

## February 2015 trading update

### Development Securities today releases its trading statement for the period from 22<sup>nd</sup> October 2014 to date

- Business on track to hit management expectations for the full year
- Special dividend of £10.0 million (8.0 pence per share) to be paid in addition to the final year dividend
- As separately announced today, Michael Marx to stand down as CEO. Matthew Weiner to be appointed as CEO and Richard Upton to be appointed as Deputy CEO.

## Progress in the period

### Development and trading portfolio

Our performance has been strong in the period, with significant gains generated from our diverse activities in regeneration, development and trading and we are on track to deliver management's expectations for the full year.

Alongside the disposals previously announced at **399 Edgware Road, North West London** and the **Telegraph Works, Greenwich**, which together have released £35.0 million of cash and could in the near-term realise up to £20.0 million of profit, today we also announce progress at **Cross Quarter, Abbey Wood**, our mixed-use regeneration project next to the Crossrail terminus in South East London. We have now disposed of the first phase of the residential element of this scheme at capital values significantly ahead of our appraisal values, with construction of these units due to complete in August this year.

These three projects emphasise the increasing importance of the residential element of our portfolio, predominantly located in Greater London and the South East, and the significant majority of which is priced up to £800 per sq. ft. Our activity in this sector has been strengthened with the recent acquisition of Cathedral, a specialist in residential-led mixed-use regeneration, expanding our project delivery options to include direct housebuilding where appropriate, in order to capture additional value.

Our trading activities have also continued to generate strong returns. We have now fully exited the **portfolio of five North London office properties** that we acquired for £17.5 million in February 2014, realising profits of £6.3 million. We have also fully disposed of our mixed-use redevelopment project in **Romford** generating a profit of £3.8 million. Both of these disposals generated IRRs in excess of 100%.

During the period we also secured planning permission on two projects. At **Broughton** last month we secured consent for an 18,500 sq. ft. leisure development on the largest of the three remaining sites that we own next to Broughton shopping centre. In **Manchester**, in partnership with Property Alliance Group, we secured planning permission for a 27-storey, 153,000 sq. ft. residential tower in the city centre, where we will be delivering 172 residential units of which over half have already been reserved.

### Investment portfolio

In the period we acquired two investment assets in **Newcastle** and **Manchester**, completing the process of capital recycling within our £200 million property investment portfolio. We have now fully reinvested the capital released from earlier disposals into new assets, focussing on convenience retail schemes and alternative assets which offer stable, long-term income streams and opportunities for us to drive value through asset enhancement.

## **Special dividend**

Having generated a strong flow of cash profits in the year, the Board has approved the payment of a special dividend of £10.0 million (8.0 pence per share). The dividend will be paid on 7<sup>th</sup> April 2015 to all Shareholders on the register from 6<sup>th</sup> March 2015.

We will continue to review the efficiency of our balance sheet to assess the potential for further capital distributions in the future, in order to maintain a disciplined capital structure and enhance returns to Shareholders.

**Michael Marx, Chief Executive said:** “During the period we have continued to generate substantial cash profits from our development and trading activities putting us on track to hit our record level of expectations for the full year and we are pleased to be paying a special dividend to Shareholders. Following the acquisition of Cathedral Group, the business is in a very strong position with an enlarged, diversified pipeline of projects and still deeper management expertise to proactively drive value and deliver gains from across our portfolio.”

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