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Derwent London PLC
08 May 2025

Derwent London plc ("Derwent London" / "the Group")

FIRST QUARTER BUSINESS UPDATE

Paul Williams, Chief Executive of Derwent London, said:

"The central London office market continues to see strong occupational demand against an ongoing backdrop of low supply. Larger occupiers are planning further ahead than ever before as the medium-term pipeline is squeezed. Investment volumes more than doubled to £2.4bn in Q1, compared to the prior year, driven by London's global appeal and the positive rental growth outlook.

Since the start of the year, £14.3m of leasing and asset management transactions have completed or are under offer across our portfolio, with active discussions on multiple buildings. There is activity across our villages for both larger HQ spaces as well as smaller 'Furnished + Flexible' units.

25 Baker Street W1 exemplifies our best-in-class offer and will be delivered shortly. All the offices and two of the six retail units are pre-let at rents well above ERV and contracts have exchanged on 20 of the private residential units for £98.4m, significantly exceeding appraisal value. At Network W1, practical completion is due at the end of 2025 and we are in discussions with several potential occupiers. Works are also advancing on our major refurbishments including Middlesex House W1, 1-2 Stephen Street W1 and 1 Oliver's Yard EC1.

We have a high quality portfolio with an attractive average lease term and a substantial development pipeline, which positions us strongly for current and future markets. Our focus on earnings, regeneration and recycling underpins our positive total return outlook, and we reiterate our 2025 portfolio ERV guidance of 3-6%."

Operational update

Leasing activity in the year to date totals £2.7m, with a further £3.7m of rent under offer. Open market lettings were agreed 2.7% ahead of December 2024 ERV. This includes £0.8m of 'Furnished + Flexible' lettings, signed 6.3% above ERV.

Renewals and regears totalling £2.9m have also completed since the start of the year, and a further £5.0m of deals are under offer. Excluding a short-term transaction at 50 Baker Street W1 ahead of scheme commencement in H1 2026, new rent agreed was on average 8.7% above the previous rent.

Our EPRA vacancy rate remains low at 3.4% (31 December 2024: 3.1%).

As previously announced, proceeds were received in late January for the disposal of 4 & 10 Pentonville Road N1 for £26.0m (before costs).

We continue to review asset recycling opportunities across the portfolio and expect to make further disposals over the remainder of 2025. Proceeds will be used to fund our significant development pipeline and potential acquisitions.

Developments

On-site developments

At 25 Baker Street W1 (298,000 sq ft), practical completion is due at the end of H1. The office element has been pre-let to five occupiers at an average headline rent of £104 psf with a 13.5-year average lease term to break. We have also pre-let the first two retail units to Notto, with further space in negotiations. Contracts have now been exchanged on 20 private residential units for combined consideration of £98.4m, with another three units under offer. This reflects a 15% premium to our appraisal valuation.

At Network W1 (139,000 sq ft), the superstructure and façade are making good progress. Discussions are ongoing with several potential office occupiers across a variety of different business sectors.

Next phase of projects

The next phase of our pipeline comprises three West End projects totalling 0.5m sq ft. At Holden House W1 (133,500 sq ft), which is located opposite the Dean Street entrance to the Tottenham Court Road Elizabeth line station, the demolition contract has now been placed within budget ahead of start on site in August 2025. We expect to sign the main construction contract imminently.

We are tendering with contractors at Greencoat & Gordon House SW1 (107,800 sq ft Victorian warehouse refurbishment) and 50 Baker Street W1 (c.240,000 sq ft redevelopment). We anticipate selecting preferred parties over the coming months ahead of expected commencement in H1 2026.

On-site refurbishments

Major refurbishment works, with capex of £65m, are underway at Middlesex House W1, 1-2 Stephen Street W1 and 1 Oliver's Yard EC1. We are comprehensively upgrading the space to maximise occupier appeal and capture the significant rental uplift opportunity, as well as improving environmental performance.

Finance

Net debt fell slightly in the period to £1.47bn from £1.48bn at 31 December 2024. This resulted in the EPRA LTV ratio reducing to 29.6% at Q1 based on 31 December 2024 valuations. Project expenditure of £40m was offset by retained earnings and proceeds from the disposal of 4 & 10 Pentonville Road N1. The final dividend of 55.5p per share (£62m), which is well-covered by EPRA earnings, is due to be paid on 30 May 2025.

Interest cover for the three months to 31 March was 3.5 times and cash and undrawn facilities totalled £615m at the end of the quarter. The Group's weighted average interest rate at Q1 was 3.43% on a cash basis and 3.54% on an IFRS basis. At 31 December 2024, the IFRS rate was 3.53%. Note that the Group's £75m interest rate swaps at 1.36% expired in April 2025.

As previously reported, a new £115m 2-year unsecured loan facility (an £82.5m term element plus a £32.5m revolving element) was signed with HSBC in February on a floating rate basis. It has a one-year extension option and flexible up-front arrangement fees.

For further information, please contact:

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Notes to editors

Derwent London plc

Derwent London plc owns 62 buildings in a commercial real estate portfolio predominantly in central London valued at £5.0 billion as at 31 December 2024, making it the largest London office-focused real estate investment trust (REIT).

Our experienced team has a long track record of creating value throughout the property cycle by regenerating our buildings via redevelopment or refurbishment, effective asset management and capital recycling. We typically acquire central London properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End or City Borders. We capitalise on the unique qualities of each of our properties - taking a fresh approach to the regeneration of every building with a focus on anticipating tenant requirements and an emphasis on design. Reflecting and supporting our long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

We are frequently recognised in industry awards for the quality, design and innovation of our projects. Landmark buildings in our 5.4 million sq ft portfolio include 1 Soho Place W1, 80 Charlotte Street W1, Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

As part of our commitment to lead the industry in mitigating climate change, Derwent London has committed to becoming a net zero carbon business by 2030, publishing its pathway to achieving this goal in July 2020. Our science-based carbon targets validated by the Science Based Targets initiative (SBTi). In 2013 the Company launched a voluntary Community Fund which has to date supported 180 community projects in central London.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER.

For further information see www.derwentlondon.com or follow us on LinkedIn

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Forward-looking statements

This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Derwent London does not undertake to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.

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