

Development

Development is one of our key levers of value creation. It combines our skills in development itself with our customer and market focused real estate knowledge to create distinctive added value – for customers whose modern premises requirements are optimally met and for our investors who enjoy the results of successful development completions.

The **objectives of our development activities** are to:

- add high quality assets to the portfolio in areas of strong customer demand;
- provide new buildings to meet modern business requirements in both the retail and office sectors;
- create investments with potential for growth;
- realise attractive capital returns.

Important elements of development projects include the transport and other infrastructure attributes of the location, quality of specification, configuration and flexibility of accommodation, and timing of delivery into market demand. Emphasis is also placed on working with talented architects to create well designed and sustainable buildings that enhance their location. Construction is rigorously managed to achieve efficient completion with high health and safety standards.

Our London Office development programme represents an ideal way for us to meet customer needs in this sector, producing high quality buildings of architectural merit in the right locations, offering flexible, efficient floorplates and an attractive working environment. In turn, the programme is an effective way to increase our holdings in this sector, generating higher returns than those available in the current investment market.

Completed projects

Four projects totalling 843,000 sq ft have completed since 31 March 2006, on schedule and generating significant profits. **The Willis Building** at 51 Lime Street, EC3, designed by Foster and Partners, with all the offices pre-let to leading risk managers Willis Group, is now in the fit out phase. The new 29 storey tower and adjoining 10 storey building occupy a prime site opposite Lloyd's of London, and are a striking new addition to the City skyline.

York House, W1, is complete and we now occupy c 40,000 sq ft as our new head office. In May 2007 we contracted to let 33,700 sq ft, the majority of the remainder of the office space, to Government of Singapore Investment Corporation at £67.50 per sq ft. Three of the four retail units also have terms agreed for letting. The 22 residential apartments in York House have all been let, or reserved for letting, on assured shorthold tenancies. Aside from its profitability, York House is a prime example of the merits of modern flexible office space with strong design, redefining the attractions of its location and capturing customer demand in so doing.

Completed projects (since 31 March 2006)	Sq ft 000	Rent £m pa		Site cost £m	Construction cost & interest £m	Value, March 2007 £m	Project uplift %
		Total ¹	Let/ pre-let				
York House	137	7.4	6.1	23	60	127	53
Blythe Valley (G2)	35	0.7	0.7	1	7	11	38
Willis Building	491	21.4	21.1	48	230	360	29
	663	29.5	27.9	72	297	498	
Coleman Street (CLOUT – forward sold)	180	–	–	9	30	44	13

¹ Current headline rent (excludes provision for tenants' incentives)
Data for Group and its share of Funds and Joint Ventures (except areas which are shown at 100%)

Carefully Timed and Customer Focused Office Development



¹ Planning application submitted ² Based on office space only (includes space under option)

Committed projects

London office developments

201 Bishopsgate and The Broadgate Tower are well underway and on programme for completion in 2008. The steel frame for the tower has reached its full height at level 35, establishing its position, with the adjoining 13 storey building, as the next phase of Broadgate. This project is the largest speculative office development undertaken in the City of London and has already attracted considerable tenant interest. Contracts have been exchanged with Henderson Group plc for a pre-letting of 124,000 sq ft at 201 Bishopsgate. Henderson will relocate from 4 Broadgate which we plan to redevelop; the first element of unlocking the future development potential at Broadgate under our '2020' master planning exercise. In addition, at 201 Bishopsgate, heads of terms have been agreed for a pre-let of 223,000 sq ft with Mayer, Brown, Rowe & Maw LLP, one of the largest international law practices. Taking into account the additional accommodation over which Henderson and Mayer Brown have options, all the offices at 201 Bishopsgate are fully reserved.

We have also agreed heads of terms for a pre-let of 155,000 sq ft at The Broadgate Tower.

