

Appendix 1

Our markets softened over the year, as the monetary response to rising inflation pushed up interest rates across the world. The most immediate impact was felt in our investment market, with upward pressure on property yields impacting values. However, despite the economy slowing, our occupational markets were resilient, with the best spaces showing continued demand and rising rents.

Macro-economic backdrop

- IMF estimates global GDP growth of 3.4% in 2022 and forecasts 2.8% and 3.0% growth for 2023 and 2024 respectively.
- UK still forecast to grow; 0.3% GDP growth in 2023 or 1.3% p.a. over next three years with London expected to outperform at 1.6% p.a. (Oxford Economics).
- Consumer confidence recovering from 2022 lows, now at highest level since February 2022.
- Deloitte CFO survey: having run below average throughout 2022, business confidence has risen sharply and is now well above its long-term average.
- UK composite PMI surveys have improved, now indicating expansion; 53.9 in April 2023.
- Inflationary risks remain; UK CPI 10.1% in March 2023, forecast to decline over the course of 2023.

Occupational markets¹

- Activity levels remain healthy; central London take-up 11.8 million sq ft in year, up 6.9%, although Q1 2023 slowed to 2.1 million sq ft, 33.0% below ten-year average.
- Central London active demand 6.6 million sq ft, down 4.8% year on year (Knight Frank).
- Availability remains elevated at 25.4 million sq ft, marginally ahead of 31 March 2022 and remains 55.0% ahead of the ten-year average.
- Space under offer 3.2 million sq ft, down from 4.4 million sq ft at 31 March 2022.
- Central London vacancy rate 8.3% at 31 March 2023; down from 9.0% last year.
- Supply remains tight; availability of space newly completed or under construction low at 33.1% of total stock (8.4 million sq ft).
- Rents for prime spaces significantly outperformed Grade B rents at +2.0% v -5.0% respectively for the West End (Savills).



The West End

- Office take-up 4.9 million sq ft, up 22.5% on preceding year.
- Availability 6.1 million sq ft, up 2.4%.
- Vacancy 3.6%, down from 4.6% at 31 March 2022; vacancy of newly completed space only 0.6%.
- Prime office rental values £140 per sq ft at 31 March 2023, up 12.0% in year.
- Retail vacancy stabilised; Zone A rents maintained on key retail streets.



The City

- Office take-up 4.8 million sq ft, up 10.0% on preceding year.
- Availability 10.8 million sq ft, down 8.7%.
- Vacancy 11.7% down from 12.9% at 31 March 2022; vacancy of newly completed space only 2.4%.
- Prime office rental values £72 per sq ft, up 1.4% in year.

Investment markets¹

- Investment markets challenged given heightened interest rate environment.
- Demand for London real estate normalised post pandemic; office investment deals £11.2 billion in 2022; up 11.7% year on year. However, six months to 31 March 2023 demonstrate significant slowdown with only £2.3 million of transactions, down 53.1% on prior six months.
- We estimate that £4.6 billion of real estate is currently on the market to buy versus £27.5 billion of equity demand looking to invest.
- Given rising global interest rates, prime yields have softened; CBRE reports prime yields of 3.75% and 4.75% for the West End and City respectively.
- Retail yields now stable; 4.00% Regent Street, 4.25% Oxford Street and 2.75% Bond Street.

Near-term outlook

We actively monitor numerous lead indicators to help identify key trends in our marketplace. Over the last year, our property capital value indicators have marginally worsened, driven by the continued macro-economic uncertainty, heightened levels of inflation and interest rates, and geopolitical tensions.

Today we expect the flight to quality to continue, with investment demand to support prime yields in the near term, with upward pressure on secondary spaces. In the occupational market, given a strong leasing and rental performance of the portfolio, our rental value growth range for the financial year to 31 March 2023 is positive at between 0.0% and 5.0%, predominantly driven by the positive expected performance of our office portfolio.

1. To 31 March 2023 and sourced from CBRE unless otherwise stated.

Appendix 1 continued

Selected lead indicators

	2022 Outlook	2023 Outlook
Drivers of rents¹		
GDP/GVA growth	●	●
Business investment	●	●
Confidence	●	●
Employment growth	●	●
Active demand/take-up	●	●
Vacancy rates	●	●
Development completions	●	●
Drivers of yields		
Rental growth	●	●
Weight of money	●	●
Gilts	●	●
BBB Bonds	●	●
Exchange rates	●	●
Political risk	●	●

