



22 January 2009

Third quarter valuation and business update

In today's Interim Management Statement, the Directors of Great Portland Estates plc ("GPE" or "Group") announce an update on trading, as well as the quarterly valuation of the Group's properties as at 31 December 2008. Details of the Group's recent valuation and rental value performance are set out in the appendices.

Key points from the quarter:

- Portfolio valuation down 12.4% since September 2008 but outperforming all relevant IPD indices
- NAV per share of 392p down 20.5% since September 2008, down 36.5% since December 2007
- NNNAV per share of 397p down 21.4% since September 2008, down 35.9% since December 2007
- Rental value declines of 9.4%, 13.8% in West End offices, 2.1% in West End retail
- 20 new leases signed generating £2.6 million p.a. (Group share £1.8m p.a.) at rents 6.1% below their March 2008 Estimated Rental Values
- Low average office passing rent of £35.80 per sq ft, 15.9% reversionary
- As anticipated, void rate increased to 7.5% (September 2008:3.2%)
- Comfortable debt levels maintained - GPE net debt of £375 million, gearing of 52.9% and total loan to property value (including JV debt) of 40.8%
- Significant liquidity – cash and undrawn committed credit facilities of £327 million versus committed capex of £5 million. No maturities on drawn facilities until 2012

Toby Courtauld, Chief Executive of GPE said,

“As we warned at our half-year results in November, deepening problems in the credit markets and heightened fears of a prolonged recession have served to push up investment yields and dampen occupational demand for office and retail space in central London. As a result, the rate of decline in property valuations accelerated across all UK sectors during the last quarter of 2008.

Despite this, our portfolio continues to outperform the relevant indices, due in part to its defensively low average rent concentrated in the core of the West End, and the continued good letting progress made during the quarter.

Whilst we expect 2009 to be challenging, our priorities remain capital conservation and cash flow generation, maximising occupancy and crystallising reversions. With our comfortable debt ratios and financial flexibility, we are relatively well placed to take advantage of further investment market weakness as the year progresses.”

Portfolio valuation

Real estate valuations fell across all UK sectors during the last quarter of 2008 in response to well reported economic and investment market problems. The valuation of the Group's properties as at 31 December 2008 was £1,245.5 million including our share of joint venture assets, a fall of £175.5 million or 12.4% since 30 September 2008. By sector the portfolio value declines in the quarter were - West End offices 13.1%, City & Southwark offices 12.7% and West End retail 9.3%. These rates of decline compare favourably to the Q4 2008 capital reductions in the IPD monthly West End office, City office and London retail sub sectors of 16.1%, 16.9% and 12.4% respectively. Further details on valuation trends by ownership and sectors are set out in appendix 1. The wholly owned portfolio was valued at £872.1 million at December (down 12.8% on the quarter) and the joint venture properties (our share) at £373.4 million (down 11.2% on the quarter). The net impact of the movement in yields and rental values on the portfolio valuation is set out in appendix 2.

The portfolio true equivalent yield increased by 31 basis points over the quarter and now stands at 6.4%. The investment portfolio's adjusted initial yield (including contracted income still in rent free periods) was 5.4% at December 2008, up 40 basis points from September 2008 and 110 basis points higher than this time last year. A reconciliation of various yield measures is set out in appendix 2.

Occupational demand in central London was weak in the last quarter of 2008 as businesses maintained a cautious stance. Across our portfolio rental values fell by 9.4% during the quarter, compared to 2.7% decline recorded for the three months to September 2008. West End office rental values were 13.8% lower whilst City and Southwark rental values fell by 5.3%. Retail rental values in the West End portfolio declined by 2.1% in the quarter. The Group's average office rental value remains defensively low at approximately £40.10 per sq ft, some £4.30 per sq ft higher than the average office rent passing (£35.80 sq ft), with the portfolio being 15.9% reversionary at the quarter end. Rental value trends are highlighted in appendix 3.

