TTLP Quarterly Performance Report
16 January 2023

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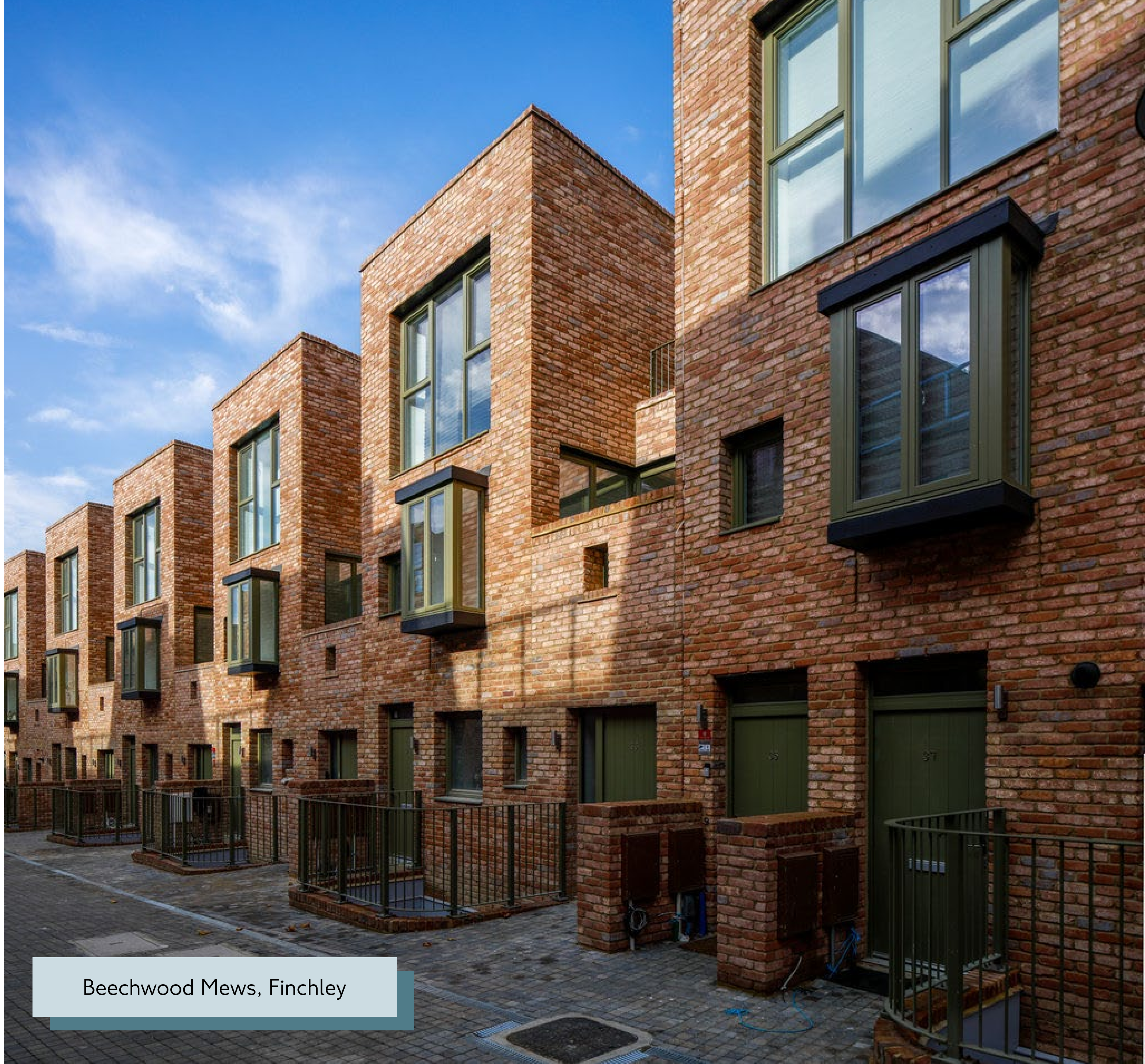


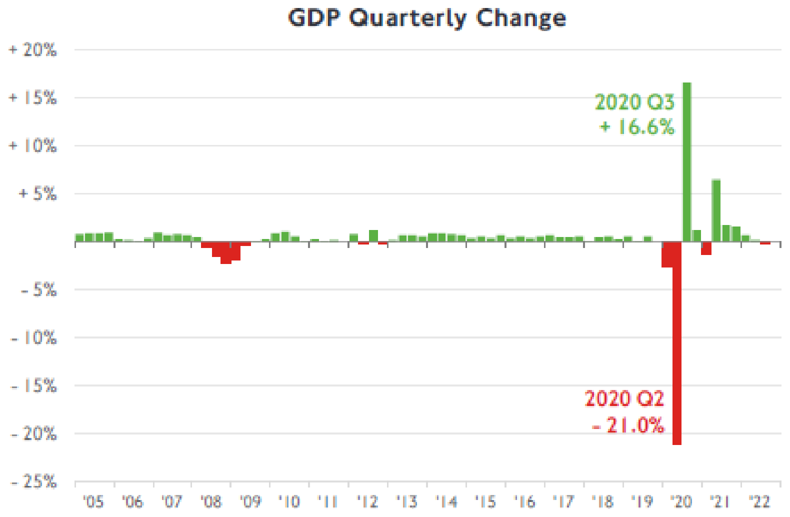
Beechwood Mews, Finchley

Tart Modern at Baker Street

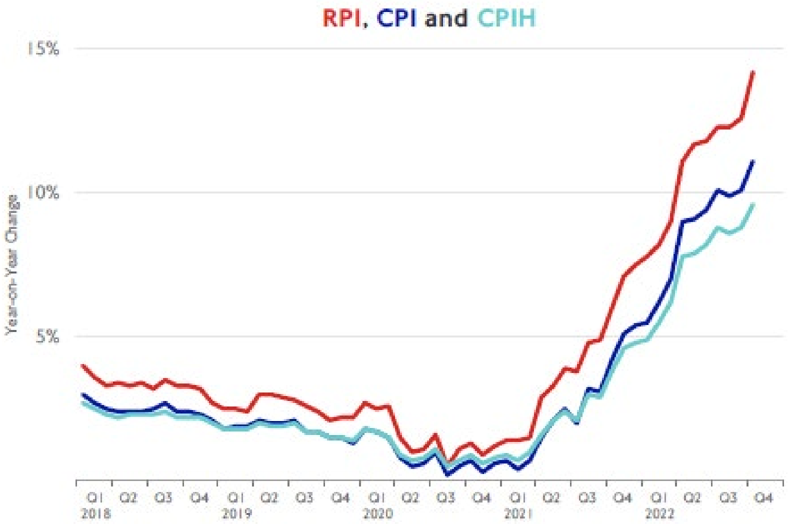
Market Context

Economic outlook is challenging, with high inflation and energy prices driving the cost-of-living crisis

