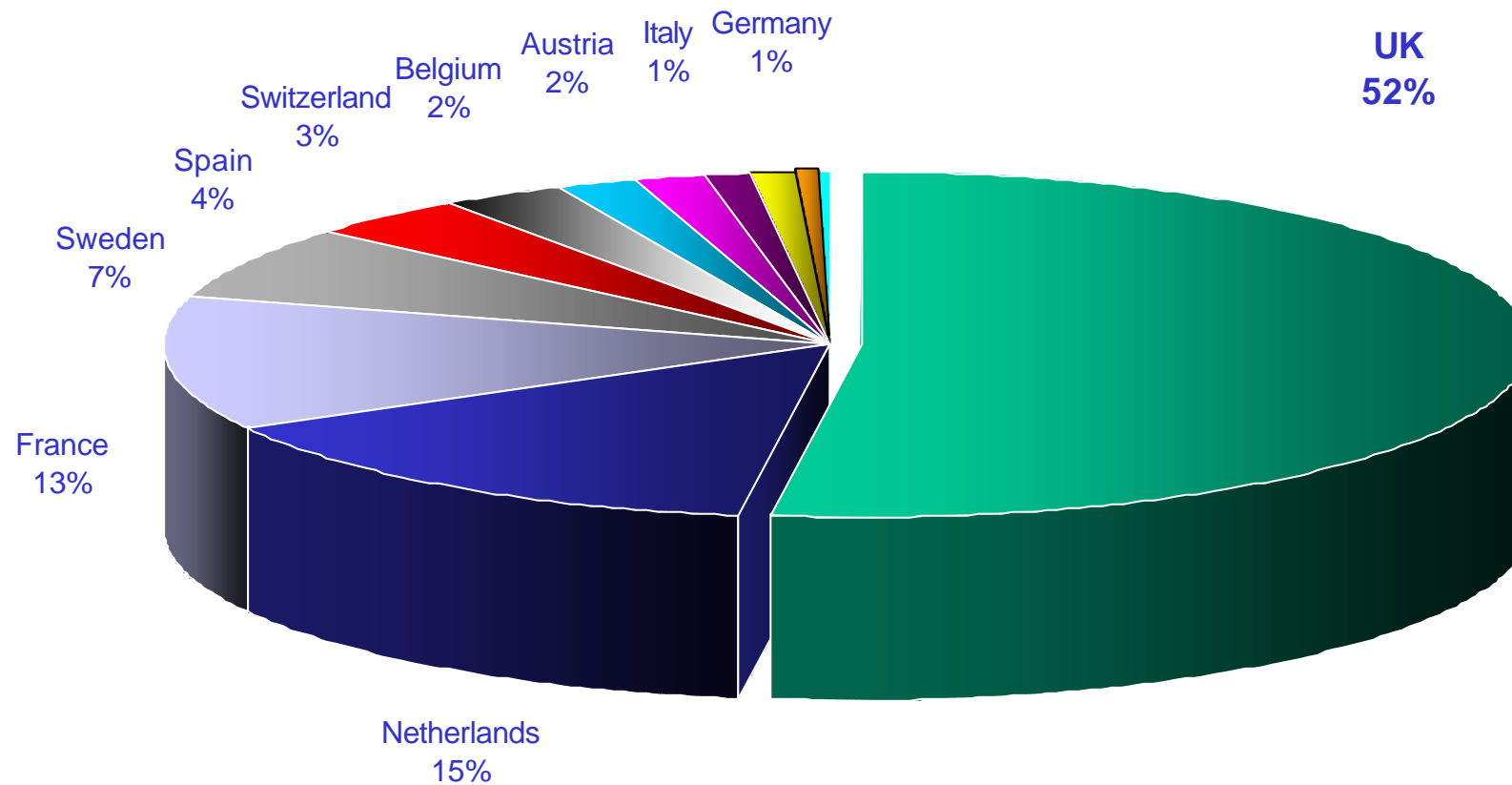




# Real Estate Share Initiative Conference

14<sup>th</sup> October 2002

# European Quoted Property Sector



Source: EPRA Europe Index – Country Breakdown: 30 Sept 2002, By market capitalisation

# EPRA: UK Index

- 34 companies valued at c. £16.7bn
- Average dividend yield 3.4%
- Top 6 companies (> £1bn market cap) account for c. 70%
- Long tail of smaller companies
  - 20 companies (< £200m market cap) account for c.15%

# UK Property – Relative Attractions

- UK lease structure
  - 25 year institutional leases (fully tenant repairing and insuring)
  - Upward only rent reviews
  - Priority creditor
  - Arbitration procedures
  - Privity of contract
  - Changing future leases?: Code of practice
- Restrictive planning system
  - Politically neutral
  - Value enhancement

