

Press Release

GREAT
PORTLAND
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Great Portland Estates Trading Update – continued strong progress

Great Portland Estates plc (“GPE” or “Group”) today publishes its trading update for the quarter to 31 December 2015.

Record leasing and asset management activity; tenant demand healthy

- 15 new lettings (122,600 sq ft) signed generating annual rent of £8.5 million (our share: £7.7 million); 17.9% above March 2015 ERV
- Record lettings in the financial year to date securing annual rent of £29.3 million (412,000 sq ft); further £2.2 million currently under offer, 9.6% ahead of March ERV
- Four rent reviews settled securing £6.2 million (our share: £3.2 million); 61% above previous passing rent
- Vacancy rate at 2.7%, average office rent only £45.70 sq ft, reversionary potential of 33.7%

Largest ever development programme; extensive and flexible pipeline of opportunity

- Nine committed schemes (856,700 sq ft); 59% pre-let or pre-sold; all expected to complete in next 24 months
- Good progress across further two near-term schemes (311,800 sq ft), including planning application submitted at Oxford House, W1 and demolition to commence shortly of the New Bond Street buildings at Hanover Square, W1
- Total capex to come at committed and near-term development schemes of £475.5 million
- Major development opportunity from additional 13 uncommitted pipeline schemes (1.4 million sq ft)
- Total development programme of 2.6 million sq ft covering 59% of the existing portfolio, 77% in West End
- Further 356,000 sq ft in refurbishment programme; four projects currently on-site (177,100 sq ft)

Profitable capital recycling continues

- Since 31 December 2015:
 - Sale of 60 Great Portland Street, W1 for £102.2 million; net initial yield of 3.89%
 - Sale of 33 Margaret Street, W1 for £216.3 million; net initial yield of 3.30%; reflecting £2,085 per sq ft and crystallising a profit on cost since purchase of 133%
 - Purchase of 50 Finsbury Square, EC2 for £119.0 million; net initial yield of 5.3%; further extending the Group’s development pipeline for the next cycle
- Net sales of £222.0 million financial year to date (sales: £436.3 million; acquisitions £214.3 million)

Strong financial position to fund further organic growth

- Loan-to-value of 17.4%¹, weighted average interest rate of 3.8%¹, drawn debt 100%¹ fixed or capped
- Cash and undrawn committed facilities of £506 million¹, low marginal cost of debt of 1.6%

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 leasing ahead of ERV; 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. Whilst we expect increasing uncertainty ahead of an anticipated referendum on Britain’s relationship with the EU, today the level of tenant demand remains good for the limited quantity of available office and retail space, particularly in our core West End market. As a result, we can expect further pre-lettings and healthy rates of rental growth. In addition, our exceptional developments 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 30 September 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 15 new lettings (122,600 sq ft) during the quarter, generating an annual rent of £8.5 million (our share: £7.7 million). The majority of these transactions were market lettings which completed on average 17.9% ahead of the valuer's March 2015 estimates. We also settled four rent reviews in the quarter securing £6.2 million of rent (our share: £3.2 million), representing an increase of 61% over the previous passing rent.

During the quarter, our leasing successes continued with the most notable transactions set out below:

- At 73/89 Oxford Street, W1, the remaining 15,300 sq ft flagship retail store was pre-let to Benetton Group S.r.l. ('Benetton') at £2.6 million p.a., reflecting a record zone A rent of £707 per sq ft for this part of Oxford Street. Benetton will take a 20 year lease and will trade alongside New Look, to whom GPE pre-let a 31,800 sq ft store in March 2015. This leaves 43,600 sq ft of Grade A offices in the development, which are due for completion in April 2017, where Facebook has an option to occupy which expires on 31 March 2016.
- At 240 Blackfriars Road, SE1, the Great Ropemaker Partnership (a 50:50 joint venture between GPE and BP Pension Fund) leased the remaining two office floors securing a rent of £61.00 per sq ft on level 7 to hurleypalmerflatt Ltd and £63.00 per sq ft to Demandware UK Ltd on level 8. These two lettings will generate annual rent of £1.5 million across 23,900 sq ft and concludes the 222,200 sq ft office leasing campaign, resulting in an average void across the building of just over three months.

A further 83,400 sq ft of lettings generating £4.4 million in annual rent were concluded across the portfolio during the quarter at a premium to March 2015 rental values of 27.1%. This includes all the office space at 31/32 Alfred Place, W1 (27,400 sq ft) for £1.6 million and two further floors (12,700 sq ft) at City Tower, EC2 for £0.8 million. Since December, we have completed a further letting at City Tower equating to £72.50 per sq ft, a new record for the building.