GDP Growth



Inflation



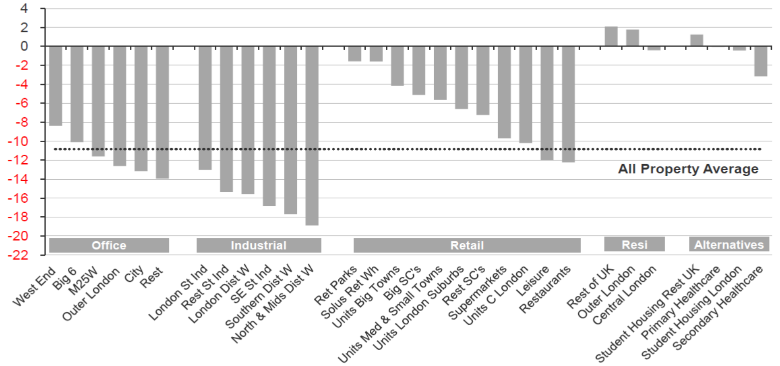
1 Market Context

- In a very challenging economic environment, the real estate market has been broadly resilient to date, but we are beginning to see softening of retail income.
- Within TTLP Asset Management, challenges include increasing costs, rental income not keeping pace with inflation, an increase in bad debt, and lengthened time to fill voids and complete lease renewals.
- TTLP Property Development is facing increases in the cost of materials and labour, lower capacity for debt and higher equity requirements impacting Internal Rate of Return.
- TTLP's long-term approach – diversifying the estate and investing in multi-use hubs to encourage sustainable asset growth – will make the business more resilient to economic headwinds.

Retail will see the biggest impact

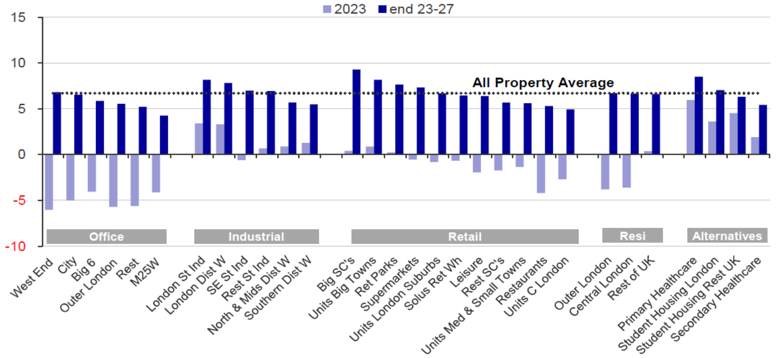
All property returns c.-11% this year, with industrials hit hardest, while alternatives and resi most resilient

2022 MSCI Total Returns % pa



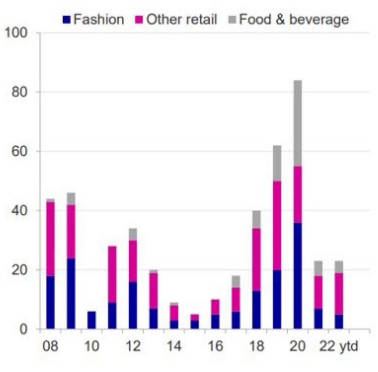
From late 2023, recovery may be led by re-priced London (excl. retail) and prime regional retail

MSCI Total Returns % pa

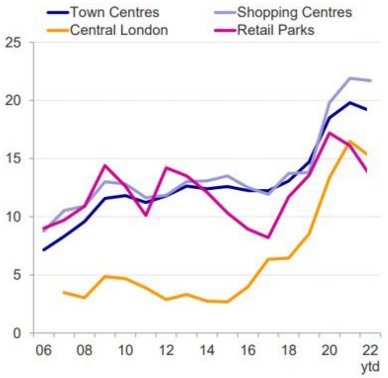


Retail vacancy has moderated, but a risk of renewed increase in 2023

No. of CVAs, admin's & major closures



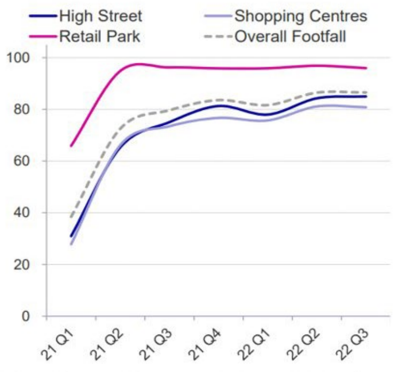
Vacancy rate (% of units)



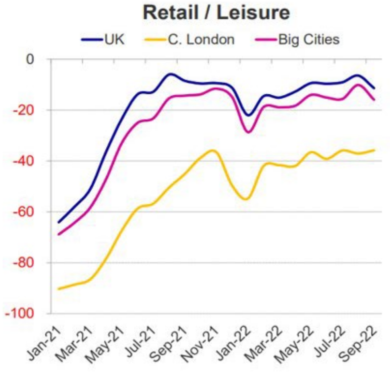
Source: PMA, Local Data Company

Retail footfall overall has not fully recovered, most notably for town centre space and Central London

Footfall index (2019 = 100)



Mobility % change vs. baseline



Source: ONS, Springboard, Google (*London data = Westminster, Camden, City)

- Office, industrial and retail sectors across the economy saw diminishing returns – capital growth and income – during 2022.
- In general, TTLP's retail assets are more resilient than many in the market due to their proximity to transport nodes, but with retailers still cautious about negotiating deals given macro-economics, we do not expect to see significant rental growth in the next 12 months.
- Demand for retail and restaurants are generally bouncing back in central London (although cost of living crisis may dampen this). The most successful areas (e.g. Soho, Kings Road) have a robust customer profile, and strong identity as a location.
- We continue to work with our customers and monitor the market closely and will take account of longer-term trend forecasts in strategic investment decisions on existing and potential new sectors.

