18th July 2014

Development Securities PLC ("Development Securities" or "The Company") - Interim Management Statement for the period from 1st March 2014 to date

Development Securities today announces its Interim Management Statement for the period from 1st March 2014 to date.

Commenting on the Company's activities, Michael Marx, Chief Executive Officer, said:

"This has been an exciting period for the Company, with the acquisition of Cathedral Group significantly strengthening both our pipeline and our resources. With additional projects added to our portfolio and an expanded team of experienced developers, the acquisition has set a strong platform for future growth and we are confident in our ability to deliver enhanced Shareholder returns.

We remain committed to our long-term goal of generating enhanced returns through regeneration, predominantly in Greater London and the South East of England. We have maintained a high level of activity across our diversified portfolio of projects during the period, as we continue to deliver value and growth through real estate regeneration."

Cathedral Group

In May, we acquired Cathedral Group ("Cathedral"), a leading mixed-use regeneration developer, for £20.9 million, representing an important strategic step for the Company. The acquisition has added nine projects in Greater London and the South East to our portfolio, representing over 5 million sq. ft. of residential-led mixed-use development. Richard Upton, formerly Cathedral Group's Chief Executive, has joined our Board as Executive Director and Barry Bennett, formerly Executive Chairman of Cathedral Group, has joined as a Non-Executive Director, further strengthening our senior management team. The 27-strong Cathedral team, brings with it considerable development expertise and broadens our capacity to deliver existing and new projects.

It is pleasing to report that in July, Cathedral exchanged conditional contracts with Brighton and Hove Council for the purchase of the long leasehold interest in a 2.2 hectare site in Brighton for the development of a major mixed-use regeneration scheme in joint venture with the University of Brighton. The project will expand one of Brighton University's campuses, providing 1,316-bed student accommodation, teaching buildings and a new technology centre. The proposed development will also include 350 private residential units, 25,000 sq. ft. of retail space and 55,000 sq. ft. of commercial space for start-ups and SMEs.

Development and trading portfolio

During the period, we have secured institutional funding to bring forward the development of two mixed-use regeneration projects. In March, we secured £44.1 million of funding from Pramerica Real Estate Investors for the first phase of development at Shepherd's Bush Market, a significant mixed-use regeneration scheme in West London. We are now on site undertaking the renovation of the market which will significantly improve its physical quality, infrastructure and retail offer. The redevelopment will also include up to 212 residential units and we anticipate starting on site with the first phase of residential development in Q1 2015, pending the final conclusion of the CPO process in respect of a number of retail units that occupy part of the site.

In April, we signed a £14.8 million agreement with CBRE Global Investors to fund the development of The Square, Hale Barns, a foodstore-anchored mixed-use project in a wealthy Manchester suburb.

In May, we completed the sale of Bruges Place, one of the assets within the portfolio of five North London office buildings that was acquired for £17.5 million in February this year. Bruges Place a 16,600 sq. ft. office building in Islington, North London was sold for £6.5 million, at a yield of less than 4 per cent. In July, we exchanged contracts to sell two further buildings within this portfolio, both located close to King's Cross station, for £11.5 million, at a yield of 2.17 per cent.

In July, ourselves and Cathedral exchanged contracts at £8.0 million with residential developer HUB for the sale of two sites at The Old Vinyl Factory which together have planning consent for 213 homes. This transaction will facilitate the next phase of development at The Old Vinyl Factory, a 17-acre development site in Hayes, West London, with planning permission for a £250 million mixed-use regeneration project.

We continue to see strong opportunities for development and investment in Dublin. In July we exchanged contracts to acquire the freehold interest in 85 residential units and a 9-acre residential development site near Dublin for €36.0 million. Part of the Robswall housing and apartment scheme, a 300-home development in Malahide, an affluent coastal village 15 km north of Dublin, the 85 units that have been acquired are currently let on assured shorthold tenancies, with occupancy rates at 98%, generating a net yield of 5.52%. The 9-acre development site benefits from an existing planning consent for 154 residential units. The 85 residential units offer opportunities for asset management and enhancement in order to add value, and a number of options are under consideration with respect to the delivery of the development site over the near to medium-term.

