	-	14		
Other <sup>2</sup>	-	-	-	17	20	9	46		
<b>Total</b>	<b>-</b>	<b>410</b>	<b>790</b>	<b>213</b>	<b>97</b>	<b>84</b>	<b>394</b>		
Capitalised interest	-	-	-	11	14	1	26		
<b>Total including interest</b>	<b>-</b>	<b>410</b>	<b>790</b>	<b>224</b>	<b>111</b>	<b>85</b>	<b>420</b>		

<sup>1</sup> Includes remaining site acquisition cost and 16% profit share payaway to freeholder Crossrail <sup>2</sup> Includes 6-8 Greencoat Place and Francis House projects

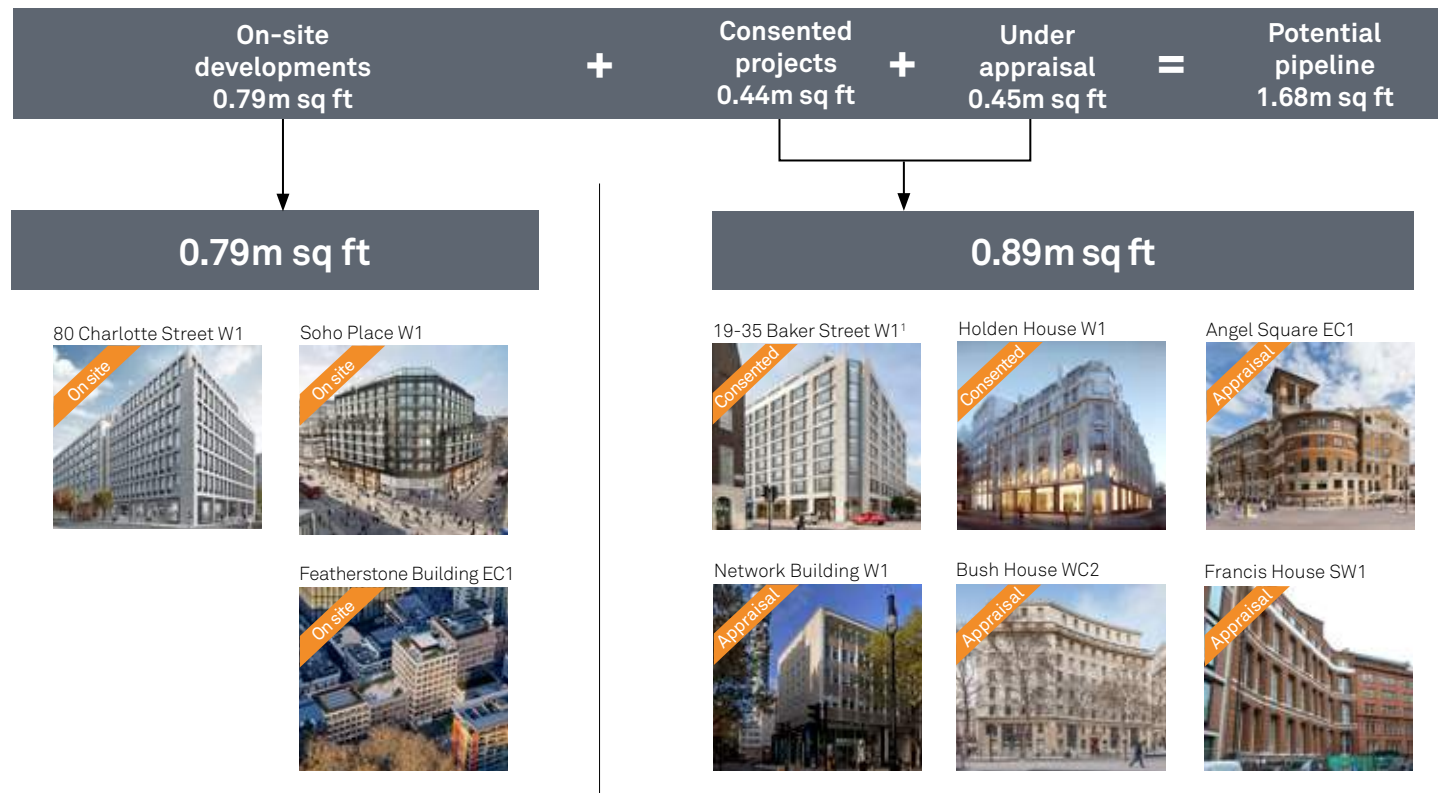
# APPENDIX 41 - PROJECT SUMMARY: FUTURE PROJECTS

Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
<b>Consented</b>					
19-35 Baker Street W1 <sup>1</sup>	4.5	143	293	2021	Currently Derwent 55%, The Portman Estate 45%
Holden House W1	6.6	90	150	2021	Eastern end of Oxford Street
	<b>11.1</b>	<b>233</b>	<b>443</b>		
Adjustment for JV	(2.0)	(64)	-		19-35 Baker Street W1
	<b>9.1</b>	<b>169</b>	<b>443</b>		
<b>Under appraisal<sup>2</sup></b>					
Angel Square EC1	4.7	126	140	2021	
Network Building W1	4.1	64	100	2021	
Bush House WC2	0.0	108	108	TBC	
Francis House SW1	1.0	40	40	2021	Refurbishment
6-8 Greencoat Place SW1	1.0	32	32	2020	Refurbishment
Other	0.4	30	30		
	<b>11.2</b>	<b>400</b>	<b>450</b>		
<b>Consented and under appraisal</b>	<b>20.3</b>	<b>569</b>	<b>893</b>		
On site	-	410	790		Appendix 40
<b>Pipeline</b>	<b>20.3</b>	<b>979</b>	<b>1,683</b>		
2020 acquisition	0.8	54	100	2025	Blue Star House, Brixton
<b>Total</b>	<b>21.1</b>	<b>1,033</b>	<b>1,783</b>		

