# Press Release

**27 January 2011**

## Third quarter valuation and business update

In today's Interim Management Statement, the Directors of Great Portland Estates plc ("GPE" or "Group") announce an update on trading, as well as the quarterly valuation of the Group's properties as at 31 December 2010. Details of the Group's recent valuation and rental value trends are set out in the appendices.

Key points from the quarter:

- Portfolio valuation up 3.0%[1] since 30 September 2010, 17.5%[1] since 31 December 2009
- Total valuation uplift of 3.2% including portfolio activity
- Rental value growth of 2.6%[1] (3.6% West End offices, 1.3% West End retail)

- Adjusted NAV[2] per share of 326 pence at 31 December 2010 up 3.8% from 30 September 2010
- Adjusted NNNAV[2] per share of 328 pence at 31 December 2010 up 3.8% from 30 September 2010

- New investments of £87.6 million made since 30 September 2010; a further 2 deals under offer
- 12 near-term development projects, totalling 1.9 million sq. ft[3], up from 11 at half year
- Six schemes (410,000 sq. ft.) on site, progressing well with six further potential starts during 2011
- A further 15 pipeline projects covering 1.1 million sq. ft.[3] in design stage

- 36 new leases signed generating £4.4 million p.a. (Group share £3.9 million p.a.)
- Two major lease restructurings supporting valuation prospects of key properties
- Void rate[3] stable at 3.3% (30 September 2010: 3.4%)
- Gearing low at 32% giving the Group cash and undrawn credit lines of over £379 million

[1] On a like for like basis, see appendix 1
[2] In accordance with EPRA guidance
[3] Includes share of joint ventures

Toby Courtauld, Chief Executive, said,

*"Central London's property markets continued to strengthen during the quarter, driven by a pick up in leasing activity and sustained demand for quality investment properties. With the supply of available space to let falling and rents now rising, we expect these supportive conditions to persist throughout 2011.*

*In our own portfolio, activity levels have remained high; we have maintained an encouraging tenant retention rate and a low void rate; we have delivered a number of significant asset management wins; we've continued to find accretive acquisitions; and we have made good progress across our 1.9 million sq. ft. near term development programme, adding one further scheme during the quarter. And with low financial gearing giving us plenty of capacity for further expansion, we look to the future with confidence".*

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## Portfolio valuation

Central London real estate valuations continued to experience solid growth in the quarter to 31 December 2010 as a result of strong investor interest and rental value improvements. The valuation of the Group's properties as at 31 December 2010 was £1.55 billion including our share of joint venture assets, a rise of £23.9 million. Excluding acquisitions and the impact of material lease surrenders the net valuation uplift for the quarter was 3.0% on a like-for-like basis compared to 2.6% for the previous quarter. In December, we agreed to surrender all of the office leases at 160 Great Portland Street in exchange for £30.0 million, of which £25.2 million was received in the quarter. The net impact of this transaction, and the effect of accretive acquisitions made during the quarter brings the total valuation uplift to 3.2%. Further details are set out in Appendices 2 and 3.

By sector, the portfolio value increases in the quarter were - West End offices 4.1%, City & Southwark offices 0.4% and West End retail 0.4%. Further details on valuation trends by ownership and sectors are set out in the Appendix. The wholly owned portfolio was valued at £958.5 million at 31 December (valuation uplift of 3.0% on the quarter) and the joint venture properties (100%) at £1,118.5 million (up 2.7% on the quarter). The net impact of the movement in yields and rental values on the portfolio valuation is set out in Appendix 4.

The portfolio true equivalent yield declined by 4 basis points over the quarter and now stands at 5.3%. The investment portfolio's adjusted initial yield (including contracted income still in rent free periods) was 4.8% at December, a fall of 20 basis points from September 2010. A yield table is set out in Appendix 5.

Occupational demand was encouraging over the last quarter, particularly for well located properties and our tenant retention remains strong. Across our portfolio, office rental values rose by 3.3% in the quarter, compared to the 2.9% increase recorded for the previous three months. West End office rental values were 3.6% higher whilst City and Southwark office rental values increased by 2.0%. Retail demand has been resilient and rental values in the West End portfolio climbed by 1.3% in the quarter.

The Group's average office rent remains low at £35.10 per sq ft. and the portfolio overall (including retail) was 7.2% reversionary at the quarter end. Rental value trends are highlighted in Appendix 6.