Pricing growth on both London office and residential

Despite mounting economic headwinds, the Central London Office market remains remarkably healthy

Quarterly take-up 2.4m sq ft Down quarter on quarter	YTD take-up 7.5 million sq ft Up year on year	Under offer 3.0 million sq ft Up quarter on quarter	Active demand 7.8m sq ft Stable quarter on quarter
Overall vacancy rate 8.1% Up quarter on quarter	New build vacancy rate 1.3% Down quarter on quarter	Prime office rent £125 per sq ft Up quarter on quarter	Quarterly investment £3.2 billion Up quarter on quarter

1 Market Context

- On commercial office, the shortage of good quality stock continues to support higher rents across Central London.
- Steady growth is anticipated in both the City and West End at 2.0% per annum over the next five years though growth expectations have been scaled back in the short term.
- Rental uplifts are expected to be sustained for the best office space, reflecting the on-going 'flight to quality'.
- In housing, the Q4 Nationwide House Price Index shows prices in London rose 4.1% in Q4 2022 compared with the same three months in 2021, averaging £528,000 - this compares with growth UK wide of 4.8%.
- For the rental market, the Homelet Index shows annual growth in achieved rents of 14.6% in December 2022, the highest growth of any UK region, with average London rents reaching £2,007 per month in December 2022.

Financial Performance

Fenwick construction site, Lambeth

Operating performance is better than budget

Operating Account	YTD			Full Year		
	Actuals	Budget	var	Draft Q2 Fcst	Budget	Prior Yr
	£000's	£000's	£000's	£000's	£000's	£000's
Retail	21.3	21.3	0.0	35.8	35.4	31.0
Arches	6.9	5.5	1.4	11.4	8.9	10.6
Offices	1.3	2.6	(1.4)	2.7	4.2	3.0
Residential	0.9	0.8	0.1	1.3	1.3	1.5
NCP Car Parks	9.8	8.4	1.4	14.2	13.6	10.5
Lease Car Parks	1.5	1.7	(0.3)	2.4	2.8	2.7
Infrastructure Property income	9.0	7.0	2.0	12.2	11.6	19.8
Total Property Income	**50.7**	**47.4**	**3.3**	**79.9**	**77.8**	**79.0**
Maintenance	(2.9)	(3.5)	0.6	(7.5)	(6.9)	(3.7)
Car park and other direct management costs	(3.3)	(3.5)	0.2	(6.1)	(6.0)	(5.0)
Rental Costs	(1.5)	(1.3)	(0.2)	(2.5)	(2.3)	(1.7)
Other direct property costs	(4.2)	(2.1)	(2.1)	(5.0)	(3.5)	(3.7)
COVID relief credits added back into income	-	-	-	-	-	(4.1)
Bad Debt expense	(1.8)	(2.4)	0.6	(2.2)	(3.0)	(8.7)
Total Direct Property costs	**(13.8)**	**(12.8)**	(1.0)	**(23.3)**	**(21.7)**	**(27.0)**
Net Property Income	**36.9**	**34.6**	**2.3**	**56.6**	**56.1**	**52.0**
Net Property Margin %	73%	73%	-	71%	72%	66%
Property JV and Other Income	**0.0**	**0.4**	(0.4)	**18.9**	**17.7**	**1.0**
Staff Costs	(12.3)	(13.0)	0.6	(20.5)	(22.4)	(18.8)
Legal and Professional fees	(2.7)	(5.2)	2.5	(8.3)	(8.6)	(6.0)
Other indirect property costs	(1.9)	(2.1)	0.3	(3.6)	(3.5)	(3.4)
Exceptional costs	(0.0)	-	(0.0)	(0.0)	-	(4.1)
Operating Surplus / (Deficit) (before TfL Management Fees)	**19.9**	**14.6**	**5.3**	**43.0**	**39.2**	**20.7**
Management Fee Cost	(5.0)	(6.9)	1.9	(7.6)	(11.0)	(6.4)
Operating Surplus / (Deficit)	**14.9**	**7.7**	**7.2**	**35.4**	**28.1**	**14.3**
Operating Surplus Margin %	29%	16%	-	36%	29%	18%

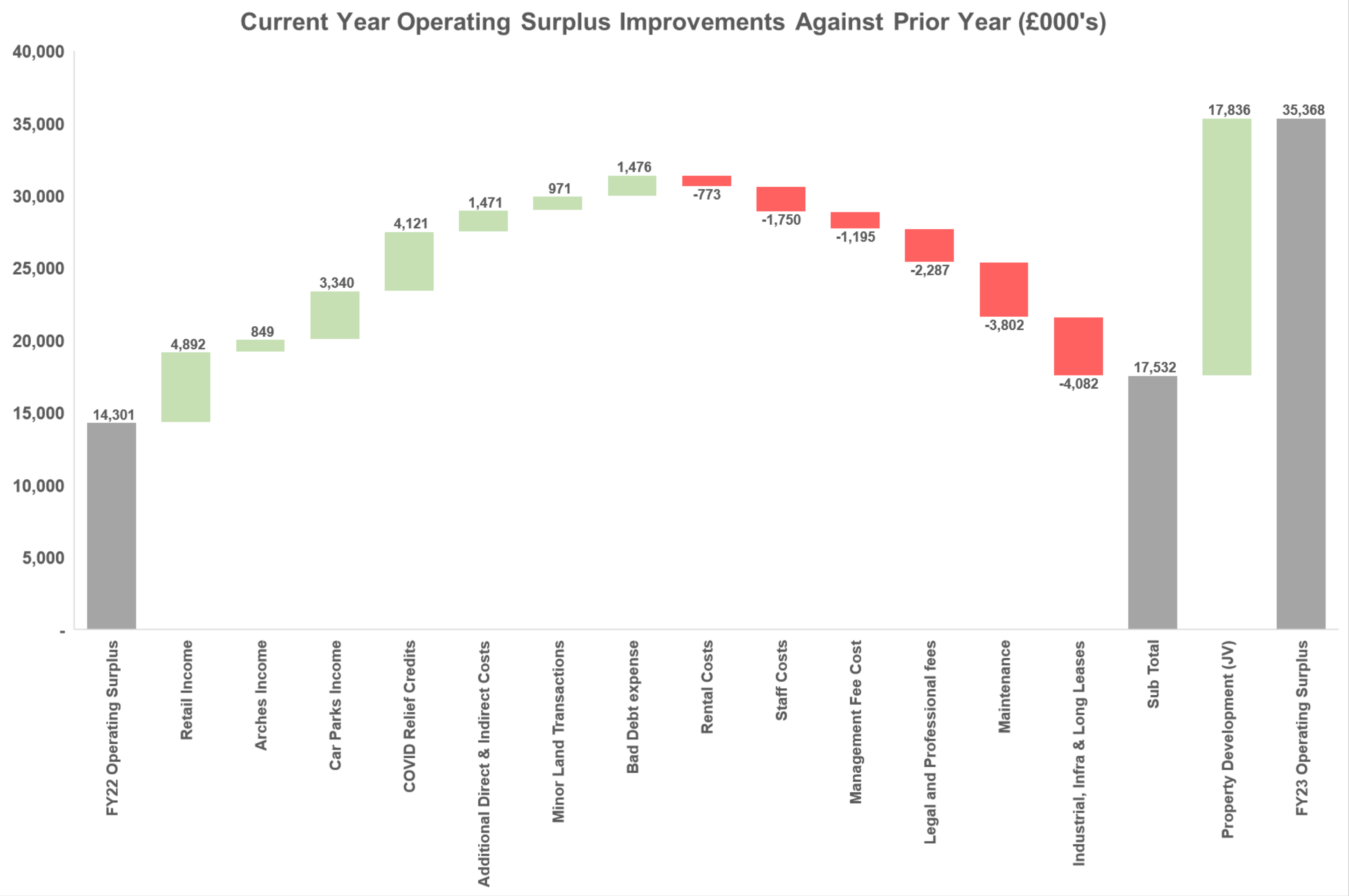
Year-to-Date Operating Surplus £14.9m - £7.2m higher than Budget:

