Press Release

26 January 2017

Great Portland Estates Trading Update – leasing momentum continues

Great Portland Estates plc ("GPE" or "Group") today publishes its trading update for the quarter to 31 December 2016.

Continued strong leasing activity ahead of ERV; tenant demand healthy

- 16 new lettings (86,600 sq ft) signed generating annual rent of £7.2 million (our share: £6.4 million); 2.0% above March 2016 ERV
  - Two office lettings (25,200 sq ft) at our recently completed development at 30 Broadwick Street, W1, combined rent of £2.4 million p.a., 3.3% above March 2016 ERV
- Further £4.5 million of lettings under offer; 7.8% ahead of March 2016 ERV
- Capturing reversion, eleven rent reviews settled securing £5.5 million (our share: £3.6 million); 40% above previous passing rent and 2.0% ahead of ERV; further reversionary potential now 24.8%
- Vacancy rate increased as expected to 7.3% due to development/refurbishment completions, average office rent only £48.80 sq ft
- Rent roll of £107.7 million, up 7.3% over the three months; diverse tenant base (<1.5% to investment banking/securities trading/insurance)
- Rent collection strong; 99.3% collected within 7 working days

De-risked development programme; extensive and flexible pipeline of opportunity

- One completed scheme (92,300 sq ft), profit on cost of 33.1%, 55% let with a further 6% under offer
- Five committed schemes (659,100 sq ft), 76% West End, 73% pre-let or pre-sold, expected profit on cost 16.8%, all expected to complete in next 13 months; total capex to come £97.7 million
- Two near-term uncommitted consented schemes (311,800 sq ft), both adjacent to West End Crossrail stations, potential starts over next 18 months
- Exceptional development opportunity from long-term flexible pipeline; 14 uncommitted schemes (1.4 million sq ft), 3.9 years average lease length, income producing

Crystallising development profits

- Forward sale of 73/89 Oxford Street, W1 for £276.5 million, crystallising whole life surplus of 75% (£118.5 million)

Exceptionally strong financial position

- Pro forma loan-to-value of 16.9%[1], weighted average interest rate of 3.7%, drawn debt 97% fixed or capped
- Cash and undrawn committed facilities of £445 million, low marginal cost of debt of 1.4%

Toby Courtauld, Chief Executive, said:

"I am pleased to report another quarter of strong activity delivering continued leasing successes ahead of ERV and crystallising surpluses through profitable capital recycling. Despite the continuing uncertain economic environment and our expectation that London's commercial property markets will weaken in the near-term, tenant interest remains healthy for the limited available space across our West End focused portfolio and our profitable forward sale of 73/89 Oxford Street demonstrates that investment pricing for prime assets remains relatively robust.

GPE is in great shape: Following more than three years of net property sales, our unprecedented financial strength gives us significant capacity to exploit any market weakness; our investment portfolio is well let, off low average rents and with significant reversionary potential; our committed development programme is materially de-risked, being 73% pre-let or pre-sold; 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. Based on property values at 30 September 2016, pro forma for capital expenditure, and debt position at 31 December 2016 pro forma for 73/89 Oxford Street sale deferred consideration

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Asset management

Tenant interest for available space across our properties continues to be good. During the quarter we agreed 16 new lettings (86,600 sq ft), generating an annual rent of £7.2 million (our share: £6.4 million). The majority of these transactions were market lettings which completed on average 2.0% ahead of the valuer's March 2016 estimates. We also settled eleven rent reviews in the quarter securing £5.5 million of rent (our share: £3.6 million), representing an increase of 40% over the previous passing rent and capturing significant reversion.

