

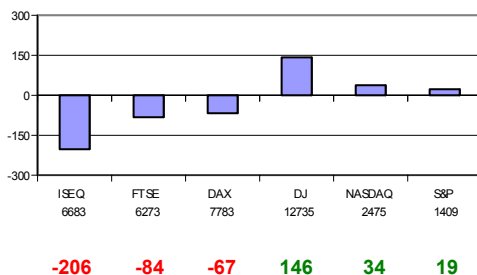
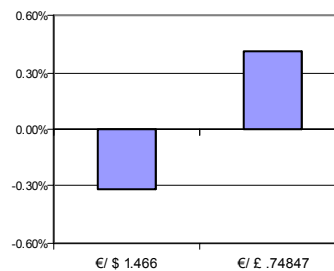
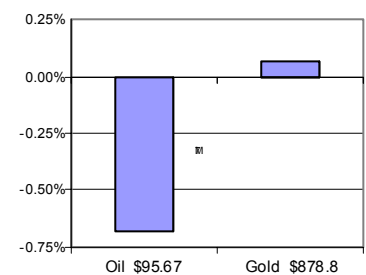

**DAILY COMPANY NOTE - BRITISH LAND** See page 2 for full details

**Daily Market Comment**

**Monday's Summary :** Another disappointing day for the ISEQ, with the index finishing down 206 points or 3% for the day. Ryanair was under pressure, finishing down 8% at €3.60 amid fears of declining spending by the UK consumer. PaddyPower fell 7.3% to close down €1.55 at €19.45 and CRH closed down 5.3%. In the UK, Marks and Spencer was down 18.7% for the day after poor quarterly performance, and warnings of a continuing difficult operating environment. The Dow recovered with strength in late trading, finishing up 146 points, up 1.16% for the day.

**Overnight News :** Shanghai shares edged 0.38 per cent higher Thursday, with property stocks leading the gains after dominant player China Merchants Property forecast robust 2007 earnings. The benchmark Shanghai Composite Index added 20.73 points to end the session at 5,456.54. Japanese share prices slid 1.45 percent lower Thursday to a near 19-month low as investors turned cautious again due to worries about the economic outlook. Investors were also awaiting a speech later by Federal Reserve chairman Ben Bernanke, hoping for clues on the prospects for further US interest rate cuts.

**Breaking News :** SIG Plc, a competitor of Kingspan has announced an increase in full year profit of 28%. UK homebuilder Redrow have issued an announcement saying that the UK housing market had become significantly more challenging in the second half of 2007 due to the impact of high interest rates and the fall in mortgage finance availability. Legal & General issued a trading statement this morning, life and pensions sales rose 8% while protection and annuities rose 4%, new business increased 155%.

**Equity Index's change on day**

**Currency daily % change**

**Oil/Gold daily % change**

**Paper Headlines**

- "European growth to outshine US" - (Irish Examiner)
- "Ryanair shares take big knock" - **Ryanair** - (Irish Examiner)
- "ISEQ share values plummet by €2.6bn" - (Irish Independent)
- "9.9m McInerney shares change hands in Dublin" - **McInerney** - (Irish Times)
- "Elan plans quick rollout for Tysabri" - **Elan** - (Irish Times)

**Market Themes and Movers**

**Central Bank announcements :** Markets will be waiting for the announcement at 12.00 today on whether the Bank of England will cut its benchmark rate from 5.5 % or leave it on hold. The ECB is expected to leave interest rates on hold at 4.0% as it is caught in a tug-of-war between inflationary and recessionary risks in Europe after last year's credit crisis sparked by the U.S. sub-prime mortgage industry. A news conference at 13.30 will follow the rate decision. Meanwhile in the US the Fed will be the centre of attention as markets await a speech by Federal Reserve chairman Ben Bernanke later today that's expected to provide clues on the central bank's stance on the weakening US economy. The Fed will hold its next policy meeting on January 29-30 and is expected to trim rates again to revive the flagging economy.

**Gold pulls back from record highs:** Gold softened in volatile trade overnight but held near a record high hit the previous day, with market expectancy that the market would undergo a correction before it hit the \$900 an ounce target. Spot gold fell to \$876.95 an ounce from \$877.70 late in New York as speculators booked profits. It hit an all-time high of \$891.40 on Wednesday on investor buying and a strong debut for the Shanghai gold futures. However there is a rising fear that physical demand in gold could lose momentum as many buyers are not prepared to pay the currently high prices.

**Dolmen Squawk Box**

This day five years ago, the FTSE was climbing back towards the key 4000 barrier.



