Press Release

GREAT PORTLAND ESTATES

6 July 2017

Great Portland Estates Trading Update – Strong Operational Performance

Great Portland Estates plc ("GPE") today publishes its trading update for the quarter to 30 June 2017.

Continued successful leasing ahead of ERV and capturing reversion

- 20 new lettings (94,500 sq ft) signed generating annual rent of £6.0 million (our share: £5.2 million), including £1.2 million pre-letting at 84/86 Great Portland Street, W1; 2.3% ahead of March 2017 ERV
- Ten rent reviews settled securing £3.8 million per annum; 62% above previous passing rent, 3.4% ahead of ERV; remaining reversionary potential of 17.6% (£20.5 million)
- 26 lettings under offer totalling £13.1 million p.a. of rent (our share: £10.4 million); 1.3% ahead of March 2017 ERV
- Rent roll of £115.9 million, up 5.7% over three months
- Vacancy rate of 6.5% (falling to 4.5% if we convert all investment lettings under offer)
- 99.8% of rent collected within seven working days

Selective acquisitions; increasing Crossrail exposure

- Purchase of freehold of Cityside and Challenger House, 40/42 Adler Street and 2/8 Whitechapel Road, London E1 for £49.6 million, or £320 per sq ft on the consented net internal area; angles to exploit and adding to the development pipeline

Committed programme de-risked; flexible pipeline covering 40% of existing portfolio

- Three committed schemes (350,000 sq ft), all expected to complete in next eight months; capital expenditure to come of £28.6 million, 67% pre-let or pre-sold (with a further 10% under offer)
- Good progress across two existing near-term uncommitted schemes (309,300 sq ft), including phased access agreement signed with Crossrail at Hanover Square,W1; potential capital expenditure of £152.0 million
- Further development opportunity acquired at Cityside House, Whitechapel E1 (76,500 sq ft)
- Exceptional and flexible medium-term development pipeline of 12 schemes (1.3 million sq ft), all income producing, with 4.0 years average lease length, 19.2% reversionary[1]

Strong financial position; low LTV of 14.1%[2] and significant liquidity

- £110.0 million special dividend paid on 31 May 2017
- Pro forma LTV of 14.1%[2], weighted average interest rate of 2.7%, drawn debt 96% fixed or capped
- Pro forma cash and undrawn committed facilities of £552.9 million[2], low marginal cost of debt of 1.4%

Toby Courtauld, Chief Executive, said:

"I am pleased to report another quarter of strong operational activity with continued leasing successes ahead of ERV and our acquisition in Whitechapel, close to its new Crossrail station, adding to our pipeline of future opportunity. Despite the ongoing uncertain economic and political environment, we continue to attract tenants for our brand of high quality, well located, sensibly priced space with £13.1 million of lettings currently under offer at a 1.3% premium to March 2017 ERVs.

GPE is in great shape with exceptional long-term potential: our recent refinancing successes and four years of net sales activity gives us unprecedented financial capacity; our investment portfolio is well let, off low average rents and with significant reversionary potential; our remaining committed development programme is materially de-risked, being 67% pre-let or pre-sold with strong tenant interest in much of the balance; our exceptional income-producing development pipeline offers more than 1.7 million sq ft of flexible future growth potential; and we have a first-class team ready to capitalise on this period of uncertainty."

1. Existing use of development pipeline at 31 March 2017
2. Based on property values at 31 March 2017 pro forma for remaining net deferred sales proceeds of £112 million from the commercial sales of 73/89 Oxford Street, W1 and Rathbone Square, W1

Asset management

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

- 20 new leases and renewals signed generating annual rent of £6.0 million (our share: £5.2 million); market lettings 2.3% ahead of March 2017 ERV;
- Ten rent reviews securing £3.8 million of annual rent (our share: £3.8 million) were settled at an increase of 62% over the previous rent;
- Total space covered by new lettings, reviews and renewals was 162,400 sq ft;
- Group rent roll increased to £115.9 million, up 5.7% over the three months to 30 June 2017; and
- Investment portfolio vacancy rate fell from 6.8% at 31 March 2017 to 6.5% at 30 June 2017.

