

Our business

Rental village map



Proportion of office lettings by rent band 12 months to March 2008

Rent Band (per sq ft)	Proportion of Office Lettings (%)
<£30	7%
£30-60	20%
£60-90	62%
>£90	11%

Valuation

The valuation of the Group's properties as at 31 March 2008, including both acquisitions made during the year and our share of gross assets in joint ventures, was £1,635.9 million. The valuation of the portfolio held throughout the year was £1,276.3 million, a decrease of £2.7 million or 0.2% on a like-for-like basis, net of capital expenditure. Positive valuation trends in the first half of the year reversed sharply in the third quarter as turmoil in the credit markets affected the real estate industry. The portfolio's first half growth of 8.0% contrasts with a second half decline of 7.5%. Acquisitions made during the year were valued at March 2008 at £359.6 million and fell in value by 1.7% net of capital expenditure and acquisition costs.

There were three main influences on the Group's valuation movement for the year:

- **Growth in rental values** – Positive growth in each quarter delivered a total uplift for the year of 12.4%, although the rate slowed in the fourth quarter as tenant demand moderated. Properties being developed or refurbished generated the strongest growth with rental values up by 19.3%.
- **Development gains** – Like last year, the strongest performance came from our development properties which increased in value by 5.6% over the year. The Group's successful project at 60 Great Portland Street, W1 was transferred to the investment portfolio during the year following its pre-letting and completion of the works. Net of capital expenditure it increased in value by 22% during the year.

– **Adverse yield shift** – Equivalent yields widened by 68 basis points over the 12 month period (2007: 55 basis points contraction) from 4.88% to 5.56% on a like-for-like basis. In the first half yields were broadly static but following the difficulties in the capital markets during the summer, they moved steadily higher. The IPD central London equivalent yield increased by more than our portfolio (80 basis points to 6.1%) during the year illustrating the positive impact from our portfolio management activities and the defensive nature of the Group's properties.

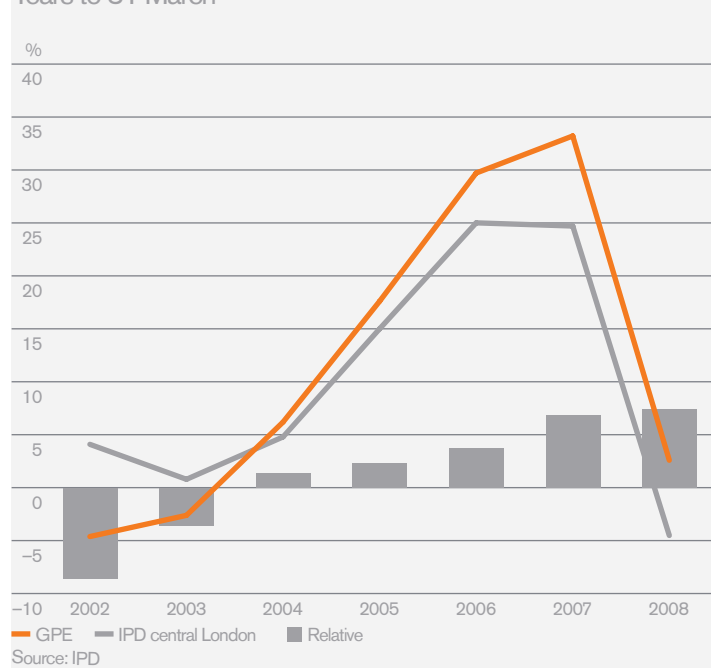
The initial yield of the investment portfolio was 3.5% at March 2008 (2007: 3.4%) which rises to 4.4% when contracted pre-lets and leases currently in rent free arrangements are added back. The near-term reversionary yield of the portfolio including committed developments at March 2008 was 6.1% (2007: 5.2%).

The North of Oxford Street portfolio was the best performing investment segment over the year increasing by 2.3% on like-for-like basis. City and Southwark was the worst performer as the valuers expressed concerns over the prospects for rental growth in the City. The joint venture properties fell in value by 2.0% compared to a 0.2% rise for the wholly owned portfolio over the year but outperformed the wholly owned portfolio during the second half partly due to the value created by The Crown Estate transaction in the Great Capital Partnership.

