

RNS Number : 3820S

Development Securities PLC

18 May 2009

INTERIM MANAGEMENT STATEMENT

for the period 1 January 2009 - 15 May 2009

Development Securities PLC publishes its third Interim Management Statement.

Key Points

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

*Cash position benefiting from completion of major developments.

*Net indebtedness currently £101 million, equivalent to 63 per cent of net worth at 31 December 2008. This is reduced to 42 per cent of net worth if the Unsecured Subordinated Bonds due for repayment in October 2027 are excluded.

David Jenkins, Chairman said:-

"The property investment market has declined by a further 8.7 per cent in the first quarter of this financial year albeit that the rate of decline eased from that experienced in the final quarter of 2008.

The minimal availability of bank finance still restricts the leverage available to property investors for new acquisitions. Rents are continuing to fall as the recession bites deeper, with vacancy rates likely to continue their rise. With this background, it is difficult to construct a scenario whereby capital values will improve in the near term.

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 restrict gearing in our business to a modest level 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 95 per cent let. A payment of £17 million was received from our funding partners in December 2008, representing our share of the development gain. The next phase of this project, a 252,000 sq. ft prime office development is on schedule for completion in early 2010, with the topping out ceremony having taken place last week.

At West Quay, Southampton, the forward-funded 150,000 sq. ft office development pre-let to Carnival UK reached completion on schedule in December 2008 and we have now obtained the release of £10 million cash being our share of the development profit.

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 within the next six months.

At St Bride Street, London EC4, our forward-funded, speculative development of 54,000 sq. ft is on schedule for completion in early 2010.

At our 56,000 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 of 2009, with the scheme now 90 per cent let. This development is bank financed and is scheduled for refinancing in May 2010, should we decide to retain this property.

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. However, last week the local authority resolved to grant outline planning consent for two prime office buildings of 269,000 sq. ft, with detailed planning consent for the first building of 93,000 sq. ft. The site is located adjacent to the railway station which affords fast and direct access to Paddington. The consent fits within the proposed Heart of Slough masterplan, but is capable of independent implementation as and when the occupational market recovers.

At Colindale, with the LPA Receiver now appointed on our behalf, we continue to consider all options including implementation of the extant planning consent of some 700,000 sq. ft mixed retail and residential use, or the adaptation of this consent to current market conditions, or an outright disposal of the freehold property.

Investment Portfolio

Consistent with market conditions, the values of our property portfolio are falling. The IPD capital index for the first three months of this year indicates a fall in values of 8.7 per cent. The next formal valuation of our portfolio will be at June 2009 and we would not anticipate much deviation from the negative returns indicated by the IPD index. 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, amounting to 13 per cent of the total rent roll.

The vacancy rate within the portfolio currently stands at 9.7 per cent.

Net Indebtedness

At 30 April 2009, our net indebtedness was £100.8 million, equivalent to 62.6 per cent of our net worth of £161.0 million as at 31 December 2008. If the £32.8 million of debt arising from our 2027 Unsecured Subordinated Loan Note facility is excluded, gearing falls to 42.2 per cent. There is no significant change to the profile of maturities and banking covenants that was included within the audited consolidated financial statements for the year ended 31 December 2008 which were recently published on 31 March 2009.

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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