TRITAX BIG BOX REIT PLC

INVESTOR SEMINAR

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Transcript

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Ian Brown: Good afternoon, everybody, and a very warm welcome to our first investor seminar focused on our development portfolio. And I'd also like to extend a very warm welcome to our audience in the room with us here in London. Welcome, thank you for taking the time to join us. I'm Ian Brown, I'm the head of investor relations for Tritax Big Box. As many of you will know, not only are we the largest investor in UK logistics, but we also own and control the largest logistics focused land portfolio, capable of delivering 40 million square feet of high quality logistics space and giving us the potential to more than double our contracted rent roll. The purpose of the session is exploring that significant potential in more detail, demonstrating the progress that we are making and explaining why we are so excited about the future prospects of the business.

Ian Brown: Before I hand over to Colin, a quick bit of housekeeping. This is being webcast live, and we have over 250 people on line with us. And after each section of the seminar, there will be an opportunity for you to ask questions. Please type your question in the box online, and I will then pass them to the team. This is being recorded and a replay will be available on the website afterwards. And finally, I would like to take this opportunity really on behalf of all the Tritax team to say congratulations and well done to our colleague, Joe Blackshaw, a key member of our IR team who has successfully rode across the Atlantic in 40 days with her crew on The Mothership. A really phenomenal achievement. And we were very proud to sponsor her in doing that. So well done, Jo. And with that, I'll hand it over to Colin Godfrey, our CEO.

Colin Godfrey: Thank you and good afternoon, everyone. For those of you that don't know me, my name's Colin Godfrey, I'm CEO of Tritax Big Box REIT. I've held that position since IPO in 2013, when we launched the business. Thank you all for taking the time to attend today in the room and of course everyone that's joining us online as well. Hopefully, we'll be able to all get together and attend these events more in person in the future. Most of you will hear from me quite regularly during the course of the year, and today provides an opportunity, however, for me to take a backseat and to

hand over to a number of my colleagues who are experts in the field, senior team members and they'll talk you through some specific areas of what we're doing on the development portfolio.

Colin Godfrey: So, as Ian said, the aim of the next two and a half hours approximately is to throw some more light on the development side of our activities, and to demonstrate the accelerated pace that we are demonstrating in our development portfolio in enabling us to generate acceleration of income growth. And we have a clear strategy in our portfolio to exploit that portfolio that we acquired a little under three years ago. And we're now seeing the benefits really flow through to our bottom line. The financial impact is accelerating, and this will continue, not just in the short term, but into the medium and longer term as well. So, to bring this to life, we've got a really talented and experienced team here that will take you through the detail. And to start, I'll just provide a very brief introduction to you on our unique market position.

Colin Godfrey: I will also draw attention to how we are able to bring that strategy to life, delivering in the development capacity to provide significant growth through our business. And this gives us real confidence as we move forward. I'll then hand over to Kevin Mofid. Kevin is head of logistics, industrial research at Savills and he's a leading commentator on the sector. Kevin will take you through some of the occupational and investment statistics for our market. Mark Ferguson, our development director of occupational leasing, will then provide context to the strong market fundamentals that we're experiencing. He'll explain our customer focused approach and our intelligence driven thinking and how we're capturing lettings in the market in the current day.

Colin Godfrey: Andrew Dickman will then focus on the breadth and depth of our development capabilities. These are key components to our competitive advantage. Andrew, just to explain, is director of Tritax Symmetry. He has 30 years experience in commercial property and he leads our Manchester office. After that, Phil Redding will provide more granular detail on our land portfolio, and he will walk you through the great progress that we are making and explaining the opportunity ahead. Phil is director of investment strategy at Tritax, and he heads up the development activity of our business. And finally, Frankie Whitehead, our finance director, will then tie things back to our financial performance with strong earnings visibility that we've created to provide an update on our overall outlook before I then finish by wrapping

things up. So, if there's one overall message that I want to convey to you today, it's this: we've never been more excited, and we really are excited about the future prospects for this business. We're incredibly well positioned to take advantage of a market opportunity that we find ourselves enjoying right now, having carefully laid the strong foundations for success.

Colin Godfrey: And our development program is really now performing. This is already showing through in an accelerated performance and it underpins our growing confidence in returns. So, I'll start with a quick reminder of our leading position in the UK, which Ian just touched on. We are, as Ian said, the largest investor in industrial logistics warehousing in the UK. We own and actively manage and develop prime logistics assets for top class covenants and really high quality buildings. And we own the UK's largest industrial logistics focused land platform. We're significantly ahead of our newest competitor in that regard. So combined with a very strong market driver backdrop, this means that we can deliver sustainable income value growth for shareholders, not just now, but over the medium and longer terms. And as you can see on the top right here of the graph, we've deliberately built our portfolio to provide a blend of open market and inflation linked growth. Our land portfolio means that we've got significant development growth potential ahead of us. And this is the focus of today's seminar.

Colin Godfrey: As a context for today's session, it's important to remember that we've designed our strategy to align with the long term drivers in our market. Now, most of you are familiar with this chart, but I'll just highlight a few components. At the top of the triangle, you can see that we have a portfolio of really great assets attracting world class, quality customers. We've also built the capabilities to add value to that portfolio through direct and active asset management. We apply our skills, our insights and innovation gained from being the UK's largest investor in logistics to develop our land portfolio and at a really attractive yield on cost of 6% to 8%. It's this last element we're focused on today. But I really want to emphasise the point at the bottom of this chart, which Frankie will touch on a little later. And that is that this strategy is underpinned by a really disciplined approach to capital allocation with sustainability embedded across the whole of our portfolio and all of our activities.

Colin Godfrey: The key point here is that the strong position that we are now in, and the benefits that we are already seeing are the result of a very deliberate strategy, which we're

continuing to execute. The strategic focus on development started back in 2014. And since that time, we've completed 17 forward funded pre-led developments with third party developers. 2017 saw our first development land purchase. And that was the land at little brick power station in London, inside the M25, next to the River Thames, a phenomenal site. We've successfully developed and let two really important buildings on that site. And some of you will have been to the site and seen it really come to life. The first of them is Europe's largest logistics building - 2.4 million square feet. It's a phenomenal piece of logistics real estate, and we've led that to Amazon for 20 years. The next building was let to IKEA, and that's 450,000 square feet. So that site is already delivering profits, significantly exceeding our original expectations for the whole of the site.

Colin Godfrey: And there's still much more to come at that development. Advancing to February 2019, we acquired DB Symmetry. And this was a landmark transaction for our business because not only did we acquire a superb land portfolio that benefits from over 10 years of work in advancing planning, etcetera, but we also welcomed a market leading team of really high quality and very talented and experienced development and planning professionals. And one of them - Andrew Dickman - is sitting here with us today. So, you can see that our approach to development has been carefully considered and deliberately balanced to complement our investment portfolio activities. Now, this slide, most of you will have seen before, but it highlights the results of our successful delivery on our investment strategy over the last few years. As shown on the left hand side, we've got a really good portfolio mix between quality in our foundation assets and that providing the back rock really to all that we do in terms of the value add, but also in terms of our development activities.

Colin Godfrey: And that's shown on the right hand side, and Frankie will cover that a little bit later. More particularly the rental growth and the income generation that we're able to deliver from that. And that is the key focus of today is the ability to capture that significant rental growth as we move forward and develop out our land bank. So, we have a portfolio that is capable of delivering over the next decade. And I believe that the occupational market conditions will remain very, very favourable for a number of years to come. And that is partly due to the structural tailwinds, which are driving our market, but also due to the constraints on the supply side, which you'll hear about more a bit later. And we are very well positioned to take advantage of that market strength. With our experience team, deep market knowledge, and of course

the cost efficient control of a maturing land portfolio, plus the financial fire power to unlock its potential. The really good news, however, is that our land portfolio has now come of age.

Colin Godfrey: It's delivering very attractive returns right now. And as you will see on the right hand side of this chart, with some really major wins in 2021, but we've already made a really positive start to 2022. And that's very exciting. So, we are looking to capture that accelerated rental growth, as I mentioned, and of course to deliver a range of building sizes constructed to the highest ESG standards to support our customer's requirements. So, all in all, it's a really exciting time for us as a team. We are highly energised and there's a lot going on within our business. On that, I'm going to hand over to Kevin now, and Kevin's going to provide some insights into what's happening in our market.

Kevin Mofid: Hello, everyone. I'm Kevin Mofid, head of European and UK logistics research for Savills. Thank you to Colin, Ian, and the team for inviting me to speak to you today. I'm really sorry I can't be with you in person. Hopefully, I'll be invited back for the next seminar, and we can do it in person then. Hopefully I'm known to many of you in the room and on the call. I've got 10 minutes to set the scene on the UK logistics market and some of the key drivers in our world at the moment. I'm going to get straight into the stats, which should be coming up on the right hand side. I'm running out of superlatives to say about the market really.

Kevin Mofid: I've been talking and writing about warehouses for about 15 years now and never have I known a situation where macro economic factors are all aligning at once and they are amplifying our market. Whether it's take up, supply, vacancy, any other metric that you want to examine. The chart that I've got up here just shows our take up stats. These go back to 2007. Pre-COVID, take up was averaging 32 million square feet a year. The last two years, it's been above 50 million square feet a year. By our measure, 55.1 million square feet in 2021, 86% above the long term average. Another point to note is 220 separate transactions. The first time we've ever been over 200 deals, above 100,000 square feet in the occupational market. A lot of them across the size ranges, it is a sheer volume of deals that is driving the market up in this way.

Kevin Mofid: And the next slide looks at this by regions. I won't labour this point too much, but really what we hear is that every single region has been above the long term average. Many regions with record years. So, the point again is that it's not just focused on one area of the country; it's happening across the board. The next slide I want to show is about the type of take up the market is experiencing. Whether its spec take up built to suit or second hand. I'm going to focus just on the yellow part of this chart, and that is the take up by area as a proportion. The blue line is built to suit, the purple line is speculatively constructed space, and the red line is second hand space. Historically over the last decade, built to suit has been averaging around 50% of take up.

Kevin Mofid: And it's fallen back to 36% of take up in 2021. Occupiers driven by the need to get hold of space quickly to service their requirements have been taking more speulative space. I'm going to come onto supply in a few slides time, but I actually think there's a strong case that in 2022, that line will start to inverse again. And we'll start to see a rise in the level of build to suit take up, because actually the supply just isn't there. All of this occupied demand is also having a big impact on lease lengths. We launched some research yesterday with Tritax Symmetry. It was our logistic census. And one of the questions we asked our occupier survey was their attitudes to lease length. And actually, it was far down their list of things that they were concerned about.

