Press Release

10 July 2020

Great Portland Estates Trading Update

Great Portland Estates plc ("GPE") today publishes its trading update for the quarter to 30 June 2020.

Toby Courtauld, Chief Executive, said:

"Whilst the lockdown has started to ease and our office pre-letting momentum remains healthy, COVID-19 is disrupting the activities of many of our existing occupiers, which in some instances is impacting their ability to meet their rental payments. We continue to actively engage with all our stakeholders, in particular offering assistance to our occupiers, on a case by case basis to support them through this unprecedented time, and helping the communities in which we work through the deployment of our new community fund.

Despite these challenging conditions, we are well positioned. Our leverage is low providing strength in these difficult markets with significant capacity for growth should opportunities emerge; our portfolio is almost fully let and our extensive development pipeline is set to deliver high quality, sustainable spaces that remain in high demand; this, combined with the talents of our experienced team and strong culture, means that we have the ability to choose our path to deliver on all our ambitions."

Extensive engagement with our occupiers, providing support on a case by case basis

- 69% of June rent collected to date including amounts covered by rent deposits; 58% excluding deposits (74% from offices; 28% from retail/hospitality/leisure sectors)
- 82% of March rent now collected including drawn deposits; 70% excluding deposits
- £21.6 million of rent deposits/bank guarantees, of which £2.5 million anticipated to be utilised against outstanding June rent
- All offices open and operating with COVID-19 Secure status
- Bespoke Return to the Workplace playbook issued to all occupiers
- GPE Community Fund raised more than £310,000 to support some of London's most vulnerable

Operating well; strong leasing

- £4.3 million of new rent signed in quarter. Market lettings 4.4% ahead of March 2020 ERV, including 39,970 sq ft to Exane at 1 Newman Street on 15 year term (no break) at £100 per sq ft with 33 months rent free
- 11 lettings under offer for £12.1 million (our share: £7.0 million), 4.3% ahead of March 2020 ERV including one office pre-let
- Sustainability statement of intent (The Time is Now) launched
- National Equality Standard accreditation achieved

Good progress across our development programme during lockdown; covers 56%[1] of existing portfolio

- Committed: three projects covering 414,600 sq ft
  - 42% pre-let or under offer; 14.7% forecast profit on cost
  - All sites open with £47.5 million capital expenditure to come and two completing in next four months, third in Q3 2021
- Near-term: three schemes (821,600 sq ft); strong occupier interest ahead of earliest starts in 2021
- Total pipeline: ten schemes (1.4 million sq ft), all income producing, 2.6 years WAULT, 9.5% reversionary[2]

Strong financial position; total liquidity of £390 million

- Property LTV[1] of 15.0%, weighted average interest rate of 2.2%
- Substantial headroom above Group debt covenants (values could fall 68% before breach)
- Cash of £90 million; undrawn facilities of £300 million

1. Based on property values at 31 March 2020
2. Existing use of development pipeline at 30 June 2020

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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.

Working with our occupiers
57% of quarterly rents (which represent 70% of this quarter's rent roll) were secured within seven working days of the 24 June quarter day (March 2020: 63%), which has now risen to 59%. Of the further 30% of our rent roll on monthly payment terms (March 2020: 9%), 51% was collected within seven working days of the due date. Together, we have so far collected 58% of all rent due. Based on building use, we have collected 74% of all rents on our offices and 20% on retail units. At 30 June 2020, we held rent deposits and bank guarantees totalling £21.6 million (March 2020: £25.8 million), of which we anticipate that we will be able to utilise £2.5 million against our outstanding June rent, taking our collection rate to 69%.

Collection performance to date	Retail, Hospitality & Leisure	Other sectors	Total	Total (after rent deposits)
Quarterly rent	22%	78%	59%	69%
Monthly rent	62%	43%	51%	66%
Received	28%	75%	58%	69%

For those occupiers who have been unable to pay their rent, we are continuing to implement 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, two of our occupiers went into administration (March 2020: four), representing only 0.9% of our rent roll.