# UK Property Market

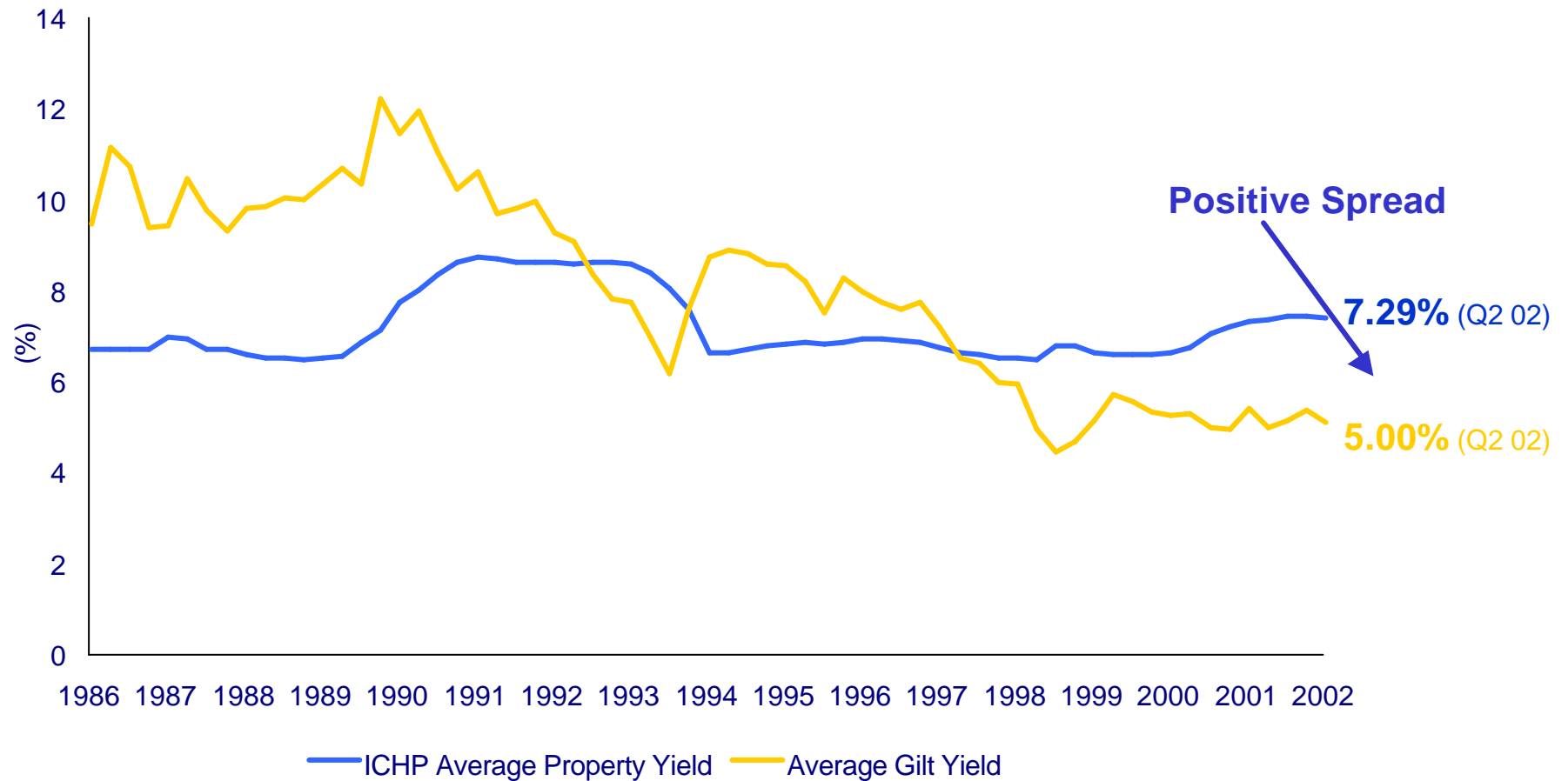
- Best performing asset class over the last 1, 3, 5 and 10 years
- Relative to gilts and equities, the implied risk premium is too high
- Rents not high in real terms
- Weighting in institutional portfolios has steadily fallen since 1981, until last year, to around 6%
- Growing recognition of the relevance of property for long-term investment

# Property continues to Out-Perform

Total Returns % pa to August 2002	1 Year	3 Years	5 Years	10 Years
<b>IPD Property</b> (monthly index)	<b>9.4%</b>	<b>10.1%</b>	<b>11.4%</b>	<b>10.9%</b>
<b>FTSE All Share</b>	<b>-18.7%</b>	<b>-9.1%</b>	<b>0.4%</b>	<b>10.0%</b>
<b>Long Gilts</b> (5-15 yr gilt index)	<b>7.4%</b>	<b>6.8%</b>	<b>8.6%</b>	<b>9.6%</b>

