Press Release

GREAT PORTLAND ESTATES

23 January 2019

GPE Trading Update – Strong Leasing Momentum

Great Portland Estates plc ("GPE") today publishes its trading update for the quarter to 31 December 2018.

Continued leasing successes ahead of March 2018 ERV and capturing reversion

- 16 new lettings (51,400 sq ft) signed generating annual rent of £4.3 million (our share: £4.1 million); market lettings 5.4% ahead of March 2018 ERV
- Three flex space lettings completed across 12,800 sq ft, securing rent at 37.5% premium to net effective rental value; flex and co-working space now accounts for 90,000 sq ft and appraising further c.100,000 sq ft across existing portfolio
- Five rent reviews settled securing £3.4 million per annum; 18.3% above previous passing rent, 6.7% ahead of ERV; remaining reversionary potential of 8.5% (£8.4 million)
- 22 lettings under offer totalling £10.4 million p.a. of rent (our share: £6.9 million), including 53,900 sq ft at our Hanover Square development; market lettings 7.6% ahead of March 2018 ERV
- Vacancy rate low at 3.7% (Sept 2018: 4.8%)
- 99.2% of rent collected within seven working days; one occupier delinquency (0.1% of rent roll)

Three committed development schemes progressing well; flexible programme is 53% of portfolio

- Good progress on our three committed schemes (412,000 sq ft), including Hanover Square, W1 which is already 48% pre-let or under offer; all located near to Crossrail stations, 16.7% forecast profit on cost, capital expenditure to come of £155.7 million. Encouraging levels of occupier interest
- Exceptional and flexible development pipeline; 11 schemes (1.3 million sq ft), income producing, 3.2 years average lease length, 10.7% reversionary[1]
- Planning application submitted for a new 370,000 sq ft building at New City Court, SE1, up from 97,900 sq ft existing area

Continued recycling; sales of £74.4 million

- 55 Wells Street, W1 sold for £64.6 million, net initial yield of 3.99% and capital value of £1,674 per sq ft
- £9.8 million of residential sales in the quarter, with further £7.6 million currently under offer and £10.0 million in market for sale

Strong financial position; capital return through share buyback of up to £200 million commenced

- LTV of 7.3%, weighted average interest rate of 2.7%, drawn debt 100% fixed or hedged
- Cash and undrawn committed facilities of £646 million, low marginal cost of debt of 1.7%
- £200 million share buyback commenced on 15 November 2018; £34.4 million (5.0 million shares) purchased to date

Toby Courtauld, Chief Executive, said:

"I am pleased to report another quarter of positive operational activity with healthy leasing ahead of ERV, the continued successful rollout of our flexible space offering and excellent progress at our three committed development schemes. Moreover, with £339 million of net sales so far this financial year, we commenced our on-market share buyback programme, maintaining our capital discipline and returning surplus equity to shareholders.

Whilst we are planning for ongoing political and economic uncertainty, GPE is in great shape: we continue to attract occupiers for our brand of high quality, sensibly priced space, with £10.4 million of lettings currently under offer at a 7.6% premium to March 2018 ERVs; our well-located properties, with 92% in close proximity to a Crossrail station, are let off low rents with further reversionary potential; our exceptional income-producing development pipeline offers nearly 1.3 million sq ft of flexible future growth potential; we retain significant financial capacity; and our talented team remains focused on maximising the opportunity we have to generate long-term value across our business".

1. Existing use of development pipeline at 31 December 2018
2. Based on property values at 30 September 2018

Contacts:

Great Portland Estates plc **+44 (0) 20 7647 3000**

Toby Courtauld, Chief Executive
Nick Sanderson, Finance Director
Stephen Burrows, Director of Financial Reporting and Investor Relations

Finsbury Group **+44 (0) 20 7251 3801**

James Murgatroyd
Gordon Simpson

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:

- 16 new leases and renewals signed generating annual rent of £4.3 million (our share: £4.1 million), with market lettings 5.4% ahead of March 2018 ERV;
- Five rent reviews were settled securing £3.4 million of annual rent (our share: £2.0 million) at an increase of 18.3% over the previous passing rent and 6.7% ahead of ERV;
- Total space covered by new lettings, reviews and renewals was 175,200 sq ft; and
- Our leasing successes in the quarter have driven the investment portfolio vacancy rate down further, from 4.8% at 30 September 2018 to 3.7% at 31 December 2018.

Leasing Transactions	**Three months ended**		
	31 Dec 2018	**30 Sep 2018**	**31 Dec 2017**
New leases and renewals completed			
Number	16	24	21
GPE share of rent p.a.	£4.1 million	£4.7 million	£7.2 million
Area (sq ft)	51,400	90,000	208,600
Rent per sq ft	£75	£76	£51
Rent reviews settled			
Number	5	7	6
GPE share of rent p.a.	£2.0 million	£2.3 million	£2.4 million
Area (sq ft)	123,800	47,300	42,800
Rent per sq ft	£28	£52	£55

Note: Includes joint ventures at our share

Notable portfolio management transactions during the quarter included:

- At 54/56 Jermyn Street, W1, we continued the roll out of our flex space offering, including completing two lettings at a combined annual rent of £0.6 million; 15.2% ahead of March 2018 ERV or 39.1% on a net effective basis;
- At New City Court, SE1, we extended our co-working partnership arrangement with Runway East by 6,000 sq ft to 26,000 sq ft. Runway East will operate the space on a three year term and we will share the revenue that is paid by the businesses in occupation. The space is already 84% occupied;
- At Elsley House, W1, where we are close to finishing our refurbishment, we have let the 4th floor (9,300 sq ft) to SRLV at an annual rent of £0.8 million, 11.6% ahead of the March 2018 ERV;
- At City Tower, EC2, we completed two lettings to St James's Place Wealth Management Group Plc at a combined annual rent of £0.8 million, marginally below the March 2018 ERV; and
- At 200 & 2014 Gray's Inn Road, WC1, we settled two rent reviews with ITN at a combined annual rent of £2.9 million, capturing reversion of £0.4 million, an increase of 16% on the previous passing rent and 7.6% above ERV at the review date.