- Retail income remains on track
- +£1.4m Arches income, from continued focused effort to reduce voids
- +£1.4m Car Parking income with continued high utilisation
- +£2.0m Infrastructure from inclusion of additional bus garages and other properties.

Full Year Operating Surplus forecast to be £35.4m, £7.2m better than budget:

- Income forecast to exceed budget, with Arches a key driver of the success
- Direct costs forecast to increase, due to maintenance requirements and pressure on Rates and Utilities.
- Staff costs down due to 61 unfilled vacancies.

Operating surplus has risen year on year



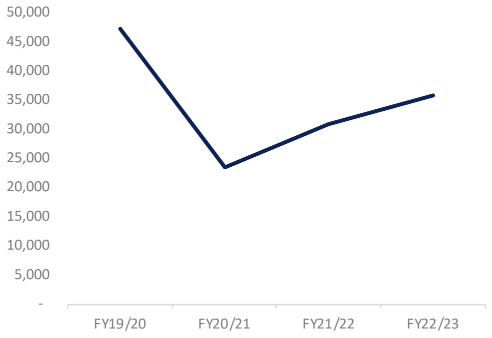
Year-on-year recurring revenue + £3m (22%):

- Retail income +£5m
- Car Park income +£3m
- COVID credits +£4m
- Direct costs +£2m
- Maintenance -£4m
- Consultancy -£2m
- Industrial, Long Leases -£4m
- Additional £17m upside due to joint venture development profit at Blackhorse View.

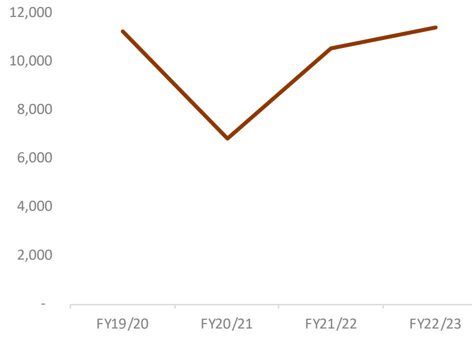
Year-on-year total operating surplus + £21m

Trends in our income vary by sector

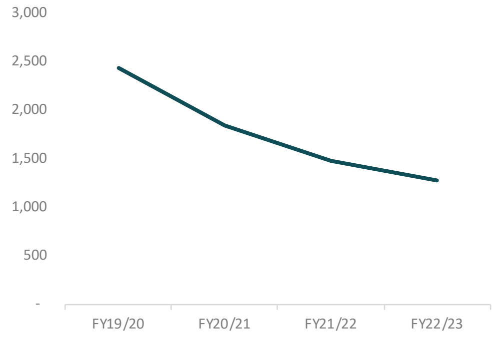
Retail	Income FY Pre-Post Covid		Covid Recovery
	£47.24m	£35.84m	76%



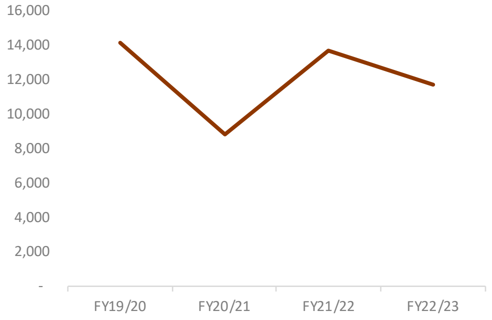
Arches	Income FY Pre-Post Covid		Covid Recovery
	£11.26m	£11.4m	101%



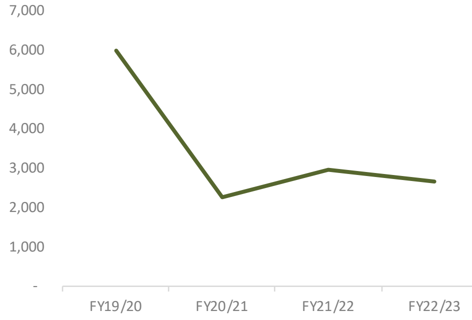
Residential	Income FY Pre-Post Covid		Covid Recovery
	£2.43m	£1.28m	53%



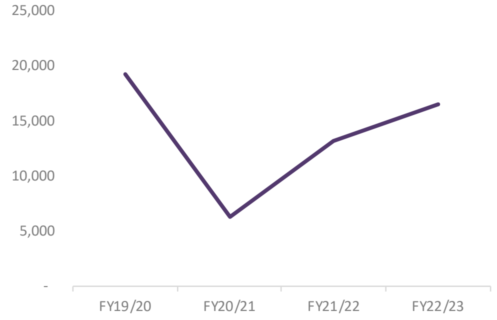
Industrial & Other	Income FY Pre-Post Covid		Covid Recovery
	£14.15m	£11.76m	83%



Offices	Income FY Pre-Post Covid		Covid Recovery
	£5.99m	£2.66m	44%



Car Parks	Income FY Pre-Post Covid		Covid Recovery
	£19.31m	£16.54m	86%



2 Financial Performance

- TTLP Arches is now exceeding pre-pandemic performance, and the strategy in this area – focused on voids, arrears and collections – will be extended to other sectors during 2023.
- Car park income has grown steadily, however this will drop off as car parks are vacated for residential development, supporting the Mayor's Transport Strategy, the London Plan and TTLP's ESG agenda.
- Retail income is recovering but remains most impacted by market conditions.
- Long-term growth in income from residential and office sectors is dependent on Built to Rent and the new commercial office joint venture, though some smaller refurbishment and development projects will also be done.
- More work is needed to understand growth potential, particularly in industrial and logistics.

