Press Release

GREAT PORTLAND ESTATES

7 July 2016

Great Portland Estates Trading Update

Great Portland Estates plc ("GPE") today publishes its trading update for the quarter to 30 June 2016.

Toby Courtauld, Chief Executive, said:

"I am pleased to report another quarter of strong activity delivering further leasing successes across our West End focused portfolio. Whilst tenant interest levels are currently healthy for our limited available space, it is likely that the uncertainty created by the EU referendum result will have a negative impact on economic growth in London. In the near-term, we expect confidence to reduce and some business investment decisions to be deferred whilst negotiations to establish our trading arrangements with the EU are undertaken. As a result, we can expect London's commercial property markets to weaken during this period of uncertainty with the benefits of lower bond yields and weaker sterling offset by reduced rental growth prospects.

Within this more challenging economic context, GPE is well positioned: Following three years of net property sales, our balance sheet has never been stronger with gearing at record low levels, giving us significant financial capacity to take advantage of any market weakness; our committed development programme is materially de-risked, being 62% pre-let or pre-sold; our investment portfolio is almost fully occupied, off attractively low rents, with minimal exposure to financial services tenants, and includes an exceptional future development pipeline with flexible start dates; and we have a first class team ready to capitalise on this period of uncertainty."

Continued successful leasing activity; high occupancy of 97% and diverse tenant base

- Ten new lettings (66,100 sq ft) signed generating annual rent of £3.6 million (our share: £3.2 million), including £0.7 million pre-letting at 30 Broadwick Street, W1; 2.0% ahead of March 2016 rental values
- Four rent reviews settled securing £3.5 million per annum; 46.2% above previous passing rent
- Eleven lettings under offer totalling £6.3 million p.a. of rent (our share: £5.5 million); 1.1% ahead of March 2016 rental values
- Low vacancy rate of 3.1%, low average office rent passing of £45.40 per sq ft, 7.5 years average lease length (including pre-lets), diverse tenant base (31% retail/leisure, 26% TMT, 18% professional services, 12% financial services; less than 1.5% to securities houses/investment banks)
- 99.8% of rent collected within seven working days

De-risked development programme; committed schemes 62% pre-let or pre-sold

- Eight committed schemes (851,200 sq ft, 81% West End), all expected to complete in next 18 months; capital expenditure to come of £210.0 million, 62% pre-let or pre-sold (with further 6% under offer)
- Good progress across further two near-term uncommitted schemes (311,800 sq ft), including planning permission secured at Oxford House ,W1; potential capital expenditure of £155.4 million
- Exceptional and flexible long-term development pipeline of 14 schemes (1.4 million sq ft), all income producing, with 4.1 years average lease length, 31% reversionary[1]

Selective acquisitions; further recycling

- Purchase of the freehold interest in our prime development at 73/89 Oxford Street, W1 and 95/96 New Bond Street, W1 for £71.0 million
- Completion of the sale of vacant Mortimer House, W1 for £26.95 million, crystallising all refurbishment profit without having to refurbish

Strong financial position; low LTV of 19.4% and significant liquidity

- Loan-to-value of 19.4%[2], weighted average interest rate of 3.6%, drawn debt 91% fixed or capped
- Cash and undrawn committed facilities of £377 million, low marginal cost of debt of 1.6%

1. Existing use of development pipeline at 31 March 2016
2. Based on property values at 31 March 2016 pro forma for sales, purchases and capex

Asset management

Tenant interest in the limited amount of available space across our properties has continued to be good; key leasing highlights for the quarter included:

- ten new leases and renewals signed generating annual rent of £3.6 million (our share: £3.2 million); market lettings 2.0% ahead of March 2016 ERV;
- four rent reviews securing £3.5 million of annual rent (our share: £2.1 million) were settled at an increase of 46.2% over the previous rent;
- total space covered by new lettings, reviews and renewals was 98,000 sq ft; and
- a low investment portfolio vacancy rate was maintained of 3.1% at 30 June 2016.

During the quarter, pre-leasing activity at our committed development schemes continued. At 30 Broadwick Street, W1, we secured £0.7 million of new annual rent for the restaurant unit (7,950 sq ft) on a 20 year lease (no breaks) to a well-established restaurant operator.

