British Land Operational Update

14 April 2021

Ahead of our full year results on 26 May, we provide the following update.

- Good progress against our strategic priorities, leveraging our competitive strengths:
  - Pre let nearly 30% of the office space at 1 Broadgate to JLL
  - Commitment to develop 1 Broadgate and Norton Folgate
  - Canada Water planning secured, headlease drawn down, expect to place build contracts for phase 1 over the summer
  - Exploiting value opportunity for top quartile retail parks with acquisition of Biggleswade and HUT minority interest
  - Progressing urban logistics development opportunities including working up planning for over 1m sq ft at Meadowhall and Teesside; acquired urban logistics warehouse in Enfield with significant redevelopment potential
  - £1.2bn of disposals since 1 April 2020, recycling into development and active asset management opportunities
- Rent collection and operational performance:
  - 82% total rent collected for FY21; Offices 99%, Retail 70%
  - 76% of March 2021 rent collected to date; Offices 96%, Retail 54%, expect this to improve over coming weeks in line with previous quarters
  - 1.4m sq ft of total lettings and renewals in Retail for the first 11 months, ahead of last year
- 79% of stores open as at 12 April, following the opening of non essential stores in England and Wales
- Strong financial position: £1.8bn undrawn facilities and cash; no requirement to refinance until 2025

Progress against Strategic Priorities

In November, we signalled our intention to more actively focus our capital and activities on our competitive strengths to deliver superior returns. We have four clear strategic priorities for our business to exploit our expertise in development and active asset management as well as our market leading position in campuses and out of town retail parks. We have made good progress over recent months:

1. **Realising the potential of our Campuses**

We are further aligning our mixed-use campuses towards innovative growth sectors and businesses. We have several clear opportunities, most notably at Regent's Place which sits in London's Knowledge Quarter and is ideally placed to benefit from the growing life sciences sector and Canada Water where we have secured a highly flexible planning consent. At Broadgate, we have repositioned the campus towards innovative, successful growth businesses.

We were delighted that JLL selected 1 Broadgate for their UK flagship office and committed to a 15 year lease over 134,000 sq ft. This demonstrates their conviction that the modern, high quality and sustainable space we are delivering has a key role to play in promoting innovation, collaboration, training and culture.

This is an excellent example of how successful businesses across a range of sectors are looking beyond Covid to secure space which enables them to perform at their best. We are under offer on a further 156,000 sq ft across our portfolio and are encouraged by the conversations we are having on our development space which are typically with occupiers with significant requirements two to three years in the future.

Activity was understandably subdued with total lettings and renewals for the 11 months between 1 April 2020 and 28 February covering 315,000 sq ft, including 126,000 sq ft of deals over one year, ahead of ERV. In

March, we also signed 30,000 sq ft of deals to technology businesses at our campuses and we are seeing an encouraging increase in activity in our Storey space.

The strong sustainability credentials of our space are an important advantage. At Broadgate, we delivered our first net zero carbon development at 100 Liverpool Street. Reflecting our broader focus on sustainability, we were pleased to achieve a GRESB 5* rating and the Science Based Target initiative (SBTi) validated that our commitments to reduce greenhouse gas emissions align with a 1.5°C global warming scenario, the most ambitious designation available through the SBTi process.

2. Progressing value accretive development

We have committed to develop 1 Broadgate following the pre-let of nearly 30% of the offices space to JLL. Covering 546,000 sq ft, including 498,000 sq ft of workspace, it will target a BREEAM Outstanding rating and will be the most energy efficient building we have ever delivered. Enabling works are underway and we are due to start demolition in May 2021. We committed to Norton Folgate in November and have also achieved planning for our c.700,000 sq ft development at 2-3 Finsbury Avenue at Broadgate.

At Canada Water, we completed the drawdown of our headlease in December, combining the ownership of our assets into a single 500-year headlease with Southwark Council as the lessor. We have commenced enabling works for the first three buildings which together total 580,000 sq ft including 265 homes and expect to place the main build contracts over the summer.

3. Addressing the challenges in Retail

Despite a challenging retail occupational market, leasing volumes are ahead of last year although pricing is lower. For the 11 months from 1 April 2020 to 28 February 2021 total lettings and renewals covered 1.4m sq ft, the same as the whole of FY20 (1.36m sq ft), with 755,000 sq ft of deals over one year. On average, deals over one year were c. 20% below previous passing rent. We have a strong pipeline of deals, with 794,000 sq ft under offer of which 456,000 sq ft is at our retail parks.

