

PROPERTY REVIEW PROJECTS

At the year end the Group was on site at six major projects totalling 495,000 sq ft and during the year was granted planning permissions totalling 655,000 sq ft.

Simon Silver
Executive Director



As at 31 December 2012 the Group was on site at six major projects totalling 495,000 sq ft (46,000m²). These projects had capital expenditure to complete at that date of £91m, and a total estimated rental value of about £22m. Of this space, 37% has been pre-let. In 2013 a further three projects totalling 422,000 sq ft (39,200m²) and with capital expenditure to complete of £168m will commence.

Planning success in 2012

We saw continued planning success in 2012, with six schemes totalling 655,000 sq ft (60,850m²) granted planning permission. The schemes that received permission are:

Size	Nature of development	Project status	Comment
1 Oxford Street W1			
275,000 sq ft (25,500m ²)	Offices, retail and theatre	Start from 2017	The Group holds an option to repurchase this site which is above Tottenham Court Road station, following the completion of Crossrail work.
1 Page Street SW1			
127,000 sq ft (11,800m ²)	Office refurbishment and extension	Underway	100% pre-let to Burberry.
Riverwalk House and 232-242 Vauxhall Bridge Road SW1			
175,000 sq ft (16,300m ²)	Residential	Underway	Sold in 2012. Group retains a profit overage in this development.
Queens, 96-98 Bishop's Bridge Road W2			
21,400 sq ft (1,990m ²)	Residential	Started in 2013	16 residential units and ground floor retail space, to be built on the corner of Bishop's Bridge Road and Queensway. Completion is due in Q4 2014.
18-30 Tottenham Court Road W1			
41,000 sq ft (3,810m ²)	Retail extension	Start 2014	New and improved double-height frontage, providing modern units. Area being transformed through the Crossrail project.
73 Charlotte Street W1			
15,500 sq ft (1,440m ²)	Residential	Start 2013	11 units, two of which are affordable, and 1,900 sq ft (180m ²) of offices.

4 & 10 Pentonville Road N1

60%

return on development cost

Projects completed in 2012

4 & 10 Pentonville Road N1 was completed in Q3 2012 and 87% of this 55,000 sq ft (5,110m²) office refurbishment was let to Ticketmaster.



Projects under construction

The following projects were under construction at the end of 2012:

	Size of project		Capital expenditure to complete	Completion date	Pre-let
	sq ft	m ²	£m		
Developments					
Buckley Building, 49 Clerkenwell Green EC1	85,000	7,900	3	Q1 2013	25% to Unilever
1 Page Street SW1	127,000	11,800	15	Q2 2013	100% to Burberry
Turnmill, 63 Clerkenwell Road EC1	70,000	6,500	19	Q3 2014	
40 Chancery Lane WC2	100,000	9,300	34	Q4 2014	
Phased refurbishments					
Morelands Buildings, 5-27 Old Street EC1	27,000	2,510	2	Q1 2013	66% to AHMM
1-2 Stephen Street W1	86,000	7,990	18	2013/14	21% to BrandOpus
Total	495,000	46,000	91		

Other projects

As at 31 December 2012, 282,600 sq ft (26,250m²) of minor refurbishments were underway, including at 3-4 Hardwick Street EC1 and 132-142 Hampstead Road NW1. These had an ERV of £4.0m pa and capital expenditure to complete of £8m.

Projects starting in 2013

During 2013 the Group will be increasing the proportion of development in the portfolio by commencing the following projects, totalling 422,000 sq ft (39,200m²):

■ 80 Charlotte Street W1

At 385,000 sq ft (35,800m²), this is the largest regeneration that Derwent London has undertaken and will be one of the biggest schemes in the West End when construction starts towards the end of 2013. The main development occupies a 1.4 acre (0.6 hectare) site that will provide 320,000 sq ft (29,730m²) of offices and retail with 17,000 sq ft (1,580m²) of private residential units and retail adjacent at 67 Whitfield Street W1. Two other nearby properties will deliver a further 12,000 sq ft (1,110m²) of offices and 36,000 sq ft (3,340m²) of residential space, 42% of which will be affordable housing.

