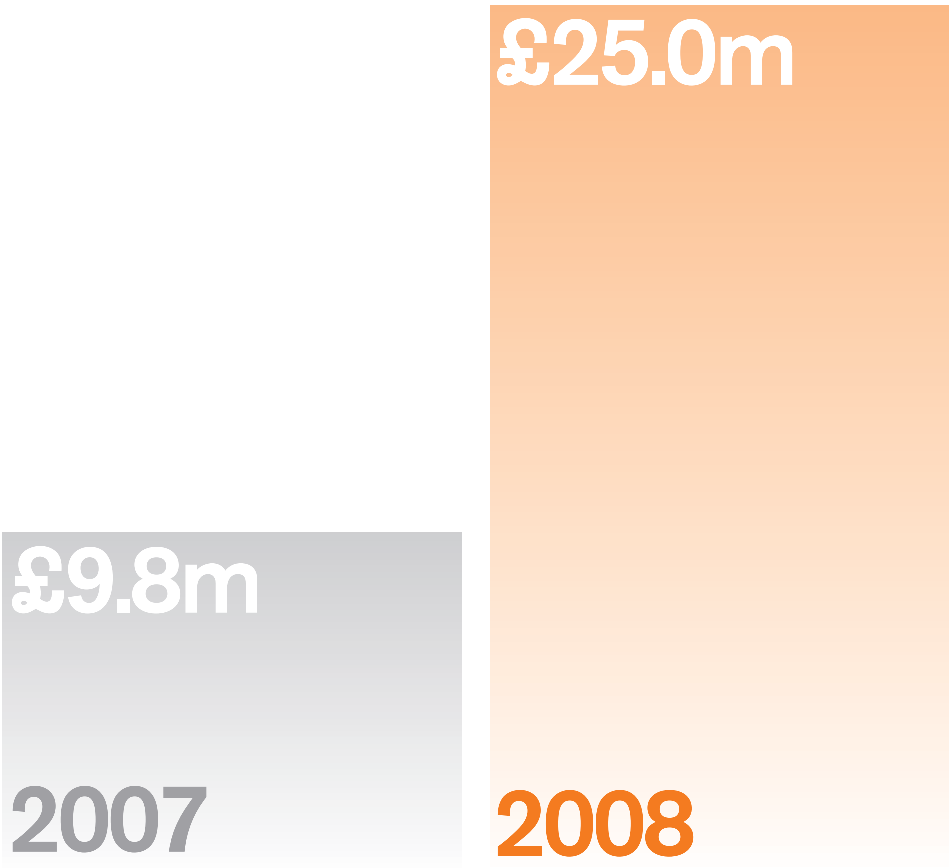
Leasing developments **profitably**

Leasing vacant space created through developments, refurbishments or from the departure of old tenants is a critical Group competence. In the last year, an exceptional performance delivered £25.0 million of new leases (our share £19.8 million), up 155% from the previous year and representing over 26% of the rent roll of the portfolio at the start of the year. Of particular success has been letting of completed development schemes where our leasing teams have worked well with external agents to bring top quality tenants into new homes. At 60 Great Portland Street, W1 and 160 Tooley Street, SE1 we pre-let all the office space prior to the completion of the construction phase to derisk the development projects. Within a year of launching the nearly completed 180 Great Portland Street, W1 we had completed the office lettings at rental levels substantially higher than at the commencement of the campaign.

