

British Land Half Year Results 2025/26

Media Call

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Transcript



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Simon Carter:

Good morning, everyone. Thank you for joining us. It's great to be back at Broadgate for this set of results. You will have noticed quite a few changes on the Campus over the last year since we were last here, and if you do get a little bit of time after the presentation, do check out the retail underneath One Broadgate. It launched last week and it's already 90 percent let and under offer, which is a pretty good place to be. So, in terms of today's agenda, I'll start with an overview. David will take you through the first half performance and also our earnings leavers and then Kelly will look at our strong leasing and accretive asset management over the period. But before I hand over to David, I'd like to take a step back and look at what's driving the future performance of the business.

At the heart of this is the decision we took nearly five years ago to build a market leading position in campuses and retail parks together. These now represent 90 percent of our business. These are sectors with strong occupational fundamentals. Demand is healthy, supply is constrained and rents are very affordable. The investment market is waking up to this. Investors are increasing their allocations to both retail and offices and we are very well placed to capitalise on this. That's down to the quality of the assets, the experience of our team and our value-add mindset. The result, a very attractive total return profile underpinned by sustainable earnings growth.

So, let's unpack this. Starting with prime London offices where a classic supply crunch is driving strong rental growth. The return to the office has exceeded expectations. Midweek utilisation across our campuses is now above pre-pandemic levels. Businesses are short on space. Last year they expanded by 3.3 million square feet, the highest since 2019, and active demand is now 50 percent above the long-term average, but supply remains tight. Initial concerns about working from home have been compounded by rising construction costs and higher interest rates. You can see on this slide, vacancy for new and refurbished space in the City is predicted to fall below two percent and stay there for the next four years. Historically, when this has happened, it has driven double-digit rental growth.

We've positioned our portfolio to benefit from this supply squeeze. Office occupiers are focused on four key areas: quality, location, amenity, and flexibility. Our campuses tick all the boxes. We currently account for seven out of the top 20 leasing deals that are under offer in London, so we're capturing a disproportionate share of a very strong market. That's down to high-quality, sustainable buildings, prime locations near transport hubs, excellent amenities and public realm, and flexible offerings ranging from Storey to fully fitted work ready space to headquarter space. This flexibility is key for customers in the innovation sectors. This is a fast-growing market,

especially in the Knowledge Quarter. The number of innovation customers in our portfolio has more than doubled since 2022. There's been strong growth from a new generation of AI and tech businesses with high levels of venture capital investment. This is a key source of new demand. We are tracking one and a half million square feet of new requirements. Kelly will explain in a moment how we're benefiting from this at Regent's Place. Our onsite developments are achieving records rents, which is driving development yields above seven percent, and mid-teen IRRs. These record rents also provide valuable evidence for upcoming reviews across our campuses. We are de-risking our schemes with pre-lets and fixed price contracts, and increasingly bringing in partners such as Modon to reduce capital outlay, accelerate delivery, and earn valuable fees. Let's move on now to retail parks.

These continue to be the preferred format for retailers. They're efficient and adaptable, offer easy access, free parking, and they're ideal for a range of retailers including value grocery and multichannel. Retailers like M&S, LIDL, ALDI and Home Bargains are expanding into this format yet there's been virtually no new supply in the past decade, and we don't see this situation changing. Development economics are unattractive and planning is restrictive. As you know, we're the largest owner and operator of multi-let retail parks in the UK with a portfolio stretching from the Isle of Wight to Inverness. Half the UK population lives within a 30-minute drive of one of our assets and we have deep reach with the retailers given our scale, the experience of our team and our in-house property management. Of course, we use demographic and competition data, but nothing beats picking up the phone to a retailer to understand trading.

Our focus on strong trading locations is reflected in our footfall. This has grown 13.5 percent above the UK retail benchmark over the last five years. Despite a more competitive investment market, we're still acquiring assets at yields above seven percent and we're comfortable taking occupational risk due to the market strength, our asset management expertise and those retailer relationships.

In real estate, affordability is just as important as supply and demand. For prime offices and retail parks the picture is very positive. London office rents relative to wages are lower than at the turn of the century and retail occupancy cost ratios are very healthy. This leaves plenty of room for rental growth. That's why we're guiding three to five percent growth in both sectors.