The portfolio valuation, provided by our external valuer CB Richard Ellis, is likely to come under further negative pressure during 2009 until there is some stability in the wider capital markets and sentiment towards the property sector improves. It is very difficult to predict when these and other positive factors will emerge.

Estimated NAV per share and financing

The key driver of net asset value change for the quarter was the significant reduction in portfolio valuation of £175.5 million due to adverse market movements. NAV per share was also reduced by the interim 2008/09 dividend of £7.2 million or 4 pence per share. As set out in the table below, the estimated NAV per share fell 20.5% from 493p at 30 September 2008 to 392p at 31 December 2008.

<i>Pro Forma Estimated Balance Sheet</i>			
	<i>£m</i>	<i>pence per share</i>	<i>Percentage movement</i>
<u>Adjusted NAV</u>			
At 30 September 2008	892.1	493	
Valuation deficit	(175.5)	(97)	
Interim dividend	(7.2)	(4)	
	<hr/>		
At 31 December 2008	709.4	392	-20.5%
<u>REIT NNNAV</u>			
M2M of debt & derivatives	9.3	5	
At 31 December 2008	718.7	397	-21.4%
At 30 September 2008	913.5	505	

Note: The pro forma balance sheet is unaudited and does not include retained earnings for the quarter

The positive mark to market of debt of £9.3 million or 5p per share generated a NNNAV per share of 397p at 31 December 2008, a fall of 21.4% from 30 September 2008.

Net debt at 31 December 2008 was £374.9 million, an increase of £9.1 million from 30 September 2008, mainly due to capital expenditure on developments at Wells & More, Mortimer Street, W1 and Bermondsey Street, SE1. Gearing was 52.9% and total loan to property value (inc JVs) was 40.8% compared to figures for September 2008 of 41.2% and 35.0% respectively. At 31 December 2008 the Group had cash and undrawn committed credit facilities of £327.3 million with a current marginal cost of debt of 2.2% (including facility margin).

Investment and asset management activity

The only acquisition made during the quarter was the previously announced addition in the Great Capital Partnership of a small building in Great Castle Street, W1, next to the existing holding at Walmar House, Regent Street, W1. During the period seven recently converted apartments at 79/83 Great Portland Street, W1 were sold for a total of £4.1 million, generating a profit on cost of 17.4% from this project.

Good letting activity continued throughout the quarter, as set out in the table below, where 20 new leases have been completed generating an annual rent of £2.6 million p.a. (Group share £1.8 million p.a.). These lettings were, in aggregate, 6.1% lower than the valuer's March 2008 estimates partly because several lettings incorporate landlord flexibility to allow possible redevelopment in the next three years. 17 further lettings are currently under offer accounting for a further £4.9 million p.a. in rent

(Group share £4.4 million p.a.). Rent reviews totaling £0.6 million p.a. (Group share £0.3 million p.a.) have been settled 2.2% ahead of the valuer's estimates at the relevant review date.

Leasing Transactions	Three months ended		
	31 December 08	30 September 08	31 December 07
New leases and renewals completed			
Number	20	15	22
GPE share of rent p.a.	£1.8m	£1.4m	£2.3m
Area (sq. ft)	61,500	35,700	75,500
Rent per sq ft	£43	£46	£55
Rent reviews settled			
Number	3	5	3
GPE share of rent p.a.	£0.3m	£0.9m	£0.2m
Area (sq. ft)	23,800	12,100	13,000
Rent per sq ft	£26	£87	£29

Note: Includes joint ventures

As predicted at the time of our half year results, the Group's void rate has increased to 7.5% (from 3.4% at November 2008) as a result of major lease expiries at buildings where there was previously an intention to develop. Encouraging discussions are ongoing to lease this vacant space on flexible terms which provide an opportunity to commence development when market conditions allow.