## Estimated NAV per share and financing

The main movement for the quarter was the underlying uplift in the portfolio valuation of £23.9 million due principally to rental value growth driving the revaluation of key assets including Wells & More, Kent House and Marcol House. NAV per share was also boosted by the Telewest lease surrender at 160 Great Portland Street. Adding these receipts with the valuation movement brings the total valuation uplift to 3.2%. The interim dividend of £9.7 million reduced NAV by 3 pence per share. Overall, as set out in the table below, adjusted net assets per share increased by 3.8% to 326p (September 2010: 314p).

| *Pro Forma Estimated Balance Sheet* [1] | | | |
|---|---|---|---|
| | *£m* | *pence per share* | *Percentage movement* |
| Adjusted NAV [2] | | | |
| **At 30 September 2010** | **981.4** | **314** | |
| Valuation uplift | 23.9 | 7 | |
| Telewest lease surrender | 25.2 | 8 | |
| Interim dividend | (9.7) | (3) | |
| **At 31 December 2010** | **1,020.8** | **326** | *3.8%* |
| REIT NNNAV | | | |
| M2M of debt & derivatives | 7.5 | 2 | |
| **At 31 December 2010** | **1,028.3** | **328** | *3.8%* |
| **At 30 September 2010** | **988.3** | **316** | |

*Note:*
*[1] The pro forma balance sheet is unaudited and does not include retained earnings for the quarter*
*[2] EPRA adjustments*

The mark to market of debt of £7.5 million or 2 pence per share generates a NNNAV per share of 328p at December a rise of 3.8% from September 2010.

Net debt has increased over the quarter but with the impact of an increasing portfolio valuation, the leverage ratios have moved up only slightly and remain comfortable.

**Summary of Debt Statistics**

| **£ million** | **Dec-10** | **Sept-10** |
|---|---|---|
| GPE Net Debt | 323.2 | 285.1 |
| GPE gearing | 31.7% | 29.3% |
| Total debt including JVs | 496.1 | 451.0 |
| LTV | 31.9% | 31.0% |

Around 40% of the Group’s total debt was at floating rates at 31 December 2010 allowing a low weighted average interest rate at the period end of 3.7%.

## Investment management

We have continued to find interesting acquisitions, investing £87.6 million since 30 September 2010 into assets with the necessary attributes to improve future portfolio returns. We have invested in excess of £360 million in new opportunities since our 2009 Rights Issue, meaning that almost 25% of the Group's assets have been acquired at or near the bottom of the property cycle.

In November, we announced the refocusing of our joint venture, the Great Capital Partnership, involving the acquisition of four properties by GPE from the JV. We purchased 24/25 Britton Street, EC1, 12/14 New Fetter Lane & 43 Fetter Lane, EC4, Tasman House, Wells Street, W1 and 183/190 Tottenham Court Road, W1 for a combined price of £45.1 million, broadly in line with their September 2010 book values. This transaction represented a continuation of the joint venture's strategy to focus on its West End holdings and will enable it to recycle the sales receipts into a variety of refurbishment and development opportunities within its core holdings on Piccadilly, Regent Street and Park Crescent. For GPE, it represented an opportunity to carry out a number of refurbishments and, subsequent to purchase, we agreed to pre-let the entire 48,000 sq. ft. office element of Britton Street to Kurt Geiger on a new 15 year lease.

In December, we announced the acquisition of 20 St James's Street, SW1 for £42.5 million, or a capital value of £765 per sq. ft. The purchase price reflects a net initial yield on expiry of rent free periods of 4.5%, or 5.2% assuming the 7,000 sq. ft. currently vacant is let in its existing condition at an average of £49 per sq. ft.. 20 St James's Street is an eight storey, 55,490 sq. ft. building which was redeveloped in the mid 1980's and is now multi-let to 9 tenants producing a gross rent of £2.39 million per annum. The offices are let at an average of only £55 per sq. ft and the majority of leases expire in 2015 or have breaks in 2012 providing a medium-term refurbishment opportunity. The property is held on a long lease, expiring in January 2111, at a ground rent of 15% of rents received.

Despite improved sentiment in the investment market, we continue to find opportunities to create value and, with two further deals under offer, we expect to invest further capital during this year. We also expect to increase our rate of disposals, recycling capital out of a number of assets once we have completed our value adding business plans.