Investors are taking note of the occupational strength I've just described and they're increasing their allocation to both offices and retail. This, together with strong credit markets, means we expect investment volumes to grow. London office transactions have been subdued in recent years, as we know,

but they've really picked up this year with over six billion pounds year to date and three billion pounds under offer. So far, the number of deals over a hundred million pounds this year is already double the whole of last year. Strong occupational fundamentals, improving investment markets and our high-quality platform provide for an attractive total return profile. The essential building blocks are set out here. They're earnings yield, valuation uplift and development upside. Earnings yield is currently five percent and growing. Assuming stable property yields, valuations will primarily be driven by ERV growth where we're guiding to three to five percent. You need to adjust for a bit of depreciation, the impact of leverage and the fact that ERV growth doesn't feed through one-to-one, but you can see how these first two building blocks get you to around eight to nine percent. Developments add further upside with mid-teen returns forecast on the committed schemes and the pipeline. So, we are confident in delivering total accounting returns of eight to 10 percent through the cycle. The total return outlook is underpinned by attractive earnings growth. We're expecting at least six percent next year and we have the levers to deliver three to six percent over the medium term. This is an ideal point to hand over to David who'll take you through these levers as well as our numbers. David, over to you.

David Walker:

Thanks, Simon. Good morning, everybody. Three things from me today: first, I'll cover our financial performance for the half year; second, the balance sheet and our approach to capital allocation; and, finally, I'll provide an update as Simon said on the five levers of earnings growth I outlined in May, and then how we see them translating into medium-term growth of three to six percent, including our guidance for FY26 and then into FY27. As you know, we released many of the key metrics in October. That's something you should expect from us going forward. One benefit we see is that it allows us to spend more time today on strategy and outlook.

But starting with the numbers, underlying profit was up eight percent to 155 million pounds. And underlying EPS was 15.4 pence, one percent ahead of last year, meaning the dividend is also up one percent in line with our policy of paying out 80 percent of underlying EPS.

Looking at the EPS bridge, you can clearly see the benefit of our progress against the earnings leavers. In particular, driving like-for-like which was four percent and contributed six million pounds or 0.6 p with a positive performance across both offices and retail. Higher rents from developments from completed schemes like One Broadgate and The Optic, partially offset by void costs and lowering admin costs. This has been a key focus for me since I became CFO this time last year. I spoke in May about the savings we'd already identified, and I'm pleased to see the benefit come through in H1 with admin costs down five million pounds or 12 percent versus last year, adding 0.5 pence to EPS. One-off items had only a limited impact on earnings year-on-year as the positive effect of surrender premia offset bad debt

provision releases last year. Taken together, then, these positives more than offset the 13-million-pound increase in finance costs, which reduced EPS by 1.3 p. This is in line with expectations, mainly reflecting the fact that we're no longer capitalising interest on completed developments, and a 10-basis-point increase in our weighted average interest rate to 3.7 percent.

Here's the summary P&L account. I've covered most things here already, but just to touch on two further metrics. First, our NRI margin: this was lower due to the increase in propex mainly because of the movement in provisions I just touched on, which slightly flattered the margin last year, and void costs as we lease up developments. Once this is done, I expect our margin to stabilize at around 90 percent. The other thing to draw out here is the EPRA cost ratio, which was 17.4 percent at September as this higher propex more than offset the reduction in admin costs. Though I do expect the ratio to come down to the mid-teens in future years as we lease up developments and further leverage the operating platform we have in place, adding income while controlling costs.

Turning now to the balance sheet, NTA has again increased since March, reflecting a 1.2 percent rise in property values, which added 10 pence, an underlying profit which added a further 15 pence, although this was partially offset by the dividend paid in July and other movements resulting in NTA per share of 579 pence, up two percent. This, combined with the dividend paid, equated to a total accounting return of four percent for the half, meaning we're on track to deliver our full year target of eight to 10 percent.

Credit markets remain very strong and we've capitalised through a broad range of activity focused on maintaining our overall maturity and enhancing diversity in our sources of finance. We raised a 450-million-pound green loan secured against One Broadgate, extended 930 million pounds of RCFs and renewed 500 million pounds of term loans at improved pricing.

Looking ahead, we have just over 300 million pounds of debt maturities at British Land over the next 12 months. So, we remain well financed with flexibility on when and how we raise new debt and, with good access to the bank debt and capital markets, we expect to remain active in a strong market. I was pleased to have our Fitch rating reaffirmed in July with a stable outlook reflecting the fact that our balance sheet remains strong. We ended September with 1.7 billion pounds of undrawn facilities in cash. Net debt was 3.8 billion. Our LTV was 39.1 percent with net debt to EBITDA on a group basis at 7.2 times.

