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UBS 2005 GLOBAL REAL ESTATE CONFERENCE, LONDON

SIZE MATTERS?

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SIZE MATTERS?

- **Investor preference**
- **Financial implications**
- **Operational issues**
- **The US/UK experience**
- **Conclusions**
- **Appendix: Brixton plc**

INVESTOR PREFERENCE

- **Typical size: small / mid / large cap**
- **Tracking or active?**
- **Are size and sector specialism related in investor eyes?**
- **Specialist - v - general investors**

FINANCIAL IMPLICATIONS

- **Liquidity**
- **Economies of scale**
- **Cost of capital**
- **Funding availability**
- **Credibility**

OPERATIONAL ISSUES

- **Market dominance**
- **Risk diversification?**
- **Asset allocation in non-specific companies**
- **True expertise?**
- **Entrepreneurial devolving to bureaucratic – making deals matter**

THE US/UK EXPERIENCE
UK PROPERTY COMPANIES AND US REITs

- **35 US REITs with market cap > $5bn - only 4 are ‘diversified’ or mixed office and industrial**

- **16 US REITs with market cap > $10bn - only 1 non-specialist**

- **In UK 5 property cos with market cap > £2bn - all are non specialist and at least dual sector**

  (Brixton is 6th largest in UK £1.1bn market cap and a single sector specialist)

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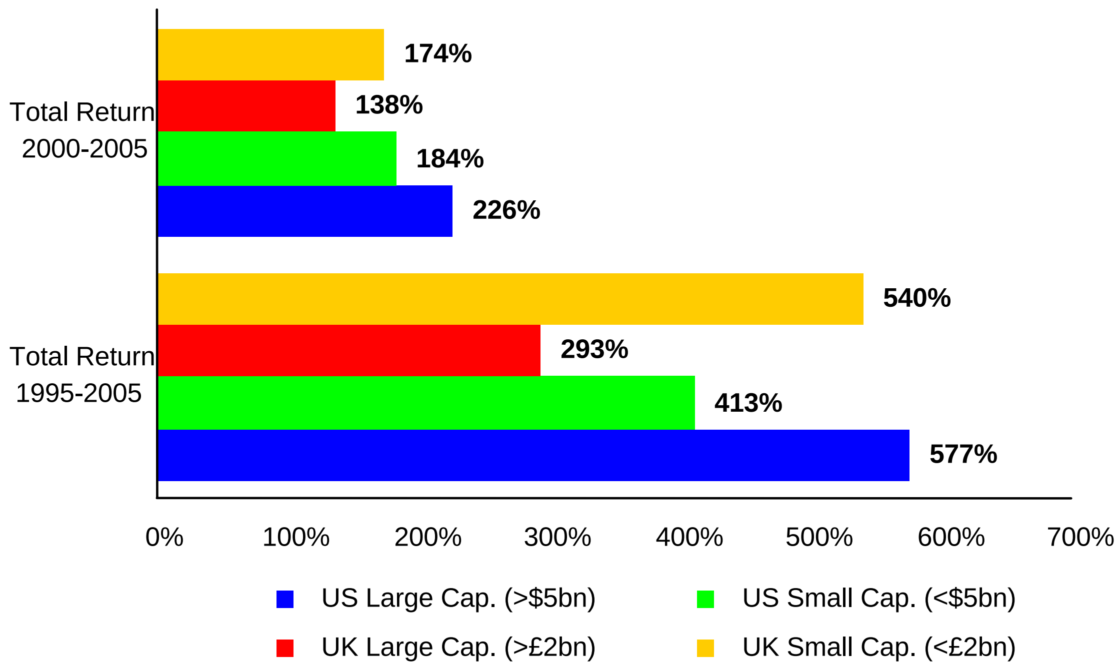
TOTAL RETURN PERFORMANCE: LARGE CAP - V - SMALL CAP



Large cap US REITs have outperformed small caps consistently, in contrast to the UK, where small cap property cos have performed better. However in the last 5 years the differences have narrowed.