Impact of post-pandemic behavioral change

	Effects of the Pandemic	Our Response
Arches (All Zones)	**Arches** – Arches are situated in the heart of London communities and the Working From Home (WFH) trend has clearly benefitted Arches' performance with people spending more locally	**Arches** – Focus on a local offer bespoke to the community and its needs – we are piloting this approach at Kilburn
In/Out of Station Retail (Zone 3-7)	**In/Out of Station (Z3-7)** – Has experienced the most significant change due to reduced footfall and a historic reliance on coffee and 'grab and go' that is now less popular	**In/Out of Station (Z3-7)** – This area will be a key focus in our customer research, with Asset Plans focused on balancing identified local need as well as a changing commuter requirements
Out of Station Retail (Zone 1-2)	**In/Out of Station (Z1-2)** – Commuters and tourists are returning, with a clear pattern of increased patronage from those with a Tuesday to Thursday working week and tourists driving demand at weekends	**Out of Station (Z1-2)** – Focus on creating station 'hubs' with a mix of flexible uses that can change with demand – we will pilot this approach at Whitechapel, Baker Street and Victoria
In Station Retail (Zone 1-2)		**In Station (Z1-2)** – Stations as end-of-journey destinations, curating the offer to meet the demands of modern working while meeting the 'grab and go' need

Our Asset Management Philosophy

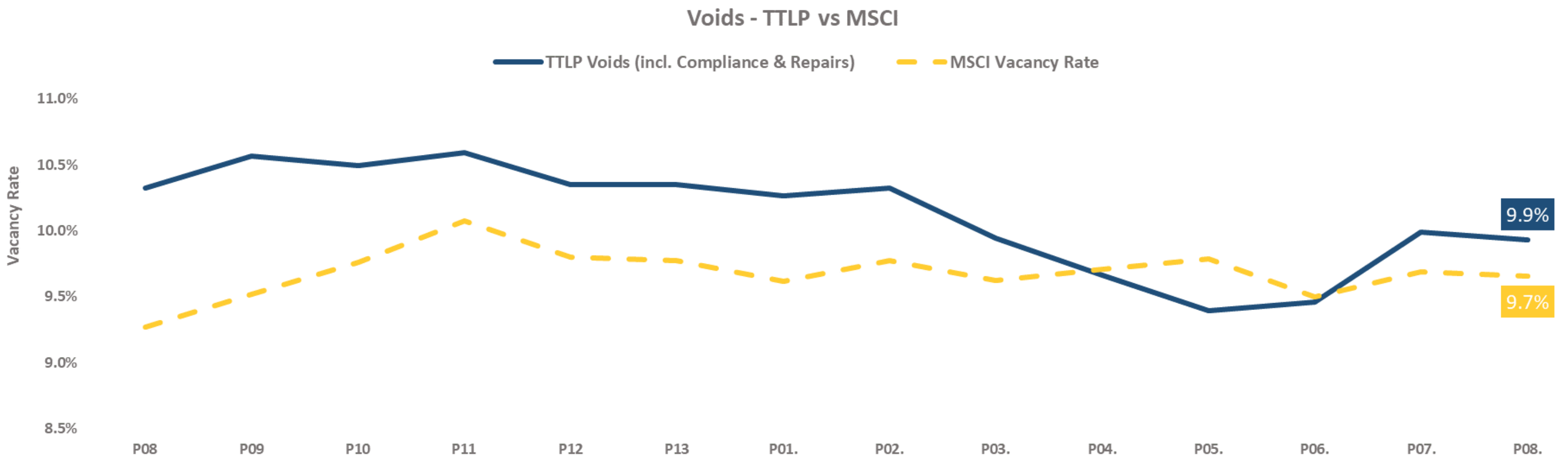
We are currently in a period of unprecedented cultural and behavioural change driven by the impacts of the pandemic - as a result our approach to asset management must evolve.

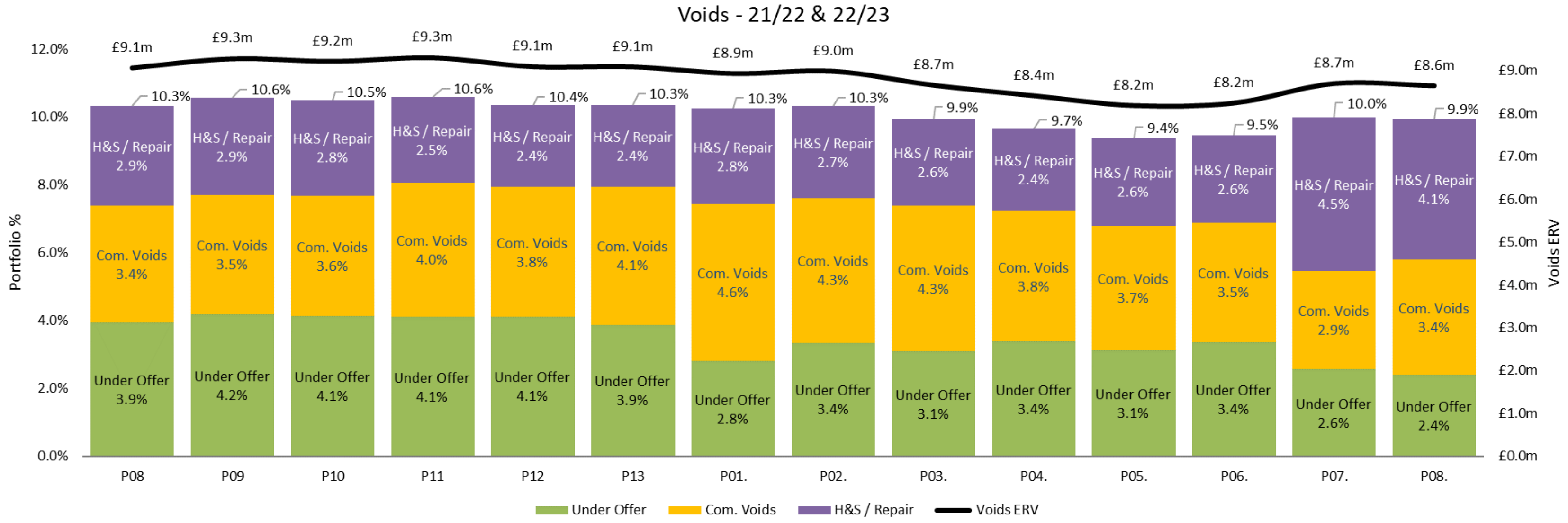
We must dig deeper using data, insights and segmentation to understand what our assets can deliver in financial terms as well as the social value they can deliver for communities, commuters and visitors to London.