At 200 Gray's Inn Road, WC1, we signed a lease surrender with ITN to take back 7,000 sq ft on the ground and first floor (let at £35.00 per sq ft), and agreed a new lease with ITN for 12,000 sq ft on the fifth floor at £62.50 per sq ft, setting a new benchmark rent for the building. Securing the ground and first floor will allow us to improve the entrance to the building, reconfigure the reception space and add a café, helping to redefine the building and support further rental increases.

We also continued to capture the significant reversionary upside across our investment portfolio. The most significant was at Mount Royal, W1 where we settled a rent review with Next plc, achieving an increase in the annual rent of £0.9 million to £2.9 million, equating to a Zone A rent of £615 per sq ft, up 45% from the previous rent.

Leasing Transactions	**Three months ended**		
	30 June 2016	**31 March 2016**	**30 June 2015**
New leases and renewals completed			
Number	10	8	17
GPE share of rent p.a.	£3.2 million	£1.6 million	£2.4 million
Area (sq ft)	66,100	20,100	34,900
Rent per sq ft	£54	£81	£69
Rent reviews settled			
Number	4	3	5
GPE share of rent p.a.	£2.1 million	£1.1 million	£0.8 million
Area (sq ft)	31,900	23,400	14,000
Rent per sq ft	£109	£46	£60

Note: Includes joint ventures at our share

We have a further eleven lettings currently under offer accounting for £6.3 million p.a. of rent (our share: £5.5 million), 1.1% ahead of March 2016 ERV.

The quarterly cash collection performance has continued to be very strong, with 99.8% of rent secured within seven working days of the quarter day (March 2016: 99.9%). None of our tenants went into administration during the quarter (March 2016: none); however, we remain vigilant and continue to monitor the financial position of all our tenants.

Our portfolio is let to a diverse range of tenants (with less than 1.5% to securities houses or investment banks), off low average office rents of only £45.40 per sq ft and was 33.1% reversionary at 31 March 2016. 76% of the portfolio is located in the West End, 25% is retail and 86% is located within 800 metres of a Crossrail station.

Development management

Committed schemes. We have eight committed schemes (851,200 sq ft), all but one in the West End, with capital expenditure to come of £210.0 million. These schemes are all expected to complete in the next 18 months and are already 62% pre-let or pre-sold.

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	Mar 2017	267,000	111.5	19.6	73.35	92%
- Residential	Jun 2017	151,700		n/a	n/a	93%
160 Old Street, EC1	Dec 2017	161,900	26.8	4.2	52.50	-
30 Broadwick St, W1	Sept 2016	91,800	9.5	8.0	87.70	8%
73/89 Oxford St, W1	May 2017	90,700	31.7	9.9	85.55	63%
Tasman House, W1	Oct 2017	37,300	18.7	2.8	84.95	-
84/86 Great Portland St, W1	Dec 2016	23,100	6.6	1.0	57.00	-
78/82 Great Portland St, W1	Sept 2016	18,900	4.6	0.3	n/a	-
90/92 Great Portland St, W1	Jul 2016	8,800	0.6	0.1	n/a	-
		851,200	**210.0**	**45.9**		**62%**

1. ERVs at 31 March 2016

Construction is progressing well at our 418,700 sq ft mixed-use Rathbone Square development scheme, with the majority of the building clad and we are on programme to remove the tower cranes later this month. With the 242,800 sq ft of office space pre-let to Facebook, we have now launched the marketing campaign for the 24,200 sq ft of retail and restaurant space and early leasing interest is healthy.

At 160 Old Street, EC1, (formerly 148 Old Street) the demolition works are complete and the main contract has commenced to transform the existing 97,800 sq ft building into around 161,900 sq ft of high quality office and retail space. We are targeting completion of the fully consented scheme in late 2017 and early leasing interest is encouraging.

At 30 Broadwick Street, W1, our 91,800 sq ft new-build, office and retail scheme, construction works are on programme to complete in September. Letting interest in the building has been strong and we have already pre-let the 7,950 sq ft restaurant unit.

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, the construction of the building is underway and on programme. Following the pre-let of all the retail space (47,100 sq ft) to New Look and Benetton, 63% of the scheme's ERV has been secured. The marketing campaign for the 43,600 sq ft of offices commenced in April 2016, and we currently have three of the four office floors under offer.

At Tasman House, 59/63 Wells Street, W1, the demolition of the existing 1950's building is complete and the main construction contract has commenced. The new building will deliver 37,300 sq ft of new office and retail space into an area that is benefiting 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 July 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 £155.4 million.

