

# Press Release



6 April 2022

## Leasing Update and 'Customer First' Capital Markets Event

GPE today publishes its Leasing update for the quarter to 31 March 2022, and hosts a Capital Markets Event, focusing on the theme of **'Customer First'**.

Toby Courtauld, Chief Executive, said: *"Having delivered record volumes of leasing in the financial year just ended, we start the new year with healthy levels of demand for high quality spaces, particularly across our recently completed developments and our Flex offerings. To meet this demand, we have started our £1.1 billion development programme and are targeting to grow organically our flex offering to more than 600,000 sq ft. We will supplement this growth through acquisitions, as demonstrated by last week's purchase of 7/15 Gresse Street, W1. Encouragingly, we have also completed a number of retail lettings which suggest that London's retail market is turning the corner, with recovering levels of footfall boosting trade and retailer confidence.*

*We recognise that customers' needs and therefore the markets in which we operate are changing. We are well placed to respond. At our Capital Markets Event today we will set out how our market-leading 'Customer First' approach responds to these developing themes, shaping the spaces and services we provide and evolving our business for a future full of potential."*

Strong leasing quarter delivers record leasing year

The leasing highlights in the quarter included:

- 18 new leases and renewals signed generating annual rent of £7.3 million (our share: £6.4 million), with market lettings on average 8.1% ahead of March 2021 ERV;
- Four rent reviews were settled securing £1.2 million of annual rent (our share: £1.2 million) 6.9% ahead of the previous passing rent and 3.8% ahead of ERV;
- Total space covered by new lettings, reviews and renewals was 114,400 sq ft; and
- A further 25 lettings under offer (91,000 sq ft) which would deliver approximately £8.9 million p.a. in rent (our share: £8.1 million), with market lettings 4.7% ahead of September 2021 ERV, and a further c.£31 million in negotiation

The largest transaction in the period was at 1 Newman Street, W1, where we leased the fourth floor to a global investment firm for its new European headquarters. The investment firm has committed to a 10-year lease for 13,800 sq ft of prime office space and is due to move into its new workspace later this year. The third floor of the building is now also under offer.

More recently we completed three retail lettings, totalling 8,800 sq ft, at a combined rent of over £2.0 million per annum. Together, these lettings were on average 12% ahead of **CBRE's September 2021 ERV**, demonstrating the increasing confidence in the continued recovery of the central London retail market by international and domestic retailers.

In total, GPE has signed 520,900 sq ft of new lettings in the year to 31 March 2022, generating a combined annual rent of £38.5 million (GPE share: £32.0 million), with market lettings 9.8% ahead of March 2021 ERV, surpassing our previous record leasing high of £31.8 million in 2016.

We are also pleased to report that our on-going focus on customer satisfaction resulted in a Net Promoter Score of +27.8, significantly ahead of the UK office sector average of +2.0.

#### Capital Markets Event: ‘Customer First’

Today we will be hosting a Capital Markets Event for analysts and institutional investors. The event will include a short property tour, presentations from a number of members of the senior management team and will focus on how our markets are evolving and how we are responding with a ‘**Customer First**’ approach, shaping the spaces and services we provide.

The slides from the presentation are attached to this release and are available now on our website at [www.gpe.co.uk/investors/2022-capital-markets-event/](http://www.gpe.co.uk/investors/2022-capital-markets-event/). A recording of the presentations will be available at the same address following the event.

#### Annual Results 2022

GPE will be announcing its full-year results on 19 May 2022.

Great Portland Estates plc  
Toby Courtauld, Chief Executive  
Nick Sanderson, Chief Financial & Operating Officer  
Stephen Burrows, Director of Financial Reporting & IR

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For further information see [www.gpe.co.uk](http://www.gpe.co.uk) or follow us on Twitter at @GPE\_plc

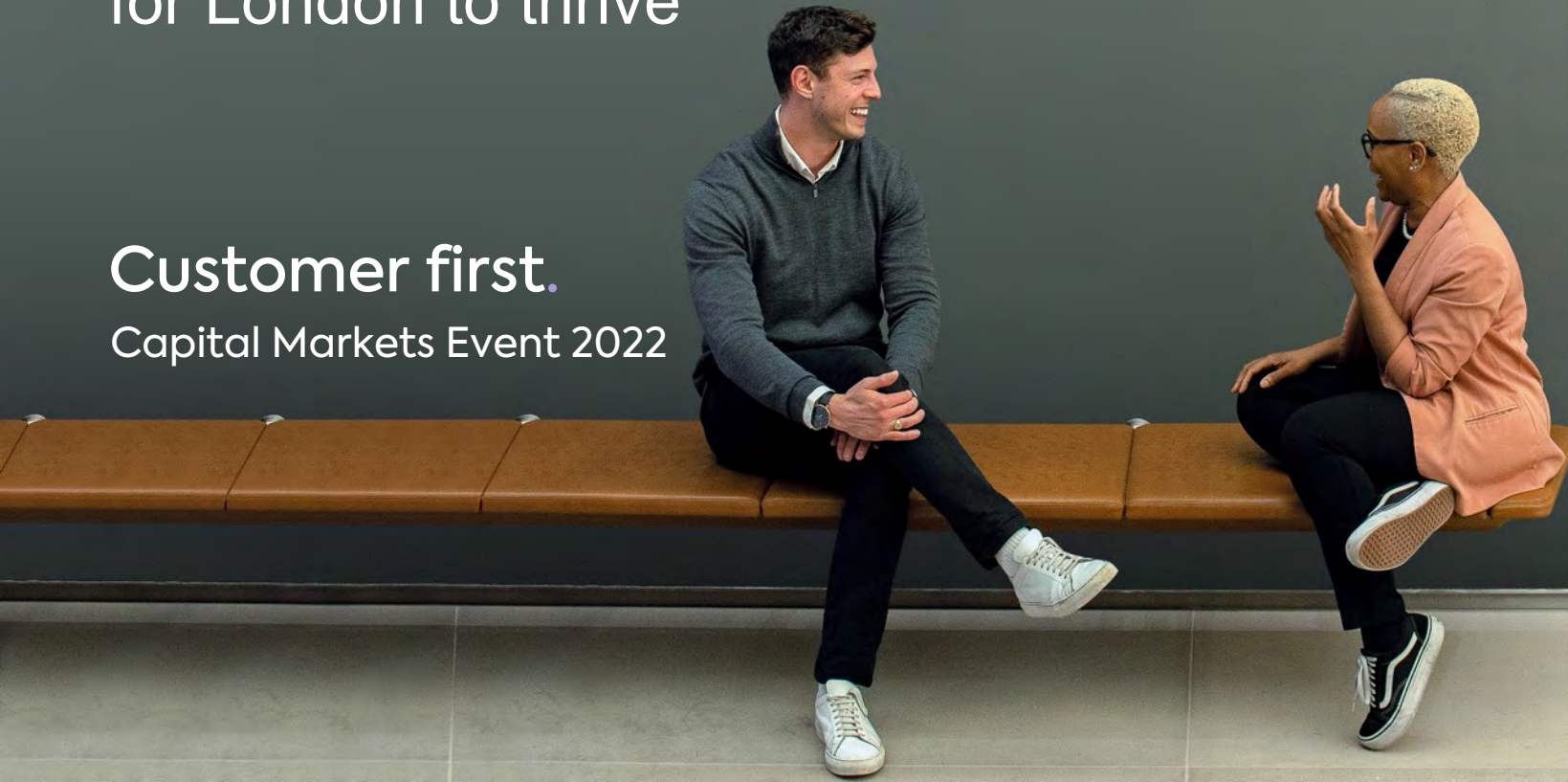
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GPE.

We unlock potential,  
creating sustainable space  
for London to thrive

Customer first.

Capital Markets Event 2022



Customer needs evolving,  
GPE responding

Toby Courtauld, Chief Executive

Our portfolio is well suited

Dan Nicholson, Executive Director

Our Flex proposition

Steven Mew, Customer Experience & Flex Director

Leasing strategy & success

Simon Rowley, Director of Office Leasing & Flex

HQ repositioning

Dan Nicholson, Executive Director

The sustainability impact

Janine Cole, Sustainability & Social Impact Director

Delivering attractive returns

Nick Sanderson, Chief Financial and Operating Officer

Conclusions and Q&A

Toby Courtauld, Chief Executive

# London: A Dominant World City

## Recovery Building

### Positive Economic Prospects:

- Annualised GVA 22-25<sup>1</sup>: London +3.1% (UK: +2.6%)
- PMI business activity indices >50; ahead of wider UK
- Healthy London office employment growth

### But, uncertainty:

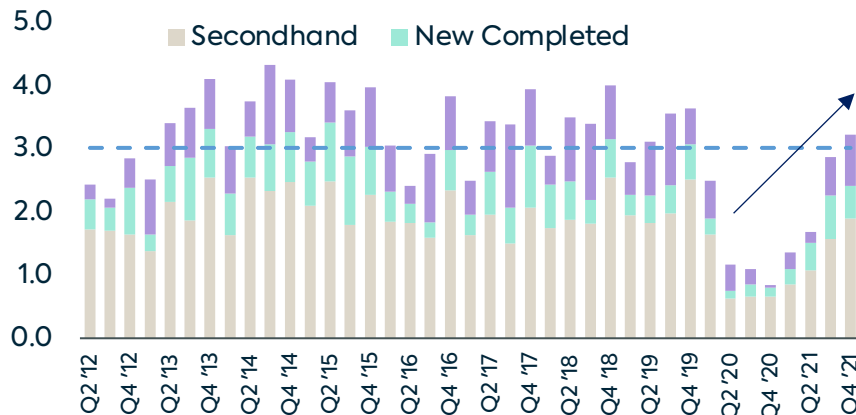
- Elevated inflation
- Full impact of conflict in Ukraine unknown

### London: strong fundamentals

- Breadth and depth of economic offer; one of the world's best mixed-use locations
- New industries growing e.g. Tech / Life Sciences
- Retail turned the corner: footfall @ 80% of 2019 levels
- Crossrail to open H2 '22

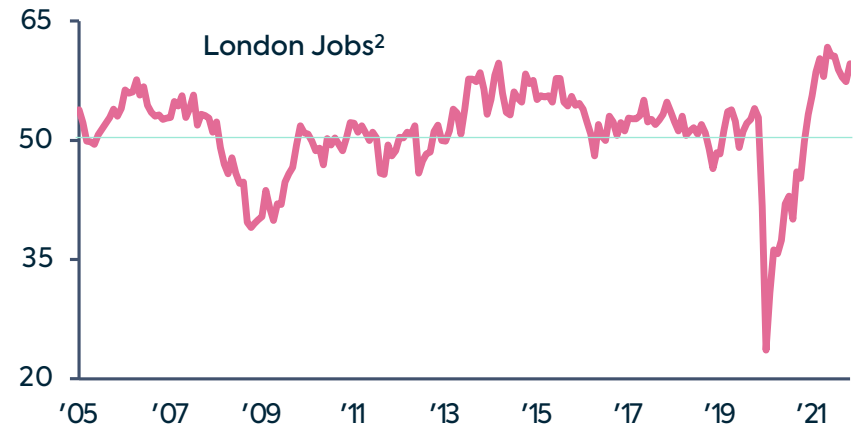
### Feeding into Leasing Activity<sup>3</sup>...

#### Central London Take Up (m sq ft)



1. Oxford Economics 2. Markit PMI London Report, all sectors  
3. CBRE 4. Market lettings compared to March 2021 ERV

### Employment Growth



### GPE Delivering Record Leasing

#### FY22: record leasing year

- £38.5m of annual rent; 520,900 sq ft
- 9.8% ahead of ERV<sup>4</sup>

#### Quarter to March 22

- £7.3m; 8.1% ahead of ERV<sup>4</sup>
- £8.9m under offer; £31m in negotiation

#### Leasing themes

- Strong demand for prime and flex spaces
- Retail turning the corner; selective strong leasing

#### Strong customer satisfaction

- GPE NPS score +27.8; UK office sector avg.+2.0

### London: long-term growth

# Customer Needs Evolving

## GPE Responding

### Strategy: Evolving

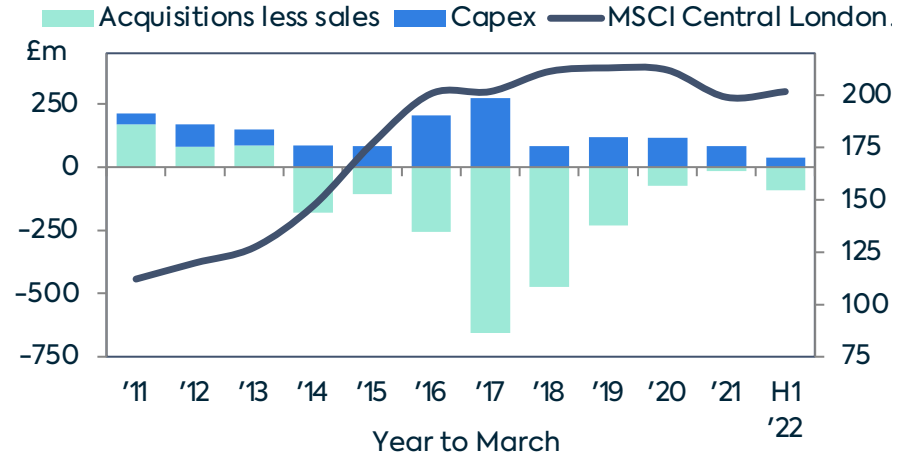
100% central London	<i>West End focus (70%<sup>2</sup>)</i>
Reposition properties	<i>Low rents (£62.50 psf)</i>
Match risk to cycle	<i>Net investor</i>
Low financial leverage	<i>16.7%<sup>2</sup> LTV</i>
Disciplined capital management	<i>Raise to acquire; distribute excess</i>
Sustainability is an imperative	<i>Net zero carbon by 2030</i>
Differentiate our product	<i>Through flexibility, service &amp; tech</i>

Superior total returns 439.6% TPR<sup>1</sup> (Benchmark 366.6%)

### Key Themes at CMD Feb 2020

1. London – what are its prospects?
2. Changing working patterns  
= evolving relationship between owner & occupier
3. What opportunity presented by technology?
4. Our response to climate change  
– an economic imperative

### Cycle Read is Key<sup>2</sup>



### Key Theme at CMD 2022

A 'Customer first' approach

### Customer Needs Evolving; GPE Responding

# Customer first.

Quality  
Flexibility  
Sustainability  
Service  
Health & Wellbeing  
Technology  
Social Impact







