

## Asset management

### Proactive enhancement of the portfolio

We have sought throughout the year to concentrate on our customers' requirements – and by providing attractive and well configured properties we generate new demand resulting in increasing rental values. This is achieved not just by good stock selection followed by experienced property management, but also through appropriate tenancy changes, lease restructuring, initiating improvements by better design or configuration or planning use, refurbishments and redevelopment.

This has been a year of great activity for our asset managers. Since 31 March 2007 we have exchanged agreements for **338 new lettings and lease renewals** achieving overall rents at **4% above the external valuer's ERV**.

#### New lettings and lease renewals

(including Funds and Joint Ventures)

	Number	Sq ft 000s	Rent, £m pa	
			New Total <sup>1</sup>	BL share of increase <sup>2</sup>
Retail warehouses	118	1,125	30.8	11.0
Shopping centres	80	396	15.1	7.0
High street	21	52	2.3	1.5
London offices	20	178	10.1	8.3
Development (London offices)	4	550	28.5	28.5
Other	95	152	3.0	1.3
<b>Total</b>	<b>338</b>	<b>2,453</b>	<b>89.8</b>	<b>57.6</b>

<sup>1</sup> Headline rent, before any tenant incentives

<sup>2</sup> Above previous passing rent

There have been similar successes with rent reviews during the year, with **210 rent reviews** settled at overall **7% above the external valuer's applicable ERV**, generating an increase in rental income of £11.7m per annum. At our West End offices at **Triton Square, Regent's Place**, for example, significant rent reviews have settled at c. £47 per sq ft, 16% above the ERV, following a lease renewal at 338 Euston Road at £50 per sq ft. In the Superstores portfolio rent reviews included a settlement establishing a new high level for a store outside Central London.

#### Rent reviews

(including Funds and Joint Ventures)

	Number	New Total	Rent, £m pa	
			Increase	BL share of increase
Retail warehouses	81	28.5	7.3	4.7
Superstores	9	9.8	1.6	1.3
Shopping centres	59	12.8	1.2	1.1
High street	22	6.8	0.9	0.9
London offices	10	30.3	3.4	3.4
Other	29	1.9	0.3	0.3
<b>Total</b>	<b>210</b>	<b>90.1</b>	<b>14.7</b>	<b>11.7</b>

A number of other specific examples of our asset management activities are commented on as follows.

### Retail parks

HUT acquired a 40,000 sq ft retail warehouse at **Dartford Heath** let to Focus and Halfords early in 2007. A surrender of the Focus unit was negotiated and relet to Allied Carpets and MFI, which enabled their relocation from the larger 216,000 sq ft **Prospect Place retail park, Dartford**. The former Allied Carpet space has been relet to Marks & Spencer and the former MFI space relet to Asda, both at increased rents; this also enhances the attractiveness of Prospect Place to retailers and their customers, whilst increasing overall estimated rental value, covenant strength and thus the value of the park.

At **Deepdale shopping park, Preston**, a 230,000 sq ft scheme owned by HUT, asset management transactions included: agreement of a surrender of two units occupied by Birthdays and Brantano which were extended and relet to River Island and JD, creating a new high rent for the park; relocation of Brantano into a larger unit created by negotiating the surrender of a 10,000 sq ft unit occupied by Holiday Hypermarket and dividing the space into two, with the smaller unit relet to Holiday Hypermarket; demolition of a public house to construct a 9,700 sq ft food court for restaurants and cafes; and, as part of the planning negotiation, an amended consent was agreed for the 19,500 sq ft Marks & Spencer food unit.

At **Orbital shopping park, Swindon**, units let to Homebase and to Comet were subdivided to allow a halving of their requirements (though at increased rents per sq ft). The vacant space created has been let to Marks & Spencer on attractive terms, boosting the overall prospective performance of the park.

At **St James retail park, Northampton**, lettings were completed to JJB Sports, Mothercare and Land of Leather following a subdivision of the former Courts 46,000 sq ft unit. A refurbishment of the park was completed which included a reconfiguration and regearing of the 30,000 sq ft Bhs unit and the addition of 20,000 sq ft of space which is part let to Laura Ashley with the remainder under offer.

At **Glasgow Fort shopping park**, HUT has lodged a planning application for a second phase of the scheme, working with the Glasgow East Regeneration Agency to improve the Easterhouse town centre.

Overall at our retail parks, since 31 March 2007 **1.1 million sq ft has been let and a further 400,000 sq ft is under offer**. These are predominantly to household names such as Allied Carpets, Asda, Body Shop, Carpetright, Carphone Warehouse, Laura Ashley, Marks & Spencer, New Look, Next, River Island, and TK Maxx. The retail portfolio has also shown continuing rental growth – the estimated **rental value** of our retail warehouse portfolio grew by 3.6% in the 12 months to 31 March 2008, compared with the IPD sector index of 1.5%.

## Shopping centres

We continue to look for value enhancement to our assets through selective capital expenditure. This includes improvements at the 700,000 sq ft **Eastgate shopping centre, Basildon**, where a reconfiguration of the food terrace and general refurbishment works has resulted in a more modern environment, attractive to retailers and their customers alike.

