Press Release

23 January 2024

GPE Business Update

Great Portland Estates plc (GPE) publishes a business update for the quarter to 31 December 2023.

Strong leasing continued, 10.4% ahead of ERV

- £16.1 million of leases signed (9 months to 31 December 2023); 10.4%> March 2023 ERV, including in the last quarter:
  - 12 new leases and renewals signed (including eight Fully Managed deals) generating annual rent of £5.0 million (our share: £4.1 million), with market lettings on average 6.5% ahead of March 2023 ERV; and
  - a further £6.0 million of rent currently under offer; market lettings 5.0%> March 2023 ERV

Two committed HQ developments; progressing well

- Good progress at our pre-let net-zero carbon 2 Aldermanbury Square, EC2; basement under construction; anticipated completion Q1 2026
- Vacant possession obtained ahead of major office-led redevelopment of French Railways House, SW1, to provide 67,600 sq ft (up from 54,700 sq ft) of new Grade A space; scheme anticipated to deliver profit on cost of 24.9% and development yield of 6.5%

Preparation ongoing for two profitable near-term HQ schemes

- Commencement of Minerva House, SE1 extensive refurbishment anticipated this quarter to deliver 143,100 sq ft of new Grade A offices with river frontage
- Planning permission to be refined at 91,000 sq ft new build redevelopment of Soho Square Estate, W1 ahead of potential start in Q1 2025
- Combined healthy returns expected: anticipated profit on cost >18%; development yield >6.0%

Further Flex expansion

- Commitment to refurbishment of 141 Wardour Street, W1 for 29,900 sq ft of new Fully Managed space; anticipated profit on cost >19.0%; yield on cost >6.5%
- Deeper dive into our Flex activities to be held for investors on Zoom on 2 February 2024 at 3pm

Toby Courtauld, Chief Executive, said: *"Operationally, we are pleased, once again, to have delivered a strong leasing quarter with £5.0 million of new leasing deals, bringing the total deals for the financial year to date to £16.1 million, 10.4% ahead of the valuer's ERV. This success reaffirms our confidence in our portfolio rental value guidance of +2.5% to +5% growth for the financial year, with the best space potentially higher still.*

Despite a recent improvement in the outlook for interest rates, the macro-economic backdrop in which we operate remains challenging, limiting activity in our investment markets and placing selective upward pressure on yields, particularly for non-prime spaces. However, as we start the new year, we are encouraged by early indications that acquisition opportunities are starting to emerge.

In this context, GPE is well placed. Despite rising barriers to entry in our markets, including a more challenging planning regime, our substantial capex programme is set to deliver the very best, sustainable spaces into a market starved of such supply; our focus on HQ development and our Flex offer is meeting customer demand that is increasingly discerning; and with our strong balance sheet, plentiful liquidity and recycling opportunities, we remain well placed to capitalise on opportunities as they arise."

Strong leasing performance continued, 10.4% ahead of March 2023 ERV year to date

- 12 new leases and renewals signed in the quarter generating annual rent of £5.0 million (our share: £4.1 million), with market lettings on average 6.5% ahead of March 2023 ERV, including:
    - eight Fully Managed leases signed at an average £197 per sq ft, 9.7% ahead of March 2023 Fully Managed ERV;
    - two fitted leases signed at an average £85 per sq ft, 15.6% above March 2023 Fitted ERV.
- Six rent reviews securing £2.2 million of rent (our share: £2.2 million) were settled at an increase of 2.1% over the previous rent and 8.5% ahead of ERV at review date; and
- A further £6.0 million of rent is currently under offer; market lettings 5.0% ahead of March 2023 ERV.

During a period of strong lettings, we have seen the majority of activity from our Flex office offer. At 16 Dufour's Place, W1, we re-let the 4th floor (2,200 sq ft) on a Fully Managed basis. The new customer has taken a two year lease, paying a rent of £258 per sq ft, an increase of 28% on the previous lease with only two months void and 21.8% ahead of March 2023 ERV.

