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EDITED TRANSCRIPT

FULL YEAR 2025 BRITISH LAND COMPANY PLC EARNINGS PRESENTATION

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An LSEG Business

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PRESENTATION

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

That's 9:00. So good morning, everyone. Welcome to our full year results. Great to have you here. Great to be joined by David and Kelly.

Today's agenda, we've got three parts to it. David will take you through the financials first, then Kelly, occupational investment markets. And as usual, I'll wrap up with the strategy and the outlook before we go to Q&A.

But before we do any of that, I just wanted to take a step back. I'm pretty sure that most results presentations at the moment start with referencing the volatile geopolitical backdrop. But I do think that for businesses that are nimble, this creates a real opportunity, and we've shown that this year. If you think what we've done, we started off with the sale of Meadowhall. We reinvested all of the proceeds rapidly into retail parks, replacing the earnings.

David's team issued a bond at a record tight credit spread for British Land just before Liberation Day. Then in terms of retail park activity, we bought a big portfolio, funded it with an equity placing. And then, of course, there was the pre-let to Citadel and then the JV with Moden. So we've been busy in that market.

And you'll hear today how the operational and financial momentum continues over the last few years. We've leased well across the business, 9% ahead of ERV. Together with our cost discipline and successful asset management, we've been able to grow underlying earnings by 4% and maintained earnings per share despite significant development activity. And you'll hear today how that development activity is going to be a key source of future earnings growth.

Values are up, driven by ERV growth at the top end of our guidance range. As we predicted, campuses passed an inflection point with values increasing in the second half.

We're seeing strong fundamentals in our key markets. Return to the office is in full swing. Retailers are competing aggressively for space on our retail parks and supply in both markets is very constrained. So we've continued to deploy capital into these markets.

We committed to develop 2 Finsbury Avenue and the Broadgate Tower and invested over GBP700 million into retail parks, which now represent a third of our business.

We're five years on from the first COVID lockdown. I'm struck by how differently things have played out from what was the perceived wisdom back then. Many people were convinced that work from home would be the norm and most of our shopping would be online delivered to our front doors. We were not so sure. So we sat down as a management team and we scrutinised the data coming into the business.

We also stayed very close to our customers, and we looked at what we were doing in our own lives and across British Land. Based on this, we became increasingly convinced that we could make good money by taking a contrarian position. So we kicked off 3 million square feet of office development and bought GBP1.2 billion of retail parks.

Five years on, the return to office trend is very clear, and our retail parks have never been busier or more highly occupied. This has driven strong net absorption of space in both markets. At the same time, very little has been built. The result is we're seeing above inflation rental growth on both our retail parks and at our campuses. And this is driving investor appetite back to these sectors, which is an excellent point to hand over to David.

David, over to you.

David Walker *British Land Company PLC - Chief Financial Officer*

Thank you, Simon. Good morning, everybody. It's been four years since I last presented our full year results, and it's great to be back today. I've really enjoyed reconnecting with so many of you over the last six months and very much looking forward to doing more of that over the next couple of weeks.

Before that, though, today, I'm going to talk about four things. I'm going to talk about our financial performance to the end of March, share some thoughts about how we're managing the balance sheet and allocating capital. I'll talk you through the levers I identified to drive earnings growth in the business and share some views on guidance for FY26 and the outer years beyond that. And finally, I'll update you on what's been another really good year of progress in terms of sustainability.

Let's start by going through the P&L for FY25 and first, net rents. We continue to recycle capital during the year. So the loss of income from the sale of Meadowhall and other non-core assets was offset by a subsequent investment into retail parks, including the six months of benefit of parks we bought following our equity placing in October.

Developments drive future value. And while 1 Triton Square, Broadgate Tower and 1 Appold Street moved into our development pipeline and reduced net rents in the year by GBP11 million, this was partially offset by leasing progress at our newly completed schemes at Norton Folgate and 3 Sheldon Square over at Paddington.

Surrender premium receipts added GBP9 million to net rents as we actively manage campus assets by taking back floors at 155 Bishopsgate and 20 Triton Street. And this allowed us to capture rental growth as we relet the space. And encouragingly, 88% of this space is already relet, significantly ahead of previous passing rent. There was a negative movement of GBP8 million for provisions, and this was the key driver of the increase in propex that mainly reflected the payment we received from Arcadia in FY24.

Finally, like-for-like growth added GBP10 million to net rents. So let me take you through this in a bit more detail. We delivered 3% like-for-like rental growth overall. And like-for-like growth, as you know, can be lumpy. Despite some expiries and breaks in the period, campus like-for-like rents were up 2% and up 3% when you look at our three core campuses. It was driven by good leasing across the portfolio, including deals in buildings such as 338 Euston Road and 155 Bishopsgate. Overall, our campus leasing versus previous passing rent was positive 21.8%.

It's been another strong year for our retail business. Like-for-like growth was 5% as we capitalised on the excellent supply-demand dynamics in retail parks. Kelly will go through the detail of our leasing in more detail later.

As you know, increasing fee income and managing costs is a key focus for us. Fees and other income grew to GBP25 million in the year, and we now earn the full fee from managing Meadowhall and further fees from campus joint ventures. We delivered a GBP5 million reduction in admin costs, which are now down over 8% in the last three years despite the inflationary environment. And as a result, our EPRA cost ratio is 17.5%.