1. Offices.

Appendix 2

Portfolio performance

		Wholly-owned £m	Joint ventures ¹ £m	Total £m	Proportion of portfolio %	Valuation movement %
North of Oxford Street	Office	742.4	–	742.4	31.1	(3.7)
	Retail	169.9	41.2	211.1	8.9	(5.9)
	Residential	4.6	–	4.6	0.2	11.5
Rest of West End	Office	245.0	237.8	482.8	20.3	(7.9)
	Retail	155.8	122.1	277.9	11.7	(4.1)
	Residential	5.0	–	5.0	0.2	(2.3)
Total West End		1,322.7	401.1	1,723.8	72.4	(5.2)
City, Midtown and Southwark	Office	392.9	123.4	516.3	21.7	(8.8)
	Retail	11.6	–	11.6	0.5	17.6
	Residential	2.8	–	2.8	0.1	(6.4)
Total City, Midtown and Southwark		407.3	123.4	530.7	22.3	(8.4)
Investment property portfolio		1,730.0	524.5	2,254.5	94.7	(6.0)
Development property		89.0	–	89.0	3.8	(21.0)
Total properties held throughout the year		1,819.0	524.5	2,343.5	98.5	(6.6)
Acquisitions		36.5	–	36.5	1.5	(11.3)
Portfolio valuation		1,855.5	524.5	2,380.0	100.0	(6.7)

1. GPE share.

Portfolio characteristics

		Investment properties £m	Development properties £m	Total property portfolio £m	Office £m	Retail £m	Residential £m	Total £m	Net internal area sq ft 000's
North of Oxford Street		958.1	–	958.1	742.4	211.1	4.6	958.1	760
Rest of West End		765.7	–	765.7	482.8	277.9	5.0	765.7	568
Total West End		1,723.8	–	1,723.8	1,225.2	489.0	9.6	1,723.8	1,328
City, Midtown and Southwark		567.2	89.0	656.2	641.4	12.0	2.8	656.2	1,237
Total		2,291.0	89.0	2,238.0	1,866.6	501.0	12.4	2,380.0	2,565
By use:	Office	1,778.0	88.6	1,866.6					
	Retail	500.6	0.4	501.0					
	Residential	12.4	–	12.4					
Total		2,291.0	89.0	2,380.0					
Net internal area sq ft 000's		2,242	323	2,565					

Appendix 3

Sales for the year ended 31 March 2023

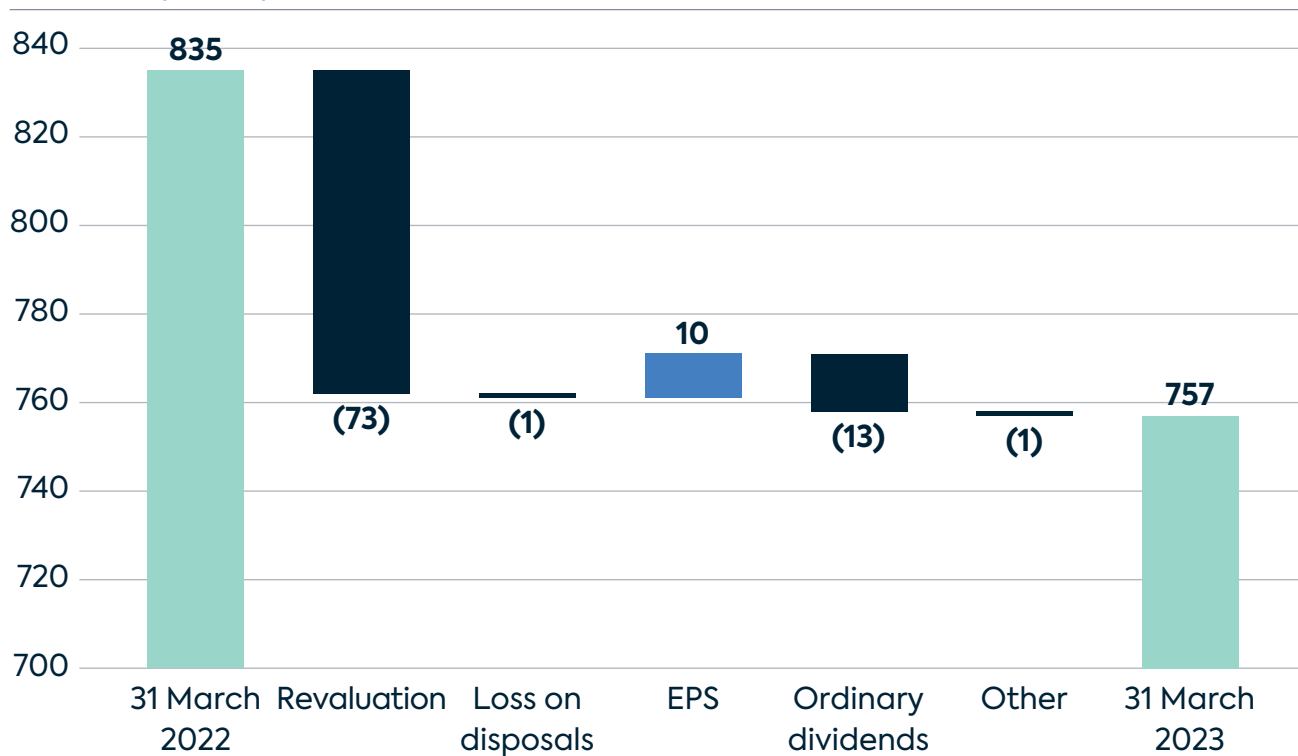
	Price £m	Premium/ (discount) to book value %	Price per sq ft £	NIY %
50 Finsbury Square, EC2	190.0	(1.7)	1,471	3.9
6/10 Market Place, W1	27.8	3.0	1,480	4.1
Total	217.8	(1.1)	1,472	3.9