Source: Datastream.
Note: Total return assumes reinvestment of dividend into stock.

Data compiled by Citigroup

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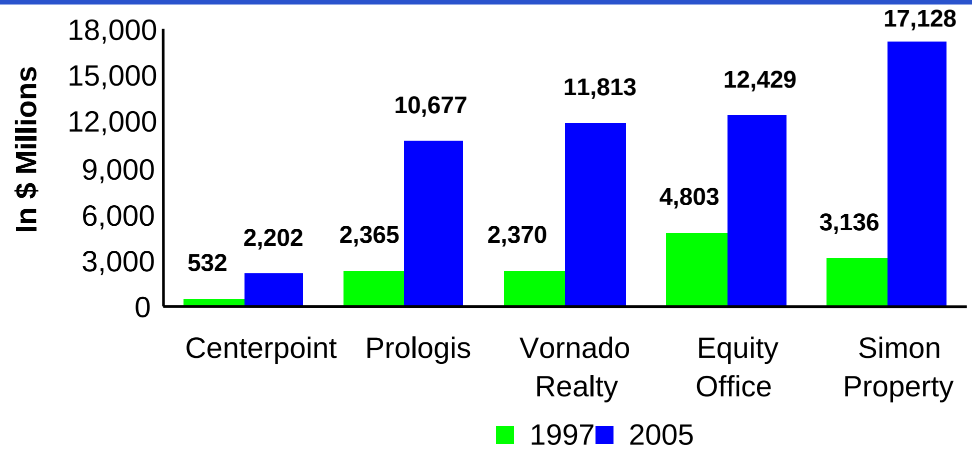
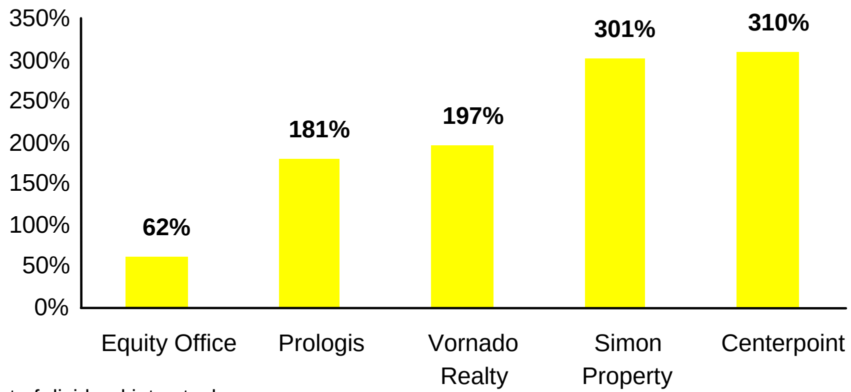
MARKET CAPS AND TOTAL RETURNS: SELECTED US REITs

US REITs: Market Cap. 1997 vs 2005



Source: Datastream.

US REITs: Total Return 1997 - 2005



Source: Datastream.
Note: Total return assumes reinvestment of dividend into stock.

