



Friday 15th August 2008

DAILY COMPANY NOTE — British Land See page 2 for full details

Daily Market Comment

Yesterday's Summary : With European GDP in line with economists' forecasts and last months euro zone CPI inflation revised downwards, the ISEQ finished in positive territory, closing 2.25% higher at 4,499.96. Despite disappointing weekly jobless claims data from the US, the financials had a strong performance. Still benefiting from improved investor sentiment post its interim management statement, Anglo Irish Bank was the outperformer, gaining 1.35% to €6.28. Bank of Ireland rose 5.7% to €6.04, while AIB and Irish Life & Permanent added 2.6% to €8.75 and 2.5% to €5.80 respectively. CRH advanced 1.3% to €18.16.

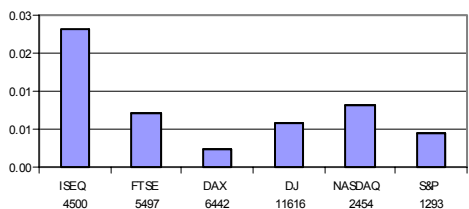
Overnight News : The Dow Jones rose 0.7%, to 11615.93, boosted by gains in its financial components, as both Citigroup and J.P Morgan Chase were up more than 1%. The S&P 500-stock added 0.55% to 1292.93, while the technology-focused Nasdaq Composite Index advanced 1%, to 2453.67. Research In Motion, maker of BlackBerry handheld devices, rose 2.5%.

Breaking News : Standard & Poor's Ratings Services have affirmed its 'AA' financial strength ratings on both MBIA Insurance Corp and Ambac Assurance Corp and removed the ratings from credit watch negative. British Airways has signed an agreement with American Airlines and Spain's Iberia for a transatlantic tie up, and will now file for an anti-trust immunity in the United States. Ryanair's CEO Michael O'Leary has confirmed Ryanair has no interest in buying London's Stansted airport and that the airline still remains unhedged for the fourth quarter. Media reports have suggested that Merrill Lynch is unlikely to pay corporation tax in the UK for several decades after \$29bn of losses suffered by the investment bank were charged to its London-based subsidiary. DCC has announced the acquisition of Chevron's UK oil distribution business for a cash consideration of €27.5m. DCC said the Chevron distributor, which trades under the Texaco brand, sells about 1 billion litres of oil per day in England and Wales.

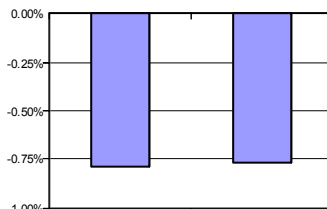
Equity Indices change on day

Currency daily % change

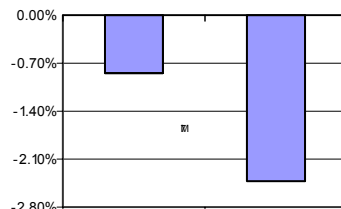
Oil/Gold daily % change



2.25% 0.90% 0.31% 0.72% 1.03% 0.55%



€/\$ 1.4807 €/£ .7922

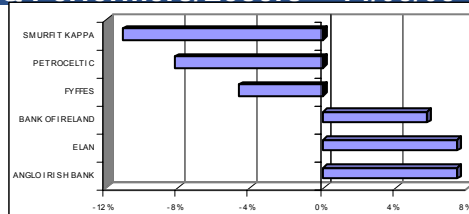


Oil \$15.01 Gold \$805.6

News

ISEQ Performers/Losers 14/08/08

- "Quinn and family confirm Anglo stake of almost 15%"-Anglo Irish bank-(I.T)
- "Oil price fall may give Ryanair a profit"-(The Irish Times)
- "US consumer prices climb twice expected rate in July"-(The Irish Times)
- "Euro zone growth halts for first time in 15 years"-(Irish Independent)
- "Elan drug scrutinized in brain disease alert"-(Irish Independent)



Market Themes and Movers

Commodity prices continue their slump : Gold plunged below \$800 an ounce this morning, silver fell as much as 12% and oil, corn and copper slumped as the dollar's rebound reduced the appeal of commodities after six year rises. Palm oil tumbled as much as 9%, and rubber and wheat fell as the dollar headed for its longest winning streak in more than two years and on concern a spreading global economic slowdown will reduce demand for raw materials. Commodities, measured by the Standard & Poor's GSCI index, have tumbled 21% from their record July 3rd descending into a bear market. Oil traded near its lowest level for more than three months, gold for eight months and silver for almost a year. Copper and corn reached six month lows this week.

