Press Release

GREAT PORTLAND ESTATES

25 January 2018

GPE Trading Update – strong operational performance and proposed return of £306 million to shareholders following profitable property sales

Great Portland Estates plc ("GPE") today publishes its trading update for the quarter to 31 December 2017.

Another strong quarter of leasing; 2.0% ahead of ERV and capturing reversion

- 21 new lettings (208,600 sq ft) signed generating annual rent of £10.7 million (our share: £7.2 million), including £4.8 million pre-letting at 160 Old Street, EC1; 2.0% ahead of March 2017 ERV
- Six rent reviews settled securing £2.4 million per annum; 36% above previous passing rent, 2.4% ahead of ERV; remaining reversionary potential of 16.9% (£18.2 million)
- 11 lettings under offer totalling £9.6 million p.a. of rent (our share: £6.3 million); 1.8% ahead of September 2017 ERV
- Vacancy rate of 6.3% (falling to 4.5% if we convert all investment lettings under offer)
- 99.8% of rent collected within seven working days

Good progress on development schemes; flexible pipeline covering 44% of existing portfolio

- Rathbone Square, W1 (residential) and 55 Wells Street, W1 completed (together 189,000 sq ft), 93% pre-sold or under offer; 13 of 142 Rathbone private residential units now handed over to buyers
- 160 Old Street, EC1 (161,700 sq ft) due for completion in April; 57% pre-let, capex to come of £4.5 million
- Good progress across three near-term uncommitted schemes (414,300 sq ft), including planning permission for new build scheme at Oxford House, W1 and continued handover of land from Crossrail at Hanover Square, W1; potential capital expenditure of £231.1 million
- Exceptional and flexible medium-term development pipeline of 13 schemes (1.3 million sq ft), currently income producing, with 3.7 years average lease length, 17.7% reversionary[1]

Crystallising significant surpluses; commercial sales of £319 million (our share) 2.7% ahead of book value

- Sale of 240 Blackfriars Road, SE1 from GRP JV for £266.0 million (GPE share: £133.0 million, net initial yield of 3.94%, capital value of £1,176 per sq ft), GPE whole life surplus of £69.5 million (87% capital return)
- Sale of 30 Broadwick Street, W1 for £185.9 million (net initial yield of 4.0%, capital value of £2,015 per sq ft), GPE whole life surplus of £83.3[2] million (77%[2] capital return)

Unprecedented financial strength; proposed return of £306[3] million to shareholders

- LTV (pro forma for commercial sales) of 6.9%[4], weighted average interest rate of 2.9%, drawn debt 100% fixed or hedged
- Net proceeds from commercial property sales of £306[3] million proposed to be returned to shareholders
    - Expected payment of c.94 pence per share
    - Anticipated to be implemented through the issue and redemption of a new class of redeemable B shares, accompanied by a share consolidation
    - Subject to shareholder approval, which is expected to be sought in March 2018
- Pro forma LTV after proposed return of 17.2% and cash & undrawn facilities of £491 million
- Tender offer launched for £142.9 million 5.625% First Mortgage Debenture Stock 2029 – see separate RNS announcement dated 25 January 2018

1. Existing use of development pipeline at 30 September 2017
2. Pre-tax
3. Gross proceeds of £319 million less anticipated tax of approximately £13 million; expected to be received by the end of January 2018
4. Based on property values at 30 September 2017 pro forma for remaining GPE share of net proceeds of £306 million from the sales of 240 Blackfriars Road, SE1 and 30 Broadwick Street, W1

Toby Courtauld, Chief Executive, said:

"We are pleased to report another very active quarter, maintaining our leasing momentum ahead of ERV and successfully progressing our developments. We have also continued to recycle capital profitably with the sale of two long-let properties, crystallising the significant value that we created through their redevelopment. With pro forma LTV of only 7% following these sales, we are proposing to return the net proceeds of £306 million to shareholders, reflecting our ongoing commitment to balance sheet discipline, whilst also ensuring that we retain significant financial flexibility for both the next programme of developments and acquisitions.