Develop | Recycle | Asset Manage

New leases completed



180 Great Portland Street, W1

Tenants

ESTĒE LAUDER
ST.MODWEN
mum
STENHAM
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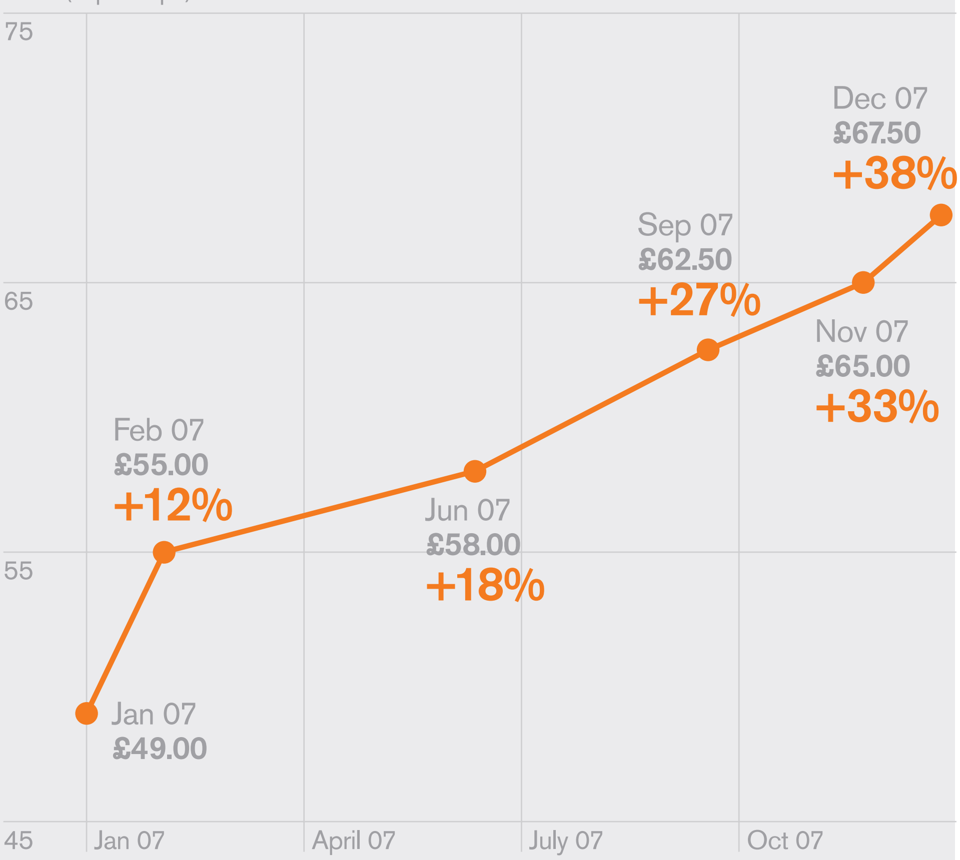
double click
Sainsbury's

Strong rental growth
The leasing approach at 180 Great Portland Street was designed to drive rents up as the building was occupied and to attract a diverse group of well established, quality tenants.



Elsley House, W1

before

Floor	ERV per sq ft
Lower ground	£19.69
Ground	£30.72
1st	£32.50
2nd	£32.50
3rd	£32.50
4th	£32.50
5th	£32.50
Average	**£30.85**

Inventive refurbishment and careful management **creates rental growth**

Elsley House, Great Titchfield Street, just north of Oxford Street is a good illustration of how judicious refurbishment can reposition an asset in its local market. This 66,000 sq ft building has always been popular, but its restrictive entrance and inefficient core meant that it never attracted mainstream tenants. As a result rents were only just higher than £30 per sq ft on average across the floors despite the building being only a few hundred yards from Oxford Circus.

The external refurbishment involved repositioning of the main entrance and core from Great Titchfield Street into a redesigned courtyard, providing the building with an entrance and core of a scale suitable for the building. In addition, 25,000 sq ft of the office space was opened up and refurbished to provide light, bright contemporary office space capable of attracting premium tenants.

The revitalised building rapidly gained new occupiers prepared to pay higher rents resulting in an average rent of over £47 per sq ft being secured, up 55%.

