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Development Securities PLC

18 November 2008

INTERIM MANAGEMENT STATEMENT

for the period 1 July 2008 - 17 November 2008

Development Securities PLC publishes its second Interim Management Statement.

Key Points

*Current active development programme on track for successful completions with minimal downside exposures.

*Positive cash flow generated as current development programme completes.

*Net indebtedness currently £83.9 million, equivalent to 39 per cent of net worth at 30 June 2008.

David Jenkins, Chairman said:-

"The current market conditions are probably approaching the worst in living memory, with the uneasy expectation that the storm is a long way from over.

The liquidity crunch has brought with it a largely dysfunctional banking system, certainly as far as the real estate sector is concerned. The virtual non-availability of bank finance has denied investors any meaningful degree of leverage on new property acquisitions and consequently the property investment market may not re-open for normal business until investment returns are adequate to compensate cash buyers for the perceived risks involved. This could signal that current yield decompression has further to run. In parallel, the occupational market will undoubtedly come under continuing pressure as the economy falls into what is likely to become a prolonged recessionary period, with unemployment rising and the consumer struggling to restore his previous level of savings.

It is in such an environment that the benefits of forward-funding our large-scale development programme with institutional equity become apparent. Similarly, it has been our strategy for many years to maintain a modest level of net gearing within our business which should mean that we benefit as against our peer group in today's negative market conditions. Our business model naturally faces towards institutional equity.

Development Programme

At One Kingdom Street, PaddingtonCentral, the 250,000 sq. ft prime office development is now 85 per cent let, with a further 5 per cent under offer. An interim payment of £12 million is scheduled to be received from our funding partners within the next few weeks. The next phase of this project, a 252,000 sq. ft prime office development is on schedule for completion in early 2010.

At Southampton, the forward-funded 150,000 sq. ft office development pre-let to Carnival UK will reach completion on schedule next month. Soon thereafter, we anticipate release of our profit entitlement anticipated to be in excess of £9 million.

At CityPark, Manchester, construction of the pre-sold 147,000 sq. ft office scheme is on schedule for completion and delivery to a private investor towards the end of 2009.

At St Bride Street, London EC4, our forward-funded, speculative development of 55,000 sq. ft is on schedule for completion in early 2010.

At our 51,000 sq. ft retail led development in Winchester, anchored with pre-lets that include Waitrose and the local Primary Care Trust, completion is scheduled for the final quarter 2009, with the scheme now 90 per cent let. This development is bank financed and is scheduled for refinancing in May 2010, following completion.

At the Heart of Slough regeneration scheme, the local authority have decided due to current financial conditions not to proceed for the time being with the proposal for their new headquarters building.

Investment Portfolio

Clearly, consistent with market conditions, the values of our property portfolio must be falling. Our next formal valuation will be at December 2008. Whilst we have not experienced significant arrears of tenant rental payments or insolvencies, we have had some individual requests to reschedule rental obligations onto a monthly basis.

At our Furlong Shopping Centre in Ringwood, we have now received planning consent for an extension of approximately 20,000 sq. ft, 80 per cent of which is designated for retail use.

The vacancy rate within the portfolio currently stands at 8.5 per cent.

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At 28 November 2008, the £52m loan notes fall due from the private investor who acquired this property in November 2007. All capital payments under the loan notes are currently secured by way of a first charge on the property in favour of Development Securities. An amount equal to approximately 24 per cent of the disposal price has already been paid by the purchaser by way of a non-refundable cash advance.

Net Indebtedness

At 31 October 2008, our net indebtedness was £86.5 million, equivalent to 40.5 per cent of our net worth of £213 million at 30 June 2008. Our financing arrangements invariably carry net worth maintenance undertakings, most at a level of £150million but with two bank facilities at £185million. We feel comfortable with such a situation, even in current market conditions.

89 per cent of our borrowings mature in 2013 and beyond. £10.3 million of debt becomes repayable upon completion of the pre-sold development at City Park, Manchester, with the remaining £6.5 million falling due in 2009 and 2010.

Management

We are very pleased to confirm that our new Finance Director, Graham Prothero, joined us earlier this month. He takes over this position from Michael Marx who continues as the Group's Chief Executive.

Outlook

Despite increasingly difficult market conditions, the Company has positioned itself defensively through prudent management of its balance sheet and maintaining liquidity through its partnership approach to funding its active, large-scale development projects. As a result, the Company hopes to selectively target opportunities that will arise out of this market turmoil, whilst also having regard to protecting shareholder interests in the short to medium term.

Forward-looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond Development Securities' ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Development Securities' does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this document relating to the Company should not be relied upon as a guide to future performance.

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