

Boots Properties

You see you do like shopping!





In an outstandingly successful year, Boots Properties benefited substantially from investments made since the early 1990s. Sales grew 46.5 per cent to £149.6 million and operating profit rose 5.4 per cent to £76 million. In addition the disposal of investment and non core properties generated profits of £38.7 million. These figures understate the scale of the achievement: much of the value added through development and astute investment purchases is taken to reserves. The business generated £252.1 million of free cash flow during the year.

Strategy Boots Properties owns and manages freeholds and leaseholds on over 750 of the group's stores. It also applies its property development and management skills in the wider retail property market. Its objectives are to give Boots retail businesses readier access to the locations they seek and to create value for shareholders through sound investment. Its investment strategy is designed to exploit prevailing conditions in the property market. Until early 1997, conditions favoured a policy of buying and developing properties to hold for rental income. Since then, sharply rising prices have suited a strategy of realising value by selling properties. Until conditions change, the business has stopped seeking new development opportunities in major shopping centres and retail parks, resulting in a reduction of staff and is now focusing exclusively on providing innovative solutions to the property needs of other Boots businesses.

Sales Rental income from third parties remained flat at £18.4 million: rising rents, particularly for edge of town properties, were offset by the loss of income from properties sold during the year. During the year the business took the opportunity of a buoyant market to sell some shopping centres and retail parks at premium prices for a total of £301.1million. Some 55 per cent of this came from properties developed by Boots Properties and the balance from investment properties. The largest sale was the Nottingham development completed in September 1997, which raised £44.7 million net. Good progress was made in helping Do It All to dispose of unwanted properties.

Investment Investment continued at a high level, mainly to complete existing development projects. Total investment was £112.3 million, of which some £16.5 million was on office and warehouse developments for Boots group use. The Hastings town centre shopping development was officially opened by HM The Queen, the Coventry retail development was completed and sold and Durham shopping centre progressed towards completion in 1998. Investment in support of Boots businesses included the purchase of the Boots store in Oxford to secure tenure and the purchase of the former Sainsbury store in Brentwood.

Outlook Since its formation in 1989, Boots Properties has demonstrated its ability to create value through one full turn of the property cycle. Disposals are continuing but will taper off as the current phase of the cycle comes to an end. The business will respond quickly and flexibly to take full advantage of changing conditions; it will continue to benefit from its in-house team of market analysts, whose research creates competitive advantage in identifying opportunities.

Boots Properties	
Managing Director, Peter Baguley	
Sales £m	149.6
Increase %	46.5
Profit £m	76.0
Increase %	5.4
Boots Properties store portfolio	
Single units	670
Multi-tenanted properties	94

Sales £m