Acquisitions for the year ended 31 March 2023

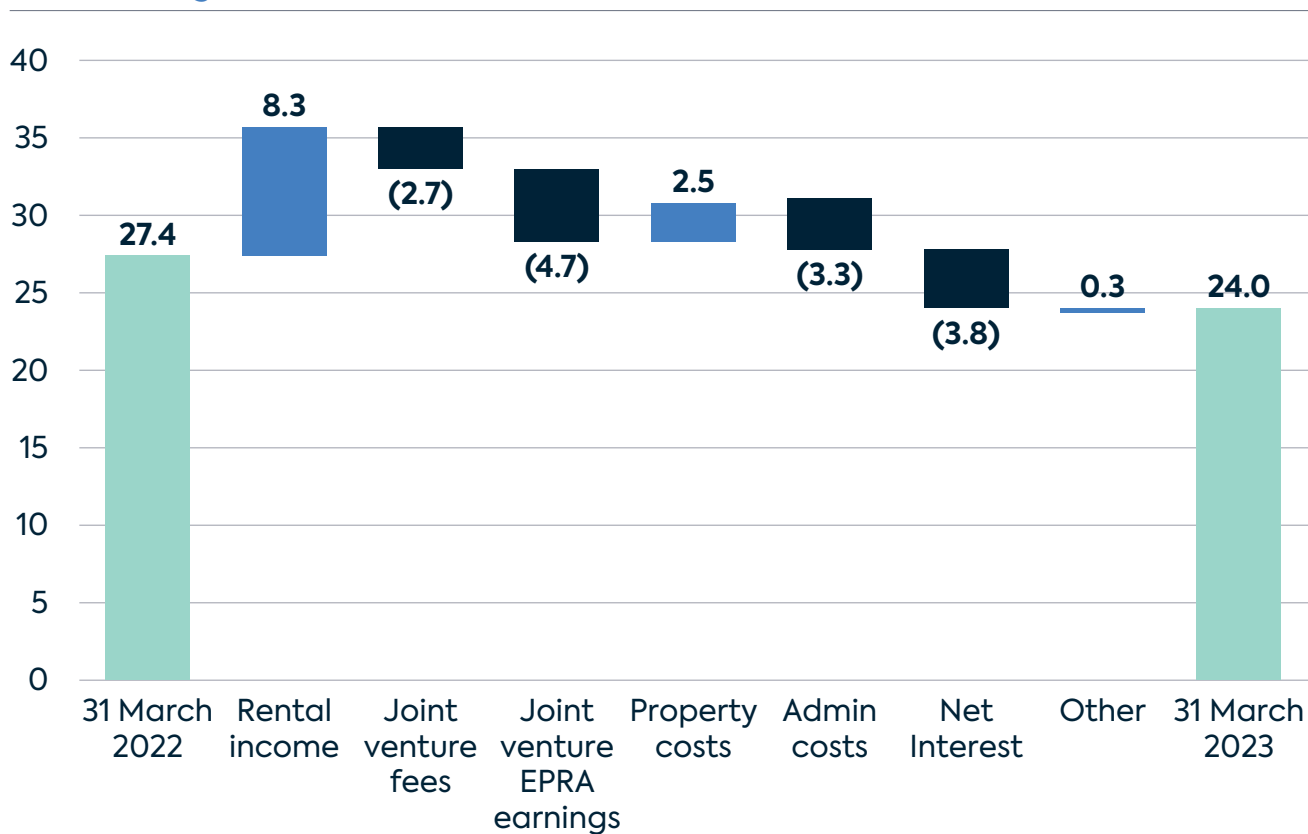
	Price £m	NIY %	Area sq ft	Cost per sq ft
6/10 St Andrew Street, EC4	30.0	n/a	46,200	650
2 Cathedral Street, SE1	7.1	4.4	6,400	1,100
Total	37.1	4.4	52,600	705

