Press Release

5 July 2018

Great Portland Estates Trading Update

Great Portland Estates plc ("GPE") today publishes its trading update for the quarter to 30 June 2018.

Leasing successes ahead of March 2018 ERV and capturing reversion

- 11 new lettings (41,700 sq ft) signed generating annual rent of £2.5 million (our share: £1.6 million); market lettings 1.9% ahead of March 2018 ERV
- 9 rent reviews settled securing £5.0 million per annum; 20.8% above previous passing rent, 5.1% ahead of ERV; remaining reversionary potential of 9.2% (£9.7 million)
- 20 lettings under offer totalling £4.4 million p.a. of rent (our share: £3.8 million); 4.4% ahead of March 2018 ERV
- Successfully trialled flex space offering across 12,000 sq ft, securing rent at 35% premium to net effective rental value; appraising further c.100,000 sq ft across existing portfolio
- Vacancy rate of 6.3% (falling to 4.6% if we convert all investment lettings under offer)
- 99.0% of rent collected within seven working days; no occupier delinquencies

Good progress on development schemes; flexible programme covering 49% of existing portfolio

- 160 Old Street, EC1 (161,700 sq ft) completed in April, now 71% let with a further 9% under offer and strong interest in remaining space; 19.6% profit of cost
- Good progress across three committed schemes (412,000 sq ft), including our Hanover Square estate, W1 which is already 25.8% pre-let; all located near to Crossrail stations, 15.9% forecast profit on cost, capital expenditure to come of £233.0 million. Encouraging levels of occupier interest
- Exceptional and flexible development pipeline of 13 schemes (1.3 million sq ft), currently income producing, with 3.6 years average lease length, 12.2% reversionary[1]

Continued net sales; commercial sales of £49.6 million, 2.4% ahead of book value

- Sale of 78/92 Great Portland Street and 15/19 Riding House Street, W1 for £49.6 million, net initial yield of 3.9%, capital value of £1,362 per sq ft; crystallising development profit on cost of 12.4%
- Approximately £150 million in the market for sale; seeking to crystallise further surpluses and take advantage of strong investment markets

Strong financial position; £306 million returned to shareholders

- £306 million (93.65 pence per share) returned to shareholders via a B share scheme
- LTV[2] of 12.6%, weighted average interest rate of 2.3%, drawn debt 100% fixed or hedged
- Cash and undrawn committed facilities of £636 million, low marginal cost of debt of 1.6%

Toby Courtauld, Chief Executive, said:

"I am pleased to report another quarter of positive operational activity with healthy leasing, ahead of ERV, and encouraging occupier interest across our three newly committed development schemes which are already 11% pre-let. We continue to attract occupiers for our brand of high quality, well located, sensibly priced space with £4.4 million of lettings currently under offer at a 4.4% premium to March 2018 ERVs.

Despite the ongoing economic and political uncertainty, GPE is in great shape with enviable long-term potential: five years of net sales activity gives us unprecedented financial capacity even after returning more than £400 million to shareholders; our investment portfolio is well let, off low average rents and we are capturing its reversionary potential; our committed development programme is progressing well; our exceptional income-producing development pipeline offers more than 1.3 million sq ft of flexible future growth potential; and we have a first-class team ready to capitalise on our many opportunities."

1. Existing use of development pipeline at 31 March 2018
2. Based on property values at 31 March 2018

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This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of GPE is Desna Martin.

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.

Information contained in this document relating to GPE or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.

Portfolio management

Occupier interest across our properties has continued to be healthy as we delivered another strong quarter of leasing performance, including:

- 11 new leases and renewals signed generating annual rent of £2.5 million (our share: £1.6 million), with market lettings 1.9% ahead of March 2018 ERV;
- 9 rent reviews were settled securing £5.0 million of annual rent (our share: £3.6 million) at an increase of 20.8% over the previous passing rent and 5.1% ahead of ERV;
- Total space covered by new lettings, reviews and renewals was 97,100 sq ft;
- Group rent roll reduced to £105.7 million, down 1.5% over the three months to 30 June 2018 given vacant possession achieved at Oxford House, W1 and the sale of 78/92 Great Portland Street, W1, although like-for-like rent roll grew by 2.1%; and
- Investment portfolio vacancy rate increased from 4.9% at 31 March 2018 to 6.3% at 30 June 2018 in part due to the recent completion of our development at 160 Old Street, EC1. This would fall to 4.6% if we convert all investment lettings under offer.

Leasing Transactions	**Three months ended**		
	30 June 2018	**31 March 2018**	**30 June 2017**
New leases and renewals completed			
Number	11	10	20
GPE share of rent p.a.	£1.6 million	£5.7 million	£5.2 million
Area (sq ft)	41,700	91,000	94,500
Rent per sq ft	£60	£100	£63
Rent reviews settled			
Number	9	6	10
GPE share of rent p.a.	£3.6 million	£6.8 million	£3.8 million
Area (sq ft)	55,400	113,400	67,900
Rent per sq ft	£90	£63	£56

Note: Includes joint ventures at our share

Significant portfolio management transactions during the quarter included:

- At our recently completed development, 160 Old Street, EC1, Turner Broadcasting exercised their option to lease the whole of the fourth floor (18,400 sq ft), on a 15 year lease (no breaks), in addition to the 98,100 sq ft they have already pre-let;
- Two flex space lettings completed at Elm Yard, WC1 (8,000 sq ft) at a combined annual rent of £0.5 million, 11.9% ahead of March 2018 ERV, with a further 4,000 sq ft under offer; and
- At Kingsland House, W1, we settled a rent review with Folli Follie (UK) Limited, capturing reversion of £0.3 million, an increase of 102% on the previous passing rent and 29% above ERV at the review date.