Cash collection and tenant delinquencies

The December quarterly cash collection profile was in line with recent experience. We secured 97% of rent after seven working days following the quarter day (September 2008 - 96%). Four of our tenants went into administration in December and January, accounting for around 0.1% of rent roll (September 2008 – three tenants, 0.4% of rent roll), the largest being a retailer occupying 7,000 sq ft in Piccadilly, W1. Less than 0.5% of our rent roll is subject to monthly payments. The segmentation of our tenant base is shown in appendix 4.

Development update

The development team's focus is on finalising our two on-site schemes and leasing the new available space. At our 116,000 sq ft Wells & More, W1 project we expect practical completion later this month and we are negotiating with several potential tenants. On 12 January we obtained planning permission for the Great Capital Partnership's 140,000 sq ft scheme at Fetter Lane, EC4. At Hanover Square discussions on our master plan proposals continue and a joint Crossrail/GPE project team has been appointed for the detailed design phase.

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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.

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.

Appendix 1 Headline Results



To 31 December 2008	3 months	6 months	12 months
Property Valuation*	(12.4%)	(17.5%)	(23.6%)
Portfolio ERV movement*	(9.4%)	(11.9%)	(10.5%)
NAV	(20.5%)	(27.1%)	(36.5%)

* including share of joint ventures

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Appendix 1 The Valuation Including share of Joint Ventures



	Value £m	Movement 3 months to Dec 2008		Movement to Dec 2008 Change	
		£m	Change	6 months	12 months
North of Oxford St	484.7	(64.6)	(11.8%)	(17.1%)	(22.7%)
Rest of West End	450.3	(61.2)	(12.0%)	(16.4%)	(21.2%)
West End Total	935.0	(125.8)	(11.9%)	(16.8%)	(22.0%)
<i>West End Office</i>	627.0	(94.4)	(13.1%)	(19.7%)	(26.3%)
<i>West End Retail</i>	308.0	(31.4)	(9.3%)	(10.1%)	(11.5%)
City & Southwark	202.3	(28.7)	(12.4%)	(20.4%)	(29.2%)
Investment Portfolio	1,137.3	(154.5)	(12.0%)	(17.4%)	(23.4%)
Development properties	107.0	(20.1)	(15.8%)	(18.0%)	(25.8%)
Properties held throughout the period	1,244.3	(174.6)	(12.3%)	(17.5%)	(23.6%)
Acquisitions	1.2	(0.9)	(44.8%)	(44.8%)	(44.8%)
Total Portfolio	1,245.5	(175.5)	(12.4%)	(17.5%)	(23.6%)

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Appendix 1 The Valuation Wholly Owned



	Value £m	Movement 3 months to Dec 2008		Movement to Dec 2008 Change	
		£m	Change	6 months	12 months
North of Oxford St	330.1	(49.0)	(12.9%)	(18.6%)	(24.0%)
Rest of West End	265.9	(36.4)	(12.0%)	(15.7%)	(22.7%)
Total West End	596.0	(85.4)	(12.5%)	(17.3%)	(23.4%)
<i>West End Office</i>	431.4	(72.5)	(14.4%)	(19.7%)	(27.7%)
<i>West End Retail</i>	164.6	(12.9)	(7.3%)	(10.6%)	(9.3%)
City and Southwark	179.6	(25.5)	(12.4%)	(20.3%)	(28.3%)
Investment portfolio	775.6	(110.9)	(12.5%)	(18.0%)	(24.6%)
Development properties	96.5	(17.6)	(15.4%)	(15.6%)	(21.6%)
Properties held throughout the period	872.1	(128.5)	(12.8%)	(17.8%)	(24.3%)
Acquisitions	-	-	-	-	-
Total Portfolio	872.1	(128.5)	(12.8%)	(17.8%)	(24.3%)

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Appendix 1 The Valuation Joint Ventures



