

Press Release

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Great Portland enters West End development arrangement

Great Portland Estates plc ("GPE") announces the acquisition of two West End developments and the formation of a profit share and debt structuring arrangement with Eurohypo to develop the properties. GPE has acquired the SPV entities which own Marcol House, 289-295 Regent Street and 23/24 Newman Street, W1 from Istithmar World PJSC ("Istithmar") for £10 million upfront and a share of potential future profits.

Marcol House is a Grade II listed, office and retail development site with planning consent for 111,548 square feet, located on the corner of Regent Street and Margaret Street, 150 metres to the north of Oxford Circus. Newman Street is an existing office building of 25,200 square feet with planning consent for conversion to 22 residential apartments (16 for private sale and 6 affordable units) and provides the residential planning requirements for the Marcol House site.

Simultaneously with the acquisition, GPE has agreed with Eurohypo to restructure the existing debt facility on Marcol House in exchange for a profit share arrangement in the developments. Under this arrangement, GPE will commence the development of the two properties early in 2010, providing all of the funding for the development costs, some of which come from the new debt facility, which together are estimated at £78.1 million. GPE will act as development manager and receive a priority return of up to £26.3 million. The next £51 million of profit will be split equally between GPE and Eurohypo whilst the excess over a combined property valuation for the two schemes of £165 million will be shared 50:50 by GPE and Istithmar.

Marcol House is scheduled to complete by the summer 2012, with Newman Street 12 months earlier. Both buildings have existing tenants, providing an initial income of £405,750 per annum, some of whom will vacate prior to the start of the development.

Toby Courtauld, Chief Executive of GPE, said: "We are delighted to have concluded this acquisition and formed the new arrangement with Eurohypo and Istithmar. This deal adds two high quality West End developments to our exciting and substantial programme, scheduled to complete in 2012 at a time when we think conditions in the office market will favour the landlord.

"The overall arrangement is innovative in that it unlocks the potential in these sites and allows both Eurohypo and Istithmar to share in the upside. We hope to be able to use this structure on other deals in the future and we look forward to working with our partners to make the most out of these high quality developments."

Max Sinclair, Co-Head of Eurohypo, London added: "We are equally delighted to work with GPE on a property with undoubted potential in a location where they have an unparalleled track record in generating value. It really is GPE's home territory. It is our view that Marcol House is a fundamentally high quality asset and that working with GPE in this way is the best approach to recreating value in the medium term."

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