Net finance costs were also GBP5 million lower as the impact of sales over the last two years was partially offset by development spend. In addition, our hedging continues to mitigate against higher market rates and our weighted average interest rate at the end of March was 3.6%. Bringing this all together, we delivered underlying profit of GBP279 million. That's up 4%.

Underlying EPS was 28.5p, in line with last year as the profit growth we delivered fully offset the negative impact of taking properties into development. As a result, the dividend for the year is unchanged at 22.8p per share. That's in line with our policy of paying out 80% of underlying EPS.

Turning now to the balance sheet, which is in good shape. NTA is up, and our debt metrics remain within our internal ranges. There was an inflection point in property values during the year, which were up 1.6% overall, adding 13p to NTA. This more than offset the impact of the equity placing, which funded the earnings accretive acquisition of retail parks, but reduced NTA by 11p. You'll hear from Kelly shortly the detail of these value moves, including how well these retail parks are performing for us so far.

Underlying profit increased NTA by 27p, which was partially offset by the dividend and other movements, resulting in NTA per share of 567p at the year-end and a total accounting return of 5%. We manage the balance sheet to ensure it remains strong and resilient, providing the business with a platform for growth, so we can take advantage of opportunities as they arise. And we're guided by our financing principles, which you can see here on slide 12.

First, we work to ensure we have a diverse range of funding options available to us. And this year, we've enhanced this diversity with over GBP2 billion of financing activity, including our new sterling bond.

Second, we focus on ensuring our debt has the right level of flexibility, and that's where we benefit from our use of RCFs, which we can draw down on or repay rapidly as required. We maintain a mix of secured and unsecured debt across the business and the maturity profile is well phased.

So based on our current commitments, we have no requirement to refinance until late 2028. That provides the liquidity and stability we need to take the long-term decisions that drive growth.

Finally, we're focused on maintaining strong balance sheet metrics. We know that's important to our investors, our lenders, and rating agencies as we maintain our A rating from Fitch.

So moving onto our financing activity and those debt metrics in more detail. As you can see, we've again been very active in the debt markets. That includes GBP1 billion of new unsecured RCFs and the extension of a further GBP700 million of facilities.

In March, we successfully issued a seven year GBP300 million unsecured sterling bond. Rated A, the bond was 3 times oversubscribed and priced at 98 basis points above gilts as we acted to capitalise on these attractive spreads. These transactions have further diversified our sources of finance, extended our debt maturity profile and improved our liquidity. So they're very much aligned to the principles I just described.

And we ended the year with GBP1.8 billion of undrawn facilities and cash. Net debt at the year-end was GBP3.6 billion. Our LTV was 38.1% and net debt to EBITDA on a group basis was 8 times. Now while these metrics are at the upper end of our internal ranges, we feel comfortable at this point in the cycle and expect them to reduce over time with values inflecting, income to come from our development pipeline, and a continued focus on capital recycling.

If I take net debt to EBITDA, for example, the acquisitions we made in FY25 and the expected financing of JV developments when they complete will reduce the ratio to around 7 times on a normalised basis. These balance sheet metrics provide the framework that we use to take capital allocation decisions. We dispassionately recycle capital from mature, lower returning or non-core assets into higher returning opportunities. Currently, that means retail parks and best-in-class office developments.

All of our capital allocation decisions are returns focused and anchored to our cost of capital. Today, that's around 8% with appropriate risk premiums applied for each subsector. If we have capital employed that does not beat these hurdles, we look to recycle it through sales or share risk and accelerate returns through the use of third-party capital. You've seen us do this pretty proactively over the last few years, in each case, at the right point of the asset life cycle.

This slide highlights some of the key activity we've undertaken in the last year. Simon will go through it in a bit more detail later.

As you know, we target 8% to 10% total accounting returns over the medium term. And to be clear, we see this target as income focused. Given that, I wanted to talk you through the levers I identify to drive earnings growth, like-for-like rental growth, leasing of our developments, a rigorous control of costs, active capital recycling, and linked to that, increasing fee income. These are the things we focus on as a team.

So let me take each of them in turn. First, like-for-like rental growth as we capitalise on the strong fundamentals in our core markets to drive rents in the standing portfolio. This is the engine room of our business. We expect to deliver around GBP3 million of incremental net rents for every 1% like-for-like growth, and we expect growth of 3% to 5% in FY26.

Leasing our development pipeline is the second earnings lever as new developments complete and come on stream into a market, which is supply constrained, but where the demand for best-in-class space we create continues to strengthen. Our committed developments are expected to deliver around 5p of EPS with 80% of this or 4p coming through by the end of FY27.

Third, I will retain a rigorous focus on cost control, as I'm sure you would expect, and that includes admin costs, which we reduced by GBP5 million in FY25. Over the last six months, I've completed a thorough review of our cost base. And as a result, we've taken more action to reduce costs since the end of March with an expected benefit of a further GBP5 million on an annualised basis. These latest savings will improve efficiency and productivity. So I expect admin costs to be below GBP80 million for FY26, helping to offset any cost inflation and the selective investments we make to drive growth.