At Woolyard, SE1, we have completed four new leases all on a Fully Managed basis. They will generate additional rent roll of £1.8 million pa, at an average rent of £163 per sq ft and 3.5% ahead of the March 2023 ERV.

Given our continued strong leasing performance, our office rental value growth guidance for the year to 31 March 2024 is unchanged and remains positive at between +2.5% and +5.0% (+3.0% and +8.0% for prime). In addition, as previously guided, given our extensive development and refurbishment activity and the higher interest rate environment, we continue to anticipate that EPRA earnings for the second half of the year will be lower than the first.

Good progress made across two committed projects

Our development works are progressing well at our fully pre-let 2 Aldermanbury Square, EC2, where we are substantially increasing the size of the building to 322,600 sq ft (up from 176,000 sq ft). Following the careful deconstruction of the previous building, the structural steel has been carefully extracted and is being reconditioned for reuse to form the majority of the structural elements of Jermyn Street Piccadilly (see below). Clifford Chance has an option to hand back the first to fourth floors of the building (up to 89,000 sq ft) which expires on 1 March 2024. Whilst we do not yet know their intentions, given market conditions the space is increasingly reversionary, and as such, were the space handed back, it would likely improve the scheme's returns. Whilst the development is currently anticipated to deliver a loss on cost from the commitment date of 12.4%, given market yield expansion driven valuation declines to date, from the September valuation the scheme is expected to deliver £28.3 million of future profit.

Following our commitment to the redevelopment of French Railways House in November 2023, we have now obtained vacant possession and will shortly commence the strip out of the buildings. Our major office-led redevelopment will provide 67,600 sq ft (up from 54,700 sq ft) of new Grade A space and is expected to complete in mid-2026. The scheme is anticipated to deliver a profit on cost of 24.9%, an ungeared IRR of 15.8% and a 6.5% development yield.

Preparation underway at our two near-term schemes
At Minerva House, SE1, we are preparing to start on site in the first quarter of this year. Our plans will take the overall commercial space to 143,100 sq ft, an increase of approximately 56% on the existing area. Our activities will reposition this building, taking full advantage of its river frontage and, by adding additional storeys, we will be able to create outdoor terraces and amenity space with commanding views over central London. The refurbishment will also improve the public realm around the building, creating new and improved connections through the site as well as attractive new gardens that will contribute to local greening and biodiversity and provide space for people to enjoy in the setting of Southwark Cathedral. Our proposals will retain and reuse the majority of the existing building's structure (saving around 3,000 tonnes of CO_2) and will have sector leading sustainability accreditations.

At our recently acquired Soho Square Estate, W1, we continue to work up our plans to refine the existing planning consent to deliver around 91,000 sq ft of new Grade A office and prime retail space. The redevelopment will provide a best-in-class HQ office building on Soho Square with flagship retail fronting Oxford Street, with multiple private terraces and a communal roof terrace, all adjacent to the Tottenham Court Road Elizabeth line station. We anticipate starting on site in Q1 2025.

Together, we anticipate that our two near-term schemes will deliver healthy development returns, with an expected combined profit on cost in excess of 18% and a development yield in excess of 6.0%.

Commitment to further Flex expansion
We have recently committed to the refurbishment of 141 Wardour Street, W1 which will provide 29,900 sq ft of new Fully Managed led space in the heart of Soho. 141 Wardour Street will build on our success to date at nearby 16 Dufour's Place, W1, delivering light-filled floorplates of 2,000 to 4,000 sq ft, terraces on the upper floors and excellent amenity space. The scheme is expected to complete early 2025, delivering an expected profit on cost in excess of 19% and a development yield in excess of 6.5%.

IR award success
In addition to being well rated in recent investor surveys, we were pleased to be awarded 'Best Overall Company IR' (small cap) by the IR Society in their voted awards.

Forthcoming events
On 2 February 2024 at 3.00 pm, we will be hosting an investor & analyst session on Zoom to provide a deeper dive on our Flex activities. Details on how to join the event can be found on our website www.gpe.co.uk/investors.

A provisional date has been set for GPE to announce its full year results on 22 May 2024, with the results presentation available on our website from 8.30am.

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