# Customer first.

- Quality
- Flexibility
- Sustainability
- Service
- Health & Wellbeing
- Technology
- Social Impact

customers  
demand the best





# Customer first.

- Quality
- Flexibility
- Sustainability
- Service
- Health & Wellbeing
- Technology
- Social Impact

choice is  
valuable



# Customer first.

- Quality
- Flexibility
- Sustainability
- Service
- Health & Wellbeing
- Technology
- Social Impact

sustainable spaces:  
positive brand  
influence,  
attracts talent



# Customer first.

- Quality
- Flexibility
- Sustainability
- Service
- Health & Wellbeing
- Technology
- Social Impact

enhancing  
customer  
experience



# Customer first.

- Quality
- Flexibility
- Sustainability
- Service
- Health & Wellbeing
- Technology
- Social Impact

inclusive  
and accessible:  
a differentiator



# Customer first.

- Quality
- Flexibility
- Sustainability
- Service
- Health & Wellbeing
- Technology
- Social Impact

enabling  
user experience;  
future-proofing  
for tomorrow's  
working patterns




# Customer first.

- Quality
- Flexibility
- Sustainability
- Service
- Health & Wellbeing
- Technology
- Social Impact

creating a lasting,  
positive impact  
in our communities

# Customer first.

Quality  
Flexibility  
Sustainability  
Service  
Health & Wellbeing  
Technology  
Social Impact



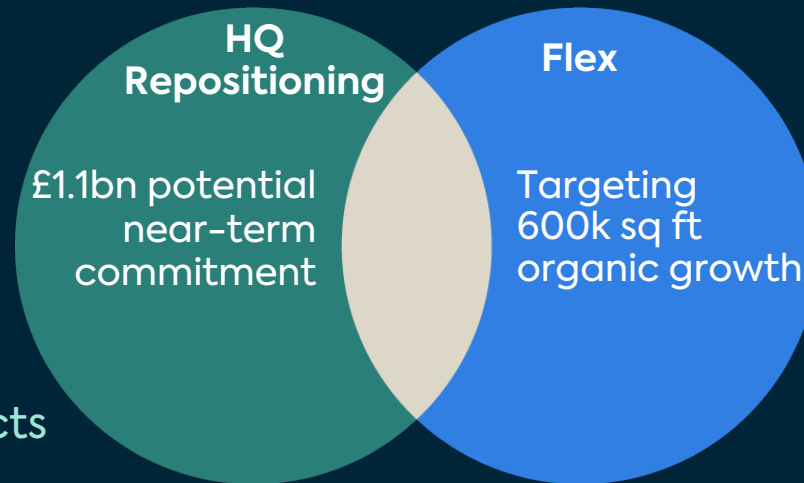
... a real  
differentiator

Better customer  
outcomes...  
...better returns



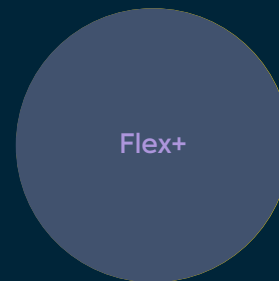
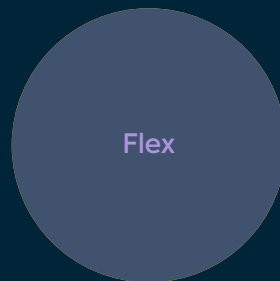
# Customer first.

Two Complementary, Overlapping Business Streams



## Four core office products

Previous



Rebranded



GPE delivered; by floor /building

Partnership delivered; by desk/room

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Customer needs evolving,  
GPE responding

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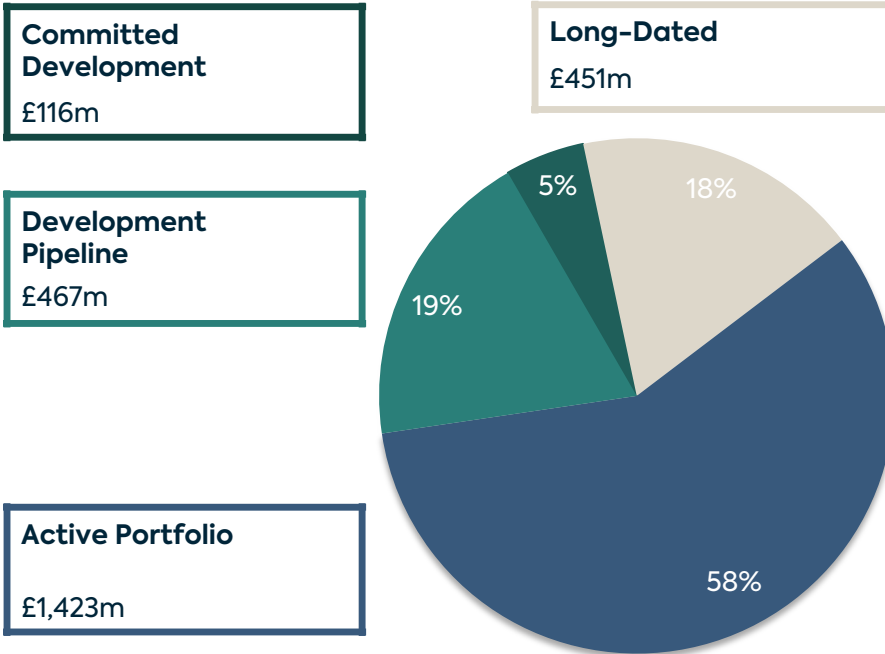
Toby Courtauld, Chief Executive

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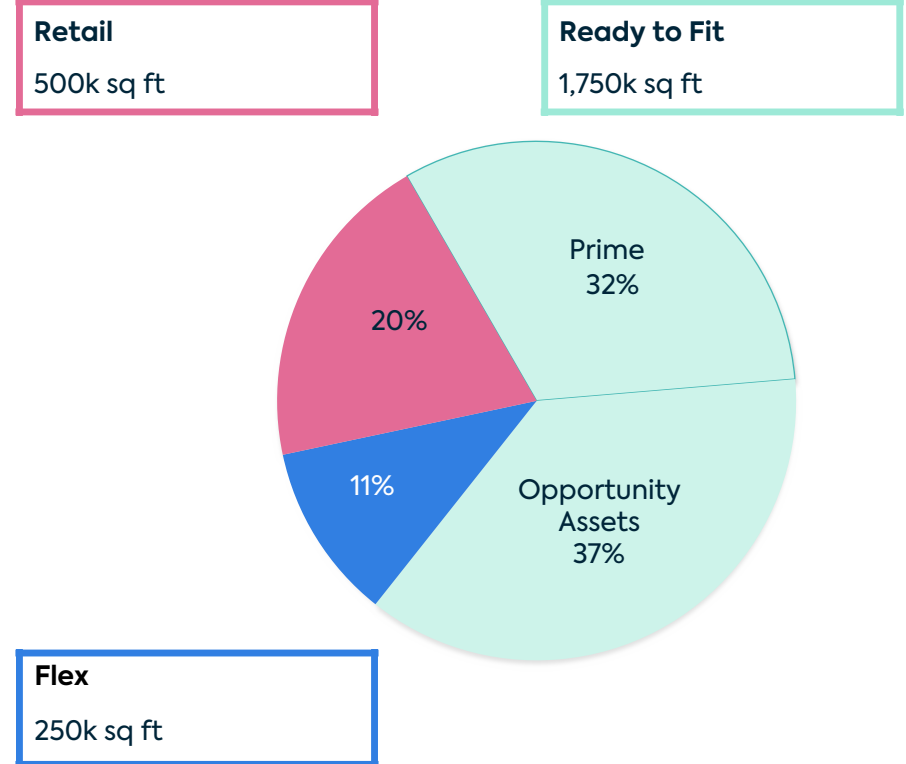
# Our Portfolio is Well Suited

## Significant Potential to Add Value

Portfolio by Asset Class by Value<sup>1</sup>



Portfolio by Product by Area<sup>2</sup>

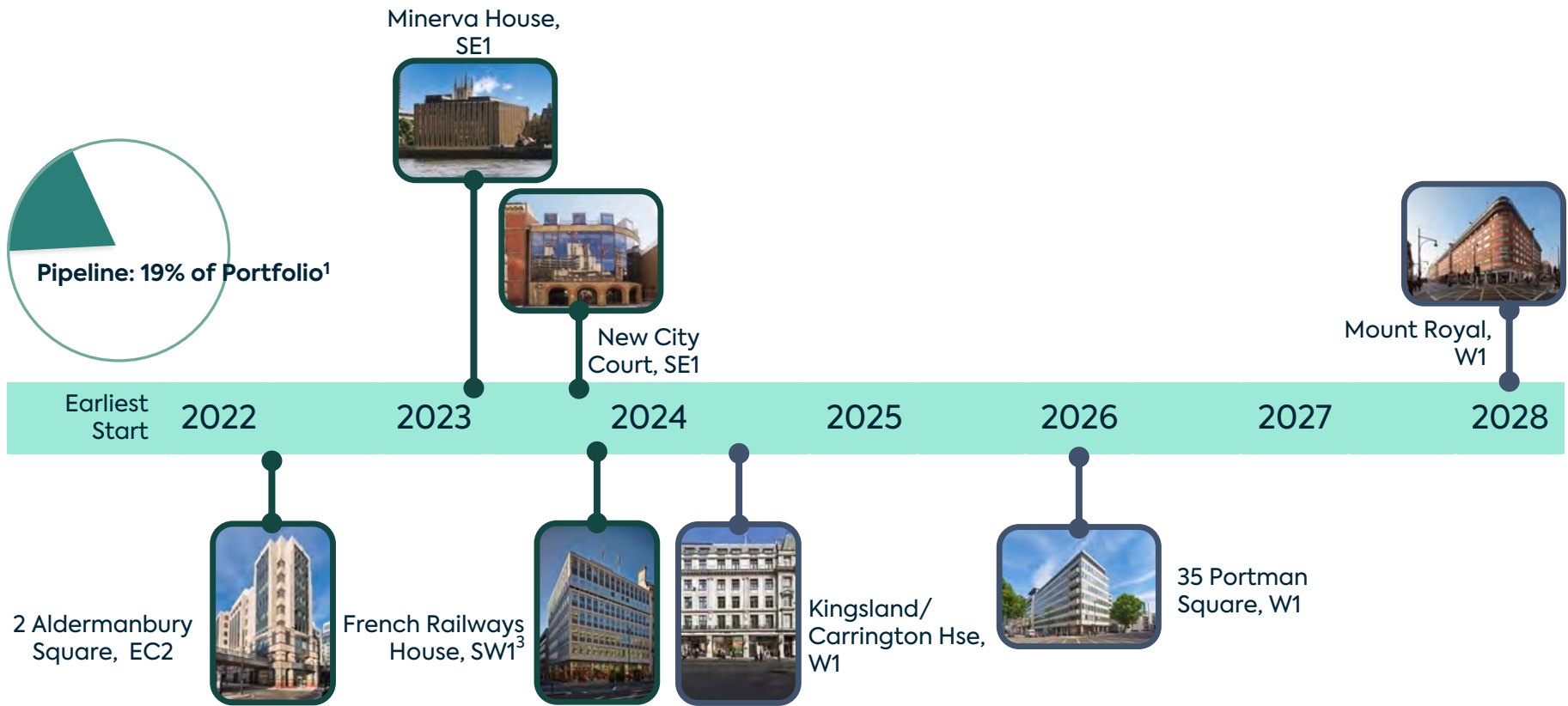


1. Portfolio breakdown by Sep 21 value, as at March 2022 2. Portfolio breakdown by area, as at March 2022  
3. 14% of office portfolio

# HQ Repositioning : Feeding Ready to Fit

7 Schemes, Starts from H2 '22

<b>Near-Term</b>	Existing	Completed	<b>Medium Term</b>	Existing	Targeting	<b>Pipeline Total</b>	New Build <sup>2</sup>
	420,300 sq ft	916,000 sq ft		200,000 sq ft	400,000 sq ft		1,116,000 sq ft
Capex	ERV	Increase				Increase	
£828m	£72m	118%				+100%	



1. Portfolio breakdown by Sep 21 value as at March 2022 2. Existing area used where insufficient design information exists.  
3. Including 50 Jermyn St, SW1

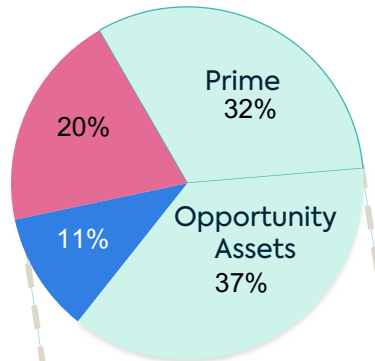
# Significant Opportunity to Grow Flex

## Portfolio by Product by Area

Today<sup>1</sup>

Retail

Ready to Fit

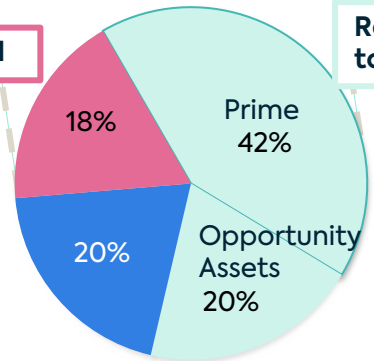


Flex	
Fitted	4%
Fully Managed	4%
Flex Partnerships	3%

By 2027<sup>1</sup>

Retail

Ready to Fit



Flex	
Fitted	6%
Fully Managed	11%
Flex Partnerships	3%

## Our Portfolio is Well Suited for Flex

- 87% of office spaces < 10,000 sq ft
- Clusters of ownership
  - Facilitates relocation as businesses grow
  - Aids service provision
- Flexible layouts; capable of amenity provision and subdivision

## Our Flex Strategy

- Significant conversion to flex
- If not Flex or HQ repositioning, maximise value and exit

## Restructured Team

- Focussed flex leadership
- Appointed flex specialists in design, procurement, acquisitions and leasing
- Customer service culture and team being built

## Flex: primed for growth

1. By sq ft, assuming completion of all near-term schemes

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# Our Vision for our Flex Offering

Significant Ambition. The Market is Evolving and We Are Evolving Too



## Our Flex Vision

To create great spaces that are flexible, sustainable and beautifully designed, with the customer at its heart, offering high quality service that delivers an enticing workspace experience.