This balance sheet stability underpins all of our capital allocation decisions. We focus on recycling capital from mature, lower returning assets into higher returning opportunities. Currently that means investing further into retail parks where, as Simon has described, the investment case remains

compelling and we continue to see opportunities to buy at attractive pricing. Alongside that, we progress best-in-class office developments at our campuses on a de-risked, capital-light basis. Securing pre-lets, certainty over build costs and bringing in partners to accelerate returns and reduce risk just as we did over at Two Finsbury Avenue. Our London Urban Logistics portfolio has embedded development optionality, and we remain positive about the long-term supply-demand dynamics here so we can progress those schemes when the time is right, but the sector is weaker today so we prioritise better uses of capital in retail parks and campus development.

It's important to note that we always make capital allocation decisions in the context of shareholder distributions, including the relative returns and EPS accretion available from share buybacks, for example, when we have the proceeds to invest following significant disposals. And, as ever, all of our capital allocation decisions are based on our assessment of relative returns at any point in time.

In May, I set out the five levers we focus on to drive consistent cash-generative earnings growth so, six months on, let's update against each. First, like-for-like rental growth: we've made a strong start to the year. Portfolio like-for-like growth was four percent: bang in the middle of our guidance of three to five percent. Campuses were up seven percent as we drove occupancy and secured rental uplifts on space which had been surrendered. Our retail business also continued to grow, albeit at a lower rate reflecting the fact that we're at near full occupancy. Going forward, though, ERV growth should more directly translate into like-for-like growth as we're largely rack rented now on our parks and, overall, for the full year, I expect five percent like-for-like growth across the portfolio. Kelly will give you more detail on our portfolio performance in a minute.

Fee income is our second earnings lever. We continue to work with a broad range of JV partners, generating fee income for both asset and development management. Although fee income was flat in the first half at 13 million pounds, we do expect to achieve 10 percent growth for the full year as we continue to earn fees on development mandates, and we're actively pursuing opportunities to leverage our platform in order to drive incremental fees from new and existing partners.

Third: cost control. I'm pleased with the progress we've made over the last 12 months, but this remains a focus and, so, for the full year, I expect admin costs to be 75 to 76 million pounds ahead of the guidance I gave in May, and versus 82 million for last year.

Development leasing is our fourth earnings lever. As I mentioned earlier, we're now benefiting from schemes such as One Broadgate and The Optic while leasing on previously delivered schemes at Norton Folgate and Aldgate

Place is well on track. One Triton Square launched in October, and we're delighted to have our first deals under offer there.

Finally: capital recycling. The fuel in this machine is our ability to dispose of lower returning assets, freeing up capital to rapidly redeploy into higher returning opportunities. As Simon laid out, the office investment market has been quieter than in previous years, but we are seeing signs of improvement. And against that backdrop we've remained active, executing deals where it makes sense, disposing of retail parks where pricing has moved in, or development sites in London, which were not income producing, then rapidly redeploying the proceeds. Given the improving investment market we do, however, expect activity to increase over the next 12 to 18 months.

Bringing this together, we expect to deliver sustainable EPS growth of between three and six percent over the medium term. This slide shows how each of these earnings levers contribute to that. Now, this is purposefully illustrative and, of course, it will not be linear in any particular year, but to me this is the best way to think about the earnings growth potential of our business. So, let's go through each of them. In terms of like-for-like, we're confident we can consistently deliver three to five percent on our standing portfolio given the strong occupational fundamentals of our core sectors. At the midpoint, this top line of four percent growth drops through to five percent annual EPS growth. 10 percent fee income growth adds another one percent per year, and, on costs, I do expect further reductions over the next 12 to 18 months, which will of course continue to benefit earnings. Although, over the medium term, there is likely to be continued inflationary pressures so modelling broadly flat costs is not unreasonable over, say, five years.

Likewise, our weighted average interest rate will gradually increase over time, reflecting prevailing market rates. Based on today's rates, we anticipate a 10- to 20-basis-point increase per year, which would reduce EPS by around two percent per annum. So overall we see a clear route to core EPS growth of four percent per year, and that's before further capital activity, which really is the kicker. On top of this core growth, there are two components to consider: development completions and asset recycling. And while the timing and phasing of capital activity is of course hard to predict and is by its nature lumpy, I've assumed around 500 million pounds per year with 200 million for developments and 300 million for asset recycling. Then, to model the earnings impact for developments, we assume a spread of around 200 basis points between the yield on cost and our funding costs, and, for asset recycling, 100 basis points between what we buy versus what we sell. Taken together then, this capital activity would contribute a further two percent to EPS growth per year, increasing the annual growth rate to six percent; the top end of the range I described in May.

So, bringing this back to the immediate outlook: moving into the second half,

we expect to deliver at least 28.5 p of EPS for FY26 and, from there, at least six percent EPS growth for FY27 as we benefit from the continued lease up of our developments, capitalise on the compelling fundamentals of our core business, and so move forward with confidence in delivering against our five earnings growth leavers. With that, over to Kelly.