Leasing Transactions	Three months ended		
	31 December 2015	30 September 2015	31 December 2014
New leases and renewals completed			
Number	15	12	20
GPE share of rent p.a.	£7.7 million	£18.4 million	£5.4 million
Area (sq ft)	122,600	254,000	116,300
Rent per sq ft	£69	£72	£54
Rent reviews settled			
Number	4	8	5
GPE share of rent p.a.	£3.2 million	£1.5 million	£0.6 million
Area (sq ft)	70,000	23,900	16,900
Rent per sq ft	£88	£62	£37

Note: Includes joint ventures at our share

The letting transactions concluded during the quarter have helped the Group to maintain a low vacancy rate of 2.7% at 31 December 2015 (3.6% at 30 September 2015).

The quarterly cash collection performance has continued to be very strong, with 99.9% of rent secured within seven working days of the quarter day (September 2015: 99.7%). One of our tenants went into administration during the quarter (September 2015: none) accounting for 0.1% of total rent roll, with the financial impact predominantly mitigated by a rent deposit; however, we remain vigilant and continue to monitor the financial position of all our tenants.

Development management

Committed schemes. We have nine committed schemes (856,700 sq ft), all but one in the West End, with capital expenditure to come of £321.0 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	267,000	187.4	19.5	74.45	87%
- Residential		151,700		n/a	n/a	84%
148 Old Street, EC1	Nov 2017	160,400	29.8	4.1	52.85	-
30 Broadwick St, W1	Sept 2016	92,300	22.2	7.6	82.85	-
73/89 Oxford St, W1	Apr 2017	90,700	39.1	9.5	76.75	65%
Tasman House, W1	Oct 2017	37,300	24.5	2.8	84.95	-
84/86 Great Portland St, W1	Nov 2016	23,100	9.3	1.1	60.05	-
78/82 Great Portland St, W1	Sept 2016	18,900	6.6	0.3	n/a	-
90/92 Great Portland St, W1	June 2016	8,800	2.1	0.1	n/a	-
48/50 Broadwick St, W1	Feb 2016	6,500	-	-	n/a	-
		856,700	321.0	45.0		59%

1. ERVs at 30 September 2015 at GPE share

Construction at our 418,700 sq ft mixed-use Rathbone Square development scheme is progressing well. The building is expected to top out later this month and the cladding of the building's exterior has commenced. Following on from the Group's record leasing transaction with Facebook in September 2015, we expect to launch the marketing campaign for the 24,200 sq ft of retail and restaurant space shortly. The residential sales programme continues to progress positively with 134 of the 142 private units now sold and five further units currently under offer.

At 148 Old Street, EC1, we have started the main demolition works to transform the existing 97,800 sq ft building into around 160,400 sq ft of high quality office and retail space. With a construction contract secured, we are targeting completion in autumn 2017 and our pre-letting campaign has commenced.

At 30 Broadwick Street, W1, our 92,300 sq ft new-build office and retail scheme, structural works are progressing well and the project is on schedule to complete in September 2016. The pre-letting campaign for the scheme has commenced and we are encouraged by the healthy interest already shown to date.

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 have now demolished the building and the main contract works have begun. Following the pre-let of all the retail space, 65% of the scheme's ERV is already secured. The marketing campaign for the 43,600 sq ft of offices will commence in April should Facebook not take up their option on the space which expires on 31 March 2016.

At Tasman House, 59/63 Wells Street, W1, the demolition of the existing 1950's building is ongoing and the main construction contract is expected to commence in March 2016. The new building will deliver 37,300 sq ft of new office and retail space into an area that is benefitting from significant local investment including our activities at Rathbone Square.

We are currently on-site at three schemes on Great Portland Street, W1, where we are delivering 50,800 sq ft of mixed use space, including the off-site residential requirements for Hanover Square, 30 Broadwick Street and Tasman House, all W1. The schemes are progressing well, with completions from June 2016, and we will shortly be embarking on the pre-letting campaign for the office element.

Near-term schemes. Our near-term development programme comprises two schemes (311,800 sq ft), both 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 £154.3 million.

At Hanover Square, W1, we continue to make positive progress with Crossrail, who are currently building the eastern exit for the Bond Street Crossrail station underneath part of the site. In December, we secured from Crossrail early access to the site to allow demolition of the New Bond Street buildings. This is expected to commence in February 2016 and will allow us to accelerate the construction programme for the wider scheme ahead of delivery of the station structure by Crossrail in 2018. The development is owned in our 50:50 joint venture with the Hong Kong Monetary Authority.

At Oxford House, 76 Oxford Street, W1, we have now submitted a planning application for a 88,200 sq ft major refurbishment scheme of the mixed-use property, incorporating a significant increase in the retail space. Facebook has an option to occupy the 55,700 of office space which expires in early 2018. The property sits directly to the south of Rathbone Square, W1 and opposite 73/89 Oxford Street, W1.