## Asset management

Leasing activity was strong throughout the quarter, as set out in the table below, with 36 new leases completed generating an annual rent of £4.4 million p.a. (Group share £3.9 million p.a.). Around 80% of these lettings were market lettings which completed on average 12.5% ahead of the valuer's September 2010 estimates, whilst the balance were well below the September 2010 ERV because they incorporate landlord's breaks to allow possible redevelopment during the next three years. Ten potential lettings are currently under offer accounting for a further £0.8 million p.a. in rent (Group share £0.7 million p.a.).

| **Leasing Transactions** | **Three months ended** | | |
|---|---|---|---|
| | **31 December 2010** | **30 September 2010** | **31 December 2009** |
| **New leases and renewals completed** | | | |
| Number | 36 | 22 | 43 |
| GPE share of rent p.a. | £3.9 million | £1.9 million | £3.4 million |
| Area (sq. ft) | 111,700 | 68,700 | 138,700 |
| Rent per sq ft | £39 | £36 | £30 |
| **Rent reviews settled** | | | |
| Number | 1 | 8 | 4 |
| GPE share of rent p.a. | £0.1 million | £0.8 million | £0.4 million |
| Area (sq. ft) | 3,000 | 38,400 | 20,500 |
| Rent per sq ft | £47 | £40 | £29 |

*Note: Includes joint ventures*

In December, we agreed to surrender all seven leases held by Telewest UK Limited at 160 Great Portland Street, W1, in return for a receipt of £30 million. The payment is equivalent to 6.3 years of the annual rent of £4.74 million per annum, with 7.5 years remaining until expiry of the leases in June 2018. The tenant will undertake a phased vacation of the building between January and May 2011.

GPE will carry out a major upgrade of the existing building to provide 93,000 sq. ft. of high quality office and retail space. This deal unlocks a first class refurbishment opportunity and will allow us to deliver a completely repositioned building with an excellent floorplate into a West End leasing market which we believe will be short of supply in mid 2012, placing the property on a strong growth trajectory.

In the last week, we have restructured the occupational leases at 90 Queen Street, EC4 by moving the tenant break from 2013 to 2021, extending the lease from 2017 to 2026 whilst reducing the passing rent from £3.4 million to £2.9 million p.a. We believe this transaction will both underpin the capital value of the property which has grown over 30% since purchase in October 2009, and support future value progression.

The letting transactions concluded during the quarter have broadly maintained the Group's void rate at 3.3% (down from 3.4% at September 2010). Further information on the letting of space and/or retention of income on lease expiry or break is set out in Appendix 7.

**Cash collection and tenant delinquencies**

The December quarterly cash collection performance was better than that seen earlier in 2010. We secured 95.5% of rent seven working days after the quarter day (September 2010: 91%). None of our tenants went into liquidation during the quarter, (September 2010: two tenants, accounting for 0.3% of rent roll). Around 7.5% of our rent roll is subject to monthly payments. The segmentation of our tenant base is shown in Appendix 8.

**Development overview**

We have six schemes on site – five in the West End and one in Mid-town. In addition, we have six schemes which could start by the end of 2011 giving us around 1.9 million sq. ft. that could be delivered by 2014. Beyond that, our pipeline includes a further 15 projects giving us a total programme of 3.0 million sq. ft., covering 51% of GPE's existing portfolio.

**Projects on Site.** The demolition of the existing buildings at Marcol House, 289/295 Regent Street, W1, and at 23/24 Newman Street, W1 is well underway. We are targeting practical completion of the larger office scheme in summer 2012 and the residential project later this year.

We have recently commenced the residential element of our mixed use scheme at Wigmore Street, W1 and expect to start the office component in the first half of 2011. At 24/25 Britton Street, EC1 we have pre-let 48,000 sq. ft. of office space to Kurt Geiger for £1.5 million p.a. on a 15 year lease, without break and the refurbishment is underway.

Work is ongoing at our refurbishment project at 184/190 Oxford Street, W1. The retail unit is pre-let to the international fashion retailer, Aldo, and the scheme is scheduled to complete in the spring. We have also started to strip out the space recently vacated by Telewest at 160 Great Portland Street, W1 and will shortly commence the refurbishment.

At 240 Blackfriars Road, SE1 we have implemented the planning consent on our 235,000 sq. ft. development scheme by commencing preliminary ground works on the site. We are continuing with detailed design work to prepare the site for commencement in 2011.

**Project preparation.** The 100 Bishopsgate Partnership, our joint venture with Brookfield Properties, has made good progress in preparing this major City development for a potential start date during 2011, subject to a variety of partner approvals. Detailed design and specification studies have identified project improvements which could allow an increase in lettable area up from 815,000 sq. ft. to 925,000 sq. ft.