Kelly Cleveland:

Good morning, everyone. You've heard from Simon on the strength of our markets, so I'll now take you through how that's translated into performance and outline how we are adding value across the portfolio. I will start with valuations which have increased by 1.2 percent. This is the third period of being able to report positive valuation growth and it's a good sign that the inflection point is behind us. Valuations have been driven by strong rental growth of 2.4 percent on an annualised basis. This is again at the top end of our guided range of three to five percent and we're confident this rental growth will continue.

Turning to the operational performance, starting with campuses: we've leased 486,000 square feet at three percent ahead of ERV and, at the end of the period, we were under offer on 629,000 square feet six percent ahead of ERV. And we've been particularly busy since 30 September, with a further 308,000 square feet put under offer. That's a very busy six weeks. It's worth pointing out, we're seeing particularly strong momentum in leasing up vacancy. Since March, we've let or put under offer 751,000 square feet on vacant or newly delivered space. Our EPRA occupancy now stands at 88 percent: up five percent this half; up 10 percent for the year. As we said in the trading update, Broadgate is practically full. There's just one completed floor to lease across the entire Campus and it's an exceptional floor; the top floor of our newest scheme at One Broadgate. We're in negotiations on that floor and will set record new rents for the Campus. This is good news for our onsite developments which will deliver into a market with very limited supply. Broadgate Tower is the first to be delivered late next year. This is a 390,000 square foot building with 240,000 square feet of development floors. Since 30 September, we've gone under offer on 59,000 square feet across five deals, taking the building to 49 percent let. This is a very strong position to be in at this stage.

The next to deliver is Two Finsbury Avenue in 2027, where Citadel are taking up to 50 percent of the space. Here, we are in negotiations with a number of larger occupiers two years ahead of delivery, and this is a fantastic tower building delivering in a year with very little competition.

We've also been proactively identifying where we can take back space and re-let it at higher rents to drive value when there's such little supply. For example, at Exchange House, we proactively took back some floors. We're reinvesting the surrender receipt into much needed on-floor upgrades after

35 years of occupation and have already re-let to MSCI driving rents on by 35 pounds per square foot.

This added 10 million pounds to the valuation of the building and sets strong rental evidence for the wider Campus. This is accretive asset management, and we will look to do more of this.

Norton Folgate is a slightly different proposition for us at British Land as the product is smaller floor plates, often fitted, and therefore more suited to let post PC. We've made good progress and are now 89 percent let, under offer or in negotiations. And we're on track to be fully let by the end of the financial year.

Simon covered the growing demand coming from innovation occupiers, which is driving momentum across the portfolio. To capitalise on that, we launched One Triton Square last month. This is an incredible building. It's a campus within a campus and offers real flexibility to tenants. It includes a floor of Storey space, a floor of fitted labs, three lab-enabled floors, which look like a traditional office floor but can easily be converted to lab use as demand evolves, and three traditional office floors.

You may have picked this up in David's piece, but I'm pleased to confirm that just six weeks after PC we have put 56,000 square feet under offer to two globally recognised science and tech occupiers due to complete later this month, and we have another 211,000 square feet in negotiations. We are very excited about this and look forward to continuing to update you on our progress.

Turning to retail parks, you'll know it's a very competitive occupational landscape and retailers are keen to secure space. Leasing volumes remain strong at 681,000 square feet, six percent ahead of ERVs, and under offers are 554,000 square feet, also six percent ahead of ERVs. Deals this half have been in line with previous passing rent and thanks to recent strong rental growth, our portfolio is now largely rack-rented. And, as a reminder, it was over 20 percent over rented just two and a half years ago. So, we're in a great position to generate strong like-for-like rental growth from the portfolio.

Retail parks provide strong cash yields and good opportunities to increase value through asset management. I'll cover just a few of the many examples of asset management on our acquisitions, where we've looked to improve the tenant mix and drive footfall, sales, and ultimately rents. I will start with the first one we bought when we took the contrarian call to start buying retail parks. When we bought Biggleswade Retail Park in 2021, it had six high risk retailers. These are the ones in red. We've re-let all of these to strong category leaders, which has helped drive a 12 percent IRR since acquisition.

Rolling forward to one of last year's buys: Queens Drive retail park. When we purchased it, there were two vacant units, both are now let including to an M&S anchor, which is a major win for the park. The park is full and leasing well ahead of ERV and has delivered a 14 percent IRR since acquisition.

And our most recent buy is Turbary Retail Park in Bournemouth, which we purchased earlier this month for a prospective double-digit IRR and a day one yield of 7.4 percent which, with asset management, we've already increased to 7.7 percent, and we have a strong pipeline of similar deals.