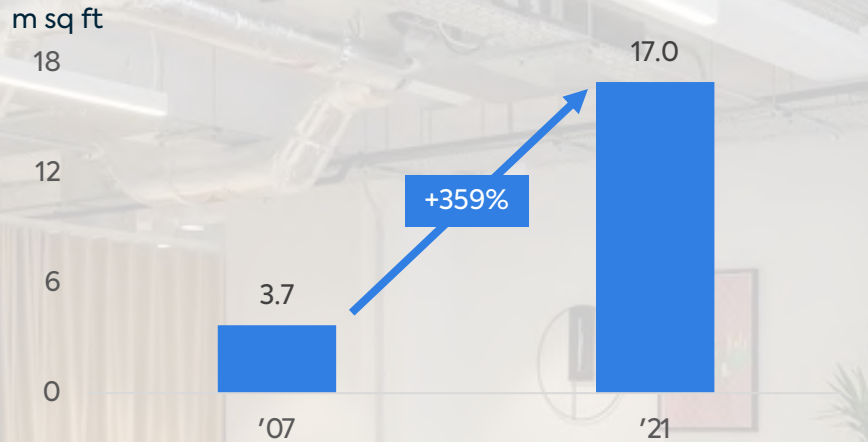




# The Flex Market is Growing

Driven by Demand for Flexibility, Experience and Ease

## Significant Central London Growth<sup>1</sup>...



Flex becoming the default choice for sub 10k sq ft

## ... Set to Continue

### More demand than ever

- 10%-15% forecast annual growth<sup>2</sup>
- Expected to total 12%-15% of UK office stock by 2026<sup>2</sup>; c.6% today

### Key drivers reinforcing growth...

- Flexible working trends
  - Businesses want more agility
  - People want hybrid working
- Technology as an enabler

## ... as is the growing customer base

- Not just SMEs - corporates building flexibility into their portfolios
  - 53% of corporates are planning to increase employee access to flexible space<sup>3</sup>
  - 30% of all corporate office space by 2030<sup>4</sup>
- Driving greater demand for larger spaces
  - 38% increase in 50+ desks since 2019<sup>5</sup>
  - Market supply of larger, quality spaces limited

## Aligning our products into growing market

1. Cushman & Wakefield, Flexible workspace stock inc. '21 year end forecast. 2. The Instant Group, 2022. 3. Cushman & Wakefield Global Survey 4. JLL. 5. Savills

# Three Flex Products

We Understand Our Customers

## GPE Flex Products



### What Customers Want

GPE delivered;  
by floor /building

Partnership delivered;  
by desk/room

What Customers Want	Fitted	Fully Managed	Flex Partnerships
Dedicated, fully furnished space; customised branding	✓	✓	
Flexible agreements; space to grow	✓	✓	✓
Sustainably developed; proven workplace experts / trusted landlord	✓	✓	✓
sesame® - smart workplace app; Wi-Fi enabled; concierge service; helpdesk	✓	✓	✓
IT support		✓	✓
Community manager; food & beverage		✓	✓
Full maintenance support <sup>1</sup>		✓	✓

1. Cleaning service & maintenance; landscaping & planting; waste management



# Our Flex Offers: Fitted

Hassle-Free Experience; Business Ready



Private floor with your own front door



Customer branded, customisable space



Desks, chairs & soft furnishings all included



Plug and play with a secure internet connection



sesame® smart building app and lifestyle concierge service



Straight forward process, simple, flexible agreements



No intermediary; deal directly with GPE



Space to grow: expand organically within 1.9 m sq ft office portfolio

No. of units<sup>1</sup> 29

Average lease term 4.1 years term certain

Average unit size 2,600 sq ft

Average rent £91 psf, +34%<sup>2</sup>



1. Including committed. 2. Net effective vs Ready to Fit, deals completed in last 12 months



# Our Flex Offers: Fully Managed

All the Benefits of Fitted, Plus Full Service Delivery by GPE; All-in-One Bill

GPE.



## Services include:

- community manager and concierge service
- food & beverage
- cleaning service
- maintenance inc. handyman service
- planting
- waste management
- business rates

No. of units<sup>1</sup> 25

Average lease term 1.8 years term certain

Average unit size 2,500 sq ft

Average rent £178 psf, +75%<sup>2</sup>



# Our Flex Offers: Flex Partnerships

By Desk and Room



## Leveraging partner infrastructure:

- High-intensity, smaller spaces / co-working
- Delivers increased amenity; enlivens building
- Incubator for future Fitted / Fully Managed customers
- Provides customers with expansion / project space opportunity

## Partnership agreements:

- Revenue/profit share; upside potential
- To date, utilised ahead of redevelopment to maximise cashflow
- First long-term partnership at The Hickman (20,000 sq ft)

# Delivering Strong Returns

## Growing Track Record

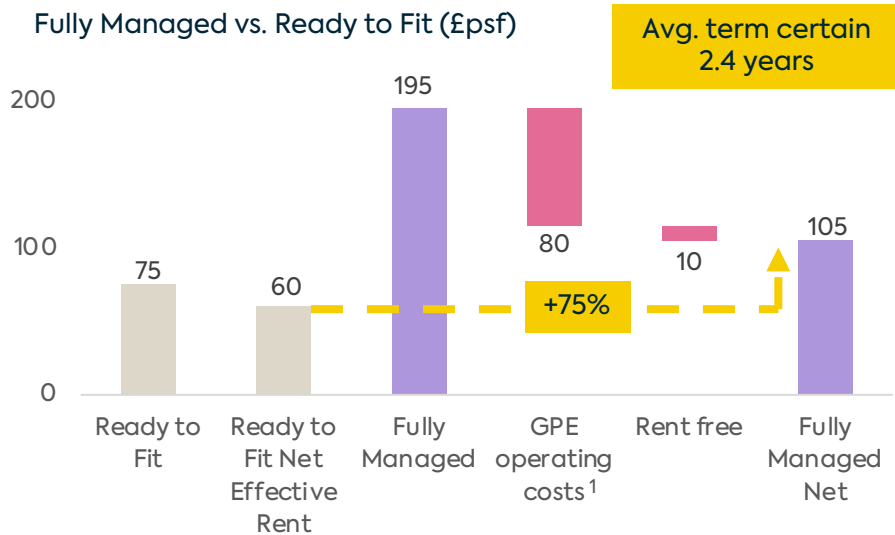
### What Have We Learned Since 2018?

- Limited risk vs. Ready to Fit
  - Lease terms not materially shorter
  - Faster leasing; reduced downtime
  - Accessing broader seam of potential customers
- Strong returns from Fully Managed justify additional operational intensity

### Accretive, Risk-Adjusted Returns

Returns vs. Ready to Fit Last 12 months	Fitted	Fully Managed	
	Actual	Actual	Target
Net Effective Rent	+34%	+75%	>50%
Relative Cashflow <sup>2</sup>	+10%	+43%	>35%
Yield on cost <sup>3</sup>	4.8%	6.6%	>6.0%

### Net Effective Rent at 16 Dufour's Place, W1



### Further Upside to Come

- Proven customer retention
  - Improved cash flow
  - Valuation benefit
- Economies of operational scale
  - Fit out costs
  - Service delivery costs of Fully Managed space
- Track record of Fully Managed profit
  - Yield compression from existing 10% fully managed service profit
  - Too wide when compared to alternative real estate investments

### Confidence to deliver our Flex ambition

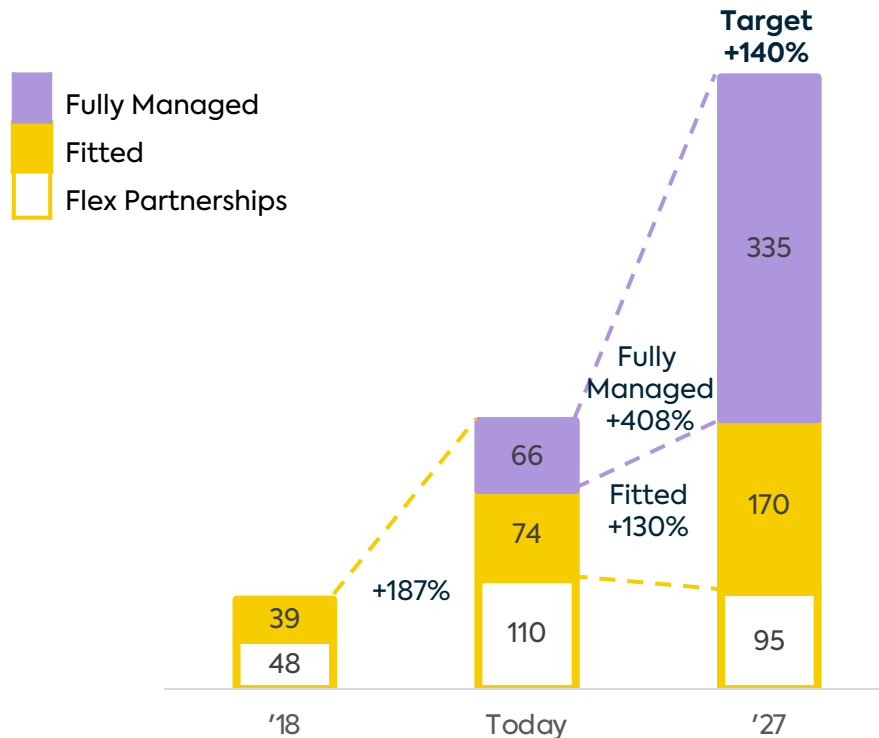
1. Includes cost of services, rates, broker fees, excl Fit out costs 2. 10 year cashflow uplift after voids and fit out costs  
 3. Absolute yield on cost, including land value

# Our Flex Ambition

## Portfolio Packed with Opportunity

### Our Flex by Product (000 sq ft)

	2018	Today	2027
Area	87,000 sq ft	250,000 sq ft	600,000 sq ft
% of office portfolio	5%	13%	25% <sup>1</sup>



### GPE's Organic Flex Growth

#### 2018: Response to Market Demand

- Launched first Flex spaces; Fitted and Partnerships

#### 2022: Customer first

- Operator mindset
- GPE NPS score +27.8; UK office sector avg.+2.0
- Building our Flex team
- Deeper market understanding
- Launched Fully Managed product

#### Future:

- Majority of Flex offer will be Fully Managed
- Organic growth: more than doubling our existing footprint
- Further growth potential through acquisition

Flex demand is growing; a huge opportunity

1. Based on increased portfolio size post near-term developments



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Customer needs evolving,  
GPE responding

