

YEAR END 2008/9 RESULTS PRESENTATION

Thursday, 21st May 2009

Chris Gibson-Smith, Chairman: Good morning, everybody, welcome. I am Chris Gibson-Smith, and this is 201 Broadgate which is the British Land building completed last year. It and Broadgate Tower next door are engineering triumphs. They sit over the Liverpool Street track occupying a location that was thought undevelopable. And the man who did all that and drove it is our Honorary President sitting in the front, grinning, pleased with himself, and quite rightly so.

I had a wonderful time in my brief outing becoming an executive again. I'd forgotten quite how entertaining it is. And handed the reins over somewhat reluctantly, but very pleased with the catch that we'd made in Chris Grigg, and I'll pass over to him in a minute, but I can say that he's stepped into the team seamlessly, and we're surging forward.

The Board deeply appreciates and acknowledges the investors' faith in the company and in ourselves in the overwhelming support for our rights issue. We thought about it and planned it long, hard and deep. We chose the number very carefully. And we believe that it leaves us in really a relatively strong position in these very challenging markets -- continuing challenging markets.

But, of course, out of that challenge, we expect opportunity to come. And we, both at the Board level and with the team, are thinking deeply then how we effect the next phase of the evolution of the British Land Company. And at the moment we're out there with some caution still about committing capital, but looking for tactical opportunities while thinking about how we might shape the next, let's say, five years on the back of the support that you have given us.

So with that as an introduction, let me hand over to Chris briefly, who will give a summary of where we are. And then let Graham Roberts, our CFO, Andrew Jones, looking after Retail, and Tim Roberts go through the money and the buildings. And then Chris will give his thoughts both about the Company and about where he will be taking us, so Chris, your turn.

Chris Grigg, Chief Executive: Thank you Chris, and good morning everybody, and welcome to one of my favourite buildings. I normally would have started by saying good morning, I'm Chris Grigg, but I guess you'll have figured that out by now, so we'll leave that part or piece alone.

I am very pleased to be here this morning. It's as I say, one of my favourite buildings. I'm delighted to say that all the positive impressions I had about the company before I joined have been reinforced by my experience since I've been here, and I feel very privileged to stand before you as the Chief Executive of British Land.

Just as important, I'm pleased to say that for my first results announcement, our performance has been resilient. Underlying profits were stable at GBP268m. Our asset valuation did decline in line with IPD, but we've benefited from actions we've taken to mitigate the market dislocation that we've seen.

We strengthened our balance sheet with the successful rights issue. I'll come back to that. We've continued to reshape our portfolio. The Meadowhall joint venture is just one example of that. And in total, we've made disposals of around GBP2b in the course of the last 12 months.

Proactive management has put us in a strong position, and you can see this in the portfolio and in our financial structure. High occupancy rates and long leases have contributed to rental income growth during the whole year. And equally important, just 6% of our leases fall due over the next three years.

That secure rental income underpins our ability to make sustainable dividend payments, and we have a robust financial position backed by considerable long-term low cost debt facilities. All this places us in a strong position, and that's important, because we do expect to see excellent buying opportunities in the course of the next six to 24 months. Market dislocation and distress will offer real value for strong players.

I'm going to hand over now to Graham to take you through the numbers. Andrew and Tim will talk about the portfolio and market conditions, and then, as Chris said, I'll talk a little bit more about the company and our plans for the future. Graham?

Graham Roberts, Finance Director: Thank you Chris and good morning everybody. First, the headlines, nowadays income is key, so I'll start with the underlying profits. These were GBP268m for the year. Core underlying profits for the Group's main operating activities were maintained, but there was no dividend from Songbird, which was GBP16m last year. Portfolio declined by 9.2% in the fourth quarter, taking us to 28.2% for the year. And our NAV per share is now 398p.

Now, we do not mark the debt to market, but if we did so then the assets and liabilities at market value would be at 508p. Our dividend for the final quarter is 6.5p, and we have announced that we will continue at this level for the current year.