Kevin Mofid: They were much more concerned about other factors, such as employment, power, the shift to electric vehicles. And this is borne out in this chart. Two key points here, the red line and the green line. The red line is leases under five years. The green line is leases between five and 10 years. The point here is that occupiers are thinking more strategically. They're committing to space for a longer period of time. And that's why we're seeing this kind of upward trend in the average lease length as well. I just want to focus quickly on who's taking space. One of the questions that I get asked a lot is, "Well, the market is dominated by online retailers," and so on. It simply isn't the case to say that. Yes, Amazon are a key driver of the market, but I've tried to scratch the surface of this and a couple of things I just want to highlight in this chart. The most important one is the green at the top. That is the level of take up by 3PLs, companies like Eddie Stobart, Wincanton, DHL.

Kevin Mofid: They took the highest amount of space they've ever taken last year, proportionately and in absolute terms, just over 13 million square feet. You have other new entrants to the market, like Chinese e-commerce companies. So, in my mind, it's a very balanced market with a lot of depth in occupier demand. The next chart is deliberately hard to understand, because what I've done here is I've just looked at the amount of companies who have taken leases over the last two years. And as you can see here, there is a very, very long tail of active companies. 257 companies have taken space over the last two years, 37 of those companies have taken more than one unit. And the next chart just tidies that up a bit, makes it look a bit cleaner. And you can see here how huge that other category is.

Kevin Mofid: You can also see how important Amazon are nonetheless, but you can see some new entrants there - Super Smart, MH Star. You can see some household names and you can see some companies that are growing rapidly like Camac and Northwest based 3PL growing, taking space and actually made the top 10. So, I think my point here is that there is a very strong and diverse mix of occupiers in the market at the moment. And I mentioned our survey with Tritax Symmetry which we launched yesterday, our logistics census. Occupiers are in expansion mode. 90% of the respondents to our survey, which is in its fifth year by the way, have said that they are in expansion mode. They expect to take more space. And this is borne out on the data in our next chart, which is a database of requirements, which we keep within Savills.

Kevin Mofid: We have a software system that logs every single requirement in the market. Since January 2020, 870 million square feet of requirements have been logged, which is an astonishing number. Another astonishing number is that over 50%, 51% of those, have been for units over 400,000 square feet. So, in my mind, there is clearly enough demand in the market to get us to above 50 million square feet of take up again. The biggest issue though is supply. For us, our measure, we include a wide range of properties in our supply statistics. Other providers have a slightly different definition, but based upon our data, we're at 2.9%. It's the lowest vacancy we have ever recorded. And supply has fallen by 13.7 million square feet in 2021. So, if we look at the speculative pipeline on the next slide, we are tracking 18.6 million square feet under construction. Around half of that is already under offer.

Kevin Mofid: So, it's not even going to hit our supply statistics. It's not going to make that dent. The other half, well, I'm sure it'll be discussed today, issues around the construction supply chain. Actually, will that be delivered in 2020 through 2022, will it be delayed into 2023? My point is, we are in a sustained period where vacancy is expected to be low because of what's going on in the wider market. And occupiers know this. If we look at the next slide, this is just showing how quickly speculatively constructed buildings are leasing. Historically, a speculatively constructed building would've had a void period of around 12 months. Look what's happened in 2021? Our void period is minus two months. Well, how can that happen? It's because the buildings are leasing during the construction phase. Not unprecedented, but certainly unprecedented on this scale across the market and across the size vent. So that just shows the level of demand in the market that we are seeing.

Kevin Mofid: I've already mentioned the stories here on the next slide about construction materials. I'm not going to dwell on this because actually what I want to talk about is what impact this is having on rental growth on the next slide. I just want to talk this through quickly. What it's showing in the yellow bar is what the rental growth forecasts that we as Savills use from a company called RealFor, what those forecasts were saying in December 2020, that's the yellow bar. What actually happened in 2021 is what's shown in the red, huge out-performance of the rental growth forecasts. If we look at the green, which is what the rental growth forecasts are saying now, and then look at the blue. The blue is my projection of where things are heading, because what I've done is taken the last two quarters of rental growth and then effectively extrapolated that forward.

Kevin Mofid: And the reason I've done that is because I can see no discernible change in the prevailing occupier market conditions. Vacancy is still low and expected to remain low. Requirements are still high, much higher than they have been based upon historical averages. Demand is still high. So effectively, what I'm trying to say here is that there is every reason to believe the forecasts will be exceeded again. This is all having an impact on the capital market side of things, which is on this slide. £16 billion invested in the industrial and logistics sector in 2021. If we look at just Big Box logistics, that comes to around £8 billion, and portfolios around £4 billion. The point here is that again, whichever way we slice the capital markets, records have been tumbling. What that is all doing is having continued downward pressure on yields and cap rates.

Kevin Mofid: We're at 3.25% with further downward pressure expected. So, to wrap up on my last slide, record levels of take up, requirements remain high. There are easily enough requirements in the market to get us to that 50 million square feet of take up again. However, the Grade A Pipeline is constrained as is the speculative pipeline, contrary to what the headline numbers would suggest. We think that 2022, we'll see a rise in built to suit deals as occupiers look to that part of the market to satisfy their requirements. And the continued weight of capital targeting the sector will continue to keep downward pressure on yield. So that's me. Thank you very much for your time. I don't think I'm taking questions at this point. So, I'm handing over to Mark, but you have my contact details if you want to talk anything through. Thanks again to the Tritax team.

Mark Ferguson: Good afternoon. And thank you to Kevin for that fascinating insight into the wider market. I think you'll agree I've got a tough act to follow after that. But firstly, let me introduce myself. My name is Mark Ferguson. I'm director of occupational leasing at Tritax and joined the business a year ago. Prior to that, I spent 25 years working for the global 3PLS, including DHL and Savills, and held a number of senior operational and commercial roles. So previously, I've been responsible for running large scale, automated, temperature controlled warehouses, as well as selling outsource solutions to companies across Europe. So, I've been brought into the business to really give an occupier's insight in terms of the types of warehouses they're looking to operate and the role that they play within their supply chains. I spend my time working with our existing occupiers and spend time in London with the asset management teams across all of our funds, getting a better understanding of their supply chains as well as spending time in Tritax Symmetry offices in Northampton and Manchester with development teams engaging with new occupiers as well.

Mark Ferguson: So, if I take you onto the next slide, as Kevin outlined, 2021 was another record breaking year, and we don't see any let up in that demand in 2022 and beyond. So, what I want to do is show you how we are maximising the opportunity that presents for Tritax. And firstly, I'll start with our occupational strategy that we've developed. There's three key objectives that we're looking to achieve from this strategy. Firstly, is to make sure we do have that fantastic, deep insight into our existing occupier base. Secondly, we want to be very clear in terms of the new sectors we want to target and the occupiers in those sectors we want to partner with. And thirdly, when we're presenting a proposal or a solution to a customer, we want to make sure it's

tailored, bespoke and meets their individual requirements. And there's a number of levers that we use to achieve that.

Mark Ferguson: If I concentrate on the left hand of the slide, this is very much in terms of how we engage and undertake that targeting activity. So, with our existing occupier base, we have mapped in detail 10 of our existing occupier supply chains, and we're in the process of doing that for a further five as we speak. Our intention is to roll that exercise out across our whole occupier base. Now that is giving us that understanding, but it's also allows us to identify opportunities where they may have gaps in their supply chain that we could fill with new assets or growth constraints that are on the horizon. In terms of the targeting, we've got an in-house market research team. So, I spent time working with them in terms of understanding our key target markets.

Mark Ferguson: I know the top online retailers in the UK, the top 3PLs, coal chain operators, the covenant strength for those businesses, and also, more importantly, the decision makers in those businesses as well. We are members of a number of different industry bodies, and I regularly go to industry events where I promote the Symmetry platform, meet those decision makers and get close to them and set up follow up meetings. The right hand side of the slide, explains how we then use that understanding of our target market when we are proposing solutions back to them. So, for each of our Symmetry development schemes, we are very clear on what the competitive landscape is around those in terms of competing schemes and how we can differentiate ourselves from them. When we respond back to an occupier, it's very much a tailored, bespoke solution.

Mark Ferguson: So, when we are proposing a warehouse, we're outlining the ESG benefits of that solution, how that will help deliver their corporate sustainability goals. How can they attract and retain labour in the local area against the competing market? And as a long term asset manager and a partner, how we can support them in a longer term partnership. And that may involve investment in PV onto the roofs and extension in the future or the implementation of a mezzanine floor. And we've also developed a very effective occupy hub. This our in-house customer relationship management tool that we use to track all of our inquiries. So, anybody, even the team has got clear visibility of every opportunity we're working on and what stage of the process

that is in. In my final two slides, I'd just like to share some of the data from that occupier hub.

Mark Ferguson: I think what's particularly exciting for me is not just the size of our current pipeline and I'll show you that on the next side, but the composition of it. Because I think we've created a really robust and stable platform to provide growth, not just in 2022, but beyond as well. So, I start with the size of the inquiries that we have and split it into two brackets - inquiries over 300,000 square foot and those below that. Over two thirds of the inquiries we get are for the bigger boxes of over 300,000 square feet. And what's typically driving that when I engage with occupiers is the need for them to hold more inventory in their supply chains, particularly to counter the effects of Brexit, COVID supply chain disruption. A number of the occupies are also consolidating smaller warehouses into one bigger, often automated, more efficient warehouse.

Mark Ferguson: So that's two thirds of our pipeline. And then in terms of the remaining bucket, we have got the ability to deliver bigger and smaller warehouses on each of our schemes. So, if we're looking at a parcel hub that typically sits below 300,000 square foot, we are engaged with a number of those operators on each of our schemes as well. In terms of the right hand side of that graph, I'm in a very fortunate position. We've got a fantastic platform of over 40 million square foot across the UK, and that has shown how the inquiries match against that scheme. So, we've got two fantastic schemes in Kettering and Rugby, and they are accounting for a very similar to the national picture that Kevin presented, a third of our pipeline. That's typical organisations that are looking to be close to the golden triangle to implement a national distribution centre solution.

Mark Ferguson: You can see from the graph, we've got schemes along the M40 and down the M1 and up in the North West and Merseyside that are proving equally as attractive with occupiers in those areas. If I move to the bottom half of the graph in terms of the left hand side, the split between inquiries of existing and new occupiers, what's really encouraging here is 55% of our inquiries are with existing occupiers. So, the time we are taking to proactively engage, understand their business is translating in terms of the opportunities that we are receiving. But obviously, we do want to bring new occupiers into the fund as well. So, we've got a good split between the two. I was hoping to be able to announce a win here today with an existing occupier that

has come off the back of that proactive engagement, it's under offer, hoping to get signature on the paper soon. This is where we have user supply chain map engaged with the logistics team within that organisation and identified a gap in their network up in the Northeast. We've put forward, through the signature supply platform, a warehouse solution of 430,000 foot, and that's going to be going live in December this year. So done off market, we bought in a competitive situation and we're looking to do more of that. And then finally, our inquiry schedule looks very similar to the picture that Kevin painted in terms of the types of occupiers that we're working with. Obviously, the boom in online that we've all experienced the last two years, the rise of third parties as well, we are engaged with all the key players in those sectors. So finally, I want to share just the size and continuum of the inquiry schedule at the moment.