Elsley House, W1

after

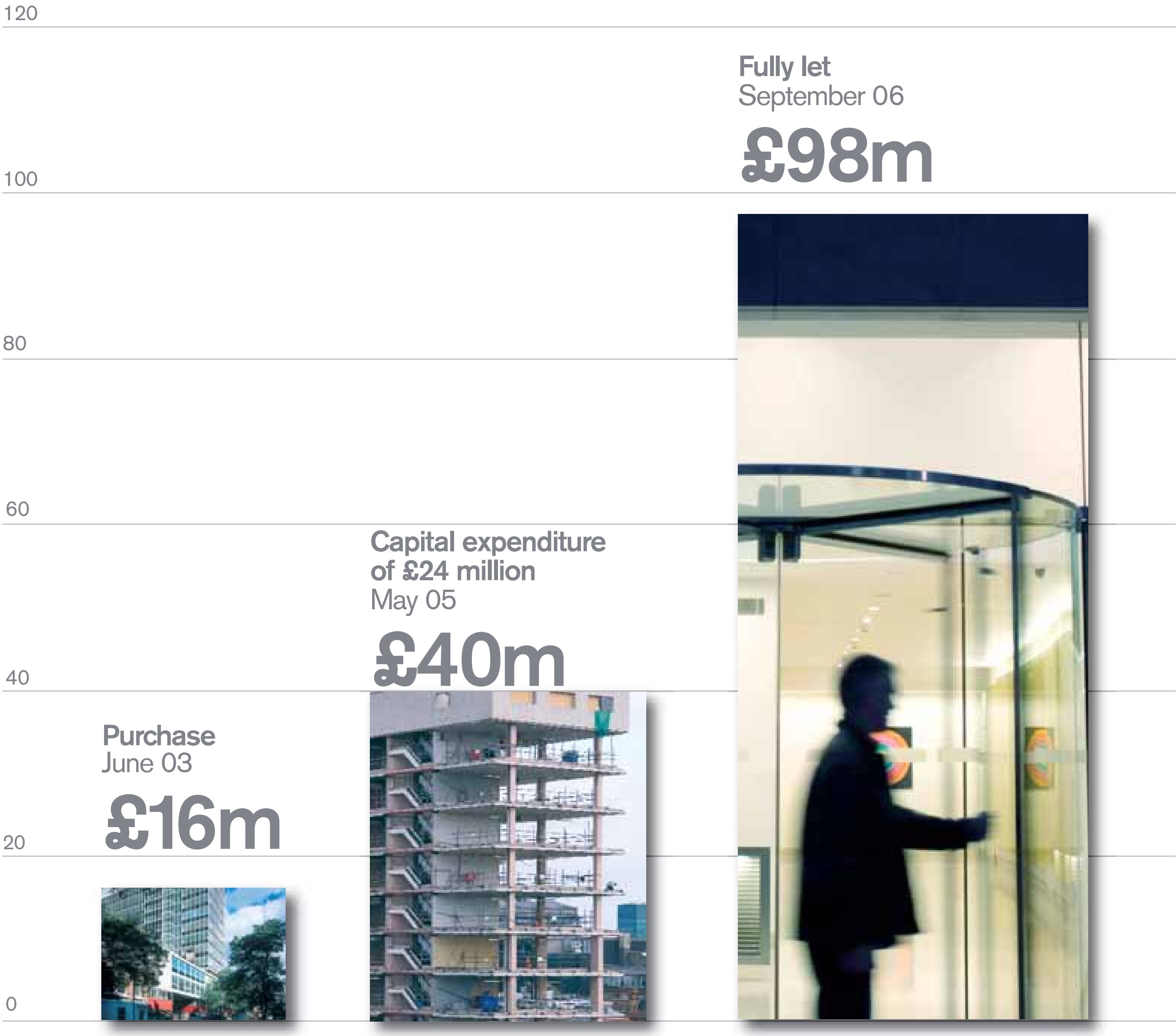
Floor	Rent per sq ft	Increase
Lower ground	£35.00	78%
Ground	£48.96	59%
1st	£47.50	46%
2nd	£47.50	46%
3rd	£50.00	54%
4th	£50.00	54%
5th	£50.00	54%
Average	**£47.67**	**55%**

Recycling capital
to fund growth

The Met Building story is an excellent example of the crystallisation of value created from successful real estate investment and development. Purchased in 2003, the building was comprehensively refurbished and let to a wide range of business services and media tenants. We concluded the sale of the building for £107 million in September 2007 generating a post tax return on capital of 156%. **The proceeds were redeployed across our business to fund the growth engines of our portfolio.**

Develop | **Recycle** | Asset Manage

Met Building
Value, creation and realisation



Sold
September 07

£107m

Recycled

£107m

Investment
- Acquisitions in GCP
- Hanover Square add-ons
- Bermondsey site assembly

£74m

Development schemes
- Wells & More
- 60 Great Portland Street
- Bermondsey Street
- Foley Street

£30m

Refurbishment projects
- Elsley House
- New City Court
- Pollen House

£3m

Strengthening existing opportunities **through acquisition**

Apart from the creation of the Great Capital Partnership ("GCP") our 50:50 JV with Capital & Counties formed in April last year, the only acquisitions carried out during the course of the year have adjoined or been linked to existing ownerships. Each was made with the specific purpose of unlocking the combined potential from the related assets. All but one were off-market transactions made quickly and quietly.

