

Development

Development is a lever of value creation. It combines our skills in the development process, from planning and design to construction management, with our customer and market-focused real estate knowledge, to create distinctive added value. Since it involves higher risk than our standing investment properties, development needs careful management balancing risk and reward, while considering cycles across time and in the broader Company context.

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 – all contributing to appeal to occupiers.

British Land received the award of ‘Sustainable Developer of the Year’ as part of the 2007 *Building* magazine Sustainability Awards for environmental excellence in the construction industry. British Land was also named ‘Developer of the Year’ at *Property Week*’s industry awards in April 2008, noting our development and letting success in the City, particularly at 201 Bishopsgate.

Completed projects

Three projects totalling 745,000 sq ft of City offices have been completed since 31 March 2007, on schedule and with significant profits.

201 Bishopsgate, London EC2, the 13-storey office development adjoining The Broadgate Tower, is the first of the two imposing new buildings on the Broadgate Estate to reach practical completion. Pre-lets have been concluded with Henderson Group plc for 123,000 sq ft and Mayer Brown International LLP for 184,000 sq ft of the offices. These agreements cover 75% of the offices at 201 Bishopsgate, which are now being fitted out.

Construction of **Ludgate West**, London EC4, completed in November 2007. Prior to completion, contracts were exchanged for the sale of the development, realising a significant profit. The offices were 69% pre-let to Charles Russell LLP.

We have a good track record of delivering and letting developments profitably, and of achieving sales of the projects to recycle capital. Over the last four years we have completed some 2 million sq ft of major London office projects and sold some 1 million sq ft of these.

Completed projects

(since 31 March 2007)

	Sq ft 000	Rent £m pa		Site cost £m	Construction cost + interest £m	Value March 2008 £m	Project Uplift %
		Total ¹	Let/ pre-let				
Ludgate West, EC4	127	6.3	4.3	26	54	105	31
201 Bishopsgate, EC2 ²	419	20.8	15.2	35	151	300	61
	546	27.1	19.5	61	205	405	
Basinghall Street, EC2 (CLOUT ³ – forward sold)	199	–	–	12	25	43	16

¹ Current estimated headline rent (excludes provision for tenants' incentives)

² Completed in April 2008, included in Developments valuation (and not included in investment portfolio analysis)

³ BL share 35.9%

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

Committed developments

	PC ¹	Sq ft 000	Cost £m ²		Value, March 2008 £m	Notional interest £m ³	Rent £m ⁴		Sales £m ⁵
			Total	To complete			Total pa	Let/ pre-let	
London Offices:									
Broadgate Tower	Q3 2008	400	191	43	270	4	22.0	9.0	–
Ropemaker	Q3 2009	586	228	146	228	18	32.1	–	–
Osnaburgh Street ⁶	Q3 2009	490	267	202	121	14	21.5	–	53
The Leadenhall Building	Q3 2011	612	437	364	97	45	38.3	–	–
Total Offices		2,088	1,123	755	716	81	113.9	9.0	53
Retail Parks									
Puerto Venecia, Zaragoza ⁷	Q2 2008/Q1 2010	2,233	131	103	119	4	9.9	3.1	25
Giltbrook, Nottingham	Q3 2008	199	46	24	32	4	3.9	2.1	2
Total		4,520	1,300	882	867	89	127.7	14.2	80

¹ Estimated practical completion of construction

² Estimated construction cost

³ From 1 April 2008 to PC

⁴ Current estimated headline rent

(excludes provision for tenants' incentives)

⁵ Parts of development expected to be sold, no rent allocated

⁶ Regent's Place, development includes 110,000 sq ft

residential, expected to be sold

⁷ Joint venture (Eurofund Investments Zaragoza) – BL share 50%

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



An artist's impression of 201 Bishopsgate and The Broadgate Tower

London office developments

The Broadgate Tower, London EC2, the 35 storey tower at Broadgate, is on target for completion in Q3 2008. 155,000 sq ft, 39% of the offices, has been pre-let to Reed Smith Richards Butler LLP at rents of £62.50 per sq ft for the top floors and an average rent overall of £58 per sq ft including an additional 13,000 sq ft recently taken up under their option.

Ropemaker, London EC2, and **Osnaburgh Street**, Regent's Place, London NW1, are also progressing on schedule for completion in 2009. The Ropemaker office development, on a prominent 1.2 acre City site close to Moorgate and Liverpool Street, will rise to 20 storeys. Osnaburgh Street is a mixed use scheme, comprising 380,000 sq ft of offices and 110,000 sq ft of residential accommodation, on a 2.5 acre site on the west side of the Regent's Place estate in the West End of London. In the current market of increasing construction costs, we are pleased to have placed contracts for a substantial 78% of the costs of these two projects.