Alongside admin costs, we also actively manage our finance costs with well-timed issuance like this year's bond and the benefits of our existing hedging. Our active approach to interest rate management is something that we will also, of course, continue.

Capital recycling is a material earnings growth lever as we exit lower returning assets and quickly redeploy into higher returning opportunities. Importantly, when we acquire new assets, we integrate them at minimal incremental cost, just as we did with the 15 retail parks we bought in FY25. This drives an attractive conversion rate being the drop-through from those incremental net rents into underlying profit and cash.

As the fifth and final lever, we will work with existing and new JV partners to increase fee income as we did most recently at 2 Finsbury Avenue. Fee income is currently GBP25 million, and I expect this to grow by 10% a year going forward. And again, the vast majority of this will drop to the bottom line as we capitalise on the strength of the platform. These five levers of growth play firmly to our strengths, and they will increase earnings trajectory over the medium term with a strong focus on cash generation.

So turning to earnings guidance. Our immediate focus is delivering on the levers I just described, especially driving like-for-like, leasing up developments and controlling costs. And we will also benefit from the full year impact of our FY25 acquisitions, including the retail parks we bought in October alongside the placing.

FY26 does, however, have a number of moving parts as we progress our committed developments, lease up our completed schemes, grow fee income and see an increase in finance costs. Taking all of that into account, we currently expect EPS for FY26 to be broadly flat, which equates to underlying profit growth of around 2%.

But looking further ahead, we expect to deliver 3% to 6% earnings growth in subsequent years, and we would anticipate being towards the top end of that range in FY27 as we benefit from our development pipeline, adding 4p to EPS.

Now moving on to sustainability. During my five years responsible for sustainability I've worked tirelessly to ensure our approach has always been viewed through a commercial lens. And these 2030 targets were very much set in that context.

Sustainability is embedded in how we do business, and it gives us a real competitive advantage. There is growing evidence that more sustainable buildings, not only let quicker at higher rents, but are worth more and are more liquid in the investment market.

That's why EPCs have been a focus. They're widely seen in the market as a key indicator of the sustainability credentials of a building. And here, we've had another strong year with A or B ratings now at 68%, up from just 36%, three years ago. We've spent a total of GBP26 million to achieve this so far and recovered around 70% of that through the service charge by making thoughtful interventions, working closely with our customers at the right times.

Our efforts in sustainability are consistently recognised by a number of industry bodies, including GRESB. We've retained our 5 star rating in their annual survey, outperforming last year's scores for standing investments and developments, where we scored a perfect 100 out of 100.

So, to summarise, we've delivered earnings ahead of consensus with good like-for-like rental growth and rigorous cost control, offsetting the impact of our active development programme. Our financial position remains strong and flexible, giving us the platform we need to grow and the ability to act quickly when opportunities arise. We have a consistent, clear strategy, and deliverable levers of earnings growth that play to our competitive strengths. So we look ahead with confidence.

Kelly.

Kelly Cleveland *British Land Company PLC - Head of Real Estate & Investment*

Thank you, David, and good morning, everyone. Last time I was up here, I was only a few weeks into the role. So I am delighted to be back and able to present a strong first full year set of occupational and investment activity.

I'll start with valuations, which are up 1.6% overall, driven by above inflation rental growth of 4.9% and at the top end of our guided range of 3% to 5%. On our campuses, values were down 0.8%. But as we predicted, they have passed an inflection point with values up 0.8% in the second half. This was largely driven by developments, which were up 3.2% in the second half.

The value of our retail park portfolio was up 7.1% due to inward yield shift of 32 basis points and strong ERV growth of 6%, exceeding our full year guidance. Shopping centers and other retail was up 2.1%. London urban logistics values declined by 4.9% based on outward yield shift of 13 basis points. ERV growth on the standing portfolio was 0.8% in the year with performance impacted by the small size of the portfolio and lack of lease events.

So let's turn now to offices and the market backdrop. Demand continues to focus on the best space in the core. If you compare the first quarter this calendar year with the same quarter last year, take-up of new and recently refurbished space in Central London is up 29% and in the City core has more than doubled. Looking forward, it's also positive.

Under offers in the City are 23% ahead of the 10-year average and active requirements for over 100,000 square feet are at a record high. And it's quite stark when you see the charts on the right-hand side here, giving us confidence that growth will continue.

The graph on this slide demonstrates what we've been saying about location. Best-in-class offices within a five minute walk of Liverpool Street Station have delivered significantly more rental growth than those even just a 5 to 15-minute walk from the station. And that shows the huge benefit that occupiers see in having the most accessible locations in London.

We've talked before about strong demand for new space in core locations, and that new space is in very short supply. As a result, existing space in these locations is increasingly sought after and availability is declining. Availability of existing stock in the City has declined by 21% since 2023. Availability of sublet space has declined 66% since the peak in 2021. And rents are increasing.

You can see this on the right-hand side, which shows our recent deals on existing space at Broadgate. The depth of demand is such that we expect this trend to continue in the medium term.

Against the positive occupational backdrop, we have delivered an excellent leasing performance with deals on 1.5 million square feet, double the volume of last year and 7.5% ahead of ERV. This includes 0.5 million square feet of renewals and regears, demonstrating the demand for existing assets in core locations.