We are currently undertaking implementation works on site and expect to sign the main construction contract in the summer. A deed to obtain vacant possession of 80 Charlotte Street from Saatchi & Saatchi in the second half of 2013 has been signed. Overall capital expenditure is estimated at around £150m and the project is due for delivery in 2016.

■ Queens, 96-98 Bishop's Bridge Road W2

This 21,400 sq ft (1,990m²) residential scheme in Westbourne Grove comprises 16 units and 2,700 sq ft (250m²) of retail space. Having received planning permission in 2012, work has now started.

■ 73 Charlotte Street W1

This is another medium-sized residential-led development of 15,500 sq ft (1,440m²) to provide 11 units, two of which are affordable, together with 1,900 sq ft (180m²) of offices. Work is expected to start at this site after the receipt of vacant possession in the second half of 2013.

PROPERTY REVIEW PROJECTS CONTINUED

Projects for 2014 and beyond

The Group has five further projects with planning permission with a total proposed net lettable area of 0.9 million sq ft (86,000m²) and a similar level of projects under appraisal, providing additional opportunities to grow the business. We have made important progress on the following projects:

■ White Collar Factory, City Road EC1

We have constructed a 3,000 sq ft (280m²) working prototype or "live suite" to showcase the White Collar Factory principles of the 16-storey office building that form the core of this proposed development. Marketing presentations begin here in April and we intend to move into full scale construction of the exciting 289,000 sq ft (26,800m²) regeneration at this major corner site at Old Street which we now expect to build on a speculative basis.

The White Collar Factory will be a 21st century interpretation of the industrial buildings of the past. It will be of concrete frame construction with exposed thermal-mass, a generous 3.5 metre floor to ceiling height, and well-insulated façades that are tailored to deal with solar gain. With openable windows, cooling will also be provided by chilled water pipes embedded in the concrete slabs with air ventilation and simple lighting suspended underneath. Our engineers estimate that, as a result of its design, the building will use 25% less carbon and save up to 25% in operating costs compared with that of a traditional office building.

The existing buildings are currently occupied on flexible lease terms allowing vacant possession from the end of 2013. The capital expenditure to complete this project will be around £100m.

■ 55-65 North Wharf Road W2

Having recently entered into an option agreement with the freeholder and long leaseholder to restructure our headlease, this redevelopment has moved a step closer. On exercise of the option, the freeholder will grant Derwent London a 999-year lease over the 240,000 sq ft (22,300m²) office element of the site and grant the long leaseholder a similar lease over the 73,000 sq ft (6,800m²) of residential and retail space. Derwent London will pay a modest ground rent of 2.5% of income and will undertake to build the basement of both buildings. The long leaseholder will contribute £5m towards the construction cost of the basement.

This site represents one of the best locations within Paddington Basin yet to be developed and will provide a striking architectural addition to the regeneration of the wider area. It is directly opposite one of the entrances to the National Rail, Crossrail and London Underground services at Paddington.

Current letting terms allow for possession from 2014 onwards and Derwent London's capital expenditure to undertake this project would be around £100m.