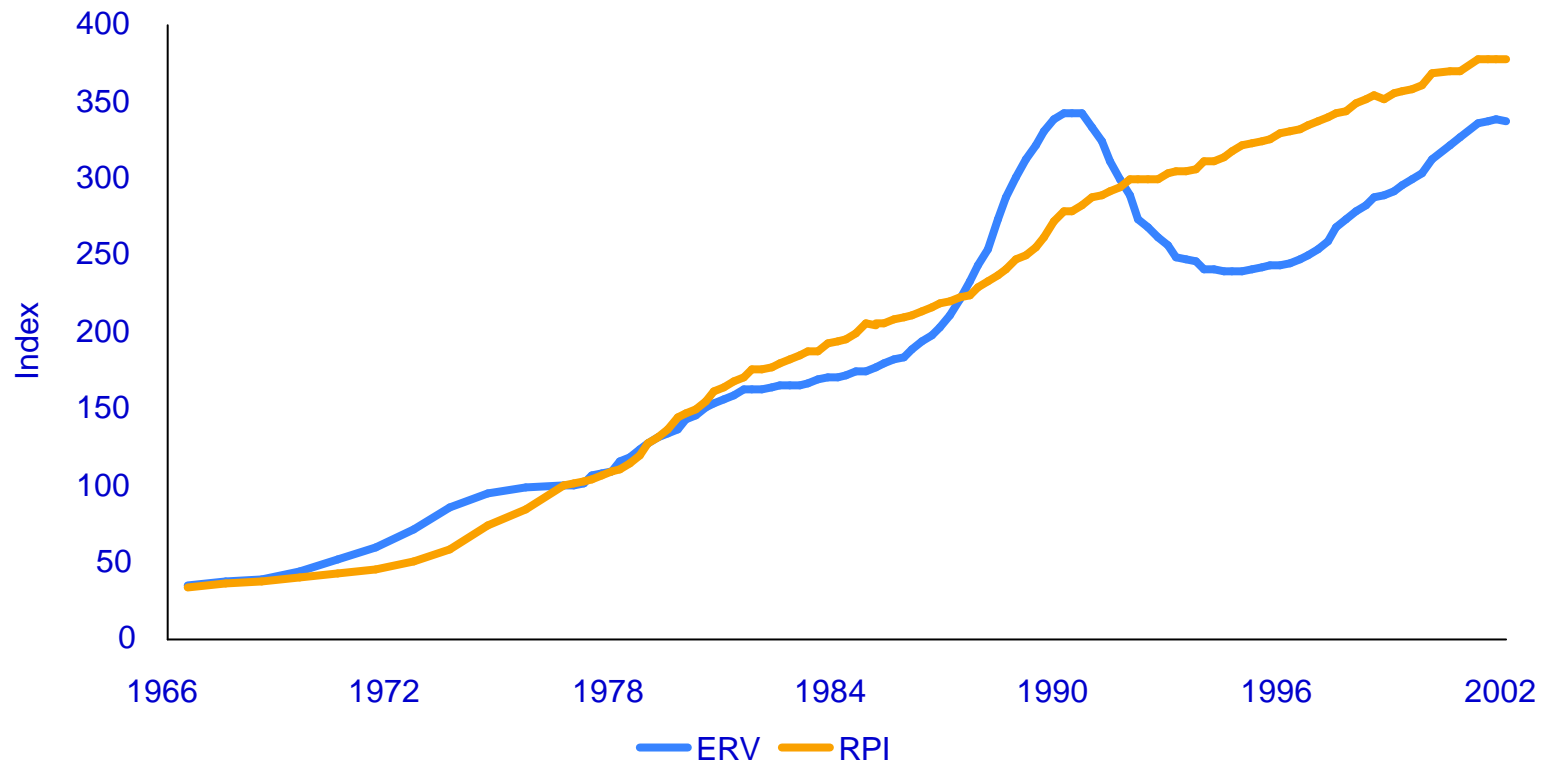
Source: IPD

# Property Yields against Gilt Yields (UK)



Source: CB Hillier Parker

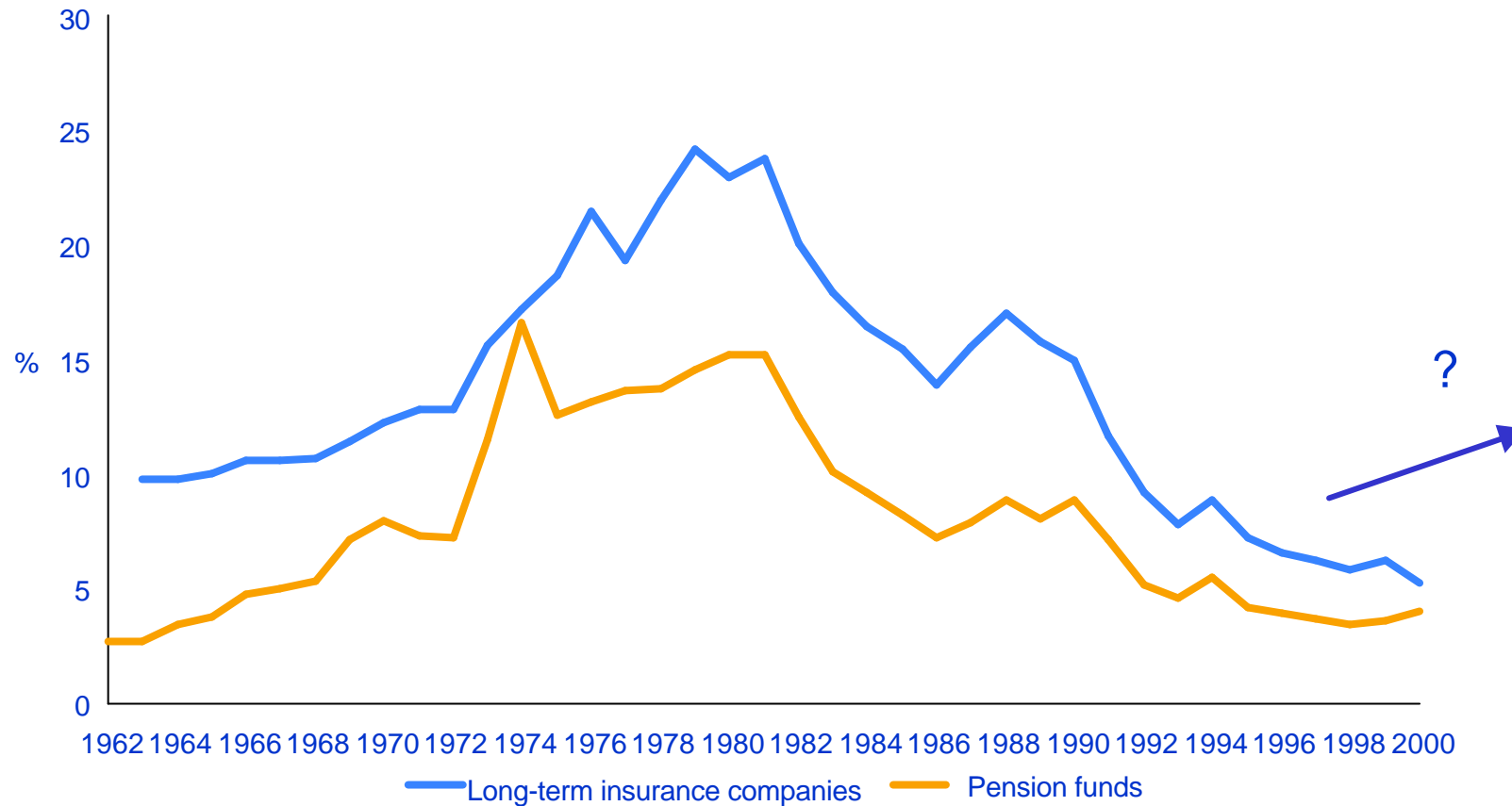
# Rental Growth against Inflation, 1968 - 2002



... but not in real terms

# Institutional Weighting to Property

Where to next.....?