During the quarter, our most notable leasing transactions included:

- At our recently completed development at 30 Broadwick Street, W1, we let a further 25,200 sq ft over two floors for a combined annual rent of £2.4 million. We let the 10,600 sq ft fifth floor to pre-eminent UK gaming company Jagex Limited at a record Soho rent of £107.50 psf, while the 14,600 sq ft second floor was let to BCG Digital Ventures, a corporate innovation, incubation and investment arm of The Boston Consulting Group. The pair of lettings were 3.3% ahead of the March 2016 ERV.
- At Mount Royal, 508/540 Oxford Street, W1, the Great Victoria Partnership agreed a back-to-back surrender and re-letting to replace an existing retailer with Holland & Barrett in a unit at our prime retail site at the western end of Oxford Street. Holland & Barrett will occupy the 10,200 sq ft store on a 10 year lease paying annual rent of £1.6 million (£608 per sq ft Zone A), 26% ahead of the previous passing rent.

A further 51,200 sq ft of lettings generating £3.2 million (our share: £2.4 million) in annual rent were concluded across the portfolio during the quarter. We currently have a further 64,700 sq ft of space under offer (new lettings and renewals) which would deliver approximately £4.5 million p.a. in rent (our share: £4.5 million), in total 7.8% ahead of March 2016 ERV's.

Leasing Transactions	**Three months ended**		
	31 December 2016	**30 September 2016**	**31 December 2015**
New leases and renewals completed			
Number	16	11	15
GPE share of rent p.a.	£6.4 million	£6.2 million	£7.7 million
Area (sq ft)	86,600	81,000	122,600
Rent per sq ft	£83	£77	£69
Rent reviews settled			
Number	11	6	4
GPE share of rent p.a.	£3.6 million	£1.2 million	£3.2 million
Area (sq ft)	106,100	28,300	70,000
Rent per sq ft	£52	£60	£88

Note: Includes joint ventures at our share

Recent development completions at 30 Broadwick Street, W1 and 90/92 Great Portland Street, W1, and recently completed refurbishments at Elm Yard, WC1 and 54/56 Jermyn Street, SW1, have increased the Group's vacancy rate to 7.3% at 31 December 2016 (3.1% at 30 September 2016). This would reduce to 6.3% should we convert all the space currently under offer in the investment portfolio.

The quarterly cash collection performance continues to be very strong, with 99.3% of rent secured within seven working days of the quarter day (September 2016: 99.9%). No tenants went into administration during the quarter (September 2016: none) and we continue to remain vigilant and monitor the financial position of all our tenants.

Development management

Completed schemes. At 30 Broadwick Street, W1, our 92,300 sq ft new-build office and retail scheme, construction work completed in November, with two office floors and the restaurant unit already pre-let, delivering the only new build office completion in Soho for 2016. Since completion we have let a further two office floors (see asset management section) and all the remaining retail space is under offer with good interest in the remaining office floors. The building is now 55% let with a further 6% under offer.

Committed schemes. We have five committed schemes (659,100 sq ft), all but one in the West End, with capital expenditure to come of £97.7 million. These schemes are all expected to complete in the next 13 months.

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	268,000	59.4	19.7	73.35	91%
- Residential	Jun 2017	151,700			n/a	93%
160 Old Street, EC1	Feb 2018	160,600	19.8	4.3	53.35	-
65 Wells Street, W1	Oct 2017	37,300	13.0	2.8	84.15	-
84/86 Great Portland St, W1	Feb 2017	23,200	3.4	1.0	57.25	-
78/82 Great Portland St, W1	Feb 2017	18,300	2.1	0.3	n/a	2%
		659,100	**97.7**	**28.1**		**73%**

1. ERVs at 30 September 2016 at GPE share

Construction at our 419,700 sq ft mixed-use Rathbone Square development scheme is progressing well and on schedule to commence phased practical completion from late March 2017. With all of the 242,800 sq ft of office space pre-let to Facebook, the marketing campaign for the 25,200 sq ft of retail and restaurant space has been positively received and we currently have 11,800 sq ft under offer. The residential sales programme continues with only three penthouses of the 142 private units remaining available.