Mark Ferguson: We've got over 26 million square feet of opportunities. Now this is taken as a snapshot in time, we're getting new inquiries every day, but our inquiry schedule has never been as buoyant or as strong as it is at the moment. So, it's incredibly exciting for us as a business. These are real opportunities. We know there's unknown requirements, and we as a business know that we can potentially satisfy that requirement as well. So out of the 26 million, two thirds of that schedule, we're already engaged in high level discussions, we've given high level terms, we've typically given plans as well at that stage of the process. And we've got over 10 million square feet already at an advanced stage of negotiation. Typically at this stage, we're in the shortlisted stage against one or two other schemes, but in a number of these instances, we're now under offer or in solicitor's hands.

Mark Ferguson: So, we've come on in terms of re-forecasting our guidance on the number of pre-lets we'll deliver this year, and it's going to be above the previous budget of two to 3 million square feet, and this is the reason; because we've got 10 million square foot that we're confident of being able to convert, a higher number than the two to 3 million. So hopefully you've seen the national picture from Kevin, how that's translating down at a local level. For Tritax Symmetry, I think we are more than capturing our fair share of that market demand at the moment, and really have a clear plan in place to make sure we don't just do that for 2022, but we've created a platform to ensure we take strong advantage of that market, into 2023 and beyond. So, thank you for your time.

Ian Brown: Great. Thanks very much, Mark. So just a reminder, we're going to pause for some questions. If you're on the webcast, you can type your question into the box there and I'll then read it out. If you are in the room, we'll do it the old fashioned way with the arm up in the air. We'll begin with the webcast. We've had some questions coming in, Mark, as you were speaking there. The first question, building on what Kevin was saying, can you give us a view on how much demand Amazon represents within our current pipeline?

Colin Godfrey: Mark, if I could just start, to put this into context, Amazon represents a little over 17% of our current rent roll in the investment portfolio. We have given guidance to the market before that there's headroom, we were more than happy with 20% level and potentially up to 25. Clearly Amazon is a world leader in terms of the quality of their covenant and the space they're in. Much of the market is looking to Amazon and the way they're doing business to replicate some of their expertise. But perhaps, Mark, you'd be able to give a bit more colour on the ground as to what we're seeing on the development portfolio.

Mark Ferguson: Yes, thanks Colin. I mean, Amazon's obviously a valued existing customer of ours, and one we are keen to continue to grow with. So, we are very aligned with all their stakeholders across their business. We understand the building specification they're looking for, and their different operating models. And it's fair to say our schemes are attractive to Amazon, based on the location of the schemes, but also the fact we can accommodate different sized units for them. So, if I look at our current inquiry schedule, out of the 24 schemes that we've got for the Symmetry platform, we've got active discussions ongoing on seven of those with Amazon, across the UK. I think it's important to know, as per Kevin's message, we've got a good breadth of other occupiers beyond Amazon as well. So, we're not sat here relying on Amazon. If I look at the total number of inquiries on our schedule, they represent less than 10% of the total number of inquiries. So definite opportunity to grow but working with a number of other occupiers as well.

Ian Brown: Great, thanks so much. The next question coming is just about the synergies between the investment and development portfolio. Can you give some further evidence or details on that for us?

Mark Ferguson: Yes. So, I was brought in to that role between the asset management and the development teams, and I spend every day engaging with existing and new occupiers. So, I mentioned the deal that we're hopefully signing tomorrow. Last week I was with the head of network design for another big online retail, a customer of ours who was sharing their 10-year property strategy and how they're looking to open two to three sites each year for the next 10 years. So, I'm engaging more with the supply chain directors, the logistics directors, who are typically handing the requirements to a real estate team. In that discussion last week, we identified two opportunities for the Symmetry platform that are going to be an opportunity for us in the near term. So, they're just a couple of examples, but I'm having those types of conversations every day.

Andrew Dickman: Could I just add as well, two of the Symmetry directors are specifically targeted around being best-in-class at dealing with the occupiers, working with Mark around both the occupiers in our portfolio, but also new occupiers as they come along. So, we're blending the skill sets and knowledge of the development team with Mark's occupier-based team, so that we've got the best and quickest answer to get out to the occupiers when we can.

Ian Brown: Great, thanks so much. A couple of questions coming through on the webcast, and then we'll go to the room. Miranda Cockburn at Panmure Gordon here is asking, "Are you seeing any pushback yet from tenants regarding rental levels?"

Mark Ferguson: Not so. Actually, every occupier I've engaged with over the last year, probably the three biggest challenges for them have been around availability of labour and wanting some assurance around that in the locality. Provision of power, and that's not just within the warehouse itself, and yes, automation has increased the level of power requirement, but typically looking at the yard now, and the advent of commercial vehicles and electric vehicles, making sure they're future proofed to provide that. And then thirdly, ESG has definitely increased up the agenda as well. So, making sure access to renewable energy, provision of electric vehicle charging points, PV on the roof.

Mark Ferguson: We have that advantage that on a new building, our basic spec, we put 20% PV solar onto the roof, 20% vehicle charging units in the car park with the capability to do 100%. And having been an occupier myself, in all honesty, in terms of the

percentage of the car space that rent makes up, compared to your labour costs or some of your other cost drivers, it's not a big cost driver. So, I'd be much more interested in making sure I could get a warehouse where I get people at a sensible wage rate to go in work in that warehouse, and would pay an extra 25, 50, 75 per square foot to have access to that.

Colin Godfrey: We've done some research, it suggests that for some retailers that is less than 1%, around three quarter of a percent, of the total property costs. So, if your costs get up 10% for your real estate, it's a relatively small total cost increase for you as a business. And I think that the supply and demand characteristics that Kevin touched on there as well, are the primary driver to why currently, occupiers are not in a position to really negotiate particularly hard, in relation to the rental time or the package more generally, because if they do that and there's competition, they'll miss out on the opportunity. And it's much more important they got the right building in the right location to serve their supply chain network requirements.

Ian Brown: Great. Look, I think in the interests of time, unless there's any questions from the floor here in the room, we'll move on. We've got a lot to get through this afternoon. Some of the questions that are coming in, I think we will answer as we progress through. So, Mark, thanks very much.

Andrew Dickman: Good afternoon, everybody. Thank you for those of you who've been able to get into the room and for everybody who's tuned in digitally. Also, thanks to Mark and to Kevin for a really good entree to the market that we've currently got, and to the occupiers and how they're thinking. My name's Andrew Dickman, I'm a chartered surveyor, and I'm director of the development platform that's embedded in TBBR. Today I have the pleasure, to let you know a little bit more about the development platform that we have, how it works, what it does. As an overview, I'd like to give you a little bit of knowledge about the team, talk about the marketplace and the barriers to entry that that marketplace has, talk about the portfolio that we've created over, in excess of 10 years of finding these bits of land and sifting them, and checking them, and making sure that we really do like them before we engage with them, and then how we control that land and take it through the planning and development process.

Andrew Dickman: The Symmetry part of the business is 42 highly experienced people operating from two offices. Those offices are in Northampton. That's not an accident, it's the centre of the Golden Triangle, the heartland of distribution in the UK, and Manchester, which is the birthplace of industry in this country, and the biggest thriving city in the North of the UK. Amongst the team, there's decades of experience, but in the current trading name that we have and its previous iterations, that's just a little more than 20 years. The people in the business fall broadly into four different skill sets. We have property developers, town planners, construction and finance professionals. They all sit next to each other, they work together, and their aim is to create the best, most positive impact, and produce the best developments that we can around the portfolio as a whole.

Andrew Dickman: To underscore those skill sets, there's a very strong track record behind the team. It's developed over 14 million square feet of pure logistics buildings. It is very proud of 100% success in the way that it processes its planning applications. It has the ability, with the platforms that it has, to deliver another 40 million square feet of space, and it continues to look at new land opportunities to make sure that we fill the barrel, to make sure that 40 million square feet is a rolling process. The business has done business with world leading occupiers. The logos on the right hand side of the green that I'm looking at, or left for you, are a flavour of the occupiers we've worked with. So, Amazon, Cadburys, Apple, Ocado, and there's a host of other household names that you'd all recognise, if we filled the screen up with more logos,

Andrew Dickman: It would be remiss of me at this point, not to reference ESG. I'm not going to go into great detail on it because this presentation isn't about ESG, but it's important for a developer that's producing property that goes into its own fund, to have an eye, not just to immediate profit, but to the future of that fund and its ability to continue to have buildings that are institutional grade. We were very early to embrace ESG. We were one of the very first developers to contemplate net-zero carbon in construction, and we've made the commitment to be net carbon zero in construction in 2021 and going forward. We continue to build our buildings to a minimum of BREEAM very good, we are a Gold Leaf member of the UK Green Building Council, and GRESB, seen as global sector leaders for development. So, we have a really strong commitment to sustainable development, and also a strong commitment to reducing our carbon footprint year-on-year.

Andrew Dickman: One of the other things that we do which is unusual is, we've bespoke energy centres on all of our large schemes. That allows us to look at how we've blended, first of all tech energy, battery storage, gas turbines, wind turbines, hydrogen, all together with the grid so that we can make a resilient, renewable, and reliable platform for all of our occupies. It's a real USP and one that we are continuing to develop as industry and technology develops. In parallel with that, through the construction phase, we make sure that all of our contractors are zero-waste of landfill and use as many green initiatives as they possibly can around developing buildings.

Andrew Dickman: The next slide pictorially shows the spread of our schemes. So as far North as Glasgow, as far South as Dartford. All the green spots are schemes that the business controls, all of those green spots are pieces of land that can be delivered for logistics development. They're all at different phases in the planning piece, so some of them have a planning consent now, frames are going up, some of them are land which hasn't been allocated yet. All of them are focused on key population areas. All of them are on key distribution routes, and all of them give the ability for us to respond to our occupier requirements in a multitude of different sizes, and different configurations. It's a really diversified portfolio, gives us huge flexibility and significant agility as we respond to the inquiries that come along to us. It's probably one of the most diversified land portfolios in the UK.

