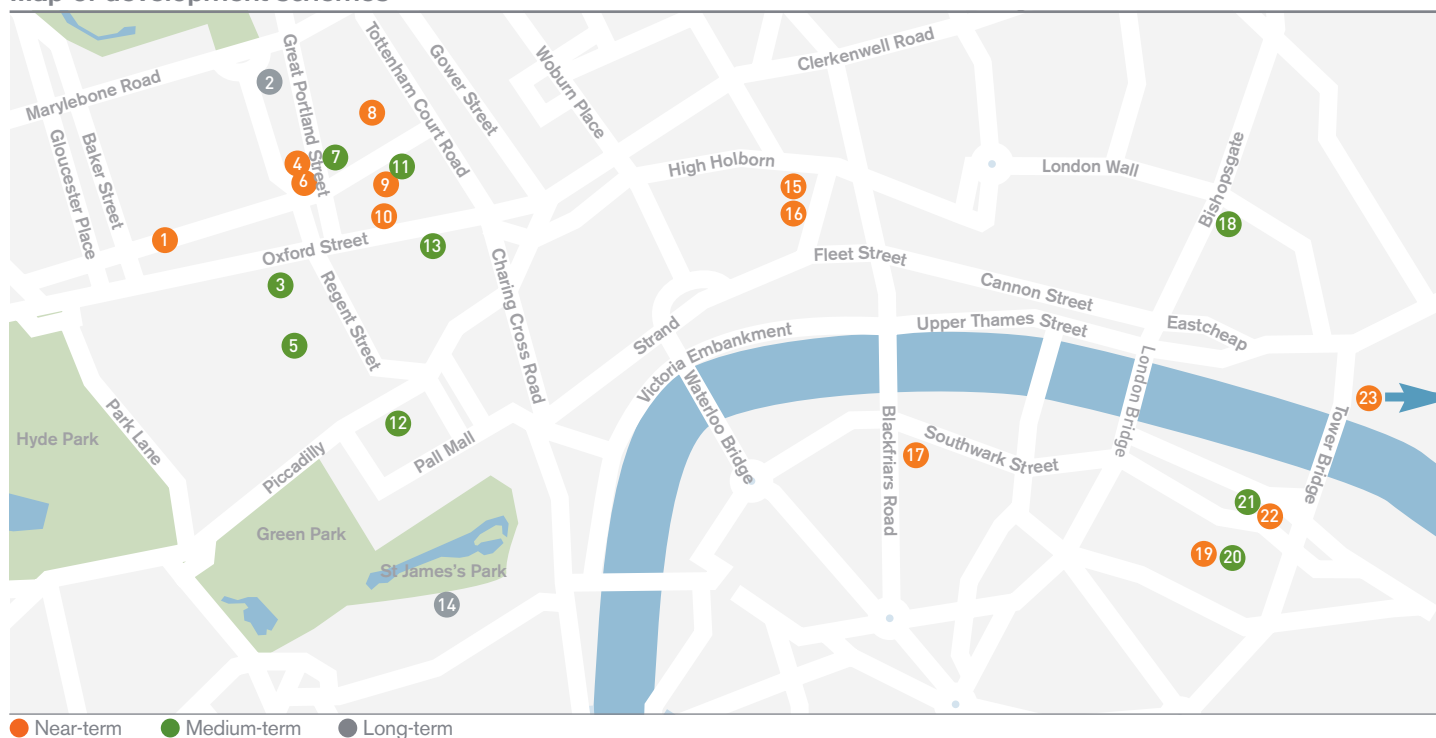


Map of development schemes



Development

The improvements we bring to our assets through innovative development and refurbishment is one of our core skills and has again helped generate higher levels of rental growth than the market. Throughout the period, our development business made good progress across all of its main activities:

- leasing and pre-letting of schemes;
- construction and completion of projects according to plan;
- securing planning consents;
- design and feasibility studies for future projects; and
- site acquisition and assembly.

Some examples of our achievements in these categories are set out below.

Today, the development pipeline encompasses 23 projects with a potential total area of 2.79 million sq ft representing a 79% increase over the current area and includes projects currently on site to prospects with possible start dates after 2015. The near-term programme alone has an estimated completed value of £604.9 million, equivalent to 56% of the existing portfolio. This value is lower than the March 2007 equivalent due to the transfer of a number of successfully completed and let projects to the investment portfolio.

The Group currently has minimal exposure to speculative development – with only three schemes on site costing an estimated £25.9 million to complete, or less than 2% of our existing portfolio. The remaining schemes within the near-term programme will be analysed carefully in the context of current market conditions before commencement to ensure that appropriate, risk weighted returns are available. Further details are set out in the table above.