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# Our Flex Experience

## 2018-2021: Fitted Space

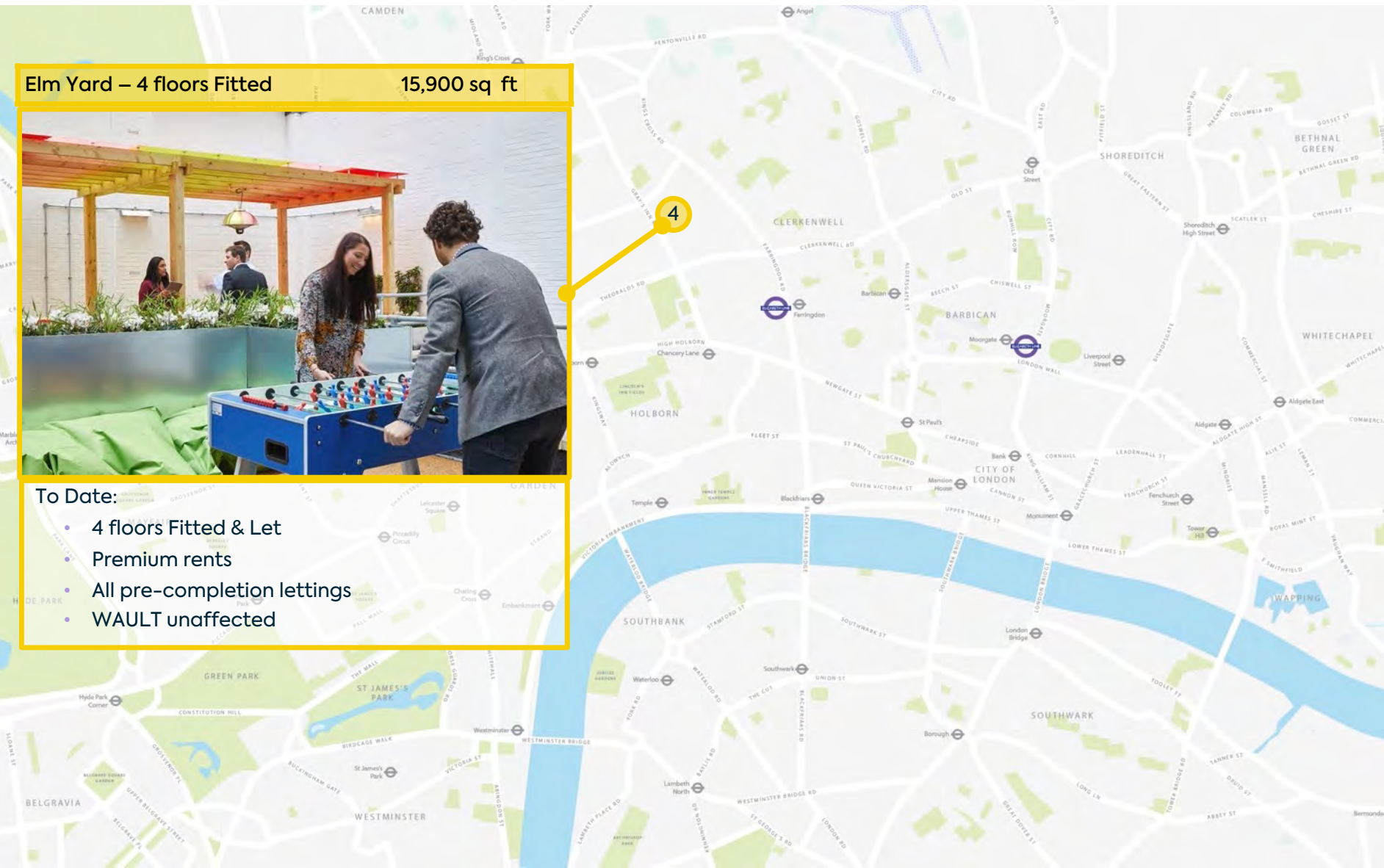
Elm Yard – 4 floors Fitted

15,900 sq ft



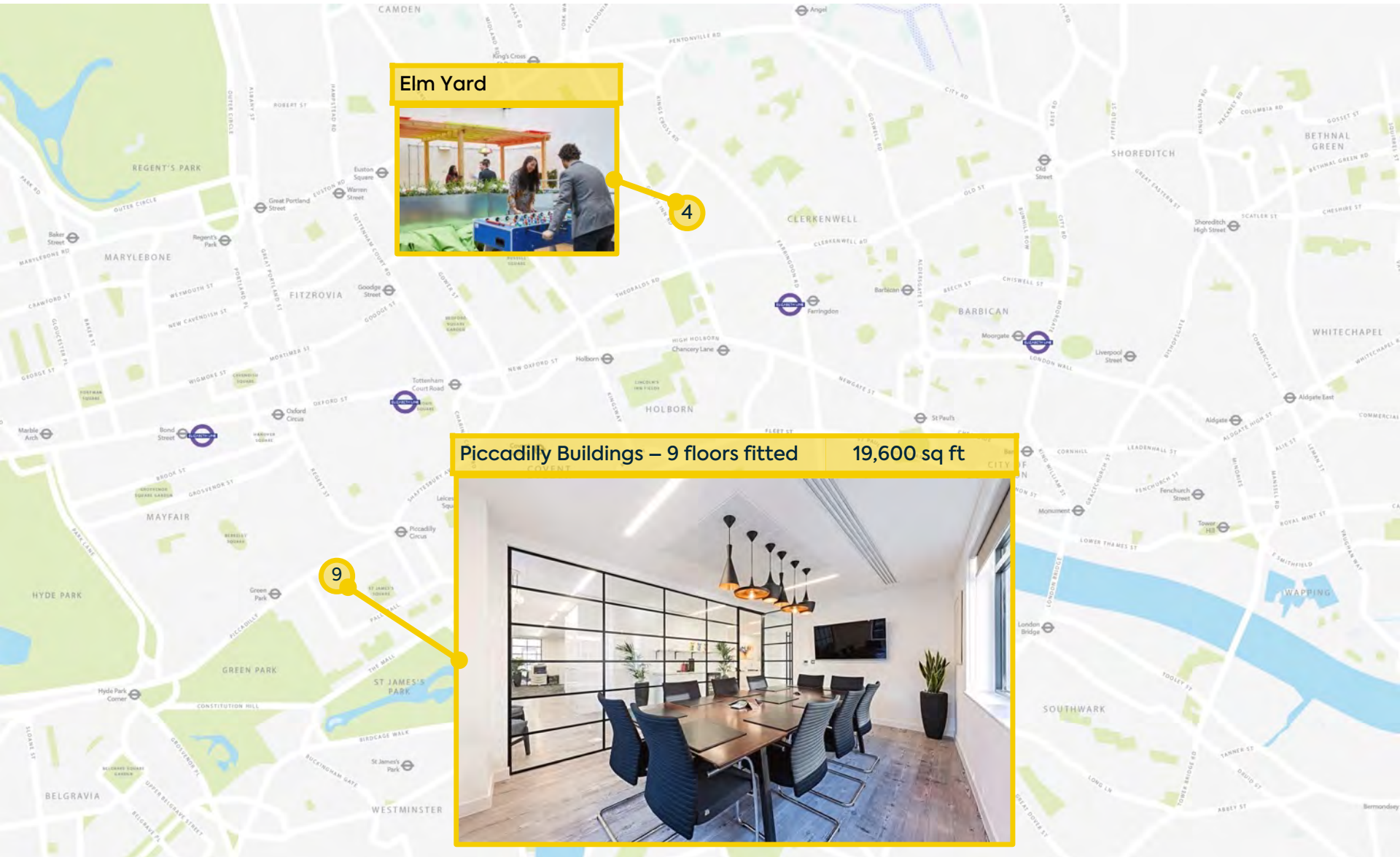
To Date:

- 4 floors Fitted & Let
- Premium rents
- All pre-completion lettings
- WAULT unaffected



# Our Flex Experience

## 2018-2021: Fitted Space



Elm Yard



4

Piccadilly Buildings – 9 floors fitted      19,600 sq ft

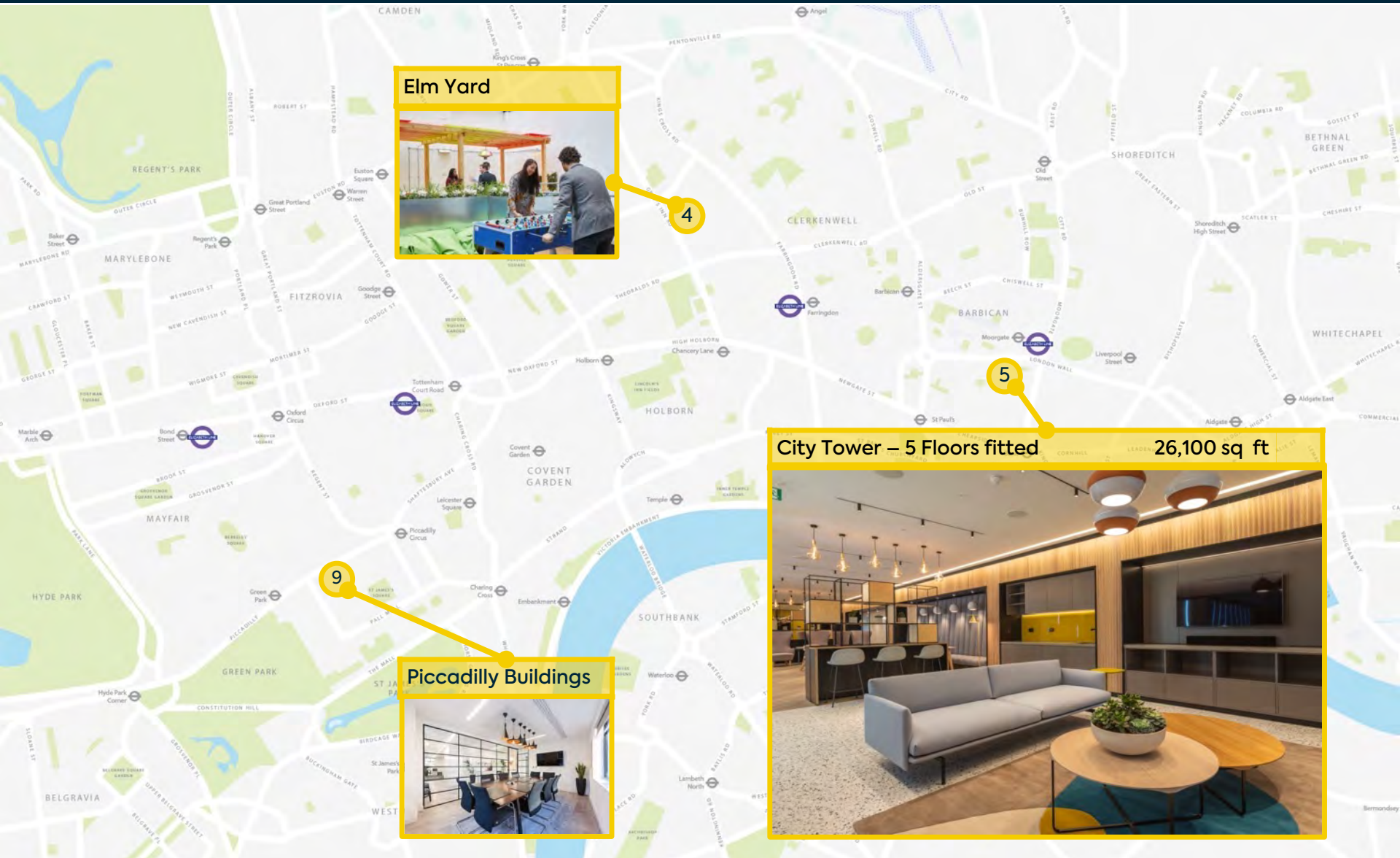


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# Our Flex Experience

## 2018-2021: Fitted Space



Elm Yard



4

5

City Tower – 5 Floors fitted 26,100 sq ft



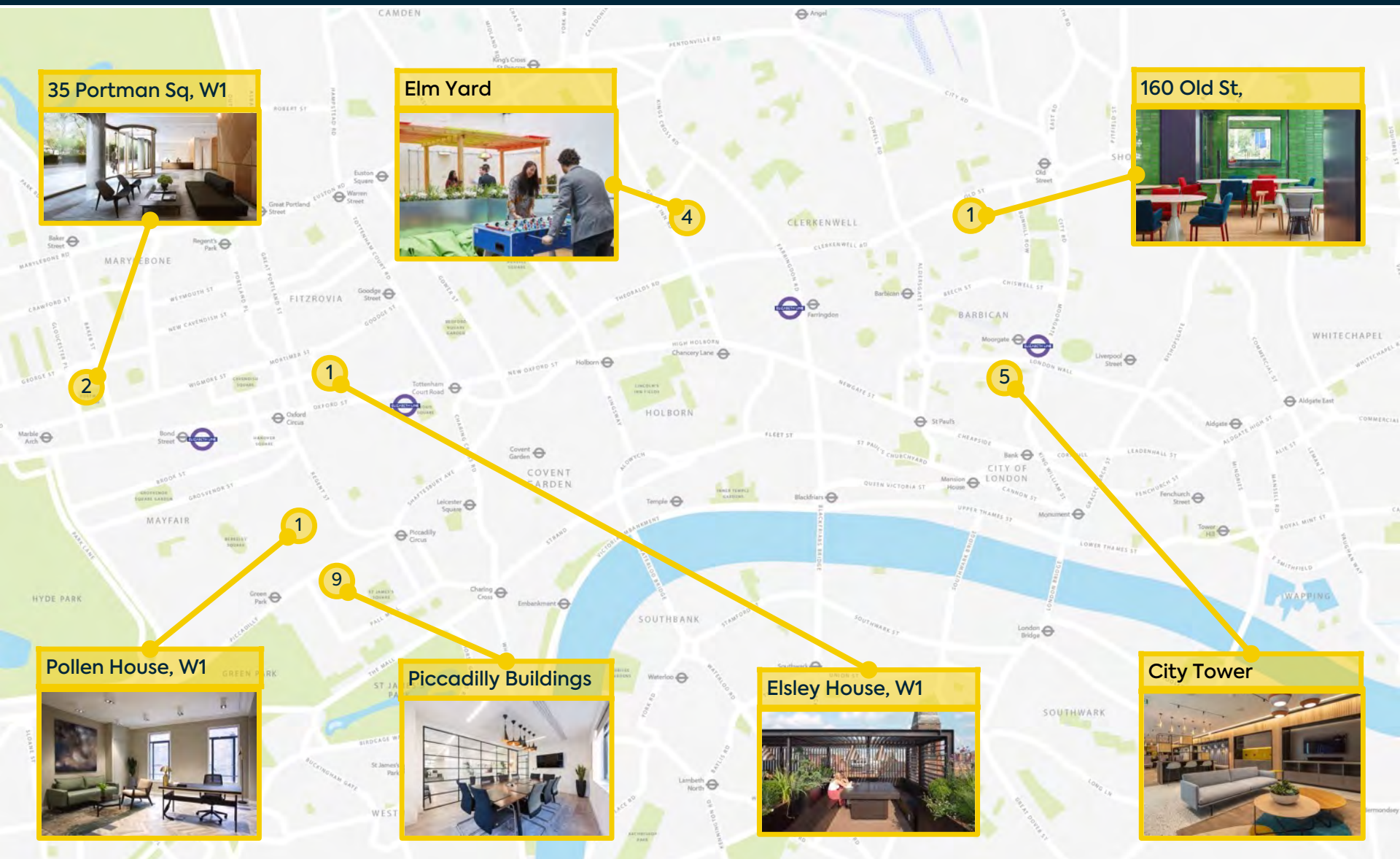
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Piccadilly Buildings