Today, in spite of the macro-economic and political uncertainties, tenant interest remains healthy across our portfolio with £9.6 million of lettings currently under offer. Moreover, GPE is in great shape with attractive long-term potential: 89% of our portfolio is located near to central London Crossrail stations which open in late 2018; our investment portfolio is well-let off low average rents with significant near-term reversion to capture; our future development opportunities now cover 44% of our portfolio, including three potential starts in the next six months; we have the financial strength to fund this exciting development programme and also exploit any future market weakness, and our first class team is ready to capitalise on opportunities as we unearth them."

Financial calendar

We will be holding an Investor and Analyst Event on 1 March 2018 at Oxford House, W1.

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This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of GPE is Desna Martin.

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.

Portfolio management

Tenant interest across our properties has continued to be healthy as we delivered another strong quarter of leasing performance; key leasing headlines for the quarter included:

- 21 new leases and renewals signed generating annual rent of £10.7 million (our share: £7.2 million), with market lettings 2.0% ahead of March 2017 ERV;
- Six rent reviews securing £2.4 million of annual rent (our share: £2.4 million) were settled at an increase of 36% over the previous passing rent and 2.4% ahead of ERV;
- Total space covered by new lettings, reviews and renewals was 251,400 sq ft;
- Group rent roll reduced to £107.7 million, down 9.6% over the three months to 31 December 2017 due to two significant property sales, although like-for-like rent roll grew by 0.7%; and
- Investment portfolio vacancy rate increased from 5.4% at 30 September 2017 to 6.3% at 31 December 2017 due to our recently completed development at 55 Wells Street, W1.

Leasing Transactions	**Three months ended**		
	31 Dec 2017	**30 Sept 2017**	**31 Dec 2016**
New leases and renewals completed			
Number	21	17	16
GPE share of rent p.a.	£7.2 million	£4.6 million	£6.4 million
Area (sq ft)	208,600	75,500	86,600
Rent per sq ft	£51	£71	£83
Rent reviews settled			
Number	6	11	11
GPE share of rent p.a.	£2.4 million	£4.1 million	£3.6 million
Area (sq ft)	42,800	72,100	106,100
Rent per sq ft	£55	£67	£52

Note: Includes joint ventures at our share

Significant asset management transactions during the quarter included:

- At 160 Old Street, EC1, the Great Ropemaker Partnership (GRP), our 50:50 joint venture with the BP Pension Fund, pre-let 98,100 sq ft to Turner Broadcasting System Europe Limited ("Turner"). Turner will occupy the lower ground to third floor of the building on four separate fifteen year leases (no breaks). Turner will pay a rent in line with the September 2017 ERV and a market consistent incentive package. In addition, GRP granted Turner options (until March 2018) to either lease an additional c.12,600 sq ft or to lease the whole fourth floor (18,430 sq ft) at a predetermined rent;
- At 30 Broadwick Street, W1, we let the last remaining floor (13,500 sq ft) to London Executive Offices Limited at an annual rent of £1.3 million on a ten-year term (no breaks), concluding a successful leasing campaign ahead of sale; and
- At Minerva House, SE1, we settled three rent reviews to Winckworth Sherwood LLP on the 3rd, 4th and 5th floors increasing the combined annual rent by more than £0.5 million to £1.9 million, an increase of 38% on the previous passing rent.

We have a further 11 lettings currently under offer which, if completed, would deliver approximately £9.6 million p.a. of rent (our share: £6.3 million), 2.0% ahead of September 2017 ERV.

Following on from our record cash collection of 100% in September 2017, the quarterly cash collection performance has continued to be very strong, with 99.8% of rent secured within seven working days of the December quarter day. None of our tenants went into administration during the quarter (September 2017: none); however, we remain vigilant and continue to monitor the financial position of all our tenants.

