British Land announces resumption of dividend & operational update

9 October 2020

Following the latest quarter date for rental payments on 29 September, and ahead of our half year results, we provide the following update:

- *All retail assets and 86% of stores open. Footfall 21% ahead of benchmark, retailer sales 90% of the same period last year*
- *Open air, out of town retail parks driving outperformance; playing a key role for retailers*
- *Collection rates for June have improved to 74%; 98% Offices, 57% Retail*
- *69% of September rents already collected, 91% Offices, 50% Retail*
- *c.£245m of retail asset sales since 1 April, overall 8% ahead of March book value*
- *Balance sheet remains strong: £1bn of undrawn facilities and cash; no requirement to refinance until 2024; senior unsecured rating affirmed by Fitch at 'A' with a Stable Outlook*
- *Dividend payments to resume and be paid semi-annually at 80% of Underlying Earnings Per Share. Intend to declare interim dividend on this basis in November*

1. Operational update

Throughout the pandemic, the safety and wellbeing of our colleagues, customers, suppliers and our local communities has been our priority. We have worked tirelessly to provide safe and secure environments for people to work, shop, live and visit and we thank everyone for their effort and commitment.

Retail delivering outperformance of benchmarks

All of our retail assets are open and, as of 1 October, 86% of our stores are open (1,470 units). In September, footfall was 84% of the same period last year, which represents a continuation of the consistent improvement in footfall we have seen since the re-opening of non-essential retail in June. Encouragingly, like-for-like retail sales in September for stores that were open were 90% of the same period last year. We are delivering clear outperformance versus the wider market with footfall 21% ahead of the benchmark (ShopperTrak UK National Footfall Index).

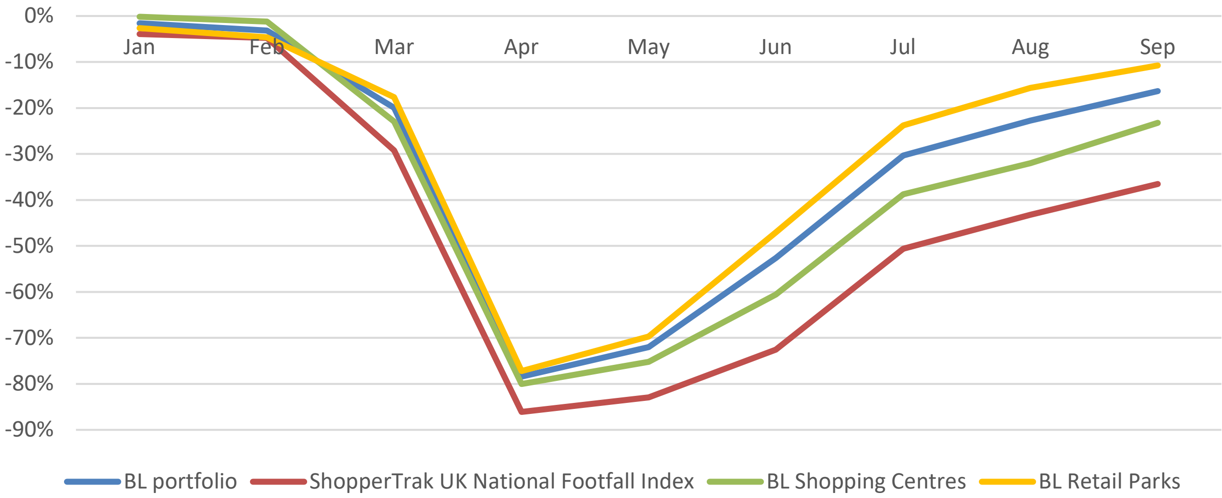
Retail Parks driving outperformance

48% of our retail assets are out-of-town retail parks which are playing a key role in retailers' post-lockdown reopening strategies and we are continuing to deliver outperformance at these locations.

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 and enabling returns as well as supporting mission-based shopping. 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, in September, footfall on our retail parks was 89% of the same period last year and like-for-like sales for stores that were open were 93% of the same period last year with strong performances from Giltbrook in Nottingham, Mayflower in Basildon and Nugent in Orpington.

