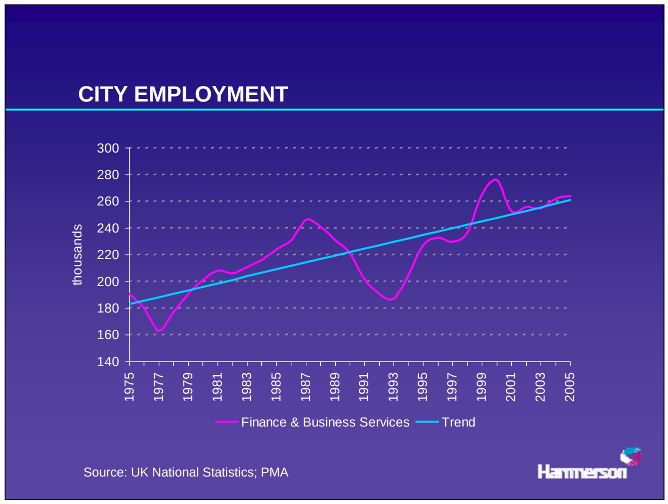
Good afternoon,

Could I add my own thanks to Merrill Lynch for hosting this session.

I think most of you will have some knowledge of Hammerson…we are a major European real estate investment company. At 30 June 2005 our portfolio was valued at £4.8 billion. Around 70% of our portfolio is in the retail sector, with the balance in offices, located principally in London and Paris.

Our 2005 results will be announced on 27 February, so you will appreciate that we are in our closed period now. My remarks will be focused on giving you our view on the outlook for the City office market.

Clearly the ultimate driver of office demand is the number of City jobs, so I'd like to start with a brief look at employment.

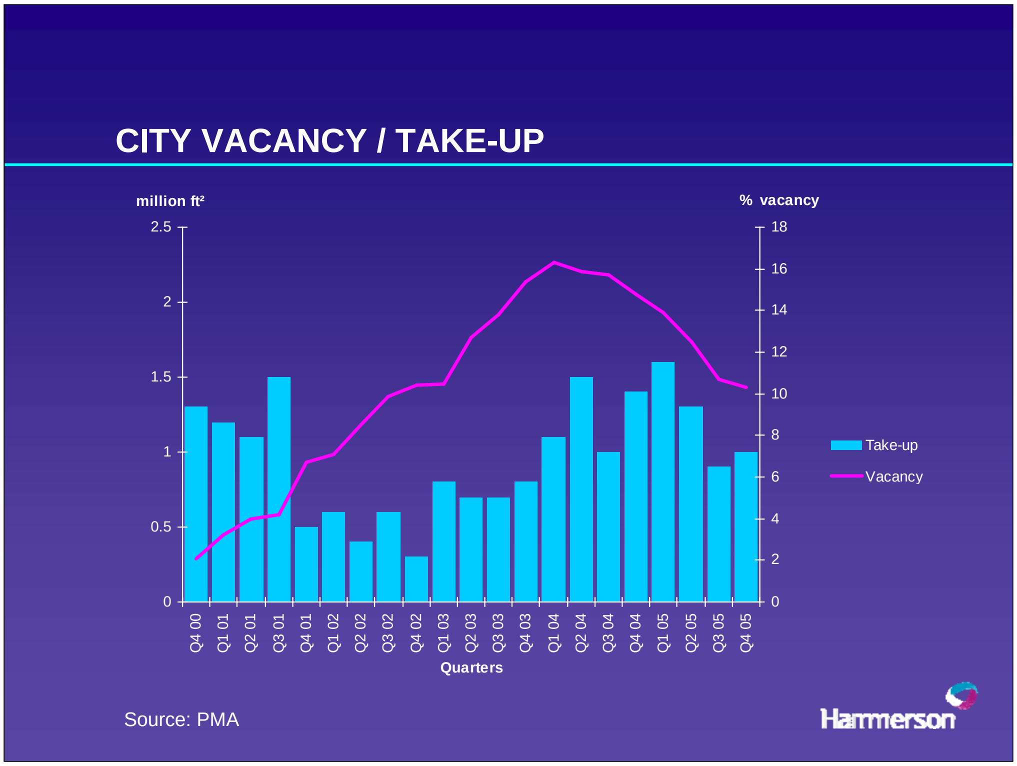


This shows City employment over the last 30 years. As you can see, whilst employment has been subject to cyclical swings, particularly reflecting conditions in the equity and capital markets, the long-term trend has been upward.

