Press Release

14 January 2021

Great Portland Estates Trading Update

Great Portland Estates plc (GPE) today publishes its trading update for the quarter to 31 December 2020.

Toby Courtauld, Chief Executive, said:

"The surge of optimism following the UK approval and roll-out of the COVID-19 vaccines has been overshadowed by the return to more stringent lockdown measures across London. Whilst rental collection rates for the December quarter are ahead of September levels, building utilisation rates have greatly reduced once more and some sectors remain challenged. As expected, a number of our occupiers have been unable to meet their rental obligations and we continue to offer assistance on a case by case basis to support them through this difficult period. We expect the near-term trajectory of the pandemic to remain unpredictable, but, as the vaccination programme progresses, we anticipate that confidence will return and London's magnetism as a global cultural and business centre will endure, supported by the recent UK-EU trade deal.

GPE is well positioned: our low leverage and high liquidity provides resilience and significant capacity for growth; our innovative, flexible spaces remain in high demand and our recent commitment to the development of 50 Finsbury Square, which will be a sustainability, wellbeing and technology exemplar, demonstrates the confidence we have in our product. This strong platform and our extensive development pipeline, combined with our culture of innovation and our talented team, means we are ready to capitalise on this period of uncertainty should opportunities arise."

December quarter rent collection ahead of September levels, providing support on a case by case basis

- 77% of December rent collected to date including amounts covered by rent deposits; 69% excluding deposits (84% from office units; 35% from retail/hospitality/leisure sectors; 85% all other sectors)
- 85% of March, June and September rent now collected including drawn deposits; 75% excluding deposits
- £16.5 million of rent deposits/bank guarantees held, of which £2.1 million anticipated to be utilised against outstanding December rent
- All offices open for business with COVID-19 Secure status

Operating well; continued leasing

- £2.4 million of new annual rent signed in quarter. Market lettings in line with March 2020 ERV, including £1.1 million (17,700 sq ft) to Four Communications at The Hickman, E1 on ten-year term (seven-year break)
- Five lettings under offer for £2.0 million (our share: £1.1 million), in line with September 2020 ERV
- Further c.£28 million of new annual rent in negotiation

Good progress across our development programme; work started at 50 Finsbury Square, EC2

- Committed: two projects covering 248,600 sq ft
  - Newly committed to major office refurbishment at 50 Finsbury Square, EC2 (129,100 sq ft); market leading sustainability, wellbeing and technology credentials
  - Good progress at 1 Newman Street & 70/88 Oxford Street, W1; 31% pre-let, with encouraging levels of occupier interest ahead of expected completion this summer
  - Works progressing well with £74.8 million capital expenditure to come
- Near-term: two office schemes (694,400 sq ft); strong occupier interest ahead of potential starts in 2022
- Total pipeline: nine schemes (1.3 million sq ft), all income producing, 2.3 years WAULT, 11.4% reversionary[1]

Strong financial position; total liquidity of £441 million

- Property LTV[2] of 18.2%, weighted average interest rate of 2.5%, weighted average debt maturity of 8.3 years
- Substantial headroom above Group debt covenants
- Cash and undrawn facilities of £441 million

1. Existing use of development pipeline at 30 September 2020
2. Based on property values at 30 September 2020

77% of December rent collected to date (including amounts covered by rent deposits)

Collection performance to date of rents due by occupier type	Retail, Hospitality & Leisure	Other sectors	Total	Total (after rent deposits)
Quarterly rent	31%	85%	68%	78%
Monthly rent	53%	89%	73%	77%
Received	35%	85%	69%	77%

For the 25 December quarter, 68% of rents due on quarterly terms (which, following rescheduling and other temporary arrangements with occupiers, represents 70% of this quarter's rent roll) was secured within seven working days (September 2020: 61%). Of the further 30% of our rent roll on monthly payment terms (September 2020: 30%), 73% was collected within seven working days of the due date. In total, so far we have collected 69% of all rent due, or 77% (September 2020: 73%) including amounts available from rent deposits (office units 84%; retail units 26%).