Data compiled by Citigroup

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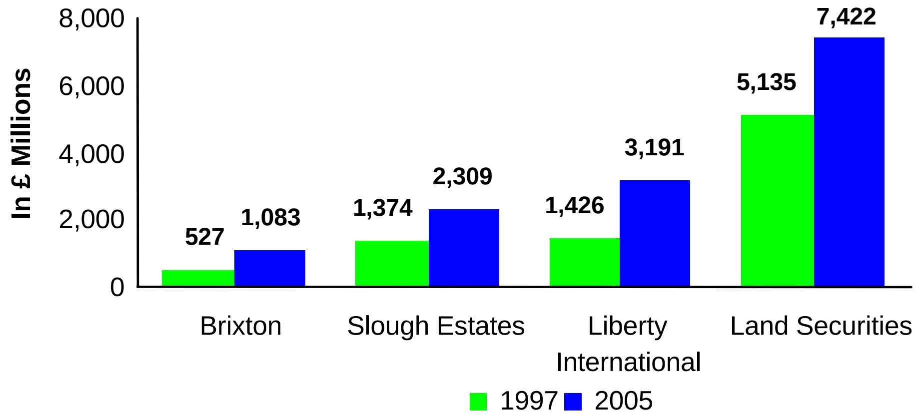
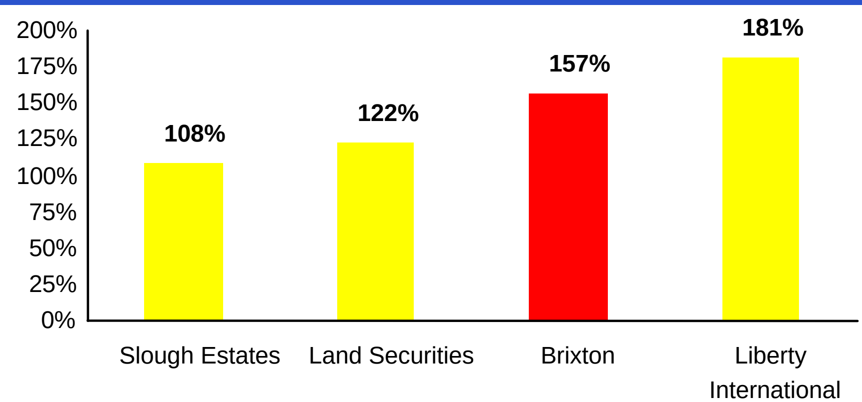
MARKET CAPS AND TOTAL RETURNS: SELECTED UK PROPERTY COS

UK Property Companies: Market Cap. 1997 vs 2005



Source: Datastream.

UK Property Companies: Total Return 1997 - 2005



Source: Datastream.
Note: Total return assumes reinvestment of dividend into stock.

Data compiled by Citigroup

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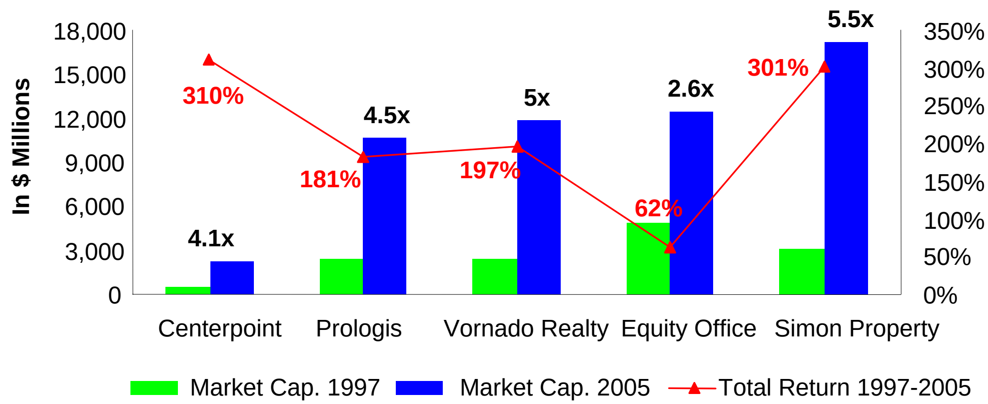
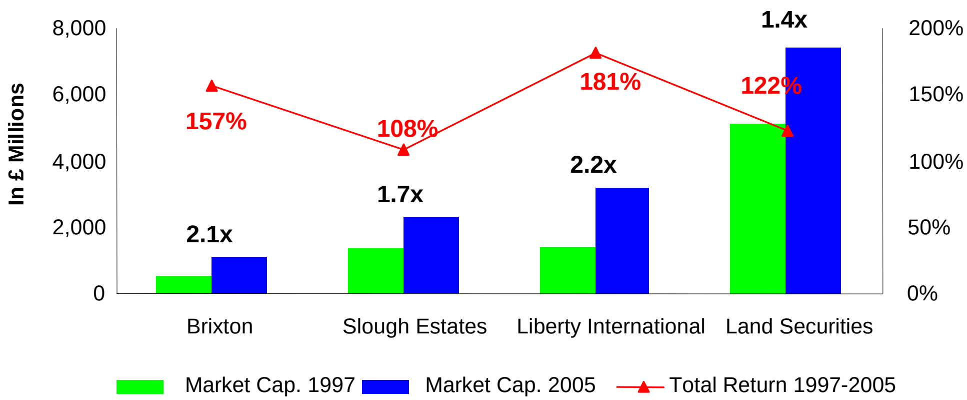
MARKET CAP AND TOTAL RETURN GROWTH: SELECTED US REITs AND UK PROPERTY COS