Leasing Transactions	**Three months ended**		
	30 June 2017	**31 March 2017**	**30 June 2016**
New leases and renewals completed			
Number	20	15	10
GPE share of rent p.a.	£5.2 million	£3.3 million	£3.2 million
Area (sq ft)	94,500	48,900	66,100
Rent per sq ft	£63	£70	£54
Rent reviews settled			
Number	10	11	4
GPE share of rent p.a.	£3.8 million	£1.8 million	£2.1 million
Area (sq ft)	67,900	31,100	31,900
Rent per sq ft	£56	£71	£109

Note: Includes joint ventures at our share

Significant transactions included:

- At our recently completed development, 84/86 Great Portland Street, W1, we let all the 18,000 sq ft self-contained office space at an annual rent of £1.2 million on a ten-year term (no breaks), 5.5% ahead of the March 2017 ERV;
- At 200 Gray's Inn Road, WC1, where our refurbishment works on the ground and first floor continue, we let part of the 5th floor and 7th floor (23,400 sq ft) to Carlton Communications for a combined annual rent of £1.4 million (our share £0.7 million), in line with March 2017 ERV; and
- At 24/25 Britton Street, WC1, we settled a rent review with Kurt Geiger, capturing significant reversion, increasing the annual rent by £1.0 million to £2.5 million, an increase of 64% on the previous rent and 2.4% above ERV.

We have a further 26 lettings currently under offer accounting for £13.1 million p.a. of rent (our share: £10.4 million), 1.3% ahead of March 2017 ERV. We estimate that for the 12 months to 31 March 2018 rental values will reduce across our office and retail portfolio by between 0% and 7.5%, although our leasing transactions since 31 March 2017 would indicate we are more likely to be at the tighter end of this range.

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 2017: 99.4%). None of our tenants went into administration during the quarter (March 2017: none); however, we remain vigilant and continue to monitor the financial position of all our tenants.

Investment management

In June, we acquired the freehold of land and buildings including Cityside and Challenger House, 40/42 Adler Street and 2/8 Whitechapel Road, London E1 from Hermes Investment Management for £49.6 million, or £320 per sq ft on the consented space.

The 1.1 acre site sits between Aldgate East underground station to the west and Whitechapel station to the east and is made up of;

- Cityside House – a freehold interest in a five-storey, 54,300 sq ft office building. The property is currently unoccupied and has planning consent for an additional three floors, taking the total net internal area to 76,500 sq ft, reflecting a capital value of £250 per sq ft on the consented space;

- Challenger House – a freehold interest in a five-storey hotel, leased to Qbic Hotels for a further 21 years at a rent of £1.4 million p.a., with CPI linked five yearly reviews, capped and collared at 2% - 4% p.a.. The hotel trades from 171 bedrooms with a public restaurant; and

- Development sites - freehold land to the rear of Cityside House, part of which has a planning consent for 19,000 sq ft of development, comprising hotel and residential uses. GPE will seek to improve the existing consent to deliver more beneficial and value creating uses for the land including creating amenity space for the occupiers of Cityside House.

This acquisition represents an exciting opportunity for us to develop a well-designed, cost effective and prominent, office building in the heart of Whitechapel, supported by a long-term income stream from Qbic Hotels, and further development sites. In addition, Whitechapel is set to benefit from significant further regeneration, including its new Crossrail station opening in late 2018.

Development management

Committed schemes

We have three committed schemes (350,000 sq ft) with capital expenditure to come of £28.6 million. These schemes are expected to complete in the next eight months and are already 67% 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[2]	Sept 2017	151,700	12.0	n/a	n/a	95%
160 Old Street, EC1	Feb 2018	161,000	12.6	4.3	53.35	-
55 Wells Street, W1	Oct 2017	37,300	4.0	2.8	83.70	11%
		350,000	**28.6**	**7.1**		**67%**

1. ERVs at 31 March 2017 2. Residential

At Rathbone Square, W1, fit-out of the apartments is progressing well and we expect to achieve practical completion in September. We have forward sold 140 of the 142 private units with 25% cash deposits already paid by the majority of buyers. We expect to be able to start completing the sales and handing over the apartments to the buyers in stages shortly after completion, with the remaining 75% of the sales proceeds to be collected by the end of the year.