Construction of **Ludgate West** is also progressing as scheduled, towards estimated completion in late 2007. We have recently announced heads of terms agreement to pre-let about 69% of the offices to Charles Russell LLP, a leading firm of lawyers.

London development lettings:

	Total	Pre-let, heads of terms, under offer, or forward sold
Completed developments	754,000 sq ft	98%
Under development with PC 2007/8	1,148,000 sq ft	69%

Our development of the **Regent's Place** estate has redefined this area of London's West End, creating a new working environment with modern office floorplates, together with retail and public spaces – meeting occupier demand with accommodation not otherwise available in the crowded West End, and generating rental growth. We have already developed 1 million sq ft and at Osnaburgh Street and the North East Quarter will provide another 1 million sq ft. Osnaburgh Street is a 2.5 acre site on the west side of Regent's Place where demolition of the existing buildings has begun in preparation for a mixed use scheme of 380,000 sq ft offices and 110,000 sq ft of residential accommodation for completion in the second half of 2009. The North East Quarter will be the next phase; a detailed planning application has been submitted to provide a further 384,000 sq ft of offices and 124,000 sq ft of residential units.

Ropemaker, a prominent 1.2 acre City site close to Moorgate, was purchased in March 2006 with planning consent in place for an office development of 505,000 sq ft. During the year we changed the design and have obtained a revised and increased planning consent for a building of 593,000 sq ft, which will maximise the efficiency, floor areas and tenant appeal of the project we are taking forward. Construction is well underway.

At **Leadenhall**, following achievement of revised planning, demolition of the existing building is also underway to prepare for construction of a new striking City office tower which we consider destined to be recognised as London's finest such tower.

The Building Research Establishment Environmental Assessment Method (BREEAM) was established to evaluate a broad range of the environmental impacts of various new building types. All our London offices developments have target or provisional **BREEAM ratings** for the buildings of **Very Good or Excellent** (at the top of the scale). As examples of these environmental factors, the appeal of The Broadgate Tower and 201 Bishopsgate is enhanced by their energy efficiency (they are expected to produce a 29% lower level of emissions than is stipulated by current building regulations) and the design of Ropemaker also incorporates highly efficient plant to reduce energy use and carbon emissions.

Committed projects

	PC ¹	Sq ft 000	Cost £m ²		Value, March 2007 £m	Notional interest £m ³	Rent pa £m ⁴	Sales £m ⁵
			Total ¹	To complete				
London Offices:								
201 Bishopsgate and Broadgate Tower	Q3 2008	822	302	174	369	17	42.1	–
The Leadenhall Building	Q1 2011	612	396	368	114	46	36.9	–
Ropemaker	Q2 2009	593	229	211	175	29	31.5	–
Osnaburgh Street ⁶	Q3 2009	490	228	214	77	19	19.4	51
Basinghall Street ⁷	Q2 2007	199	40	8	32	–	–	43
Ludgate West	Q4 2007	127	49	20	71	2	6.2	–
Total Offices		2,843	1,244	995	838	113	136.1	94
Retail Parks								
Puerto Venecia, Zaragoza ⁸	Q4 2007-9	2,159	106	88	77	8	9.3	21
Giltbrook, Nottingham	Q2 2008	199	46	44	10	3	3.9	2
Total		5,201	1,396	1,127	925	124	149.3	117

¹ Estimated practical completion of construction

² Estimated construction cost

³ From 1 April 2007 to PC

⁴ Current estimated headline rent (excludes provision for tenants' incentives)

⁵ Parts of development expected to be sold, no rent allocated – see also footnotes 6 and 7

⁶ Regent's Place, development includes 110,000 sq ft residential, expected to be sold

⁷ CLOUT – BL share 35.9% – forward sold

⁸ Joint venture (Eurofund Investments Zaragoza) – BL share 50%

Data for Group and its share of Funds and Joint Ventures (except areas shown at 100%)

DEVELOPMENT IS ONE OF OUR KEY LEVERS OF VALUE CREATION

Retail developments in UK and Spain

Giltbrook Retail Park, Nottingham was purchased in mid-2006. We redesigned the project, achieved a revised planning consent and are proceeding with a 199,000 sq ft mixed used scheme of retail and industrial space, with improved environmental attributes. The development of the park is expected to complete in 2008, anchored by an adjacent existing IKEA store. Approximately 50% of the new area is under offer, attracting premium rents and confirming our expectations that Giltbrook will become an important regional retail destination.