At Oxford House, 76 Oxford Street, W1, we achieved planning approval in June for our 88,200 sq ft major mixed-use refurbishment. Our plans include a significant increase in the retail space to take advantage of the strong demand for good retail units at the eastern end of Oxford Street. As part of the letting at One Rathbone Square, Facebook has a right of first offer to pre-let all the anticipated 55,700 sq ft of office space.

At Hanover Square, W1, we are currently demolishing the buildings facing New Bond Street on the western side of the site. These limited works will give us the option, should the market be supportive, 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 the GHS Partnership our 50:50 joint venture with the Hong Kong Monetary Authority.

Investment management

In April, we acquired for £71.0 million the entire issued share capital of 73/77 Oxford Street Ltd, a debt free company, owning three properties in London's West End, as follows:

- 73/89 Oxford Street – The freehold interest in GPE's existing prime development at the east end of Oxford Street. Before acquisition, GPE had a 250-year head lease from February 2011, geared to 10% of rents received following practical completion of the scheme; the head rent prior to PC is £620,000 per annum. As a result of the purchase, we have created a 100% prime asset, adjacent to a Crossrail station, in one of the London's most exciting locations;
- 95 New Bond Street – The virtual freehold interest in a retail and office property of 4,800 sq ft, situated at the corner of New Bond Street and Blenheim Street. The property comprises retail on basement to second floor with self-contained offices on third and fourth floors; and
- 96 New Bond Street – A head leasehold interest which expires in 2045 (29.6 years unexpired) at a fixed ground rent of £2,250 per annum. The property extends to 4,800 sq. ft. of retail accommodation. 95 & 96 New Bond Street are let together on a single lease to Victorinox for a total rent of £880,000 per annum which reflects around £400 Zone A, significantly below CBRE's current estimate of £600 Zone A.

Together the New Bond Street properties will further extend our longer term pipeline of development opportunities and are in close proximity to the GHS Partnership's Hanover Square estate, which itself has a substantial retail component on New Bond Street. Whilst already reversionary, we expect the location to show further rental growth in the coming years as Crossrail nears completion and our Hanover Square development is completed.

Also in April, we sold Mortimer House, 37/41 Mortimer Street for £26.95 million. The 23,800 sq ft office property was vacant and we had the necessary planning consents to undertake a comprehensive refurbishment. However, as a consequence of the strong demand at the time for vacant refurbishment opportunities, it made financial sense to sell the property and secure our profit. The sale completed in June.

Financial management

Our financial position continues to be very strong, with a loan to property value of 19.4%. Pro forma for the total potential capital expenditure to come of around £365.4 million at our committed and near-term development schemes, our loan to value ratio would rise to only approximately 26.2% before considering development surpluses to come. This falls to 22.5% when factoring in the residential sales proceeds to come at Rathbone Square, W1 where 139 of the 142 private apartments are pre-sold with 25% deposits already received in accordance with the contracts (25% received over 18 months).

Total net debt (including joint ventures) increased over the quarter by £95.0 million primarily as a result of capital expenditure on our development programme of £63.0 million, net acquisitions of £44.0 million and other movements in working capital. At 30 June 2016, we estimate that property values could fall by around 63% before Group debt covenants would be endangered.

	30 June 2016	31 March 2016
GPE net debt	£660.6m	£568.0m
GPE gearing[1]	22.7%	19.5%
Total net debt including JVs	£739.1m	£644.1m
LTV[2]	19.4%	17.4%

1. Based on net asset value at 31 March 2016 2. Based on property values at 31 March 2016 pro forma for sales, purchases and capital expenditure

Our weighted average interest rate has reduced to 3.6% at the quarter end (31 March 2016: 3.7%) through drawing on our low-cost revolving credit facility due to capital expenditure and property purchases during the quarter. At 30 June 2016, 91% of the Group's total drawn debt was fixed or capped, down from 100% at 31 March 2016. At 30 June 2016, we had significant financial firepower totalling £377 million. Our marginal cost of debt remains low at 1.6% and our revolving credit facility does not mature until October 2020 (potentially extendable to October 2021).

Financial calendar

Our Annual General Meeting ("AGM") will take place at 11.30am today at Chandos House, 2 Queen Anne Street, London W1. GPE will not be disclosing any new material financial information at the AGM and the presentation materials will subsequently be published on the GPE website (www.gpe.co.uk).

We expect to release our 2016/2017 interim results on Thursday 17 November 2016.

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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.