We have a further 20 lettings currently under offer which, if completed, would deliver approximately £4.4 million p.a. of rent (our share: £3.8 million), 4.4% ahead of 31 March 2018 ERV.

Our quarterly cash collection performance has continued to be very strong, with 99.0% of rent secured within seven working days of the June quarter day. None of our occupiers went into administration during the quarter (March 2018: none); however, we remain vigilant and continue to monitor the financial position of all our occupiers. Although two of our occupiers have entered CVAs this calendar year, in neither case did these result in any change to their lease arrangements or occupational requirements with GPE.

Development management

One scheme completed in quarter

At 160 Old Street, EC1, owned in our Great Ropemaker Partnership, we completed the 161,700 sq ft of office, retail and restaurant space in late April. Turner Broadcasting, which has already pre-let 98,100 sq ft on the lower ground to third floors, exercised its option to lease the whole of the fourth floor (18,400 sq ft). Together with the letting of two retail units, we have now secured £6.1 million of rent with the building now 71.2% let and we have the fifth floor under offer with positive leasing interest in the remaining office space and the remaining retail units.

Three committed schemes

In May, we obtained vacant possession at Oxford House, 76 Oxford Street, W1. We have now settled all of the neighbourly matters and the building is currently being stripped out with demolition commencing later in the year. The new building will deliver 78,100 sq ft of new offices and 37,900 sq ft of retail space directly opposite the Dean Street entrance to the Tottenham Court Road Crossrail station and completion is targeted for Q3 2021.

At our Hanover Square estate, W1, we have commenced the formal process to purchase the element of the site that sits directly over the Crossrail station and we expect this to complete during the summer. The development scheme will deliver 221,300 sq ft in total, comprising 167,200 sq ft of offices, 41,900 sq ft of retail and restaurant space and 12,200 sq ft of residential apartments. Following the pre-let of 57,200 sq ft of offices in the over station office building to KKR in March, early leasing interest is encouraging and we will launch the marketing campaign for the Bond Street retail over the coming months with the remaining offices and retail space launched later in the year.

At Cityside House, E1, having improved the design we inherited, we have now stripped out the building, commenced demolition and awarded the main construction contract. Our activities will transform the existing building into 74,700 sq ft of Grade A office and retail space. We are targeting average office rents across the building of around £51.40 per sq ft, with delivery expected in Q4 2019 following the opening of the nearby Whitechapel Crossrail station.

At 30 June 2018, the three committed development properties required £233.0 million of capital expenditure to complete, with 75% of the construction costs already fixed.

Investment management

In April, our recycling activities continued with the sale of the freehold of the recently redeveloped and long let 78/92 Great Portland Street and 15/19 Riding House Street, W1 to M&G Real Estate. The headline price of £49.6 million, equated to £48.3 million after deductions for tenant incentives or 2.4% ahead of the March 2018 book value, reflected a net initial yield of 3.9% on a topped up basis and a capital value of £1,362 per sq ft.

We are likely to continue to take advantage of strong investment markets to crystallise surpluses where our business plans are complete, particularly for long-dated, recently developed assets, which today comprise 15% of the portfolio. Currently we have c.£150 million of properties in the market to sell.

Financial management

Group consolidated net debt increased to £276.2 million at 30 June 2018, up from £(5.2) million at 31 March 2018 as proceeds from property disposals were more than offset by the £306.0 million return of capital paid to shareholders in April. Group gearing rose to 11.7% at 30 June 2018 from 0% at 31 March 2018. Including non-recourse debt in joint ventures, total net debt was £345.2 million (31 March 2018: £67.5 million) equivalent to a low loan-to-property value of 12.6% (31 March 2018: 2.4%). In June, we drew down £100 million of new unsecured US private placement notes with 10, 12 and 15 year maturities (weighted average of 12.1 years) and a weighted average fixed rate coupon of 2.80%. At 30 June 2018, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £636 million.

Our weighted average interest rate was 2.3% at the quarter end (31 March 2018: 2.1%) and our weighted average debt maturity was 5.6 years. At 30 June 2018, 100% of the Group's total drawn debt was fixed or hedged. Our marginal cost of debt remains low at 1.6% and our £450 million revolving credit facility does not mature until October 2021.

	30 June 2018	31 March 2018
GPE net debt	£276.2m	£(5.2)m
GPE gearing[1]	11.7%	0%
Total net debt including JVs	£345.2m	£67.5m
LTV[2]	12.6%	2.4%

1. Based on net asset value at 31 March 2018
2. Based on property values at 31 March 2018

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 2018/2019 interim results on Thursday 15 November 2018.