European bonds heading for another weekly gain: European bonds rise heading for their third weekly advance as mounting evidence the region's economy is contracting makes it less likely the European Central Bank will raise interest rates further this year. The gains yesterday sent yields to the lowest level in 12 weeks as the European Union said that GDP fell 0.2% in the second quarter. Separate data showed the economies of Germany and France shrank. The yield on the German bund, Europe's benchmark government security, fell 1 bps to 4.19% and has fallen by 7bps over the week bringing it to its lowest level since May 13th.



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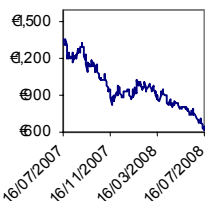
British Land

FTSE
Property
Company Profile

British Land invests both directly and through joint ventures, in income-producing and freehold commercial properties in order to maximize their growth and potential. The company trades, finances, and develops property. Their portfolio consists of offices, retail superstores, shopping centres, leisure, industrial, and distribution spaces.

Fundamental View

- Yesterday, British Land reported first quarter results for the period ending 30/06/08. The group's net asset value (NAV) per share declined by 10% to 1,212p reflecting the sharp fall in commercial property values in the UK over the last number of months. British Land's underlying EPS showed a healthy 8% increase on the quarter to 14p, while the company also grew its dividend by 7% from the previous quarter to 9.38p per share keeping it on target to pay a 37p dividend for the full year, which represents a dividend yield of c. 5% from the current share price.
- While investor sentiment is clearly against property stocks at the moment, there were some operational positives out of British Land's results that shareholders can take comfort in and makes it one of the most attractive property stocks in the sector. The group reported strong rental income growth of 6.3% versus the same period last year and ahead of the IPD (Investment Property Databank) result of 3.3%. The rental growth was driven by its largest division, retail, while the company did admit some weakness in office rents. British Land also pointed out that it still carries a 98% occupancy level and that it added 352,000 square metres of new letting during the quarter. British Land confirmed that its lease lengths average c. 13.6 years with only 5% up for renewal over the next three years.
- British Lands' debt structure is strong with an average fixed interest rate of 5.3% and an average maturity of 12.9 years. Following successful asset sales totalling £669m over the quarter, this kept gearing down at 40% loan to value (debt to assets). The company pointed out that it also has a significant 'war-chest' loan facility of £2.6bn to make acquisitions as they become attractive with 'investors overreacting to near-term news flow'.

Statistics
Price Performance

Next catalyst

- Property stocks in the UK will continue to face significant headwinds in the short to medium term as news flow out of the UK economy is likely to deteriorate further. However, comments from the Bank of England on Wednesday indicate that the central bank will recommence its easing of monetary policy by the end of the year and into 2009 which should be seen as a positive for property stocks. That being said we feel that property values in the UK will continue to decline over the next 12-months and estimate a further 15% fall in British Land's NAV to 1030p over the next 12 months. British Land has historically traded at a 10% discount to NAV which is the basis for our new 12-month price target of 930p. With c. 30% upside from current levels and the fact that the company pays a dividend yield of c. 5% is sufficient to justify a long-term buy rating on the stock.

Chart view: British Land

Primary Support: 716
 Secondary Support: 660
 Primary Resistance: 794
 Secondary Resistance: 811

Stock has recently completed a medium term trend breakout. Price has pulled back to support providing a suitable entry level for a long position. Initial target resistance lies at 811.

Gross Rental Income


- Retail 62%
- Offices 37%
- Other 1%

Major Shareholders	%	Peer Group Multiples.			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Legal & General	4.13%	British Land	13.4	13.1	1.85%
Stichting Pensioen	4.07%	Land Securities	16.5	16.3	1.23%
Government of Singapore	4.06%	Hammerson	22.3	20.9	6.70%
Fidelity International	4.00%	Liberty International	26.8	25.9	3.47%

Shares Outstanding 511.2m

Share Data	Financial Data**	2007	2008e	2009e
Current Price (p)	Revenue (£m)	645	638	657
Mkt Cap (£m)	Pretax Profit (£m)	284	277	282
Reuters	EPS (p)	53.91	54.00	55.00
Bloomberg	P/E(x)	13.39	13.37	13.13
Sector	DPS (p)	35.5	36.9	38.6
CEO	Dividend Yield	4.92%	5.11%	5.35%
Chairman				
Website				





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