Appendix 4

EPRA NTA pence per share



EPRA earnings £m



● Increase ● Decrease ● Total

Appendix 4 continued

Debt analysis

	March 2023	March 2022
Net debt excluding JVs (£m)	457.7	531.2
Net gearing	24.0%	25.4%
Total net debt including 50% JV cash balances (£m)	440.0	502.3
EPRA LTV	19.8%	20.5%
Interest cover	10.2x	n/a
Weighted average interest rate	2.7%	2.5%
Weighted average cost of debt	3.0%	2.9%
% of drawn debt fixed/hedged	97%	84%
Cash and undrawn facilities (£m)	457	391

Appendix 5

Rental income

			Wholly-owned			Share of joint ventures			
			Rent roll £m	Reversionary potential £m	Rental values £m	Rent roll £m	Reversionary potential £m	Rental values £m	Total rental values £m
London	North of Oxford Street	Office	34.5	3.1	37.6	–	–	–	37.6
		Retail	5.2	(0.3)	4.9	3.0	0.3	3.3	8.2
	Rest of West End	Office	15.2	0.5	15.7	9.7	0.7	10.4	26.1
		Retail	6.8	2.0	8.8	5.1	0.1	5.2	14.0
Total West End			61.7	5.3	67.0	17.8	1.1	18.9	85.9
	City, Midtown and Southwark	Office	16.8	3.3	20.1	7.7	0.9	8.6	28.7
		Retail	2.4	(0.7)	1.7	–	–	–	1.7
Total City, Midtown and Southwark			19.2	2.6	21.8	7.7	0.9	8.6	30.4
Total let portfolio			80.9	7.9	88.8	25.5	2.0	27.5	116.3
Voids (A)					3.3			0.9	4.2
Premises under refurbishment and development					50.4			–	50.4
Total portfolio (B)					142.5			28.4	170.9
Vacancy rate % (A/B)					2.3			3.2	2.5

EPRA vacancy

			Wholly-owned £m	Joint ventures £m	Total £m
Voids and premises under refurbishment excluding developments (A)			28.9	0.9	29.8
Total portfolio			142.5	28.4	170.9
Less: premises under development			(24.8)	–	(24.8)
Total (B)			117.7	28.4	146.1
EPRA vacancy rate % (A/B)			24.6	3.2	20.4

Rent roll security, lease lengths and voids

			Wholly-owned			Joint ventures		
			Rent roll secure for five years %	Weighted average lease length Years	Void %	Rent roll secure for five years %	Weighted average lease length Years	Void %
London	North of Oxford Street	Office	25.5	4.4	0.6	–	–	–
		Retail	47.5	5.5	8.6	13.2	2.6	16.7
	Rest of West End	Office	15.0	1.7	7.2	89.1	12.3	–
		Retail	14.7	3.4	1.1	38.1	6.3	0.9
Total West End			23.6	3.7	3.3	61.8	8.9	3.6
	City, Midtown and Southwark	Office	6.7	1.8	1.9	–	1.4	2.1
		Retail	12.8	1.6	–	–	–	–
Total City, Midtown and Southwark			7.5	1.7	1.1	–	1.4	2.1
Total portfolio			19.8	3.2	2.3	43.2	6.7	3.2

Rental values and yields

			Wholly-owned		Joint ventures		Wholly-owned		Joint ventures	
			Average rent £psf	Average ERV £psf	Average rent £psf	Average ERV £psf	Initial yield %	True equivalent yield %	Initial yield %	True equivalent yield %
London	North of Oxford Street	Office	79	88	–	–	3.3	4.8	–	–
		Retail	54	63	83	86	2.4	4.5	4.9	5.7
	Rest of West End	Office	101	101	116	124	4.1	5.4	–	4.2
		Retail	75	96	105	109	3.8	4.7	2.4	3.8
Total West End			80	84	106	106	3.4	4.9	1.2	4.2
	City, Midtown and Southwark	Office	52	73	46	52	3.4	5.0	5.8	5.3
		Retail	35	24	–	–	2.9	5.5	–	–
Total City, Midtown and Southwark			49	69	46	52	3.4	5.0	5.8	5.3
Total portfolio			69	77	76	81	3.4	4.9	2.3	4.5