Excluding new space and under offers, campus occupancy is reassuringly stable at 97%. EPRA occupancy has increased from 78% to 83% with the majority of vacancy being recently delivered space, which is also the most sought-after space. We have 250,000 square feet under offer, 9.2% ahead of ERV with active negotiations on a further 1.7 million square feet.

We are well positioned to benefit from the lack of supply of best-in-class office as we're delivering over 2 million square feet of new space over the next three years. We kept momentum on our developments despite the challenges of COVID, supply chain disruption and inflation, and this is paying off. At Broadgate, we're delivering 1.7 million square feet, 63% of which is already pre-let or under option, including the 380,000 square feet pre-let Citadel during the year.

At Regent’s Place, we're positioning the campus for science and tech occupiers given its location in the Knowledge Quarter, and Simon will cover this in more detail later.

And in Cambridge, we've let all of the Optic on a 20-year lease with CPI uplifts. And this is a site that we purchased in FY23, and we've turned it around in just over two years. That really demonstrates the capabilities of our deeply experienced teams. We've bought it, built it and leased it well.

Turning to the office investment market. We all know it has been challenging, but is turning a corner. If you cast your mind back to early 2023, the feeling was that the City was in decline and demand was concentrated in the West End. Volumes were down, demand limited to small lots, and rents were forecast to fall 20%. We've seen them rather rise by nearly that same amount. As a result, we're now seeing the investment market catch up.

In the whole of 2024, there were just 10 deals over GBP100 million. Already in just the first quarter of this year, there have been seven. This includes our own deal in January, where we sold 50% of our stake in 2 Finsbury Avenue to Modon, 10% above book value. I'm reassured that investors like Modon see London as a safe haven with strong rental growth supported by a 4% five-year swap.

Moving onto retail. Our parks continue to perform strongly. We completed 1.1 million square feet of leasing in the year, 9.6% ahead of ERV. And we have a further 0.5 million square feet under offer, 11% ahead of ERV. The portfolio remains virtually full at 99%, driven in part by a 93% retention rate for those with breaks or expiries in the year.

Retail parks are the most efficient format for most of our occupiers, which is incredibly important considering cost pressures on the retail sector.

Importantly, there was no drop in leasing transactions after the autumn budget. And you can see here, it was quite the opposite. Second half volumes were more than double those of the first half, and we have a further 0.5 million square foot under offer, really demonstrating the affordability of the format as well as the competition for space.

We've said before that we acquire well due to the scale of our retail portfolio and our experience, which gives us a competitive edge for underwriting deals. During the year, we bought 15 retail parks worth over GBP700 million at a yield of 7%.

We've leased or regeared 110,000 square feet across these parks, 3% ahead of our underwrite. And as an example, we bought Didcot in September. And since then, we made a key letting to Mountain Warehouse, who upsized to a unit that hadn't been let since 2017.

Hotel Chocolat then backfilled their space, highlighting demand beyond traditional retail park occupiers. And we're pleased that footfall in the second half was up 6% like-for-like to the prior year.

Turning now to logistics. The long-term fundamentals of the sector remain strong and logistics vacancy in London is very low. For Zone 1 to 2 urban logistics, it's just 0.2%, and this is where we're delivering our first developments, starting with Mandela Way in Southwark.

Further out in East London, vacancy has increased while the fundamentals in retail parks have strengthened. So last month, we took the decision to keep Thurrock as a retail park.

We already have 78% of the space let or under offer and expect to reach near full occupancy over summer. In the meantime, we continue to generate good rental income on the logistics standing portfolio.

So I'd like to leave you with three things. First, our portfolio has passed an inflection point with values up, driven by strong ERV growth at the top end of our guidance. Second, demand for existing London office space in the best location is now growing due to a shortage of new space, as shown by our second highest volume of leasing deals in at least 15 years. And finally, as the market leader in retail parks, we're driving real value, including from our new acquisitions with footfall, sales, rents, values, and total returns all up year-on-year.

Thank you very much. I'd also like to thank the team for a great six months. Now back to Simon.

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Thanks, Kelly. As I said earlier, the return to the office is very much in full swing. Occupancy on our campuses from Tuesday to Thursday is back at pre-COVID levels, as you can see on this slide. And Monday is increasingly closing the gap on the middle of the week, probably safe to assume that Fridays will remain quieter.

So what does the return to the office mean for our portfolio? You've just heard from Kelly about the strong demand for new space in the core, but supply is very constrained, particularly in the City. You've seen this graph before. We estimate a 5 million square foot shortfall of new or substantially refurbished space to the period to 2029 in the City. As a result, rents are growing strongly. At Broadgate, for example, we've seen asking rents at 2 Finsbury Avenue increase by 10% to 15% since Citadel last year.

Cushman & Wakefield are forecasting rents for this type of space to grow by a further 8% per annum to 2028. So we're making the most of this favourable window by accelerating development, often with the help of third-party capital. Just as we did at 2 Finsbury Avenue in January through a new JV with Modon Properties. The GBP100 million consideration has crystallised part of the profits from the pre-let and also placing the main build contract.