Leasing

The successful leasing of space has been one of the highlights of the year, with new tenants being secured for all the office space of over 340,000 sq ft of space at 180 Great Portland Street, 60 Great Portland Street, both W1 and 160 Tooley Street, SE1.

The two Great Portland Street developments delivered an exceptional combined surplus of £67.1 million, or 80.2% on their total cost, partly because the lettings were at levels significantly higher than that expected by the Group's valuers. 180 Great Portland Street is described in more detail in the case study on pages 6 to 7. In September, we announced the pre-let of the entire office element at 60 Great Portland Street, W1 totalling 60,000 sq ft over the basement, ground and fifth floors on a 20 year lease, generating an initial rent of £3.5 million per annum after a 17 month rent free period. We are in discussions with potential retail tenants about the remaining showroom unit. The Tooley Street scheme, pre-sold last year, was entirely pre-let to London Borough of Southwark at an average rent of £38.50 per sq ft, crystallising an additional payment due to the Group on practical completion.

Key

1	79/97 Wigmore Street
2	Park Crescent and Portland Place
3	Hanover Square Estate
4	79/83 Great Portland Street
5	28/29 Savile Row
6	288/300 Regent Street
7	78/92 Great Portland Street
8	46/48 Foley Street
9	Wells & More, 45 Mortimer Street
10	184/190 Oxford Street
11	37/41 Mortimer Street
12	Jermyn Street
13	79/89 Oxford Street
14	40/48 Broadway
15	24/31 Holborn
16	12/14 & 43 Fetter Lane
17	240 Blackfriars Road
18	100 Bishopsgate
19	46/58 Bermondsey Street
20	65/71 Bermondsey Street
21	14/28 Shand Street
22	160 Tooley Street
23	Metropolitan Wharf

Construction

The construction programmes at schemes on Mortimer Street, W1 (125,000 sq ft), Foley Street, W1 (20,000 sq ft) and at Bermondsey Street, SE1 (47,000 sq ft) are proceeding according to plan.

We achieved practical completion at 60 and 79/83 Great Portland Street, W1 in January, Met Wharf, E1 in April 2008 and we expect the Tooley Street site to complete by June 2008. Demolition is also complete at Blackfriars Road, SE1.

We have continued to employ procurement and project management techniques to control construction cost inflation and ensure project milestones are achieved.

Planning consents

We gained planning permission for the 136,000 sq ft redevelopment of our Wigmore Street, W1 holdings in February 2008. The City of London is currently reviewing our refurbishment proposals for Buchanan House, Holborn, EC1 which were submitted in March 2008. We anticipate submitting a planning application for the Fetter Lane, EC4 (140,000 sq ft) and Broadway, SW1 (85,000 sq ft) projects before the end of 2008.

Design and feasibility studies

At the Hanover Square Estate, W1, we are working on a major mixed use scheme with Westminster City Council and Crossrail to facilitate a potential redevelopment which would lead to the creation of enhanced public amenities in the heart of the West End. The proposed Crossrail transport initiative gained Government support in the autumn and is moving through its legislative and funding phases. We are also advancing feasibility studies for possible schemes at various prime locations including Jermyn Street, SW1, Oxford Street, W1, Regent Street, W1, Portland Place, W1 and Great Portland Street, W1.

Total development programme

	Number of schemes
Near-term programme	12
Medium-term programme	9
Long-term programme	2
Total	23
Existing area	1.6m sq ft
Proposed area	2.8m sq ft
Increase (79%)	1.2m sq ft

Near-term programme

	Committed	Uncommitted
Number of schemes	6	6
Site value	£78m	£126m
Project cost (excluding site)	£77m	£191m
Total cost (£psf)	£484	£468
ERV	£10.2m	£20.9m
Gross development value	£235m	£370m
Profit on cost	£79.6m	£52.6m
Profit on cost	51.2%	16.6%
Development yield on cost	8.6%	6.6%

As outlined on pages 33 and 34, in designing and procuring our developments we aim to deliver buildings which will meet rapidly changing environmental legislation and resulting occupational market requirements.

Site acquisition and assembly

The year under review has seen numerous examples of acquisitions to augment existing holdings enhancing our development prospects shown in the case study on pages 12 and 13. These acquisitions will enhance our medium-term programme, providing first class growth opportunities from 2009 onwards. In addition, a recent swap transaction with The Crown Estate (described on page 24 and in the case study on pages 14 to 15) has improved the likelihood of several major refurbishment schemes coming forward by improving the flexibility of these buildings' headleases.