	Value £m	Movement 3 months to Dec 2008		Movement to Dec 2008 Change	
		£m	Change	6 months	12 months
North of Oxford St	309.2	(31.2)	(9.2%)	(13.8%)	(19.9%)
Rest of West End	368.8	(49.7)	(11.9%)	(17.3%)	(18.8%)
Total West End	678.0	(80.9)	(10.7%)	(15.7%)	(19.3%)
<i>West End Office</i>	391.1	(43.7)	(10.1%)	(19.7%)	(22.9%)
<i>West End Retail</i>	286.9	(37.2)	(11.5%)	(9.6%)	(13.9%)
City and Southwark	45.4	(6.4)	(12.3%)	(21.4%)	(35.8%)
Investment portfolio	723.4	(87.3)	(10.8%)	(16.1%)	(20.6%)
Development properties	21.0	(4.9)	(19.1%)	(35.3%)	(50.4%)
Properties held throughout the period	744.4	(92.2)	(11.0%)	(16.8%)	(21.9%)
Acquisitions	2.3	(1.9)	(44.8%)	(44.8%)	(44.8%)
Total Portfolio	746.7	(94.1)	(11.2%)	(16.9%)	(22.0%)

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Appendix 1 Portfolio Performance

At 31 December 2008



		Valuation			Proportion of portfolio %	Quarterly Valuation movement £m	Quarterly Valuation movement %
		Wholly owned £m	Share of joint venture £m	Total £m			
North of Oxford St	Office	261.8	76.2	338.0	27.1	(54.3)	(13.9%)
	Retail	68.3	78.4	146.7	11.8	(10.3)	(6.6%)
Rest of West End	Office	169.6	119.4	289.0	23.2	(40.1)	(12.2%)
	Retail	96.3	65.0	161.3	13.0	(21.2)	(11.6%)
Total West End		596.0	339.0	935.0	75.1	(125.8)	(11.9%)
City and Southwark	Office	172.2	21.1	193.3	15.5	(28.2)	(12.7%)
	Retail	7.4	1.6	9.0	0.8	(0.5)	(5.3%)
Total City and Southwark		179.6	22.7	202.3	16.3	(28.7)	(12.4%)
Investment property portfolio		775.6	361.7	1,137.3	91.4	(154.5)	(12.0%)
Development properties		96.5	10.5	107.0	8.6	(20.1)	(15.8%)
Total properties held throughout the period		872.1	372.2	1,244.3	100.0	(174.6)	(12.3%)
Acquisitions		-	1.2	1.2	-	(0.9)	(44.8%)
Total portfolio		872.1	373.4	1,245.5	100.0	(175.5)	(12.4%)

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Appendix 2 The Valuation¹ Yield Profile²



31 December 2008	Initial Yield %	True Equivalent Yield			
		%	Basis Point +/- like-for-like		
			3 months	6 months	12 months
North of Oxford Street					
Offices	4.6%	6.6%	30	60	106
Retail	4.8%	5.8%	34	56	81
Rest Of West End					
Offices	5.0%	6.3%	33	61	122
Retail	4.5%	5.4%	9	34	17
Total West End	4.8%	6.2%	28	55	94
City & Southwark	6.2%	7.4%	45	82	153
Total Let Portfolio	5.0% (5.4%³)	6.4%	31	60	105

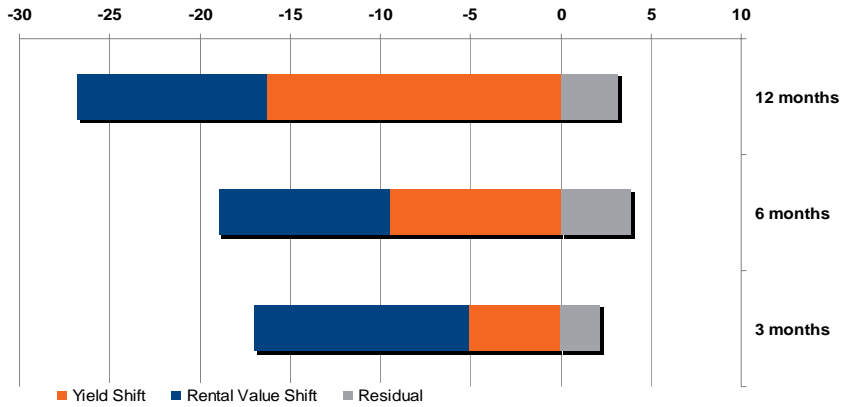
1 Including share of Joint Ventures
2 Excludes development properties
3 Initial yield post expiry of rent frees under contracted leases

