Update:
Investment

What we said we would do
We said that we would continue to take a disciplined approach to capital allocation, focusing the majority of our investment on our development pipeline (through development capex, land acquisitions and acquiring assets with future redevelopment potential) and making strategic asset acquisitions if and when the opportunity arose.

What we achieved in 2023
All of the investment into our portfolio during 2023 was into our development pipeline, a combination of development capex to build out our land bank and land acquisitions to fuel future growth. We made no asset acquisitions during the year but took advantage of increased appetite for prime assets in the second half to dispose of a number of assets ahead of book value.

What to expect in 2024
We will continue to take the same disciplined approach during 2024, putting most of our focus on building out our attractive land bank will continue to consider unique asset or land acquisition opportunities that may arise in these subdued investment market conditions. We expect to dispose of between one and two per cent of the portfolio as per our normal levels of capital recycling but adapting the overall volume of disposals to market conditions. We have a number of transactions under discussion and expect to make further progress with these during 2024.

£575m
of investment for growth

Acquisitions of assets
£0m
2022: £155m

Acquisitions of land
£404m
2022: £712m

Development capex
£527m
2022: £787m

Disposals of assets and land (including sales to SELP)
£356m
2022: £367m

Link to strategy:
Disciplined capital allocation

Taking a disciplined approach to capital allocation is key to delivering long-term outperformance. We use our in-depth knowledge of our markets and our customer base to position our portfolio accordingly. We also adapt our approach to capital deployment depending on our assessment of the property cycle and other external factors. During 2023 this has resulted in us prioritising capital deployment into the most profitable development opportunities on land that we already own, and increasingly funding this through disposals rather than taking on additional debt.

Net investment during the year was £575 million comprising: development capital expenditure of £527 million and £404 million of land acquisitions, partly offset by £356 million of disposals during the period.

Capital deployment focused on the most profitable development opportunities, increasingly funded by disposals
During the year we invested £931 million into our development pipeline, which comprised £527 million (2022: £787 million) in development spend, of which £92 million was for infrastructure and £404 million on new land acquisitions. The land acquisitions focused on rare and unique sites providing opportunities for future development.

In the UK, this included the acquisition of Bath Road Shopping Park in Slough, which creates significant further potential for data centre development due to its position adjacent to the Slough Trading Estate. We also acquired the former Radlett Aerodrome in Hertfordshire, a brownfield site on the edge of London and close to the M25, which provides us with the opportunity to develop an exceptionally rare site of scale that will deliver over 330,000 sq m of logistics buildings. It will be supported by a strategic rail freight interchange, allowing customers to reduce the number of trucks used in their operations, as well as a substantial 610 acre country park for use by the local community.

In Continental Europe we purchased an excellent plot of land outside Dortmund which will deliver over 200,000 sq m of big box and urban warehouse space in one of Germany's most attractive logistics markets. We also purchased small plots of land in Italy, France, Spain and Poland.

Amid volatile capital markets and higher financing costs, we increased the pace of disposals to fund our development activity, generating £356 million of proceeds from asset and land sales, crystallising a profit of £39 million compared to book value.

These included:

- Asset sales totalling £242 million, mainly of assets that did not meet our hurdle rates in our annual asset review process, as well as some non-core office assets. In total, £8 million of rental income (annualised) was lost as a result of these disposals.
- Land plots totalling £114 million, the majority of which came from the sale of land that the buyer intends to develop themselves for owner-occupation, offering us attractive risk-adjusted returns.