At **Leadenhall**, London EC3, demolition of the existing building is nearing completion in parallel with foundation piling as preparation for the construction of a new striking 47-storey City office tower, which we consider will be seen as London's finest such tower.

The Building Research Establishment Environmental Assessment Method (BREEAM) evaluates a broad range of the environmental impacts of new building. All our London office developments have target or provisional **BREEAM ratings of Excellent** (i.e. at the top of the scale).

Development is a lever of value creation and needs careful balancing of risk and reward.

Puerto Venecia, Zaragoza, will provide one of the largest retail and leisure destinations in Europe.



IKEA, Puerto Venecia

Retail developments in UK and Spain

Giltbrook retail park, Nottingham is being developed as a mixed use scheme of retail and industrial space, 199,000 sq ft overall. The 127,000 sq ft retail park remains on target to open in the autumn. Contracts have now been exchanged for lettings to CS Lounge Suites, Barker & Stonehouse, Pets at Home, SCS and Bhs, representing 60% of the floor area. The remainder of the retail scheme is fully under offer. Rents are above those anticipated at the time of acquisition, confirming our expectation that Giltbrook will be an important regional retail destination.

At **Puerto Venecia, Zaragoza**, our 2.2 million sq ft retail scheme development joint venture in Spain will provide one of the largest retail and leisure destinations in Europe. Infrastructure works are complete and development continues with completion of the retail park element (900,000 sq ft) due on a phased basis from June through to autumn 2008. Sales to owner occupier retailers, signed leases and Heads of Terms for lettings together now total some 87% for the retail park with the latest lettings being at rental levels among the highest achieved in Spain. Tenants will include Leroy Merlin, Conforama, PC City, Porcelanosa, Menaje del Hogar and Casa. The IKEA store (300,000 sq ft) which anchors the retail park has been open since May 2007 and is reported to be trading 20% above expectations with a current estimated footfall of over 300,000 a month.

The target opening date for the covered shopping centre (760,000 sq ft), anchored principally by El Corte Inglés, is Q1 2010 and groundworks are scheduled to commence imminently. Tenant interest for the shopping centre is strong with the significant second anchor signing of Primark on 67,000 sq ft (their largest unit signing to date in Spain) and other lettings to well-known international and national operators expected this year.

The considerable success in achieving lettings and sales of these projects has resulted in **completed and committed developments** with PC in 2007/8 being **78% pre-let, sold or under offer**.

Going forward, across our development programme, the maximum unlet space to be delivered in any two year period is equivalent to only 3.5% of British Land's total portfolio.

Development prospects

At the **Regent's Place**, NW1 estate, the next phase of development will be the North East Quadrant. A resolution to grant planning consent has been obtained for the 379,000 sq ft of offices and 122,000 sq ft of residential accommodation.

British Land and Network Rail are working together to prepare a masterplan for the proposed redevelopment of the area around and including **Euston Station**. The 15 acre site has potential for more than 3 million sq ft of mixed use development, including office, retail, residential and a new landmark station interchange, intended to realise its commercial potential and assist with the on-going regeneration of the area.

We continue to work 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 interest from potential commercial occupiers and will boost the economic activity and amenity of the area.

The '**Broadgate 2020**' master planning exercise is progressing 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 potential for a redevelopment with substantially increased total floor areas.



An artist's impression of Regent's Place North East Quadrant

Development prospects		Sq ft 000	Cost ¹ £m	Value, March 2008	Notional Interest ² £m	Rent pa ³ £m	Sales £m	Planning
Regent's Place, NE Quadrant	West End office/residential	501	246	48	16	20	68	Resolution to grant
4 Broadgate	City Office	389	200	81	15	24	–	Pending
Colmore Row	Provincial Office	284	93	17	13	10	–	Submitted
Meadowhall additional land	Mixed use	1,139	285	19	10	21	62	Pending
Euston Station ⁴	Mixed Use	Master planning in progress						Pending
Canada Water ⁵	Mixed Use	Master planning in progress						Outline
Theale	Residential	Potential land sale						Detailed
New Century Park ⁶	Mixed Use	Potential land sale						Detailed

¹ Estimated construction cost to complete

² During construction to PC

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

⁴ In partnership with Network Rail

⁵ Joint venture with Canada Quays Limited

⁶ Joint venture with Goodman Real Estate (UK) Limited

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