Now, getting on into the detail, the table here on the right reconciles underlying profits last year to this year. There are a number of items here to understand. Firstly, rental activity added GBP25m net of lease expiries, including a healthy contribution from letting our completed developments.

The like-for-like investment portfolio showed 2.7% income growth. This represents the continuing capture of reversion, through achieving uplift at rent review and letting vacant space. Although the

year-on-year effect of disposals is neutral, I've added a line in here because this was a quirk of timing, and warrants comment.

The accretive impact of underlying earnings of sales in 2007 and '08 at lower yields is largely offset by dilutive impact from transactions in the second half. Our more recent sales are currently converted into cash, and we have yet to redeploy that cash, and when we do so, this will be earnings accretive. The appendices give you enough detail to model the effect on running income.

Moving on to fees, our management fee is down in line with valuation. There were no new performance fees, and some GBP3m from prior periods. We have continued a conservative approach in the current climate to profits on fixed rental uplifts.

The share incentive write-backs should hopefully not be repeated this year, but it serves to reduce admin costs in the year just gone. And finally, accounting interest increased due to completed developments and the full year financing of the weak conversion charge.

It may interest investors to know that had we not been a REIT, our GBP5.4b share of sales over the last three years would crystallized more tax than the conversion charge.

Importantly, without the frictional tax, we were undistracted from our priority of realizing value at the peak of the market and when we continued to sell as the market turned down. Finally, and not insignificantly in these markets, the interest cover is a healthy 1.9 times.

Moving to the balance sheet, our portfolio is now valued at GBP8.6b off an average top off initial yield of 7.6%. This table then shows the movement in the fourth quarter and the full year, and the split between the ERV and the yield shift effect, which was over 200 basis points for the full year. Overall, we were in line with IPD for the year, and Andrew and Tim will comment on their individual sectors later.

This table then reconciles the influences on NAV, reducing it down to 398p. Clearly, the impact of the valuation and the rights issue are the most significant items. I've also added the three lines at the bottom which reconcile to triple net asset value per share. That increase in triple net asset value of 113p is not unimportant. Its transmission though, to investors, is over the long-term through dividend strength.

Let's turn to income longevity and security. These will be defining features in the industry for the near future. Our persistent focus on long and strong cash-flows was unfashionable in a bull market, and when risk was ignored by new entrants.

In this market, it is valuable, and our portfolio benefits from virtually all the lease income subject to a floor, leases averaging 13 years, but even more importantly today, only 6% run-off over the next three years. Given the potential for tenants to renew, this is an exceptional and distinctive strength in today's market. We have only 4% in the investment portfolio that is vacant, as this table shows, and splits by sector.

We are of course alive to the risk of the recession taking further casualties amongst our customers. To date we are faring well, thanks to our choice of assets. At the end of April, only 1.8% of the rent roll related to tenants in administration. These were all in retail, and Andrew will touch on this later.

The speed and success with which these have been dealt with is noteworthy, as is the fact that nearly three quarters has been guaranteed, or is in negotiation already.

This reconciliation shows how our portfolio of rent can grow from GBP571m as at March. Highlighted figures are the GBP39m and the GBP12m add up to GBP51m increase in annualized rents, and that is contracted. The un-contracted items clearly are dependent on occupier demand, and more on that later from Tim and Andrew.

Now, in past presentations I spent a lot of time on financial structure and covenants. In view of the strengthening of the balance sheet over the last quarter, I don't propose to dwell on this. However, all the details disclosed previously are included in the packs, but updated to the March figures.

This time I just wanted to remind you of our debt post rights issue, and the diagram on the left shows you that split. Our non-recourse debt is two thirds of all the financing. The recourse element is the GBP1.4b worth of debentures and a small amount of unsecured debt.

Offsetting that unsecured debt, we had GBP215m of unencumbered cash. The average debt maturity is 13 years. That is because we repaid short-term debt. Now, the committed development spend is about GBP200m, and this is less than the encumbered cash which we would expect to release in due course through property substitutions into the relevant financing structures.