At 160 Old Street, EC1, owned in our 50:50 joint venture with the BP Pension Fund, the construction works are well underway to transform the old 97,800 sq ft building into around 161,000 sq ft of high quality office, retail and restaurant space. We are targeting completion of the fully consented scheme in early 2018. Early leasing interest is encouraging, given the low average ERV of only £53.35 per sq ft across the office space, and today we have 56% of the building under offer.

At 55 Wells Street, W1, construction is progressing well to deliver 37,300 sq ft of well-specified office and restaurant space into an area that is benefiting from significant local investment, including our activities at Rathbone Square. The 4,500 sq ft restaurant unit has recently been pre-let to Ottolenghi and marketing for the office space has commenced, although we expect it to let on a floor-by-floor basis after completion, given the size of the building.

Near-term schemes

Following the recent acquisition of Cityside House, E1, we are working up our plans to enable us to commence the redevelopment in the first quarter of 2018. We intend to utilise the existing planning consent to increase the 54,300 sq ft vacant building to 76,500 sq ft of high quality offices with completion anticipated in the second half of 2019, targeting average rents across the building of around £47 per sq ft.

At Oxford House, 76 Oxford Street, W1, we continue to explore whether a more substantial redevelopment would add additional value over and above our existing planning consent for a refurbishment of the building. We anticipate that improving both the quality and scale of the retail space will improve returns from the scheme given the strong demand for high quality retail units at the eastern end of Oxford Street ahead of the opening of Crossrail in 2018. We expect to submit a new planning application later in the year which, if successful, will give us the option to commence on site in the first half of 2018.

At Hanover Square, W1, we signed a phased access agreement with Crossrail in June to allow us to access the site to undertake further enabling works. The agreement also gives us the option, should the market be supportive, to accelerate the construction programme 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 quantity of enquiries we are receiving for the office space (totalling 167,200 sq ft), the earliest possible delivery date for which is 2020.

Financial management

Group consolidated net debt reduced to £485.3 million at 30 June 2017, down from £502.8 million at 31 March 2017 as deferred proceeds from property disposals more than offset the payment of the £110 million special dividend, our acquisition in Whitechapel and capital expenditure on our committed schemes of £15.9 million. Group gearing fell to 17.7% at 30 June 2017 from 18.4% at 31 March 2017. Including non-recourse debt in joint ventures, total net debt was £562.0 million (31 March 2017: £576.8 million) equivalent to a low loan-to-property value of 17.6% (31 March 2017: 18.3%). At 30 June 2017, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £440.5 million.

Pro forma for the receipt of remaining net deferred consideration on property sales, the Group’s loan-to-property value was 14.1%, with cash and undrawn committed credit facilities of £552.9 million.

	Pro forma[2]	**30 June 2017**	**31 March 2017**
GPE net debt	£372.9m	£485.3m	£502.8m
GPE gearing[1]	13.6%	17.7%	18.4%
Total net debt including JVs	£449.6m	£562.0m	£576.8m
LTV	14.1%	17.6%	18.3%

1. Based on net asset value at 31 March 2017 2. Based on property values at 31 March 2017 pro forma for remaining net deferred sales proceeds of £112 million from the commercial sales of 73/89 Oxford Street, W1 and Rathbone Square, W1.

Our weighted average interest rate has decreased to 2.7% at the quarter end (31 March 2017: 3.0%) predominantly due to the repayment in May of £128 million US private placement notes (4.6% fixed rate maturing in 2019 and 2022) and the issue of £175 million new 7 year US private placement notes with a fixed rate of 2.15%. At 30 June 2017 our weighted average debt maturity was 6.1 years.

At 30 June 2017, 96% of the Group's total drawn debt was fixed or capped, up from 82% at 31 March 2017. Our marginal cost of debt remains low at 1.4% and our £450 million revolving credit facility does not mature until 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 2017/2018 interim results on Wednesday 15 November 2017.

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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.

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