TEXT FOR INVESTOR / ANALYST PRESENTATION ON CABOT CIRCUS, BRISTOL
26 NOVEMBER 2008

Speaker – John Richards, Chief Executive – Hammerson plc

Good morning ladies and gentlemen. A very warm welcome on behalf of Hammerson and Land Securities to Cabot Circus. You are in a fantastic piece of urban regeneration and restoration.

I would just like to start this morning by going back over the history and explaining how we got together. Now many of you will know that Hammerson and Land Securities were two thirds of the partnership that built the Bull Ring. And the Birmingham Alliance was, formed on 21 July 1999. But actually the catalyst to that was that we, both Hammerson and Land Securities, had substantial land holdings in Birmingham. And in the mid '90s we were both separately prosecuting good ideas for a major shopping mall, a random million square feet was the ambition of both of us. And it would be fair to say that whilst the idea of having two schemes got our competitive juices going, it provided the retailers with unparalleled choice, a Dutch auction where we both competed on lower rents and declining viability. Whilst the city pondered as to why neither of had yet started building, I think it was enlightened, that we got together and decided that a single scheme and a partnership made more sense. And I think the proof of the pudding as they say, is in the eating. And if any of you go to Birmingham today, you can see the tremendous success of the Bull Ring, even I would add in the tougher economic times.

So that was a success opening in September 2003. And not far off that time, with both companies having substantial land holdings also in Bristol, we were pursuing ideas for a major urban regeneration project in this city. But on the second iteration, we worked out much more quickly that the best way forward to pursue a scheme that would be both viable and commercially successful, was to work together. And through what was quite a complicated process with other landowners, but in relatively short order, the Bristol Alliance was formed and constituted in 2004. I talked about the Bull Ring being a partnership of three of us in terms of Henderson Investors, Land Securities and Hammerson. I would say that that rather underplayed the role of the local authority. Because if there is one thing that I think we learned fairly clearly from our work in Birmingham, is that an engaged and positive relationship with the local authority, having them as true partners to the scheme is a force for actually getting things done, for getting things right and I am delighted to say that the team here on the ground in Bristol has initiated, developed and benefited from an extraordinarily strong working relationship. A great partnership with the city council here in Bristol. And it is a credit to both sides that that has been part of the solution that has led to what you are going to see today.

You are going to see a fantastic project, one that I am personally immensely proud of and you are going to hear from the people who actually did it. But first, you are going to hear from Francis.

Speaker – Francis Salway, Group Chief Executive – Land Securities Group PLC

Thank you John. The real test of successful development in retail in our view is, do you move a town or city up the retail hierarchy? Without doubt we have achieved that within Bristol. It is partly about fiscal regeneration, it is partly about the retailers who we have brought to the city. You will hear from

Keith that some 70% of the retailers in this scheme are new to Bristol quite simply that is a draw for shoppers into the city who would not otherwise have come here.

Now John hinted at some of the complexities of relationships to get something of this scale to happen. At Land Securities, we brought our Board to the site in probably I guess around 2004. They looked at it and were incredulous at the scope of what had to be achieved. You will hear from people speaking about subtlety of relationships, and often, notwithstanding, being egotistical developers, we actually have to make sure that we are very much in the background. John has talked about the local authority, the people of Bristol and of course actually the retailers. And my analogy is it is rather like a theatre production and you have the city council as the authors of the play. We know who the people who make the set and design it are. We are perhaps the producers or the co-producers. And the people who are the stars who bring in the shoppers are the retailers. So there is a real emphasis on tenant mix and getting the right environment for people to want to spend time in Bristol city centre. So you are going to hear much more about that from the people who really did deliver the project, unlike John and I.

Presentations from Bob De Bar who has been the Development Director for the Project and involved very much, not only through the construction phase, but particularly in the planning phase. From Robin Dobson who led the project delivery team to talk about project delivery and the environmental implications of the scheme and from Keith Stone who led the leasing. So I will now hand over to Bob.

Speaker – Bob de Barr, Bristol Alliance Project Director

Thank you very much Francis. Good morning to you all, and welcome to Cabot Circus, a scheme that I and I know the rest of the team are immensely proud of and proud to show you today.