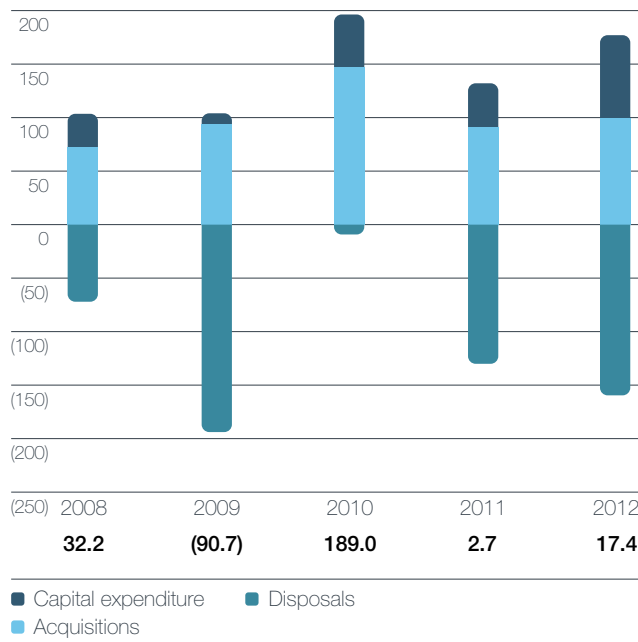
■ 1-5 Grosvenor Place SW1

In March 2012, Derwent London and Grosvenor announced a joint venture and headlease regear at 1-5 Grosvenor Place. This collaboration unlocks a major prime redevelopment opportunity of over 260,000 sq ft (24,000m²) at this unique 1.5 acre (0.6 hectare) site. Working with Grosvenor a professional advisory team has been assembled, with the expectation of submitting a

planning application for this mixed-use redevelopment including a hotel, residential and offices within the next year. The joint venture partners are working towards choosing an operator for the hotel element from the current shortlist over the next few months. In the meantime the property is almost fully let on flexible leases.

We have started studies on our recent acquisitions at Prescott Street E1 and Berners Street W1 to formulate our longer term plans for these buildings.

Net investment £m



“65% of London professionals are convinced they would work harder, put in more overtime and generally do a better job if their office environments were more comfortable and more desirable.”

De Vono 2012

Project summary

2013-2014	Existing net income per annum £m	Pre-scheme area m ²	Proposed area m ²	Capital expenditure to complete £m	Potential delivery Year
On site at December 2012					
Buckley Building EC1	2.5	7,000	7,900	3	Q1 2013
1 Page Street SW1	–	11,000	11,800	15	Q2 2013
Turnmill, 63 Clerkenwell Road EC1	–	3,800	6,500	19	Q3 2014
40 Chancery Lane WC2	–	5,700	9,300	34	Q4 2014
1-2 Stephen Street W1 ¹	–	7,700	8,000	18	2013/14
Morelands Buildings EC1 ¹	–	1,600	2,500	2	Q1 2013
	2.5	36,800	46,000	91	
2013					
Queens, 96-98 Bishop's Bridge Road W2	–	–	2,000	12	Q4 2014
73 Charlotte Street W1	0.2	1,200	1,400	9	Q2 2015
80 Charlotte Street W1	5.1	22,500	35,800	147	Q2 2016
	5.3	23,700	39,200	168	
2014					
18-30 Tottenham Court Road W1	0.7	2,200	3,800	11	Q2 2015
	0.7	2,200	3,800	11	
Planning and design				27	
Other				37	
Total (2013-14)	8.5	62,700	89,000	334	

2015 onwards	Existing net income per annum £m	Pre-scheme area m ²	Proposed area m ²	Earliest possession Year	Comment
White Collar Factory EC1	0.8	11,500	26,800	2013	Consented – offices
Jaeger House, Broadwick Street W1	0.8	2,300	c.2,800	2013	Appraisal studies
Wedge House SE1	0.3	3,600	7,400	2013	Consented – offices
55-65 North Wharf Road W2	1.5	7,200	22,300	2014	Consented – offices
Balmoral Grove Buildings N7	0.6	6,200	c.18,600	2014	Appraisal studies
9 Prescott Street E1	1.2	9,600	c.10,500	2015	Appraisal studies
1-5 Grosvenor Place SW1	6.2	15,600	c.24,200	2014/16	Appraisal studies – Grosvenor JV
25 and 29 Berners Street W1	1.4	7,300	c.9,300	2016	Appraisal studies
1 Oxford Street W1	–	–	25,500	c.2017	Consented scheme – office, retail and theatre
Network Building W1	2.1	5,900	c.9,300	2017	Appraisal studies
19-35 Baker Street W1	4.6	13,600	c.23,200	c.2018	Appraisal studies – Portman JV
Premier House SW1	1.9	5,800	c.7,400	2018	Appraisal studies
	21.4	88,600	187,300		
Adjustments for JVs	(5.2)	(13,900)	(22,500)		
Total (2015 onwards)	16.2	74,700	164,800		
Total pipeline	24.7	137,400	253,800		

¹ Part building