All of our office buildings remain open for business, with levels of occupier utilisation currently around 14% of full occupancy and, following the recent easing of the lockdown rules, around two-thirds of our retail units have reopened. Our team has ensured that all of our portfolio buildings are 'COVID-19 Secure' and we have issued bespoke 'Return to the Workplace' playbooks to all occupiers to assist them in managing the phased re-population of their offices as the lockdown eases. To date, the feedback on the assistance we have been providing to our occupiers has been very positive.

Working with our communities
Given the impact of the COVID-19 crisis on our communities, in May we established a Community Fund to support some of the most vulnerable people in London at this unprecedented time. The Fund has to date raised more than £310,000 through a combination of Board Director bonus reductions and fee waivers along with significant contributions from GPE Executive Committee members and employees, and Group matching.

Our Communities and Charities Committee have now allocated the first phase of donations totalling £110,000, to eight charities specifically identified to help support the emergency response to COVID in London. These include Bankside Open Spaces Trust, the National Literacy Trust and the Respite Association, along with two mental health charities.

Separately, through our relationship with Groundwork London, we have provided funds to support a number of London borough command hubs which are co-ordinating volunteers through the COVID-19 lockdown and providing reconditioned electrical white goods for emergency hostels, refugee communities, the disabled and the elderly.

Strong leasing
We delivered another quarter of healthy new income generation, the highlight being a significant pre-letting, including:

- four new leases and renewals signed generating annual rent of £4.3 million (our share: £4.3 million), with market lettings 4.4% ahead of March 2020 ERV;
- two rent reviews securing £0.6 million of annual rent (our share: £0.6 million), 18.3% ahead of both the previous passing rent and ERV;
- total space covered by new lettings, reviews and renewals was 59,500 sq ft; and
- our vacancy rate remains low at 3.3% (31 March 2020: 2.0%).

We expect to benefit from an acceleration of demand for our brand of flexible office space once the immediate impact of COVID-19 has passed. Our flexible offerings currently comprise 11% of our office portfolio, across our own fully-fitted flex space (90,150 sq ft) and two revenue share partnerships (130,700 sq ft) operated by Knotel and Runway East. Our flex space remains 82% let, whilst occupancy across the partnerships space has now settled at around 78%, a marginal reduction from 81% prior to lockdown.

Leasing Transactions	**Three months ended**		
	30 June 2020	**31 March 2020**	**30 June 2019**
New leases and renewals completed			
Number	4	4	9
GPE share of rent p.a.	£4.3 million	£0.7 million	£1.9 million
Area (sq ft)	44,500	10,900	35,400
Rent per sq ft	£96	£69	£62
Rent reviews settled			
Number	2	4	7
GPE share of rent p.a.	£0.6 million	£1.1 million	£2.1 million
Area (sq ft)	15,000	18,100	30,400
Rent per sq ft	£42	£63	£77

Note: Includes joint ventures at our share

The largest leasing transaction in the quarter was the pre-letting to Exane, the European equities business, of the top three office floors of 1 Newman Street (39,970 sq ft), on a 15 year lease (no break) at an average rent of £100 per sq ft, 14 months before completion. The development is progressing well and we look forward to welcoming Exane to their new home later next year.

A further 147,700 sq ft of space is currently under offer across the portfolio which would deliver approximately £12.1 million p.a. in rent (our share: £7.0 million), with market lettings 4.3% above March 2020 ERVs.

Our development activities; committed schemes progressing well
At 1 Newman Street & 70/88 Oxford Street, W1, construction of the new building is progressing well with the development expected to top out in the next few weeks. The building will deliver 81,200 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. Following the pre-let of the upper three floors to Exane, the building is now 30% pre-leased and interest in the remaining office floors remains encouraging. However, 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.