US REITs: Change in Market Caps and Total Return 1997 - 2005



Source: Datastream.
Note: Total return assumes reinvestment of dividend into stock.

UK Property Companies: Change in Market Caps and Total Return 1997 - 2005



Source: Datastream.
Note: Total return assumes reinvestment of dividend into stock.

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CONCLUSIONS

- **Investor preferences change and scale more important**
- **Focus and specialism overrides: especially in the US**
- **Financial advantages of scale should not destroy entrepreneurial endeavour**
- **No property business by size or focus is too dominant**
- **The US and UK markets have developed differently:**
  - **Scale and focus go together in the US – not so in the UK**
  - **In the US large caps (which <u>are</u> focused) have outperformed small caps**
  - **In the UK small caps (which tend to be more focused) have outperformed large caps**
  - **Companies with better total return records have seen largest growth in market cap (unsurprisingly!)**

    <u>But</u> …..

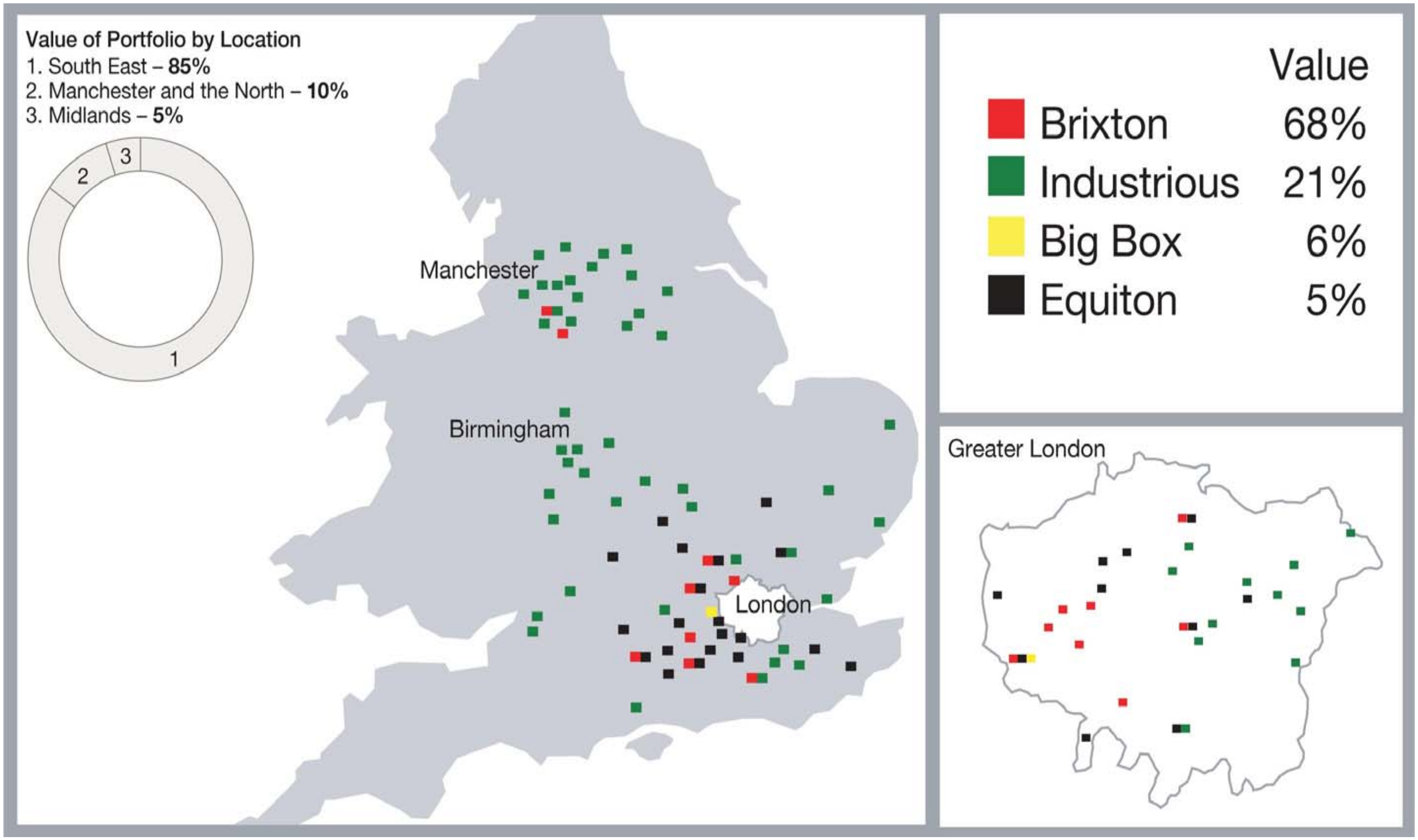
    whilst large retail property cos have done well in US and UK - smaller industrial specialists - Centerpoint and Brixton - have also outperformed. So performance matters more than size?
- **With impending REITs in the UK, focused companies in the market cap range of £1 – £3bn are likely to be the winners**

