



22 July 2008

First quarter valuation and business update

In today's Interim Management Statement, the Directors of Great Portland Estates plc ("GPE") announce an update on trading, as well as the quarterly valuation of the Group's properties as at 30 June 2008. A summary of the Group's recent valuations, rental value and NAV performance is set out in appendix 1 and detailed valuation statistics can be found in the tables attached at appendix 2 and 3.

Highlights of the quarter:

- Portfolio valuation down 4.0% on a like for like basis since March 2008 due to 26 basis points of outward market yield shift
- NAV per share of 538p down 7.6% since March 2008, down 16.2% since June 2007
- NNNNAV per share of 553p down 6.3% since March 2008, down 14.3% since June 2007
- Rental value growth of 0.6%, 0.4% in West End offices, 2.1% in West End retail
- New leases generating £0.9 million p.a. signed at rents 6.1% ahead of their March 2008 Estimated Rental Values
- Void rate low at 3.2%
- Practical completion achieved at the Tooley Street, SE1, development
- Property sales totalling £96.6 million contracted broadly in line with the March 08 valuation
- Reduction in pro forma net debt to £387 million, reducing gearing to 39.8% and total loan to property value (including JV debt) to 33.7%

Toby Courtauld, Chief Executive of GPE said,

"We have made an encouraging start to this financial year. In spite of today's more challenging market conditions, we continue to deliver operational successes across our business, signing new leases at rents above March rental values and selling profitably.

Whilst we expect the economic backdrop to worsen during the balance of this year, we have the ingredients in place to enable our continued out-performance; a portfolio focused on the under-supplied core of the West End with low passing rents and significant rental upside to secure; minimal speculative development, yet a long pipeline of future projects with current income and flexible timing; and a strong balance sheet with low gearing and significant liquidity allowing us to exploit a weaker investment market."

Portfolio valuation

The valuation of the Group's properties as at 30 June 2008 was £1,539.8 million including our share of joint venture assets, a fall of £63.9 million or 4.0% since 31 March 2008. The net impact of the

movement in yields and rental values on the portfolio valuation is set out in appendix 2. The worsening environment in the financial and property markets has caused yields to rise and asset values to decline across the UK. The portfolio true equivalent yield increased by 26 basis points over the quarter and now stands at 5.84%. The investment portfolio's adjusted initial yield (including contracted income still in rent free periods) was 4.63% at June 2008, up 24 basis points from March 2008. A reconciliation of various yield measures is set out in appendix 2.

Across our portfolio rental values grew by 0.6% during the quarter, building on the 1.1% recorded for the three months to March 2008. West End office rental values were 0.4% higher whilst City and Southwark rental values fell by 0.1%. Retail rental values in the West end portfolio grew by 2.1% in the quarter. The Group's average office rental value remains low at approximately £47.60 per sq ft, some £12.10 per sq ft higher than the average office rent passing, with the portfolio being 32.4% reversionary at the quarter end.

We said in May that, as long as the UK economy avoided a significant contraction, we expected the occupational demand for office space in the supply-constrained West End to slow to around the long-term average. Second quarter data supports this view with 1.4 million sq ft leased, exactly in line with the average. For the balance of 2008 we expect occupational demand to soften further, potentially impacting on rental values. With 82% of the Group's assets located in the under-supplied core of the West End and the portfolio's low average office rent of £35.50 per sq ft, we remain confident that our asset repositioning activities will enable us to continue to generate relative valuation outperformance.

Estimated NAV per share and financing

The main movement in net asset value for the quarter was the reduction in portfolio valuation of £63.9 million due to adverse market yield movement. NAV per share was also impacted by the final 2007/08 dividend of £14.5 million or 8.1 pence per share. The sale of 208/222 Regent Street, W1 in June at a value slightly below that of March 2008 reduced NAV by £0.4 million. As set out in the table below, the estimated NAV per share fell 7.6% from 582p at 31 March to 538p at 30 June 2008.