Now, the chart on the right shows the committed and undrawn facilities at March, which gives us optionality, as you know, at the bottom of the cycle. But the important point to note is not the quantum but the maturity profile. These are long, and then once deployed, we do not have a short-term refinancing risk. This gives us a distinct advantage.

And to wrap up, I just want to return to the subject of dividends. Our fourth quarter dividend is 6.5p,

and we'll continue at this level for the coming year. The composition between the PID and the non-PID element we will announce later.

Now, the sustainability of dividends is a key point for investors. I have, therefore, shown on the right the contracted growth in cash rents over the next three years, which is above the line, offsetting the lease expiries which are below. Very, very few companies can show this resilience of income.

We have quality grade A London office space to let, which will add to rents over time, even though today's market is tough, and Tim will talk about our successes to date.

In Retail, our track record on re-letting property and dealing with tenants defaulting is impressive, reflecting the energy and focus of the team, as well as the quality of the portfolio, and more from Andrew on that shortly.

Finally, we have the cash and facilities when the time is right to add to earnings. Our caution at this stage of the market should not be indicative of inaction. We are very much in the market, and believe there will be good opportunities we can exploit out of the current market dislocation and distress.

For shareholders who would prefer to reinvest their dividends in the company and further enhance our ability to exploit the bottom of the cycle, we'll be offering a scrip alternative, commencing with this final dividend. Those who want to take cash can of course do so.

In conclusion, although the market remains uncertain, our contracted cash-flow growth, long and high quality income, gives our business and our dividend a strong underpinning. And now I'd like to hand over to Andrew.

Andrew Jones, Head of Retail: Thank you, Graham. Good morning everybody. As in previous years, I'm going to run you through the British Land Retail portfolio. The two pie charts on the right-hand side of the slide in front of you show how we've reshaped the portfolio over the last three years, with around GBP4.5b worth of property sales.

You can see that we've substantially reduced our investment in in-town retailing, and the recent joint venture on Meadowhall has reduced its exposure within the portfolio. Retail warehouses now make up a bigger proportion, with 85% benefiting from the more attractive open A1 planning consents.

The proportion of superstores is higher, as is our investment in Europe. Our actions have also ensured secure income streams, with 15 years average lease lengths, and only 4% due for renewal over the next three years, and no specific asset concentrations on the expiries.

We remain acutely aware of the environment that our retailers are operating in. And we are engaged with them to try and reduce their non-rental operating costs. Using Meadowhall as a test case, this year we've reduced the service charge by around 20%, delivering a GBP2m saving to our operators. We're hopeful that more will follow next year. Over time, this will strengthen the enduring feel of the asset.

Our activity over the period has been shaped by our continuing repositioning, through asset sales and enhancement of our income through new lettings, and capturing reversions at review and renewal. Despite a difficult investment market, we've successfully sold GBP1.3b worth of retail assets across all the main sub-sectors. That's on top of the GBP3.2b that we sold during the course of 2006 and 2007.

Since the year end, we've exchanged on a further GBP74m worth of assets, and they are in lawyer's hands on an additional GBP65m, again in line with the March 2009 valuation.

As you know, active asset management remains one of our key points of differentiation. Over the last 12 months, we've let 1.1m square feet of space to the likes of Hollister and New Look at Meadowhall, Asda Living, JD Sports across our retail warehouse portfolio. We've renewed leases on 300,000 square feet, and settled rent reviews on 2.6m square feet.

As you can see, our letting momentum remains good, and underlines the continual appeal of our assets. We have a further 290,000 square feet under offer. As you know, we've consciously stayed away from long cycle retail development in the UK, and as a result, we have limited capital expenditure requirements, and no new space coming on-stream.

In Spain, we've taken steps to extend the timetable for completion of our shopping center development in Zaragoza. The retail park element has already been completed, and is 90% let or pre-sold.

As you can see, like-for-like income over the period grew by just under 3%, again helped by retail warehousing at over 5.4% as we've successfully captured reversions at review. However, over the coming period, it will be more challenging to deliver similar numbers, as rents across most sub-sectors begin to fall.