We are looking afresh at our major stations to create vibrant flexible 'all-day' destinations that positively attract people - this will ultimately increase usage across TfL's network.

We have started to create schemes at Kilburn Arches, working closely with the local community to understand its needs - and we are utilising flexible space with providers like SOOK to meet changing consumer demand throughout the day and week.

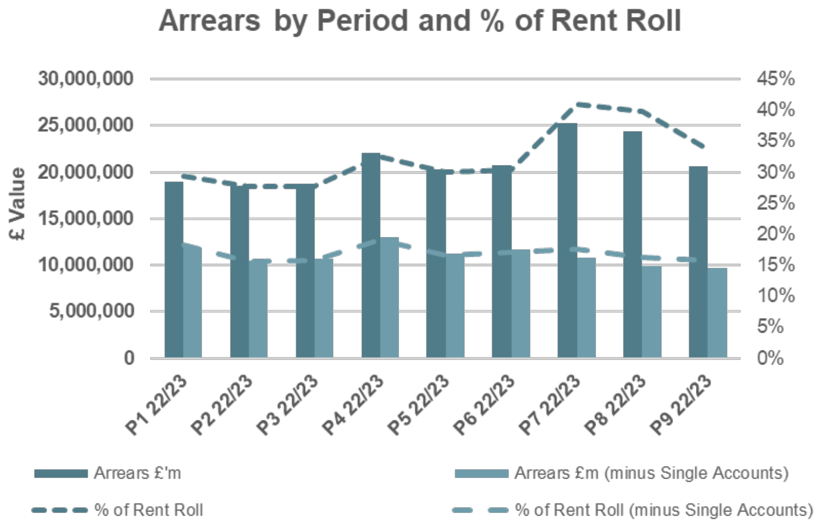
TTLP's void rate has risen and is now slightly higher than the market

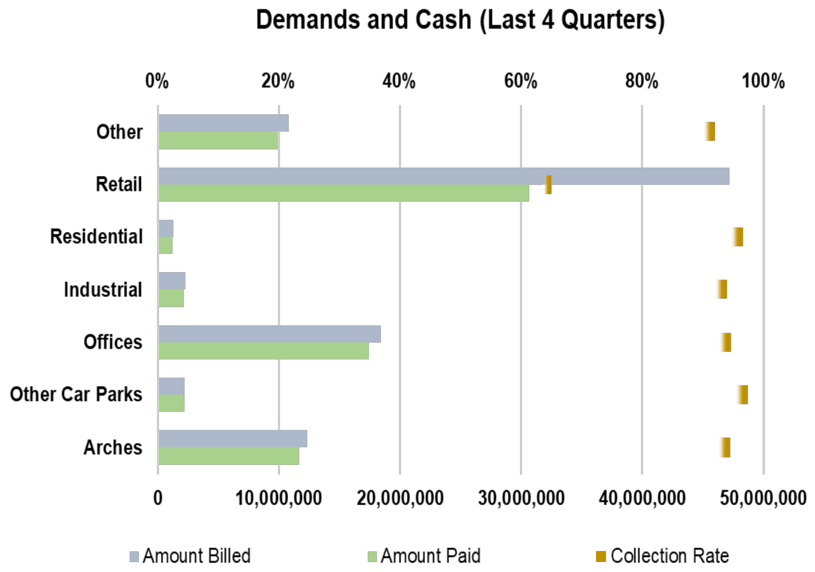




- Reductions in the viability of some businesses due to inflation and reduced footfall drove an increase of 0.5 per cent in void premises compared to Q2. These additional voids have an Estimated Rental Value (ERV) of £1m, with Retail (£0.4m) and Arches (£0.2m) the most significantly affected.
- There remains interest in units that we bring to market with terms being agreed, subject to robust business plans. The aim is to increase sustainable revenue, improve tenant mix and increase employment on our network.
- There has been an increase in units coming back in need of repairs and Health and Safety works, reflecting a lack of available cash for basic maintenance – this is being addressed in future tenant business plans.
- TTLP is reviewing opportunities for meanwhile uses across the portfolio to reduce holding costs and support adjacent businesses.

TTLP is not yet hitting its targets on collections and arrears





Target
10%
FY23

Actual
16%
(excluding single accounts)

Recovered
81%

Quarterly Target
>90%
of sums demanded

Recovered
84%
(excluding single accounts)

- At the beginning of December, collections were at 86 per cent year to date, and 93 per cent excluding single account debt
- At the beginning of December, total arrears were £19.5m - excluding single accounts, this figure was £9.5m, an increase of £1.4m from the end of Q2
- There is a sharpened focus on customers with debts over £50k as this accounts for a substantial portion of our arrears
- Retail sector continues to lag and we continue to work with customers to find amicable solutions
- There has been success with the Commercial Rent Arrears Recovery process, with nearly £0.5m of debt being placed in the hands of enforcement agents over the last 3 months with positive results

TTLP's capital account is healthy despite project movements

Capital Account - Summary	YTD Actuals	YTD Budget	YTD var	Full Year Draft Q2 Fcst	Full Year Budget	Full Year Prior Yr
	£m	£m	£m	£m	£m	£m
Asset Management	3.4	7.2	(3.8)	23.6	21.2	10.7
Property Development	21.6	51.4	(29.8)	79.3	83.2	53.5
TTLP Corporate	-	-	-	-	-	-
Capital Income	**25.0**	**58.7**	**(33.7)**	**102.9**	**104.4**	**64.2**
Asset Management	(5.8)	(29.3)	23.5	(26.3)	(53.9)	(6.4)
Property Development	(30.0)	(61.0)	31.0	(109.1)	(99.7)	(38.4)
TTLP Corporate	(0.5)	(1.4)	0.9	(0.8)	(2.2)	(0.6)
Capital Expenditure	**(36.3)**	**(91.7)**	**55.4**	**(136.2)**	**(155.9)**	**(45.4)**
Net Capital Surplus / (Deficit)	**(11.3)**	**(33.0)**	**21.7**	**(33.3)**	**(51.5)**	**18.8**