The Group delivered a total property return for the year of 2.6%, significantly outperforming the IPD central London benchmark of minus 4.5% for the fifth year running. Measured over a one, three and five year period, a key driver of our outperformance has been the active management of the "held" portfolio, where our repositioning in driving rental value improvements has helped unlock value and driven healthy rental growth.

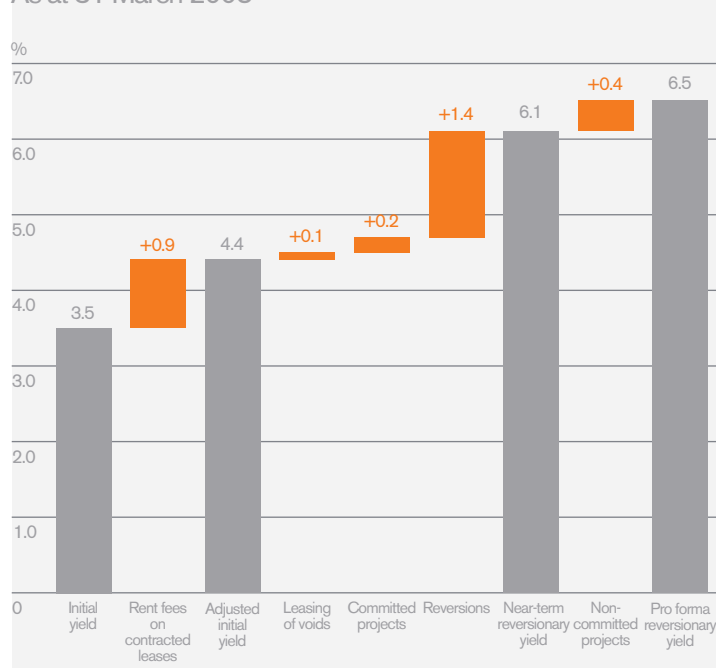
Total property return relative to IPD central London

Years to 31 March



Initial yield to pro forma reversionary yield

As at 31 March 2008



Portfolio performance

		At 31 March 2008					
		Valuation			Proportion of portfolio %	Valuation movement %	ERV movement %
		Wholly owned £m	Share of joint venture £m	Total £m			
North of Oxford Street	Office	337.8	67.4	405.2	24.8	4.2	11.5
	Retail	74.7	77.6	152.3	9.3	(2.5)	4.0
Rest of West End	Office	215.7	33.1	248.8	15.2	2.5	16.2
	Retail	106.9	30.8	137.7	8.4	(6.2)	1.5
Total West End		735.1	208.9	944.0	57.7	1.0	10.0
City and Southwark	Office	215.9	–	215.9	13.2	(7.5)	12.3
	Retail	8.4	–	8.4	0.5	(2.2)	2.3
Total City and Southwark		224.3	–	224.3	13.7	(7.4)	11.5
Investment property portfolio		959.4	208.9	1,168.3	71.4	(0.7)	11.6
Development properties		108.0	–	108.0	6.6	5.6	19.3
Total properties held throughout the year		1,067.4	208.9	1,276.3	78.0	(0.2)	12.4
Acquisitions		19.9	339.7	359.6	22.0	(1.7)	
Total property portfolio		1,087.3	548.6	1,635.9	100.0	(0.5)	

Portfolio characteristics

		At 31 March 2008						
		Investment property portfolio £m	Properties under development £m	Total property portfolio £m	Office £m	Retail £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		635.7	98.1	733.8	556.6	177.2	733.8	1,284.2
Rest of West End		605.2	–	605.2	384.7	220.5	605.2	953.6
Total West End		1,240.9	98.1	1,339.0	941.3	397.7	1,339.0	2,237.8
City and Southwark		269.2	27.7	296.9	284.7	12.2	296.9	785.9
Total		1,510.1	125.8	1,635.9	1,226.0	409.9	1,635.9	3,023.7
By use:	Office	1,115.9	110.1	1,226.0				
	Retail	394.2	15.7	409.9				
Total		1,510.1	125.8	1,635.9				
Net internal area sq ft 000's		2,707.5	316.2	3,023.7				