<i>Pro Forma Estimated Balance Sheet</i>			
	<i>£m</i>	<i>pence</i>	<i>Percentage movement</i>
<u>Adjusted NAV</u>			
At 31 March 2008	1,053.3	582	
Valuation deficit	(63.9)	(36)	
Sale of 208/222 Regent Street	(0.4)	-	
Final dividend	(14.5)	(8)	
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At 30 June 2008	974.5	538	-7.6%
<u>REIT NNAV</u>			
M2M of debt	27.4	15	
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At 30 June 2008	1,001.9	553	-6.3%
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At 31 March 2008	1,066.9	590	

Note: The pro forma balance sheet is unaudited and does not include retained earnings for the quarter

The positive mark to market of debt of £27.4 million or 15p per share generated a NNAV per share of 553p at 30 June, a fall of 6.3% from March 2008.

Net debt at 30 June 2008 was £418.0 million, a reduction of £6.6 million from 30 March 2008, due to operational cashflows, offset by capital expenditure on developments and investment in joint ventures. Including the sale proceeds from 208/222 Regent Street, W1 which completed on 15 July, pro forma net debt was £387.4 million, gearing was 39.8% and total loan to property value (inc JVs) was 33.7%. The Group had cash and undrawn committed credit facilities of £315.1 million following the Regent Street disposal.

Investment and asset management activity

Conditions in London's property investment markets remain difficult. We expect the constrained availability of credit to exert further downward pressure on property values, particularly those with limited rental growth prospects. Despite these challenging market conditions, 208/222 Regent Street, W1 was sold by Great Victoria Partnership (No 2) ("GVP2") in June to a private investor for £96.6 million, broadly in line the March 2008 book value. The building had been purchased in April 2005 for £53.7 million, the headlease subsequently regeared with the Crown Estate at a cost of £6.0 million and, in 2007, a phased reconfiguration of the retail space was completed at a cost of £6.6 million. This successful development has provided the group with a return on equity of 91% during the three years of ownership.

No acquisitions were made during the quarter.

Good letting activity continued throughout the quarter, keeping our investment portfolio void rate low at 3.2%. Fifteen new lettings have been completed generating an annual rent of £1.2 million p.a. (Group

share £0.9 million p.a.). These lettings were, in aggregate, 6.1% ahead of the valuers' March 2008 estimates. Eight further lettings are currently under offer accounting for a further £1.3 million p.a. in rent (Group share £1.1 million p.a.), at an aggregate of 7.3% ahead of the valuers' June 2008 estimate. Rent reviews totaling £1.7 million p.a. (Group share £0.9 million p.a.) have been settled 17.1% ahead of the valuers' estimates at the relevant review date.

Development update

Our development programme is proceeding to plan. We have 3 schemes on site with a further cost to complete of £15.2 million.

Our Tooley Street, SE1 scheme reached practical completion during the quarter, crystallising development management profits consistent with our targets, whilst our Wells & More, W1 project is progressing on time for a completion towards the end of the year. Formal marketing of this 115,000 sq ft mixed use development will begin in the autumn, and we already have encouraging levels of interest from potential occupiers. At 240 Blackfriars Road, SE1, we have completed the demolition phase and enabling works are ongoing. Held in a new 50:50 JV with BP, we expect to make a decision on the timing of construction works later this summer. At Foley Street, W1 we anticipate reaching practical completion in August and we have started discussions with potential tenants. We have also begun marketing the recently refurbished mixed use Met Wharf, E1 building held in the Great Capital Partnership.

Contacts:

Toby Courtauld	Chief Executive	Great Portland Estates plc	020 7647 3042
Timon Drakesmith	Finance Director	Great Portland Estates plc	020 7647 3034

Finsbury

James Murgatroyd	020 7251 3801
Gordon Simpson	020 7251 3801

Forward Looking Statements

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