# Our Flex Experience

## 2018-2021: Fitted Space

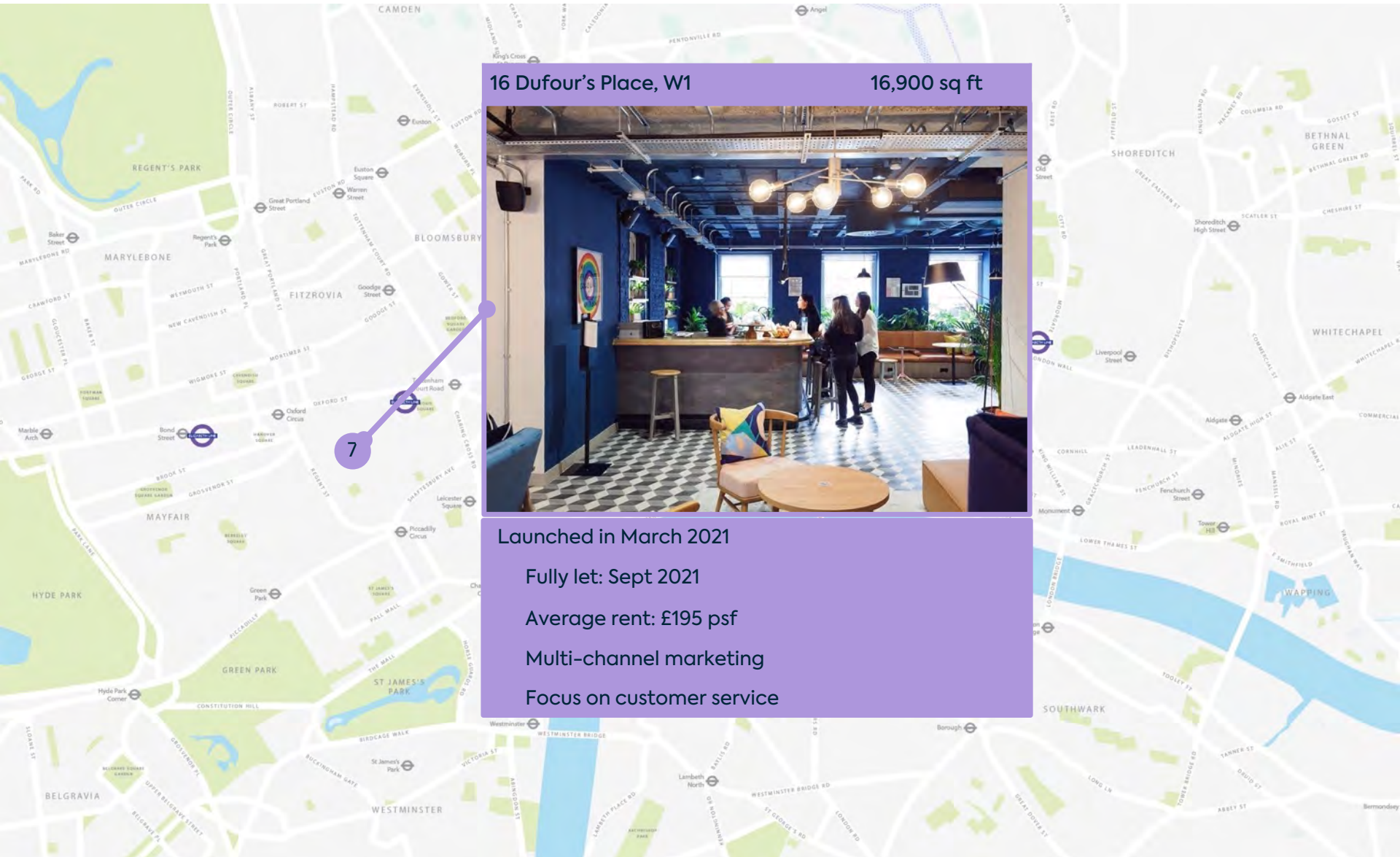


# Number of units



# Our Flex Experience

## 2021: First Fully Managed Space Delivered



16 Dufour's Place, W1 16,900 sq ft

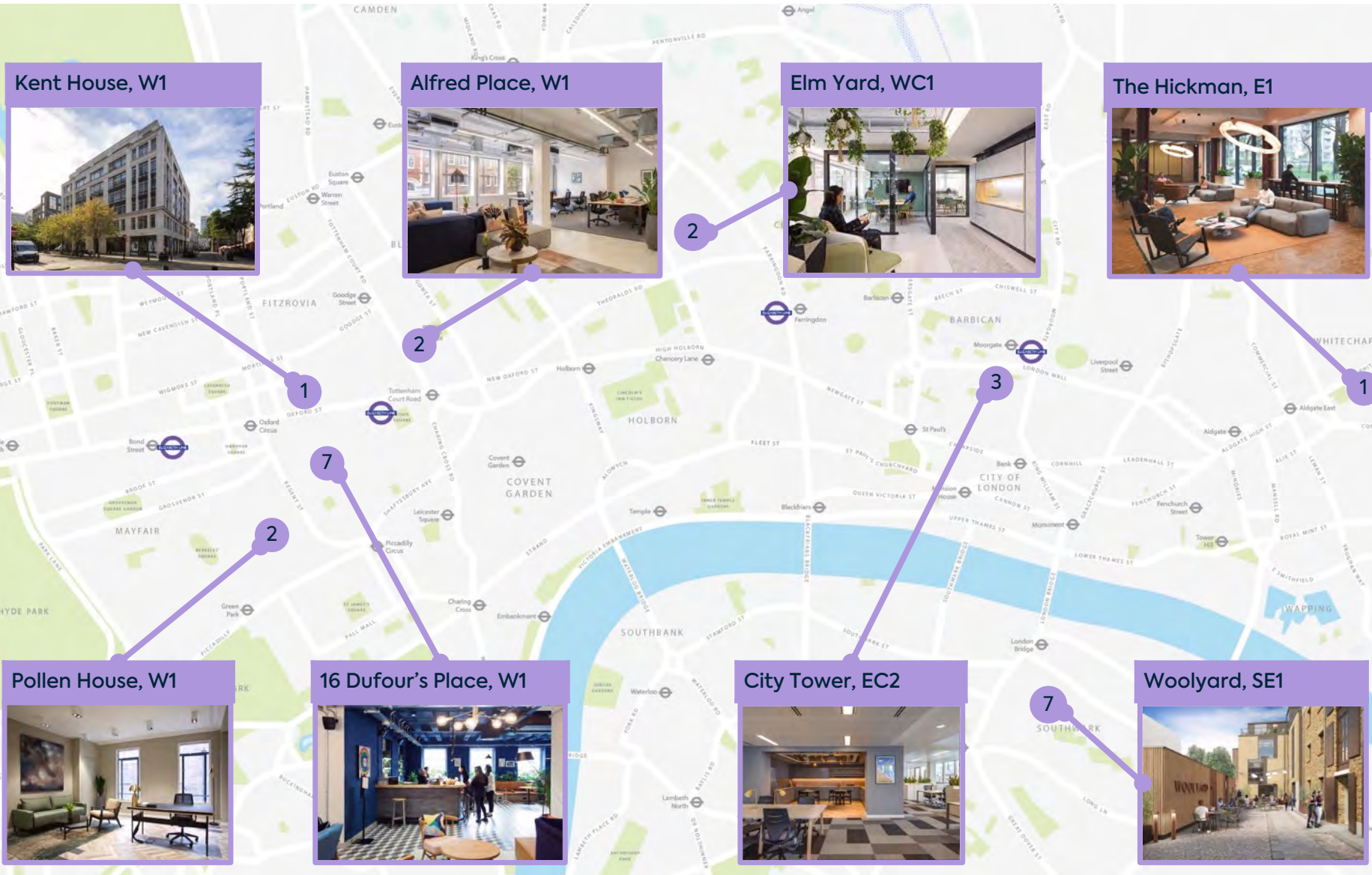


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Launched in March 2021  
Fully let: Sept 2021  
Average rent: £195 psf  
Multi-channel marketing  
Focus on customer service

# Our Flex Experience

2021-22: Fully Managed Rolled Out to Further Seven Locations



# Number of units



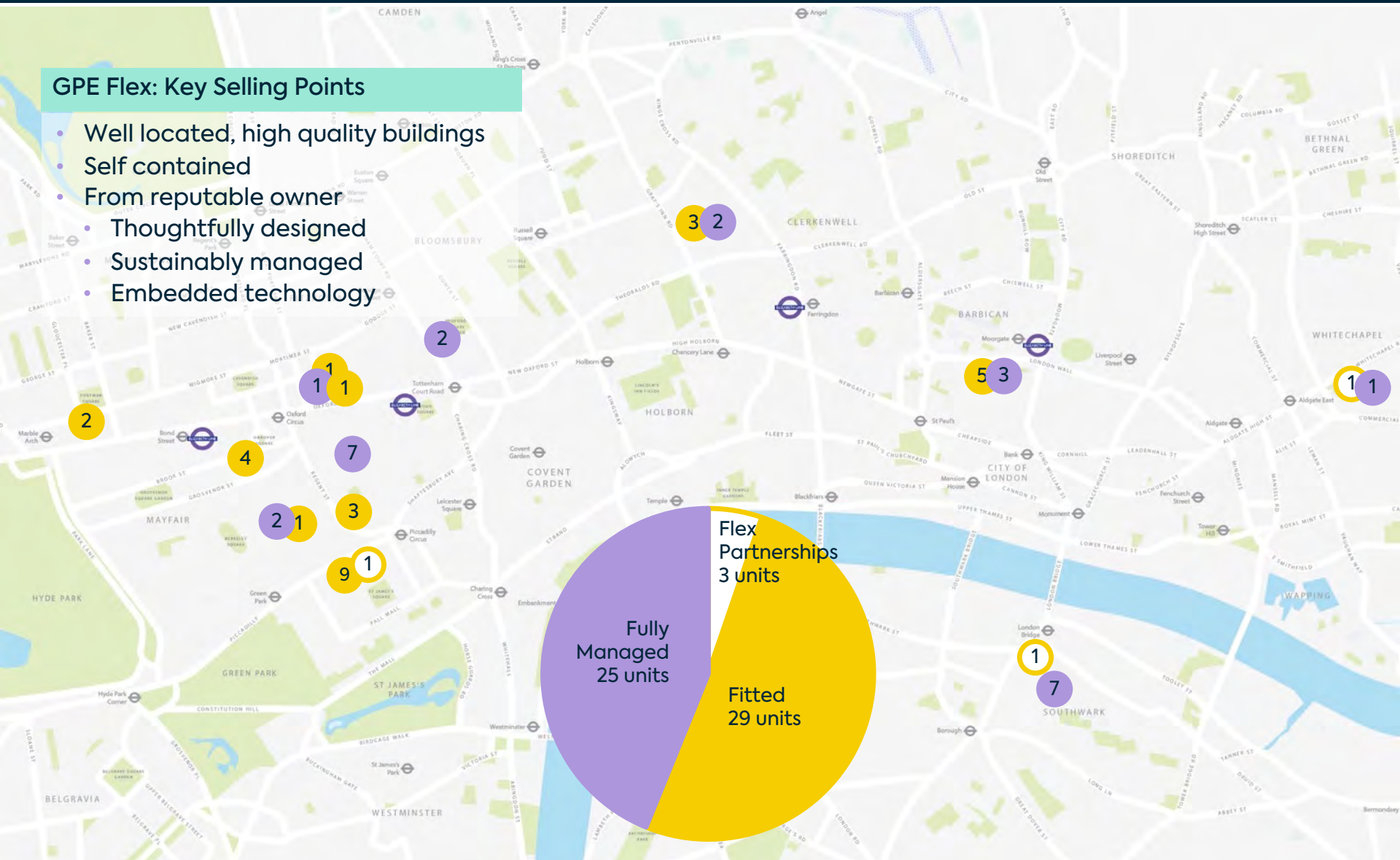
# Our Flex Portfolio

Proven in Numerous Buildings and Locations: 248,000 sq ft; 57 Units



## GPE Flex: Key Selling Points

- Well located, high quality buildings
- Self contained
- From reputable owner
- Thoughtfully designed
- Sustainably managed
- Embedded technology



# Fully Managed Leasing

## What Have We Learnt?

### Experience is Invaluable

- Our confidence in Flex growth was well founded
  - Flex 55% of CBRE Tenant Advisory transactions (2021); 31% 2018
- Utilising multiple routes to market
- Reputation & reliability are key
- Loyalty leading to customer retention
  - Synthesia growing into Kent House from Dufour's
  - Wunderkind growing in Dufour's +35% since Mar '21 (£230psf)
- Rents rising - £210psf - £265psf in Pollen House

### Broad Range of Demand for GPE Flex

- Customers from wide range of sectors
- Different drivers for taking flex space:
  - 61% maturing out of serviced offices
  - Right sizing out of traditional leases
- Technology enabling hybrid working



### Greater Corporate Flex Take-up

A collection of logos for various companies: NETFLIX, Meta, citi, HSBC, SONY, HUAWEI, and currys. A yellow callout box points to the 'm' logo (Millennium Capital) with the following text:

**Millennium Capital**

- 40,000 sq ft
- Looking for 'Ready to Fit'
- Took 'Fully Managed'

### Widening Market Opportunity & Synergy

- Offering choice of Ready to Fit, Fitted or Fully Managed services to all customers
- Wider market reach, as flex deals get bigger
- Synergy between business streams
  - Flex → HQ customer of future; plus
  - Fulfilling right-sizing requirements in pre-lets

# HQ Repositioning

## Robust Office Demand for Best-in-Class Space

Strong Active Demand: : 9.5m sq ft > 9.3m sq ft 10 yr avg.<sup>1</sup>

- Active demand ahead of average;
- Good sector spread
- 40% expansion led
- Obsolescence growing driver

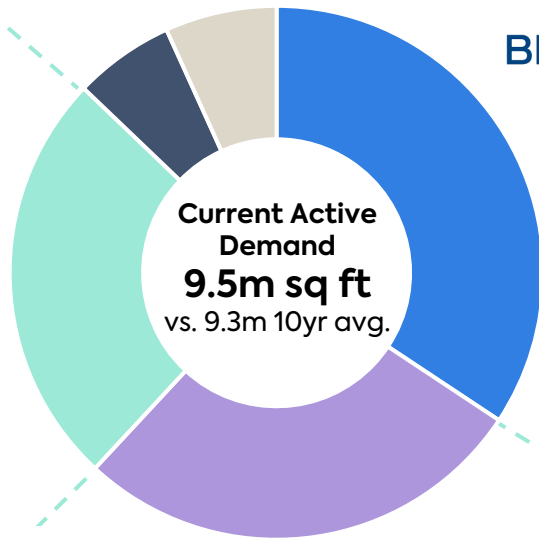
Media & Technology  
2.4m sq ft, 25%

Other  
0.6m sq ft, 7%

Banking, Finance & Insurance  
3.3m sq ft, 34%

Public Sector  
0.5m sq ft, 6%

Legal & Professional Services  
2.6m sq ft, 28%



Logos for Media & Technology tenants:

- Bauer Media Group
- Just Eat
- Skyscanner
- Microsoft
- TikTok
- ES MEDIA
- Warner Music Group
- Databricks
- Vodafone
- Palantir
- CONDÉ NAST

Logos for Other tenants:

- UCL
- Bacardi
- Zapp

Logos for Banking, Finance & Insurance tenants:

- Macquarie
- Newline Group
- N+1 SINGER

Logos for Banking, Finance & Insurance tenants (continued):

- Capital Group
- P/W/P Perella Weinberg Partners
- Morningstar
- Adams Street
- Morgan Stanley
- BC Partners
- Openheimer
- Standard Chartered
- Lloyds
- IntegraFin
- Marshmallow
- Lazard Fund Managers
- ICBC
- Goodwin
- 大成 DENTONS

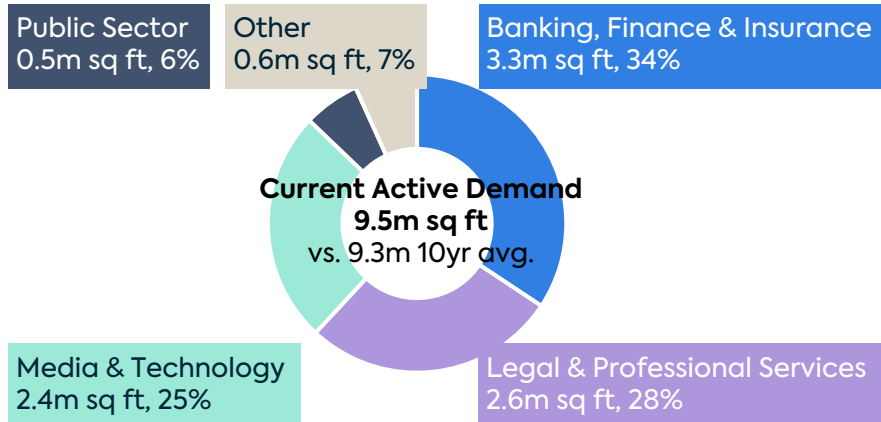
1. Cushman & Wakefield March 2021

# HQ Repositioning

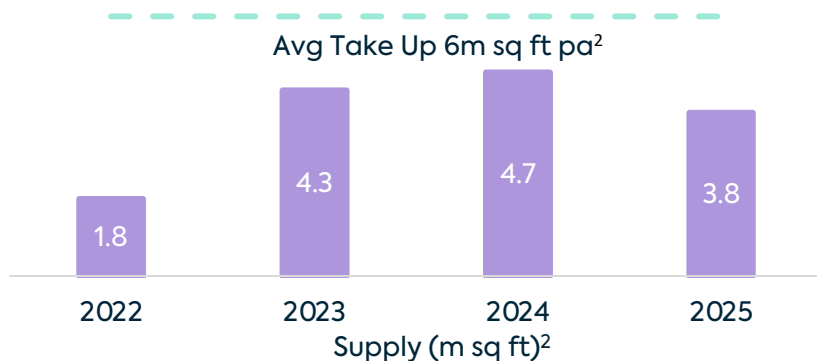
## Robust Office Demand for Best-in-Class Space

### Strong Active Demand: : 9.5m sq ft > 9.3m sq ft 10 yr avg.<sup>1</sup>

- Active demand ahead of average;
- Good sector spread
- 40% expansion led
- Obsolescence growing driver