We have a further 22 lettings currently under offer which, if completed, would deliver approximately £10.4 million p.a. of rent (our share: £6.9 million), 7.6% ahead of 31 March 2018 ERV.

Our quarterly cash collection performance has continued to be very strong, with 99.2% of rent secured within seven working days of the December quarter day. One of our occupiers went into administration during the quarter (September 2018: one) representing only 0.1% of our rent roll; however, we remain vigilant and regularly monitor the financial position of all our occupiers.

Development management

Three committed schemes

At Oxford House, 76 Oxford Street, W1, demolition of the existing building is complete and groundworks have commenced. 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, with an expected profit on cost of 17.9%. Early occupier interest for the retail element of the scheme is good, with formal marketing commencing in the coming months.

At Hanover Square, W1, following the acquisition of the land in October 2018 that sits above the eastern entrance of the Bond Street Crossrail Station, we have commenced construction of the main office building at 18 Hanover Square. The 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 18 Hanover Square to KKR in March 2018, we now have a further 53,900 sq ft of office space under offer with strong interest in the remainder. The project is expected to deliver a profit on cost of 15.8%.

At Cityside House, E1, construction of the new 74,700 sq ft Grade A office and retail building is progressing well, with delivery expected in Q4 2019 following the opening of the nearby Whitechapel Crossrail station. We are targeting a profit on cost of 15.1% with average office rents across the building of around £51.40 per sq ft.

At 31 December 2018, the three committed development properties required £155.7 million of capital expenditure to complete, with 81% of the construction costs already fixed.

Substantial development pipeline

Our development pipeline includes a further 11 uncommitted projects (1.3 million sq ft). These schemes include a number of exciting projects, including New City Court, SE1 in the London Bridge Quarter, where we have now submitted a planning application to materially increase the size of the existing 97,900 sq ft building to more than 370,000 sq ft. All but one of the 11 schemes are income producing today, with an average lease length of 3.2 years, and they provide a strong platform to add value stretching into the 2020s.

Investment management

In October, we completed the sale of 55 Wells Street, W1 to a European investor for a headline sale price of £65.5 million, equating to £64.6 million after deduction of tenants' incentives and vendor top ups, 3.0% below the 31 March 2018 book value. The headline price reflected a net initial yield of 3.99% and a capital value of £1,674 per sq ft.

During the quarter, we also completed £9.8 million of residential sales, including one of the remaining three penthouse units at Rathbone Square, W1 for £6.6 million, in line with book value. We currently have £7.6 million of residential sales under offer and a further £10.0 million in the market.

Share buyback programme commenced

Following the £339.1 million of net sales achieved so far this financial year, we commenced our £200.0 million on-market share buyback programme in November 2018. To date we have bought back £34.4 million (5.0 million shares), including £22.4 million (3.2 million shares) up to 31 December 2018.

Over the coming months, we expect to continue to review regularly the size and timing of the buyback, including potentially ceasing the programme, as the future direction of the UK economy becomes clearer and should the scale and speed of our property sales and acquisitions evolve from our expected path.

Strong financial position maintained

Group consolidated net debt increased to £117.7 million at 31 December 2018, up from £116.3 million at 30 September 2018 as proceeds from property disposals were offset by capital expenditure on our committed development schemes, including the land buyback at Hanover Square, W1 and the commencement of the share buyback. Group gearing rose to 5.0% at 31 December 2018 from 4.9% at 30 September 2018. Including non-recourse debt in joint ventures, total net debt was £185.5 million (30 September 2018: £149.6 million) equivalent to a low loan-to-property value of 7.3% (30 September 2018: 5.8%). Pro forma for the completion of the £200 million share buyback, LTV would be 14.3%. At 31 December 2018, the Group, including its joint ventures, had cash and undrawn committed credit facilities of £646 million.

Our weighted average interest rate was unchanged at 2.7% at the quarter end and our weighted average debt maturity was 6.7 years. At 31 December 2018, 100% of the Group's total drawn debt was fixed or hedged. Our marginal cost of debt remains low at 1.7% and our £450 million revolving credit facility does not mature until October 2023.

	31 December 2018	**30 September 2018**
GPE net debt	£117.7m	£116.3m
GPE gearing[1]	5.0%	4.9%
Total net debt including JVs	£185.5m	£149.6m
LTV[2]	7.3%	5.8%

1. *Based on net asset value at 30 September 2018 adjusted for the share buyback*
2. *Based on property values at 30 September 2018 adjusted for the sale of 55 Wells Street, W1*

New Non-Executive Chairman

As previously announced, Richard Mully will become Non-Executive Chairman of GPE with effect from 1 February 2019, succeeding Martin Scicluna who will retire from the Board on 31 January 2019.