Going back all those years to October 2000 when we first started working with Hammerson and in fact beyond that, I suppose the first question anyone would ask is why Bristol? That is the question we asked and that is the question we are continually. It is a great city, it is a very attractive city, but very importantly it has huge accessibility advantages, networked into the motorway system as you can see. It is the gateway to the West Country. It has got very, very good train links and it has one of the fastest growing airports in the country. And within that one hour drive time, we had 3.82 million people. You may have seen slightly different figures from slightly different research houses, but that is pretty much it. And in fact now that we have got Harvey Nichols in here, you could probably take that catchment across to Wales as well. They will come here from there to go to Harvey Nichols.

In addition, we have a very wealthy catchment. This was the position as we judged things back in 2000. This is the proportion of ABC 1s. I can tell you that we have now gone up those rankings even before we opened Cabot Circus and Bristol has the largest proportion of ABC 1s outside of London. And it is also a terrific economic centre; it is now the fifth largest office centre in the country, very low unemployment and the highest GDP outside of London.

So with all those advantages and a lot happening in Bristol – Cabot Circus is part of a three pronged regeneration strategy for the Council, involving Harbourside and Temple Quay – lots of offices, dining and residential going in. But the big let down for the city was its retail. Broadmead before the development suffered from a few things, an absolute undersupply in numbers and it suffered from the wrong size modules, the wrong size grids – too small with a poor environment. As a result there were many retailers who were simply not in the City. They couldn't come to the City either because they didn't like it or they couldn't find the space that they required. And you will hear from Keith about that a bit later. So there is a big gap which was all constrained by a fairly horrendous ring road constraining the city centre. And what we did, was reposition the ring road and we broke it down and we gave people crossings so that we could connect with the communities.

We wanted to provide modules to suit 21st century trading formats. An example of this, Topshop were in 6,500 square feet, they are now in 25,000 square feet. There is a whole section of this affluent community who didn't come into Broadmead to shop. So we had a quality of catchment but that quality was not matched by the retail offer. We now have that and they are starting to come back.

And also because we had the Green Line estate which I will point out in a moment, the stuff that is retained, that is not within Cabot Circus, we had the opportunity to influence the management and leasing of the City Centre as a whole. And that is quite important to us as we manage the whole estate collectively. So that was the opportunity and of course as Francis said, to elevate Bristol from, up the rankings from mid twenties really into the top ten.

This is the site as it stood, before we started work. The ring road was here, we actually moved it out to here. 36 acres in all. This is the area around Quakers Friars, where we are actually sat right now. And this is what we call the Green Line Estate, the estate out with Cabot Circus itself.

This shows you the areas of the retail master plan. Cabot Circus in the purple. The Green Line Estate here and the basic form of Broadmead here and Merchant Street here. So this was the original part of the City and here is Cabot Circus with the ring road diverted. As you can see, a natural extension to the grain of the existing retail. Here we can see the new road and how we have broken down the road, the access from our neighbourhoods.

And here we have the master block plan, the foundation for this was consultation. We did 18 months of consultation, we consulted with an audience matrix of some 76 organisations and over 200 people and that excludes the general public. We developed with them some principles of development which then we embodied into master plan principles and we made an application for consent in August 2002, we secured grant consent, four months later in December of that year and it was actually cleared by the Secretary of State within about three working days. So that consultation paid off. Those master plan principles paid off because here we can see the various components - 2,600 space car park on the east side, site for offices here, Hotel and student houses. The main retail block has the department store, the cinema and the retail. And that main block is about 850,000 square feet. And in this area here we have a further 150,000 square feet, including our Harvey Nichols store. And about 230 residential units. We also have some affordable residential units just over here. And all this area is centred around this magnificent building that you are in here.

We just say one or two words about this building. It is a mixture of a Quaker's meeting room and then more latterly the Registry Office for the City. And this area here we are in now is part of a Dominican Friary. And this wing here dates back to the 15th century and Baker's Hall across there dates back to the 13th Century. And as part of the scheme, we restored this and we let it to Brassiere Blanc and they have come in and obviously done the fit out and turned it into a magnificent restaurant and functions rooms. So we are very proud to be presenting to you in this very room.

And that is the scheme content. I won't read it to you, you can read it for yourself. It is basically a 1.5 million sq ft mixed use scheme with a million square feet of retail and leisure.

The Green Line Estate – 85 shops and kiosks, about £130 million of value. We work with the local authority to secure business improvement district status. That business improvement raised about £1.2 million of retailers' money which was ultimately leveraged up to more than £10 million in terms of physical improvements. And I am pleased to say that the Business Improvement District 2, has just been voted through and will improve and take control of things like maintenance, marketing and security for the Green Line Estate. We embarked upon a series of public realm works, all the surfaces, street lighting, bins etc. And at the same time we re-faceted a lot of these buildings in phases.

