



20 January 2010

Third quarter valuation and business update

In today's Interim Management Statement, the Directors of Great Portland Estates plc ("GPE" or "Group") announce an update on trading, as well as the quarterly valuation of the Group's properties as at 31 December 2009. Details of the Group's recent valuation and rental value trends are set out in the appendices.

Key points from the quarter:

- Portfolio valuation up 8.7% since 30 September 2009
- Acquisitions made since September 2009 up 14.4%, or 9.5% net of costs
- NAV per share of 251 pence at 31 December 2009 up 11.6% from 30 September 2009
- NNNNAV per share of 261 pence at 31 December 2009 up 12.5% from 30 September 2009
- Modest rental value decline of 1.1%, (-2.1% in West End offices -0.2% in West End retail)
- New investments and development commitments of £107.4 million made since 30 September 2009
- £161.5 million of total commitments made since rights issue, representing 97% of net capital raised
- Three development projects due to start in first half 2010
- 43 new leases signed generating £4.1 million p.a. (Group share £3.4 million p.a.)
- Void rate reduced to 4.4% (30 September 2009: 5.8%), over one third of which subsequently has been let or is currently under offer
- Gearing low at 32% giving the Group significant cash and undrawn committed credit facilities of over £470 million

Toby Courtauld, Chief Executive, said,

"London's investment markets have continued to strengthen since we reported in November with a significant surfeit of buyers over sellers. Despite this competitive environment, 97% of the capital raised in our rights issue last summer has been committed and these assets have all shown healthy increases in value since acquisition. We continue to see a number of interesting opportunities, however we expect the second half of 2010 to present a deeper pool as the deleveraging process gathers pace.

With the take up of office space improving, we have seen isolated examples of rents rising. If the UK economy continues to recover, supporting occupational demand, we remain of the view that more general rental growth will return towards the end of this year as the supply of space to let diminishes.

In the meantime, our priorities remain cash generation, tenant retention and the commencement of a new development programme timed to benefit from the anticipated recovery in occupational markets starting this quarter with our 111,000 sq ft scheme at Marcol House, Regent Street, W1."

Portfolio valuation

Real estate valuations experienced a strong recovery in the quarter to 31 December 2009 as investors attracted by relatively high income yields and depressed capital values per square foot, returned to an under-supplied investment market in large numbers. The valuation of the Group's properties as at 31 December 2009 was £1,198.2 million including our share of joint venture assets, a rise of £87.0 million or 8.7% on a like-for-like basis since 30 September 2009 compared to 2.6% for the previous quarter. The like-for-like quarterly valuation increase was the highest seen in the last three years. Acquisitions made in the quarter enhanced the portfolio's performance, increasing in value by 9.5% (14.4% before acquisition costs) during the weighted average 2 months of ownership.

By sector, the portfolio value increases in the quarter were - West End offices 9.1%, City & Southwark offices 4.4% and West End retail 10.4%. Further details on valuation trends by ownership and sectors are set out in appendix 1. The wholly owned portfolio was valued at £800.7 million at 30 September (up 9.2% on the quarter) and the joint venture properties (our share) at £397.5 million (up 7.8% on the quarter). The net impact of the movement in yields and rental values on the portfolio valuation is set out in appendices 2 and 3.

The portfolio true equivalent yield declined by 55 basis points over the quarter and now stands at 5.8%. The investment portfolio's adjusted initial yield (including contracted income still in rent free periods) was 5.7% at September, a fall of 30 basis points from September 2009. A yield table is set out in appendix 2.

Whilst occupational demand has remained below the long term average, we have seen a pick up in enquiry levels from prospective occupiers for the limited amount of space we have available and over one third of space which was void at 31 December has since been let or is under offer. Our tenant retention remains encouraging with 72% of those who could have left our properties so far this financial year deciding to stay. Across our portfolio, rental values fell by a relatively modest 1.1% in the quarter, compared to the 3.4% decline recorded for the previous three months. West End office rental values were 2.1% lower whilst City and Southwark office rental values fell by 0.1%. Retail demand has been resilient and rental values in the West End portfolio declined by 0.2% in the quarter.