Andrew Dickman: I'm going to know just try to take you on a canter through the three principal phases of our process once we've identified the site. The first is site identification, negotiations with landowners, and then control of the land. The second is the planning phase. That's the first key value milestone for us. The third is the delivery phase. The piece where we market the schemes, find occupiers for the buildings, build them, get them let, and produce the rental income stream that the fund is so keen to achieve. That's the second and it's equally important key value milestone. For those of you who drive up and down the UK, there seems to be a lot of green land out there. A lot, the land that could be developed. The reality is there's a very limited universe of appropriate sites for logistics development in the UK. There's a multitude of reasons for that, but we break them down, in short order, into four different pieces.

Andrew Dickman: Firstly, there is the town planning environment. Before we'll get engaged with the site, we go out and we chat to local authorities, we ascertain political support, we look for officer support, and we consider the implications of what we are contemplating in a locality. If we find a location that we want to operate in. We then work really closely with key political figures, influential people within that sector and within that geography. And we also look very carefully at the socioeconomic impact of what we are going to do, and what we'd like to achieve. We look at the benefits and the costs of that, and make sure that the socioeconomic piece and the planning piece stack up together. If we're content that we have a solution that works, we then go to the next phase. That's actually finding a piece of land.

Andrew Dickman: Once we've identified where we want to be, casting back to our earlier comments about population centres and key infrastructure nodes, we then take that piece of land through a really careful sifting process. We look at its accessibility, we look at its infrastructure requirements, we do a financial and timetable appraisal of how it could be developed, we look at the strengths of the local market, but also, how it fits into a national and international context, and into supply chains that are increasingly stretched around the world. We look at the size, the shape, the topography, the ground conditions of the site, its constraints. We look at its current and previous uses, and we look at its planning designation and its potential.

Andrew Dickman: If all of those stars align, we think we've got a site that we want to be expressing interest in, we then look at the two next pieces; how does it fit into the infrastructure of its location? Does it have power, and how can that be resolved? Those economic viability assessments are really quite fundamental to the land's value, its pricing, and our ability to develop it. We also look very carefully at demographics. For a site to fit into the logistics sector, it needs to be a one that you can get employees to, but those employees are also customers. Looking at how that all fits together is really quite fundamental to a site's value and utility. So, we look at labour pools, skill sets available now, how they can be developed, what future demographics looks like, and how the site itself and its supply chain fit together.

Andrew Dickman: A function of this is that we have to have a really considerable and considered view as to our credibility in wanting to take a site on. Strong reputation in our market is a significant barrier to new entrants. People who work within the sector, talk to people within the sector, know people within the sector, and our reputation of being able to

deliver what we say will do, with all of the key authorities that we deal with, and land owners that we talk to, is really important. From an acquisition standpoint, there's really three principal sectors. These aren't exclusive, but they are interesting in the sense of the weight of the conversations we have.

Andrew Dickman: We have Land & Estates, that really have held land for, in some cases, centuries. They have a very long-term view. They're generally well advised, they have a very significant and important concern about their legacy and reputations, and they have a requirement for capital generally, but sometimes prefer revenue. Lands & Estates, they all talk to each other, they know who they are, and we know who they are, and they know who we are. A very different sector is local authority sector. They tend to be focused on economic growth. They require comfort that a development will happen within a timeframe. Their worst scenario outcome is, they give a planning consent, and it doesn't get developed. They're focused on job growth and retention, and they want to see growth in rates revenues to fund the tax bills of the allocations.

Andrew Dickman: They don't generally hold commercial development skills on their balance sheet, so they're wanting a partner who can deliver those skills. And the last group of people we talk to repeatedly are agricultural landowners. And for them, a sale is a one-off sale. It's a massive thing for their family and their legacy. And it's not just maximising receipt, it's doing it in the right way and doing it as quickly as they can. And its hugely relationship driven. The bond of trust we end up creating between ourselves and farmers as we go through the planning phase is quite considerable. You only break that trust once, so our reputation is something that we hold really, really carefully. And it's something that is a USP for the business generally.

Andrew Dickman: We tend to acquire land in an option, which is not something that is that familiar to a lot of people. It allows us to have quite some considerable economic benefit in the sense that options really reduce our risk, whilst they give us considerable flexibility. 90% of our land portfolio is held in the long-term option. Phil will talk a little bit more about this later. The 10% isn't, we're general they undertaking some development on. There are some small portions that we also own as legacies of other developments.

Andrew Dickman: The benefits to us of options are they minimise risk and they maximise our potential value. They give us really limited upfront costs, which gives us a huge advantage on

capital drag. They maximise our flexibility as they allow us to stay agile and nimble to the planning process as it unfolds, and they bind us really tightly to the landowners in a way that maximises the landowner's outcome, and our planning input. So, they're really capital efficient. Option costs are generally less than 5% of the value of the land. They're the long-term. Eight to 10 years is normal.

Andrew Dickman: We draw down post-receipt of a planning consent. But not always the full site, we can do it in sections often, which is again very efficient. And we're able to reduce the price we pay by taking the costs of planning, infrastructure, and professional fees off the price that we pay. So, whilst we're doing that, to the landowner's benefit, they're free to use their land. They can continue to farm it, they continue to do their other activities, and it allows them to have a managed process of leaving it. And we also generally code in a minimum land value, which gives them a baseline of receipt, which is comforting, and something we always try to achieve a high number for them, than the minimum.

Andrew Dickman: So, planning is the second part of the process, the planning process. We've 100% planning success outcome track record. And that's because we approach the planning process in a hugely professional way. We negotiate it with local authorities, with their officers, with all of the key respondents to a consultation assess, so that by the time it gets to an application committee, it's largely in the form that it's difficult not to approve. That takes time, often 18 to 20 months, sometimes longer, occasionally shorter. But when we get a resolution to grant and the Section 106 agreement, which is signed, there's a huge value uplift to the portfolio. We then generally move to the infrastructure application, which allows us to go onto the site, put roads in, level it, get it to a place whereby we can take an occupier to it, and they can see it's a developable site from that moment forward.

Andrew Dickman: That's a 12 to 18 month process, and the option draw down that comes before the work, post the application, takes us three to six months. As a rule of thumb, it costs us about one pound per square foot to get planning consent. It generally takes us more than 12 months as the line above suggests, and I'll reiterate, because we're quite pleased about it, we do have 100% planning success rate. And we're growing our application process year-on-year. So 2019, 2.3 million square feet of consents, 2020, 3.5 million, 2021, 4 and a half million square feet. It's through this thoughtful,

negotiated, professional approach to planning that we've managed to achieve the outcomes that we have, and will continue to do so over the coming years.

Andrew Dickman: And then the fun bit. We get beyond the planning, and we've got something to do called building buildings. Before we do that, we go to market. We want to try and find some occupiers so that when we build those buildings, we're building them for a purpose, for a person or organisation. That's the pre-let route. It's the largest scale units typically, interesting that the inquiries are all tipping towards 400,000 square foot and more, which doubles up on Kevin's earlier slide, which is more pre-let development and less spec. It's longer term. These organisations don't necessarily know what they want except for headlines, and those headlines turn into detail. It takes us a lot of time working with them. It gives us the ability to try to get to net-zero carbon end use as well, which is something that we aim on to on all of our projects.

Andrew Dickman: And it gives us an ability to work with our existing tenants within the portfolio and see whether we can become their developer of choice for the next iterations of their development cycle. We marry that with our speculative development program. That's typically of small units. We use it often to open up a site, marry it to the infrastructure phase, build a building at this same time. When we say speculative, we're highly informed on occupier requirements and specifications, always. We talk about it all the time in our offices, we make sure that if we do a speculative development, it is of the moment, it is of the specification occupiers are then requiring, and gives us the best chance to get a building let. And we often have occupiers we're talking to, before we start spec. It's rare for us now to find that we are letting the building post practical completion.

Andrew Dickman: A really good example of that as the Aston Clinton scheme that again, Phil will mention later. Three buildings there, 60% of the way through the development program, two of the buildings are let, that's about 70% of the scheme by foot square footage. So, it's a careful balance between spec and pre-let. Over the life of the current portfolio, we expect to be more pre-let than speculative. At the moment, with the strength in the market that we're seeing, and with a desire to capture rental growth early, we are pushing forward more speculative development than we considered 12 months ago. But it's carefully managed, it's closely guarded in terms of its specification, and it's under constant review to make sure that what we're

doing is appropriate to the risk that the market presents and the opportunity it also presents. Again, at this point, it would be remiss of me not to mention the construction process.

Andrew Dickman: It takes us about 12 months to build a 300,000 square foot building. And actually, whether it's 150,000 square feet or 600, the timeframe doesn't change that much. Before we start a construction site, we've entered into a fixed price contract with one of our construction teams. That gives us enormous cost, but importantly, program certainty. We're also backed up by the whole professional team, having its warranties in place, which again gives us huge reliance on the professionalism of the teams we work with. So, it's a fixed price, where the overruns are borne by the contractor. In an infrastructure program, i.e., one without a building, those costs come off the land price that we're paying, because there are costs to get the sites shovel-ready, so the costs that we're forward advancing against which is land price.

Andrew Dickman: We've all seen inflationary pressure, Kevin mentioned it earlier, in the sector. We have tried very hard to manage that. We very early in the game brought all our contractors in, talked to them about what inflation was looking like, talked to them about volatility of materials, talked to them about program risk, and came to a place whereby we very early started to pre-order materials, started to be more flexible around our procurement to make sure that we minimise the inflation rate costs that we're seeing. That's an ongoing own process. We work with our supply chain, both the principal contractor, and further down, main cutting manufacturer is a good example to ensure that we have full visibility of what their market's doing, how it's working, and therefore how we manage out the shocks and risks that inflationary push can be. Frankie will talk a little bit more about how that balances out against the rented yield compression that we're seeing in the marketplace.

Andrew Dickman: So, as an example, we put it into practice at Biggleswade. We went to Biggleswade, and we took an option over 50 acres of land. It was a farm. We then achieved a planning consent in 2018, to put five units on the farm, a million square feet in total. We then ripped that planning consent up and threw it away, because we got an occupier called the Co-op, who came along and wanted to be at the location. We wrote an AFL with Co-op, which we exchanged in October 2018. That AFL, for us delivering 600,000 square feet of ambient, frozen, and cold store for the Co-op, and a 50,000 square foot vehicle maintenance unit. And that little blob at the bottom of

the screen is 50,000 square feet of vehicle maintenance unit, just to use in context. February 21, that building was completed, and the Co-op are now in it.