- TTLP continues to underspend on capital projects and is also lagging on capital receipts, though the overall capital surplus remains better than budget and Q2 forecast
- Build to Rent projects have been delayed – impacting both capital expenditure and land value receipts – whilst work was done on mitigations for cost impacts on returns and hurdle rates; the aim is still to complete these transactions this financial year
- The focus on in-station retail has moved to reducing voids on the existing estate rather than creating new units – and therefore capital expenditure will be lower than originally budgeted
- Challenging market conditions and procurement delays meant that progress on some other asset management schemes was slower than expected, but these projects are now moving forward

Lulett Flowers at Hendon Central

Business Performance

TTLP will have built or started over 4,500 new homes by the end of March 2023

2,034 homes completed or under construction


Blackhorse View (350 homes)


Kidbrooke (619)


Woodside Park (86)


Beechwood Mews (96)


Fenwick (46)

Starting up to 2,657 more homes in the next 3 months


Bollo Lane (852)


Nine Elms (479)


Hounslow West (348)


Arnos Grove (162)


Montford Place (139)


Southall (460)

- 2,034 homes are currently completed or under construction. As well as the locations pictured, work is underway at Wembley Park (454 homes), TCRW Soho (92) and Oxbourne House (11), as well as 13 homes at two smaller sites.
- In addition, there are plans to start a further 2,657 homes before the end of the financial year, which will make TTLP one of the largest developers in London.
- TTLP is actively managing a number of risks to the programme, including rising interest rates, construction cost inflation and delays in achieving Section 163 consents. TTLP is also working with partners to address power grid capacity challenges in west London.

TTLP is improving its existing estate

Liverpool Street Arcade

Baker Street Structural Works

Kingsbury (2 x new units)

Whitechapel Estate project

Victoria Island project

Kilburn Arches (Phase 1 - Mews)

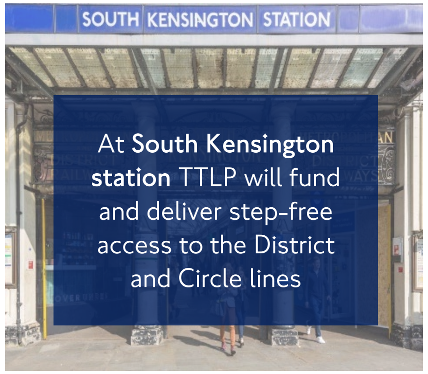
There is a major refurbishment programme underway across TTLP's estate, delivering critical Health & Safety improvements as well as increased value:

- Baker Street structural works onsite October 2022
- Liverpool Street Arcade works onsite November 2022
- Kingsbury demolition and two new retails units just completed
- Whitechapel works planning approved and construction contract due to be awarded February 2023
- Victoria Island Phase 2 works finish summer 2023
- Kilburn Arches Phase 1 detailed design March 2023
- Lockton Street Arches detailed design April 2022.

TTLP's schemes deliver many benefits to TfL

Releasing land for development at **Lillie Bridge** is enabling and funding £126m of new facilities at Acton Depot and Ruislip Depot

The **Hounslow West** development provides a new station walkway, improved staff facilities, Health & Safety works, technology enhancements and, through an agreement with the Borough, step free access



At **South Kensington station** TTLP will fund and deliver step-free access to the District and Circle lines

At **Bollo Lane**, TTLP is investing in fleet and staff parking, including electric charging, security and access improvements to Acton Works and new train crew accommodation

The development site at **Woodside Park** includes a new retaining wall that supports the station platform, providing a new railway asset and designed to last for 120 years

TTLP will be investing £900,000 in **replacement car park lighting** which will provide £550,000 a year saving on electricity

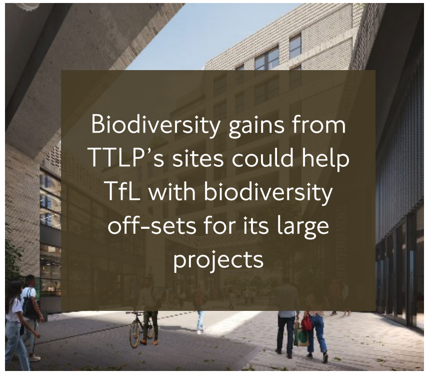
At **Edgware**, TTLP will be providing the infrastructure for a decarbonised bus fleet, as well as creating a walkable, safe, green pedestrian district and opening up disused land for cycle routes and nature reserves

The development of **Earls Court** includes a constructions skills hub, new walking and cycling routes linking the three stations around the site, and station capacity improvements

Capital works and leasing of offices at **200 Buckingham Palace Road** to the British Transport Police will deliver savings to TfL and BTP, and co-locate BTP teams in central London in a new, fit-for-purpose headquarters

TTLP will be launching a joint venture for **EV charging hubs** in 2023 which will help address a critical shortage in the capital whilst providing industry-leading customer and operational benefits

The TTLP development at **Wembley Park** will deliver over 12,000 sq ft of new, BREEAM-excellent train crew accommodation for the Jubilee Line to replace the existing facility



Biodiversity gains from TTLP's sites could help TfL with biodiversity off-sets for its large projects