The Group's average office rent remains low at £35.30 per sq ft. and the portfolio overall (including retail) is marginally over-rented at the quarter end (2.4%). Rental value trends are highlighted in appendix 3.

Estimated NAV per share and financing

The principal reason behind the net asset value change for the quarter was the uplift in portfolio valuation of 8.7% or £96.3 million due to yield compression benefiting the revaluation of key assets such as Wells & More, Mortimer Street, W1, 90 Queen Street, EC4 and 60 Great Portland Street, W1. Net assets per share were reduced by the payment of the interim dividend of £9.4 million and the initial loss on the compulsory purchase of 18/19 Hanover Square, W1 by Crossrail, where we are vigorously pursuing Transport for London and we expect further payments. By contrast, we benefited from the maximum level of deferred consideration for the Bond Street House sale being received at the end of December. As set out in the table below net assets per share have increased by 11.6% from 225 pence in September to 251 pence at December.

<i>Pro Forma Estimated Balance Sheet¹</i>			
	<i>£m</i>	<i>pence</i>	<i>Percentage movement</i>
<u>Adjusted² NAV</u>			
At 30 September 2009	704.8	225	
Valuation increase	96.3	31	
Sale of Hanover Square ³	(13.1)	(4)	
Final dividend	(9.4)	(3)	
Bond Street House settlement	5.0	2	
At 31 December 2009	783.6	251	11.6%
<u>REIT NNNAV</u>			
M2M of debt & derivatives	31.4	10	
At 31 December 2009	815.0	261	12.5%
At 30 September 2009	726.5	232	

Note:

¹ *The pro forma balance sheet is unaudited and does not include retained earnings for the quarter*

² *EPRA adjustments*

³ *Represents the initial payment. Quantum of subsequent payments under discussion with Transport for London*

The mark to market of debt of £31.4 million or 10 pence per share generates a NNNAV of 261 pence at December 2009, a rise of 12.5% from September.

Net debt has increased over the quarter mainly as a consequence of property acquisitions but with the impact of an increasing portfolio valuation, the leverage ratios have altered slightly and remain very comfortable.

Summary of Debt Statistics

£ million	Dec-09	Sept-09
GPE Net Debt	254	205
GPE gearing	32.3%	29.3%
Total debt including JVs	381	332
Total LTV	31.8%	31.5%
Cash and undrawn credit lines	474	504

Around one third of the Group's total debt was at floating rates at 31 December 2009 allowing a low weighted average interest rate for the period end of 4.4%.

Investment management

Over the last four months of 2009, we were active in investing in properties which have the attributes to improve future portfolio returns.

Following the purchase of 90 Queen Street, EC4 for £45.8 million in September, in November we announced the acquisition of two West End development properties and the formation of a profit share and debt structuring arrangement with Eurohypo. The Group acquired Marcol House, 289/295 Regent Street and 23/24 Newman Street, W1 from Istithmar World PJSC for £10 million. Simultaneously, GPE agreed with Eurohypo to restructure the existing debt facility on Marcol House in exchange for a profit share arrangement in the developments.

In December, The Great Ropemaker Partnership (“GRP”) acquired the long leasehold interest of 103/113 Regent Street for £27 million reflecting a net initial yield of 7.2%. The property extends to 55,369 sq ft and is let in its entirety to Austin Reed Ltd until 2027 paying £2.45 million per annum (£2.1 million after deduction of headrent). Also in December, The Great Capital Partnership (“GCP”), acquired the long leasehold interest of 122/124 Regent Street (Kingsland House) for £8.0 million reflecting a net initial yield of 5.0% with three vacant office suites. The property extends to 8,800 sq ft, produces £0.5 million per annum (£0.42 million after the deduction of head rent) and is multi-let to 7 tenants with expires between 2010 and 2027. Both buildings are owned on long leases from the Crown Estate.

Crossrail acquired 18/19 Hanover Square, W1 in December via a compulsory purchase order (CPO) under the Crossrail Act 2008 to enable the development of the Bond Street Crossrail station. The initial cash received by GPE from the CPO is £35.9 million with the level of further consideration being dependent on an extensive valuation process.