Andrew Dickman: It's the first energy centre that we did deliver, it's producing PV from the Co-op and blending it with grid. That's three and a half MVA of green energy. As a transaction it's a really good example of how our portfolio of land can be developed to feed into the fund. And it was an interesting deal for us all because it started just around the same sort of time that ourselves and the Big Box REIT came together. What it also let us do was take an option over three further phases of land. And you'll see that those three phases are wrapped around the first phase of our delivery, and an existing industrial estate. Phase two, which is 600,000 square feet or thereabouts, is on site now, with planning, four units, one unit pre-sold to Bond International, the other three also in development as we speak, will PC towards the backend of this year, strong interest in two of the units already.

Andrew Dickman: We then took options on phases three and four, and they allow us to deliver another 2.7 million square feet of development in the location. There really isn't very much further we can go at Biggleswade but having delivered the thick end of four and a half million square feet, we've probably done Biggleswade as much as we want to. But it does show how you could roll these developments through from phase to phase to phase.

Andrew Dickman: So, in summary, hopefully I've demonstrated, we've got a very significant track record and a really experienced team of people delivering these buildings for the fund. We have massive scale. It's a really focused land portfolio. It can deliver 40 million square feet and we'll do over the coming phases of development. Its major competitive advantages, we already have it. We don't have to go out and try and find it, it's here for us. We are strapping other bits of land to it, slowly, judiciously, but we've got the raw material, and land is the short supply product at the moment in our sector.

Andrew Dickman: It's in a huge range of locations, we can satisfy occupiers across the UK. And the configuration of the sites means that we can satisfy lots of different supply and demand in terms of sizes. And, we know from a planning perspective, we're working through the gears, not against the system, but with the system. And lastly, importantly, it's very, very capital efficient. The options will allow us not to have to

burn lots of capital and then sit with a coupon running on it. We draw the land when we need it, when we're ready for it, and when we want to develop it. So, in summary, it's the best possible portfolio, and we've got the best team to capture its value. Thank you very much for listening to me.

Ian Brown: Grand. Thank you very much. So just a reminder, we're going to open up to questions again. If you're on the webcast, please do put your question into the box there. And again, if you're in the room, please put your hand up.

Ian Brown: We'll begin with questions from the webcast. First one from John Munge at Highclere International, would like to know our thoughts on construction cost inflation, and the impact, if any, on development margins.

Andrew Dickman: Do you want to go at that first, or should I?

Colin Godfrey: Why don't you start, Andrew, to talk about that on the ground? And then perhaps Frankie takes over on the cost, is that okay?

Andrew Dickman: Sure. So, thanks for the question, John. What we are seeing, and we had one of our cladding suppliers in actually last week, their MD. We're being advised that in terms of material supply, we're achieving steady state over the course of the next quarter. That's a response to them diversifying their supply chain, and them also having a better visibility of our requirements going forward. So, we think that the material piece is starting to soften.

Andrew Dickman: They, and we, are concerned about labour. There seems to clearly be a push through on labour availability, and there will be some volatility around that. The slide up earlier showed a view of around 20% cost inflation. That's something that we've been working really hard on, to control and minimise, but it's there, and it's real, and we can't hide from it.

Andrew Dickman: So, in summary, yes, there is inflation. Yes, it is causing us to have greater costs. That cost is managed by the fact that we are able to rely upon the fact that rental growth is real, and yield compression has also helped. There has been some program prolongation, so we're talking about 12 months where a smaller building would've been shorter, maybe eight, nine months. But as we're not focused specifically on the smaller buildings, that's not so much of a bump in the road for us.

It's a constant management process, and one that we're very alive to, and will continue to be working on it on a day-to-day basis.

Frankie Whitehead: And just to provide some portfolio context to that, as Andrew mentioned, it's important to recognise that both rental growth and yield compression are compensating for a large part of that cost pressure. So, from your own cost perspective, we're still very comfortable with our 6-8% guidance, and we'll continue to target that.

Colin Godfrey: Just to wrap up, just picking up on what Andrew said, because we have such a large land portfolio, because we are so well-known in the market, we do have quite significant negotiating power. So those contractors are keen on making sure they look after us, because they know that there's longevity of future workflow going forwards. So, it does allow us to get ahead of the game so to speak, much more so than would be the case if you were a much smaller scale developer, by way of example.

Ian Brown: Great. Thanks so much. Next question coming in from Nick Baker at MFS, he's asking about what we do differently for development certified as net zero, i.e., change in design materials, energy sourcing. And by how much have you typically been able to reduce embodied carbon in these buildings? And can you give any examples?

Andrew Dickman: An example is always the best way to answer a question like that. We did the building for DPD at Bicester. That had 70,000 tons of carbon embedded in it. We looked at the specification, and we managed to reduce that by just under 10%.

Andrew Dickman: First thing we're doing is looking at specifications and seeing where we can take carbon out. Now, we can't be naive, we use concrete and steel to build our buildings, and there's no way of getting away from that. So, the next thing we do, is we use carbon credits from accredited sources, as a way of offsetting the carbon that we place into the environment. And we keep a constant look at how we can reduce carbon in the buildings that we're building, and the products and materials that we're using. That's really as much as we can do, but we continue to monitor it on a month-by-month basis.

Ian Brown: Great. Thanks so much. And any further questions from the room, just before we move on to our next area? No, great. I'll hand it over to Phil.

Phil Redding: Good afternoon, everybody. My name is Phil Redding. I am the Director of Investment Strategy at Tritax, and I joined the business just over a year ago. I've been working in the industrial sector now for over 30 years, 25 of those years with SEGRO plc, the last nine years of which I was the Chief Investment Officer.

Phil Redding: For my section, I want to bring together some of the themes already discussed by Mark and Andrew, to provide an overview of the entire land portfolio, the dynamic nature of the portfolio, and what we think the program is capable of delivering over the next few years.

Phil Redding: But before moving on to that, I just want to recap on the development activities in 2021. 2021 really was an exceptional year, underlining the development business and how it can generate value. The table of completions shown here, clearly demonstrates the scale of the program, the very prime nature of the investments being created, and the significant amount of new income being generated.

Phil Redding: As Colin highlighted right at the start of the presentation, all the 3.6 million square feet of development completions were de-risked, being either pre-let, or let prior to practical completion. And to a roster of world leading customers that reflects the very high nature of these buildings. High-quality in terms of location, specification, and configuration, but also in terms of their market leading ESG credentials.

Phil Redding: And the program also delivered in terms of performance, with profit on cost and development yield metrics both in line with targets, making a significant contribution to the overall performance of the business.

Phil Redding: In addition, four schemes commenced construction towards the end of 2021, totalling 1.3 million square feet, with a number of potential new leasing deals well progressed at year-end.

Phil Redding: And taking a step back in the development process during the year, three million square foot of new planning consents was secured, replenishing the consented land hopper. With progress also made in advance in the planning status of existing consents.

Phil Redding: So, as the 2021 performance clearly demonstrates, allocating the majority of capital to the development channel remains a very productive use of our funds, and maximising this opportunity will remain a priority of the business.

Phil Redding: A key factor of this opportunity is having control of over 2,000 acres, with a potential to develop around 40 million square feet of space. And Andrew has said, this is the result of over 10 years of hard work. This market position provides us with a real advantage, that is very difficult for our competitors to replicate.

Phil Redding: The two pie charts on the slide show the land portfolio by ownership on the left, and also by planning status on the right. Both paint a similar picture, securing a detailed planning consent will trigger the drawdown and acquisition of the land. As of this month, 83% of the land portfolio was held via long term option agreements, with only 8% actually owned. The owned land will either have buildings in the course of construction, or site infrastructure works ongoing. A further 9% is in the process of being drawn down, essentially replacing the tranches of land that have been already developed out.

Phil Redding: And outside of the current land portfolio, so not shown on the pie charts, new land options, also representing around 9% of the portfolio, are currently under negotiation. If successfully agreed, these will in turn replenish the options that have been exercised and be added to the future development pipeline. This dynamic process creates a rolling program of new development opportunities, and maintains the overall potential held within the land portfolio.

Phil Redding: The land utilisation rates shown in this snapshot, comfortably caters for the two to three million square feet estimate for average long term delivery. But optionality exists to expand these rates to meet the higher level of near-term development activity that we are currently anticipating.

Phil Redding: The key benefit of our approach is that it gives us a very capital efficient development model, combined with the ability to accelerate our development pace if market conditions are right.

Phil Redding: Now, Andrew has already touched on the benefits that the scale and diversification of the land portfolio brings, and you could see that illustrated here. The left pie chart

shows exposure to several UK regions, but with a focus on the most active markets in the East Midlands, the Northwest and the Southeast.

Phil Redding: The right pie chart shows the range of unit sizes currently assumed on scheme master plans. Now, these will clearly evolve to meet occupied demand, and as layouts and configuration become more certain, but they're indicative of the overall target profile we are looking for.

Phil Redding: As this demonstrates, the development portfolio can accommodate a range of units, from 40,000 square feet up to a million square feet. Providing a reasonable exposure to smaller and midsize units, but nearly 70% in the larger 250,000 square foot to a million square foot range, which is aligned with the wider investment portfolio strategy. The end result is a diversified portfolio, that maximises the quantum of development, and scope of occupier solutions, across a number of prime locations in the UK.

Phil Redding: The previous pie chart provides a snapshot of the portfolio at a given time. But in reality, the land portfolio is dynamic and constantly evolving as sites and projects move through the planning and development process. The goal of this dynamic model is to create a rolling program of consented land, running off the planning conveyor belt, ultimately producing a continuous flow of buildings under construction and pre-let development.

Phil Redding: To provide a bit more granularity, this chart breaks down the development program into the three buckets that you will be familiar with from previous reporting. The current development pipeline, including the projects under construction. The near-term pipeline, which we have now split into anticipated development, starts over the next 12 months, and then starts over the following 24 months. And the future development pipeline, comprising the strategic land portfolio that is further back in the planning process.

Phil Redding: As you can see, in addition to the 1.3 million square feet already under construction, and in response to the greater visibility of occupied demand, we expect to accelerate development starts in 2022 to around 3.7 million square feet. In the following two years of the near-term pipeline, we expect activity to revert, to be more in line with the long-run average of two to three million square feet per annum.

Phil Redding: We will, however, be looking to bring forward planning consents where we are able, and also consider enlarging the quantum of drawdowns where this flexibility exists. This is to provide optionality to continue the higher level of development, if occupied demand stays at the levels currently being experienced. In other words, we will seek to maximise the opportunity that is in front of us now, whilst also carefully managing the risk.

Phil Redding: The following slides provide a bit more detail on the individual pipeline. And I will start with the last bucket first, being the schemes, we currently have under construction. As just mentioned, the current development pipeline totals 1.3 million square feet, in four speculative schemes, shown here in the table. We have already secured two early lettings at one of the schemes, prior to construction start, taking the pre-let element of this program to 21%. This is a great example of our engagement with occupiers at an early stage in the development process, to de-risk speculative development. And assuming these favourable market conditions continue, and on the successful lease-up of the speculative schemes, we do intend to maintain an element of ongoing exposure to speculative development as part of the overall development mix.