We continue to prepare schemes at Walmar House, Regent Street, W1 and Fetter Lane, EC4 for a potential start over the next 18 months. At Hanover Square, W1, discussions on our masterplan proposals continue with Crossrail and, having received a favourable response from a number of stakeholders to our design proposals, we anticipate submitting a planning application this quarter.

**Contacts:**


**Great Portland Estates**

| | | |
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**Finsbury**

| | | |
|---|---|---|
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## Appendix 1
# Headline Results

| To 31 December 2010 | 3 months | 6 months | 12 months |
|---|---|---|---|
| Property Valuation* | **3.0%** | 5.9% | 17.5% |
| Portfolio ERV movement* | **2.6%** | 5.4% | 11.1% |
| NAV | **3.8%** | 10.5% | 29.9% |

* On a like-for-like basis, including share of joint ventures



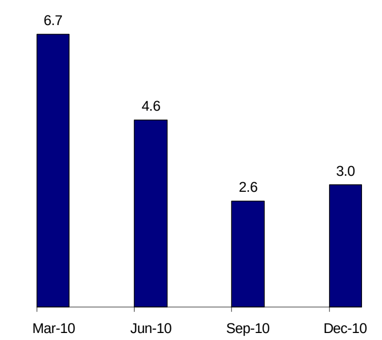
## Appendix 2
# The Valuation
Including share of Joint Ventures

| | Value | Movement 3 months to Dec 2010 | | Movement to Dec 2010 Change | |
|---|---|---|---|---|---|
| | £m | £m | Change | 6 months | 12 months |
| North of Oxford St | 636.8 | 22.0 | 3.6% | 6.5% | 19.0% |
| Rest of West End | 383.1 | 6.7 | 1.8% | 4.7% | 13.4% |
| West End Total | 1,019.9 | 28.7 | 2.9% | 5.8% | 16.8% |
| *West End Office* | *689.5* | *27.5* | *4.1%* | *7.4%* | *20.1%* |
| *West End Retail* | *330.4* | *1.2* | *0.4%* | *2.6%* | *11.0%* |
| City & Southwark | 281.0 | 0.7 | 0.3% | 2.3% | 8.6% |
| **Investment Portfolio** | **1,300.9** | **29.4** | **2.3%** | **5.0%** | **14.9%** |
| Development properties | 112.7 | 11.8 | 11.7% | 17.3% | 58.6% |
| **Properties held throughout the period** | **1,413.6** | **41.2** | **3.0%** | **5.9%** | **17.5%** |
| Acquisitions | 93.9 | 7.1 | 8.2% | 8.2% | 8.2% |
| 160 Great Portland Street residual | 45.8 | (24.4) | (34.7%) | (34.7%) | (32.2%) |
| **Total portfolio valuation** | **1,553.3** | **23.9** | **1.6%** | **4.1%** | **14.5%** |
| Telewest surrender receipts | 25.2 | 25.2 | n/a | n/a | n/a |
| **Total including surrender receipts** | **1,578.5** | **49.1** | **3.2%** | **5.8%** | **16.3%** |

## Appendix 3
# The Valuation
Including share of Joint Ventures

| | Value £m | Change % |
|---|---|---|
| North of Oxford St | 636.8 | 3.6% |
| Rest of West End | 383.1 | 1.8% |
| West End Total | 1,019.9 | 2.9% |
| City & Southwark | 281.0 | 0.3% |
| **Investment Portfolio** | **1,300.9** | **2.3%** |
| Development properties | 112.7 | 11.7% |
| **Properties held throughout the period** | **1,413.6** | **3.0%** |
| Acquisitions | 93.9 | 8.2% |
| 160 Great Portland Street residual | 45.8 | (34.7%) |
| **Total portfolio valuation** | **1,553.3** | **1.6%** |
| Telewest surrender receipts | 25.2 | n/a |
| **Total including surrender receipts** | **1,578.5** | **3.2%** |