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Appendix 2 The Valuation¹ Drivers of Valuation Movement²



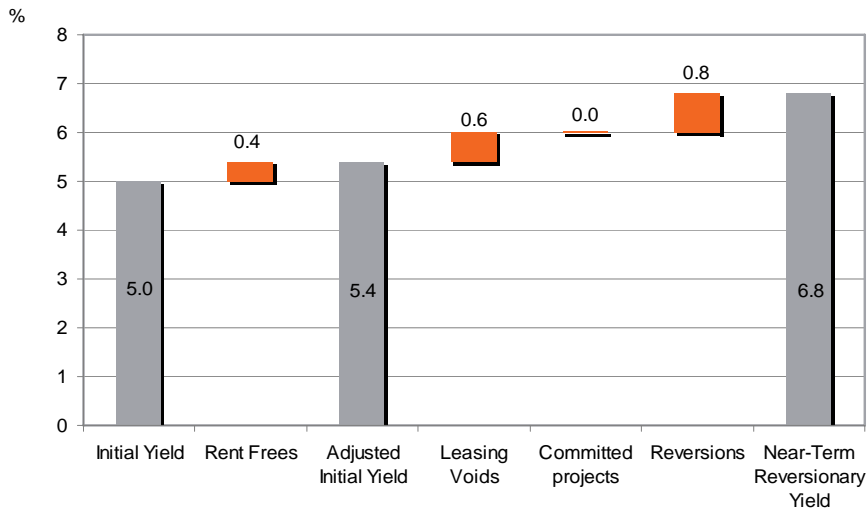
% movement



¹ Including share of Joint Ventures ² Excludes development properties

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Appendix 2 Portfolio Yields From Initial to Reversionary



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Appendix 3 The Valuation¹ ERV and Reversionary Potential



To 31 December	Reversion £m	Movement in ERV			Average Office Rent Passing	Average Office ERV	Reversionary Potential
		3 mth	6 mth	12 mth	£ per sq ft	£ per sq ft	%
North of Oxford St							
Offices	0.2	(13.7%)	(17.6%)	(16.0%)	40.00	41.80	0.9%
Retail	1.3	(3.5%)	(3.6%)	(1.7%)			15.7%
Rest of West End							
Offices	3.2	(13.9%)	(17.4%)	(16.2%)	39.70	47.90	21.1%
Retail	1.8	(0.8%)	(0.1%)	2.9%			20.5%
Total West End	6.5	(10.6%)	(13.4%)	(11.7%)	39.90	44.10	12.5%
City & Southwark							
Offices	3.3	(5.7%)	(7.2%)	(6.9%)	28.00	33.10	25.6%
Retail	0.7	0.7%	1.9%	0.8%			
Total City & Southwark	4.0	(5.3%)	(6.6%)	(6.4%)			29.3%
Total Let Portfolio	10.5	(9.4%)	(11.9%)	(10.5%)	35.80	40.10	15.9%

¹ Including share of Joint Ventures

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Appendix 3 The Valuation¹ Movement in reversions



	6 months to 30 September 2008	3 months to 31 December 2008
At the beginning of the period	£23.9m	£19.5m
Asset management	£(2.3)m	£(1.9)m
ERV movement	£(1.4)m	£(7.1)m
Acquisitions/disposals	£(0.7)m	-
At the end of the period	£19.5m	£10.5m

¹ Including share of Joint Ventures

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Appendix 4
GPE tenants
Including joint ventures at 31 December 2008