As Graham has already mentioned, there have been a number of retail administrations which we have also been exposed to. Some of this space has already been re-let, and the remainder now only account for 2.2% of the retail rent roll. Again, as Graham said, we're working with the retailers to let this space quickly, and are already well progressed on nearly three quarters of it.

Turning now to the performance, and starting with the ERV, you can see that at the portfolio level, the

ERV grew by 0.8%, which compared favorably against a negative 2% from IPD All Retail, and this is despite trending downwards in the final quarter.

This number was assisted by exposures to our superstores, 2.3% ERV growth. This exposure also helped limit the initial yield outwards movement, which at 189 basis points was less than the IPD index. Capital return, at -27.7%, was 2.5% better than IPD.

And as you've already heard, our lease lengths and our higher occupancy are at market leading levels, and continue to be well ahead of the benchmark and indeed, many of our peers.

Moving to the outlook for the investment market, activity has remained weak, with very little liquidity, as equities remain patient and debt has been difficult to secure. Big ticket items and big ticket deals have actually been almost non-existent unless they come with a staple debt package or vendor financing.

However, despite these conditions, there is some signs of increased activity for prime assets. High net worth individuals, overseas buyers, UK pension funds, are all reinvesting some of their money into prime real estate as they look to alternatives for cash deposits and equity investing.

Looking forward, we see prime prices stabilizing, due to the long and secure income, and this will be largely irrespective of rental deflation. On secondary property, however, it will be all about the rent, with pricing more than ever dictated by its strength, its length, and its sustainability.

Secondary yields will continue to drift out, as the market prices the underlying property fundamentals correctly. This undoubtedly, as Chris has already touched on, will throw up some opportunities as some property gets mis-priced, and we remain alert to these.

Now, before I hand over to Tim, I'm going to take you through the outlook for the occupier market. Total sales appear to be holding up well, but it does remain a fragile and challenging environment for most of our retailers, with many reporting negative like-for-like sales. This obviously increases a real possibility of rental deflation, particularly where voids, lease expiries and corporate failures are creating a supply/demand imbalance.

Home related retailers, DIY, furniture, carpets, as well as electricals, are facing the brunt of a consumer downturn. This obviously doesn't bode well for secondary bulky goods retail warehouse parks. Clothing sales are mixed entertainment is faring well, with food retailing continuing to fare the strongest.

As a result, demand for new stores is thin, as retailers preserve their own cash and look to cut back on

capital expenditure. Against this background, we're pleased that we have a quarter of our rental income in the Retail portfolio from food retailing, Tesco's, Asda, Sainsbury's, Marks and Spencer's.

Our occupier led strategy has largely been predicated on owning retail space where our customers to trade profitably. The portfolio today more closely aligns to where the retailer's trade well than in any time its recent history. This will ensure that our rents are best protected against rising voids and corporate failings. And this is obviously emphasized by a vacancy rate at just over 2% against IPD All Retail at 8%.

Before I hand over to Tim, I'll just sum up. In short, the repositioning of the portfolio over the last three years with GBP4.5b worth of sales, and our deep knowledge of the occupational market, we think will allow us to ride this cycle in better shape than many. And on that note, I will pass over to Tim. Thank you.

Tim Roberts, Head of Offices: Good morning everybody. So I'm going to take you through the Office portfolio. Against the backdrop of a difficult market, we've continued to actively manage and shape the portfolio. We've made lettings and sales, and the sales have had a particular emphasis on managing our weighting in the City.

And we've reduced our committed developments to two projects, which represent 4% of the total portfolio. We remain customer focused, concentrating on owning prime property which generates strong income flows.

So let's have a look at what we've been doing over the year. First of all, we've sold nearly GBP620m worth of property, which has been accretive to our performance. London office values have fallen over the year by over 30%, whereas we have sold, on average at 10% below the March '08 valuation.