APPENDIX

BRIXTON – AN OVERVIEW

- Brixton plc is the leading specialist owner of industrial and warehousing space in the UK with 85% of its portfolio in the South East and a significant regional presence in Manchester and Birmingham.
- Unrivalled choice and customer service through B-Serv which also gives good levels of repeat letting business.
- Owns and/or manages 25m sq ft in 2,500 units (Brixton's share now worth £2.1bn) in 200 locations.
- Following final office disposals 100% of the portfolio is now industrial and warehousing and Brixton is the largest purely industrial public property company in the UK.
- 2004 – 05 saw record levels of activity with £1.6bn worth of investment property (23m sq ft) turned over. Major purchases included the £100m+ acquisition at Trafford Park, Manchester and the £675m Industrious portfolio. A net 9.5m sq ft added to the portfolio.
- Continue to be particularly active in Heathrow and West London where approximately 50% of the total portfolio is based with a further 10% in the rest of Greater London.
- Confidence to progress further with development programme.

BRIXTON – THE PORTFOLIO



BRIXTON – 2005 PROPERTY HIGHLIGHTS*

- **Rental growth outperformance: valuers ERV growth on portfolio 2.4%: 6.0% overall achieved on new lettings, 11.4% at Trafford Park and 17.0% on Industrious.**
- **Record volumes of lettings: 1.13m sq ft January to end August.**
- **Good valuation uplift: 4.9% capital surplus.**
- **Clear demonstration of acquisition and management enhancement skills with the immediate improvements from major recent acquisitions.**
- **B-Serv management model has been successfully “exported” elsewhere, geographically in the North and Midlands, and by unit type.**
- **Demonstrating again that knowledge, expertise, specialist focus and high levels of activity produce strong performance.**

* half year to June 05

BRIXTON – 2005 INTERIM RESULTS*

Net rental income £50.0m +7.3%

Investment profit £23.2m +1.8%

Profit before tax £132.2m +41.4%

Adjusted eps 8.2p +6.5%

Interim dividend 4.15p +2.5%

Adjusted NAV per share 422p +9.9% (FY 2004 : 384p)

Portfolio valuation surplus £99.8m +4.9% in 6 months

* to June 05