The pipeline. Subsequent to the purchase of 50 Finsbury Square, EC2, our development pipeline now includes 13 uncommitted projects, giving us a total programme of 2.6 million sq ft, covering 59% of GPE's existing portfolio. These schemes provide an extensive pool of development opportunities, stretching into the early 2020's, giving GPE a significant platform for organic growth into the next property cycle.

Refurbishment activity. In addition to our development activity, our refurbishment programme extends to 356,000 sq ft, with four projects currently on-site (177,100 sq ft) including Elm House, WC1 and Alfred Place, W1.

Investment management

Since 30 September 2015, our profitable recycling activities continued as we crystallised significant surpluses and further enhanced our long-term development pipeline acquiring a future repositioning opportunity in an attractive City location.

In January 2016, we sold 60 Great Portland Street, W1 for a price of £102.2 million, in line with the September 2015 valuation. The price reflected a net initial yield of 3.89% and a capital value of £1,300 per sq ft overall or £1,480 per sq ft on the office element. 60 Great Portland Street was comprehensively refurbished and extended by GPE in 2007 to provide 65,400 sq ft of offices over ground to fifth floor and 11,100 sq ft of ground and basement retail space. The offices are let to The Engine Group Limited until 2028 and the retail space to F W Evans Cycles (UK) Ltd until 2024. The sale also included 48/50 Mortimer Street and 1/3 Little Titchfield Street comprising two ground and basement retail units extending to 2,100 sq ft and a total of 17 apartments which are sold off on long-term occupational leases.

Also in January 2016, we entered into two simultaneous transactions with Deka Immobilien Investment GmbH. In the first transaction, GPE sold 33 Margaret Street, W1 for £216.3 million, reflecting £2,085 per sq ft and a net initial yield of 3.30%. 33 Margaret Street is part freehold/part leasehold and comprises 103,700 sq ft of predominately offices, developed by GPE in December 2012. The offices were fully let to Savills plc at practical completion for a term of 20 years at an annual rent of £7.0 million. Including two retail units fronting Regent Street, the total net rent is £7.55 million and the sale price reflects a small premium to the September 2015 valuation and a 13.2% premium to the March 2015 valuation. The sale crystallised an annualised ungeared IRR of 23.5% and a profit on cost of 133%.

In the second transaction, GPE acquired 50 Finsbury Square, EC2 for £119.0 million, reflecting £941 per sq ft or £819 per sq ft for the office element and a net initial yield of 5.32% after costs. 50 Finsbury Square is freehold and comprises 126,500 sq ft of predominately offices, developed in 2000. The offices are fully let to Bloomberg until June 2020 at £5.7 million p.a. reflecting an average rent of £48.24 per sq ft. Including four retail units fronting Finsbury Pavement, the total annual rent is £6.6 million. The building will benefit significantly from GPE's repositioning once Bloomberg vacate, as expected. In addition, the exciting transformation of this area resulting from Crossrail (with the Moorgate Crossrail station only 200 metres

away) and the continued growth in tenant demand from the creative/TMT sector will provide a further catalyst for growth.

Financial management

Our financing position continues to be strong and was enhanced during the quarter with the refinancing of 200 & 214 Gray's Inn Road, London WC1 with a new £90 million 5-year secured bank loan at an all-in coupon of 2.67%. Total net debt (including joint ventures) increased over the quarter to 31 December 2015 by £71.8 million to £807.0 million primarily as a result of capital expenditure on our committed and near-term development programme of £41.6 million and payment of the interim dividend.

	Pro forma³ for sales and purchase	31 December 2015	30 September 2015
GPE net debt	£529.5m	£728.8m	£666.0m
GPE gearing ¹	19.5%	26.8%	24.5%
Total net debt including JVs	£607.6m	£807.0m	£735.2m
Cash & undrawn credit facilities	£505.5m	£306.1m	£370.0m
LTV ²	17.4%	22.2%	20.2%

1. Based on net asset value at 30 September 2015. 2. Based on property values at 30 September 2015.
3. Completed transactions since 31 December 2015.

Pro forma for the sales of 60 Great Portland Street and 33 Margaret Street, both W1, and the purchase of 50 Finsbury Square, EC2, LTV reduced from 22.2% at 31 December 2015 to 17.4% and our cash and undrawn credit facilities rose to £505.5 million. Our weighted average interest rate was 3.4% at the quarter end (30 September 2015: 3.6%) rising to 3.8% on a pro forma basis. At 31 December 2015, 81% of the Group's total drawn debt was fixed or capped, rising to 100% on a pro forma basis as we repaid our RCF in full.

Investor/analyst event

GPE will be hosting an event for investors and analysts today at Oxford House, 76 Oxford Street, W1. GPE will not be disclosing any new material financial information at the event and a presentation will go on our website at 1.15pm.

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Forward Looking Statements

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