DERWENT
LONDON

5 May 2016

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

FIRST QUARTER BUSINESS UPDATE
STRONG LETTING ACTIVITY AND GOOD PROGRESS ON DEVELOPMENT PROGRAMME

Highlights

- In the year to date we have let or pre-let 185,400 sq ft securing £13.2m pa of rental income:
    - Including pre-letting 29,500 sq ft to Capital One at White Collar Factory EC1
- On average lettings have been 6.1% ahead of December 2015 ERV
- One million sq ft major development programme under construction:
    - 400,000 sq ft due for completion by H2 2017, 57% of which is already pre-let
- The LTV ratio was 19.0% at 31 March 2016, with cash and undrawn facilities of £310m

John Burns, Chief Executive Officer, commented:

“We are encouraged by the level of interest we are seeing for our space, and the strong progress made so far this year across the business. Although uncertainty ahead of the forthcoming June referendum appears to have lowered investment activity, Derwent London continues to see little evidence of any slowdown in occupier demand for its middle market rental product.”

Webcast and conference call

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

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

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

For further information, please contact:

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Good letting activity *(see Appendix 1)*

In the year to date we have let or pre-let 185,400 sq ft securing £13.2m pa in rent (£12.2m net of ground rents). This is an increase of £3.1m pa from our previous announcement on 25 February, and includes a major letting to Capital One announced today and a further letting to Expedia. On average current year lettings have achieved 6.1% above December 2015 estimated rental values (ERV). We continue to see good occupier demand for our space, and have achieved increased rental levels in both the West End and Tech Belt. Our EPRA vacancy rate remains very low at 1.2%.

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

The Group is on site at four principal developments. White Collar Factory EC1 is now 48% pre-let overall, with the tower 60% pre-let. The project is due for completion in the last quarter of this year. Earlier this year we pre-let the office element of The Copyright Building W1 to Capita and fixed the price for its building contract. This development is due for completion in H2 2017. These two developments are now 57% pre-let.

We have revised the planning permission at 80 Charlotte Street W1 to allow for greater demolition of the existing buildings on the island site. The improved scheme allows for three metre floor to ceiling heights on the whole space, more efficient floor plates and significantly de-risks the construction process. We estimate that the future capital expenditure on the scheme will increase by £29m to £236m, with the latest ERV raised to £26.4m, up from £23.9m in December 2015. Demolition work has started at the Brunel Building W2. Both the latter projects are due to be completed in 2019.

Adjusting our December 2015 estimates to include the revised 80 Charlotte Street scheme raises the ERV on all four projects to £64.7m pa, and estimated capital expenditure to completion to £469m.

In addition, there are also a number of refurbishments due for completion this year, including Phase 1 at The White Chapel Building E1 (200,000 sq ft), 20 Farringdon Road EC1 (88,000 sq ft) and Network Building W1 (34,000 sq ft). In December 2015 the potential ERV of these projects totalled £15.2m pa, with capital expenditure to completion of £33m. These are currently c.25% either pre-let or under offer.

During the period we also received planning permission for 125,000 sq ft of offices and retail at Monmouth House EC1, and 280,000 sq ft of commercial and residential space at Balmoral Grove N7. Our earliest possession of the former building is in 2017 and, at the latter project, a conditional sale contract has already been exchanged with a residential developer.

Investment activity *(see Appendix 3)*

As previously announced in February, we acquired the long lease on one of the lower ground floors at The White Chapel Building which has now given us an unrestricted freehold interest on the whole 270,000 sq ft building. Two small London properties were sold and, including Balmoral Grove mentioned earlier, we still expect disposals to amount to c.£100m of property this year.

Secure and flexible finance base

Net debt increased by £65.7m in the three months to 31 March 2016 to £977.4m due mainly to capital expenditure and £26.4m of VAT paid on the acquisition of the main part of The White Chapel Building. The latter was recovered early in Q2. At the quarter end, the loan-to-value ratio was 19.0% based on December 2015 property valuations. As we have drawn down more floating rate bank debt, our average interest rate has fallen from 3.68% to 3.54% on a cash basis and from 3.93% to 3.78% on an IFRS basis. On 4 May, we received the £105m 12 and 15-year US private placement monies arranged earlier in the year, which will see our average interest rate rise by about 15bp and our average debt maturity extend to 7.8 years. At 31 March our undrawn facilities and cash were £310m taking account of this additional financing.

Property values and outlook

In the recent Budget, Stamp Duty on larger commercial properties was raised to 5%. This impacts the value of our portfolio and applying the 1% increase to our December valuation would reduce our values by c.£59m (51p per share). Despite this negative impact, the central London office market has continued to grow in Q1. The IPD Central London Quarterly Index has yet to be published, but the IPD Midtown & West End Monthly Index reported rental value growth of 2.7% and capital growth of 0.4% for the first three months of the year. As usual the Derwent London portfolio is revalued half-yearly but, after taking into account the high levels of letting activity in the quarter, our valuers CBRE have indicated that the valuation performance of the portfolio is likely to have been consistent with the IPD Midtown & West End Index.

In February we discussed the potential property market uncertainties surrounding today's London Mayoral election and the national referendum on the UK's membership of the EU to be held on 23 June 2016. We will soon know the outcome of both events, which will give occupiers and investors a clearer view of their impact on London's property market.

Appendix 1: Principal lettings in 2016 year to date

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
Q1								
White Collar Factory EC1	Adobe	28,600	63.50	1.8	70.00	11.5	-	18
The Copyright Building W1	Capita	87,150	86.00[1]	7.4	-	20	-	34
Middlesex House W1	GHA Services	4,360	70.00	0.3	72.50	10	5	6
Angel Square EC1	Expedia	9,850	53.50	0.5	57.50	5.3	2	2
Q2								
White Collar Factory EC1	Capital One	29,500	65.00	1.9	75.35	11	-	17

[1] Excludes reception area

Appendix 2: Major projects pipeline

Property	Area sq ft	Delivery	Comment
Projects on site			
White Collar Factory, Old Street Yard EC1	293,000	Q4 2016	Office-led development – 48% pre-let
The Copyright Building, 30 Berners Street W1	107,000	H2 2017	Offices and retail – 81% pre-let
80 Charlotte Street W1	380,000	H1 2019	Offices, residential and retail
Brunel Building, 55-65 North Wharf Road W2	240,000	H1 2019	Offices
	1,020,000		
Other major planning consents			
1 Oxford Street W1	275,000		Offices, retail and theatre
Monmouth House EC1	125,000		Offices, workspaces and retail
Balmoral Grove N7	280,000		Contracts exchanged for sale
	680,000		
Total	**1,700,000**		

Appendix 3: Acquisitions

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

[1] Lower ground floor. The majority of the building was purchased in December 2015.

Derwent London plc

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £5.0 billion as at 31 December 2015, making it the largest London-focused real estate investment trust (REIT).

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

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

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

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

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

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

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

Forward-looking statements

This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Derwent London does not undertake to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.