Despite recent valuation increases, we expect to unearth further appealing investment opportunities this year, particularly during the second half of 2010.

Asset management

Leasing activity was strong throughout the quarter, as set out in the table below, with 43 new leases completed generating an annual rent of £4.1 million p.a. (Group share £3.4 million p.a.). Two thirds of these lettings were in line with the valuer’s September 2009 estimates, whilst the balance were well below the September 2009 ERV because they incorporate landlord’s breaks to allow possible redevelopment during the next three years. 33 potential lettings are currently under offer accounting for a further £3.5 million p.a. in rent (Group share £3.1 million p.a.). Rent reviews totalling £0.6 million p.a. (Group share £0.4 million p.a.) have been settled 4.7% ahead of the valuer’s estimates at the relevant review date.

Leasing Transactions	Three months ended		
	31 December 2009	30 September 2009	31 December 2008
New leases and renewals completed			
Number	43	30	20
GPE share of rent p.a.	£3.4 million	£2.5 million	£1.8million
Area (sq. ft)	138,700	98,500	61,500
Rent per sq ft	£30	£26	£43
Rent reviews settled			
Number	4	0	3
GPE share of rent p.a.	£0.4 million	n/a	£0.3 million
Area (sq. ft)	20,500	n/a	23,800
Rent per sq ft	£29	n/a	£26

Note: Includes joint ventures

The letting transactions concluded during the quarter have reduced the Group's void rate to 4.4% (from 5.8% at September 2009). Further information on the letting of space and/or retention of income on lease expiry or break is set out in Appendix 4.

Cash collection and tenant delinquencies

The December quarterly cash collection performance was better than that seen earlier in 2009. We secured 97% of rent seven working days after the quarter day (September 2009: 94%). One of our office tenants went into liquidation around the quarter day, accounting for less than 0.1% of rent roll (September 2009: two tenants, accounting for 0.1% of rent roll). Around 3% of our rent roll is subject to monthly payments. The segmentation of our tenant base is shown in appendix 4.

Development overview

Having reduced our exposure to development in advance of the UK recession, we feel the time is right to increase our exposure once more. As a result, the development team is focussing on both preparing to start work at three sites over the next few months and is putting the finishing touches to many others for starts in phases over the next 36 months. The Group's exciting programme potentially stretches to 2.6 million sq ft across central London, timed to benefit from the anticipated recovery in occupational markets.

Construction and leasing. At our 112,800 sq ft Wells & More, Mortimer Street, W1 building we leased the final part floor in November meaning the office element of the building is fully let. We have recently agreed to lease two retail units and discussions are ongoing with several potential tenants in respect of the last remaining unit. The 47,000 sq ft Woolyard, Bermondsey Street, SE1 scheme is now over 75% let or under offer and we have encouraging levels of interest for the balance.

New scheme starts. We anticipate commencing the demolition of the 111,000 sq ft Marcol House, Regent Street, W1 project in the first half of 2010 with an expected practical completion in 2012. The residential scheme at 23/24 Newman Street will also start this year with a shorter build period of 14 months. Our refurbishment project at 184 Oxford Street, W1 is due to begin in the spring of 2010.

Design and feasibility studies. At Hanover Square, W1 discussions on our master plan proposals continue and having received a favourable response from a number of stakeholders to our design proposals, we anticipate submitting a planning application during the second half of 2010. Meanwhile, work is ongoing to prepare schemes at Wigmore Street, W1, Walmar House, Regent Street, W1, Piccadilly, W1 and Fetter Lane, EC4 for commencement over the next two years.

Dividend

It is the board's intention to recommend the payment of a second interim dividend to be paid in March 2010, in place of a final dividend in July 2010.

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Forward Looking Statements

This document may contain certain 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes of results expressed or implied by such forward-looking statements.

Any forward-looking statements made by or on behalf of GPE speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. GPE does not undertake to update forward-looking statements to reflect any changes in GPE's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Information contained in this document relating to GPE or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.