We continue to focus our efforts on generating income. And despite the weak letting market, we've had success in 300,000 square feet of London lettings, including the Bank of Tokyo pre-let at Ropemaker on a 20 year lease with no break, and subject to a minimum uplift of GBP52.50 per square foot.

At Broadgate Tower we've let 52,000 square feet, with a further 63,000 square feet under offer, so Broadgate Tower is now at 64% let or under offer. And we've let a similar amount of accommodation here at 201 Bishopsgate, so there's just 12% of this building to go.

We've also agreed 760,000 square feet of rent reviews, which have generated GBP2.5m of additional income, and that's helped us achieve like-for-like income growth of 2.5%.

Turning to occupancy, our pro forma occupancy rate, following completion of Ropemaker, which literally completed two weeks ago, is 90%. Nearly all our vacancy is brand new grade A accommodation. And you can see from the table it is made up of three state of the art buildings, 201 Bishopsgate, Broadgate Tower and Ropemaker.

Collectively, these buildings are 50% let or under offer, and the new lettings with an average weighted lease length of 17 years are adding to the security of our income. We shall continue to make letting progress on these buildings, together with Regents Place, and that's going to help our occupancy rate.

Just 9% of our leases are subject to break or expiry over the next three years. This compares with IPD, and you can see it's an eye-watering 24%. Our values have made reasonable assumptions on void Capex and re-letting at an average headline rent of GBP39 per square foot.

So this slide shows the performance of the Office portfolio, including developments over the year. In terms of capital return, in the City and the West End, we've marginally outperformed the IPD sub-sectors. At an All Office level, our capital return is below IPD, due to our concentration in London, where values have fallen more than regional offices.

It's a similar story on ERV. At a sub-sector level our performance beats IPD, but due to London weighting, our rents have fallen more than the All Office level. Our average lease length to expiry at 11 years stands out as being far superior to IPD, which is below eight years.

So turning to the investment market, you can see from the graph that investment turnover has fallen significantly from the peak of 2007. However, the significant increase in yield in a low interest rate environment is starting to attract income hungry investors to prime real estate.

There is growing interest in London offices from overseas purchasers, who have also benefited from the devaluation of sterling. And we saw this when we were selling the Abbey building. We sold that a month ago, and there was good interest from overseas investors, especially the German funds.

Early indications are, on prime, well-let buildings, that yields are stabilizing. But it's a different situation on secondary assets, as Andrew has already told you. There, there's little investor demand, no meaningful finance available on properties that do not offer occupier appeal, and probably also have poor security of income.

So pricing remains vulnerable to further falls. And as a result, expect a gap between prime yield and average IPD yield to continue to grow. British Land's secure and strong income flow is a competitive advantage to us in this market.

So let's finish off with the occupier market. London's office vacancy rate is starting from a reasonable level, but it will rise. However, many forecasters believe that vacancy rates will be no higher than in previous downturns, and this is probably because less development is being completed this time than in previous cycles.

The occupier market is fragile, with decision-making slow. It's too early to say that confidence is returning, but there are signs of activity in our good quality buildings, from which we're benefiting from.

First of all, the number of viewings and proposals we are making has increased. Over the last couple of months we have made 20 proposals in response to requests from occupiers on a total space of 700,000 square feet. Secondly, we have completed 210,000 square feet of City lettings recently, and that represents half of the City's Q1 take-up.

And finally, as I've already said, we have another 63,000 square feet under offer. So against a difficult market background, we are relatively well placed because of the actions that we've taken, the quality of our portfolio, and the security of income we enjoy. And on that note, I'll pass you back to Chris.

Chris Grigg, Chief Executive: Now, I'm going to cover three areas this morning. I'll talk about my first impressions. I've been in British Land now for five months.

Second, I want to emphasize some of the important things that we've done this last year to put ourselves in a strong position, if you will, to pull together what you've heard from everybody else. And then I want to talk a little bit about our priorities for the future.

One of the things that attracted me to British Land was the quality of the management team. From outside, you see the end result, the actions that have positioned us well in the context of this market. From inside though, you also see the quality of analysis, decision-making and execution which feeds into those actions.