Phil Redding: But to be clear, the main thrust of marketing activities will continue to be focused on securing pre-lets. And on the subject of pre-lets, just after year-end, we started the construction of the 550,000 square foot pre-let to HarperCollins in Glasgow, taking the current under construction program to 1.9 million square feet.

Phil Redding: In addition, we have an agreement for lease on around 400,000 square feet currently under offer, which we expect to sign imminently, with this project also expected to start shortly. This will take the under construction program to 2.3 million square feet, of which over 50% will be pre-committed or under offer.

Phil Redding: And to give a bit more colour on this, let's look at the first scheme on the table, Symmetry Park, Aston Clinton, edged red on the aerial photograph here, which provides a good example of our approach to speculative development, as outlined earlier by Andrew. In particular, the development of high-quality units that are aligned with occupied demand, and visibility of potential occupiers before committing to a construction start.

Phil Redding: Situated in Buckinghamshire, to the north of the M25, Aston Clinton has already been a successful development for us, with the first phase built in 2019 fully let, with Apple taking a large part of the scheme.

Phil Redding: For phase two, the original consent was for a larger format scheme, but we subsequently amended this to comprise three smaller units, to reflect our latest market intelligence and occupier discussions. This decision has proven well-founded, and as Andrew has said, we now have two units totalling 276,000 square foot let prior to the commencement of construction, representing 71% of this phase two.

Phil Redding: There is strong interest in the last remaining unit, to an occupier who is already a customer in the portfolio, and so we are hopeful that all units will be committed prior to completion of the phase, scheduled for quarter two this year. And with this level of occupier interest, the performance metrics produced in the development appraisal are expected to be comfortably delivered.

Phil Redding: Moving on now to the near-term development pipeline. The large and diversified nature of the development portfolio provides the development team with unrivalled insight into occupier requirements across the UK. This has led to increasing our visibility of potential near-term development activity. The table on the right shows where we think this activity is likely to commence during 2022.

Phil Redding: Now, I should highlight, the development process is very fluid, occupier requirements change, and planning timescales are uncertain. So, whilst we do have confidence that we can accelerate development activity to the 3.7 million square feet of start, shown here, the actual composition may be slightly different. Not only are we seeing occupiers engaging earlier in the construction process, as I have highlighted at Aston Clinton, increasingly, particularly for larger requirements, but occupiers are also looking to engage earlier in the planning and land preparation process.

Phil Redding: A key concern for occupiers is certainty of delivery. This means they want to partner with developers with a strong reputation and track record, who have access to a well located land bank, and who have expertise and proven skills in delivering high-quality product on time and on budget. And we stand second to none in this regard.

This allows us to engage with occupiers and commit to delivery timescales with a high degree of confidence.

Phil Redding: Symmetry Park, Rugby provides a great example of how the combination of a fantastic site and our approach can maximise development opportunities. The scheme at Rugby represents a rare opportunity to create a large ring-fenced distribution park in one of the most sought after locations in the UK. The rarity is derived from the very prime location and size, with the potential to accommodate 3.4 million square feet of warehouse when fully developed.

Phil Redding: We currently have negotiations ongoing with a number of different occupiers, on all of the units across the 1.9 million square feet of phase one. We therefore anticipate accelerating the land drawdown, to encompass the whole of the phase, and to commence development on around 750,000 square feet during 2022. And we expect this momentum to continue, with a further 500,000 square feet developed out in the following two years, the majority expected to be pre-let or let during construction.

Phil Redding: We will be starting shortly on two speculative units at the entrance of the estate, but with active discussions ongoing with a single occupier to lease both of these units, it is likely the scheme will be leased prior to construction start. If the current interest gets converted as anticipated, we will quickly turn to the promotion of the phase two land, hopefully by the end of this year, which has the potential for a further 1.5 million square feet.

Phil Redding: Rugby is a great example where the scale of the site, the prime location, and the flexibility provided in the option agreements, all combine to allow us to accelerate the planning and development programs in response to the higher level of occupier demand we are currently experiencing.

Phil Redding: So, taking a step further back in the near-term pipeline, the table here shows the anticipated development starts in 2023 and 2024. And as per the earlier caveat, the actual composition of the pipeline will undoubtedly change over the next 12 months or so, as planning scheme layouts and occupier requirements all evolve.

Phil Redding: The objective of this category is to maintain the supply of consented development opportunities, by replenishing the land that has been utilised through the exercising

of options and land drawdowns. As Andrew has outlined, in part, this is undertaken through the promotion of our sites, through the normal local plan process, typically on a five year planning timescale, but also by partnering with occupiers to jointly approach local authorities, to present customer-backed development proposals on land not yet designated in the local plan. The objective being to fast-track development consents outside the formal development process.

Phil Redding: This strategy has been successfully adopted in a number of cases, for example, Bond International taking 112,000 square feet in Biggleswade, in support of bringing forward the unallocated land on phase two, which is now under construction.

Phil Redding: We are able to execute such strategies as these, due to the strong relationships built up over many years with a range of stakeholders, including local authorities, landowners, and occupiers, and the high level engagement maintained through the life of the development projects.

Phil Redding: This partnership approach, aimed at bringing forward more rapidly the release of strategic land, is also being adopted at our site at Oxford North. Oxford North, located just off Junction 9 of the M40, covers 161 acres, and has the potential to accommodate up to 2.3 million square feet of development. We have an extremely good relationship with Cherwell, the local authority, built up over many years, having delivered a substantial amount of space within the district at Banbury and Bicester.

Phil Redding: And as Andrew has said earlier, local authorities will look more favourably upon applications when it is more certain that jobs and other economic benefits will be delivered swiftly. And this is exactly the approach being followed at Oxford North, with an important local employer looking for a new 400,000 square foot facility on part of the scheme.

Phil Redding: At Biggleswade, and here at Oxford North, the completed developments are being sold to the occupier. And while freehold sales are not a core part of the strategy, a pragmatic approach has been adopted, because of the significant benefits such partnerships bring in terms of establishing the principle of development on the site, and also of accelerating the receipt of development profits. The aim of this approach is to set a key planning precedent and place the site in a strong position when the local authority considers releasing further strategic land.

Phil Redding: The final category is the future development pipeline, which comprises the strategic land portfolio, largely held under longer-term option agreements, and at earlier stages of the planning process. Andrew has outlined in detail the intricacies of the option process, so I only want to reinforce two points.

Phil Redding: Firstly, securing options is not easy. Securing options that go on to achieve a planning consent is really not easy. You need a deep understanding of how local plans work, how they will evolve, the pluses and minuses of various competing potential development sites, as well as strong relationship with a range of invested stakeholders. And as I have mentioned, these are things we are all extremely good at.

Phil Redding: The second point is that we do intend to broadly retain the size and potential of the strategic land portfolio. The team is therefore looking to secure new land options, to replace those that have been successfully exercised. As I referred to earlier, at the current time there are ongoing negotiations on option agreements relating to land capable of providing 3.6 million square feet of development across a number of locations and representing around 9% of the current land portfolio.

Phil Redding: So, to conclude my section, a quick summary. The land portfolio, primarily held via long term option agreements, minimises risk, capital exposure, and allows the controlled release of development opportunities aligned to market demand.

Phil Redding: In addition, the diversified nature of the portfolio maximises the potential size of the development program, and also the scope of occupier solutions. The scale of this portfolio, which has taken many years to put together, is incredibly hard for competitors to replicate, and provides us with a very attractive market position now and into the future. And the ongoing strength of our market means that we can accelerate the near-term development pipeline, through a balanced mix of pre-let and speculative development.

Phil Redding: Finally, we are successfully replenishing the amount of consented land, and adding new option agreements, to maintain the overall potential of the land portfolio. Thank you very much.

Ian Brown: Great. Phil, thanks very much. Again, we'll open up for Q&A. And again, a couple are coming through on the webcast. The first one asks; how feasible would it be to assemble your land bank from scratch today?

Phil Redding: I think that's more one for Andrew, but as I said, I think it's taken over 10 years, more like 12 years, to do that, so it's certainly not easy. But I think Andrew's probably best placed to answer. If he was given that task of building that portfolio again, how long would it take?

Andrew Dickman: I'd probably retire, to be honest. Not feasible, is the answer. It's very hard. It's very hard to build the relationships to take control of that land. And it's very hard to take it through the planning process. And the new entrants are not necessarily trying to do options, they're trying to buy land at retail value, and that's very expensive, so they have to go very fast to make their developments work and be profitable. I think it'd be a huge challenge, and it's not one that I'd relish taking up.

Colin Godfrey: Yeah. And the majority, of course, of that land bank was secured at a time where there was less competition in the market. It's ferocious now. It's a completely different prospect if you are embarking upon that today. And that's one of the reasons why we're so excited about what we have, and why I said earlier that we're not reliant on the broader market to create these quality investments in the future.

Ian Brown: So, following on that theme, Tom Jemmett at LGT Vestra asks, what sort of premiums are you paying for the land, given it's in short supply? And are you seeing pressure as a consequence?

Andrew Dickman: The options we have are options that allow us to draw the land down at its market value with a discount. We do pay an option fee when we engage with that, and that's, I think we've already identified, less than 5% of the value of the land. So, the rest of it, without wishing to be slightly obscure, is really commercially quite sensitive to us, and I wouldn't want to go into in great detail. I'm sorry.

Colin Godfrey: The key thing here, I think, is that if you are sitting there today, and you do not have a big pipeline of land available to you at various stages of evolution, as we've explained that we've already got, with a significant amount of that land already subject to planning consent, then your only option is to go out and buy land that

either has planning, or is about to get planning. And if you're going to do that, you're going to pay top dollar.

Colin Godfrey: Now, that is where we are really, really fortunate, because we have our land bank that is at all those points of evolution, and that means we don't have to pay top dollar. Because, as Andrew and Phil explained, as we are developing land at the front-end of our business, at a discounted rate, because we have the benefit of options, we're then replenishing that by adding more land, subject to options, at the back end of our planning bucket. And that means that the evolution, hopefully, will continue if we replenish that, and we can continue therefore doing it at a more attractive pricing point.

Andrew Dickman: It's quite labour intensive taking this land through the planning process. It takes a lot of skill, and that's not easily acquired off the peg either. So, the skills embedded in the team, that have been built up over more than a decade, are really quite pivotal to the success of that land delivery model.

Ian Brown: Great. Well, this question is directed for you, Phil. The occupational environment seems very strong, how long do you think you can maintain an elevated run rate, and how fast could you go?