Appendix 1 Headline Results



To 31 December 2009	3 months	6 months	12 months
Property Valuation*	8.7%	11.5%	(3.4%)
Portfolio ERV movement*	(1.1%)	(4.3%)	(16.4%)
NAV	11.6%	16.2%	(14.6%)

* On a like-for-like basis, including share of joint ventures

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Appendix 1 The Valuation Including share of Joint Ventures



	Value £m	Movement 3 months to Dec 2009		Movement to Dec 2009 Change	
		£m	Change	6 months	12 months
North of Oxford St	594.3	57.2	10.7%	15.9%	3.8%
Rest of West End	316.1	21.6	7.4%	10.4%	(5.6%)
West End Total	910.4	78.8	9.5%	13.9%	0.4%
<i>West End Office</i>	611.2	50.7	9.1%	14.1%	(2.5%)
<i>West End Retail</i>	299.2	28.1	10.4%	13.7%	6.7%
City & Southwark	162.2	6.7	4.3%	0.1%	(19.8%)
Investment Portfolio	1072.6	85.5	8.7%	11.6%	(3.3%)
Development properties	18.9	1.5	8.7%	5.9%	(5.0%)
Properties held throughout the period	1,091.5	87.0	8.7%	11.5%	(3.4%)
Acquisitions	106.7	9.3	9.5%	9.5%	9.5%
Total portfolio	1,198.2	96.3	8.8%	11.3%	(2.3%)

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Appendix 1
The Valuation
Wholly-owned



	Value £m	Movement 3 months to Dec 2009		Movement to Dec 2009 Change	
		£m	Change	6 months	12 months
North of Oxford St	439.4	44.0	11.1%	17.4%	4.7%
Rest of West End	149.4	10.7	7.8%	10.5%	(2.7%)
West End Total	588.8	54.7	10.3%	15.6%	2.7%
<i>West End Office</i>	438.1	38.6	9.7%	16.1%	0.7%
<i>West End Retail</i>	150.7	16.1	11.9%	14.1%	9.1%
City & Southwark	145.0	6.0	4.3%	0.1%	(19.3%)
Investment Portfolio	733.8	60.7	9.0%	12.1%	(2.6%)
Development properties	13.6	1.3	10.2%	6.1%	0.7%
Properties held throughout the period	747.4	62.0	9.0%	12.0%	(2.5%)
Acquisitions	53.3	5.2	10.8%	10.8%	10.8%
Total portfolio	800.7	67.2	9.2%	11.9%	(1.7%)

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Appendix 1
The Valuation
Joint ventures



	Value £m	Movement 3 months to Dec 2009		Movement to Dec 2009 Change	
		£m	Change	6 months	12 months
North of Oxford St	309.7	26.4	9.3%	12.0%	1.6%
Rest of West End	333.4	21.8	7.0%	10.3%	(8.0%)
West End Total	643.1	48.2	8.1%	11.1%	(3.6%)
<i>West End Office</i>	346.2	24.2	7.5%	9.3%	(9.5%)
<i>West End Retail</i>	296.9	24.0	8.8%	13.3%	4.3%
City & Southwark	34.6	1.4	4.4%	2.0%	(24.0%)
Investment Portfolio	677.7	49.6	7.9%	10.6%	(4.9%)
Development properties	10.5	0.5	4.9%	5.5%	(17.3%)
Properties held throughout the period	688.2	50.1	7.9%	10.5%	(5.1%)
Acquisitions	72.8	5.0	7.3%	7.3%	7.3%
Total portfolio	761.0	55.1	7.8%	10.2%	(4.1%)

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Appendix 2 The Valuation¹ Yield Profile²



31 December 2009	Initial Yield %	True Equivalent Yield			
		%	Basis Point +/- like-for-like		
			3 months	6 months	12 months
North of Oxford Street					
Offices	4.5%	5.7%	-67	-119	-96
Retail	4.5%	5.4%	-64	-87	-43
Rest Of West End					
Offices	5.4%	5.6%	-50	-104	-91
Retail	4.1%	5.2%	-51	-77	-42
Total West End	4.6%	5.5%	-60	-103	-78
City & Southwark	7.5%	7.2%	-29	-43	-13
Total Let Portfolio	5.1% (5.7%³)	5.8%	-55	-93	-66