As Simon covered, we're unlikely to see many new retail parks built, but we're actively looking for opportunities across the portfolio where we can add space efficiently. Projects like these ones at Glasgow and Rugby are smaller in scale, shorter in duration and lower risk than traditional developments. But they generate meaningful returns, with a yield on cost of at least eight percent; often double digits. And on top of that, they provide strong wash over to the rest of the park by improving lineup and rental tone.

So, I'll leave you with three things. Values continue to rise, driven by strong ERV growth at the top end of our guidance. Our standing campus assets are virtually full following a strong six months of lettings, and we've made good progress on our newly delivered space. And finally, as the market leader in retail parks, our active asset management is pushing on rents and values, and we will look to buy more in the space as we continue to recycle capital. Now over to Simon to wrap up.

Simon Carter:

Thanks, Kelly. So, to wrap up, let's circle back to where we began. We're a market leader in the right sectors, campuses and retail parks, where demand is healthy, supply is constrained, and rents are affordable. Investors are increasing their allocations to these sectors, and we're very well positioned to capitalise on this to deliver attractive total returns going forward. Thanks for listening. We're now going to take your questions. Kelly and David are going to join me on stage, and I think we'll start with questions in the room. Who's going to be first?

Rob Jones:

Someone's got to start. It's Rob Jones, BNP Paribas. I think two. The first one, I don't know if we can go back to a slide on the screen, but if you wanted to, at slide four, which, Simon, was the one where you had the stars looking at times in the past where we'd had less than 2 percent vacancy.

That's alright, no worries. One could read into this that if we're forecasting less than two percent 26 onwards, I guess the 27 to 29, I don't know if that's actually right, zero, just not sure, but even if it was, it implies that one could assume a 10 percent rental ERV going forward. Now obviously the levels that you need to achieve in David's help break down the various different levers of earnings growth going forward, you don't need anywhere near that to hit

your target. So, do you think that that kind of level of ERV growth, if we have such low vacancy and sensible levels of total demand still coming through, can actually be achieved? And it's interesting, the 27 to 29 vacancy forecast, surely that must be wrong because even when you look at your own slide 56, you've got Two FA spec, Appold Street like the guesstimated and that's 28 delivery I think, which is in that and either the brokers are assuming you're going to be a hundred percent let on completion or they're a bit too [inaudible].

Simon Carter: Yeah, this is a great question. This is directional, it's what the brokers are forecasting. Inevitably, you'll have a little bit of vacancy, but what you're seeing at the moment, the amount of supply that's coming through, so we think there's something like five million square feet of new. So, this is new and refurbished. This isn't the whole City; this is new and refurbished stock coming through; 5 million square feet over this period of time. A lot of that is pre-let, and if you have normal levels of demand of about two million square feet a year, you can see how you eat into that supply very, very quickly. And I do think that the schemes that are onsite, not every one but the schemes that are onsite, particularly the BL projects will be delivered with a very, very high level of pre-let. I mean you're already seeing that. We've only just started Two FA and we've got 33 percent let, up to 50 percent if Citadel exercise their option; we'll probably move to 1 Appold in the future, but that will be on a pre-let, de-risked basis.

So the market is very, very tight at the moment. Of course there'll always be a bit of vacancy, but that is what is being forecast at the moment. I think by Knight Frank, I think Cushman's have the vacancy rate a little bit higher than that, but what we're saying is sub-two percent you get very strong rental growth, but that is on the new and refurbished space. So, look, I think you will have that, and we've seen that on our own new and refurbished space. That is what the rental growth is doing at the moment. Sorry, you had a second question? I just thought answer that one first and then we'll move on to the second.

Rob Jones: I'll pass on to someone else.

Simon Carter: Okay, very generous. Next door, Max.

Max Nimmo: I'll try my best. Yeah, Max, Deutsche Numis. Yeah, I guess perhaps a slightly higher-level question, just around office development. There's obviously quite a bit of debate about the buy to sell model or the develop to sell and the sort of develop to hold. You talked about mid-teens IRRs, but also mentioned the fact that depreciation could be one percent, maybe it's higher. Your ERV growth perhaps doesn't always flow through one for one. Just in terms of your thinking about how you get comfortable with that and is

it the JV angle, is it the de-risking it? Just some of your thoughts on that if that's okay.

