

INTERIM MANAGEMENT STATEMENT

Key points

-Some £60 million of the £94 million in new equity raised through the 2009 open offer has now been committed, with a further £42 million of deals under negotiation

-Prospects for development in London have improved and preparation for the commencement of the next phases of PaddingtonCentral and Hammersmith Grove is underway

-AstraZeneca have exercised their option to take an additional floor at Two Kingdom Street, taking their overall commitment to 75,000 sq.ft.

David Jenkins, Chairman said:-

The recovery in property capital values from the trough of mid-2009 has continued into 2010, albeit at a slower rate, as investors seek assets offering a return above the minimal rates to be earned on cash. The Company has identified a number of opportunities to generate value from the continuing market dislocation, brought about principally by the banks' need to reduce significantly their exposure to the property sector. The prospects for development in London have improved Steadily over recent months, and we are preparing for commencement of the next phases at PaddingtonCentral and our scheme at Hammersmith Grove.

Across our investment and development portfolios, we have now invested or committed approximately £60 million (net of borrowings) of the net £94 million of equity raised in our Firm Placing, Placing and Open Offer announced in June 2009.

We are close to exchanging contracts on £15 million of deals, and are in negotiations on a further £27 million, across a range of sectors.

The seemingly fragile nature of the economic recovery in the UK and in the global economy heightens our caution, but we have clarity in the pursuit of our strategy to deploy both our equity and expertise into that market dislocation, whilst maintaining our risk-averse principles of stock selection and financing.

For further enquiries, please contact :

Graham Prothero, Finance Director, Development Securities PLC
07879 432963

Mallika Basu/Richard Evans, The Communication Group plc
020 7630 1411

Development programme

In February, we achieved practical completion on Two Kingdom Street, providing 230,000 sq.ft. of prime offices and 22,000 sq.ft. of

studio space. We are pleased that AstraZeneca have recently exercised their option to take an additional floor in the building, taking their overall commitment to 75,000 sq.ft. We have secured planning permission for the final two phases of Paddington Central, Four and Five Kingdom Street, providing respectively 140,000 sq.ft. and 210,000 sq.ft. of prime office accommodation, and are progressing detailed designs for these buildings with a view to commencement on site in early 2011.

At Hammersmith Grove, where planning consent exists for a 325,000 sq ft scheme, we are in discussion with the local authority with regard to a revised development comprising two office buildings totalling 280,000 sq.ft.

The Company intends to submit today an offer for the site of the former Middlesex Hospital, London W1.

Following completion of our land swap agreement with Slough Borough Council in February, the Homes and Communities Agency's funding agreement with the Council has now gone unconditional thus providing committed funds of £11 million from the Agency. Construction of the new bus station by the local authority is on programme for completion in 2011, after which we can take possession of our site.

Following the recent announcement of the proposed High Speed Train Link between London and Birmingham ("HS2"), the Company, together with its joint venture partner, has put on hold plans for the development of Curzon Street. HS2 is likely to have cross-party political support, and we now await the government's proposals for taking the project forward. In the meantime, advice is being taken in order to protect our position.

Investment Portfolio

Since the announcement of our year end results on 22 March we have continued to identify and secure opportunities where we can apply both equity and expertise to unlock value. We are also continuing with our development plans for the enhancement of our existing portfolio, in particular at Ringwood, Bideford and Nailsea.

In April, we were delighted to win the IPD/IPF Investment Performance Award for the Specialist Pooled Funds and Traditional Estates category, with a 3 year total return of (2.6) percent, being 10.5 per cent above the sector target.

The IPD capital index returned a positive 3.9 per cent capital growth for the first quarter. Our next formal valuation is at 30 June 2010, and we would expect our portfolio to perform broadly in line with this movement.

The vacancy rate within the portfolio currently stands at 9.1%, reducing to 8% excluding properties currently under offer.

Net indebtedness

In March we were pleased to conclude a £58.2 million, fifteen-year facility with Aviva, at a fixed interest rate of 6.2%.

As at 31 March, our net debt was £70.9 million, representing gearing of 29.1 per cent against our 31 December 2009 net asset value of £244.0 million. The average maturity of our borrowings is now 10.7 years, and the average interest rate is 6.0 per cent, with 72 per cent of the portfolio at fixed rates.

Outlook

The economic backdrop continues to be uncertain. The importance of careful stock selection and cautious liability management of our financing portfolio is fundamental to mitigate the impact of potential volatility. Nevertheless, we continue to see value in a wide range of situations, where a lack of access to capital is constraining otherwise viable opportunities.

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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