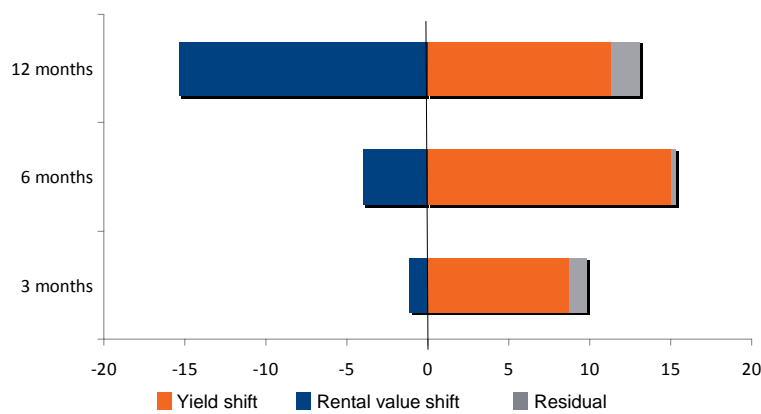
1 Including share of Joint Ventures
2 Excludes development properties
3 Initial yield post expiry of rent frees under contracted leases

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The Valuation¹ Drivers of Valuation Movement²



% movement



1 Including share of Joint Ventures 2 Excludes development properties

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Appendix 3 The Valuation¹ ERV and Reversionary Potential



To 31 December	Reversion £m	Movement in ERV			Average Office Rent Passing	Average Office ERV	Reversionary Potential
		3 mth	6 mth	12 mth	£ per sq ft	£ per sq ft	%
North of Oxford St							
Offices	(2.6)	(2.1%)	(3.7%)	(17.0%)	38.90	31.40	(10.7%)
Retail	1.3	(0.0%)	(0.9%)	(2.7%)			13.7%
Rest of West End							
Offices	(1.3)	(1.9%)	(6.7%)	(25.9%)	36.90	32.60	(11.0%)
Retail	0.9	(0.5%)	(0.9%)	(2.2%)			11.5%
Total West End	(1.7)	(1.5%)	(3.4%)	(15.0%)	38.30	31.80	(3.2%)
City & Southwark							
Offices	(0.6)	(0.1%)	(7.0%)	(21.6%)	30.20	28.60	(3.6%)
Retail	0.6	(0.0%)	(5.3%)	(7.6%)			
Total City & Southwark	0.0	(0.1%)	(6.9%)	(20.7%)			0.0%
Total Let Portfolio	(1.7)	(1.1%)	(4.3%)	(16.4%)	35.30	30.60	(2.4%)

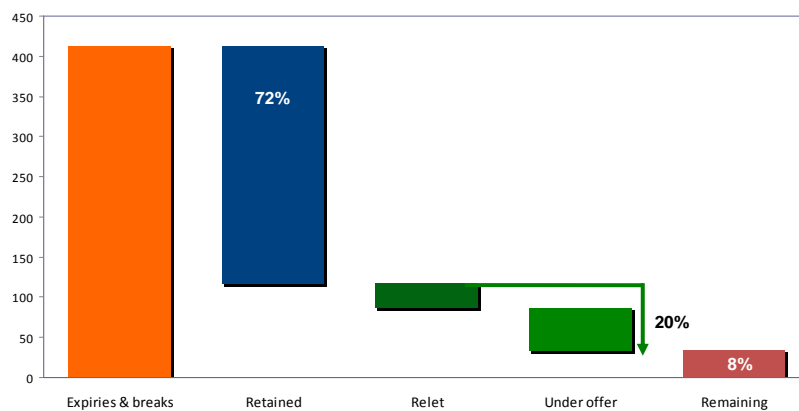
¹ Including share of Joint Ventures

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Appendix 4 Lease expiries and breaks 1 April 2009 – 31 December 2009



Area (000 sq ft)



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Appendix 4
GPE tenants
Including joint ventures at 31 December 2009