Simon Carter: Sure. No, it's a really good question. As you saw on the slide on the schemes that are onsite and the pipeline, we are projecting yields on cost north of seven percent, mid-teens IRRs. So compelling returns and those are de-risk returns by the point we commit because we place a fixed price contract normally with an element of pre-let. And then also as you say, we've brought in partners, so that's very compelling returns. The MO of British Land, as it has been for the last five years, is create this great product, lease it up, deliver compelling returns, and then, yes, in time we look to recycle. I think David referred to it as the fuel in the machine. The investment market has been quieter as we know. That's now catching up because everyone can see the rental growth we've just been speaking about. And so, we think we'll see increasing activity that then allows that engine of growth to go for us. We are not necessarily the best long-term owner of a stabilised office asset because there is depreciation and that will be a lower return and we've got other uses of our capital today. We have more opportunity than we have capital. So we would like to do more of that development, more of that buying of retail parks that we've spoken about.

Tom Musson: Tom Musson, Berenberg, just a question on the fee income growth that you hope to grow 10 percent a year, which obviously becomes more material to earnings growth as that compounds. Just wonder how you balance the decision between growing an income stream that's based around development mandates with the fact that future income that is aligned to development work inherently comes with a higher cost of equity, at least in the eyes of the listed market.

Simon Carter: Yeah, good question. I'll give you an initial thought and then hand over to David on this one. It's the kicker on top. So, we're getting those types of returns and then when we bring in partners, we're using their capital. We are normally selling ahead of where we would've been before we de-risk the scheme so we're locking in some profits and then those fees, fees on development mandates are good. It's a relatively high margin business. So I think it's a nice add-on. David, if you would add anything to that?

David Walker: Yeah, not really other than to say we clearly wouldn't commit to a development simply to drive fee income. Often, it's a result of the fact that we've already de-risked that scheme by bringing in a partner, there are two principle or three principle chunks to it. The first is development fees, that's where we earn the highest margin. There's asset management fees, which is also an increasingly important part of the business. And then there's property management fees on top of that. So 10 percent a year on average. Some of those years it'll be higher, some years it'll be lower subject principally to, as you described, the developments we commit to.

Zachary Gauge: Thanks. It's Zachary Gauge from UBS. A few questions around development. Just looking at the updated guidance on page 47, you've dropped your NRI margin by a couple of percentage points from the end of last year and the reason given is additional void costs reflecting timing of development completions and lease up. And obviously you would've known the timing of development completions at the end of last year. So can I back out of that, that the lease up is going slightly slower than you had anticipated at the end of last year. And then following on from on the individual assets and where we're on ERV, sounding quite encouraging on Triton Square, so potentially getting to 50 percent by the end of the year, but nothing at Canada Water and nothing at Southwark. So, if you could just touch on the prospect for those individual schemes by the end of FY26, that would be great. And the other one is on the under offers at One Triton Square, I think it breaks out to 115 pounds per square foot. Could you just touch on where that sits in relation to underwrite on the floor space they are taking, whether it's labs, fitted labs or offices? Thanks.

Simon Carter: Happy to go through all of those. On leasing activity, we were probably slower throughout the period in terms of where we thought we would be, but actually we saw an acceleration at the end of the period. Kelly, I don't know if you want to talk to some of the activity we've had on the development leasing front.

Kelly Cleveland: Yeah, sure. Covered in the prepared notes. But having completed One Triton and being able to show people around the building, we've had really good progress there in the last six weeks. We've also had good traction at Broadgate Tower and, again, just in a matter of about five or six weeks, we've put a huge amount under offer there. Another one just recently as well. So, with those schemes we are tracking well in line and ahead of where we'd want to be at this stage.

Simon Carter: I think it's one of the themes of these results that momentum has built as we've gone through the period and particularly strong post period end in the market, which I think is pretty encouraging. And then I think you had a question on Canada Water, and around Mandela Way leasing. Kelly, do you want to take those ones?

Kelly Cleveland: Yeah, so Canada Water, we're having some encouraging conversations there. We're also encouraged by the spillover effect that Simon spoke about at the last set of results where the lack of supply in the core is meaning affordable locations are getting a bit more business. So, we'll keep you updated on Canada Water. What I would say is that the Canada Water leasing is not included in our guidance. So, any leasing that we do pre-FY27 is upside.

Simon Carter: Then maybe on Mandela Way.

Kelly Cleveland: Yeah, Mandela Way. So it's a great asset in a very, very central location, which we have again only recently PC'd on. As we have always said, and as our underwrite set out, that is a product that will lease post PC because it's multi-let, smaller floor plates, and it needs to be seen. But it's a great product. We've been getting people around and we're in negotiations and we'll, again, continue to keep you updated on that one.

Simon Carter: Then I think there was a question which was sort of unpicking the rent on under offer deals. We're probably not going to comment on deals under offer and where the rents are, but we are really happy with where demand is for One Triton. I'll say as much as that.