So for example, our decision to sell into the market was taken early, effectively in the autumn of 2006. It was proactive, not reactive. It's the reason we sold GBP6.5b of real estate over the course of the last three years. I'll say that figure again, GBP6.5b.

The same can be said of the financial structure of the company. We have a debt structure that is in very strong shape. None of these things happen of their own accord. They're the result of good judgment, depth of understanding, and a determination to get things done.

It's those things which have also enabled us to build and refine a prime portfolio of property which has,

as you've heard, resilience in terms of quality, location and income security. Its focus in two main areas gives us a competitive advantage. It means we have a real understanding of the sectors that we're in, of our customers, and the market dynamics which go with that.

And that understanding has enabled us to build long-term customer relationships. That's very important, in my view. Because figuring out what your customers need, what's going on in their industry, really makes a difference. And it also contributes towards competitive advantage in many industries, not just in real estate. It also helps us create a portfolio based on what Andrew calls enduring tenant appeal.

As you can imagine, January 2009 was, by any standards, an exciting time to join British Land. You can imagine my briefing pack. Asset values, Chris, have fallen by about 30% in the year, and they're going down further. The investment market is tough, it may be getting worse. The letting market is tough and it may be getting even worse too. And that was just the overview on the first page, so that was great.

There was also, clearly, an unprecedented banking and economic crisis. It was clear that our most urgent priority was to ensure the strength of the balance sheet in a period of what, as I said, was extraordinary market dislocation.

The good news was that a great deal of work had already been done by the time I arrived. And within weeks, literally weeks, we were able to announce two important transactions, our rights issue, which as you know, was well subscribed, a 97% take-up from investors and the remainder easily placed. And I would join the Chairman in thanking our investors for their support and for their trust in the company. We take that very seriously.

The other critical transaction was the sale of Meadowhall, or the 50% JV, to be more precise. This deal signals, amongst other things, that there are no sacred cows at British Land. Any asset is for sale providing the price is right. Taken together, these transactions represent a large step forward for British Land. They put the company in a very strong financial position, and give us a real advantage in today's world.

We haven't been sitting back since then either. In the last quarter of our financial year, we sold a further GBP450m of assets across our office and retail portfolio, including the disposal Tim mentioned, of the Abbey building on Regents Place Estate.

This means we only have, and Graham touched on this, but I think it's important, so I'm just going to mention it again. We only have GBP140m drawn under our unsecured bank facilities, and we have more than GBP200m of unencumbered cash. That gives us a real financial advantage.

As Tim said, we've continued to make good progress with lettings, despite the difficult market. New lettings in the City are running, we think, at about -- we touched on this, 30% of normal levels. Nevertheless, as Tim mentioned, we were able to announce last week 186,000 square feet at Ropemaker.

This represents about a third of the lettable space there, but equally important, about 50% of the volume of business done. That's all about the quality of real estate, as well as being prepared and being able to operate in today's markets, not harking back to previous markets.

The City tends to get a lot of focus when people talk about letting. And that, I think as much as anything else is a function that the individual deals, definitionally, tend to be large. But I want to remind you that we also delivered 1.4m square feet of lettings and renewals in the last 12 months in our retail business. Asda, Arcadia and Next are simply three of the retailers we are still doing new business with.

So as I look at the future of British Land, it's worth reflecting on our history and where we come from. One of our strengths historically has been buying well. A good example is the superstores we bought in the 1990s at terrific yields. They're now a core part of our portfolio.

After a period when we've been selling rather than buying, I'm very alert to the fact that buying well will be an important part of our future. As Graham said, we expect to see real opportunities emerge as a result of distress in the market. We're in a good position to exploit those opportunities, and we're already out there looking.

So far nothing we've seen has offered the exceptional value we're looking for. And, of course, the quality of our existing assets is a high bar, and rightly so. But equally, we don't feel under any pressure from a timing or competitive perspective to act. We'll be disciplined in our approach, with a strong view toward capital efficiency.