At 160 Old Street, EC1, construction works are progressing well and we expect to deliver 160,600 sq ft of high quality office and retail space in early 2018. The marketing suite was completed in November and the formal pre-letting campaign will commence in March. To date we have been encouraged by the level of interest already received by prospective tenants.

At 65 Wells Street, W1, structural works are progressing well and the project is on schedule to complete in October 2017. The scheme 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 two schemes on Great Portland Street, W1, where we will shortly be delivering 41,500 sq ft of mixed use space, including an 18,600 self-contained office unit which is now under offer and the off-site residential requirements for both 30 Broadwick Street, W1 and 65 Wells Street, W1. The schemes are progressing well and we expect elements of the building to complete over the next couple of months.

Near-term schemes. Our near-term development programme comprises two schemes (311,800 sq ft), both with potential project starts over the next 18 months. Our share of the expected capital expenditure to come if these uncommitted schemes were started is £146.6 million.

At Hanover Square, W1, the demolition of the New Bond Street buildings is now complete. Negotiations with Crossrail are ongoing to allow further access to the site, such that should market conditions be supportive, we can commence elements of the construction ahead of completion of the station structure by Crossrail in 2018. The development is owned in our GHS partnership.

At Oxford House, 76 Oxford Street, W1, our 88,200 sq ft major mixed-use refurbishment scheme, Facebook have chosen not to exercise their right of first offer to occupy the 55,700 sq ft of office space. Dependent on market conditions, we expect to be able to commence construction during autumn this year although the development team continue to look for opportunities to improve the design of the currently consented scheme.

The pipeline. Our flexible development pipeline includes a further 14 uncommitted projects, giving us a total programme of 2.4 million sq ft, covering 52% of GPE's existing portfolio. These schemes provide an extensive pool of development opportunities, stretching into the early 2020's, giving GPE a significant platform for organic growth into the next property cycle.

Investment management

We have been a net seller so far this financial year and during the quarter our profitable recycling activities continued as we crystallised a significant surplus selling a major pre-let development scheme.

In November 2016, we forward sold 73/89 Oxford Street, W1 to Norges for £276.5 million, reflecting a net initial yield to the buyer of 3.2%. The pre-let office and retail development is under construction with practical completion ("PC") expected in Q2 2017. The sale, in line with both the March and September book value, crystallises a whole life capital return, from purchase, through development to disposal, of 75% and an annualised ungeared IRR of 28.4%.

Norges paid £205.2 million, with the balance of the purchase price payable on completion of the leases following PC. The price allows for a deduction in lieu of interest until PC on Norges's initial capital outlay at a rate of 3.2% per annum and an allowance for tenant rent free periods. Based on the current cost and programme, GPE will receive two further payments on completion of the leases in July 2017 of £46.2 million in deferred consideration and £25.1 million for reimbursement of the development costs to complete the scheme.

Financial management

Our exceptionally strong financial position was enhanced during the quarter by the forward sale of 73/89 Oxford Street, W1. Total net debt (including joint ventures) decreased over the quarter to 31 December 2016 by £143.5 million to £669.1 million primarily as a result of the above sale, offset by capital expenditure at our committed and near-term development programme of £38.7 million.

	31 December 2016	**30 September 2016**
GPE net debt	£593.4m	£738.5m
GPE gearing[1]	21.0%	26.1%
Total net debt including JVs	£669.1m	£812.6m
Cash & undrawn credit facilities	£444.7m	£301.4m
LTV	16.9%[2]	21.7%

1. Based on net asset value at 30 September 2016. 2. Based on property values at 30 September 2016 adjusted for capex and debt position at 31 December 2016. Pro forma for deferred consideration on sale of 73/89 Oxford Street, W1 of £71.3 million.

Our weighted average interest rate was 3.7% at the quarter end (30 September 2016: 3.6%). At 31 December 2016, 97% of the Group's total drawn debt was fixed or capped and the group has significant liquidity of £444.7 million (or £516.0 million pro forma for 73/89 Oxford Street, W1 deferred consideration) to take advantage of any opportunities in the market.

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