

Press Release

GREAT
PORTLAND
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8 July 2015

Great Portland Estates Trading Update

Great Portland Estates plc (“GPE” or “Group”) today publishes its trading update for the quarter to 30 June 2015.

Continued successful leasing and asset management activity

- 17 new lettings (34,900 sq ft) signed generating annual rent of £2.4 million (our share: £2.4 million), including the remaining retail space at Walmar House, W1; 0.8% above March 2015 ERV (generating 13.0% growth since June 2014) and 49.5% ahead of previous passing rent
- Five rent reviews settled securing £0.8 million per annum; 47% above previous passing rent
- Low vacancy rate of 2.4% (31 March 2015: 2.0%), low average office rent passing of £46.40 per sq ft

Good progress on developments; extensive and flexible pipeline of opportunity

- Six committed schemes (626,100 sq ft), 100% in West End, all expected to complete in next 24 months
- Good progress across further six near-term schemes (549,900 sq ft), all with potential starts in next 24 months; vacant possession achieved at 148 Old Street, EC1 ahead of expected start later this summer
- Total capex to come at committed and near-term development schemes of £514.1 million
- Planning application submitted at Mortimer House, W1 for 23,000 sq ft refurbishment
- Major development opportunity from additional 12 uncommitted pipeline schemes (1.3 million sq ft)
- Total development programme of 2.5 million sq ft covering 54% of the existing portfolio, 69% in West End, 45% with planning permission

Capital recycling continues

- Completed sale of 95 Wigmore Street, W1 by GWP joint venture for £222.4 million (net initial yield of 3.4%), 16.4% premium to March 2015 book value, crystallising profit on cost of 105%
- Completed purchase of JV partner’s 50% interest in GSP securing full ownership of City Tower and City Place House, EC2 (£608 per sq ft capital value and 5.3% yield on contracted rent roll)

Strong financial position

- Loan-to-value of 22.5%¹, weighted average interest rate of 3.6%, drawn debt 91% fixed or capped
- Cash and undrawn committed facilities of £383 million, low marginal cost of debt of 1.6%

Deep and talented team

- Andrew White and Marc Wilder appointed to the Group's Executive Committee as Development Director and Leasing Director respectively

Toby Courtauld, Chief Executive, said:

“I am delighted to be able to report another quarter of strong activity. The Group is performing well on all fronts: our development properties are generating significant leasing interest; our asset management activities are capturing the meaningful reversionary potential across the investment portfolio; and our capital recycling is crystallising material profits.”

London’s economy continues to grow, supporting good levels of demand for the limited quantity of available office and retail space, particularly in our core West End market. As a result, our outlook remains positive: we can expect healthy tenant interest to generate both pre-lettings and higher rates of rental growth compared to last year; our expanded development programme will continue to deliver attractive returns for shareholders; and our balance sheet strength will allow us to exploit our many portfolio opportunities to the full.”

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1. Based on property values at 31 March 2015 pro forma for sales and purchases

Asset management

Tenant interest in the limited amount of available space across our properties remained strong leading to 17 new lettings (34,900 sq ft) during the quarter, generating an annual rent of £2.4 million (our share: £2.4 million). All of these transactions were market lettings which completed on average 0.8% ahead of the valuer's March 2015 estimates, and 49.5% ahead of the previous passing rent. We also settled five rent reviews in the quarter securing £0.8 million of rent (our share: £0.8 million), representing an increase of 47% over the previous passing rent.

During the quarter, successful leasing activity at our recently completed development schemes continued. At the comprehensively refurbished Walmar House, Regent Street, W1, we secured £0.6 million of new annual rent for the last remaining retail unit (6,400 sq ft) on a 10 year lease (no breaks) to North Face, the outdoor apparel specialist. The scheme is now fully let and will generate a rent roll of £4.3 million with a WAULT of 13.9 years.

We also continued to capture the significant reversionary upside across our investment portfolio. Lettings in the quarter included deals totalling £229,000 at Woolyard, SE1 capturing a reversion of 79% and £390,000 at 27/35 Mortimer Street, W1 capturing a reversion of 82%.