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# British Land

**Target** (issued 09/01/07) **£13.50**  
**Previous** (issued 15/11/07) **£14.00**  
**Current** **£8.75**
**FTSE**
**Comm. Property**
**Company Profile**

British Land is a property investment company based in London, United Kingdom. During the fiscal year ended March 31, 2007, the Company's out-of-town portfolio comprised 208 retail schemes, including superstores providing 22m square feet arranged in 1,680 retail units. Its in-town portfolio comprises seven shopping centers comprising 3.7m square feet, 38 department stores comprising 5.6 million square feet, 53 high street shops and 11supermarkets.

**Statistics**
**Price Performance**

**Revenue breakdown**


- Retail 56%
- Offices 42%
- Other 2%

**Fundamental view :** British Land (BL) has disclosed that on Tuesday of this week (08/01/08), the Government of Singapore Investment Corporation increased its shareholding in the UK commercial property group above 3% to 15.3m shares. The interest of such a sovereign investor could be the start of a significantly larger UK commercial property investment either by the Asian group itself or by other international sovereign investors, given the substantial resources currently available to them. Last October, there were some reports of stake building in BL by a Saudi Arabian investment fund. In November, BL announced a NAV per share of £17.45 as at 30/06/07, which we expect to reduce by 5% to £16.58 as at 31/12/07, when the UK property group's Q3 results are announced next month on 13/02/08. The main driver of the 3% Q2 NAV per share reduction to £17.45, from £18.01 as at 30/06/07, was the group's retail portfolio, which showed a 2.9% valuation decrease over the 6 months ended 30/09/07, offsetting a 3.6% valuation increase at the office portfolio over the same period. However, the group's underlying occupancy level remains very strong at 99%, with an average lease length of 14.4 years. Its gearing is now at its lowest level since 1995, with a current loan to value ratio of 44%. This is highlighted by the fact that it currently has £2 bn of committed undrawn facilities. All of its debt is fixed with an average maturity of 12.7 years and an average cost of 5.3%. It also has c.£100m of its existing share buyback programme still to complete, and with the last shares being repurchased at the end of December at £8.97, the shares should also receive some support at current levels from this buyback programme.

**Next catalyst :** The current slowdown in the UK retail sector and in UK mortgage approvals should trigger another Bank of England interest rate cut, at the latest next month, but possibly as soon as 12pm today, which could act as a major positive catalyst for the whole UK commercial property sector. Another potential positive catalyst could be BL's Q3 dividend per share of 8.75p, which is expected to go ex next Wednesday, 16th January, representing a full year dividend yield of 4% on the current share price. The group's current strategy is to tighten its sector focus on its core markets of London offices and Out of Town retail, where it has leading market positions. As a result, it is committed to accelerating its portfolio repositioning under the new REIT legislation, and further such activity during H2 2008 should help expose the significant discount to NAV at which its shares are currently trading. Even assuming that the group's NAV per share falls by a further 10% over the next 12 months to £14.92 as at 31/12/08 and that the shares are then fairly valued at a 10% discount to NAV, in line with BL's and the overall UK property sector's average NAV discount over the last 20 years prior to the introduction of the REIT legislation, a 12 month share price target of £13.50 is generated, providing 54% upside from current levels. With a current year dividend yield of 4% paid quarterly and several potential catalysts over the next 6 months from further UK interest rate cuts and property disposals, we continue to recommend the shares as a BUY.

**Chart view:**

Support Primary: 818  
 Support Secondary: 772  
 Resistance Primary: 995  
 Resistance Secondary: 1074

Medium term chart outlook is negative with series of bearish breakdowns and poor momentum. However, recent price action has been more positive with the stock attempting to consolidate and form a support base. A break and close above the 994.50 area is required before the medium term outlook becomes positive. If support at 817.50 is breached then expect more downside.

Major Shareholders		Peer Group Multiples			
	%	Company name	NAV 07	NAV 08	Nav Growth 07-08
Barclays	11.69%	<b>British Land</b>	1,658	1,492	-10.01%
Stichting Pensioen	4.83%	Land Securities	2,042	1,941	-4.97%
Legal & General	4.19%	Hammerson	1,566	1,498	-4.34%
Fidelity	4.00%	Liberty International	1,344	1,264	-5.95%
		Segro	747	690	-7.63%
Shares Outstanding	510mln				

Share Data		Financial Data		
		2006	2007e	2008e
Current Price (p)	875	Revenue (£m)	649	694
Mkt Cap (£m)	4,466	PBT (£m)	257	273
Reuters	BLND.L	EPS (p)	43.46	50.05
Bloomberg	BLND LN	NAV (p)	1,682	1,658
Sector	Commercial Property	DPS(p)	20.62	34.28
CEO	Stephen A M Hester	Yield	2.36%	3.92%
CFO	Graham Roberts			4.27%
Website	<a href="http://www.britishland.co.uk">www.britishland.co.uk</a>			





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