high tenant retention

"With over 140 leasing transactions during the year, our focus on our tenants has really paid off."

Peter Keel Asset Manager

Recessions hit tenant demand. Maintaining high occupancy in this market is a key challenge.

To minimise the impact from the difficult leasing conditions as the downturn took hold, in late 2007, we identified two operational priorities:

- work hard to retain tenants wherever possible; and
- seek to reduce voids through minimising development activity and maintaining a pragmatic leasing policy.

Since then, our retention rate has steadily improved and, for the year to 31 March 2010, it stood at 71%, significantly higher than in previous years.

Good, constructive relationships with our tenants are crucial to this success and by continuous engagement with them, we aim to identify their changing needs, helping to find them the right solution.

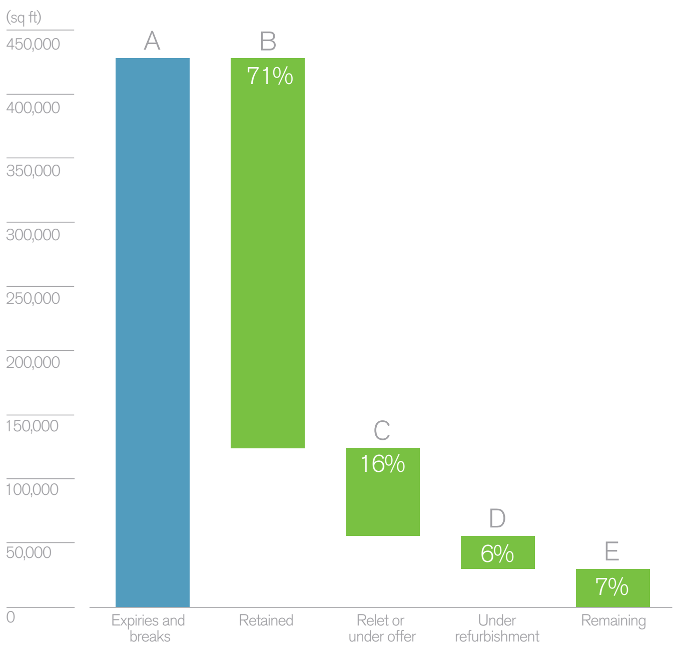
71%
of tenants retained

maximising retention

In the year to 31 March 2010:

– 428,000 sq ft of space was subject to a lease expiry or break (A)
– we retained 71% of tenants by area (B)
– and subsequently let or had under offer a further 16% (C)
– 6% is under refurbishment (D)
– leaving us with 7% of this space still to let (E)

Tenant retention profile

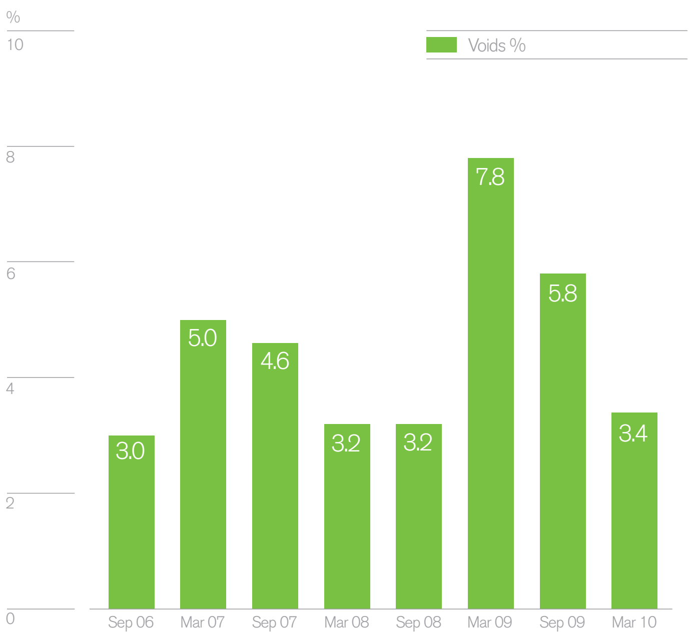


minimising voids

As market rents grow, development provides a good opportunity to grow with it. As markets turn down minimising development exposure is key. That's why we entered the recession with one of the lowest void rates of any UK property company.

Our pragmatic leasing policy has also paid off, enabling us to reduce void levels in the investment portfolio to only 3.4% at 31 March 2010.

Investment portfolio voids



Addressing tenants' objectives

60 Great Portland Street, W1

The Engine Group

In 2008, we prelet 60 Great Portland Street, W1 to The Engine Group, an independent UK advertising agency. In just two years, The Engine Group has expanded putting pressure on the space occupied.

We arrived at a tailor-made solution to give them the additional office space they needed together with a prominent street frontage by converting 6,000 sq ft of retail accommodation to office space.

Kent House, 14/17 Market Place, W1

Hawker Capital

In 2007, we allowed Hawker Capital, an investment management business, to share accommodation with another hedge fund. By the autumn of 2009, they required further space and by identifying their requirements early we were able to plan ahead and offer them accommodation in the building when they needed it.

As a result, Hawker Capital avoided the headache and cost of relocation and significant investment in new infrastructure and we retained a valued tenant.