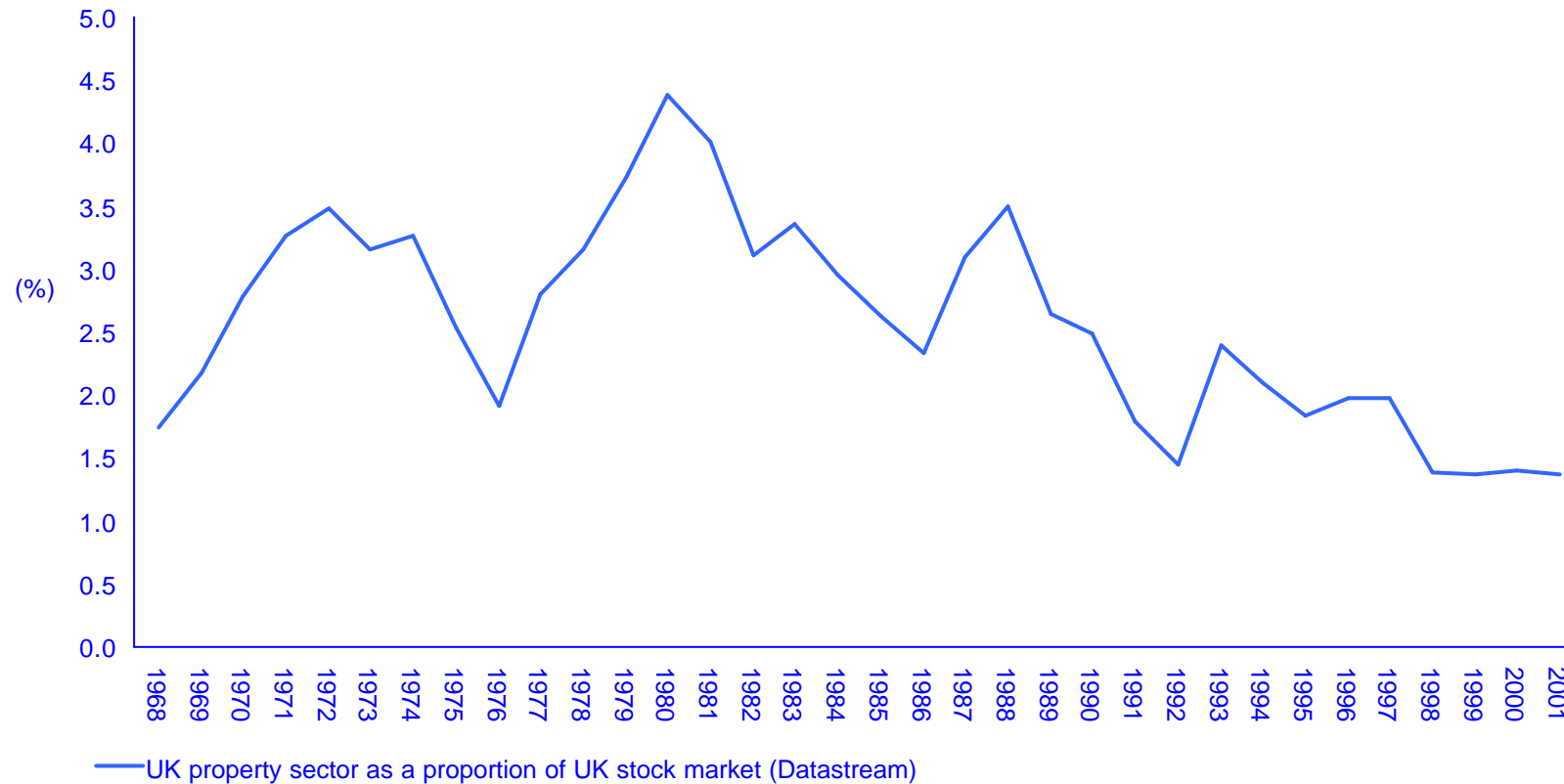


Source: ONS

# UK Real Estate Sector

- Public to private: rationalisation
- Liquidity / low dealing costs
- Transparency
  - Accounting
  - Valuations
  - Disclosures
- Discounts to NAV
- Taxation
  - REITs
  - Stamp duty

# UK Sector as % of UK Stock Market



Source: Datastream

# Public to Private Transactions: £5bn

Target	Announce Date	Equity Value	Bid Price Premium / (Discount) to		
			Share price	NAV	NNNAV
Grantchester	Sept 02	£192m	14.2%	8.2%	22.1%
Saville Gordon	May 02	£200m	16.6%	(18.5)%	(1.0)%
Asda Property	Aug 01	£232m	8.4%	(19.8)%	(0.9)%
Delancey	Apr 01	£264m	2.6%	(12.0)%	(5.3)%
BPT	Mar 01	£477m	4.4%	(16.0)%	3.1%
Moorfield	Mar 01	£65m	8.8%	(13.7)%	(9.0)%
Burford	Dec 00	£498m	6.6%	(19.1)%	(5.0)%
Frogmore	Nov 00	£293m	5.9%	(5.8)%	(3.0)%
Dencora	Aug 00	£58m	8.7%	(11.8)%	(3.5)%
Eskmuir	Jul 00	£135m	10.8%	(25.1)%	(6.8)%
Raglan	Jul 00	£51m	8.8%	(11.7)%	(11.7)%
MEPC	Jun 00	£1,924m	25.0%	(17.3)%	(3.4)%
Scottish Metropolitan	Apr 00	£151m	33.1%	(23.5)%	(11.8)%
Allied London	Feb 00	£138m	2.5%	(27.6)%	(13.6)%
Hemmingway	Jul 99	£119m	6.0%	(25.5)%	(1.1)%
Greycoat	May 99	£283m	54.3%	(8.1)%	(7.4)%
Average			<b>12.1%</b>	<b>(16.6)%</b>	<b>(4.9)%</b>