### Potential Undersupply (m sq ft)



39% under supply 2022-2025

### Competitive Tension Growing

Hot Spots of Rental Growth

Obsessive about talent =

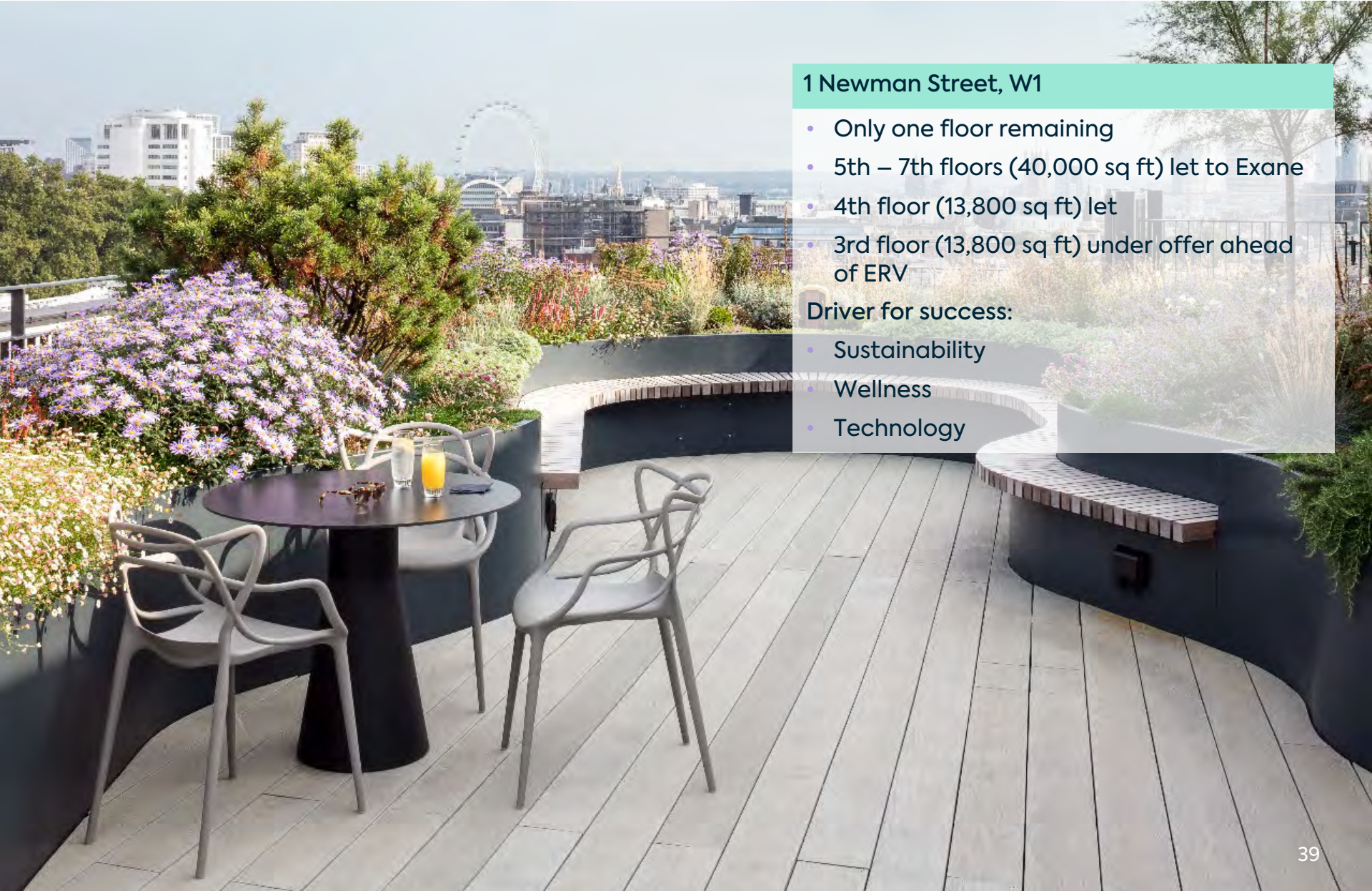
- Best-in-class
- Well-located
- Amenity rich

Looking further in advance



# HQ Repositioning: Leasing Success

Ready to Fit; Sustainability Wellness & Tech



## 1 Newman Street, W1

- Only one floor remaining
- 5th – 7th floors (40,000 sq ft) let to Exane
- 4th floor (13,800 sq ft) let
- 3rd floor (13,800 sq ft) under offer ahead of ERV

### Driver for success:

- Sustainability
- Wellness
- Technology



# HQ Repositioning: Leasing Success

Ready to Fit; Self Contained & Amenity

GPE.

50 Finsbury Sq, EC2

- Jan 21: committed to scheme
- Aug 21: Pre-let 121,800 sq ft to Inmarsat
- £8.5m p.a. on 20 year lease with 15 year break

Driver for success:

- Self contained HQ
- Amenity





# HQ Repositioning: Leasing Success

Ready to Fit; Best-in-Class

## Hanover Square, W1

### Key 2021 leasing:

- 18 Hanover rents top out at £121.00psf
- 20 Hanover let to London Fashion Academy
- 1 Medici Courtyard completed with further lettings to KKR and UPL (£127.50 psf)

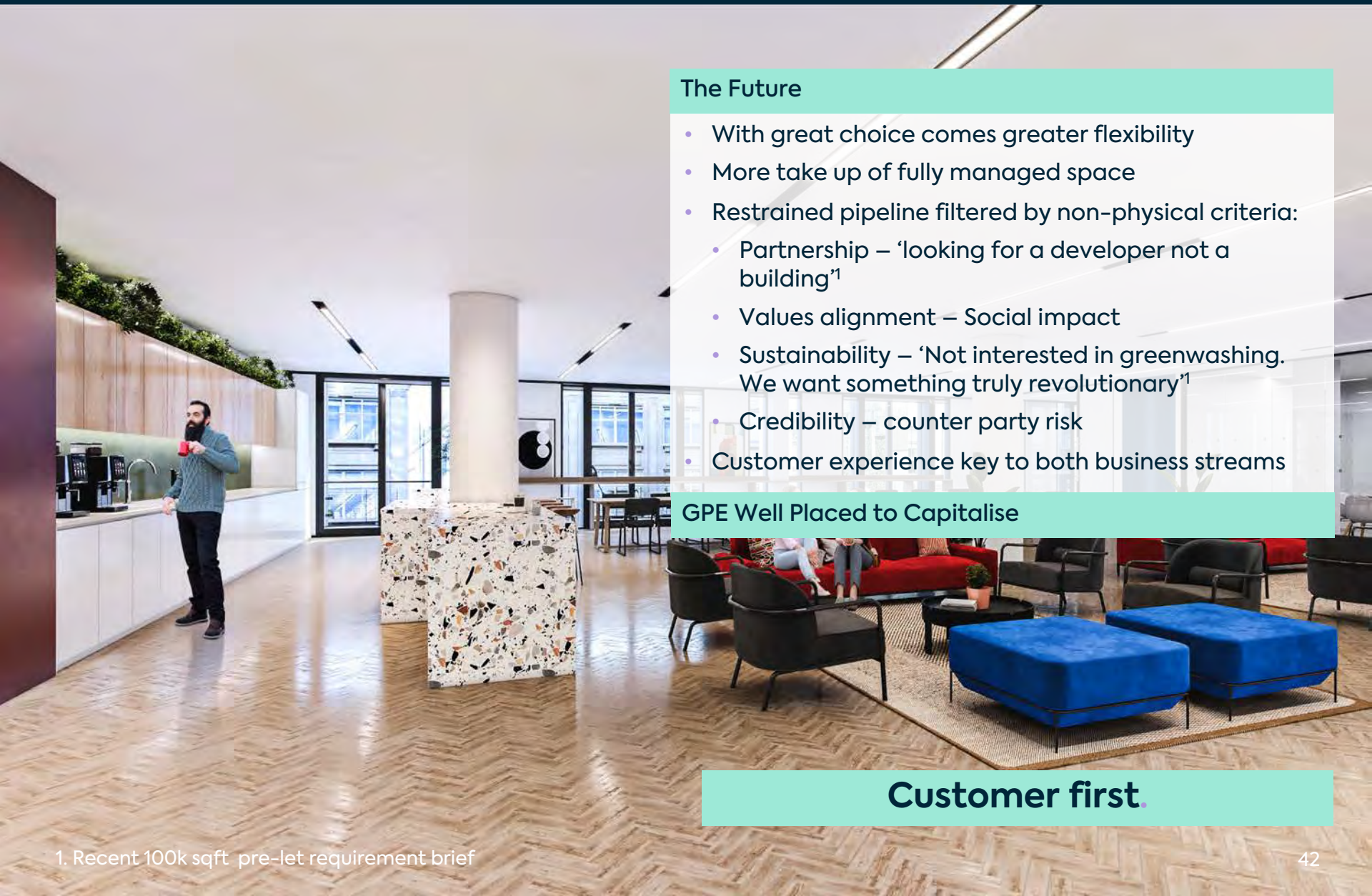
### In total 92% let (offices 100%)

- Average office void – 3 months
- WAULT of 13.5 years
- Rents already reversionary?

### Driver for success:

- Best-in-Class





## The Future

- With great choice comes greater flexibility
- More take up of fully managed space
- Restrained pipeline filtered by non-physical criteria:
  - Partnership – ‘looking for a developer not a building’<sup>1</sup>
  - Values alignment – Social impact
  - Sustainability – ‘Not interested in greenwashing. We want something truly revolutionary’<sup>1</sup>
  - Credibility – counter party risk
- Customer experience key to both business streams

## GPE Well Placed to Capitalise

**Customer first.**

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Customer needs evolving,  
GPE responding

Toby Courtauld, Chief Executive

---

Our portfolio is well suited

Dan Nicholson, Executive Director

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Our Flex proposition

Steven Mew, Customer Experience & Flex Director

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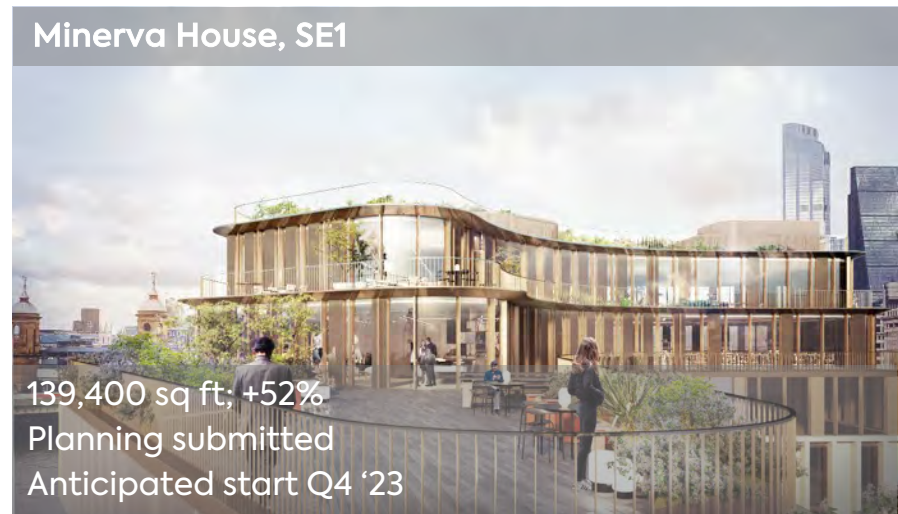
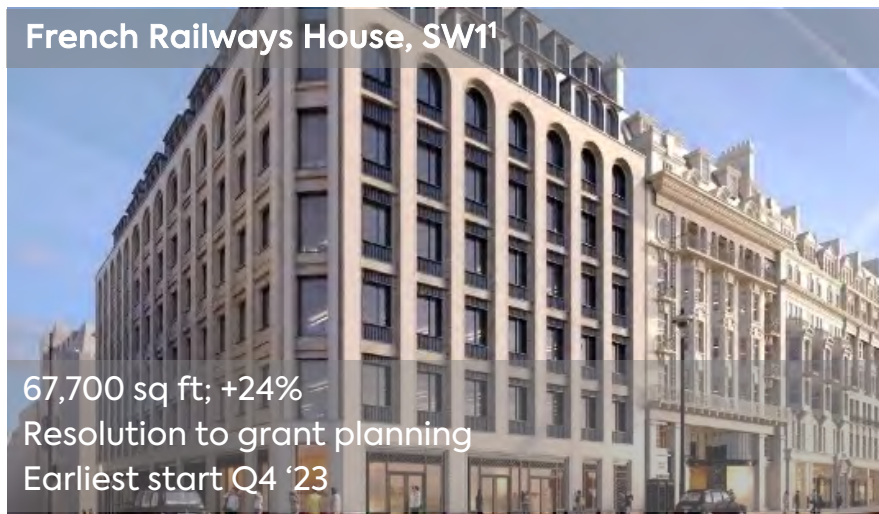
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# Four Near-Term Schemes – First Start Imminent



All Prime; Exemplary Sustainability; Strong Growth Potential



**916,000 sq ft; +118%; c.219% rental increase; c.£828m capex; all Net Zero Carbon**

1. Including 50 Jermyn St, SW1



# Low Carbon HQ Repositioning

## Our Three Innovative Approaches

### Re-use and Extend

Minimise carbon by reutilising as much of existing building

### Low Carbon New Build

Re-use of elements of buildings such as basements. Efficient low carbon modular construction. Use of recycled materials to reduce whole life carbon

### Circular Economy New Build

Re-use of elements of buildings such as basements. Efficient low carbon modular. Re-used materials arising from the dismantling of other buildings

Minerva House  
SE1

50 Finsbury Sq  
EC2



2 Aldermanbury Sq  
EC2

New City Court  
SE1



French Railways House  
SW1<sup>1</sup>



1. Including 50 Jermyn St, SW1

# Emerging Approaches

## Reuse and Extend: Minerva House, SE1

### Key metrics

- Capex: £113m; ERV: £10.5m





# Emerging Approaches

## Reuse and Extend: Minerva House, SE1

### Proposals

- Three upper storey extensions and extensive landscaped terracing
- New and retained façade





# Emerging Approaches

## Reuse and Extend: Minerva House, SE1

### Proposals

- Extensive new public realm:
  - Public square adjoining Southwark Cathedral
  - New east-west pedestrian route and public art
- Redesigned arrival experience maximising river views





# Emerging Approaches

## Reuse and Extend: Minerva House, SE1

### Proposals

- Retention of 80% of existing structural frame
- Re-use of existing foundations
- Fossil fuel free
- Energy efficient heating/cooling; openable windows