<sup>1</sup> Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street    <sup>2</sup> Areas proposed are estimated from initial studies

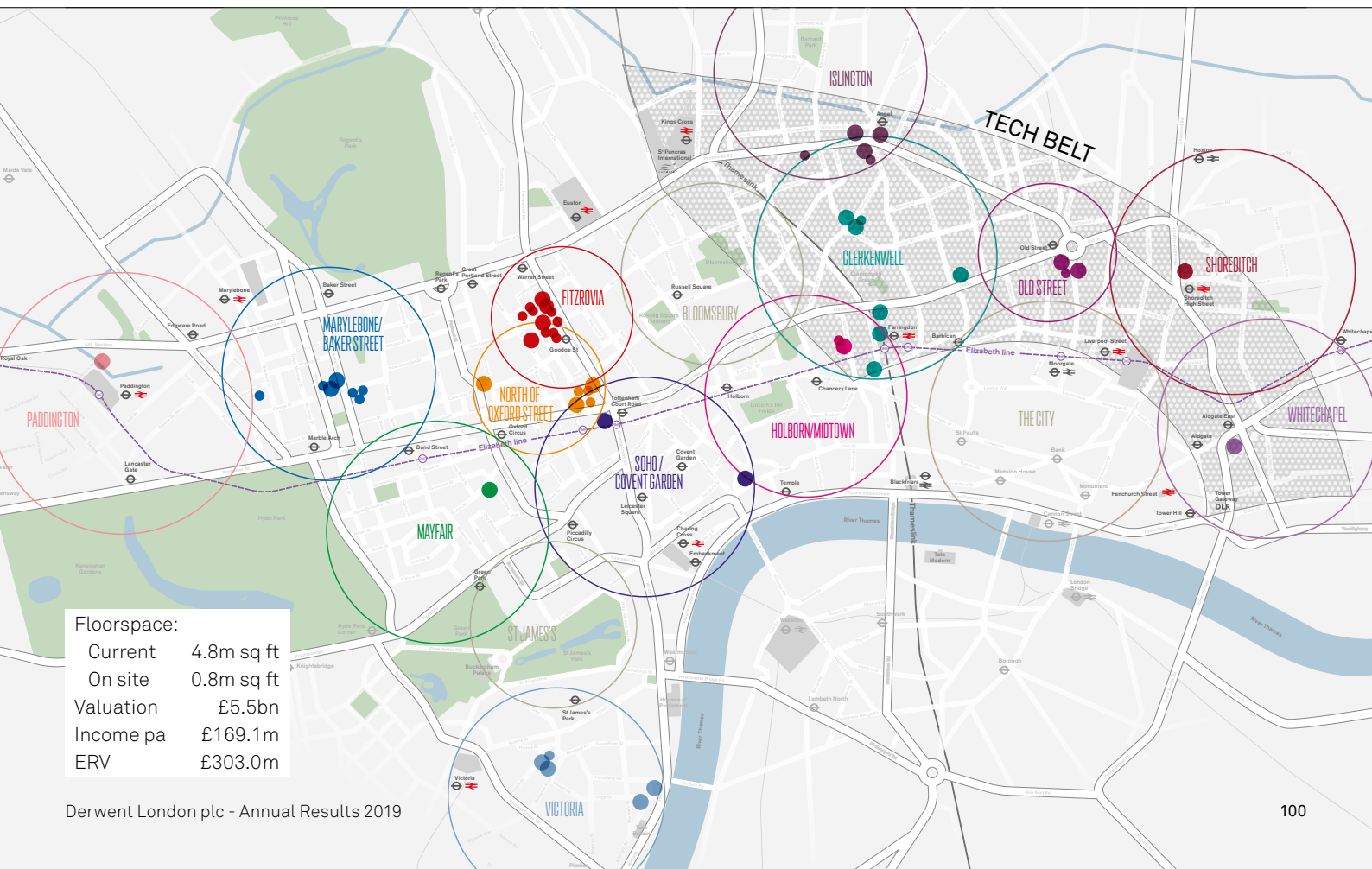


# APPENDIX 42 - PROJECT PIPELINE



<sup>1</sup> Includes 88-100 George Street, 30 Gloucester Place and 69-85 Blandford Street

# APPENDIX 43 - PORTFOLIO MAP



## Floorspace:

Current	4.8m sq ft
On site	0.8m sq ft
Valuation	£5.5bn
Income pa	£169.1m
ERV	£303.0m

## APPENDIX 44 - EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT

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### Executive Committee

Paul Williams	Chief Executive
Damian Wisniewski	Chief Financial Officer
Simon Silver	Property Director
Nigel George	Property Director
David Silverman	Property Director
David Lawler	Company Secretary
Richard Baldwin	Director of Development
Emily Prideaux	Director of Leasing
Rick Meakin	Group Financial Controller
Jennifer Whybrow	Head of Financial Planning & Analysis

### Senior Management

Vasiliki Arvaniti	Head of Asset Management
Clive Johnson	Head of Health & Safety
Katy Levine	Head of Human Resources
Giles Sheehan	Head of Investment
Quentin Freeman	Head of Investor & Corporate Communications
Umar Loane	Head of Property Accounts
Victoria Steventon	Head of Property Management
Lesley Bufton	Head of Property Marketing
John Davies	Head of Sustainability
David Westgate	Head of Tax

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