As you know, we've used a variety of ownership structures over time, from 100% ownership to joint ventures and funds. As you would expect, we will continue to seek to select the best means of ownership, the best mechanism, if you will, for each asset that we purchase.

We've also demonstrated our ability to manage our assets well. We have a very good tenant base, for a number of reasons. And again, none of those are accidental. Prime locations attract high quality tenants, and in retail, ensures strong customer footfall. Our rents are priced appropriately, and the quality of service we offer tenants is well recognized.

We also benefit, and we've touched on this, we've mentioned it several times, but I'll come back to it, we benefit from long leases, and once again, this is no accident. We manage our leases carefully in order to provide stability and growth of income over time. Rental deflation will continue to exert pressure in several parts of the market.

So I'm comforted by that figure I gave you earlier, but this time, let me turn it around. 94% of rental income will be there for more than three years. Only 6% fall due. That's a very strong support for our business, as you can see from the slide, three times that in terms of the industry.

The length of our leases and strength of our tenant base puts us in a very strong position in relation to a secured dividend. And this is a good time to remind ourselves that the income from a real estate portfolio is critical to returns over the whole cycle. I wanted to pay as much attention to total returns as we do to a capital appreciation.

The third critical factor in the world of active property management is selling well. As you know, we took the decision to sell early in the cycle, and we've kept going. We were pleased, for example, that we were able to sell the Willis Building for GBP400m in one of the best deals in the market last year.

And I'd also point to our disposal of secondary retail profit. And as we've said, we sold GBP4.5b worth of retail properties over the last three years, substantially altering and improving the nature of the portfolio. That's helped to protect us from tenant bankrupts and pre-packs so far.

I want to make sure we continue to sell well over the cycle. I said already there are no sacred cows. I'd go further and say we are prepared to turn over our portfolio more quickly, and look at shorter average hold periods. One benefit of this approach is that it will force us to think carefully about our exit strategy at the point where we buy a property, and to review that strategy regularly thereafter.

Of course, to outperform, we need to do all these three things well, and consistently, buy well, manage well, and sell well. But there are also disciplines from other industries which we can bring to bear, which I think will help us to outperform over time.

I believe we'll benefit from importing some of the approaches used by fund managers, for example. That would mean looking at each sector in its own right. Those we're in, those we're not in. How they've performed and how we expect them to perform. Bearing in mind factors such as scarcity of supply, government policy and commercial trends which could influence future returns.

It means blending sectors to get the benefit of diversification, while ensuring we're neither too big or too small in any one sector. If you're big enough to be a serious counterparty to Tesco or Next, for

example, you get to know how their portfolios operate. And you also get to understand the trends, the drivers that they're subject to.

But if you're too big, on the other hand, you risk moving the market against yourself, both as a buyer and as a seller. So judging the optimal size in any given sector is important, and it's not necessarily the same in each sector.

Portfolio analysis should enable us to better balance risks and returns on a prospective basis. Taken together, I believe these techniques will help us to deploy capital more effectively on your behalf, as we look at all aspects of our approach to make sure we're adding alpha and not just beta.

I don't want you to think we're stepping away, though, from the core property disciplines which I just described earlier. This is an overlay, in no sense a replacement.

I've already said that this is an excellent team. But in order to deploy some of the disciplines I've talked about, we need to add new skill sets to the business.

We also have to retain and attract the best people. Acquiring, nurturing and developing talent is a competitive advantage in most industries. I see no evidence that commercial real estate is any different in that regard.

Over time, the approaches I've described will make us distinctive, I think, by bringing together the best of both worlds, deep expertise in the property sector, with the analytical skills and rigor of fund management. This will result in a dynamic portfolio, founded on acknowledged sector expertise, balancing alpha and beta.

It will underpin the strength of our financial structure and balance sheet, which must continue to be both robust and flexible. It will enable us to deliver a sustainable dividend, supported by a secure income stream, and most important of all, I believe it will help us to deliver superior returns to our shareholders over time.

Thank you very much.