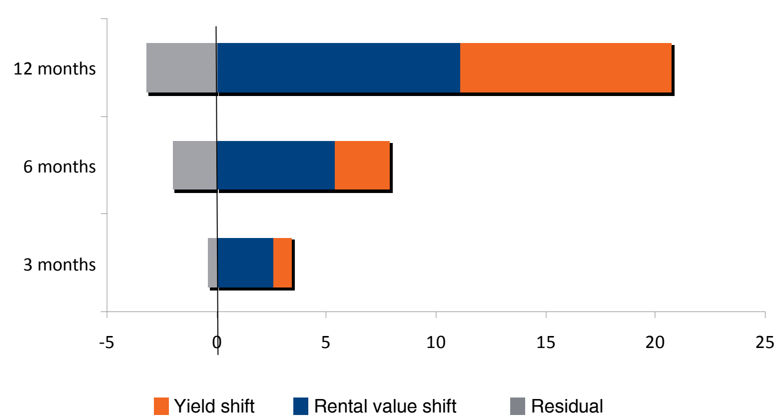
Like for Like Quarterly Valuation Movement %






## Appendix 4
# The Valuation[1]
Drivers of Valuation Movement[2]

% movement




1 Including share of Joint Ventures 2 Excludes development properties

## Appendix 5
# The Valuation[1]
### Yield Profile[2]

| 31 December 2010 | Initial Yield | True Equivalent Yield | | | |
|---|---|---|---|---|---|
| | % | % | Basis Point +/- like-for-like | | |
| | | | 3 months | 6 months | 12 months |
| **North of Oxford Street** | | | | | |
| Offices | 4.2% | 5.2% | -6 | -17 | -52 |
| Retail | 4.6% | 5.1% | 1 | -2 | -33 |
| **Rest Of West End** | | | | | |
| Offices | 3.9% | 4.8% | -5 | -13 | -82 |
| Retail | 4.1% | 4.7% | -6 | -10 | -45 |
| **Total West End** | **4.2%** | **5.0%** | **-5** | **-13** | **-54** |
| **City & Southwark** | 5.2% | 6.2% | -3 | -19 | -68 |
| **Total Let Portfolio** | **4.5% (*4.8%*[3])** | **5.3%** | **-4** | **-14** | **-56** |

1 Including share of Joint Ventures
2 Excludes development properties
3 Initial yield post expiry of rent frees under contracted leases



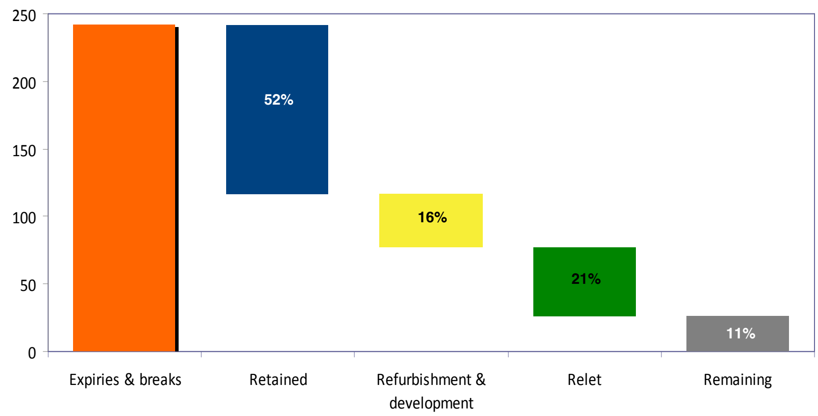
## Appendix 6
# The Valuation[1]
### ERV and Reversionary Potential

| | Reversion | Movement in ERV | | | Average Office Rent Passing | Average Office ERV | Reversionary Potential (inc. retail) |
|---|---|---|---|---|---|---|---|
| **To 31 Dec 2010** | **£m** | **3 mth** | **6 mth** | **12 mth** | **£ per sq ft** | **£ per sq ft** | **%** |
| **North of Oxford St** | | | | | | | |
| Offices | 1.0 | 4.3% | 8.4% | 18.7% | 40.10 | 45.00 | 3.7% |
| Retail | 1.2 | 2.2% | 4.8% | 9.8% | | | 13.1% |
| **Rest of West End** | | | | | | | |
| Offices | (0.3) | 1.8% | 5.9% | 1.3% | 34.60 | 34.00 | (2.5)% |
| Retail | 0.7 | 0.2% | 0.7% | 1.4% | | | 8.7% |
| **Total West End** | **2.6** | **2.9%** | **6.2%** | **11.4%** | **38.30** | **41.90** | **4.9%** |
| **City & Southwark** | | | | | | | |
| Offices | 2.1 | 2.0% | 3.0% | 11.1% | 29.80 | 33.20 | 13.0% |
| Retail | 0.5 | (4.5)% | (1.9)% | (2.2)% | | | |
| **Total City & Southwark** | **2.6** | **1.3%** | **2.6%** | **9.6%** | | | **13.7%** |
| **Total Let Portfolio** | **5.2** | **2.6%** | **5.4%** | **11.1%** | **35.10** | **38.70** | **7.2%** |