At **Meadowhall**, our 1.5 million sq ft regional shopping centre at Sheffield, leasing activity has included over 30 new lettings and lease renewals covering more than 240,000 sq ft. Following the exceptional flooding in the Sheffield area in June 2007, 130 stores on the lower level have been refitted and the cinema complex has been refurbished. Together with a number of key new lettings to retailers such as All Saints, Hobbs, Puma, Henleys and The Pier, this has created a broader and more exciting retail offer than ever before – and terms have been agreed with Topshop for a new 40,000 sq ft flagship store. The new 165,000 sq ft two level mall, known as The Gallery, opened in September 2007 attracting leading retail names, including major new stores for Next and Primark. Growth in the rental value of Meadowhall of 2.9% has been achieved over the year.



The Gallery, Meadowhall

## London offices

At Broadgate we contracted in May 2007 to relocate Henderson from 4 Broadgate to our development at 201 Bishopsgate, providing them with new space suitable to their requirements whilst releasing 4 Broadgate for a high rise redevelopment with potential to commence in 2009 as part of our Broadgate '2020' master plan.

There has been continuing demand from customers across our portfolio. Over 750,000 sq ft of our central London office space has been let since 31 March 2007 or is under offer. In addition to the ongoing letting of development projects, this includes lettings at:

- **York House** in Seymour Street, W1 (British Land's head office) where Government of Singapore Investment Corporation has taken 33,700 sq ft, Bunzl plc 9,000 sq ft, Moor Park Capital Partners 4,800 sq ft, and the final 3,500 sq ft of office space has been let to Hurley Palmer Flatt. The retail units have also been let, such that all of the accommodation has been taken up in just over a year since completion of the development. The rents achieved via these lettings, including up to £79 per sq ft for the offices, reflect the building's premium design and location;
- **155 Bishopsgate**, where we have let the entire 38,000 sq ft level 5 refitted space at an initial rent of £57.50 per sq ft, a new high at Broadgate; we were also pleased to retain RCM at 155 Bishopsgate with a lease re-gear at £54.50 per sq ft, increasing rents passing;
- **Plantation Place South**, where we completed the letting of the offices we developed (and recently sold) with a new lease of level 4 at £51 per sq ft;

all contributing to establishing rental growth.

Our 111,000 sq ft multi-let office building at **338 Euston Road, Regent's Place** is undergoing a £12m major refurbishment of three vacant office floors, common services and reception areas due to complete this summer. The project will create more attractive accommodation for both existing and potential occupiers and will increase rental value. Our expectations have been confirmed in this respect by a recent agreement for the letting of one floor of c. 7,000 sq ft at a new high rent for Regent's Place of £61 per sq ft.

Also at **Regent's Place**, the letting of the **Euston Tower** and its Podium to the Secretary of State for Communities and Local Government has been rearranged, to create new leases for a further 15 years (subject to a tenant break option at 13 years). The initial rent for the Tower will increase to £32.50 per sq ft, well above the previous passing rent and ERV. The Tower will have fixed rental increases in 2012 and 2017, while the Podium will be subject to upward only open market rent reviews every seven years. This lease regearing has resulted in a material improvement in the value of this investment.

# Awarded retail “Landlord of the Year” and “Sustainable Developer of the Year” for environmental excellence.



155 Bishopsgate

At our 4 million sq ft **Broadgate** estate, the only available office accommodation is 8,000 sq ft in 155 Bishopsgate. We have no other vacant offices in the City other than that within our development programme. The recently completed offices at 201 Bishopsgate are 75% let (and being fitted out) with only some 65,000 sq ft remaining available, and the Broadgate Tower under construction is 39% let. These, together with the sale of Ludgate West, result in **70% of our London office developments with completions in 2007 and 2008 being pre-let or sold.**

Retail units at our London office developments have also been letting well, contributing to the amenity of the working environments. In addition to the units at York House, at 10 Exchange Square, Broadgate we have completed a letting to the Piccolino restaurant, its first City position, and at Lime Street (the Willis Building) all four of the retail units have been let. In total these units provide 21,000 sq ft and add over £1m per annum to our rental income.

## Residential

British Land also creates value from the residential elements of mixed use portfolios and developments. Our team of residential asset managers deals with projects including the sale of assets acquired as part of wider commercial portfolios, refurbishment of central London mixed use blocks, negotiation of leasehold extensions, preparation of the residential element of mixed use schemes for sale, and rent reviews on a small number of residential units that British Land retain. Similar asset management services are undertaken for third parties; at the year end residential assets valued at nearly £500m were under management on behalf of external clients.

## Customer focus

Our focus on customer needs during the financial year has included increased contact with occupiers on property management issues, proactive management of the performance of our managing agents, and identification of ways to provide better value for money from the service charge.

We were pleased to win recognition of our efforts by being awarded 2007 **Landlord of the Year** by the Property Managers Association (nominated by the major UK retailers) and by achieving a top quartile position in the REAL SERVICE Best Practice Index.