And we're recycling the proceeds into the Broadgate Tower refurbishment. Here, we're capitalising on a shortage of tower floors in the City. The scheme is expected to complete in late 2026 when supply is particularly tight with just 12 floors available. We expect to attract occupiers looking for well-located, high-quality space in a thriving campus environment. And we're already responding to requests on over 100,000 square feet.

We plan to replicate the overall success of Broadgate at Regent's Place. Like Broadgate, it benefits from some great transport connections, which will be further enhanced by HS2. It also benefits from its proximity to a unique cluster of world-leading institutions, as you can see on this slide. The Knowledge Quarter is growing about 50% faster than the rest of the London economy. This is driven by the science and tech sectors, especially where AI crosses over with medicine.

Based on these factors, we believe that Regent's Place has huge potential. It's perhaps 5 to 10 years behind Broadgate in terms of amenities, public realm and world-class buildings. So we were delighted to receive a thumbs up from the planners for the Euston Tower. As you know, office towers and large floor plates are very rare in the West End. This 31-story scheme has both. It's been designed by the award-winning 3XN who also designed 2 Finsbury Avenue.

So we expect it to lease well, deliver a yield on cost of 7% with an unlevered IRR in the mid-teens. We will look to bring in a partner given the scale of the scheme. And we have a strong track record of doing this with world-leading institutions who are attracted by our development and asset management expertise. Bringing in partners allows us to accelerate development, share risk and earn valuable development management fees. It's one of our key strengths.

You heard from Kelly that there's a supply crunch for new space in the core. So this unfulfilled demand is now targeting good existing stock in these locations. Second-hand availability is down sharply and rents are rising. We think this will be the dominant theme but some more price-sensitive occupiers who still want to secure a new building are adding emerging locations to their searches.

These markets have been quiet since COVID, but leasing activity for new space has more than doubled since 2023, albeit from a low base. And we are seeing increasing inquiries and negotiations for the space we've just delivered at Canada Water. The first phase here is now nearing completion. The placemaking is really beginning to take shape.

A new dock and board walk form the centerpiece of the scheme and our cultural hub, Corner Corner, opened last month. It's already had 100,000 visitors with another GBP0.5 million expected by the end of the year. We're seeing increased interest in the recently delivered Dock Shed. We're under offer with our first occupier and in active conversations on 180,000 square feet. We've sold 46 residential units at an average of GBP1,250 per square foot, ahead of our underwrite. We expect sales velocity to increase when we reach completion later this summer.

Let's move now to the parks, where occupational fundamentals have continued to strengthen since we first identified the opportunity four years ago. The affordability, accessibility and adaptability of parks means a wide range of retailers are competing for space, leading to strong net absorption. Increased costs for retailers are likely to accelerate the shift from the high street and secondary shopping centers to this more cost-efficient format.

There's been virtually no new supply of retail parks over the last 10 years, as you can see here. And it seems unlikely this picture will change given restrictions on out-of-town planning and values below replacement cost. For example, we bought assets this year at an average of GBP250 per square foot compared to an estimated build cost of around GBP400 per square foot, and that excludes the land. With increasing demand, no new supply, it's obvious what is happening. Rents are growing strongly.

This rental growth, together with attractive yields, limited capital expenditure requirements and liquid lot sizes makes parks a conviction sector for us. The investment market is more competitive, but we have a clear edge underwriting schemes given the scale and breadth of our retailer relationships. We're very happy to take leasing risk because we only buy good trading locations.

Let's look ahead to the outlook. Liquidity in our markets continued to improve during the year, supported by the strong occupational fundamentals, but heightened geopolitical and macro uncertainty continues. Against this backdrop, our portfolio's cash flow predictability and above inflation rental growth are increasingly important. The favourable supply-demand picture you've heard about gives us confidence in our continued guidance of 3% to 5% rental growth across our portfolio.

Assuming medium-term interest rates do not increase materially, we think investment markets will continue to improve. We're already seeing good activity for the parks, and we expect it to increase for larger offices. Our focus is on driving earnings through the five levers David talked about. These translate into the capital priorities you can see here. At our campuses, we'll continue to recycle out of mature offices into super prime developments, bringing in partners to accelerate delivery and earn valuable fees.

We will grow our retail park business if we can continue to invest at attractive yields and below replacement cost. Before we finish up, I'd just like to emphasise a few points. If it's not clear already, we're in markets with favourable supply-demand dynamics. We create additional value through our development and asset management. And with a portfolio yield over 6%, strong rental growth prospects and development upside, we remain very well placed to deliver attractive returns going forward.

QUESTIONS AND ANSWERS

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Thank you for listening. We will now come on to the stage and take your Q&A. Kelly, David, if you want to join me.

I think we'll start with -- hand up already. I was going to say we'll start with taking questions in the room. So Rob, you're ready.

Robert Jones *BNP Paribas Exane - Analyst*

Rob Jones from BNP Paribas. I've got three. Simon, you just talked about markets with favourable demand supply dynamics where you're located. We've had quite a few inbound questions from investors in the last couple of months or so, around life sciences and a bit of nervousness there. I wonder if you could give any kind of color or comments around interest you're still seeing in the element of your portfolio where that's relevant. Do you want to do all the questions or one at a time?

Question two is, I appreciate it's a small part of the portfolio, but do you think that London urban logistics asset values have now troughed? And then, David, the last one on cost control. I was pleased to see strong cost control this morning from a breakfast provision perspective.