Source: Offer documentation, M&A Monitor

# Competitor analysis: UK Majors

	Market cap	Property Portfolio	NAV £m	Dividend yield	NAV Gearing
Land Securities	£3.4bn	£7.8bn	£6.0bn	4.6%	31%
<b>British Land</b>	<b>£2.3bn</b>	<b>£9.3bn</b>	<b>£4.3bn</b>	<b>2.9%</b>	<b>89%</b>
Canary Wharf	£1.9bn	£5.6bn	£3.0bn	0.0%	91%
Liberty	£1.5bn	£4.2bn	£2.4bn	4.2%	77%
Slough	£1.3bn	£3.8bn	£2.3bn	4.1%	57%
Hammerson	£1.3bn	£3.5bn	£2.1bn	3.3%	65%

Source: Share prices 1 Oct 2002 and last reported figures

# Liquidity / Free Float

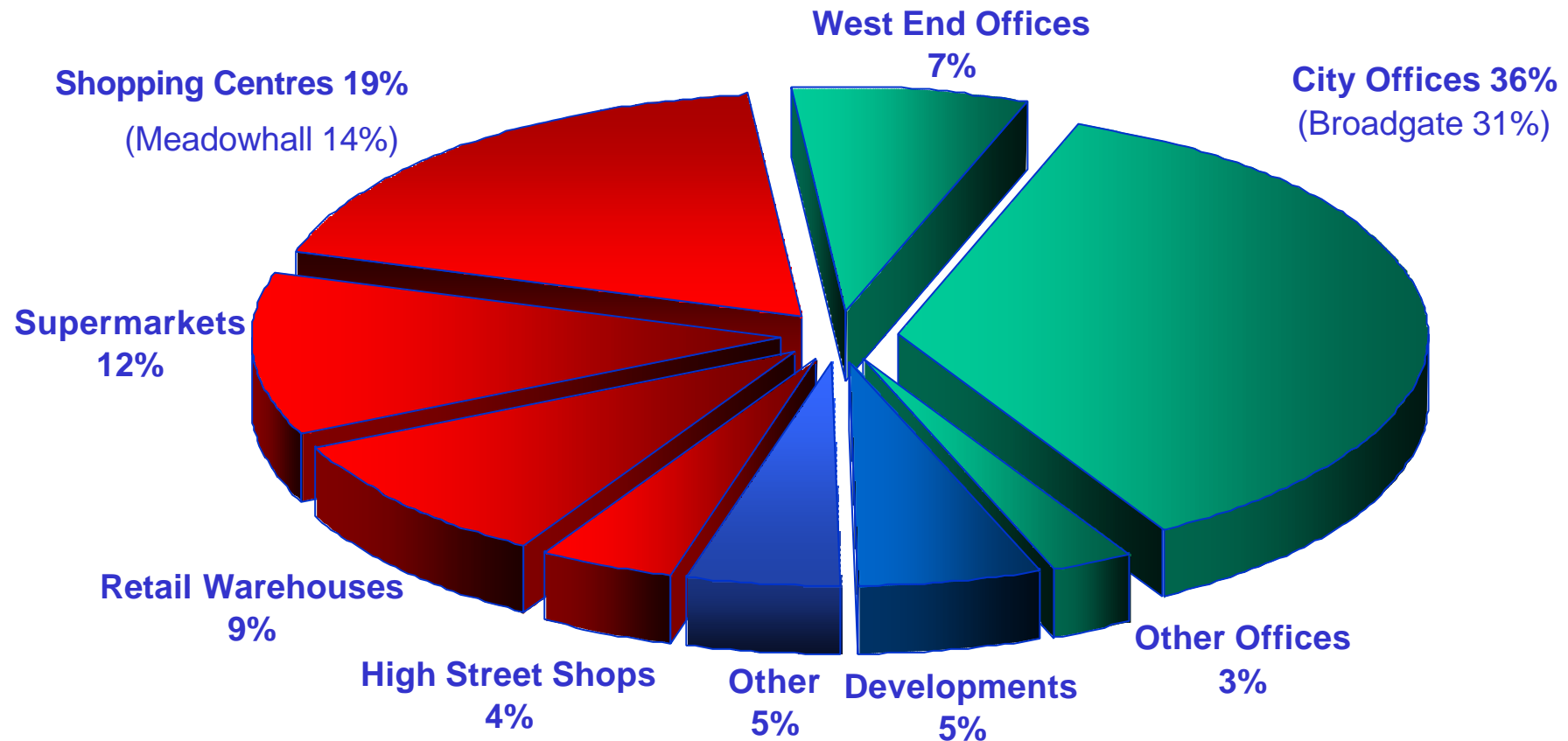
	12mth share trading as % of avg. market cap	Free Float
<b>British Land</b>	<b>143%</b>	<b>100%</b>
Land Securities	119%	100%
Hammerson	98%	80%
Canary Wharf	97%	55%
Slough	78%	100%
Liberty	48%	81%

# British Land

- Prime portfolio in the office and retail sectors
- Reversionary income of 17%
- Portfolio concentrated in areas of restricted supply
- Controlled development programme to add high quality assets to the investment portfolio
- Long-term security of income streams and cash flows:
  - Weighted average lease length of 18.3 years
  - 83% of income derived from tenants ranked negligible, low and low-medium risk (Tenant Income Credit rating Covenant Strength: Dun & Bradstreet Stress Score)