Phil Redding: How fast could we go? Well, I think, based on the current visibility that we have, we are comfortable to increase the guidance from the 2.3 long-run average to the 3-4 million square feet that we currently can see. What I mentioned also in the presentation, we're also looking to position the land bank to be able to maintain that sort of delivery, subject to market conditions continuing.

Phil Redding: Also, as part of that, we referenced a couple of sites there, Rugby, and also there was a mention of Kettering, where we have drawn down quite large areas of land, to give us flexibility, which does allow us to accommodate some of the bigger pre-let requirements, so up to a million square feet. So, we can do a little bit more, but at the current time, and based on current visibility, we think the guidance that we've given is appropriate.

Ian Brown: Great. Thank you. A question that's come in, and this is from Rob at NFU Mutual, I would've thought your occupiers know their networks have operation directors with

plans, what additional data do you have over occupiers? And how much of that is you leading discussion, versus large occupiers coming to you?

Phil Redding: Occupiers visibility of their networks, we've done a lot of work on that recently, but the work was done by Mark, so I think he's in the best position to answer that.

Mark Ferguson: I think we're seeing a different engagement with occupiers and those operational teams. Typically, they would've come to us quite late in the process, nine to 12 months out of wanting a site, or wanting to move, recognising the lack of supply in the market. Those operations directors, our networks maps maybe do it the same as theirs, but they're now looking two, three, four, five years out, in terms of when that requirement is going to realise, so they're happy to join us, in terms of going in for planning consent on a site, and making sure they do secure the right asset in the right location. So, I think we are having a much earlier engagement with those occupiers than historically we would have done.

Ian Brown: Great. Thanks so much. If there are no questions from the floor, then I think we'll hand over to Frankie.

Frankie Whitehead: Good afternoon, everyone. And for anyone that doesn't know me, I am Frankie Whitehead, and I've been the Finance Director of the company for the past seven years. So, we've heard a lot of positive and exciting news this afternoon about our development program, and my job is to spend a few minutes pulling all of this together, and to provide you with an update on our financial guidance. This is driven by how we see the current level of occupier demand affecting us, both in the short and longer term. I'm going to start with a brief reminder of how our strategy has delivered very attractive accounting returns, and also how the evolution of our market has driven our decisions around capital allocation. The top right hand chart shows our total accounting return performance each year since our IPO. And this average is over 13.5% annually across that seven and a half year period demonstrating a strong track record of performance and one that we are confident that we can continue. As you've heard during this time, we anticipated how the supply demand dynamics in the market were going to become extremely favourable. And with that, we saw the opportunity and the important role that development was going to play both in our future and that for our wider market. So, when it comes to how we think about capital allocation, if we look at the chart in the bottom right, you

can see our shift in focus from investment, which is in the grey, to development, which is in the green.

Frankie Whitehead: This started in 2015 with us becoming a leader in forward funded developments. This was followed by our acquisition of Symmetry in 2019. And subsequent to that, the majority of our capital deployed has been allocated towards direct balance sheet development. As we project forward from here, we will continue to focus our capital allocation towards development because we feel that it offers the most attractive risk adjusted returns whilst from an investment perspective, we will look to act opportunistically, maintaining financial discipline, and from time to time, cherry pick investment opportunities provided that they meet our returns criteria. When thinking about financial returns, as we move forward, our future total accounting returns will continue to be underpinned by our high quality investment portfolio and its associated income growth. We will look to supplement this through active asset management and then further enhance this via our development activity, which is obviously a key differentiator for us. We're therefore confident of maintaining double digit total accounting returns over the medium term and into a stabilising yield environment.

Frankie Whitehead: The acceleration in activity means that we are operating our development guidance for 2022. Our longer term guidance remains, which is to target the annual delivery of two to three million square feet per annum and to deploy 200 to 250 million pounds per annum into development. As you can see in the 2022 column due to the notable increase in occupy demand that you've heard about, we're now targeting development starts across three to four million square feet of space and the deployment of 350 to 400 million pounds into development this year. From a year long cost perspective, despite the inflationary pressures both on raw materials and on labour, we're still comfortable of that 6% to 8% yield on cost range, both in the short and in the longer term. As Andrew touched upon, we have been in an unprecedented position in terms of cost price inflation. We continue to manage this well internally, although through a combination of rental growth and also yield compression, this is mitigating a large part of that cost pressure from impacting on our performance targets.

Frankie Whitehead: However, it does mean that we are seeing some slight downward pressure on our year long cost targets versus 12 months ago, but these still remain within the 6 to

8% target range. More recently, we've seen some cost stabilisation and we expect to see some of these pressures subside over the next six to 12 months as global supply chains start to unlock. Over the longer term, we do expect rents to outpace any future bill cost inflation, therefore allowing us to regain some of this pinch that we felt from a yield perspective but irrespective of what I've just said and noting the healthy yield arbitrage between this and today's prime investment yield, development is still a very compelling channel for us in terms of our future financial return. When we think about disposals, we will look to prune our portfolio over time, focusing on those assets which we believe may underperform, or which may carry more inherent risk.

Frankie Whitehead: Whilst we have identified some assets for sale due to the fluidity of yield compression over the last six to 12 months, we believe that not selling during this period has led to stronger performance overall, but you should expect us to recycle some capital from our investment portfolio during the course of 2022. Now we can see the benefit of this acceleration feeding through into our rental income figures. I've presented this chart before, and it sets out the trajectory of our passing rental income over the near term. We now have greater visibility beyond the £219 million rental income bar as seen here in yellow. And this figure is very similar to that set out our last results in August. In terms of the progress that we've made since then, and starting on the left hand side, there was £14 million of income secured under pre-let agreements last June. Those buildings are now complete, and this income is now passing. For the purposes of the portfolio reversion, we continue to quote the June position of 6.5% or 12 million pounds.

Frankie Whitehead: However, we expect this to have improved during the second half of 2021. And we will announce those figures as part of our December results. Continuing to move across the eight million pounds, which was under offer at the time of the interims, this has now been secured under letting agreements and around four million pounds of this is also now passing. In terms of the assets under construction last June and the four million pound ERV, these are all progressing according to timetable with approximately 50% of this let during the construction period. We also messaged that we had plans to commence further construction during the second half of last year. And these assets totalling 0.7 million square feet are all now underway and have the ability to generate a further six million pounds of rental income. And there is

currently lots of strong interest in these buildings, all of which gets us to even more certainty to that 219 million pound income bar.

Frankie Whitehead: In addition to this, and when looking at the green columns, this sets out our progression within the pipeline. We're also under offer on a potential pre-let representing a further three million pounds of income. And in terms of our near term pipeline with construction starts within the next 12 months, we are confident around the return profile that these assets can deliver to us. And we have increasing visibility over a further 20 million pounds of potential rent. In terms of timing and with respect to the green columns in particular, these buildings are targeted for delivery by the end of 2023, and therefore will start to impact earnings through 2024. When we think about the earnings trajectory, it will be one linked to construction timelines. And generally speaking, one should factor a 12 to 18 month period between construction commencement and income generation. And finally, when looking at that end column totalling 483 million pounds, this shows the future potential that we see within the land portfolio.

Frankie Whitehead: As Colin said, we have the ability to more than double the size of the portfolio. So, there is still a huge amount to go for. And just to remind you that we do not factor any future rental income growth into any of the figures on this slide. You've just heard Phil discuss the benefits of freehold land sales and in what circumstances we would consider doing this. In these instances, we would typically look to structure a sale so that we retain the development management services i.e., the management and delivery of that particular asset or scheme. In doing so we would command a development management fee or a profit share. This development management income is recognised across the construction period and appears as other operating income within our financial statements. Again, it is efficient in the sense that no TBBR funding would typically be required and it's reflective of the experience and the skillset within our wider development team. From a rate perspective, this income is not considered property rental income, and therefore there is no 90% distribution obligation that sits alongside it.

Frankie Whitehead: The DMA income is more variable in nature, and therefore it's more challenging when it comes to forward guidance. Whilst we're guiding to between three to five million pounds per annum over the medium term, there will be periods when we fall outside of this range. In terms of how we think about the relationship between this

form of income and our dividend, we will only factor DMA income into our dividend thinking at levels within the range identified so as to remove any potential volatility and therefore any excess will be reinvested into that development pipeline. So, whilst this is all very exciting, we remain extremely diligent when it comes to managing the risk profile of the business. At a portfolio level, development risk is managed with reference to our investment policy limits. We are currently operating well within those limits with total speculative exposure at 1.6% and total development exposure 8.3% as at the end of December. Our use of land option agreements provides embedded protection in the sense that there is limited capital required both to secure the option itself and prior to achieving planning consent.

Frankie Whitehead: When considering our speculative program, whilst this forms an important part of our wider development strategy, we are conducting this in a targeted manner. Andrew touched on this, but when we decide to push the button to undertake speculative development, this is whilst in dialogue with multiple occupiers and therefore with a clear line of sight over the return parameters for that particular building or unit at the point that we sign the fixed price build contract. From a balance sheet and financing perspective, there is no change to our loan to value target of 30 to 35% over the medium term. And as the right hand chart shows, we are most comfortable at the bottom end of this range. This is something that also recently recognised, and you'd have seen us announce an improvement to a BAA1 rating with a positive outlook. And in my view, this bodes well for a potential move into the A ratings in the future, which will have a favourable impact on our overall cost of capital.

Frankie Whitehead: We are currently sitting with strong levels of liquidity at approximately 600 million pounds as at the end of December. It's important that we continue to have a good range of funding options at our disposal. This provides us with flexibility and optionality as we look to develop what is currently an approximate 10 year pipeline. When we look back over the last 18 month period, we have issued a 250 million pound green bond, and we will continue to look hard opportunities to link our ESG targets with our wider financing objectives. We have realised 134 million pounds through investment sales. And most recently we issued 300 million pounds of new equity to support the accelerated development plans. The key consideration within all of this is making sure that we could take advantage of the opportunity that we are

seeing and that we're generating whilst managing our capital structure in the right way, ultimately with a view of maximising shareholder performance.

Frankie Whitehead: So, in summary for me, we are extremely well capitalised heading into 2022. And this means we are very well positioned for the opportunity in front of us. As part of this, we are increasing our 2022 cap ex guidance targeting the deployment of 350 to 400 million pounds this year into development. At the same time, we are carefully assessing and evaluating risk, but the scale of our development platform is unique and coupled with the market dynamic, this means that we have confidence in delivering sustainable income growth alongside attractive total returns into the longer term. Thank you very much.

Ian Brown: Great. Thanks, Frankie. So again, we'll open up for Q&A now both in the webcast and from the floor. And again, to remind you, you need to just tap your question into the box on the webcast portal for me to see it. First question then Frankie, from Neil Green at JP Morgan, asking about how we should think about earnings growth over the next few years.