At Hanover Square, W1, construction is advancing well, with the retail units complete and we are on track to commence sectional completion of the offices from August 2020 with full practical completion expected in November 2020. The scheme will deliver 221,100 sq ft of new space, comprising 167,100 sq ft of offices, 41,800 sq ft of retail and restaurant space and 12,200 sq ft of residential apartments. Interest in the remaining office space continues to be strong; we currently have 32,900 sq ft of office space under offer at 1 Medici Courtyard. The scheme is now 66.5% pre-let or under offer with only 22,800 sq ft of offices available on the first floor of 18 Hanover Square and in the Grade II listed 20 Hanover Square. We expect that interest in the remaining retail units (36,800 sq ft) will be subdued until retail activity and footfall returns to more normalised levels. However, we remain optimistic on their leasing prospects given the units are located on one of the world's premier retail streets, with attractive relative pricing and a unit sizing that is appropriate to their target market.

At The Hickman, E1, the building is nearing completion and we expect to deliver the new 74,400 sq ft Grade A office and retail building in August 2020. Occupier interest in the building is encouraging and we are in discussions with potential occupiers covering c.41,000 sq ft of the office space.

At 30 June 2020, the three committed development properties required £47.5 million (our share) of capital expenditure to complete.

Total development programme of 1.8 million sq ft
We continue to prepare our three near-term schemes for redevelopment and during the quarter received planning permission to allow us to commence 50 Finsbury Square, EC2 in early 2021. Together with New City Court, SE1 and City Place House, EC2, our near-term schemes will deliver 821,600 sq ft of new Grade A space and we are encouraged by strong levels of early occupier interest.

Beyond our near-term schemes, we have a further seven schemes in the medium-term pipeline, and with our development pipeline totalling 1.4 million sq ft today, it has the potential to increase to more than 1.8 million sq ft post development. Taken together, our total development programme covers 56% of GPE's existing portfolio and will provide the bedrock of our growth over the coming decade.

Strong financial position; significant headroom above group debt covenants
At 30 June 2020, Group consolidated net debt was £368 million, up from £349 million at 31 March 2020. The increase was largely due to on-going development capital expenditure across the Group. Group gearing increased to 16.9% at 30 June 2020 from 16.2% at 31 March 2020. We continue to operate with substantial headroom above our Group debt covenants and values could fall by 68% before a breach.

Looking ahead, we expect that a combination of rental concessions and potential occupier delinquencies will have a negative impact on EPRA EPS for the year ending March 2021, although at this stage it is too early to quantify further. However, consistent with the last four financial years, we anticipate that our Group interest cover ratio will remain unmeasurable given our expected low financial leverage.

Including the non-recourse debt in the joint ventures, total net debt was £395 million at 30 June 2020 (31 March 2020: £373 million) equivalent to a loan to property value of 15.0%[2] (31 March 2020: 14.2%). At 30 June 2020, the Group, including our share of joint ventures, had cash and undrawn committed credit facilities of £390 million.

Our weighted average interest rate was 2.2% at the quarter end, flat since 31 March 2020. At 30 June 2020, 69% of the Group's total drawn debt was fixed or hedged. Our weighted average drawn debt maturity was 5.6 years at 30 June 2020 (31 March 2020: 5.8 years).

	30 June 2020	**31 March 2020**
GPE net debt	£368.2m	£349.4m
GPE gearing[1]	16.9%	16.2%
Value falls before breach[2]	68%	70%
Total net debt including JVs	£394.6m	£373.3m
LTV[2]	15.0%	14.2%

1. *Based on net asset value at 31 March 2020*
2. *Based on property values at 31 March 2020*

Given the ongoing cash flow challenges COVID-19 is placing on the UK retail sector, we have obtained an interest cover ratio covenant waiver for the quarters to July 2020 and October 2020 for our non-recourse debt facility in the Great Victoria Partnership. The £80.0 million facility (our share: £40.0 million) is secured over Mount Royal, W1 and matures in July 2022.