

## **British Land business update**

26 March 2020

Given the ongoing disruption caused by COVID-19, the British Land Company ("British Land") provides the following update.

### **1. Introduction**

Our primary focus through this exceptionally challenging period is to ensure our people and their families are safe, our assets are securely maintained, and we are protecting the long-term value of our business. A core part of this involves working closely with our customers and suppliers to support them.

We have a high quality, diverse portfolio of assets and expert operational and property management teams throughout our business. Never has this been more important or evident than in recent weeks. Our teams have been working tirelessly through this uncertain time, doing a fantastic job to maintain, secure and operate our places under often very difficult circumstances. The Board and leadership team of British Land are hugely grateful to them all.

### **2. Operational update**

The split of our assets by value as of 30 September 2019 was 55% London offices, 41% Retail and 4% Canada Water & Residential.

Following the new measures announced by the Government on 23 March, one of our retail centres is closed (Valentine, Lincoln). All others remain open to provide important access to essential stores such as supermarkets and pharmacies. Overall, as of 25 March, around 200 individual units (c.12% of the total) are open.

Our immediate priority is to support those customers who are being hardest hit. At sites we control, we are therefore releasing our smaller retail, food & beverage and leisure customers from their rental obligations for three months (April to June). The financial impact in terms of lost rent and service charge is c.£3m.

For other retail, food & beverage and leisure customers experiencing financial challenges because of COVID-19, we are prepared to defer the March quarter day rents and spread repayment over the six quarters from September 2020. On the sites we hold in joint venture or via fund structures, we are working with our partners to agree an appropriate approach. We estimate the aggregate amount of March deferrals across the Group will be c£40m (British Land share) assuming this is extended to joint venture and fund properties.

### **3. Enhanced financial strength & flexibility**

We have worked consistently over several years to ensure that British Land has a strong and robust financial footing and we are now benefiting from that.

We have enhanced this financial strength and flexibility by successfully extending and amending one of our unsecured Revolving Credit Facilities (RCF) at £450m.



We have £1.2bn of available cash and undrawn facilities and no requirement to refinance until 2024. Our leverage remains low, with LTV of 31% at 30 September 2019 and we retain significant headroom to our debt covenants.

#### **4. Dividend & outlook**

To best ensure we can effectively support our retail and leisure customers who are hardest hit, protect the long-term value of the business, and further strengthen our financial position, the Board considers it prudent to temporarily suspend future dividend payments. This will be with immediate effect, including the FY20 Q3 dividend due for payment in May. We will revisit our dividend policy when we have sufficient clarity of outlook.

Underlying earnings for the year ending 31 March 2020 are currently expected to be broadly in line with previous expectations, however the independent valuation of our assets as at 31 March 2020 is likely to include a statement from the valuers highlighting the material uncertainty. Until there is clarity on the duration, severity and consequences of this fast-moving situation, the Board is unable to comment further on the outlook.

#### **5. Extension and amendment of £450m Revolving Credit Facility**

We have completed our first ESG RCF at £450m with a group of eight banks, by extending and amending one of our existing unsecured RCFs.

The extended RCF has a headline margin of 90 basis points over LIBOR (unchanged) and an initial five-year term which may be extended to a maximum of seven years at British Land's request, subject to banks' consent. It may continue to be used for our general corporate purposes.

Aligning with our sustainability strategy, the facility will include two ESG-related KPI's focused on the BREEAM ratings of our developments and assets under management.

#### **6. Significant covenant headroom**

We continue to have significant headroom to our debt covenants.

There are two financial covenants which apply across British Land's unsecured debt:

- (i.) Net Borrowings not to exceed 175% of Adjusted Capital/Reserves (as of H1: 34%)
- (ii.) Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets (as of H1: 25%)

There are no income or interest cover covenants on British Land's unsecured debt.

The secured debt in joint ventures and funds is all non-recourse and the Broadgate and Meadowhall securitisations have no loan to value default covenants.

Given our covenant structure across the Group, we could withstand a fall in asset values across the portfolio of greater than 50% without any further mitigating actions.

#### **7. London developments**

As of 25 March, to ensure the safety and wellbeing of those working on site, work has been suspended at our major development schemes at 100 Liverpool Street and 1 Triton Square. We therefore expect delays to practical completion at these sites. There is approximately 1



month of work remaining at 100 Liverpool Street and approximately 9 months' work at 1 Triton Square.

Our committed and recently completed development pipeline is 89% pre-let or under offer, representing c.£55m in rents. The office space at 1 Triton Square is fully pre let to Dentsu Aegis Network. The office space at 100 Liverpool Street is significantly pre-let to a range of occupiers, with only two floors still to be let.

We recently reached practical completion on 135 Bishopsgate, having completed 1FA in the previous financial year. Completion of post PC works at 135 Bishopsgate have however also been suspended with immediate effect.

Where appropriate, we are in discussions with certain occupiers about delaying taking possession of newly developed office space. Delays are primarily related to occupiers' practical ability to execute fit outs of space.

This release contains inside information.

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## About British Land

Our portfolio of high quality UK commercial property is focused on London Offices and Retail around the UK. We own or manage a portfolio valued at £15.4bn (British Land share: £11.7bn) as at 30 September 2019 making us one of Europe's largest listed real estate investment companies.

Our strategy is to provide places which meet the needs of our customers and respond to changing lifestyles - Places People Prefer. We do this by creating great environments both inside and outside our buildings and use our scale and placemaking skills to enhance and enliven them. This expands their appeal to a broader range of occupiers, creating enduring demand and driving sustainable, long term performance.

Our Offices portfolio comprises three office-led campuses in central London as well as high quality standalone buildings and accounts for 55% of our portfolio. Our Retail portfolio is focused on Regional and Local multi-let centres, and accounts for 41% of our portfolio. Increasingly our focus is on providing a mix of uses and this is most evident at Canada Water, our 53 acre redevelopment opportunity where we have plans to create a new neighbourhood for London.

Sustainability is embedded throughout our business. Our places, which are designed to meet high sustainability standards, become part of local communities, provide opportunities for skills development and employment and promote wellbeing. In April 2016 British Land received the Queen's Award for Enterprise: Sustainable Development, the UK's highest accolade for business success for economic, social and environmental achievements over a period of five years.

Further details can be found on the British Land website at [www.britishland.com](http://www.britishland.com)

Read more about **[Our response to Coronavirus](#)**