Monthly year-on-year footfall percentage change



Update on CVAs and Administrations

Since April, there has been an increase in CVAs and Administrations across the retail market. We have a further 16 occupiers operating under agreed terms on CVAs or Administration accounting for 80 units. Of these, 13 units have closed, 62 have seen reduced rents and 5 remain unaffected. Overall, this has resulted in a £11.6m reduction in annualised rents.

London Offices open and operational, but physical occupancy low

Our London campuses and standalone office buildings have remained open and fully operational throughout the last six months and we continue to work closely with our customers to help make their space Covid-safe.

Physical occupancy levels at our offices reached 18% of pre-Covid levels in mid-September and have remained around this level. Across our campuses, 65% of the retail and food & beverage outlets have reopened.

2. Rent collection update

Improvement in June collection following discussions with occupiers

We remain in active discussions with our retail occupiers about the payment of rent. This has led to an increase in rent collection for the June quarter which now stands at 74% (see Table B of the appendix).

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.

Encouraging rent collection progress for September, ahead of the same point in June

Before taking account of adjustments made in support of our customers as a result of Covid-19, £96m rent was due for payment at the September quarter, comprising £51m in Retail and £45m in Offices.

As at 8 October, we have collected 69% of the total amount, comprising 91% of Offices rent and 50% of Retail rent. This compares to the collection rate of 36% for Retail we reported in the week after the June quarter date.

In a similar manner to the June quarter, we expect September quarter rent collection to improve further over the coming weeks.

September rent collection, as at 8 October:

Rent due between 29 September and 1 October	Offices	Retail[1]	Total
Received	91%	50%	69%
Rent deferrals	-	-	-
Rent forgiven	-	-	-
Customer paid monthly	1%	6%	4%
Outstanding	8%	44%	27%
Total[2]	100%	100%	100%
	£45m	£51m	£96m
Collection of adjusted billing[3]	92%	53%	72%

[1] Includes non-office customers located within our London campuses
[2] The amount billed is below the £136m billed in March and June due to the exclusion of Scottish quarter date amounts which are due to be billed on 28 November and monthly amounts due for November and December which will be billed later in the quarter.
[3] Total billed rents exclusive of rent deferrals, rent forgiven and tenants moved to monthly payments.

3. Leasing activity

Retail: pragmatic approach focused on maximising occupancy with sustainable rental cash flows

Leases signed between 1 April and 31 August for periods greater than 1 year covered 132,000 sq ft, on average 11% below previous passing rent and 9% below ERV.

Occupancy across our retail portfolio remains high at 95% as at 30 September. Our continued focus is on maintaining high occupancy at our assets with the right mix of retailers, who are additive to our places. We are both pragmatic and proactive in our approach, working with successful, financially strong retailers to ensure leasing structures are appropriate and deliver sustainable cash flows. Whilst rents on new lettings and renewals are below previous passing levels, in a very low interest rate environment, this approach of improving the quality of our cash flow will in the long run underpin the appeal of our assets to investors.

London Offices

Following the completion of 100 Liverpool Street, occupancy across our London offices is 95% as at 30 September. Office leasing activity from 1 April to 31 August covered 55,000 sq ft, on average 6% ahead of March ERV. Activity has understandably been subdued, given the challenges of physically viewing space.

So far, our occupiers have been primarily focused on the near-term challenge of returning to work safely. Longer term, Covid-19 will undoubtedly cause many businesses to consider how to use their space most productively, but our conversations suggest there is a consensus that high quality office space will remain key to enable them to perform at their best. As part of this, we expect demand to focus still further on the highest quality, most sustainable prime office space such as we are delivering at our three mixed use London campuses. In the short term though, as we indicated in May, macro uncertainties relating to both Covid-19 and Brexit will impact activity. Whilst investment volumes remain subdued, prime central London offices are generally transacting around 5% lower than pre Covid levels.

4. <u>Developments</u>

We reached practical completion at 100 Liverpool Street in late September and the building is now 93% pre let or under offer including space allocated to Storey. At 1 Triton Square, which is fully pre-let to Dentsu Aegis, productivity on site has increased and we currently expect Practical Completion in April 2021.

We are making good progress at Norton Folgate, with demolition completed and pre-construction and enabling works at an advanced stage. We expect to place the main build contract for this exciting mixed-use development soon.