# BL: Portfolio Analysis

**Total Portfolio £9.3bn**  
**46% : Offices**  
**44% : Retail**



**35%: Out-of-Town Retail**

**43% Central London Offices**

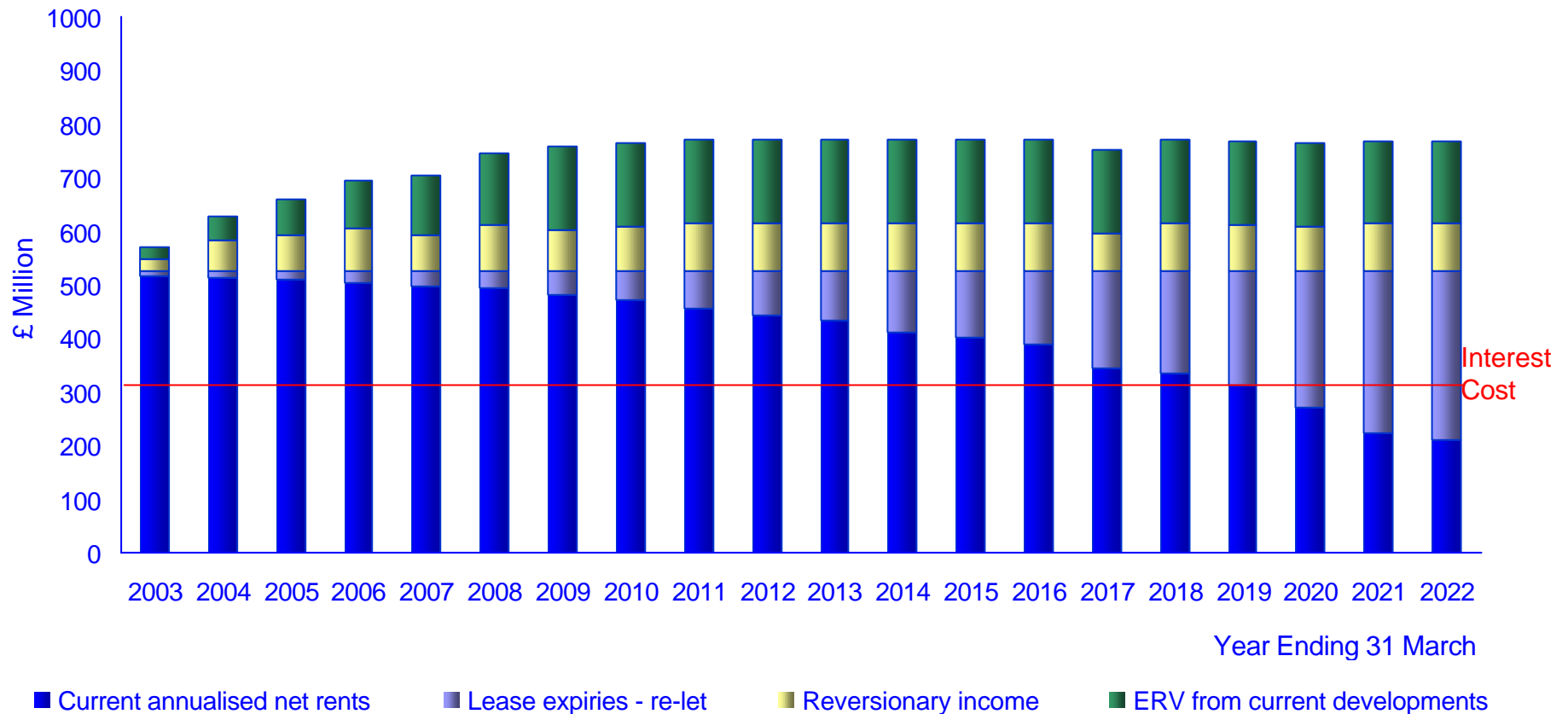
# BL: Long Leases and Growth Potential

- Annualised net rents of £524.6m
- Average lease length 18.3 yrs
  - 65.5% of income is committed until March 2017 (15 years)

	Annualised net rents £m	Reversion £m	ERV £m	Average lease length (yrs)
City offices	192.0	31.8	223.8	15.4
West End offices	31.9	22.3	54.2	11.4
Shopping centres and shops	121.6	26.1	147.7	20.2
Supermarkets and retail warehouses	128.5	5.5	134.0	20.8
Other	50.6	2.8	53.4	20.8
<b>Total investment portfolio</b>	<b>524.6</b>	<b>88.5</b>	<b>613.1</b>	<b>18.3</b>

# BL: Long Term Secure Income

£88m of reversions to current market levels  
 £156m of total prospective ERV from developments



See Appendix for main assumptions underlying graph

# BL: Long-term Performance Record

**British Land has produced excellent returns for Shareholders:**

	Total compound returns pa over last 10 years
<b>Shareholder returns</b> (share price growth plus dividends re-invested to Sept 2002)	<b>15.1%</b>
<b>Property returns</b> (IPD to March 2002)	<b>12.8%</b>
<b>Net asset returns</b> (diluted NAV per share uplift plus dividends to March 2002)	<b>11.4%</b>

# BL: Shareholder analysis

- 98% Institutions: 2% Private
- Top 20 institutional shareholders own c. 56%
- Overseas ownership c.18%
  - Germany c.0.6%
- Free Float 100%

# Land Securities

- Diversified portfolio
- Development pipeline c. £2.2bn
- Trillium property outsourcing arm
- Low gearing (although increasing to c.50%)
- High dividend yield
- Low average unexpired lease length (8.75 years)

# Canary Wharf

- Specialised office developer of Canary Wharf Estate
- Largely dependent on the financial sector
- Proposed £2bn return of capital over next four years
  - Special dividend of £375m in December
- No annual dividend payments
- Increasing gearing

# Liberty International

- Specialised primarily on UK Shopping Centres (78%)
- Ten prime centres covering approx 8m sq ft
- Two main subsidiaries:
  - Capital Shopping Centres which owns and develops regional shopping centres
  - Capital & Counties which primarily owns West End offices and retail properties (22% in California)
- 12.9% stake in Great Portland Estates plc
- Secondary listing on the Johannesburg stock exchange

