60 THREADNEEDLE STREET, LONDON, EC2

Historical background

- Freehold of former London Stock Exchange site purchased for £68 million in 2004
- Planning consent granted in 2006 for refurbishment of the Tower and 60 Threadneedle Street, increasing consented floor area by 10%
- Sale of 50% interest in 125 Old Broad Street to GE Capital and Bank of Ireland for £75 million in 2006

60 Threadneedle Street

- One of the best new buildings of this type in the City
- The floor plates are efficient for both financial/trading uses and legal uses
- BREEAM Excellent Rating - highest standard for environmental performance
- Completed January 2009
- Total size: 20,600m^2
- Value: £92 million as at 31 December 2008
- Total development cost: £125 million
- Projected rental income: £8.5 million p.a.
- 24% of the projected income in solicitors' hands

125 OLD BROAD STREET, LONDON, EC2

- JV between Hammerson (50%), Bank of Ireland (25%) and GE Real Estate (25%)
- Concrete frame retained, floor plate extended by cantilevering out on all elevations
- ‘Very Good’ BREEAM Rating
- Completed in July 2008
- Total size 30,900m^2, 26 floors
- Value: £110 million as at 31 December 2008*
- Total development cost: £49 million**
- Projected rental income: £7.8 million per annum*
- 69% of the projected income is now let or under offer
- Let to DTZ, Gide, King & Spalding, Alegro Capital, Uria Menendez, Gatehouse Bank, AMCO Commodities LLP
- Retail lettings include Turnbull & Asser and Entrecote

***Hammerson share**

****After taking profit on sale**

6 May 2009

Hammerson

Comments from Martin Jepson – Managing Director, London Group

60 Threadneedle Street and 125 Old Broad Street provide classic examples of Hammerson's business model for the Central London office market, and particularly in the City of London.

These buildings are situated in a prime location, have strong external architecture, are well designed internally and offer buildings that are at the forefront of their market place, even in a downturn.

I would like to talk you through the process of developing out these buildings: how we became involved, how we worked on the planning and development of the premise buildings, where the market is today, and finally concentrate on how Hammerson is responding to the market place.

Hammerson acquired the buildings from the Stock Exchange in 2004 for £68 million. At that time, the Stock Exchange had achieved a planning consent to retain the Tower but to develop two new buildings alongside.

We were not convinced that the original proposals the Stock Exchange had would maximise the potential of the site. As a result of our review, we were able to provide an increase in the net floor space that had previously been proposed of around 10%. Maximising the floor space was not the only consideration. We were also looking to provide two very different products catering to different markets.

We decided to refurbish what was already a landmark building. The new development to the East was abandoned and the Podium was incorporated into the Tower to provide more variety in the floor space at lower levels (now occupied by DTZ).

The entrance hall was enhanced so that it was more commensurate with the stature of the building and the floor plates were cantilevered out beyond the existing building line to create additional floor space. The net result was a building of 320,000 square feet in floor plates of approximately 11,000 square feet, sub-divisible down to 5,000 square feet.

Alongside this, we created a completely new design at 60 Threadneedle Street. This provided good open floor plates including two dealing floors and an imposing and impressive façade and entrance onto Threadneedle Street. In all, the building comprises approximately 230,000 square feet in floor plates of approximately 25,000 square feet and in my opinion is the best available floor space in the City today.

Importantly, we substantially reduced risk by selling 50% of 125 Old Broad Street to GE Capital and Bank of Ireland for £75 million in 2006.

The market today is the most challenging I have seen for many years. The annual average take up in the City of London is approximately 4.7 million square feet or around 1.2 million square feet per quarter. The fact that the take up for the first quarter in the City this year was only 334,000 square feet puts this into perspective.

Hammerson

Comments from Martin Jepson – Managing Director, London Group

At the same time, vacancy rates rose to over 9 million square feet or approximately 10% and I believe that this vacancy rate will continue to rise during the course of 2009 as committed developments complete and additional second hand space returns to the market.

However, it is important to put the first quarter's take up into perspective. This is largely a reflection of the turmoil in the wider economic markets in the last quarter of 2008 and the general inertia that this produced in property activity.

These take up figures had improved to approximately 600,000 square feet by the end of April so there are signs of some additional momentum being generated. However, most commentators are predicting that total take up this year will be no more than 2 million square feet. The historic annual take up is 4.7 million square feet so we are looking at a significant reduction in demand.

Prime rents in the City have continued to move downwards and currently stand in the mid £40s and rent frees have moved out to around 15 months for each 5 year term certain.

The market is clearly a difficult one, and there are still a number of tenants who remain on the fence, but there does appear to be a slight unlocking of interest in the last couple of months.

Also, remember that on average between 5% and 10% of all City stock has lease expiry every year. Some will take the opportunity to re-brand and upgrade with rents at or approaching historically low levels, rather than stay put and renew their lease. There will always be a certain percentage churn, and the best buildings will benefit from this effect.

I believe with the product that we have available, we are as well placed to capture activity as anybody in the market today. We have absolutely prime products that are well designed but do not compete with each other.

To emphasise this, 125 Old Broad Street is now 69% let or under offer. In addition to DTZ, tenants include Gide, King and Spalding and Gatehouse Bank. At 60 Threadneedle Street, nearly a quarter of the income is secured.

Projected incomes for 125 Old Broad Street are £7.8 million per annum and £8.5 million per annum for 60 Threadneedle Street. This represents a reduction of approximately 15% from where we were 6 months ago.

The message is that we have absolutely prime products and are open for business. Our primary goal as a team is to secure full occupation of these buildings.
We are targeting full occupation of 125 Old Broad Street within 9 months and of 60 Threadneedle Street within 12 months.

The City market has always been cyclical. This is an extreme cycle. But it will recover. These buildings will be prime beneficiaries of the recovery through to first rent review in 2014 / 15 and I expect them to be amongst the best performers in our Portfolio in the years ahead.

Hammerson