David Walker *British Land Company PLC - Chief Financial Officer*

It's been a root and branch review, Rob.

Robert Jones *BNP Paribas Exane - Analyst*

We've not got the punch line yet. When I nipped over to the (inaudible) breakfast to get a croissant, I was wondering of the GBP5 million of '26 cost savings that you talk about, A, where that comes from; and B, where you think about a medium-term EPRA cost ratio? Thanks.

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

So I'll take the first two of those. So life science market, as you know, there was a reduction in VC funding from the peaks it reached during COVID. It was at very, very high levels. It then came down in '22. It started to rise again, and it's not far behind where it was just before COVID. I do think the important point, and we always make this one, is it's a science and tech strategy as opposed to a life science one.

And I think that's really important when you look at Regent's Place. It's more a broader medicine, actually, life sciences and medicine, but what really is working well at the moment is where that crosses over with AI. So we've leased a lot of space this year to AI businesses. We did the deal with Synthesia. We've now got seven of them on the campus. And that's what makes that part of London special.

And I do think as we look ahead that the demand is going to continue to grow in that space. And as you saw and Kelly mentioned at the Optic, we leased that building to Arm. That's a chip designer, driven by what's happening in the AI space. So that seems to be the theme where technology meets medicine in our business.

And then on urban logistics values and whether they've troughed, I think they have, the occupational markets are a bit weaker. We're seeing more net absorption of space in retail parks and in offices than you're seeing across logistics in the UK. I think everyone is aware of that. Vacancy has gone up, but at a 5% equivalent yield. And when we look at our schemes, the prospective returns look good on those because it's a development-led portfolio.

David Walker *British Land Company PLC - Chief Financial Officer*

On costs? Yeah. Thank you. So really pleased to have seen the cost base come down by GBP5 million in FY25. As I said in my remarks, since March, we've had a look across everything and found another GBP5 million on an annualised basis. In terms of where that's come from, that's been across the business. So we've tried to look at areas where we think we can drive and improve efficiency and productivity.

As I said, though, that doesn't mean we're not investing and maintaining capacity in those areas which can drive growth. We absolutely will do that, but it's not job done. So there'll be more to go. I think what you should expect from me is a kind of rigorous continuous focus on efficiency, productivity, and that means cost.

EPRA cost ratio, 17.5% for the end of the year. It's a key metric for us that we look at. I think there is scope for that to come down further, but it's a two-sided coin. So on the one hand, it's the control of costs. On the other hand, it's driving income and driving fee income, and we're focused on both of those things moving forward.

Adam Shapton *Green Street Advisors - Analyst*

Good morning. Adam Shapton from Green Street. I don't have a gag as good as Rob, I'm afraid. Two on -- and they're sort of interrelated to some extent. So on retail parks remains a capital allocation priority to acquire more. I think that you commented, Simon, that the market is getting more competitive as US REIT money as well as other sources chasing a lot of the stock. Could you just expand on that a little bit, how broad the opportunity is at the kind of ungeared IRRs that you quote for the portfolio?

And then on your GRI guidance towards the back of the deck, very helpful. Can you comment on whether there's any assumptions about acquisitions of retail parks or any other income-generating assets?

And then also within that, maybe expand a bit on what you assume for lease-up of Norton Folgate and other AMIs and recently completed developments, just to give a bit more color around that.

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Sure. I will take the first one, Adam, and hand over to Kelly. I think in terms of the return outlook on the parks, if we're investing at 6.75%, 7% yields with that 3% to 5% rental growth, and that's giving us a good double-digit IRR, and that's before any potential yield compression. In terms of our ability to deploy, Kelly, do you want to talk to that?

Kelly Cleveland *British Land Company PLC - Head of Real Estate & Investment*

Yeah. And we see good future returns from the retail parks. The opportunities are out there. There is a slightly busier investment market, more core capital and core plus chasing, but we have the ability to generate extra returns from our asset management ability. So we can still see those opportunities.

David Walker *British Land Company PLC - Chief Financial Officer*

Hi Adam. So no capital activity assumed in the guidance, but you should expect us to remain active in that respect. I think the long-term average or the average over the recent years is not a bad guide to that. As we do that, as I described, we're looking to take advantage of that yield gap between what we sell and what we buy. So crudely, if we're able to deliver that, this kind of, call it, GBP1.5 million for every GBP100 million that we recycle moving forward.

In terms of lease-up assumptions, yeah, we're fairly conservative, but I think realistic in our guidance. We benefit from 1 Broadgate and the Optic completing, but the Optic fully pre-let to Arm, 1 Broadgate ostensibly pre-let to JLL and A&O. So that's locked in.

When it comes to the other big schemes through this year, we expect Norton Folgate to be full by year-end. We think at Canada Water, it's a third to half full by the end of the year.

Adam Shapton *Green Street Advisors - Analyst*

Very helpful, thank you.

Maxwell Nimmo *Deutsche Bank AG - Analyst*

Hi there. It's Maxwell at Deutsche Numis. Just one question, if I can, on -- you talked about your cost of capital around 8%. I'm just interested, I appreciate it's not an exact science but just trying to understand how you think about that and how you come to that sort of 8%?