Frankie Whitehead: I would break that down into the three key drivers in terms of earnings growth. So, if we start with the investment portfolio, obviously that's the core part of the portfolio and the like for like income growth that would be expecting to come through there. Just to remind everyone that we've got a nice blend of review provisions, some of those fixed, some of those linked to indexation and some of those open market linked. To give everyone a flavour, some of the more recent open market review settled, remembering their five yearly backward looking have been generating around a 3% growth rate per annum noting the upward pressure on the open market rental side that we've heard about and heard from Kevin about and where indexation is. We would expect that to trend upwards going forwards. Then we overlay the asset management piece that I mentioned. That will be more ad hoc in its nature.

Frankie Whitehead: And then of course the top slice, which is very powerful, which is the development piece. So maybe if we look back at that income growth slide that I mentioned on slide 62, that sets out around 20% of income growth over a three to four year period, and we've got real visibility on that at the moment. If we break the 20% down into, what do we think will translate into earnings, broadly 15% and therefore trend

around three to 4% per annum through development as well. So, if you pool all of that, obviously confident of delivering some very attractive levels of earnings growth over the short to medium term.

Ian Brown: Next question in asks about the land options, how they're accounted for and valued please.

Frankie Whitehead: So, in terms of accounting, the land options are held on the balance sheet historic cost. Within the upper NTA metric, those land options are marked to market. So, there's a mark to market adjustment that you'll see within that. At the point that those land options convert into a real land holding so an interest in land, they come onto the balance sheet of fair value and any accretion will come through in a normal way. So, beyond that, it's fair value. I think the important point to flag is that the way the valuers look at the options particularly is until you have an interest in land, they do apply a discount. So, in theory, if you're sitting there with an option with planning consent, that you have a right to draw down tomorrow, there is some embedded value within that, that isn't currently being recognised within the NAV.

Ian Brown: Great. And a related question, I suppose, from Marcus Phayre-Mudge at BMO, asking to remind us how the valuation of a land plot evolves through the planning process and the book value accretion that creates.

Frankie Whitehead: There's two principal points of value creation. Andrew highlighted those. One planning and one typically at the letting stage. The valuers will adopt a DCF when it's at land option stage looking at those future cashflows. They will apply a discount rate and they will also apply a risk factor. So, it's heavily discounted at that stage. As you draw the land down and move into land ownership phase, it then becomes at your standard residual valuation. So that's how that would move. And obviously, the further you get beyond that, the less risk and the more profit that will come through under the valuation. Anything to add, Andrew?

Andrew Dickman: I think you answered his question perfectly. Thank you.

Colin Godfrey: Once the building is let, say, for instance, on a pre-let, it then comes onto our balance sheet as an essential as an investment product. So, you see that uplift occur then. And of course, as Kevin mentioned, as we're seeing on the ground, more of our buildings during the course of a speculative development are being let

up earlier as well. So, there's that value accretion capture, not necessarily at the end of the construction phase, but sometimes during the construction phase.

Ian Brown: Great, fantastic. A question from Solomon Nevins at CCLA asking about the inflationary pressures, and should we expect some developments to still complete at the upper end of the yield on cost range?

Frankie Whitehead: Yes. I think we've touched on this; the broad answer is that we have got developments that appear fully within that range. So, some at the bottom end, obviously some at the top, so yes, depending on location and the market dynamic in that particular space and the tone of rental growth, we are still seeing future developments within our appraisals all within the range that we've given.

Colin Godfrey: And hence why we haven't adjusted.

Colin Godfrey: We haven't looked very carefully at it. And so, we haven't adjusted that range, but I think it's fair to say Frankie, that the average has moved down a little bit, come under pressure as a consequence of this cost price inflation.

Ian Brown: Thank you. And then a couple of questions. I'm going to keep you on your toes here a little bit, because there a variety of topics have come in. But first question from Fred Heaton at IW&I, as you develop the back end of the pipeline, why will land owners sell to you via options as opposed to cash offers at retail value?

Andrew Dickman: Thank you. Because the option agreement that we write with them gives us the ability to draw the land down at a market value lesser discount. So, it's not within the landowner's gift, to turn around and say, I'd like to sell it to somebody else.

Frankie Whitehead: The simple fact is that remember that the land owner does not have a truly marketable asset at that stage for anything other than agricultural use, so what we are bringing to the table, the skills and the work that go in over a material period of time, as Andrew talked you through, to take all of those steps, to get to the point where we can add value through the delivery of planning. And at that point, the landowner obviously gets a significant benefit in the value of its land. So, what the landowner is essentially saying is, okay, Tritax please come along and add value to my land. As Andrew says, they can continue to use that land in the timeframe.

Frankie Whitehead: If they're going to sell that to someone hoping to get full value for it on day one, well, they don't have an asset they can market in that way, because it doesn't have the benefit of planning and anyone buying it will have to put in that time and expertise. But as Andrew's also said, it's the intelligence that you need and experience that you need to identify those sites which have the capacity to get planning consent and to be high quality developments at the end of the process. And that's what we bring to the table.

Ian Brown: Great. Thank you. And then another question from Solomon at CCLA asking about the planned increase in development activity and how that sits within the company's investment policy, and how do you expect to fund the extra developments?

Frankie Whitehead: In terms of the investment policy limits as I set out, we're firmly operating within those. We obviously do a lot of projections going forwards, and we're comfortable that we're not going to be breaching any of those investment policy limits. And we are able to undertake the level of activity as set out. In terms of financing, we obviously came to the market recently for new equity to help accelerate this. We are sitting with lots of liquidity at the moment. So that will certainly see us through this short to medium term. And again, as I set out in the presentation beyond that, it's all about having options and having flexibility and pulling those levers at the right time, ensuring that we're maintaining our capital structure, but ultimately with a view of delivering maximum performance.

Colin Godfrey: And reminding everyone that there's a 15% limit to development land exposure of which a maximum 5% can be focused on speculative development.

Ian Brown: Great. Thank you. A couple questions I think probably relating to some of the earlier parts of the presentation. One from Mike Peru at Jeffries asking will future developments be at the same historic levels of site coverage, or will they shrink with evolving transport requirements?

Andrew Dickman: That's for me to answer. So, thank you, Mike. The answer is it's evolutionary, and we're seeing some occupiers wanting to have actually more dense sites and some wanting to have much less dense sites. And it really relies upon the use of the building by the occupier in it and its really granular sense, as opposed to it being logistics in its wider sense. One of the great benefits we have is because the portfolio we have can flex to occupier requirements, we can meet those

requirements quite easily. And then it's about achieving a pricing point that works for us and works for the occupier and we've got a couple of lows ongoing negotiations which are really quite interesting at the moment.

Ian Brown: Great. Thank you very much. And then I've been dying to ask this question. There seems to be a lot of focus in the news regarding drone deliveries. Is this being factored into your thinking, are you seeing this from occupiers? Is this a real thing basically?

Mark Ferguson: Having come from the occupier world, I think it's quite a long way off in all reality, in terms of taking a large share of deliveries. The occupiers I'm talking to are much more interested in terms of alternative fuels. And is it going to be hydrogen? Is it going to be electric in terms of commercial vehicles moving forward and making sure there's provision within the solution and whether that's docking under the yard and the ability to charge vehicles in the yard, that's a much bigger topic for conversation than drone deliveries?

Ian Brown: And then this has come in from Tom Horne at Berenberg. The 10.3 million of inquiries and final negotiations, how much of this rate is to existing or built assets and how much is likely to be pre-let?

Andrew Dickman: So, in terms of the pre-let figure, we're looking at the three to four million is the guidance that we're giving for 2022. So that is across not all the 24 schemes because obviously at different stages of evolution, but probably focused on eight to nine of the main Symmetry schemes at the moment.

Ian Brown: Great. Any questions in the room? No. I think that is the end of the questions, Colin.

Colin Godfrey: Thanks, Ian. So, to conclude everyone, this is a recap really on what we've heard this afternoon. Firstly, you heard from Kevin. Kevin's data showed record lettings and record vacancy in 2021 and increasing requirements across the UK. Against rising demand is an acute shortage of supply and consequently Savills is forecasting higher rental growth. And this is heightening investment demand with a wall of capital that has the potential to further compress yields. The strength of the market was reflected by Mark. He reported over 26 million square feet of live inquiries across all of our sites. And Mark also explained how we are very customer focused and intelligence driven with a proactive approach to capturing lettings. This stems

from a deep understanding of supply chains with demand for our developments coming from our existing customers and also a broad range of new relationships. You heard from Andrew that we have strong reputations with councils, with land owners and contractors, and that over a decade of work put in by our team has firstly created the UK's largest logistics land portfolio of over 2,000 acres.

Colin Godfrey: And secondly has embedded significant value in our land platform, which we are now delivering at a really attractive yield on cost of six to 8%. And which of course as Phil mentioned is a really attractive premium over prime yield rates. Our land portfolio is geographically diversified and held in a really capital efficient manner through options. And this position is virtually possible to replicate in the current market in the near term, as you heard in the question session earlier. And it's worth reminding ourselves that 40 million square feet of development potential is entirely within our control. We are not reliant on the market for the supply of land or the provision of new investments, which we can create much more attractively in house compared to the yields that we would have to pay if we went out to buy those investments tomorrow. And that's why you're seeing us being very, very selective on the investment side, in our activities as well.

Colin Godfrey: And Phil explained that we are targeting two to three million square feet per annum of development stocks over the long term but accelerating that cadence to target three to four million square feet for 2022 in response to strengthening occupy demand. With buildings letting ever more quickly, during the construction process, we've responded by increasing the level of speculative development, but of course, pre-lets being the primary focus in the long term. Now at the same time, our increasing planning success replenishes that near term planning pipeline as we achieve lettings and also allows us to offer a range of sites to meet customer demand confidently over the course of the next few years. Now to capture these enhanced returns, Frankie outlined how we are applying a really disciplined approach to our development process, noting that we're very well funded and that there's now increased visibility, enhancing our income delivery within the development platform.

Colin Godfrey: So, it's no coincidence that we are now standing in a really strong position. Our approach to acquiring and controlling land and the development process was deeply researched and it was very carefully planned. And our strategy, as you heard

me say earlier, has been designed to align with really positive structural economic drivers that are benefiting our sector right now. In short, we are at an inflection point where our development portfolio is now delivering and our confidence in the future value delivery has heightened. So, our excitement and enthusiasm from being here where we are now at the right place at the right time with the right strategy, the right product and the right team to unlock that value. And we're doing it right now. So that concludes the presentation today, focused on development. I hope you found it interesting. I really appreciate you joining us this afternoon, particularly for those joining us in the room. Thank you very much.