

Press Release



11 April 2024

GPE business update

Great Portland Estates plc (GPE) publishes a business update, with the highlights including:

- £22.5 million of leases signed in year to 31 March 2024, 9.1% ahead of March 2023 ERV
 - £13.7 million of Flex; 29 lettings 12.3% ahead of March 2023 ERV
 - £7.0 million of retail; 4.7% ahead of March 2023 ERV
 - £5.3 million of rent under offer; market lettings 20.3% ahead of March 2023 ERV
 - Vacancy low at sub 2.0%
- Good development progress into supply starved market
 - Commitment to 143,100 sq ft redevelopment of Minerva House, SE1
 - Commenced 67,600 sq ft development of French Railways House, SW1
 - Together delivering profit on cost 21.2%; development yield 6.7%
- Flex footprint expanded to more than 500,000 sq ft, on track to hit 1 million sq ft
 - Four Fully Managed schemes on-site (145,000) sq ft; to deliver £27.9 million of rent roll, £15.1 million of NOI
 - Flex rent roll £30.1 million; up 41% since March 23
- Organic rent roll growth opportunities of 90%¹ to £211.0 million, before further ERV growth or acquisitions

Toby Courtauld, Chief Executive, said: *“We are delighted to report another strong quarter’s leasing, bringing our total transactions for the year to £22.5 million, 9.1% ahead of ERV. Our Fitted & Fully Managed spaces have performed particularly well; our spaces are full and our ability to provide a market-leading, hassle-free experience for our customers is driving returns and reinforces our ambition to grow our Flex activities to 1 million sq ft.*

Given the strength of occupational demand, and the increasing scarcity of high quality space to let, we have started two new developments this quarter. Our latest scheme, Minerva House, will take full advantage of its impressive river frontage, creating an enviable South Bank HQ destination with new public realm and gardens whilst delivering outstanding sustainability and re-use credentials.

Looking forward, with interest rates and yields at around their peak, we are increasingly confident that our growing development and Flex activities, combined with strengthening rental growth, will drive attractive returns in the near term. Furthermore, with the investment market moving in our favour, we expect to add to our growth prospects as the year progresses.

Great Portland Estates plc

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1. As at 30 September 2023

Strong leasing continued, 9.1% ahead of ERV

- 14 new leases and renewals signed in the quarter generating annual rent of £5.7 million (our share: £4.6 million), with market lettings on average 4.9% ahead of March 2023 ERV;
- In total, 66 new leases and renewals signed in the year generating annual rent of £22.5 million (our share: £19.8 million), with market lettings on average 9.1% ahead of March 2023 ERV, including:
 - 24 Fully Managed leases signed at an average £208 per sq ft, 12.6% ahead of the March 23 Fully Managed ERV;
 - Five fitted leases signed at an average £79 per sq ft, 9.5% above the March 2023 Fitted ERV; and
 - 26 new retail leases securing £7.0 million of rent with market lettings 4.7% ahead of the March 2023 ERV, including new London flagship store for TK Maxx.
- Eleven rent reviews were settled in the year, securing £8.4 million of annual rent (our share: £5.8 million), 3.3% ahead of the previous passing rent;
- Total space covered by new lettings, reviews and renewals was 401,500 sq ft;
- A further £5.3 million of rent under offer, with market lettings 20.3% ahead of March 2023 ERV; and
- 99.3% of rent charged collected within seven working days (quarter to June and month of April).

Notable transactions during the quarter included:

- At 16 Dufour's Place, W1, we signed two new Fully Managed leases bringing the overall average rent in the fully let building to £250 per sq ft:
 - On the 2nd floor (3,100 sq ft), we signed a three year lease (break at 21 months) with a new customer at a rent of £273 per sq ft an increase of 42.9% on the previous passing rent; and
 - On the ground floor (1,070 sq ft) we extended the lease with an existing customer for a further year at a rent of £223 per sq ft, an uplift of 19.5%.
- At Mount Royal, Oxford Street, W1, TK Maxx, Europe's leading off-price apparel and homeware retailer, has signed up for its latest London flagship store. The brand's new space comprises 22,500 sq ft across the ground and first floor levels, with 70 ft of Oxford Street frontage. This will be TK Maxx's second store on Oxford Street, and their first store west of Oxford Circus, having traded successfully from the street since 2019. Superdrug, the high street health and beauty retailer, has also recently re-gearred its retail lease for their 8,000 sq ft store, committing to another 10 years. GPE has a further 20,000 sq ft of prime retail space under offer at the western side of Mount Royal; and
- At 2 Aldermanbury Square, EC2, our committed development scheme, Clifford Chance LLP has confirmed that it will be proceeding to lease the entirety of office space (321,100 sq ft) following the expiry of their option to hand back the first to fourth floors of the building. Our development works are progressing well, where we are substantially increasing the size of the building (up from 176,000 sq ft) and completion is expected in early 2026.

Commitment to the redevelopment of Minerva House, SE1

At Minerva House, SE1, we have now committed to the extensive refurbishment of 143,100 sq ft of new Grade A offices. Our scheme will take full advantage of the building's river frontage and, by adding additional storeys, we will be able to create outdoor terraces and amenity space with commanding views over central London. The refurbishment will also improve the public realm around the building, creating new and improved connections through the site as well as attractive new gardens that will contribute to local greening and biodiversity and provide space for people to enjoy in the setting of Southwark Cathedral. Our proposals will retain and reuse the majority of the existing building's structure, including two primary façades, contributing to the building's market leading sustainability credentials. The scheme is anticipated to complete in December 2026, and deliver a profit on cost of 19.1%, an ungeared IRR of 11.7% and a 7.0% development yield.

Flex progress on track for 1 million sq ft

Our four on-site Flex refurbishments are progressing well, with 6 St Andrew Street, EC4 and Alfred Place, W1 on track to be delivered in Q3 2024, whilst Egyptian and Dudley House, SW1 and 141 Wardour Street, W1 will complete in 2025. Together with good progress across our various on-floor refurbishments, we have increased our committed Flex space to 503,000 sq ft (up from 434,000 in September 2023) and we make continued progress towards our 1m sq ft ambition. Moreover, we are seeing continued strong demand for our Flex spaces and, following a productive leasing quarter, our completed Fitted and Fully Managed spaces are now 98% let.

Britain's Most Admired Company 2023 – Property

We were delighted to be awarded 1st place in the recent Britain's Most Admired Company awards (Property), as voted by our peers.

Annual Results

A provisional date has been set for GPE to announce its full year results on 23 May 2024, with the results presentation available on our website from 9.00am.