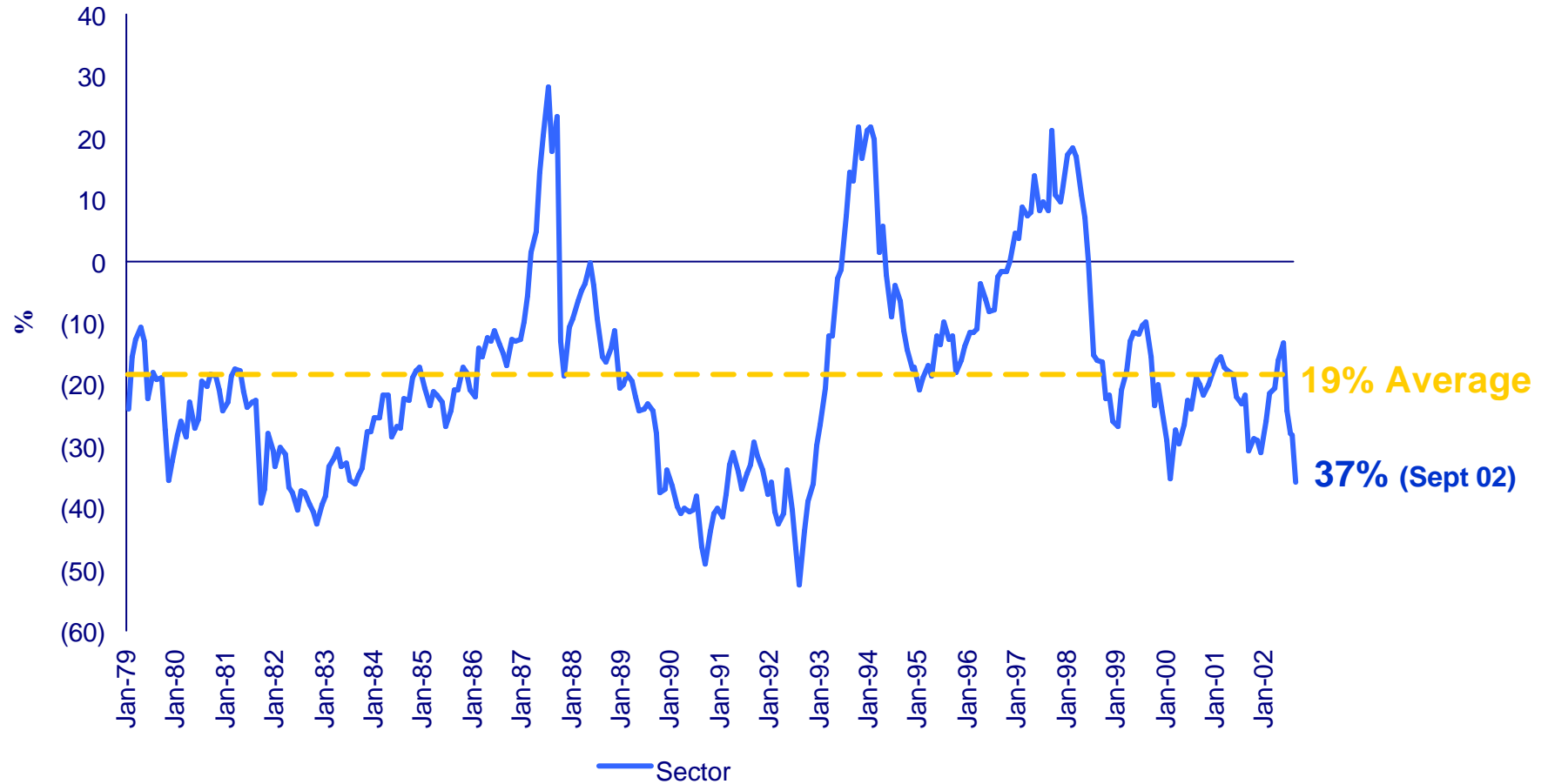
# Slough Estates

- Focus on industrial / warehousing and business office space
- UK Thames Valley and South East, Continental Europe and North America (overseas 24%)
  - Slough has been rationalising portfolio (sales of Australia, non-California US, Canada)
- Development activity (cost of £950m) concentrated on offices and industrial in UK, Europe and USA
- Exposure to technology sector
  - 18% to TMT and 16% to Health Science

