

2009/10 Key priority: Profitable investments

Acquisitions case study

The global market turmoil which began in the second half of 2007, and continued into 2009, spread from the banking sector into the general economy and led to a significant recession in the UK. The lack of both liquidity and available credit drove a dramatic decrease in the volume of commercial property transactions in London and the UK as a whole. This contributed to a fall in UK commercial property values by over 40% from the peak of the market in June 2007.

It was against this backdrop that we approached shareholders to raise £166 million through a Rights Issue to provide additional resources to take advantage of these depressed prices. Our objective was to invest all of the proceeds within 18 months of the Rights Issue and ahead of this objective we had invested or committed 97% of the money by 31 December 2010 on a number of attractive opportunities.

“With property markets at a 30 year low, we have re-entered the market and invested the Group’s money in a number of acquisitions.”

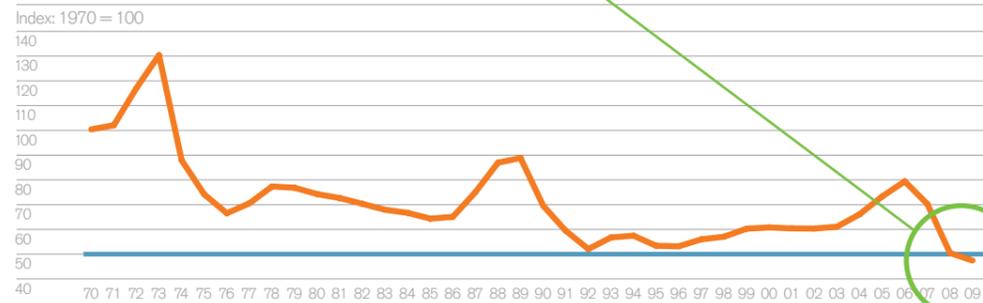
Ben Chambers
Investment Director



timing is everything...

As we entered 2009, real capital values were at their lowest level for over 30 years.

IPD All property real capital values



Source: IPD, BarCap PMA

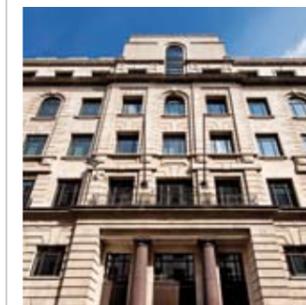
The blue line represents the lowest point of real capital values over the past 30 years prior to the recent recession.

Summary of 2009/10 acquisitions

Transaction type	Examples	Gross cost ¹ £m
Asset management plays	90 Queen Street, EC4	48.1
	Austin Reed, 103/113 Regent Street, W1	14.2
	Kingsland House, 122/124 Regent Street, W1	4.2
Redevelopment plays	Marcol House, 289/295 Regent Street, W1 and 23/24 Newman Street, W1	88.1 ²
Major refurbishment plays	Jermyn Street Estate, W1 – leasehold extension	6.0
Total		£160.6m
Percentage of Rights Issue proceeds committed		97%

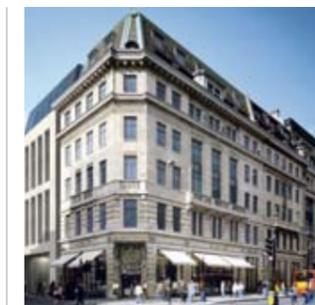
¹ Our share of joint venture transactions. Gross costs include transaction costs.
² Includes expected expenditure at date of acquisition.

...when looking for
value



90 Queen Street, EC4

Bought: October 2009
Cost: £48.1 million
Opportunity: Prime city location, acquisition price below replacement cost. Multiple business plans to support high returns.



Marcol House/
Newman Street, W1

Bought: November 2009
Cost and commitment: £88.1 million
Opportunity: Redevelopment of 127,700 sq ft of Grade A office space in a prime location.



Austin Reed,
103/113 Regent Street, W1

Bought: December 2009
Cost: £14.2 million (50% share)
Opportunity: Superb retail location with occupational lease restructuring potential and longer term redevelopment possibilities.