Leasing Transactions	Three months ended		
	30 June 2015	31 March 2015	30 June 2014
New leases and renewals completed			
Number	17	15	22
GPE share of rent p.a.	£2.4 million	£5.4 million	£4.5 million
Area (sq ft)	34,900	62,100	117,000
Rent per sq ft	£69	£89	£52
Rent reviews settled			
Number	5	6	10
GPE share of rent p.a.	£0.8 million	£1.5 million	£3.9 million
Area (sq ft)	14,000	28,400	74,000
Rent per sq ft	£60	£53	£53

Note: Includes joint ventures at our share

The letting transactions concluded during the quarter have helped to the Group to maintain a low vacancy rate of 2.4% at 30 June 2015 (2.0% at 31 March 2015).

The quarterly cash collection performance has continued to be very strong, with 99.1% of rent secured within seven working days of the quarter day (March 2015: 99.3%). None of our tenants went into administration during the quarter (March 2015: none); however, we remain vigilant and continue to monitor the financial position of all our tenants.

Development management

Committed schemes. We have six committed schemes (626,100 sq ft), all in the West End, with capital expenditure to come of £302.5 million. These schemes are all expected to complete in the next 24 months.

Committed schemes	Anticipated Finish	New building area sq ft	Cost to complete £m	ERV ¹ £m	Office ERV ¹ avg £psf	% let / sold
Rathbone Square, W1						
- Commercial	Jun 2017	254,900	216.0	17.8	73.00	-
- Residential		153,900		n/a	n/a	81%
30 Broadwick St, W1	Sept 2016	92,400	28.9	7.2	78.25	-
73/89 Oxford St, W1	Apr 2017	90,700	44.3	9.2	76.75	40%
78/82 Great Portland St, W1	Jul 2016	18,900	8.6	0.3	n/a	-
90/92 Great Portland St, W1	May 2016	8,800	3.0	0.1	n/a	-
48/50 Broadwick St, W1	Sep 2015	6,500	1.7	n/a	n/a	-
		626,100	302.5	34.6		30%

1. ERVs at 31 March 2015

The main construction contract at our fully consented 408,800 sq ft mixed-use Rathbone Square development scheme is underway and the scheme is progressing well. Two of the buildings' cores are up, the basement structure is now complete and we will shortly be commencing work on the superstructure. With tenant demand for well-located, good quality office space remaining strong, we are encouraged by the healthy interest already shown in Rathbone Square and expect to commence our pre-letting campaign for the 214,900 sq ft of office space later this summer.

At 30 Broadwick Street, W1 (formerly St Lawrence House), our 92,400 sq ft new-build, office and retail scheme, demolition has completed and structural works are in progress. The project is on schedule to complete in September 2016. At 78/82 Great Portland Street, W1, our 18,900 sq ft mixed use redevelopment, we have completed the strip out works and the main contract is due to commence in August. The scheme will accommodate the off-site residential space associated with our development at 30 Broadwick Street, W1.

At 73/89 Oxford Street, W1, which will deliver 90,700 sq ft of new-build retail and office space directly opposite the Dean Street entrance to the Tottenham Court Road Crossrail station, we are approximately half way through the demolition of the existing building and the main contract works are due to commence in September 2015. Following the pre-let of 31,800 sq ft to New Look at a zone A rent of £600 per sq ft in March 2015 and subsequent securing of a change of planning use for the second floor from office to retail during the quarter, 40% of the scheme's ERV is already secured.

Near-term schemes. Our near-term development programme comprises six schemes (549,900 sq ft), all with potential project starts over the next 24 months. Our share of the expected capital expenditure to come if these uncommitted schemes were started is £211.6 million.

At 148 Old Street, EC1, we achieved vacant possession of the site in May and strip out works are due to commence in August to transform the existing 97,800 sq ft building into around 151,700 sq ft of high quality office and retail space. We are targeting completion of the fully consented scheme in summer 2017.

At Hanover Square, W1, we continue to work with Westminster to further improve our 223,600 sq ft prime mixed-use development by pedestrianising the western side of the square and enhancing the public realm. We hope to submit a highways application for the improvements later this summer. The development scheme is owned in our 50:50 joint venture with the Hong Kong Monetary Authority.