At 31 December 2020, we held rent deposits and bank guarantees totalling £16.5 million (September 2020: £18.5 million), of which we anticipate that we will be able to utilise £2.1 million against our outstanding December rent.

For those occupiers who have been unable to pay their rent, we have implemented measures to help support them through these unprecedented times. Accordingly, on a case by case basis, we are currently offering occupiers facing cash flow difficulties monthly payment terms, deferral of rental payments or rental holidays, as appropriate. During the quarter, three of our retail occupiers went into administration (September 2020: two), representing 2.3% (our share: 1.4%) of rent roll. The majority of space affected was in relation to the well-publicised collapse of the Arcadia Group, which occupied two units at Mount Royal, W1 with leases expiring in 2022.

All of our office buildings remain open for business, however, given recently heightened COVID-19 restrictions, levels of occupier utilisation have reduced and currently our offices are operating at around 10% of full occupancy and around 16% of our retail units are open.

85% of March, June and September rent now collected

Of the £65.7 million (our share) rent billed in the March, June and September quarters, to date we have collected 75%, or 85% after the utilisation of rent deposits. We will be making an appropriate provision against estimated non-recovery of outstanding rents in the current year's income statement.

£2.4 million of new lettings in the quarter

We completed seven new lettings (42,800 sq ft) during the quarter, generating annual rent of £2.4 million (our share: £2.1 million) with market lettings in line with March 2020 ERVs. We currently have a further 24,000 sq ft of space under offer which would deliver approximately £2.0 million p.a. in rent (our share: £1.1 million), with market lettings in line with September 2020 ERV (March 2020 ERV: -3.2%). Furthermore, given the ongoing demand for well-located high quality space, we have a further c.£28 million of annual rent in negotiation.

The most notable letting in the quarter was at our recently completed development, The Hickman on Whitechapel Road, E1, to integrated marketing and communications agency Four Communications Group Limited (Four). Four will occupy the offices on the fifth, sixth and seventh floors (17,700 sq ft) on ten year leases (with a tenant break option in the seventh year), paying an annual rent of £1.1 million. This transaction leaves a further 57,600 sq ft of which negotiations are ongoing on 20,000 sq ft. Four is currently an existing GPE occupier at New City Court, SE1 which they will vacate once the leases complete at The Hickman, thereby enabling the redevelopment of New City Court, subject to planning permission, to create a best in class office development of circa 370,000 sq ft.

We are continuing to grow our flexible offer across our portfolio. With the recent completion of our Flex+ space at Dufours Place, W1, our own fully fitted flex product now totals some 121,800 sq ft, with our partnership agreements adding a further 143,700 sq ft. Together they total 13% of our office portfolio and at 31 December had 75% occupancy.

Hanover Square completed

At Hanover Square, W1, following a number of sectional completions, the full development completed in early November. The pre-let office floors have been handed over to the incoming occupiers, KKR and Glencore who have commenced their fit-outs. The scheme has delivered 221,500 sq ft of new space, comprising 167,500 sq ft of offices, 41,300 sq ft of retail and restaurant space and 12,700 sq ft of residential apartments.

Interest in the remaining 56,000 sq ft of office space across the scheme continues to be strong, with a number of conversations ongoing with prospective occupiers for the remaining retail units (36,400 sq ft).

All but one of the six residential apartments (our share: £16.0 million), which are located on the corner of New Bond Street and Brook Street, have now exchanged or completed at the full asking price, with the remaining unit under offer.

In total, the development is now 55% let by ERV, or 68% when including space under offer or in negotiation.