Zachary Gauge: Just to clarify one of those points. If you are 0 percent Canada Water at the end of the year, you're still confident on the guidance outlined for GRI?

Simon Carter: Yes.

David Walker: The leasing risk on 28.5 p from here is de minimis.

Adam Shapton: Thanks. Adam Shapton from Green Street. I had two: one on office, one on retail parks. Do you want them both? One after the other?

Simon Carter: Go on, I'll write them down.

Adam Shapton: Yeah. So, office, back to the indicative broker forecast, and maybe this is one with your BPF hat as well, Simon. Is the City of London concerned about the effectiveness or the attractiveness of the City as a business district if there's no space available? I mean we've had high profile comments from Larry Fink and so on about that. So, do you think the City of London is concerned that the supply barriers, balances is not quite in the right place? And then on retail parks, just interested in your commentary on QSR and casual dining. There's some evidence that profitability is being squeezed in that sector. It's been a success story for a lot of retail parks. What are you seeing in your portfolio from the drive-thrus and the QSRs and that sector?

Simon Carter: Sure. Interesting question around City and lack of space. Just to flag, that's new and substantially refurbished space there. I think what you will see and what we are seeing today is because there isn't enough of that, customers are making compromises and taking good second-hand space. We have definitely benefited at Broadgate in the standing investments. As you saw from Kelly's slide. I think that's the fullest we've been. This is a four and a half million square foot estate and we've got one floor at the top of One Broadgate, which we're obviously being a little bit demanding on given that supply picture out there. So there is space, but I think you will continue to see this ripple effect. There's some parts of the City that haven't done as well

as Broadgate. It's right above Liverpool Street, it's got the Elizabeth line that will ripple out. So there is space for people to take, but they might not get that brand new headquarter space.

If you look today, just to sort of cement this point, we think if you want 150,000 square feet of new space, you've only got three buildings to choose from and one of those is Two FA, if you want new. So, look, something to happen, the City supply comes on stream, we know it's a cyclical market. At some point supply will come back on stream, but obviously you can't deliver in the next two, three, four years unless you've got planning; you've started onsite. And then I think on QSR has been a softer market and we have seen some insolvencies. You don't tend to have a huge amount on retail parks. We've done fairly well when we've seen those insolvencies at re-letting those units. But, Kelly, I don't know if you want to touch on what we're seeing. You had it on your slide on the drive-thrus. That's been a fantastically strong market.

Kelly Cleveland: Yeah, I mean exactly that. Drive-thrus is just increasing demand for them and, as Simon said, we have limited casual dining when there have been failures and I won't name names, but when that does happen, it's not been an issue for us. We've always been able to just get out and get new formats in there.

Jonathan Kownator: Thank you. Jonathan Kownator, Goldman Sachs, to follow up on One Triton please, obviously you reposition the building with labs and office. Where do you see the take up in that space? Is it for regular office space or is it for the lab type space? And more broadly perhaps on occupier demand? How wide is it? Because obviously tech is driving a lot of that demand right now. Do you see any demand from other sectors please?

Simon Carter: Kelly, do you want to take that one?

Kelly Cleveland: Yeah, sure. I mean the beauty of that building is that three of the floors that are lab-enabled, we're able to convert them to office use depending on where the strongest demand and where the best returns are. Exactly, as you identified, we are seeing really strong demand from science and tech. That's definitely not letting up. It seems to be getting more and more on a week-by-week basis. So we expect that to continue.

Jonathan Kownator: So just to clarify, we are talking about office space, not lab space?

Kelly Cleveland: For office space. Correct.

Simon Carter: But we have seen demand for the lab space as well at Regent's Place. The incubator space has done well. We did an incubator at Drummond Street

where there was some existing lab space we were able to use and that filled up very, very quickly and we're now seeing those businesses graduate into our Crick space at 20 Triton. So that's quite an interesting theme. But I think today the AI tech demand is definitely stronger than the life science demand in London. But both feel like they've got pretty good prospects at this point. Thank you.

That's probably questions in the room unless anyone's got a last-minute burning question. So, should we go to the calls and see if anyone's on the line?

Webcast Questions: Yeah, it's all on the webcast today.

Simon Carter: It's all on webcast. Okay.

Webcast Questions: So, we have one question from Nikita May at HSBC Asset Management. She says, you mentioned that AI-driven businesses are driving new demand for office space. Is this at the expense of other sectors like financial services? Do you have a limit of how much AI tenant exposure you would want to have?