Our retail parks are well connected and affordable to retailers meaning they play an important role in a successful online retail strategy facilitating Click & Collect, returns and ship from store. We have seen this trend accelerate, as rates of online shopping have increased with shoppers more confident visiting open-air locations they can access by car and where social distancing can be more easily managed.

As a result, while footfall and sales were significantly reduced during the third national lockdown, our portfolio outperformed the benchmark. From 3 January to 27 February footfall on our portfolio was 15pp ahead of the ShopperTrack UK National Footfall Index and retailer sales were 10pp ahead of the BDO High Street Index. Retail parks were ahead of the portfolio average on both metrics.

We see a value opportunity in out of town retail, reflecting increased yields and a more stable occupational market, driven by affordability and stronger demand from retailers who recognise the important role that retail parks can play in supporting an omnichannel strategy.

In this context, we recently completed the acquisition of The A1 Retail Park in Biggleswade, Bedfordshire for £49m on a net initial yield of 8.5%. This is a strong trading, modern, well located scheme, easily accessible from the A1 and within the Oxford-Cambridge arc, benefiting from an affluent and growing catchment. The park is let to a range of high quality occupiers including M&S, Next and Boots. We expect to deliver attractive financial returns off stabilised rents and reflecting our asset management expertise.

We saw a similar opportunity in HUT (Hercules Unit Trust). The trust comprises ten prime retail parks and in February we voted to extend its terms, effectively committing to the acquisition of the remaining 22% interest in the trust at March 2021 valuation. The trust had a look-through blended net initial yield of over 8%, and acquisition of the remaining interest is anticipated for June 2021 at a gross asset value of c.£150m.

We are exploring further opportunities to acquire high quality, well located retail parks, but will remain disciplined in terms of our return requirements.

We expect market rents for covered shopping centres to take longer to stabilise than at retail parks due to generally higher occupancy cost ratios for this format and lower visitor numbers during Covid. Covered shopping centres accounted for 22% of our retail portfolio value at 30 September 2020.

We expect the acceleration of online and same day delivery will continue to support rental growth in urban logistics. In November, we identified potential in our portfolio for urban logistics development and are now focused on two key opportunities, at Teesside and Meadowhall together spanning more than 1m sq ft. We expect to submit planning applications on both in the coming months.

Leveraging our skills in site assembly, planning and delivering complex developments in London and our strong relationships with retailers, we are also evaluating urban logistics development opportunities inside the M25, where we believe rental growth prospects are most compelling. We are therefore pleased to announce that we have exchanged on the acquisition of Heritage House a c.200,000 sq ft warehouse in Enfield for £87m. This asset is currently fully let to high quality occupiers Waitrose (for their North London customer fulfilment centre) and Crown Records Management but offers significant redevelopment potential given the opportunity to increase density.

4. Active capital recycling

We have executed £1.3bn of capital activity since 1 April 2020. This includes £1.2bn of sales, overall 6.1% ahead of book value, comprising £640m of mature offices assets and £560m of retail assets. The proceeds will be recycled into our attractive development pipeline and value add opportunities like the acquisitions of Biggleswade and Enfield.

Our balance sheet remains strong. We have £1.8bn undrawn facilities and cash available at 31 March 2021. We retain significant headroom to our debt covenants and have no requirement to refinance until early 2025.

Our recent financing activity has included the extension in March of our £450m ESG-linked unsecured RCF by a further year to 2026, with all eight banks in agreement. We also raised a loan of £160m for seven years for our new Joint Venture with Allianz, secured on the JV assets.

Rent collection

We have now collected 82% of rent for FY21. Across the business, £83m of rent was due for payment in the March 2021 quarter before taking account of adjustments made in support of our customers as a result of Covid-19. This comprised £40m in Retail and £43m in Offices. As of 12 April 2021, 11 working days after the quarter end, we had collected 76% of the total amount.

In Offices, we have continued to deliver excellent rent collection. We have now collected 99% of rent for FY21 overall (see Tables A, B, C and D in the appendix for collection by quarter). As at 12 April, we have collected 96% of March 2021 rent.

In Retail, we have continued to collect outstanding rental balances and have now collected 70% of rent for FY21 overall. As at 12 April, we have collected 54% of March 2021 rent. In line with previous quarters, we expect March quarter rent collection across the business to improve further over the coming weeks.