So with that I will hand over to Robin.

Speaker – Robin Dobson, Bristol Alliance Project Delivery Director

Just talk to you about how the scheme and the project were delivered.

In terms of opening, we opened on 25 September at 12 o'clock. Trading is basically above projections, all retailers, House of Fraser have said they are up to top eight within the country and we got over a million people through the centre within the first eleven days. So although the grey clouds have gathered slightly there is certainly a scheme here that is bucking the trend.

So how did we deliver it in terms of architecture? What were we trying to achieve? We were trying to get people back into the city to an area that was totally underutilised. You could see the vacancy of shopping in the early evenings we appointed four different architects to deliver the four major parts of the scheme. But importantly it was also about creating different buildings to restore ownership and pride back into the city and importantly get a destination. We have upturned the architectural agenda from what was an internal, enclosed environment with doors, to actually an external environment with what are protected routes from rain.

It was also about creating the right spaces and almost the perception of the spaces. It was about creating the right connectivity but also how you perceive these spaces. These are city spaces, these are extensions of the existing streets. And almost again turning that external agenda into a cityscape and an extension of that city.

This is the curve street to my right and to your left. This is the residential tower and the curve street running form the existing Broadmead through past Harvey Nichols. And again, the philosophy, the concept was very much to ensure that these were external materials, external spaces. So whether you are coming here for lunch as an office worker, whether you are a visitor or a tourist, whether you are just leaving from school, you will see that actually the spaces are perceived as being 24 hour spaces. By the way they present themselves and also by the materials that we have used.

Retail design. I think something that Bob touched on earlier about how Cabot Circus is very different because it is not just about management in terms of retail design and working with retailers in terms of the development itself. It is also about the Green Line estate or the existing estate – Broadmead and Horse Fair. What we did here was actually set up a dedicated retail design team to work with retailers, not just in the Cabot Circus development but also with the existing estate to ensure that there was continuity of trading through the construction period right the way through to now the operation. And with it in terms of lifting the urban design, the quality and also the opportunity for the whole city across the piece.

And you can see that here with four images, the top two images show Broadmead East. Bob showed them in his earlier presentation. The top left is pretty poor environment to shop within. And look at what we have created through effectively leveraging up the bid monies, also the opportunity it has created in terms of retailers, managed process coming out of Broadmead East and coming into the main scheme. And then again on Horse Fair, bottom left to bottom right. It isn't just about the redevelopment and development of Cabot Circus, it is very much about the ongoing catalyst and refurbishment of other areas within the City.

In terms of mixed use. I sort of harbour the point, but it is so different I think in terms of it retail and leisure destination. It is fundamentally part of Cabot Circus, but when you look at all the other uses that have come together and in terms of order of dates, the student accommodation building was handed over in autumn 2007. We opened in September 2008. In the spring, bottom right, the Future Inns Hotel will be opened, bottom left the offices will start in the near future. Put that together with affordable housing, car parking and also the residential which is part and parcel of the Quaker's Friars, you will see that not only is it a mixture of uses, but it is also a mixture of markets in terms of creating a destination for all different people, whether you are visitors, whether you are tourists, whether you are residents in the city.

Sustainability. I think, over the last couple of years, it has been a buzz word in terms of PR and glossy magazines for many companies. I think the real learning that we have made here is that it is much less perhaps about wind turbines, it is much less about putting solar cells on roves. It is much more just about getting good practice, everyday practice. And in terms of the design phase, we looked at things like intelligent lighting, low water use fittings, setting up comprehensive tenant fit out guidance for all of our tenants, to try and lead the way. So not necessarily spending large quantities of money, but just in terms of organising ourselves in a much more controlled way in terms of good practice.

In terms of construction phase, a similar theme. We took a much more active involvement in terms of waste recycling. We were averaging over 85% which I think is unheard of in this sort of regeneration construction programme. And we did that actively by working with retailers, building relationships with them in terms of that resource and also the creation of jobs. 3,500 jobs were created through the construction process and engagement where there were 30,000 people over a three year period.

And of course, just being wise, just actually again being good in terms of where you are sourcing your materials, making sure you are sourcing them locally wherever possible.

And in terms of post construction. Again, we talk about jobs through construction. We always hear headlines of jobs being lost, but what we hear less about is jobs actually being created. Over 4,000 new jobs were created here for Bristol and the outlying areas. And with it engagement there on the job front of 23,000. The upshot of that actually is that Cabot Circus has achieved BREEAM excellent which is the first retail mixed used scheme of its kind this year to achieve it. And also was awarded Retail Excellence.