# Emerging Approaches

## Reuse and Extend: Minerva House, SE1

### Credentials

- Target embodied carbon <math><340\text{kg CO}\_2\text{e per m}^2</math>



Gold – V2



Outstanding



Net Zero OC



4-6 Stars



EPC A



# Emerging Approaches

Low Carbon New Build: New City Court, SE1

## Key metrics

Capex: £377m; ERV: £29.0m





# Emerging Approaches

## Low Carbon New Build: New City Court, SE1

### Proposals

- New highly sustainable 26-storey building, sympathetic restoration of listed Georgian terrace buildings and reconstruction of Keats House with the retention of its original façade
- High-quality and fully accessible public realm
  - New entrance to London Bridge Underground Station
  - Publicly accessible rooftop garden with café/restaurant





# Emerging Approaches

## Low Carbon New Build: New City Court, SE1

### Proposals

- Optimisation of structural grid to minimise carbon content
- Energy efficient heating/cooling; openable windows
- Fossil fuel free
- Significant greening and biodiversity





# Emerging Approaches

## Low Carbon New Build: New City Court, SE1

### Credentials

- Target embodied carbon < 572kg CO<sub>2</sub>e per m<sup>2</sup>



Gold – V2



Outstanding



Net Zero OC



4-6 Stars



EPC A



# Emerging Approaches

Low Carbon New Build: 2 Aldermanbury Square, EC2

## Key metrics

- Capex: £268m; ERV: £24.3m





# Emerging Approaches

Low Carbon New Build: 2 Aldermanbury Square, EC2

## Proposals

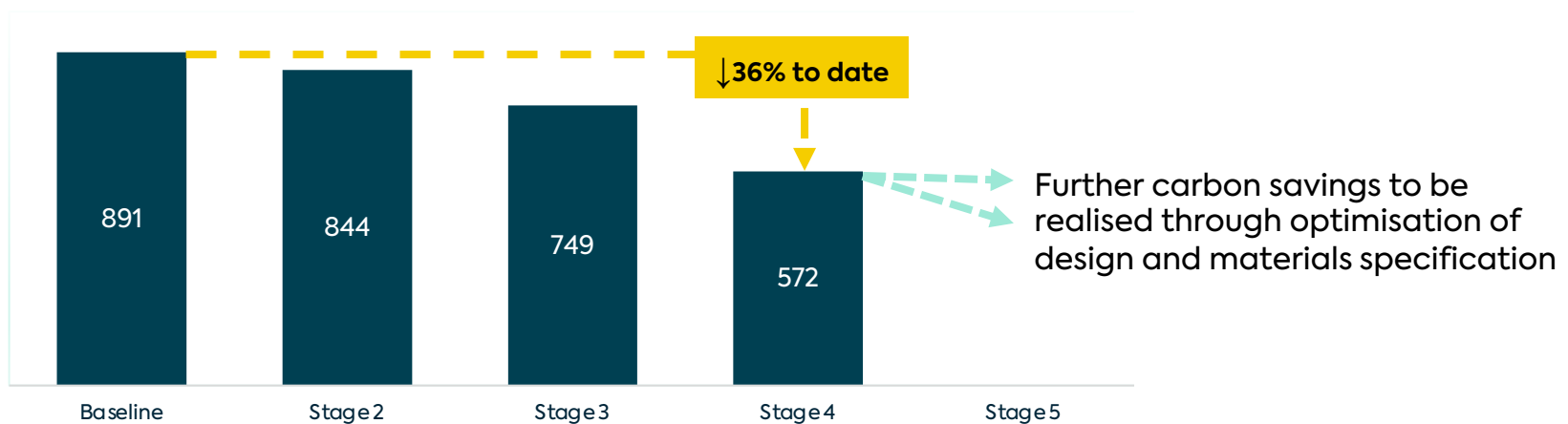
- New highly sustainable 12-storey building with extensive landscaped communal roof terrace offering stunning views across London
- Typical floor; 28,600 sq ft with terraces and natural light on all elevations
- Three entrances, dedicated cyclists' entrance and lifts
- Creation of new pedestrian route, public realm improvements and new garden above City Tower podium
- Carbon reduction initiatives



### Carbon Reduction Initiatives

- Reduced carbon content in materials
  - Increased cement alternatives in concrete mixes
  - Steel from green energy electric arc furnaces
  - Reuse of existing steel for roof plant areas and secondary support elements
  - Recycled raised access flooring
- Electrification of site construction plant and equipment
- Façade design to maximise daylight while minimising solar gain and cooling loads
- Connection to City of London Citigen district heating system to improve energy efficiency

### Reducing Carbon Through Design (kgCO<sub>2</sub>e per m<sup>2</sup> GIA)





# Emerging Approaches

Low Carbon New Build: 2 Aldermanbury Square, EC2

## Credentials

Target embodied carbon < 572kg CO2e per m2



Gold – V2



Outstanding



Net Zero OC



NABERS

4-6 Stars



EPC A

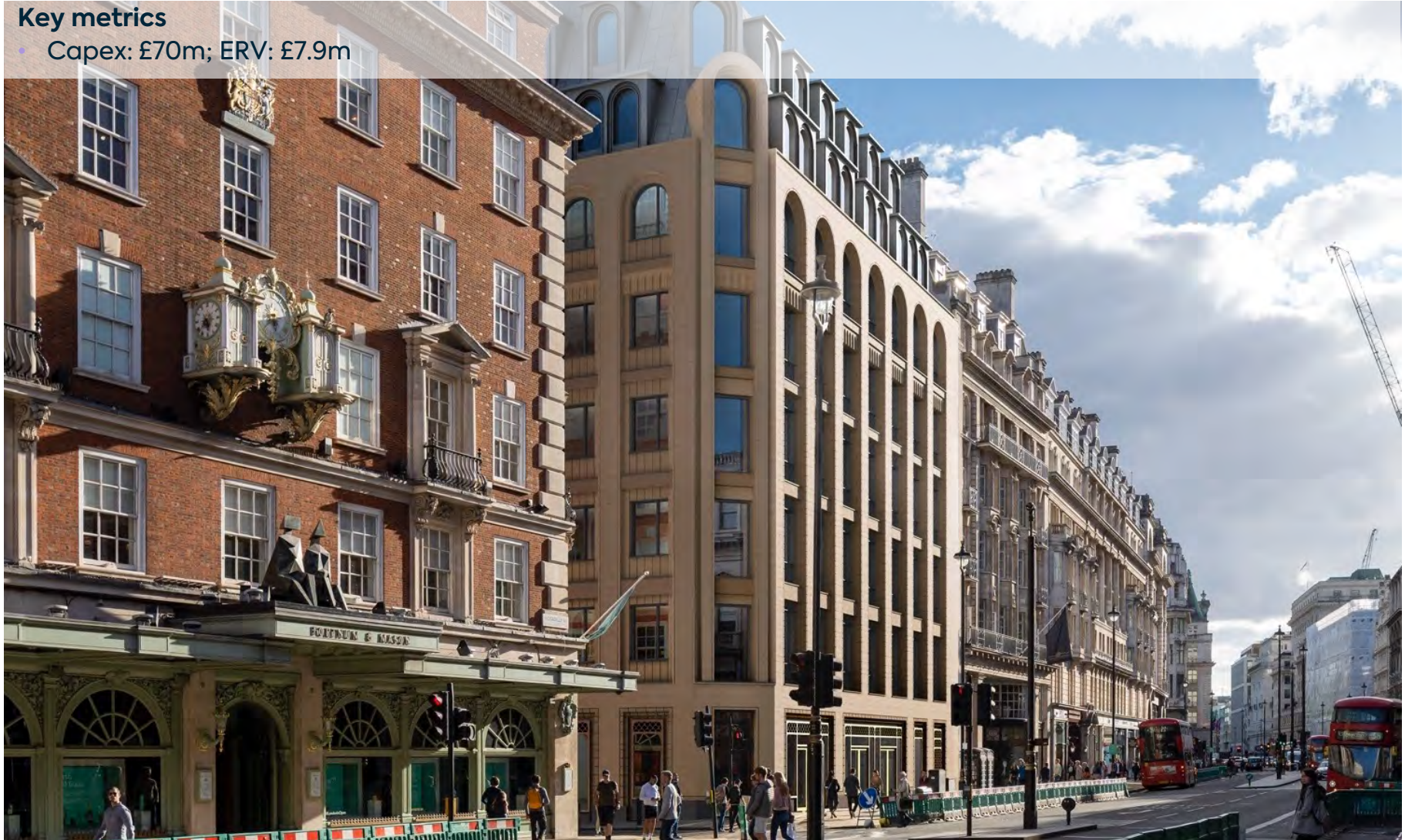


# Emerging Approaches

## Circular Economy New Build: French Railways House, SW1

### Key metrics

- Capex: £70m; ERV: £7.9m





# Emerging Approaches

## Circular Economy New Build: French Railways House, SW1

### Proposals

- New highly sustainable 7-storey building with extensive landscaped communal roof terrace
- Improved retail on Piccadilly and Jermyn St



# Emerging Approaches

## Circular Economy New Build: French Railways House, SW1

### Proposals

- Re-use of structural steel from 2 Aldermanbury Square
  - Saving over 1,000 tonnes of carbon
  - 99% reduction on embodied carbon in steelwork frame
  - Allowing removal of all on-floor columns; improved market appeal
- Stone elements of existing cladding to be re-used
- Re-use of existing basement and foundations
- Energy-efficient heating and cooling with potential openable windows
- Fossil fuel free





# Emerging Approaches

## Circular Economy New Build: French Railways House, SW1

### Credentials

- Target embodied carbon < 400kg CO<sub>2</sub>e per m<sup>2</sup>, comparable to major refurbishment



Gold – V2



Outstanding



Net Zero OC



4-6 Stars



EPC A

1. Including 50 Jermyn St, SW1

# Sustainability-Led Development

## Significant Performance to Come

### Committed and Near-Term

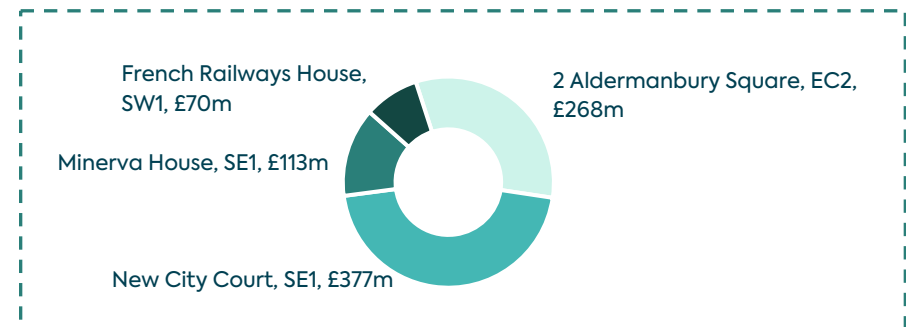
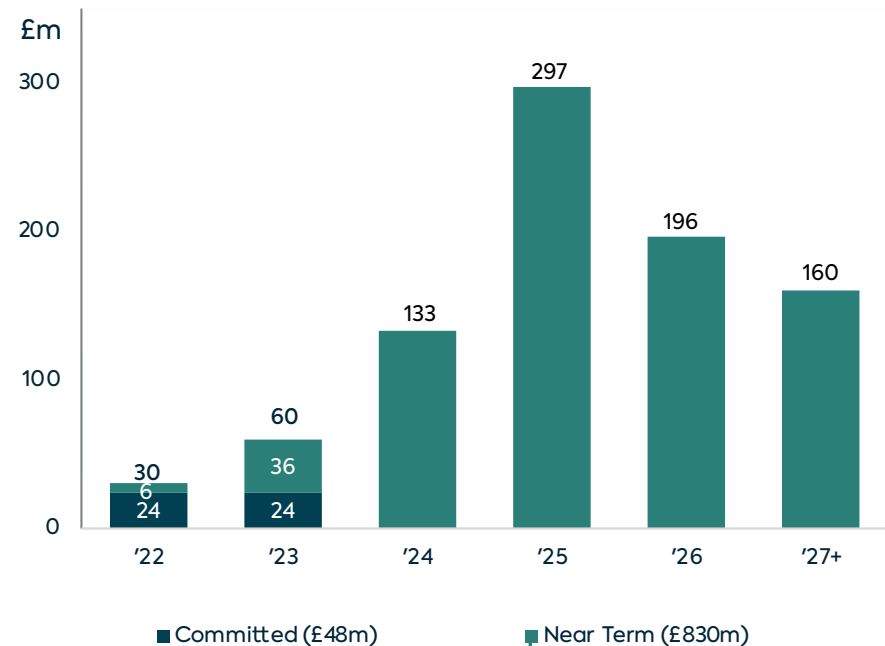
#### Committed

- 50 Finsbury Square, EC2
  - Expected completion Q4'22
  - 94% ERV secured
  - Only 50% of profit taken to date

#### Near-Term

- Potential £1.1bn near-term commitment
  - £828m capex
  - £270m land value<sup>1</sup>
- Targeting: 15%+ PoC; 10%+ ungeared IRR
- Delivering: ERV of £72m

### Forecast Capex of £878m; >90% Offices



### Cutting Edge Low Carbon; Higher Value Generation



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# Sustainability: A Decade's Experience

## A Strategic and Economic Imperative



# The Time Is Now

Our sustainability statement of intent for 2030

Decarbonising our business to become net zero by 2030

Our Roadmap to Net Zero

6 February 2020

## GPE signs innovative £450 million ESG-linked Revolving Credit Facility

Great Portland Estates plc ("GPE" or the "Group") announces that it has signed a £450 million ESG-linked unsecured revolving credit facility ("RCF") at a headline margin of 90 basis points over LIBOR with a group of five existing relationship banks. The facility has an initial five-year term which may be extended to a maximum of seven years at GPE's request, subject to bank consent.

This innovative facility, the first to be issued by a UK REIT, incorporates three ESG-linked KPIs which align with our ambitious sustainability strategy, including our participation in the Better Buildings Partnership Climate Change Commitment which we signed in late 2019. These KPIs include annual



our existing buildings by reducing our portfolio energy

to carbon new buildings from 2030 by reducing the developments and major refurbishments; and ng measures by increasing the biodiversity net gain

up to accelerate the decarbonisation of our business and within the Group and across our supply chain.