March quarter date rent collection, as at 12 April 2021:

Rent due between 25 March and 12 April 2021	Offices	Retail[1]	Total
Received	96%	54%	76%
Rent deferrals	-	-	-
Rent forgiven	-	-	-
Customer paid monthly	1%	12%	7%
Outstanding	3%	34%	17%
Total[3]	**100%** **£43m**	**100%** **£40m**	**100%** **£83m**
Collection of adjusted billing[2]	98%	61%	81%

[1] Includes non-office customers located within our London campuses.
[2] Total billed rents exclusive of rent deferrals, rent forgiven and tenants paying monthly.
[3] The amount billed is less than what was billed in previous quarters due to the exclusion of Scottish quarter date amounts which are due to be billed on 28 May and monthly amounts due for May and June which will be billed later in the quarter. Total billings for the quarter will be less than that of previous periods due to the various asset disposals made since 30 September 2020.

We are continuing to engage, on a case-by-case basis, with customers who have strong businesses but have been disproportionately affected by Covid-19 to agree solutions which help them to manage their rental obligations. These have typically involved moves to monthly rents, deferrals and partial settlement of outstanding rents for the period of closure in return for lease extensions, reduced incentives, commitments to additional space and the removal of lease breaks.

Following the opening of non-essential retail on 12 April 2021, c.1540 of our stores are open, representing 79% of total. We would expect this to increase in the coming weeks if restrictions are relaxed in Scotland as planned and more generally in line with the roadmap set out by the Government. Our team have done an excellent job supporting our customers in re-opening and based on our previous experience in September when footfall was 84% of the prior year (89% at retail parks) we are confident of a strong recovery in the coming months.

CFO appointment

Further to our announcement on the appointment of Bhavesh Mistry as Chief Financial Officer in January, we are pleased to confirm that he will take up his position on Monday 19 July 2021.

Appendices

Table A – Rent collection, March quarter 2020[1]

Rent due between 25 March and 23 June	Offices	Retail[2]	Total
Received	98%	51%	72%
Rent deferrals	1%	18%	10%
Rent forgiven	1%	17%	10%
Outstanding	-	14%	8%
Total	**100%** **£59m**	**100%** **£76m**	**100%** **£135m**
Collection of adjusted billing[3]	100%	78%	90%

Table B – Rent collection, June quarter 2020[1]

Rent due between 24 June and 28 September	Offices	Retail[2]	Total
Received	99%	76%	85%
Rent deferrals	-	3%	2%
Rent forgiven	1%	8%	5%
Outstanding	-	13%	8%
Total	**100%** **£58m**	**100%** **£80m**	**100%** **£138m**
Collection of adjusted billing[3]	100%	85%	92%

Table C – Rent collection, September quarter 2020[1]

Rent due between 29 September and 24 December	Offices	Retail[2]	Total
Received	100%	80%	88%
Rent deferrals	-	-	-
Rent forgiven	-	4%	2%
Outstanding	-	16%	10%
Total	**100%** **£56m**	**100%** **£80m**	**100%** **£136m**
Collection of adjusted billing[3]	100%	83%	90%

Table D – Rent collection, December quarter 2020[1]

Rent due between 25 December and 24 March	Offices	Retail[2]	Total
Received	99%	71%	83%
Rent deferrals	-	-	-
Rent forgiven	-	4%	2%
Outstanding	1%	25%	15%
Total	**100%** **£52m**	**100%** **£67m**	**100%** **£119m**
Collection of adjusted billing[3]	99%	74%	85%

[1] *As at 12 April.*
[2] *Includes non-office customers located within our London campuses.*
[3] *Total billed rents exclusive of rent deferrals and rent forgiven.*

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Notes to Editors

About British Land

Our portfolio of high quality UK commercial property is focused on London Offices and Retail around the UK. We own or manage a portfolio valued at £13.7bn (British Land share: £10.3bn) as at 30 September 2020 making us one of Europe's largest listed real estate investment companies.

Our strategy is to provide places which meet the needs of our customers and respond to changing lifestyles - Places People Prefer. We do this by creating great environments both inside and outside our buildings and use our scale and placemaking skills to enhance and enliven them. This expands their appeal to a broader range of occupiers, creating enduring demand and driving sustainable, long term performance.

Our Offices portfolio comprises three office-led campuses in central London as well as high quality standalone buildings and accounts for 65% of our portfolio. Our Retail portfolio is focused on retail parks and shopping centres, and accounts for 31% of our portfolio. Increasingly our focus is on providing a mix of uses and this is most evident at Canada Water, our 53 acre redevelopment opportunity where we have plans to create a new neighbourhood for London.

Sustainability is embedded throughout our business. Our places, which are designed to meet high sustainability standards, become part of local communities, provide opportunities for skills development and employment and promote wellbeing.

Further details can be found on the British Land website at www.britishland.com