At Oxford House, 76 Oxford Street, W1, we continue to work up our plans ahead of a planning application submission in the coming months for a 90,500 sq ft major refurbishment scheme of the mixed-use property, incorporating a significant increase in the retail space. The property sits directly to the south of Rathbone Square, W1 and opposite 73/89 Oxford Street, W1.

At Mortimer House, 37/41 Mortimer Street & 39/41 Wells Street, W1, we submitted a planning application in the quarter for a comprehensive refurbishment (23,000 sq ft) of the property.

Investment management

During the quarter our profitable recycling activities continued as we crystallised significant surpluses and also secured full ownership of our Great Star Partnership ('GSP') joint venture.

In April, the Great Wigmore Partnership ('GWP'), our 50:50 joint venture with Aberdeen Asset Management, sold 95 Wigmore Street, W1, its 98,800 sq ft newly constructed and fully-let office and retail property. The purchaser acquired the property for £222.4 million, reflecting a net initial yield of 3.4% and a capital value of £2,209 per sq ft. The sale crystallises a profit on cost for GPE since commitment to the development in 2011 of 105%.

Also in April, we purchased Starwood Capital's 50% interest in GSP for £61.4 million and redeemed all of the £73.1 million in outstanding bank debt secured against GSP's properties. The transaction equates to a property price of £190.6 million and gives GPE full ownership of the leasehold interests in City Tower, 40 Basinghall Street, EC2 and the adjacent City Place House, 55 Basinghall Street, EC2. The properties together occupy a 1.3-acre core City site, presenting us with an attractive mix of asset management and development opportunities. The acquisition price reflects £608 per sq ft and a yield of 5.3% on the contracted rent roll, or 4.8% after deducting current void costs on the vacant space.

Financial management

Our financing position continues to be strong. Total net debt (including joint ventures) increased over the quarter by £22.0 million primarily as a result of capital expenditure on our committed and near-term development programme of £26.8 million more than offsetting the net receipts from our investment activity.

	30 June 2015	31 March 2015
GPE net debt	£653.5m	£601.2m
GPE gearing ¹	27.3%	25.2%
Total net debt including JVs	£720.8m	£698.8m
LTV ²	22.5%	21.8%

1. Based on net asset value at 31 March 2015 2. Based on property values at 31 March 2015 pro forma for sales and purchases

At 30 June 2015, we had significant financial firepower totalling £383 million. Our weighted average interest rate was 3.6% at the quarter end (31 March 2015: 3.7%), which would fall to approximately 3.0% if our £450 million revolving credit facility were to be fully drawn (£66 million drawn at 30 June 2015).

At 30 June 2015, 91% of the Group's total drawn debt was fixed or capped, down from 96% at 31 March 2015 due to the additional drawing on our revolving credit facility and the repayment of the hedged debt in GSP in the quarter. We are continuing to benefit from low floating rates on around 31% of our drawn debt, in part due to capped arrangements.

New appointments to the Executive Committee

Andrew White and Marc Wilder have been appointed to the Group's Executive Committee as Development Director and Leasing Director respectively. With our substantial growth over the past few years has come an increase in the scale and complexity of both our development and leasing ambition. As a result, we are making these appointments from within our talented team to help deliver the next phase of the Company's growth. The Executive Committee is responsible for the ongoing management and operations of the Group, and the other members are Toby Courtauld, Neil Thompson, Nick Sanderson and Ben Chambers.

Andrew joined the Group in 2013 as Head of Development and Marc joined the Group in 2005 as Leasing Manager and was appointed Head of Leasing in 2009.

Financial calendar

Our Annual General Meeting ("AGM") will take place at 11.30am today at Asia House, 63 New Cavendish Street, W1G 7LP. GPE will not be disclosing any new material financial information at the AGM and the presentation materials will subsequently be published on the GPE website (www.gpe.co.uk).

We expect to release our 2015/2016 interim results on Wednesday 11 November 2015.

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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.

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