After a downtown five years or so ago, employment in the City has resumed its upward trend. Certainly the last 18 months have seen a noticeable increase in M&A activity and investment banks are hiring staff again.

I have no reason to doubt that the City of London will remain a leading global financial centre. That's what has driven, and and will continue to drive, that trend.

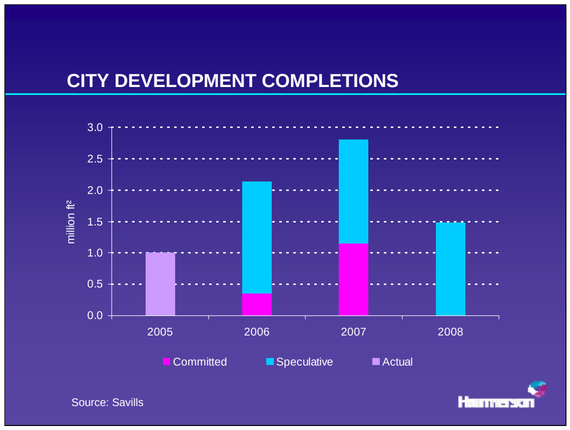
So, what's been happening to take up and vacancy?



Take up fell to a low point about three years ago. Indeed, in 2002 overall take up was only 2 million ft². Although quarter to quarter statistics have been quite volatile, the trend has been firmly upwards since then, and in 2005 take-up amounted to 4.8 million ft².

So, we have seen the overall vacancy rate in the City fall from around 16% two years ago, to around 10% at the end of 2005. And as you saw just now, from John Forrester of DTZ, better quality and new space is going faster than the older and more secondary space.

Looking ahead, the prognosis for a continuing fall in the vacancy rate looks quite good.



This shows new space coming on stream over the next three years. The figures here have been provided by Savills. DTZ are showing a similar total over the next three years…but the phasing is slightly different.

Completions last year totalled one million ft², only around 25% of take up. This year and next, completions are expected to average around 2.5m ft². Again, that is well below current take up.

Clearly some new developments will be started, but with schemes generally taking a minimum of 24 months from start to completion, figures for the next two years will not change much. So, we should see a further dent in the vacancy rate in 2006 and 2007, possibly to 5% or 6%.

But underlying the overall numbers, there are important variances in the supply of Grade A space and importantly of larger buildings.

REPRESENTATIVE REQUIREMENTS (100-350k ft²)

Company name	Business Category	Size (ft²)
KPMG	Professional Services	350,000+
State Street	Banking & Finance	350,000
AON	Insurance	275,000
Addleshaw Goddard	Professional Services	200,000
Mayer Brown Rowe Maw	Legal	200,000
Benfield	Insurance	175,000
Thomson Financial	Professional Services	175,000
Merrill Lynch	Banking & Finance	175,000
Eversheds	Professional Services	150,000
Fortis Bank	Banking & Finance	150,000
Taylor Wessing	Legal	150,000

Source: CBRE

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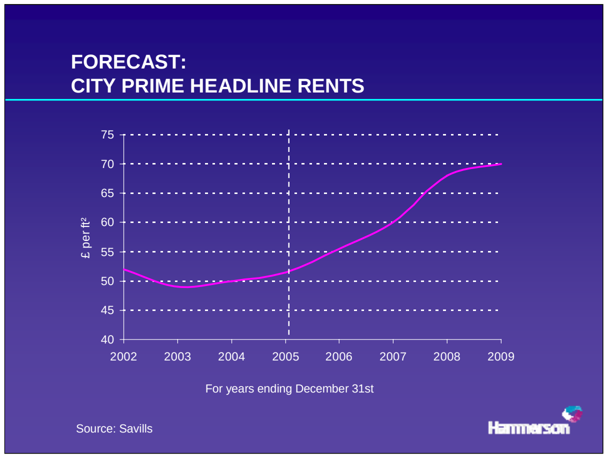
There are very few buildings available which can accommodate occupiers looking for 100,000 ft² or more.