In terms of development time running programme. There are lots of dates there. I don’t really intend to track you through all of those various dates. The message really is that when you look at the Alliance being conceived, first conception October 2000, a start on site in Autumn, September 2005, to what you walk around to what you will see, what you will touch and you will feel today, you actually do realise that this is I think probably the fastest construction programme and delivery programme of its kind. To start the demolition programme and then open the doors within a three year period is quite incredible and testament really to the hard working and the team that we have involved.

And I think really, just going forward when you look at the scheme and when you look at the regeneration of the areas and the mixed use, it is very much a very different and does cut across all sectors in all markets.

Now over to Keith.

Speaker – Keith Stone, Bristol Alliance Leasing Director

Thanks Robin. Before I just start talking you through how we arrived at delivering over 90% of the rental income at centre opening date. Just to bring out a couple of points that have been touched on. In terms of our overall strategy. We knew that Bristol had a very prosperous regional catchment area. It was the regional capital city, its retail offer was very poor. You have seen the slides earlier of Broadmead as it was and that is already being regenerated. Cribbs Causeway had been given a great opportunity, it had been trading effectively as a regional centre because of poor competition.

For me, one of the principle drivers in terms of our overall tenant mix strategy was to engage with the whole of the city centre. We have seen the industry over the year changing now with new developments which are engaging with the entire city centre, linking with existing streets. Within Bristol, in addition to the million square feet we have developed, we have already touched on, what is approaching 500,000 square feet within our Green Line investment and beyond that there is nearly, with the addition, at the western end of the city, nearly two million square feet of floor space within the city. A huge opportunity for us to drive the growth and improvements for the whole of the city centre, whether it is in our ownership or other parties ownerships, we still can continue to grow in the way that we have already taken it up, but it can continue to push on. I think that is a really important element of what we have done.

On the left hand side of the slide, you can see the Boots and Marks & Spencer's symbol. They are at the Western end of the city. And a very important element in terms of spreading the growth throughout the city centre. So we have not moved shop units from one end to the other. As Francis mentioned early on, over 70% of the retailers here are new to the city centre. So genuinely improving the retail offer.

Looking at this slide here, this is the lower level, as you will see when we go on site. Concord Street to the north, Brigstow Street to the south, they slope down to the lower level of the Circus. When we started out, the leasing strategy, we had extensive discussions with Selfridges, Marks & Spencer and with House of Fraser. And really of great benefit to us is actually concluding the deal with House of Fraser. The store here is trading very successfully. And what it has meant, two things. Firstly Marks & Spencer have stayed in their existing store, they have refurbished their existing store. But also House of Fraser have vacated their store at the western end of the city, Primark are now refurbishing that. That will be about 75,000 square feet of sales. So a very big Primark store which again will support the western end of the city. So you see the whole city centre elevating, really very important from our point of view. In addition to that early deal with House of Fraser, the other two principle anchors as we mentioned, Harvey Nichols in Quaker Friars and at the car park level, our 100,000 sq ft cinema – 13 screens, 3,000 seats and trading above their forecast.

Those were the first three pieces we put into place. We then opened up negotiations with our principle stores, they are shown in the darker colour on this slide. As Bob mentioned, retailers that were already in the city centre in very undersized space like Topshop, H&M, Next, New Look which are on the level above here, DP Burtons. Anecdotally, New Look have said to me, that since we have opened, this has actually been their top performing store in the country, which is quite an achievement. That means they are exceeding Oxford Street. They have upsized from about 3-4,000 square feet up to a store of well in excess of 30,000 square feet.

The other thing which has been a very important part of our strategy from day one, is the catering strategy, restaurants and cafes. They are shown on this slide in blue. But you will see in blue that we, on the various levels of plans in your pack, that we set out to put restaurants, cafes in strategic locations throughout the entire development, through the different streets and in particular you will see around the cinema when we come to it in a moment, that we have had very successful completed strategy there. Without exception, all the cafes and restaurants within Cabot Circus are trading between 30-50% above forecast, which I think tells you a lot, as much about where the industry is going, as Cabot Circus in Bristol. But that has been a particularly successful element of what we have done.