At Canada Water we expect to draw down the head lease in the coming months, having secured planning permission in May 2020. A claim for judicial review was refused permission by the High Court in August, and whilst the claimant has applied for an oral hearing which will take place in late October, we are confident with respect to the outcome of this process. We are excited about commencing work on site so that the substantial public benefits of the masterplan can be delivered as soon as possible.

5. <u>Capital activity & balance sheet</u>

We have a clear strategy to further focus our business on our mixed-use London Campuses by recycling proceeds from retail disposals into our attractive development pipeline, including our unique 53-acre development opportunity at Canada Water. In line with this, we have completed c.£245m of retail sales since March, overall 8% ahead of March book value. Our most recent disposal comprised four standalone B&Q stores sold for £100m.

We have £1bn undrawn facilities and cash available including proceeds from the transactions above. We retain significant headroom to our debt covenants and have no requirement to refinance until 2024. In the half year we extended £650m of bank RCFs by a further year to 2025. Our £350m Convertible Bond was repaid at its scheduled maturity in June using RCFs.

In September 2020, our senior unsecured rating was reaffirmed by Fitch at ‘A’ with a Stable Outlook.

6. <u>Dividend policy</u>

Dividends to resume, with pay-out set at 80% of earnings

In March 2020, the Board took the difficult decision to temporarily suspend the dividend. Given the unprecedented circumstances we faced and the uncertainty of outlook, this enabled us to better support our customers, protect the long-term value of the business and strengthen our financial position.

Like many businesses, we continue to face challenges as a result of the Covid-19 pandemic, but we also recognise the importance of the dividend to shareholders. We benefit from the strong financial position we have established over several years, a unique and world-class portfolio of real estate and are reassured by the improving operational performance of our assets over recent months.

As a result, the Board are pleased to announce that the dividend will resume. Going forward, dividends will be paid semi-annually, as opposed to quarterly. Dividends will be announced at the time of our interim and full year results, with payments made to shareholders in February and August.

Future dividends will be paid at 80% of Underlying Earnings Per Share, based on the most recently completed six-month period. This policy ensures dividends will reflect the impact of development completions, acquisitions, disposals, and trading conditions as they change over time. We intend to declare an interim dividend on this basis at our results in November.

7. Board appointment

As previously announced, we are delighted that Irvinder Goodhew was appointed to the Board as a Non-Executive Director at the beginning of October. Irvinder is currently a Transformation Director at Lloyds Banking Group plc and she brings over 25 years of experience in various operational and strategic roles, in a broad range of sectors including retail and financial services. Irvinder will also join the Board's Corporate Social Responsibility Committee.

Appendices

Table A: Rent collection – March Quarter[1]

Rent due between 25 March and 23 June	Offices	Retail[2]	Total
Received	97%	44%	67%
Rent deferrals	1%	32%	19%
Rent forgiven	1%	7%	4%
Moved to monthly	-	-	-
Outstanding	1%	17%	10%
Total	100%	100%	100%
	£58m	£78m	£136m
Collection of adjusted billing[3]	99%	73%	87%

Table B: Rent collection – June Quarter[1]

Rent due between 24 June and 28 September	Offices	Retail[2]	Total
Received	98%	57%	74%
Rent deferrals	-	1%	-
Rent forgiven	-	5%	3%
Moved to monthly	-	-	-
Outstanding	2%	37%	23%
Total	100%	100%	100%
	£57m	£79m	£136m
Collection of adjusted billing[3]	98%	61%	77%

[1] As at 8 October
[2] Includes non-office customers located within our London campuses
[3] Total billed rents exclusive of rent deferrals, rent forgiven and tenants moved to monthly payments

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014.

The person responsible for arranging the release of this announcement on behalf of British Land is Gavin Bergin, Assistant Company Secretary.

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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 £14.8bn (British Land share: £11.2bn) as at 31 March 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 60% of our portfolio. Our Retail portfolio is focused on retail parks and shopping centres, and accounts for 35% 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. In April 2016 British Land received the Queen's Award for Enterprise: Sustainable Development, the UK's highest accolade for business success for economic, social and environmental achievements over a period of five years.

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