1 Including share of Joint Ventures

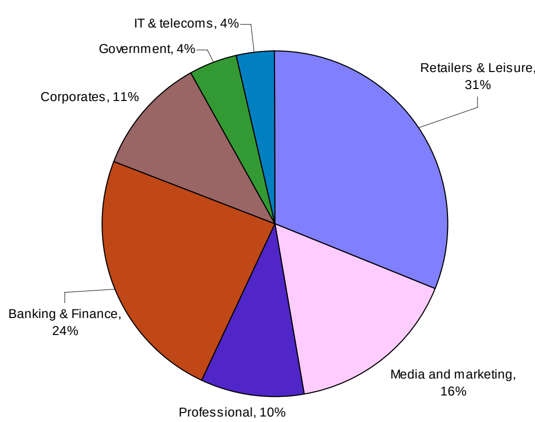
## Appendix 7
# Asset Management
Tenant retention, nine months to 31 December 2010

Area (000 sq ft)






## Appendix 8
# GPE tenants
Including joint ventures at 31 December 2010



## Appendix 9
# The Valuation
### Wholly-owned

| | Value | Movement 3 months to Dec 2010 | | Movement to Dec 2010 Change | |
|---|---|---|---|---|---|
| | £m | £m | Change | 6 months | 12 months |
| North of Oxford St | 462.1 | 18.0 | 4.0% | 7.6% | 20.1% |
| Rest of West End | 168.9 | 0.2 | 0.1% | 2.8% | 11.5% |
| West End Total | 631.0 | 18.2 | 3.0% | 6.3% | 17.6% |
| *West End Office* | *483.9* | *17.8* | *3.8%* | *7.5%* | *19.5%* |
| *West End Retail* | *147.1* | *0.4* | *0.3%* | *2.3%* | *12.9%* |
| City & Southwark | 156.1 | 2.2 | 1.4% | 3.0% | 15.9% |
| **Investment Portfolio** | **787.1** | **20.4** | **2.7%** | **5.6%** | **17.3%** |
| Development properties | 31.8 | 0.8 | 11.8% | 15.6% | 28.0% |
| **Properties held throughout the period** | **818.9** | **21.2** | **2.7%** | **5.7%** | **17.6%** |
| Acquisitions | 93.8 | 7.1 | 8.2% | 8.2% | 8.2% |
| 160 Great Portland Street residual | 45.8 | (24.4) | (34.7%) | (34.7)% | (32.2)% |
| **Total portfolio valuation** | **958.5** | **3.9** | **0.4%** | **2.9%** | **12.6%** |
| Telewest surrender receipts | 25.2 | 25.2 | n/a | n/a | n/a |
| **Total including surrender receipts** | **983.7** | **29.1** | **3.0%** | **5.6%** | **15.6%** |



## Appendix 10
# The Valuation
### Joint ventures

| | Value | Movement 3 months to Dec 2010 | | Movement to Dec 2010 Change | |
|---|---|---|---|---|---|
| | £m | £m | Change | 6 months | 12 months |
| North of Oxford St | 349.6 | 8.1 | 2.4% | 3.9% | 16.3% |
| Rest of West End | 428.3 | 12.9 | 3.1% | 6.2% | 15.0% |
| West End Total | 777.9 | 21.0 | 2.8% | 5.1% | 15.6% |
| *West End Office* | *411.1* | *19.4* | *5.0%* | *7.2%* | *21.6%* |
| *West End Retail* | *366.8* | *1.6* | *0.4%* | *2.9%* | *9.4%* |
| City & Southwark | 250.0 | (2.8) | (1.1%) | 1.5% | 0.6% |
| **Investment Portfolio** | **1,027.9** | **18.2** | **1.8%** | **4.2%** | **11.5%** |
| Development properties | 90.6 | 11.6 | 14.8% | 20.3% | 76.9% |
| **Properties held throughout the period** | **1,118.5** | **29.8** | **2.7%** | **5.4%** | **15.0%** |
| Acquisitions | - | - | - | - | - |
| **Total portfolio** | **1,118.5** | **29.8** | **2.7%** | **5.4%** | **15.0%** |