Two committed developments (248,600 sq ft) including 50 Finsbury Square, EC2

In December, we committed to the extensive repositioning of 50 Finsbury Square, EC2. Our 129,100 sq ft major refurbishment will extend the office floor plates within the existing frame of the building, create a large reception with a concierge as well as an improved retail, leisure and amenity offer. The existing building is now vacant and the main contractor has commenced preparing the site, with completion of the scheme expected in Q4 2022. The new building will be a sustainability, wellbeing and technology exemplar and deliver on all four pillars of our Sustainability Statement of Intent (The Time is Now). In particular, the development will:

- save 60% in operational energy consumption when compared with the existing building and be the first development to have levied an Internal Carbon Price of £95 per tonne for its carbon emissions, chargeable at practical completion and will be invested back into our sustainability objectives elsewhere in the Group;
- retain the existing frame, with some of the external stone recycled to form part of a feature wall within the new, extended reception area;
- be WELL enabled to respond to increasing focus on health and wellbeing from our occupiers with an emphasis on external and internal biodiverse features and access to outside space;
- achieve Wired Score Platinum Certification and be the most tech enabled building within our portfolio with our sesame app and digital twins fully integrated; and
- support local community initiatives. Through our corporate charity partnership with Groundwork London, where we have already supported air quality projects at seven schools in Islington, with full social value guidelines currently being put in place for the scheme.

At 1 Newman Street & 70/88 Oxford Street, W1, construction of the new building is progressing well, with completion expected in the summer. The building will deliver 81,600 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. The building is now 31% pre-leased, following the pre-let of the upper three floors to Exane in May 2020, and interest in the remaining office floors remains encouraging. However, given the return to lockdown in London, we expect the pre-leasing of the retail space to be more challenging in the near term given the impact of COVID-19 on the wider UK retail environment and the opening of the central section of Crossrail being delayed to mid-2022.

Further development pipeline of 1.3 million sq ft

We continue to prepare our two near-term schemes at New City Court, SE1 and City Place House, EC2, for redevelopment, which together will deliver 694,400 sq ft of new Grade A space. To date we have been encouraged by strong levels of early occupier interest, with a significant proportion of the space already under negotiation.

Beyond our near-term schemes, we have a further seven schemes in the medium-term pipeline, which together have the potential to deliver more than 1.3 million sq ft post development. In total, our development programme covers 40% of GPE's existing portfolio and will provide the bedrock of our growth over the coming decade.

Strong financial position maintained

At 31 December 2020, Group consolidated net debt (excluding joint ventures) was £470.8 million, up from £402.3 million at 30 September 2020. The increase was largely due to c.£25 million ongoing development capital expenditure across the Group and the repayment of the £80 million (our share: £40 million) non-recourse debt facility in our Great Victoria Partnership (GVP), which was secured over Mount Royal, W1. Group gearing increased to 23.4% at 31 December 2020 from 20.2% at 30 September 2020. Including cash balances in the joint ventures, total net debt was £452.4 million (30 September 2020: £427.5 million) equivalent to a loan to property value of 18.2% (30 September 2020: 17.2%). At 31 December 2020, the Group, including our share of joint ventures, had cash and undrawn committed credit facilities of £441 million.

Our weighted average interest rate was 2.5% at the quarter end, up from 2.3% at 30 September 2020 as we have drawn on our new £150 million 2.77% US private placement notes during the quarter. At 31 December 2020, 93% of the Group's total drawn debt was fixed. Our weighted average drawn debt maturity was 8.3 years at 31 December 2020 (30 September 2020: 5.4 years).

	31 December 2020	**30 September 2020**
GPE net debt	£470.8m	£402.3m
GPE gearing[1]	23.4%	20.2%
Total net debt including JVs	£452.4m	£427.5m
LTV[2]	18.2%	17.2%

1. *Based on net asset value at 30 September 2020*
2. *Based on property values at 30 September 2020*

Forthcoming events

We will be holding an investor and analyst sustainability update call at 2.00 pm on 3 March 2021 to provide a deeper dive into our Sustainability Statement of Intent and Roadmap to Net Zero. Joining details will be circulated nearer the event.

We also expect to release our full year results to 31 March 2021 on Wednesday 19 May 2021.

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Forward Looking Statements

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