



## Our strategic focus

# Offices

### Our view of the market

London offices have seen valuations fall as yields have increased in response to higher interest rates. However, the market remains strong operationally, and rents have continued to grow in prime assets as demand for this space has remained strong. Within this, customers continue to want flexible options and strong sustainability credentials – so only the best spaces will thrive. Our portfolio is well placed to benefit from these trends.

### Our plan for our Central London portfolio

We sold £1.4bn of mature, single-let offices, taking our City office disposals to £1.7bn since 2020. The remaining portfolio consists of modern space or assets we plan to redevelop.

Three office developments will complete in 2023 and these are expected to generate £39m of gross income when fully let.

We have a consented pipeline of 1.1m sq ft of office-led development opportunities, including Portland House in Victoria and Timber Square in Southwark, where we are already on site with early works. Our developments will offer a range of our products – Myo, Customised and Blank Canvas – and will provide the space and facilities customers now demand. We plan to open three new Myo locations in the autumn, totalling 138,000 sq ft, with a further location to open next summer.

We also think rising interest rates will lead to investment opportunities in 2024, as high refinancing costs will cause some owners to dispose of assets that no longer meet the rising cost of debt. Our balance sheet means we are well placed to invest.

With ESG as a consideration, our investment in air source heat pumps and innovative AI systems to increase efficiency, will ensure our portfolio remains sustainable and meets the needs of our customers. This year, we will install our first air source heat pump at Dashwood in the City.

## £6.2bn

of prime office space in central London with ancillary retail space

## £43m

office lettings or renewals, 3% ahead of valuers' assumptions

## 95.9%

like-for-like occupancy

## three

developments completing in 2023, with a 1.1m sq ft near-term pipeline of four assets

The portfolio

Strategy in focus

During the last financial year, we sold three major office assets for a total of £1.4bn. All three were let to single occupiers on long leases and we therefore had limited value-creation opportunities from these assets. Despite deteriorating financial and economic conditions, we crystallised an average 10% lifetime IRR from the disposals. We can use the proceeds from these to invest in higher-return opportunities across the portfolio.

These disposals demonstrate our strategy in action. We were disciplined in our approach and took the opportunity to realise value even though property values were falling in the market.