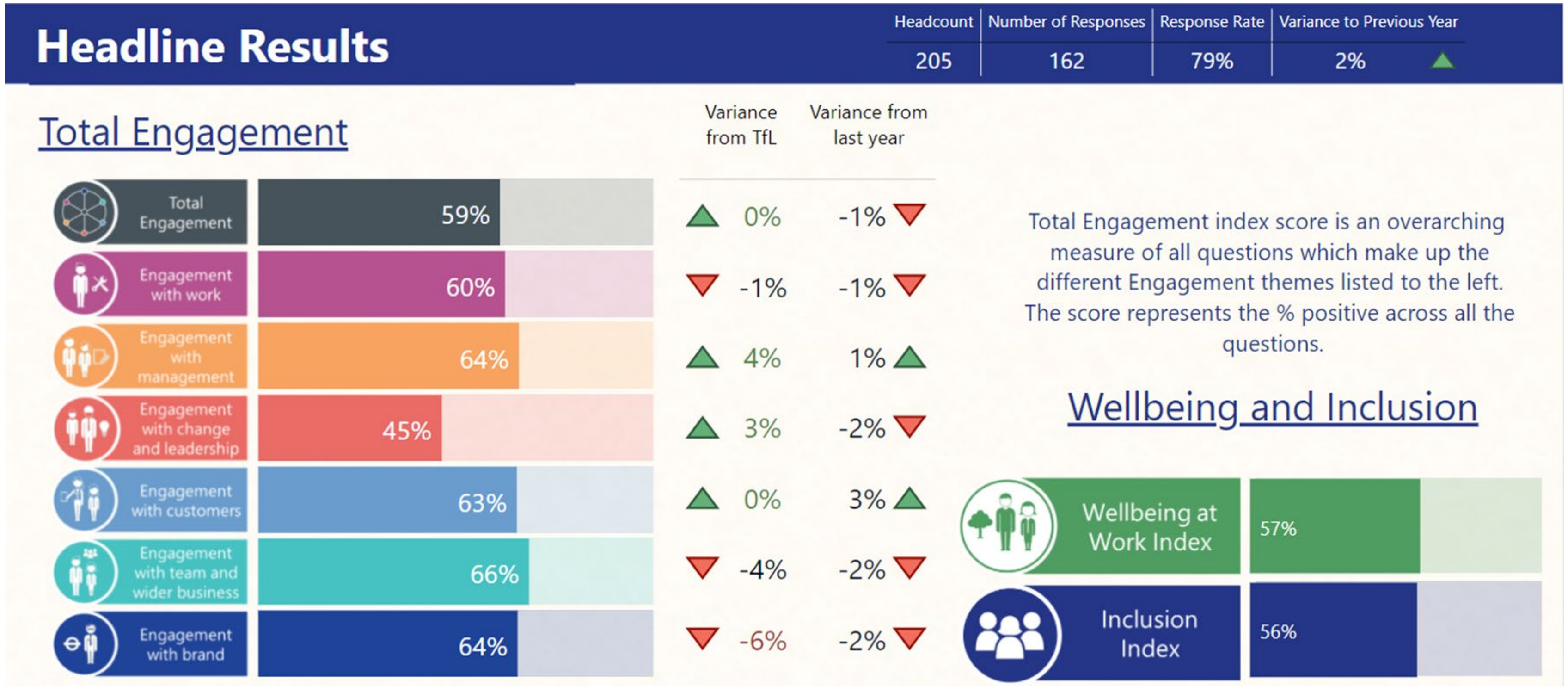
- When planning a property scheme, it is often possible to include operational improvements at a more efficient cost than a stand-alone operational scheme.
- At many of its sites TTLP is modernising existing or building new accommodation for TfL train crew, bus drivers and engineers, often in places where the current offering is outdated and inefficient.
- TTLP is enabling savings from its office estate by upgrading and leasing out accommodation for which TfL has no business need.
- The next stage will be to better understand where operational improvements, such as step-free access or operational accommodation, is most required and assess how TTLP commercial schemes could fund and / or help deliver those benefits.

We have a plan but there is much to do

Blackhorse Road, Waltham Forest

- We are outperforming our budget in both operating cost and income – and this is increasing the operating surplus.
- A strong financial performance will be driven by disposing of underperforming assets, reducing voids and investing in assets with growth potential.
- This will be supported by continued transformation of the business: making accountabilities clearer; improving cost reporting, data quality and analytics; and creating long-term asset plans.
- Many of TTLP's development projects are at a critical point: we are due to start 2,600 more homes by the end of the financial year.
- Work is underway to improve procurement routes and strengthen the team to support progress with our capital programme and improve revenue streams.

More work is needed to improve wellbeing in TTLP



PEOPLE AWAY DAY: 17 November

Attraction & Recruitment	People Development	Progression & Talent Management	Culture	Reward & Recognition

- TTLP's most recent Viewpoint employee engagement scores have been received: TTLP's total engagement dropped 1 per cent year on year.
- TTLP is significantly under-resourced and the wellbeing scores reflect current challenges with filling vacant headcount.
- There is also a significant change programme which is driving uncertainty.
- The TTLP People Plan is in development and the Viewpoint results will feed into that plan.
- On 17 November TTLP held a "People Awayday" for all colleagues to discuss the People Plan, generating ideas and initiatives centred around the five key themes shown.
- The Branding workstream will support better engagement with our brand.

Scorecard outcome is forecast at 60 per cent

2022/23 TTLP Scorecard - Period 08 — Predicted Score: 60 / 100

Commercially Astute (Finance)				
Measure	Full Year Q2 Forecast	Full Year Budget	Weighting 30%	Prediction 30%
Operating Profit	35,368	28,134	10%	10%
Operating Profit Margin	35.8%	29.5%	10%	10%
Revenue Growth (rent roll) (%)	3.47%	3.47%	10%	10%

Safety and Risk				
Measure	Full Year Forecast	Full Year Target	Weighting 20%	Prediction 10%
Statutory Testing - TfL Managed Property	83%	100%	10%	0%
Lost Work Time	0.6%	2.0%	5%	5%
Killed or Seriously Injured (KSI)	0	0	5%	5%

Customer				
Measure	Full Year Forecast	Full Year Target	Weighting 15%	Prediction 0%
Customer Satisfaction		71%	15%	

People				
Measure	Full Year Forecast	Full Year Target	Weighting 15%	Prediction 0%
Total Engagement (ViewPoint)	59%	66%	15%	0%

Operations				
Measure	Full Year Forecast	Full Year Target	Weighting 20%	Prediction 20%
% Affordable Start on Sites	52%	50%	10%	10%
No. Start on Sites	2,657	2,409	10%	10%

- TTLP is forecasting to achieve all its financial KPIs, exceeding budget on our operating profit and operating margin and hitting budget on revenue growth.
- Progress is being made on compliance, and the new teams have identified gaps in statutory testing – a Head of Health and Safety will be appointed to drive this activity forward.
- The engagement target was intentionally challenging, but the performance was disappointing, albeit for reasons that are well understood. Good progress is now being made with the People Plan.
- Customer Satisfaction scores are expected in February 2023.
- Work will be undertaken jointly with the Committee to define a completely new scorecard for 2023/24 – and this will include measures on sustainability and social value.