Develop	Recycle	Asset Manage

Hanover Square, W1

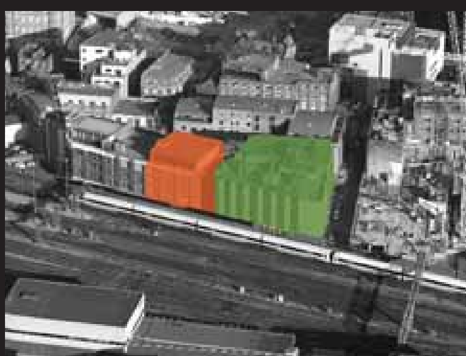
+

18 Dering Street, W1
- Final piece of jigsaw for Hanover Square site assembly.
- Development scheme masterplanning underway

Shand Street, SE1

+

9 Holyrood Street, SE1
- Adjoins two existing ownerships
- Longer term development pipeline augmented
- Site neighbours successful Tooley Street scheme



Broadwick Street, W1

+

52/54 Broadwick Street, W1
- Potential land use swap for St Lawrence House
- Creates viable development pipeline

GCP assets

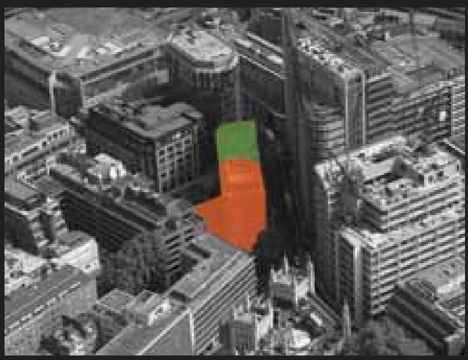
+

19/25 Argyll Street, W1
266/270 Regent Street, W1
100 Regent Street, W1
54/56 Jermyn Street, SW1
– Unlocked swap deal with The Crown Estate
(see following pages)

New Fetter Lane, EC4

+

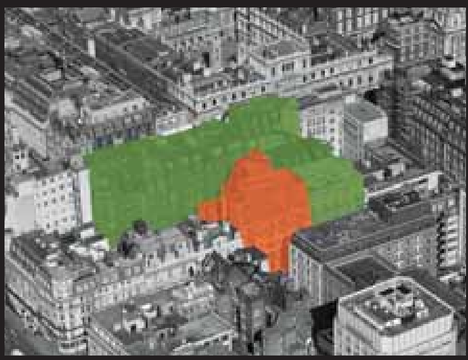
43 Fetter Lane, EC4
– Creates island site with existing ownership
– Enables significant increase in net area
– Development pipeline augmented
– Planning application late 2008



Piccadilly, W1

+

54/56 Jermyn Street, SW1
– Extends existing ownership
– Unlocks access to middle of site
– Masterplanning underway
– Longer term development pipeline augmented



swapping...

We swapped these valued at **£61.1 million**

16/21 Sackville Street

91/101 Regent Street

203 Regent Street W1

Accessing new material
we can reposition

The creation of the Great Capital Partnership ("GCP"), a 50:50 joint venture with Capital & Counties, has given the Group exposure to exceptionally located central London assets without paying a premium. Starting with £460 million of assets, during its first 11 months GCP was grown with £89 million of acquisitions in neighbouring interests augmenting existing ownerships. **Following these transactions a significant swap deal was executed with The Crown Estate involving 55% of the JV's assets to release immediate value and unlock future potential. These properties will now provide us with a steady pipeline for repositioning.**

...to improve.

In return for improved interest in these, lifting their **value by £81.8 million**

Park Crescent buildings

D


Before swap	After swap
– 74 year leases	– 150 year leases
– Minimal ground rent	– Minimal ground rent
– Office use only	– Open use allowed
– No development	– Development allowed
	– Additional buildings included

26/40 Kensington High Street

E


Before swap	After swap
– 104 year lease	– Freehold
– 5.0% ground rent	– No ground rent

Regent Street buildings

F


Before swap	After swap
– Average 80 year leases	– 125 year leases
– Average 12.8% ground rent	– Average 3.5% ground rent
– No alterations	– Alterations allowed

G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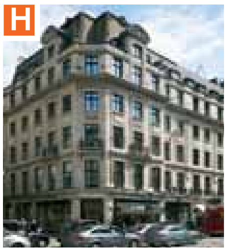

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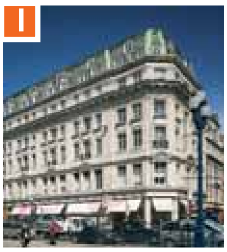

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