Development management

Two schemes completed in quarter
In November, we successfully completed 55 Wells Street, W1, delivering 37,300 sq ft of well-specified office and restaurant space in an attractive Fitzrovia location. We pre-let the 4,500 sq ft restaurant unit to Ottolenghi in June and early interest is encouraging in the 32,800 sq ft of Grade A office space, with the first and upper four floors of the building (19,250 sq ft) currently under offer.

Also in November, we achieved practical completion of the 142 private residential units at Rathbone Square, W1 and started handing over the 140 pre-sold apartments to the buyers. We handed over five units during December (collecting £12.1 million) with a further eight units (£10.1 million) handed over so far in January and we expect to hand over the remaining pre-sold units, collecting the remaining 75% of the sale proceeds (approximately £178.6 million), by the end of the financial year.

One committed scheme
At 160 Old Street, EC1, owned in GRP, the construction works are progressing well and we are targeting completion of the 161,700 sq ft of high quality office, retail and restaurant space in April 2018. Capital expenditure to complete the scheme is £4.5 million and we expect to deliver a profit on cost of 14%. During the quarter, we pre-let 98,100 sq ft of the building to Turner and we have positive leasing interest in the remaining office space and retail units, two of which are under offer.

Near-term schemes
Since acquisition of Cityside House, E1 in June 2017, we have commenced strip out and demolition works and have improved the design of the building to enhance the quality of the space we can deliver. Preparatory works are well progressed to refurbish the existing vacant building, increasing the net internal area by 22,200 sq ft to 76,500 sq ft and we expect to commence construction imminently. We will be targeting average office rents across the building of around £49 per sq ft, with delivery expected in 2019 following the opening of Whitechapel Crossrail station.

In January, we received resolution to grant planning permission for a new build scheme at Oxford House, 76 Oxford Street, W1. The new consent improves upon both the scale and quality of the building that could be delivered under our previous consent for a refurbishment. The new build scheme will deliver around 116,500 sq ft of new Grade A space comprising 78,100 sq ft of offices and 38,400 sq ft of retail, with the large modern retail units targeted to meet the strong occupier demand at the eastern end of Oxford Street given the opening of Crossrail in 2018. Subject to resolving final neighbourly matters, we could commence on site in the first half of 2018 on exercise of our lease break options with the existing occupiers.

At Hanover Square, W1, the handover of the land from Crossrail is progressing well and our enabling works continue to prepare the site such that we could commence the New Bond Street building in the first half of 2018, with the larger over station development following later in the year. Although we have not commenced marketing, we are encouraged by the occupier enquiries that we are already receiving for the office space (totalling 167,200 sq ft) and we currently have 57,200 sq ft of the office building under offer.

At 31 December 2017, the three near-term development properties would require £231.1 million of capital expenditure to complete.

Investment management

During the quarter, our profitable recycling activities continued with two significant sales.

In December, GRP sold 240 Blackfriars Road, SE1 to clients of Wolfe Asset Management Limited, a wholly owned subsidiary of the Al Gurg Family. 240 Blackfriars Road is a fully let, 20 storey landmark building constructed in 2014 and provides a total of 235,900 sq ft of grade A offices, retail and residential accommodation. The headline price of £266.5 million, equating to £266.0 million (our share: £133.0 million) after deductions for tenant incentives, was 4.4% ahead of the September 2017 book value, reflecting a net initial yield of 3.94% and a capital value of £1,176 per sq ft. The sale completed earlier this month and crystallised a whole life capital return for GPE of 87% (£69.5 million) and an annualised ungeared IRR of 13.9%.

