**19 July 2013**

**Development Securities PLC ("Development Securities" or "The Company")**

**Interim Management Statement for the period from 1st March 2013 to date**

Development Securities PLC today releases its Interim Management Statement covering the period from 1st March 2013 to date.

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

"We have made positive progress during the period and are continuing to see the benefits of our strategy of generating value and growth through real estate regeneration. With five planning consents secured in the period as well as further asset disposals, the Company is in a strong position with respect to generating cash and further gains across our diversified portfolio of assets."

**Development and trading portfolio**

In July, we announced the £8.3 million acquisition of Tollgate House and Market Place, a 104,400 sq. ft. mixed-use, town centre opportunity in Romford, Greater London, from administrators acting on behalf of Lloyds Banking Group. The acquisition comprises three real estate assets with development potential and opportunities to drive value through asset management. Pre-lets have now been agreed on all of the retail space within the second phase of Market Place, a part-built mixed-use development. This further letting success has driven occupancy rates from 42.4 per cent to 76.2 per cent across the three assets. Refurbishment works on Tollgate House and construction work on the second phase of Market Place will commence imminently with all works anticipated to complete in the next nine months.

In addition, we announced that we had secured Resolution to Grant Planning in respect of two land promotion sites in Barnstaple, North Devon and Launceston, Cornwall. We are acting as development managers on both sites on behalf of the respective landowners to bring forward the development of phased mixed-use schemes. At Barnstaple, the first phase of development will include a 78,000 sq. ft. foodstore for which a conditional pre-sale has been secured to ASDA. The second phase will comprise up to 350 new residential units alongside a 60-bedroom hotel and 163,000 sq. ft. of retail, leisure, community and employment space. At Launceston, the first phase of the scheme comprises a 51,000 sq. ft. foodstore for which a site disposal has been agreed to Morrisons, and a 60-bed hotel and a pub/restaurant, for which site disposals have been agreed to Premier Travel Inn and Marstons respectively. The second phase of the development, which has received Resolution to Grant Outline Planning, will comprise up to 275 residential units. Upon the expiry of the judicial review periods, these two sites will generate gains approaching £2 million to Development Securities in its role as development manager.

In July, we also exchanged conditional contracts with Be Here, the Private Residential Sector (PRS) brand of Willmott Dixon, for the £4.0 million sale of the 'Gatefold' building, part of The Old Vinyl Factory, an 18-acre site in Hayes, West London, for which planning consent has been secured for a

£250 million regeneration scheme. This 132-unit first phase residential element will kick start the wider development and is expected to start on site in Q4 2013.

At Cross Quarter, Abbey Wood, we secured Resolution to Grant Planning for an £85 million mixed-use regeneration scheme in April. The consented scheme will comprise 220 private and affordable homes, an 80-bed hotel, 5,000 sq. ft. of commercial space, community facilities and an 81,000 sq. ft. anchor foodstore, pre-let to Sainsbury's, located at the gateway to Abbey Wood and adjacent to its main train station, which will become the new South East terminus for Crossrail.

We continue to make good progress across the Chrome portfolio, a £103 million real estate loan portfolio that we acquired in joint venture with Pears Group in August 2012. Further loan repayments have been achieved in the period through the sale of the underlying real estate assets. The majority of the remaining loans will be repaid by the end of the current financial year through the sale of their underlying real estate collateral, some of which we are repositioning through planning change, refurbishment works and other asset management initiatives in order to maximise value.

**Major developments portfolio**

In July, British Land acquired Aviva's interests in PaddingtonCentral, a site that we have developed in partnership with Aviva over the past 13 years. At the present time, we remain the development manager at PaddingtonCentral, however, we are in discussions with Aviva and British Land regarding the termination of our role in this development.

In June, we were pleased to reach practical completion at 10 Hammersmith Grove, a 110,000 sq. ft. prime office building in Hammersmith town centre, forward-funded by Scottish Widows Investment Partnership Property Trust for £50 million. This is the first phase of a two phase development and the quality of 10 Hammersmith Grove far exceeds that of other office buildings in its vicinity, providing the first new speculative office building in the area for more than ten years. We are encouraged by the level of interest in the building, with three floors, representing 31 per cent of the space, under offer at rental levels ahead of appraisal values. In addition, two of the three restaurant units are also under offer.

**Investment portfolio**

We continue to seek to add value to our investment portfolio through proactive asset management and enhancement.

In May, together with our partner, Wessex Investors, we secured Resolution to Grant planning at Atlantic Park, a 1.5-acre site in Bideford, North Devon, for the development of a 70-bed hotel, pre-sold to Premier Inn, and a drive-through restaurant, pre-sold to McDonald's. Situated adjacent to our investment asset, Atlantic Village, the development at Atlantic Park will help to drive further traffic to the scheme, increasing critical mass and footfall. Furthermore, this development will complement the 104,000 sq. ft. extension to Atlantic Village which, once complete, will also increase critical mass at this popular retail and leisure destination.

At Wick Lane Wharf, our 112-unit residential asset in Hackney Wick, East London, in conjunction with our joint venture partner, Realstar Group, we commenced a sales process for 30 of the units which were surplus to the core business plan. All 30 units are now under offer at levels above our appraisal values, and are forecast to generate gross receipts of £9.8 million. These receipts will initially be used to pay down bank debt prior to refinancing the 82 rental units where we have achieved 98.5 per cent occupancy in line with the intention to create a long term PRS holding.

**Legacy assets**

We have made further good progress to release cash from two of our significant non-income producing legacy assets. In May, we completed the disposal of the majority of our remaining land holding at Broughton, near Chester, to a housebuilder for £11.4 million.

In the same month, at 399 Edgware Road we received Resolution to Grant Planning in respect of our redesigned mixed-use regeneration scheme. The new scheme comprises an 80,000 sq. ft. food store, pre-let to Morrisons, 183 residential units and 50,000 sq. ft. of additional space dedicated to Oriental and Far Eastern food and retail. The process of securing funding for the delivery of these individual elements of the scheme is now underway.

The progress made on these two non-income producing assets will enable approaching £40 million of cash to be generated over the next 18 months.

**Financing**

As at 30th June 2013 gearing stood at 45.9 per cent, rising to 58.8 per cent including share of joint ventures. Weighted average maturity of the debt portfolio stood at 7.9 years falling to 6.9 years including share of joint ventures. We remain comfortably within our target balance sheet gearing range of 50-60 per cent.

**For further information:**

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