Looking at Concord Street, we set that out to be a major fashion street, the left hand end, towards Urban Outfitters, we have created a Carnaby Street type zone, with retailers like Puma and American Apparel. What that has done is linked across into Horse Fair, which is part of our Green Line, where we are now leasing shops within that block to student / surf type brands. Smaller units, lower rents, but that has worked really well and you can see the tenant mix engaging with the whole of the city centre with Horse Fair in particular in that regard.

The eastern end of Concord Street, so between River Island's new store and House of Fraser, very much what I would call Oxford Street fashion. The likes of Jane Norman, JD Sports etc. Coming round into Brigstow Street, the left hand end as you come down towards Quaker Friars, again what I would call Oxford Street stores. So the likes of Next, H&M, Top Shop etc and Esprit there and between Next going up to House of Fraser, again important high street retailers. You will find them all in Oxford Street, trading successfully. Retailers like Game, Bank, Carphone Warehouse, all very important part of the overall mix.

Moving on to the central street, George White Street, again you can see the direct link with Broadmead coming down towards Marks & Spencer and Boots and really a high street mix of fashion approaching House of Fraser's middle floor, passing the big stores of DP and Zara. And there you have got again, more specialist retailers like Hotel Chocolat, Orange, Fossil, all a very important part of the mix. And you can see the New Look store to the right there.

This is what we call, Glass Walk level, the car park level, 2,600 space car park. All customers come through from the car park and then filter down through the development which is a very important part of the overall pedestrian flow. You see at the top there the cinema and the restaurants, the dining offer and the dining terrace. At the very outset we set out to ensure that every café, every restaurant had a particular point of difference, had a particular selling point for its customers. And that was really important part of making sure that every one of those restaurants was going to trade well. And that has proved to be the case. Glass Walk is our more speciality level. The price point there for retailers is lower. Retailers like Sony. There is a Starbucks there, Entertainer trading there. You will see one of the larger lumps of space that we still have to lease there. We are looking at a number of opportunities, homewares, and maybe leisure. There are a number of discussions in place. So certainly we would like to think that we will have that sorted in the next 4-5 months.

And then moving onto Quakers Friars. Whilst Quakers Friars is only 150,000 of the total million square feet, it really does punch above its weight in terms of reflecting the improvement of Bristol's retail brand. Harvey Nichols, Brassiere Blanc we talked about in the middle there. Again, you will see from your plans, strategically placed restaurants. And what that mix has enabled us to do is pull together a whole range of retailers like White Company, LK Bennett, you can see them all in your pack, Crew, all of those retailers. None of those were in Bristol City Centre. A huge step change.

An overview again. Moving onto the Green Line and this is really where you see the impact starting to be felt of the investment in Cabot Circus on the rest of the City centre and our Green Line in particular. This is where we started out in our Green Line and you can see here, where we are at the moment with the current and where we believe we can take it to. Certainly the potential for upgrading, for re-tenanting, improving generally, is very extensive.

Any new development of this scale offers very significant opportunities for that. At the moment we are anticipating about £600,000 per annum from this, but I think there is potential to move that forward significantly.

I can't say you will see as many people when you are out on site today. This is opening day, which was a fantastic success and the people of Bristol were completely bowled over. They really just couldn't believe what was happening in their city, given what they had been used to.

About half a million people a week now come to the development. And we see the potential to grow that as the wider catchment becomes more familiar with the Bristol offer and clearly a lot of our marketing which Richard Belt the Centre Director can talk through with you when you are chatting later. Marketing opportunity to bring in the spend from that wider catchment is significant.

Back to you John.

Speaker – John Richards, Chief Executive – Hammerson plc

I think the important thing to understand in terms of the way in which the scheme was put together was the economics of the project. We were looking I think originally for an internal rate of return of around 11% and probably focusing at that time yields on prime shopping at about 5% or lower. Now quite clearly that is now where we are today. The message I would like you to take away from here is that these are long term projects. We would not choose to open a shopping centre at a tough time. But as you can see, despite the fact we have, we are 92% let. We are seeing all of our traders hitting their numbers or in many cases as Keith has said, doing spectacularly better. These are long term projects, long term ownership and I am absolutely confident that as we own a centre of this quality across cycles, we will see a proper return for our shareholders from the development, because they are rare beasts. You can't buy a centre of this quality at most points in the cycle. Indeed arguably, you can't buy centres of this quality at any point in the cycle, but you can build them. And once you have built them, you have the opportunity of exploiting their performance and the benefits of that extraordinary robust income stream.