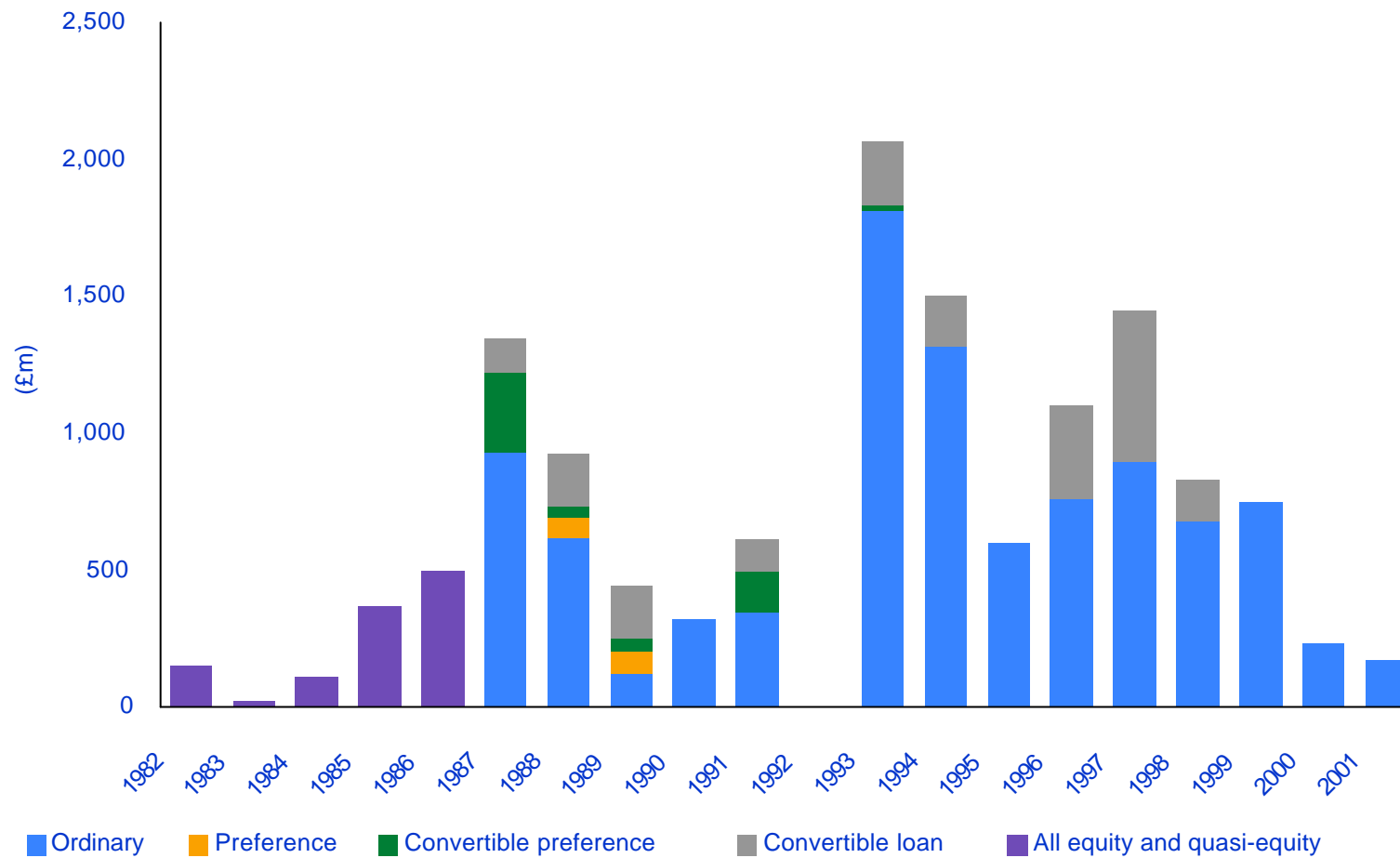
# Hammerson

- Focus on large shopping centres and office projects
  - 63% retail: 37% offices
- UK and Continental Europe
  - 36% overseas: 28% France and 8% Germany
- Acquisition of Grantchester for £192m
  - Quoted company specialised in UK retail warehouses
- Portfolio is reversionary by 15%, average lease length of ten years
- Development pipeline (cost c. £1.85bn)

# Long term discounts to NAV



# Equity and Convertible Issues



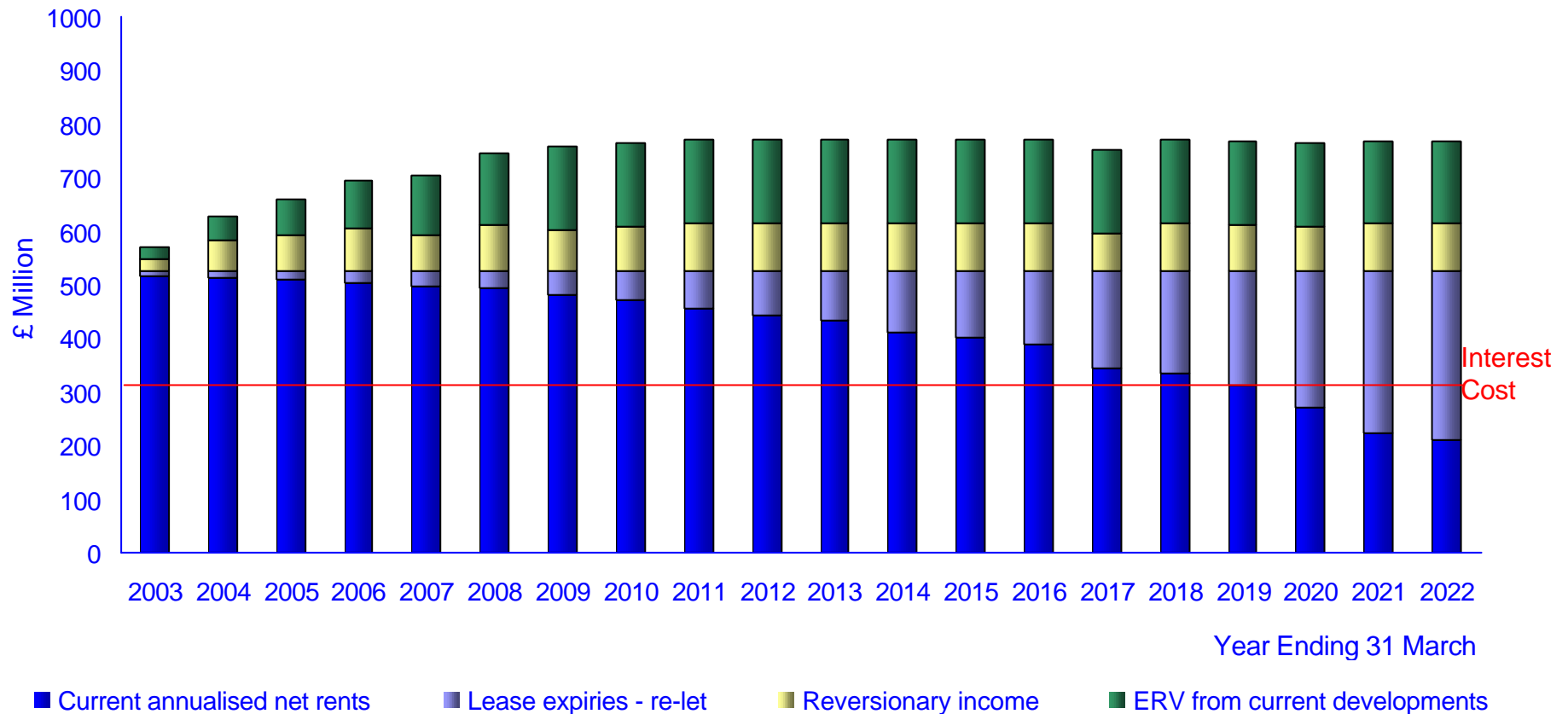
Source: UBS Warburg

# Summary

- Property: an asset class for long-term investment
- Attractive UK property fundamentals
- Size and liquidity of UK Real Estate sector
- All PLCs are on discounts too!

# British Land Income Profile

£88m of reversions to current market levels  
 £156m of total prospective ERV from developments



See Appendix for main assumptions underlying graph