Creating a lasting positive social impact in our communities

Social impact strategy 2021



# Sustainability: Regulators

## Regulation Driving Change

### National

- Minimum B energy efficiency rating 2030
- Annual energy performance (building-by-building) reporting requirement, likely

### Local

- Local planning guidance on whole life carbon; retro-fit first policy; design for reuse

### Our Response:

- Planning to invest c.£15-£20 million (c.1% of GAV) to achieve EPC B across portfolio
  - 95% of our assets now have EPC ratings (38% A or B-rated<sup>1</sup>)
  - No correlation between EPC rating and energy performance
- Tackling energy performance; GPE rolling out:
  - Energy monitoring technology
  - NABERS UK<sup>2</sup>
  - Decarbonisation Fund; 100% (£403k<sup>1</sup>) allocated to retrofit energy efficiency measures
- 50 Finsbury Sq: GPE's first net zero carbon building
- Launch of Sustainable Spaces brief, reinforcing our sustainable approach across our supply chain





# Sustainability: Investors

## Also Impacted by New Legislation

- Net flows into Responsible Funds up 6,000%<sup>1</sup>
- Responding to investor indices for more than a decade
- New legislation driving greater Investors focus:
  - EU Taxonomy
  - Sustainable Finance Disclosure Regulations
  - UK Taxonomy

### Our Response:

- Transparent and clear reporting to investment communities
- Launch of:
  - Enhanced TCFD-aligned reporting, May '22
  - Climate Resilience Strategy, Nov '22



## Business Embracing Sustainability

- **Commitment to SBTi<sup>1</sup> carbon emission targets:** 1,255 companies (+20% global capitalisation)
- **Improving sustainability a high priority for next 12 months<sup>2</sup>:** SMEs 41%; Large Cos: 60%
- **War for talent:** 67% of 16–24 year olds: ‘sustainability credentials of employer are important’<sup>3</sup>



## Our Response: Customer First

- Aligning GPE and customer aspirations
- Delivering exemplary sustainable buildings
- Energy efficiency in design and operation
- Collaboration is key: occupiers energy forums



# Sustainability: What's Next?

## Carbon

### Carbon: Legislation will move from mitigation to regeneration

#### Increasing focus on embodied carbon will drive change

- Legislation coming
- Greater scrutiny on developers
- Emerging markets for reuse of materials
- Further certification will be imposed on Net Zero

#### Our Response:

- GPE Roadmap to Net Zero goes beyond SBTi
- 2 Aldermanbury Square:
  - set to hit GPE embodied carbon targets
  - circular economy approach
  - GPE's first NABERS UK rated development
- Aligned to our customers

Decarbonising  
our business to  
become net zero  
by 2030

Our Roadmap to Net Zero



# Sustainability: What's Next?

## Nature and Social Impact

### Climate Resilience

- Nature-related risk and opportunity management framework



### Our Response:

- GPE Sustainability Statement of Intent embraces nature
- GPE ESG-linked RCF embraces biodiversity
- GPE Social Impact Strategy, Nov 2021 embraces:
  - Connecting people with urban nature
  - Issues of social inequality; £10m social value by 2030
  - New charity partners: XLP & NEA



## Delivering on Our Purpose



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Customer needs evolving,  
GPE responding

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## HQ Repositioning

### 1. Driving capital value growth through development surpluses

Potential development commitment £1.1bn<sup>2</sup>

Targeting 15%+ profit on cost

### 2. Delivering new rent

>£72m ERV  
from near-term schemes  
(>200% uplift)



## Flex

### 1. Driving higher net income per sq ft

Targeting 6%+ stabilised income yield

600,000 sq ft potential<sup>3</sup>

### 2. Delivering Value Upside

Customer retention  
Operational economies  
Yield compression

**Targeting blended returns ahead of our cost of capital (c. 7.0%)**

1. Including land value. 2. Gross development cost of near-term schemes 3. Pre acquisitions

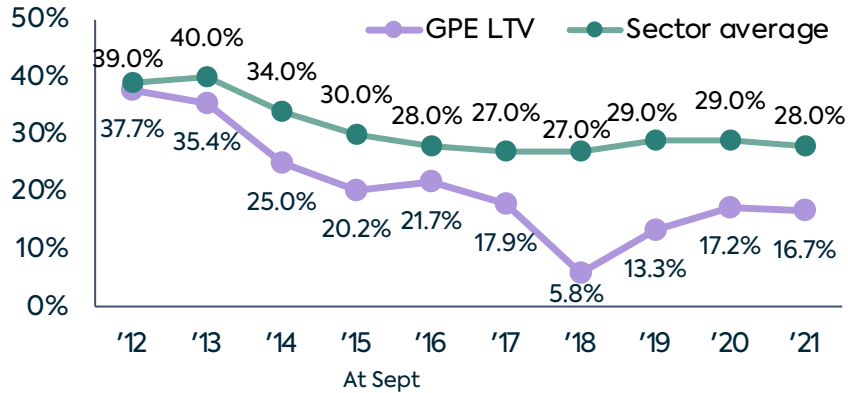


# Financial Capacity to Deliver

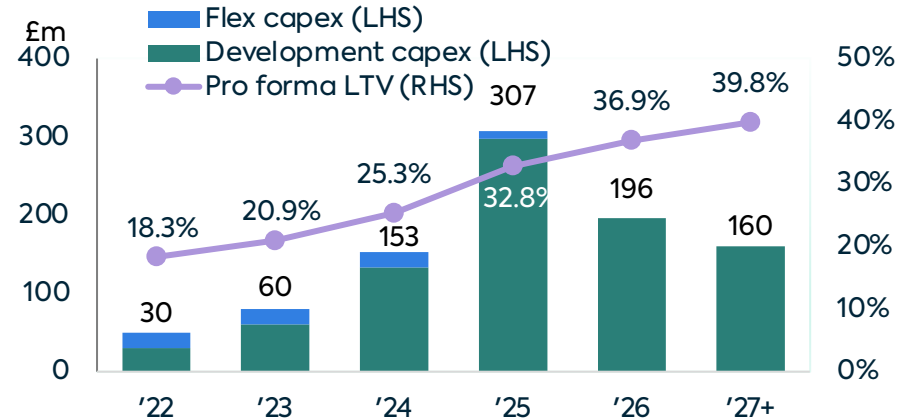
## GPE Financial Givens: Discipline and Strength

### Sector Leading Debt Metrics

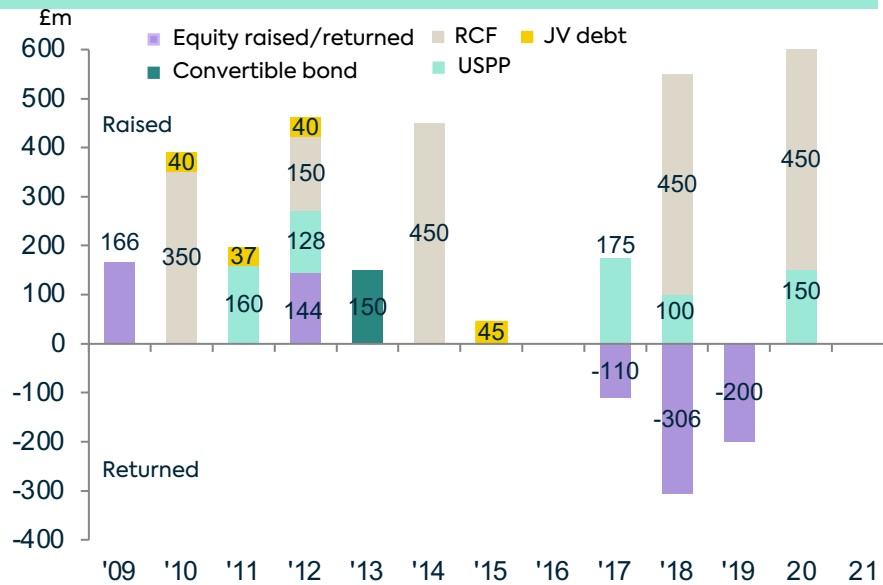
No change to approach: conservative LTV, financial flexibility, strong liquidity



### Significant Capacity for Investment



### Strong Record of Raising and Returning Capital



### Well Positioned to Access Incremental Capital

- Sustainable finance framework in place
- Well rated credit
  - Marginal cost of debt 1.7%
  - Weighted average interest rate 2.2%<sup>1</sup>
- Proven equity market access
  - Supportive shareholder base
- Track record of accessing assets / capital and risk-sharing via JVs

1. If fully drawn

# Primed for Acquisition Opportunities

## GPE Acquisition Givens

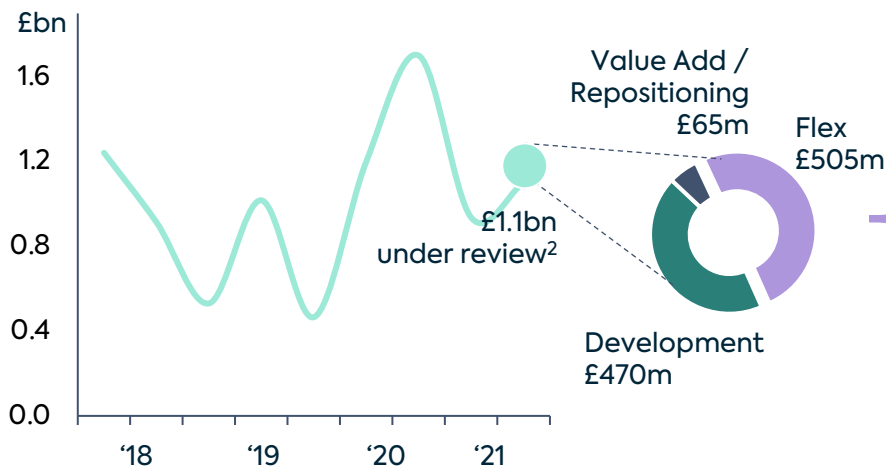
### Clear Acquisition Criteria

- Tired properties needing repositioning
  - Environmentally stranded
  - Development/value add potential
  - Flex conversion
- Attractive central London locations
  - Supported by infrastructure / investment
- Low rents, low capital value per sq ft
  - Discount to replacement cost
  - Risk-adjusted, accretive returns

### Attractive Central London Locations



### Current Deals Under Review by Type



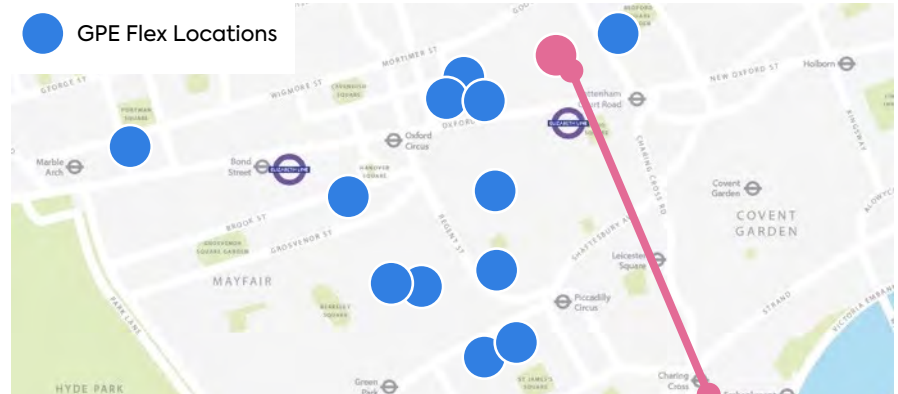
### GPE Flex Requirements

- Amenity rich locations/excellent transport links
- Clustering around existing GPE holdings desirable
- 30-60k sq ft with divisible floorplates
  - Target unit size of 3-5k sq ft
- Ability to create internal & external amenity space
- High quality ground floor experience
- Product/market appropriate refurb capex
- Opportunity to deliver stabilised income of 6%+



# 7/15 Gresse Street, W1

## Our Recent Acquisition



**7/15 Gresse St, W1**

- Located in heart of Fitzrovia; an area we know well
- 200m from Crossrail station

### Acquired March 2022

- £36.5 million; £864 psf; NIY 5.6%
- 43,000 sq ft; flexible floorplates
- Long leasehold (107 years)
- Vacant possession H2 '23

### Reposition into best in class fully managed offer

- c.£20 million refurbishment
- High quality amenity at ground and basement
- Private terraces and communal roof terrace
- Improving sustainability creds (currently EPC C)
- Headline rent: £200+ psf
- Target 6%+ stabilised income yield

More to Come

## Recycling discipline continues

### HQ developments

- Track record of value crystallisation

### Flex

- Exit optionality: appropriate agreement structures
- But higher income return adds to ownership attractions

## Maintaining mid-cap model...

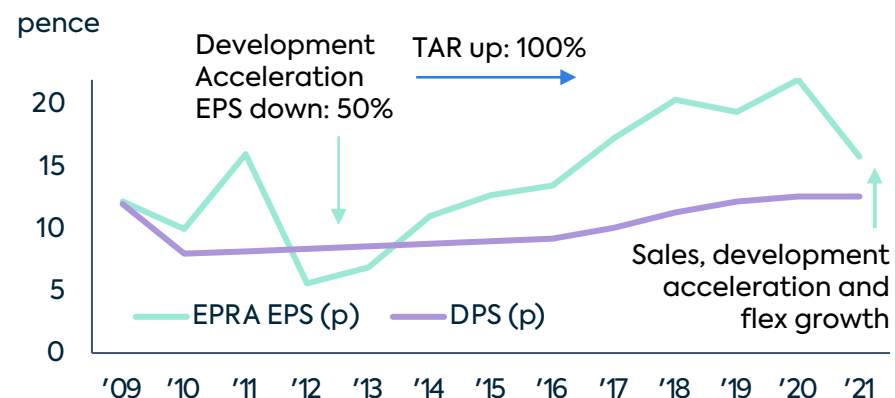
- Seeking to deliver outperformance
- “Moving the needle” matters

## ...although emerging benefits from increased scale

- Portfolio clustering
  - Shared amenity
  - Growth space for customers
- Enhancing “customer first” capabilities
  - Headcount up 20% in last 3 years
  - Focus on customer service, marketing/leasing & sustainability

## Total return focus

- Anticipating short-term earnings decline
  - Sale of 160 Old Street & surrender premium in H1'22
  - Vacant possession required for near-term developments and delivery of additional flex space



- To deliver higher prospective total returns
  - HQ Repositioning: development surpluses
  - Flex: higher income return

## Long-Term Total Return Outperformance



Customer needs evolving, GPE responding	Toby Courtauld, Chief Executive
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# Summary

## An Evolving and Exciting Strategy

### HQ Relocation & Flex; two complementary, overlapping business streams

- Both satisfy customers' evolving needs; flexibility, service, technology & sustainability
- Both with strong growth potential:
  - HQ Relocation: 1m sq ft pipeline starting now
  - Flex: +140% organic growth. Further growth through acquisition

### Our portfolio is well matched to delivering best-in-class, sustainable spaces

- These enable our customers to attract the very best talent allowing them to meet their own ambitions

### London retains its long term attractions as a global centre of commerce

- Supportive market fundamentals
  - Prospective job growth: attractive demand for our spaces
  - High barriers to entry: tight supply

### We've restructured...

- To ensure we have the appropriate skills to deliver on these aspirations
- And enable us to build on our already strong Net Promoter Score

### ... at same time, preserved core qualities that have made this company great

- Focus, capital discipline & financial strength, mid-scale, ability to read cycles & trends, product evolution, always delivering quality

**GPE: differentiated strategy and exciting prospects**



GPE.

Greater together