The strength of the centre and the fact that the ownership of it gives you that long term cash for that long term certainty and that ability to actually grow the income stream. And you have heard that not only is it the centre we have built, but it is also the rest of our ownership in the city. So I don't intent to comment in greater detail than that on the economics because clearly it is, first of all it is a moving feast. And I am not convinced if I told you the valuation today, I would be right. And I certainly, in some of your minds would not be right by the end of the week. So it is a moving feast in terms of the value, I honestly don't know what it is myself. But what I do know is that the income is extremely secure and growing and an asset of this quality is unique.

Speaker – Francis Salway, Group Chief Executive – Land Securities Group PLC

I think some of the things that come out from this are teamwork. The teamwork that is required to deliver a project of this complexity and once you succeed you create an enormous barrier to entry. There are very few people who can deliver schemes of this complexity in the country. And as John said, once you have done so, you have given yourself a platform for future growth in rents.

Now I think we set out various objectives at the beginning. We have hit all of them. I gave you at the beginning an analogy of putting on a theatre production. We are the co-producers. The only bit on which we failed is that John and I still struggle to call each other 'darling'. But apart from that, I think we have succeeded and at that point it has to be time for questions.

Question 1
John Lutzius – Green Street
Regarding the development yield that is set out here at 6.9%, is that based on the 92% leased that you are today or based on an assumption of a different leasing level?

Answer – Francis Salway
That is based on projected.

Further question
Do you have a sense of where the yield would be today based on the 92?

Answer – Francis Salway
I think mental arithmetic is required. It will be a relationship between the 92% and the 6.9% . It is not a great deal of science to it.

Further question
The 6.9 would assume 100%, is that what you are saying?

Answer – Francis Salway
Yes

Further question
Can you just compare and contrast a little bit the experience in Birmingham with the Bull Ring in terms of initial yield and then a rough sense of what the uplift in yield after the five year rent review was? And compare it to the starting yield here and some rough expectation of where you think it might go?

Answer – John Richards
From memory, the initial yield on the Bull Ring was about 7.3-7.4% of that order. And you raise an interesting, but actually quite complex point that I touched on in terms of which point in a cycle you open a shopping centre. And I think the reality is that you can't judge exactly the cycle when these projects have a ten year duration. And on some schemes and I think Birmingham is an example. We had an extraordinarily good development. The market was very strong during the development period and we let very well at rents significantly above target. And the consequence of that is that you see lower growth in the first five years. So you don't see the same perhaps high level that you achieve in other centres that you open at less propitious times. And I know from our own portfolio for example, in West Quay in Southampton that we opened in 2000. At the end of a rather tougher letting period, we saw around 30% growth around 6% per annum in the period from the opening in 2000 to 2005. A lot of that growth that we captured in the first five years of West Quay was actually captured in the initial letting of Bull Ring. So coming back to here, having let up in tougher times, I would expect to see better performance in the first five years up to the first review. Although I would be the first to admit, that that is more likely to be rear end loaded rather than growth you will see in the next year or even two years.

Question 2
Bhupen Master, Merrill Lynch
Just going back to the development yield of 6.9, how do you treat the incentives in the calculation of that?

Answer – Francis Salway
That's a headline yield.

Further question
And also on the financials, you have total income of £36 million I think, a couple of slides prior to that you had projected rental income of £31 million. The difference between the two numbers?

Answer – Keith Stone
The £31 million is pure retail and the rest is commercialisation, car parking etc.

Further answer – Francis Salway
As there is a break between questions, I am actually going to ask Robin to fill in a little bit about the sites that we didn't directly develop ourselves to give you a flavour of how we managed risk across the full mix of uses.

Robin Dobson
I think the first point is residential which is very topical at the moment. We have 200 residential units around the square, you will see when you come out of the Friary building. The way that we have delivered that is we have done a sell option with Midland and City Developments (MCD), a partner we have used before through out Atwood House / Bull Ring development 2003. We build the shell and

core and then we sell the option to MCD who then fit out and sell to the market. That is the residential element.

If you then go to the other side of the central space to the other sites. The four plots there as Bob touched on in terms of the flexibility in terms of the way we could deliver them. First of all there was the option that they weren't all outlined as being offices to begin with. So what we ended up with was student accommodation, which was a sell to Unite. And they opened that in autumn 2007. The second sell of the site was to Future Inns, and for those who have tried to stay in Bristol, you will realise that hotel accommodation in Bristol is very, very difficult. They open early 2009 and you will see that when you walk around. So that was a sell to them. The affordable housing obviously is a sell to an RSL provider and the offices which form the gateway to Bristol and to our car park 2,600 space car park again, we sold those two plots of land to CBRE Investors. And I think really the learnings we take from that actually was absolutely the right thing to do. And I think what it did was it concentrated our core skills and our core team on delivering the retail and the leisure here through Cabot Circus and the car park, and allowing those specialities of residential, hotels and offices in this market in Bristol to be delivered by others. And therefore we sold the plots.