Simon Carter: Great question from Nikita. We haven't got enough data points, I think, to determine whether that's at the expense of other parts of demand in the sector today. Today it feels very much like new demand. These are businesses that weren't there two years ago. They've grown very, very rapidly in the portfolio. I think I spoke to a number of you this morning, we've seen people take space at Regent's Place; very well-known names in the AI market. They've taken 7,000 square feet, then 14, then 21, and then they want more space after that. That feels like it's not today cannibalising demand elsewhere, but obviously we'll have to keep an eye on it. If fintech grows at the expense of traditional banking, you'd look at that. But I think that will take many years to feed through. And then on covenant exposure, we don't tend to set limits, but what we do look at is the covenant strength of every occupier we sign a lease with. Sometimes if it's startup space, we're more relaxed to look at weaker covenants. But, generally, if it's HQ space, like One Triton, these are strong covenants taking the space in our portfolio and the bulk of that one and a half million square feet of additional demand that we are seeing is strong covenants.

Webcast Questions: Yeah, I've got one more question here. Well, I've got two more questions. One's from Eleanor Frew at Barclays. She's asked, do you have a possible timeframe for larger asset disposals, noting you're seeing the market pick up?

Simon Carter: The market's picking up. I think you should think next six to 12 months, but it will be dependent on when that strong, core money comes back to the market. And we're seeing it come back now, but we'd want to see it there in

depth and I think you'll get that given the conversations we've been having. Clearly, we've got a budget around the corner. People will keep an eye on what's happening on the budget. But I think, with these occupational fundamentals, that investment demand will be there and that will be the market we'll look to take advantage of. So, six to 12 months on that.

Webcast Questions: And, finally, I've three questions from Mike Prew at Jefferies. The first part, I'll give you all three at once. You exclude recently completed developments in the last 12 months from your 95 percent occupancy number. Are Norton Folgate and Canada Water schemes backed out of this? The second part of the question is, retail warehouse price performance seems to have slowed markedly from 2025. Is the repricing maturing slash mature? And the final part of the question is, was the Southwark multi-let logistics scheme profitable and what is the progress at Thurrock please?

Simon Carter: David, I might need you to help on this on the occupancy numbers. Am I right in saying that Norton Folgate - Kelly looks like you've got the answer to this one.

David Walker: So, one of the things that's driven that delta over the last six months, Mike, would be the move from Norton Folgate into that standing portfolio mix, if you like. From an occupancy perspective, we exclude developments that completed in the last 12 months.

Simon Carter: And Canada Water didn't complete 12 months ago. So, it is excluded, is that right?

David Walker: Correct.

Simon Carter: Okay. Retail warehouse market slowing performance, what you're seeing now is the key driver is ERV growth. I think we've said that for a while, but we are seeing more and more people want to buy retail warehousing. That's tending to focus on the very core, long let, Southeast product. Some of the product we create, I think Kelly alluded to it in the presentation, we tend to buy schemes with a bit of vacancy. We then lease them up, get to a really nice yield on them and then institutional capital I think will increasingly come in and drive performance there. But at this point we're not assuming yield shift, I think you will see further yield shift, but what will be good is the ERV growth and that will drive performance there. So that would be the view there. And then, Kelly, I don't know if you wanted to pick up on Southwark and Thurrock?

Kelly Cleveland: Yeah, I mean Mandela Way, it's probably a bit early to be asking that question. We've just PC'd and we're looking to get that leased up. So, we'll

keep you updated on that one. And, on Thurrock, we are at 90 percent EPRA occupancy.

Simon Carter: And that's as a retail park. So we decided to keep that as a retail park given the depth of demand in that market. That was the best thing to do there. And I think actually on Southwark there was a profit release in the period because we've delivered the scheme and so there was an element of profit that came through in the period. So, any more questions? One more?

Webcast Questions: Yeah, there's one more question. It's from Marcus Phayre-Mudge at Columbia Thread Needle. Congratulations on the cost efficiency improvements. I presume this has been driven by headcount restructuring. Is there more streamlining of decision-making to help bring overheads down in the future?

Simon Carter: David, one for you, I think.

David Walker: Yeah, thank you. Obviously really delighted with the progress that we've made over the last 12 months. Costs down 12 percent year-on-year for the first half. It's been quite a holistic view of the cost base, Marcus. So some headcount cost is included in that. But more generally, I'd just point to a sharper mindset on what we're spending and how, and making sure that all of our teams are as efficient and effective as possible at what they're doing. More to go. It will remain a focus, but really pleased with the progress so far.

Simon Carter: Great. All the questions. Great. Well thank you very much for coming over to Broadgate. It's great to see you here today and we'll see a number of you on the road over the next couple of weeks. Thank you very much for your time.