I have shown here a number of the occupiers which are potentially in the market in this category. Clearly there are not enough buildings to fulfil all these requirements.

So, it is no surprise that all market forecasters are predicting a strong upward trend in rents.



Headline rents today are just over £50 ft². Savills are suggesting that they could rise by 40% over the next four years. They are not alone in forecasting this sort of growth.

There is also good evidence that incentives are reducing, with rent free periods falling from 36 months at the low point in the cycle to perhaps 18 months today for a 15 year lease.

So, if I could summarise Hammerson's view

We believe that the City will maintain its position as a leading financial centre and that employment in the City will continue its upward trend.

Critically, there is a shortage of Grade A office space in the 100,000 ft² category. This, coupled with a relatively modest level of completions, should see an increase in pre-letting activity.

So we anticipate a strong recovery in rents in the period through to 2009.

Hammerson is well positioned to take advantage of this with a promising office development pipeline. And I'd just like to mention a few of our future schemes.

Since acquiring the freehold of the former Stock Exchange buildings in 2004, we've been successful in obtaining enhanced planning consents for two schemes, now totalling around 54,000 m^2 (580,000 ft^2). These buildings are in the best location in the City and were acquired at a very competitive cost, giving the company a low break-even rent. I have said in the past that our break even rents for these schemes are below £40 per ft^2.

Enabling works are complete and work on the first scheme, the 32,000 m^2 (344,000 ft^2) 26-storey tower building at 125 Old Broad Street, could start shortly. Completion should be as early as December 2007. This will be a speculative scheme ideally suited to occupiers, such as representative banks, looking for around 10,000 ft^2 of space and where there is now a good level of demand.

Pause

60 Threadneadle Street is a 22,000 m^2 (236,000 ft^2) nine storey office scheme. It is the type of building that will appeal to a large space user in the category of space that is in increasingly short supply. We have said we would like to achieve a substantial pre-letting to encourage us to make an early start, and today that remains our position.

In the longer term, Hammerson has some other very interesting development opportunities.

Many of these are in the area of Bishopsgate, primarily assembled from our well-timed acquisition of the former Railtrack Developments.

To orientate you, this is an aerial view taken from the top of one our other prime City office buildings, 99 Bishopsgate, at the junction of London Wall and Bishopsgate, looking to the north east city fringe boroughs of Hackney and Tower Hamlets.

The building shown in green is Bishops Square, which we completed six months ago. At 775,000 ft², it was the largest ever pre-let in the City and will shortly become the new home of Allen & Overy.

The building ringed in orange is 280 Bishopsgate, which we successfully developed and sold three years ago.

We also have Norton Folgate, shown in red. A few months ago we entered into an option agreement to acquire an adjacent side, giving us the potential to create a 79,000 m² (850,000 ft²) mixed use scheme.

On the other side of Bishopsgate (ringed in yellow) we have a potential office scheme of at least 35,000 m², which we would carry out as a joint venture with the Corporation of London.

Longer term, Hammerson has teamed up with Ballymore in a 50:50 joint venture to redevelop Bishopsgate Goodsyard, a site of 4.25 hectares (10.5 acres). The East London line will run through the site greatly increasing accessibly and crystallising the masterplan for this important area.

In conclusion, the City market has been a tough place to operate for the last three years when it comes to completing lettings. However, the recovery is underway and Hammerson is well positioned to take advantage of the upturn over the next 3-4 years.

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