

GPE sells 12/14 New Fetter Lane, EC4 to TIAA Henderson Real Estate

10 November 2014

Great Portland Estates plc ("GPE") has exchanged contracts to sell its 151 year leasehold interest in 12/14 New Fetter Lane, EC4 to TIAA Henderson Real Estate ("TH Real Estate") for a price of £165.8m, reflecting a yield of 4.5%.

The 142,500 sq. ft. office development is under construction with practical completion ("PC") expected in Q4 2015. The scheme is fully pre-let to Bird & Bird LLP ("Bird & Bird") for 20.25 years from PC. Bird & Bird's gross rent is £8.28m per annum (subject to final measurement on PC) which reflects £58.11 per sq. ft. overall and £64.50 per sq. ft. on the best space.

TH Real Estate will acquire the site from GPE, subject only to freeholder City Corporation's consent, and will thereafter fund all development costs up to a maximum of £165.8m. The site price will be £92.8m assuming completion at 1 December 2014, which is £12.4m (15.5%) ahead of GPE's March 2014 valuation, adjusted for capital expenditure. TH Real Estate will receive a deduction from the final price in lieu of interest on their capital outlay until PC at a rate of 4.5% pa. Based on the current cost and programme, GPE will also receive a final payment of £5.1m on PC.

Toby Courtauld said, "This sale continues our strategy of recycling capital out of assets, where we have created significant value and back into our exciting 2.2m sq. ft. development programme. 12/14 New Fetter Lane has been an exceptional project for us. Having secured an attractive planning permission, re-gearred the headlease with the City Corporation and fully pre-let the building, this sale crystallises a return on capital since committing to the scheme of 82.7% and an unlevered IRR of 55.1%."

Anthony Butler, TH Real Estate, commented: "This acquisition is in-line with our investment programme in Europe. We are extremely pleased to enter this partnership with one of the UK's best developers."

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