Also in December, we sold 30 Broadwick Street, W1 to a client of Savills Investment Management. 30 Broadwick Street is an eight-storey building, completed in late 2016, and provides a total of 94,300 sq ft of grade A office, retail and restaurant accommodation. The building is fully let, on office rents ranging from £86.50 to £110 per sq ft. The headline price of £190.0 million, equating to £185.9 million after deductions for tenant incentives, was 1.6% ahead of the September 2017 book value, reflecting a headline net initial yield of 4.0% and a capital value of £2,015 per sq ft. Completion of the sale is scheduled for 31 January 2018 and crystallises a whole life pre-tax capital return of 77% (£83.3 million) and an annualised ungeared IRR of 21.0%. As the disposal occurred within three years of the completion of the development of the property, the gain will be subject to an estimated tax charge of £13.0 million (prior to deduction of any allowable losses).

Together these sales represent the culmination of two highly successful developments and crystallise £306.0 million in net proceeds (GPE share). We currently have around £65 million of further property in the market to sell, in addition to the Rathbone residential units where sales are in the process of completing (see above).

Financial management

Group consolidated net debt reduced to £439.0 million at 31 December 2017, down from £514.6 million at 30 September 2017 as deferred proceeds from property disposals (Rathbone Square commercial and 73/89 Oxford Street, both W1) more than offset capital expenditure on our committed schemes of £3.1 million. Group gearing fell to 16.7% at 31 December 2017 from 19.5% at 30 September 2017. Including non-recourse debt in joint ventures, total net debt was £511.0 million (30 September 2017: £587.0 million) equivalent to a low loan-to-property value of 15.6% (30 September 2017: 17.9%). At 31 December 2017, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £491 million.

Our weighted average interest rate was 2.9% at the quarter end (30 September 2017: 2.7%) and our weighted average debt maturity was 5.7 years. At 31 December 2017, 100% of the Group's total drawn debt was fixed or hedged, up from 90% at 30 September 2017. Our marginal cost of debt remains low at 1.6% and our £450 million revolving credit facility does not mature until October 2021.

Net proceeds of property sales to be returned to shareholders

Pro forma for the net proceeds from the sales of 240 Blackfriars Road, SE1 and 30 Broadwick Street, W1 of £306 million, LTV will fall to 6.9%. Accordingly, it is proposed that the net proceeds from the sales will be returned to shareholders, equating to an expected payment of c.94 pence per ordinary share. We anticipate that this will be implemented through the issue and redemption of a new class of redeemable B shares, accompanied by a share consolidation. The proposed return will be subject to shareholder approval, which is expected to be sought in March 2018, and completion of the 30 Broadwick Street sale. Pro forma for the proposed return to shareholders, LTV will increase to 17.2%.

	Pro forma[3] for sales and return to shareholders	**Pro forma[2] for sales**	**31 Dec 2017**	**30 Sept 2017**
GPE net debt	£438.8m	£132.8m	£439.0m	£514.6m
GPE gearing[1]	18.8%	5.0%	16.7%	19.5%
Total net debt including JVs	£510.8m	£204.8m	£511.0m	£587.0m
LTV	17.2%	6.9%	15.6%	17.9%

1. Based on net asset value at 30 September 2017 2. Based on property values at 30 September 2017 pro forma for the net sales proceeds of £306 million from the commercial sales of 240 Blackfriars Road, SE1 and 30 Broadwick Street, W1. 3. Pro forma for the for the net sales proceeds of £306 million and the proposed return of capital to shareholders.

Based on the closing share price of 648 pence on 24 January 2018, the capital return (post the share consolidation) would increase EPRA NAV per share by c.28 pence. Further details on the impact of the property sales and proposed return of capital are shown in the Appendix, along with pro forma LTV analysis for prospective capex and Rathbone residential sales proceeds.

Tender offer for £142.9 million 5.625% First Mortgage debenture Stock 2029

Today we have separately announced a tender offer to the holders of our £142.9 million 5.625% First Mortgage Debenture Stock due 2029 for cash. For more information on this offer (including the restrictions applicable to this offer in certain jurisdictions), please refer to the separate RNS announcement dated 25 January 2018 available on our website.