British Land is positioned for growth through investment in prime assets, principally out of town retail and Central London offices.

Outlook

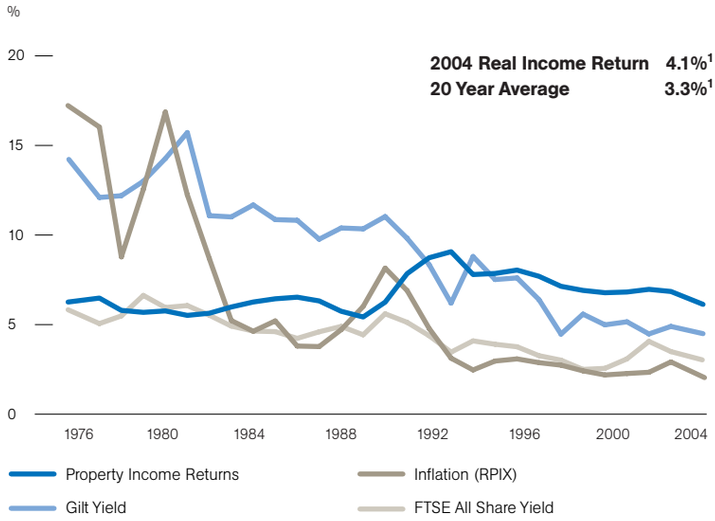
Looking at the principal features of the UK property investment market we see that:

- rents are affordable in most sectors across the UK economy
- global competitiveness issues may restrain occupancy and rental growth, except where supply and demand imbalances exist
- the yield shift seen for property has been supported by fundamentals of comparison of the risks versus returns from alternative asset classes; this yield correction is now slower but continuing
- investor demand is still exceeding supply as property reweighting is in progress, which REITs can only reinforce.

Sentiment towards the property sector overall is also affected by the UK's economic performance and, in particular, levels of interest rates. There are no signs of rate increases at present and UK property yields overall remain significantly above market spot and 10 year interest rates.

Property Market Analysis LLP, Europe's largest independent property research consultancy, has identified Central London offices and out of town retail as the sectors with the best prospects for total returns over the next five years. British Land's portfolio is strongly weighted in these sectors.

Property continues to offer relative value



[1] Real income return is property income return less inflation.
Source: IPD, National Statistics, Datastream

Portfolio positioned for growth with security

PMA* forecast – next 5 years	**Average ungeared total return % pa**	**British Land's weighting %**
Shopping centres	5.5	20
Retail warehouses	**10.1**	**†26**
High street	6.0	10
Central London offices	**7.9**	**37**
Provincial offices	5.9	2
Industrial	6.6	2

*Property Market Analysis LLP
† including superstores

British Land is positioned for growth through investment in prime assets, principally out of town retail and Central London offices. Security against any downside risk is provided by the quality of the assets, let on long leases to strong tenants, including a significant proportion of guaranteed minimum rental uplifts.