Question 3
John Fraser Andrews - HSBC
Can I ask the platform to draw on their experience and compare the letting of this scheme with retail developments in the last couple of decades and perhaps you could just recap at what stages you had secured the tenants? It felt like it was a pretty easy run until the last 3-4 months, so perhaps you could just draw on history to put the leasing of this scheme in context? And as a supplementary to that, could I ask Francis and John to comment on the leasing progress at Aberdeen and Cardiff?

Answer – Francis Salway
I am going to start and set a little bit of context before probably asking Keith to talk about profile of lettings. We did quite early on, I am looking at Simon Meliss, because Simon and I are on the sort of joint Board for this project. We saw real competition with a number of schemes completing in '08. And we increased substantially the budget for capital contributions so that we were constantly ahead of the curve on leasing, which I think and actually we were ahead of the curve on Bull Ring because we knew there was more competition coming through in '08 than was the case in '03 when I think Bull Ring was the only major scheme being completed in the country. So we were very conscious of competitive pressure. So that sets a little bit of background. Now Keith.

Further answer – Keith Stone
Yes, I apologise if I made my job sound easier than it was. Yes I think we had a very strong sales proposition. It was a huge opportunity. The market generally recognised that and identified that Bristol yes, was a place they should be. But actually then converting the deals, it has not been an easy market and it has obviously got very, very tough in the last few months in particular. But I think, having set out the strategy that we had with the stores in the places that we had them. And particularly as the building started to become more identifiable, it was possible for us, armed with the necessary budgets etc, to conclude the deals and it was really about maintaining momentum and keeping momentum going. We all know the retail fraternity will obviously talk to each other and that was a very important element of what we were doing. So I don't really see it a lot different to other projects I have been involved with in the past such as Bluewater for example. I think it is about getting the fundamentals right, getting the tenant mix strategy right. And providing the opportunity is there and perceived and understood by the retailers, then you can get from A to B, Clearly the last six months has got tougher, timing is everything. And that is the reason that we have managed to get as well let with such a great tenant mix as we have with over 92% I think it is now achieved. And I was chatting with somebody earlier on, clearly getting the right retailers in those remaining twelve units is very important for us. We won't knee-jerk, just getting space let for the sake of getting space let. It will need to be the right

retailers. It is a long term game and we are about drawing in more spend, more customers from that affluent region.

Further Answer – John Richards
Just picking up on the second point, but making a couple of comments as a precursor if I may. You have heard us talk about the competition from other centres. Now just to clear up one point on that which is often misunderstood. I often say that it is only I and my colleagues who are sad enough to have the option of spending money in Liverpool One, the Bull Ring and Westfield as well as here, all in the same month. The shoppers in Bristol don't see that as their natural journey time or their alternatives. But the pressure is where retailers first of all have others with what I might describe as more challenging schemes. Setting a benchmark for the tenant inducement. And the second point, in terms of both finance and the quality of fit out teams, opening teams that retailers have. They sometimes find that, often find that a limiting and constrained resource. So key retailers are actually benchmarking if you like what they are getting in other centres, but also if you like, spreading their resources or working out how to spread their resources to actually open a number of stores at the same time. And can I on behalf of Keith and the whole team say I think it was extraordinarily hard work, but extremely well managed to actually let up this scheme. And as he said, the tide got tougher to swim against and I think it was a measure of the quality of people we had and the strategy they put together that Keith is able to make it sound relatively easy. I am sure it was hard work.