The joint venture development project, **Puerto Venecia, Zaragoza**, Spain, will provide a retail park, a shopping centre and a specialist retail and leisure park, with ancillary facilities. Zaragoza is Spain's fifth largest city, approximately 300 kilometres from each of Madrid, Barcelona and Valencia. This important project will provide a new regional centre for the City, which will host the International EXPO in 2008.

Infrastructure works for Puerto Venecia are making good progress – including the access required to enable the opening of the IKEA store in May 2007. IKEA will anchor the retail park and we have exchanged contracts with El Corte Ingles, Spain's largest department store operator, to anchor the shopping centre with an owner occupied store of distinctive design, providing over 400,000 sq ft. Other tenants for the retail park include Leroy Merlin, Conforama and Porcelanosa. Over 70% of the retail park has been pre-let, pre-sold or is under offer, with units planned to begin opening from the end of this year. We are in the process of further design enhancement for the retail and leisure centre, with good interest from major retailers.

Development prospects

Network Rail recently chose British Land as the preferred partner for a major mixed use redevelopment of **Euston Station**. We will work with Network Rail to prepare a masterplan for the creation of a landmark station interchange. The 15 acre site will accommodate up to 4 million sq ft of mixed use development including retail, office, residential and the new station, realising its commercial potential and assisting with the on-going regeneration of the area. Following settlement of legal agreements, a planning application is expected to be submitted in early 2009.

We are also working with Sheffield City Council for the master-planning of the land we own adjacent to Meadowhall Shopping Centre. The proposals, including offices, residential and car showroom facilities have attracted strong interest from potential commercial occupiers and will provide a further boost to the economic activity and amenity of the area.

'**Broadgate 2020**' is a master planning exercise for Broadgate – presently a relatively low rise and low density estate. We are exploring the possibilities of higher rise development in certain areas and adding extra floors to some existing buildings. In particular, 4 Broadgate has been identified as a redevelopment prospect for a new tower scheme with substantially increased floor areas. We aim to submit a planning application in due course. Other elements include working with Crossrail which has proposed an adjacent station with a new Broadgate ticket hall, giving opportunities for improved transport links and additional amenities.

Development prospects		Sq ft 000	Cost £m ¹	Value, March 2007 £m	Notional interest ² £m	Rent pa ³ £m	Sales £m	Planning
Regent's Place	NE Quarter	508	222	38	13	18	64	Submitted
Colmore Row	Provincial Office	249	70	26	9	8	–	Pending
Blythe Valley Park Phase 1	Business Park	697	116	16	4	14	–	Outline/detailed
Blythe Valley Park Phase 2	Business Park	680	114	–	3	14	–	Outline
New Century Park ⁴	Business Park/Distribution	582	76	21	3	8	12	Detailed
Meadowhall additional land	Mixed use	1,270	293	24	6	22	38	Pending
Theale	Residential	204	31	15	2	4	–	Submitted
Preston	Deepdale Retail Park	67	14	3	–	1	–	Detailed
4 Broadgate	City Office	}						Pending
Euston Station ⁵	West End retail, office, residential							Pending
Canada Water ⁶	Mixed use							Outline
								master planning in progress

¹ Estimated construction cost to complete

² During construction to PC

³ Current estimated headline rent
(excluding cost of tenant incentives)

⁴ Post year end to be sold to BL Rosemound JV

⁵ In partnership with Network Rail

⁶ Joint venture with Canada Quays Limited