

PROPERTY REVIEW INVESTMENT ACTIVITY

Our purchases in 2012 reflect our strategy of buying income-producing assets off low capital values with medium-term refurbishment opportunities. Our 2012 disposals were either non-core properties or sold to facilitate future development.

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Executive Director



Acquisitions

During 2012 we added to the portfolio and recycled capital in specific situations. Our purchases, totalling £101.5m including costs, reflect our strategy of buying income-producing assets off low capital values with medium-term refurbishment opportunities and, in most cases, adjacent or very close to existing assets.

The main acquisitions in 2012 were:

| | Francis House, 11 Francis Street SW1 | 9 and 16 Prescot Street E1 | 25 and 29 Berners Street W1 |
|----------------------------|--|--|--|
| Total cost | £30.6m | £23.2m | £36.5m |
| Tenure | Freehold | Freehold | Leasehold expiring in 2080 |
| Size | 57,000 sq ft (5,300m ²) | 111,000 sq ft (10,310m ²) | 79,500 sq ft (7,390m ²) |
| Annual passing rent | £1.6m rising to £1.7m from 2015 | £1.3m | £1.4m |
| Net initial yield | 5.1% rising to 5.4% | 5.5% | 3.8% |
| Tenant | Channel Four Television | Co-operative Bank plc (9 Prescot Street) | PRS for Music |
| Lease expiry | 2020 | 2015 (9 Prescot Street) | 2016 |
| Opportunity | Synergy with our adjacent ownership at Greencoat & Gordon House and 6-8 Greencoat Place in Victoria. | Refurbishment and extension potential in an improving area of Whitechapel. | Refurbishment and redevelopment potential at these Fitzrovia properties when the tenant vacates. |

Average acquisition cost

£365 per SQ FT

Riverwalk House¹

75%

valuation uplift over
previous three years

¹Including 232-242 Vauxhall Bridge Road and excluding profit overage

Disposals

In 2012, Derwent London recycled properties for net proceeds of £160.9m at a profit of £6.9m. This included the sale of three buildings, as well as the disposal of a 50% interest in 1-5 Grosvenor Place SW1.

| | 1-5 Grosvenor Place SW1 | Riverwalk House and 232-242 Vauxhall Bridge Road SW1 | Triangle Centre, Bishopbriggs, Scotland |
|--------------------------------|---|---|---|
| Net proceeds | £66.9m | £76.6m | £16.6m |
| Tenure | 50% of 150-year lease | Freehold | Freehold |
| Annual net passing rent | £3.1m (50% share of total rent on the building) | £0.2m | £1.3m |
| Net disposal yield | 4.5 % | Mostly vacant | 8.1% |
| Comment | Interest sold as part of the regear onto a new 150-year headlease, unlocking potential redevelopment. | Sold for residential development. Profit overage retained. Combined valuation increased by 75% over the past three years. | 75,500 sq ft (7,010m ²) shopping centre north of Glasgow. |

Since the year end we have exchanged contracts for the sale of our holdings in Commercial Road E1, where we have secured planning permission for a 417-room student accommodation block together with 26,500 sq ft (2,460m²) of offices, for £17.0m before costs.