On the final point, Aberdeen we are around 32% let a year away from opening. We have experienced a tough time in having discussions with retailers over the last 4-5 months for the reasons we have already touched upon. But I think it is worth recording as a glimmer of light that in discussions we have been having literally in the last few weeks with retailers, a reasonable number of them are actually beginning to dust off their ideas for where they are opening next year, if they will open anywhere next year. And they are having, entering serious discussions with us concerning the opportunity in Aberdeen. And I am sure Francis will agree with me. When retailers look at their portfolio, they have got a range of profitable units even in extremely tough economic conditions. And those will invariable be in new units of the right size in the right place. They will be he units they have got in Bristol and in Birmingham and in West Quay and in other peoples centres, indeed. And where they will be losing money on a store by store basis will be in the long tail of their portfolio. In market towns that are slipping down the hierarchy in poorer secondary centres in prime cities or more often in secondary units in secondary locations. So actually, when they are looking at the vitality and progress of their own business, even in tough times, enlightened retailers are looking to open new units in the right place and I am comfortable and confident that over time, Aberdeen will be the right place and I would be very disappointed if Francis didn't agree with me [laughter]

Further answer – Francis Salway
Cardiff. We are same level let by income and by area about 47%. Similar issue about retailers concentrating on '08 openings. They will focus on immediate priorities and we are seeing a looking forward to '09 openings. But I think, to put it in context, 2008 is the highest level of shopping centre openings in the UK since, and I don't like to say the year 1991, but of course 2008 openings have been far more successful in levels of lettings than was the casein 1991, but we have had a real peak this year. And it is only now that retailers are beginning to look forward to next autumn's openings.

Question 4
Tom Walker, AMP Capital, Redding
Just looking at the average rent of £245 psf, zone A and then the 18 month incentive that is in this centre. Could you just comment on the 8% vacancy you have and where your aspirations are for that?

Answer – Keith Stone
Yeah. The £245 psf is an average rent for as it happens all three of our principal streets across the board. In terms of going forward, as I said earlier on, getting those last 12 units away we will be looking very much at tenant mix. In the current market it will be difficult to achieve that average that we

have already set. That is the potential, but that is a function I think a function I think of both the market that we are in and the economy we are in. So certainly if your question was asking, will we exceed that, then I would say no.

The leasing market at the moment is moving north of 18 months as packages generally.

Further Answer – Francis Salway
An average for the scheme and I think both John, you and I have both said that on more recent lettings and schemes it has been more like two years. But in overall rent, in headline rents, we still expect to hit our original target. I think that one other point is if you were to put Zone A's against the top ten cities, in terms of retail destinations in the UK, £245 psf would be very much at the lower end which brings out John's point again about confidence in growth to first rent review from this particular scheme.

Question 5
Nan Rogers, Arbuthnot Securities
Are you finding retailers are asking for capital contributions as well as for rent free periods? Is that an issue?

Answer – Keith Stone
Yes I mean, we all know. Many businesses have a real issue now with Capex and that applies to retailers as much as anybody else. And certainly we are finding, whereas at the beginning of the project or the first half of the project were even more than that. We were, any package was skewed more towards rent free than capital. Now it is very much the other way round and that is an industry situation, nothing specifically to do with Bristol.

Further question
Can you just give us any idea as to how much Capex might be?

Answer – Keith Stone
Well if you are talking two year packages then three-quarters of that may well be capex.

Further answer – Francis Salway
It is either or and not and. So the equivalent is two years rent, whether they get it up front or as a rent free period. And if I could just pick up one thing which, some of you will have heard me say verbatim before. In the great debate about monthly rents, it would be certainly my view that retailers in the main, in negotiations have focused on the length of the rent free period as tenant inducement, the length of the lease and because of the retailing strategy you have heard about this morning, I actually think there is more a meeting of minds because of an understanding of the level of trade they will do about rent, than you might expect. So from my perspective, the key points that have been on the retailers agenda in a negotiation where our interests are not in any way parallel where they are mutually exclusive, has been on the length of the rent free period and on the length of the lease. And that of course in accounting terms is what therefore their annual costs are they are putting through their P&L account. Paying monthly has not really been on the Agenda for other than a couple of specific tenants who have had it in their minds. The idea that it has been a great problem for the industry is frankly not our experience here or in other centres.

Further answer – Keith Stone
From memory, one tenant is on monthly rents at Bristol.

Question 6
Rogier Quirijns, Cohen & Steers
Two short questions. First of all how much on a percentage basis is turnover based of the leases? And can you give any flavour on your projections on the rent to turnover ratio of the centre?

Answer – Keith Stone

Again, off the top of my head, I would have said about 60% of the leases have a turnover element, but only until first review. If you like that is having our cake and eating it. What we have done is get the best rent that we can from a retailer, suggest to them that we think they will actually do better business than that and have a turnover percentage until first review when it all falls away. I would imagine that there is only 3-4 maybe half a dozen retailers that are what I would call turnover leases. So it is very much traditional leases.

– ENDS –

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