David Walker *British Land Company PLC - Chief Financial Officer*

Sure. So looking at our marginal cost of debt moving forward, looking at the risk-free rate and market risk premium applied to our sector gets to around 8%. It's something we look at on a fairly regular basis. Clearly, it's changed over time. I wanted to give you a view of where we think it is, so that you can get a better idea of how we make those capital allocation decisions and the return hurdles that we look at, but it's standard stuff around risk-free rate plus beta plus a bit of risk premium for our different sources of capital.

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

And that kind of translates into standing investments as I indicated on the retail parks, we want to be in double-digit territory. And then on our developments, we're in the teens for those. And as you can see on our more recent commitments like the Broadgate Tower, we're in the high teens, mid-teens. That's the kind of range we're in, delivering yields on costs that are 7.5%, 8%. So I think that is exceeding our cost of capital nicely.

Maxwell Nimmo *Deutsche Bank AG - Analyst*

Great. Thank you. And just one other, if I can. Just on Canada Water, as you talked about the lease-up there. Just so I get a sense, is that broadly in line with your expectations? Or is it taking a little bit longer than you thought? Or how are you finding that?

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Canada Water, we've literally only just delivered the first building, and we'd assumed a 12-to-18-month lease-up period. So the first building completed two months ago. And I think we're really pleased to have 180,000 square foot of space. I expected the market to be quieter. I kind of alluded to that, that we've seen demand very much in the core, but we're now beginning to see this ripple effect.

And I don't know whether it's because we've now PC'd the building and it's the normal quality you'd expect from British Land. It looks fantastic and the placemaking that's meaning that these conversations are now really starting. We always felt it would be on delivery. So yeah, we've got to convert those negotiations into deals, but it feels pretty good for this point.

Maxwell Nimmo *Deutsche Bank AG - Analyst*

Great, thank you.

Sam Knott *Kolytics - Analyst*

Thanks. It's Sam Knott from Kolytics. Just on your earnings of longer-term guidance, can you maybe help me understand, you've got this 3% to 5% top line growth and then you'd expect a positive impact from your leverage from reinvesting retained earnings, but then your bottom-line growth is very similar 3% to 6% long-term guidance. So is that just very conservative? Or are there sort of -- are we expecting slower growth? Or is there something material negative that I've missed?

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Prudent, but David, you could explain.

David Walker *British Land Company PLC - Chief Financial Officer*

No, I don't think there's anything that you've missed. I've outlined the levers that we think we're going to drive growth going forward. But the principal thing to bear in mind is what I've described about the interim to come from developments, 4p of that income to come in FY27. That's the current committed schemes. So I've talked through the leasing assumptions that we make. I've talked through the 3% to 5% growth in like-for-like rents. There will be the lease-up of developments and capital activity, which will contribute to that rental line.

Our focus then is on how much of that do we convert into underlying profit and cash. And that's about driving fee income, which I described in my remarks. It's about controlling costs, mitigating any increases in finance costs. They're the levers. I think, are they conservative? That will be for you to decide. I think we've taken appropriate assumptions, and we've tried to provide medium-term guidance that you can go away and model and think about.

Sam Knott *Kolytics - Analyst*

Thank you.

Zachary Gauge *UBS Investment Bank - Analyst*

Thanks, morning everyone. It's Zackary Gauge from UBS. A couple of questions on guidance, one backward-looking and one more forward-looking. So in FY25, your GRI guidance at the midyear point was GBP485 million to GBP495 million, if I'm not mistaken. You came in at GBP484 million, so slightly below. Could you just touch on what did happen or didn't happen over the six months that would have needed to happen to get to sort of the middle or the upper point of that range?

And then second question is really following on from the GRI guidance for FY26. If you're at GBP484 million and we take 3% as the lowest range of like-for-like, you get to basically GBP500 million. Your bottom range is GBP520 million. I'm just eyeballing these numbers, and I know there's incentives to take into account. But if I look at the guaranteed income to come through from developments, you should be basically at GBP520 million just from that.

It kind of feeds some of the other questions, but are we sort of missing something on the lease-up here that means that these numbers should be a little bit better. Obviously, you're below consensus on FY26 or consensus for FY26 earnings. There just seems to be a lot of rent in this development table that I think people were expecting to come through. So are we missing something? Or is there something else at play there?

David Walker *British Land Company PLC - Chief Financial Officer*

I think in terms of FY25, Zach, it's just the timing and phasing of the leasing activity that we've seen through the second half. I mean the numbers you described are broadly in line. It's timing and phasing of when those deals come through.

Looking ahead, no, I don't think you've missed anything. So like-for-like applies to standing portfolio only. So as you say. So on top of that, you need to add income to come from the developments as they lease up. I've outlined the main movers in terms of developments phasing through the year, the amount that we know we have locked in at 1 Broadgate and the Optic and the assumptions we've made about Norton Folgate and Canada Water. They are the moving parts that drive into that range, and it's a range of GRI guidance for FY26 and beyond.

Unidentified Participant

Good morning. My name [Jacob from Bernstein]. I've got a couple of questions. The first one is a follow-up on Canada Water. You talk about your assumption on offices. If you could share what you're underwriting for residential.