Major developments portfolio

In June, we completed the acquisition of a 1.7-acre development site on Burlington Road, a prime office location in Dublin city centre for €40.5 million, in joint venture with investment vehicles managed by Colony Capital, LLC, and companies associated with Mr McKillen and Mr Ronan, two of Ireland's most experienced real estate developers. The site has planning permission for a 166,000 sq. ft. prime office building and demolition works are now underway to prepare for a start on site within the next six months. The development at Burlington Road will build on our track record as an experienced commercial office developer and allow us to establish a stronger presence within Dublin.

We have now let 57,500 sq. ft. of office space at 10 Hammersmith Grove representing 50.2 per cent of the total available commercial space. The letting of the remaining floors of this 110,000 sq. ft. prime development are all now in solicitors' hands. Following on from the success of the first building, SWIP Property Trust, our funding partner at 10 Hammersmith Grove, agreed in April to fund the second and final phase of development for £92.0 million. We are now on site at 12 Hammersmith Grove with the construction of this 167,000 sq. ft. prime office building due to complete in Q1 2016.

Also in April, alongside our operating partner Prorsus, we entered a joint venture partnership with two Government-backed research agencies, to develop the next phase of Harwell Oxford, a major international science campus near Oxford covering over 700-acres. We are progressing the masterplan for the scheme which will significantly expand the campus, providing high quality space for commercial science organisations and research bodies, within a mixed-use community.

Investment portfolio

With demand for good quality, regional secondary assets strengthening, we have continued to dispose of investment assets within our portfolio where our business plan is now complete. In March, we sold a Waitrose-anchored retail scheme in Winchester for £23.3 million. In April, we disposed of two assets, in Chorlton-cum-Hardy and Watford for a total of £15.7 million and also completed the sale of a portfolio of four investment assets for £21.0 million. We are now seeking to carefully reinvest the proceeds of these disposals, with a focus on foodstore-anchored retail schemes and alternative investment assets which offer stable income streams and the potential for asset enhancement or redevelopment in order to drive additional value.

Enhancing our portfolio of foodstore-anchored retail schemes, we acquired The Mall Shopping Centre in Armagh, Northern Ireland in April for £7.4 million at a net initial yield of 9.43 per cent. The covered shopping mall is anchored by a 49,000 sq. ft. Sainsbury's foodstore with an additional 12,000 sq. ft. of retail space let to local and national retailers. Vacancy rates are low at 4.4 per cent and the shopping centre offers asset enhancement opportunities with the potential for further development on site.

In June, in joint venture with Proprium Capital Partners, we acquired the long leasehold interest in Becket House, a twelve-storey, 146,000 sq. ft. office building next to London Waterloo station for £87.0 million at a 5.1 per cent net initial yield. This acquisition further strengthens our portfolio of office buildings in locations on the edge of Central London's core. Currently let on a 12.5 year unexpired lease to Canary Wharf Group, the building presents a number of options for redevelopment in the medium-term in order to enhance the value of this investment asset.

Finance

In April, we restructured our €47.0 million floating rate loan notes and associated hedging and cash collateralisation arrangements, shortening the maturity of the loan from 13 to 7 years. This has reduced our combined interest, hedging and transaction costs by £0.8 million per annum. The restructure will be finance cost neutral in the year to February 2015 as previously capitalised costs will now be written off, with annual savings of £0.8 million delivered thereafter. The loan restructure released cash collateral of £9.5 million. The renegotiation of the terms of these loan notes has helped to increase the efficiency of our balance sheet and reduce our overall finance costs as well as releasing capital to reinvest into further opportunities.

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