And my second question is on Storey. I see that if we include Storey, the like-for-like is 1% below. So if you could share what's been happening there? And what is your assumption going forward? Thank you.

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Kelly, do you want to take the question on Canada Water?

Kelly Cleveland *British Land Company PLC - Head of Real Estate & Investment*

Yes, that's on Canada Water rents and timing. Yeah, I think Simon has answered the question on Canada Water leasing timing. Or are you asking about something else? (inaudible) On the residential, Simon, do you want to pick that one up?

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Yeah. So residential, we're selling the units at GBP1,250 a square foot. That's ahead of our underwrite. Velocity has been slower across London, as you know, we will get to practical completion in the summer. I mean we're expecting to see an increase then. But yeah, good to see the pricing well ahead of where our underwrite was. And then were you asking about the residential -- sorry, the office rental levels or just the residential?

Unidentified Participant

Sorry, I was just asking about the residential. I mean, how long do you think it's going to take you to selling everything?

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Of the first phase, we would expect to be sold within about a year, we would expect to be. We have 46 units out of about 180 at this stage. And as I said, I think the pace will increase once you can see the product, which you can now.

David Walker *British Land Company PLC - Chief Financial Officer*

Then just on Storey like-for-like. It's a relatively small part of the business so it can be quite lumpy. The big driver of that like-for-like move in the year is at 1 Finsbury Avenue. That sits between two pretty big development schemes, which has caused somewhat of a challenge.

Historically, we feel pretty good about that going forward. Storey occupancy is now at 97%, good interest now in that space. So we feel pretty good about that moving forward. But, yes, 10% down on like-for-like. It's GBP1 million.

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

And it should be very positive in the current financial year because of that lease up to 97% in the portfolio.

Any other questions in the room?

No. I think if we go to the lines, if we've got any questions, it looks like we have.

Operator

(Operator Instructions)

Jonathan Kownator, Goldman Sachs.

Jonathan Kownator ***Goldman Sachs Group, Inc. - Analyst***

Good morning. Thank you for taking my question. Sorry, honing in on the same questions on the 2026 guidance. Are there any buildings where you're losing rents from sort of your latest levels, maybe on Broadgate Tower, other areas where you think you're losing rent that we need to be aware of?

Simon Carter ***British Land Company PLC - Chief Executive Officer, Executive Director***

Morning, Jonathan, I'll hand that to David, but I don't think so. Basically, it's going to be lease up of the developments in '26. That's the name of the game.

David Walker ***British Land Company PLC - Chief Financial Officer***

That's exactly right. And within those developments, you've got the committed schemes, which we're going to complete over time. We've got the schemes which are finished, which Kelly has described, we're focused on leasing up. You've got the schemes that we have moved into development. So there are three categories, but no, there's nothing untoward that you've missed.

Jonathan Kownator ***Goldman Sachs Group, Inc. - Analyst***

But the -- sorry, were there buildings which are moving into development which were income producing into in the last year?

David Walker ***British Land Company PLC - Chief Financial Officer***

Yeah, I talked about in my remarks, some of the buildings which that would apply to. 1 Appold Street would be an example.

Jonathan Kownator ***Goldman Sachs Group, Inc. - Analyst***

Okay, alright. Yeah, it would be good to circle back on these amounts. Thank you.

Simon Carter ***British Land Company PLC - Chief Executive Officer, Executive Director***

Any other questions on the line?

No, have we got any questions on the webcast? One question. Do you want to take that one?

Unidentified Company Representative

Yeah, from [Vince Cylia from Kempen]

Given the strong retail performance in parks, it would be fair to assume yields tighten further. Would you consider acquiring other asset types? And where are you prepared to take leverage in the short term if attractive opportunities arise?

Simon Carter ***British Land Company PLC - Chief Executive Officer, Executive Director***

We don't assume any yield compression in our underwrites, I alluded to earlier. Where yields head will be a little bit dependent on interest rates, but I do think with that very strong occupational outlook and the fact that you're returning above where people are seeing cost of capital, it is reasonable to assume we will see some further yield shift. We may look to take advantage of that with some disposals. We disposed of some assets during the period in our retail parks. We sold Woking at about a 5% yield, which was a very good return for us.

And in terms of future acquisitions, we like assets, as I alluded to, with good cash flow, good AFFO that comes through to the bottom line where we see the same supply-demand fundamentals. So adjacencies, yes, we would absolutely look at. But today, we're buying parks at good yields with good rental growth prospects. So that's probably the dominant use of capital on the investment side.

David Walker *British Land Company PLC - Chief Financial Officer*

Shall I pick up on the balance sheet? So yeah, as I described, we manage the balance sheet exactly to provide a platform so that we can take advantage of opportunities as they arrive to drive growth. Were the right opportunity to come along, we would flex that but capital recycling is the key way we want to fund growth in the business. So only if we have visibility into those disposals, including the example that Simon described.

Simon Carter *British Land Company PLC - Chief Executive Officer, Executive Director*

Great. No more questions. Any more in the room? No. Good. Well, thank you very much for your time. Look forward to seeing many of you on the Roadshow over the next couple of weeks. Thanks very much.

David Walker *British Land Company PLC - Chief Financial Officer*

Thank you.

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