

Thank you for taking the time to hear evidence from The Crown Estate late last month. We were pleased to have the opportunity to help inform the Committee's scrutiny of our work across the UK to deliver financial returns to the Treasury for the benefit of the nation's finances.

During the session I agreed to write to the Committee to address a number of points in more detail including to:

- demonstrate more fully how The Crown Estate outperforms the market;
- provide a view as to whether we can publish the findings of the independent review of the effectiveness of our Board;
- offer additional insight into the planning consent for our housing scheme in Rushcliffe.

Before responding on each of these points I would like to reiterate our invitation to your Committee to visit some of our key assets and developments. No doubt you and your fellow members will be extremely busy between now and the election in May, but in the interim we will stay in touch with your Clerk so that we might find a date soon after the election for the Committee in the next Parliament.

In the meantime, given your on-going interest in our business as Chairman of the Treasury Select Committee, I would welcome the opportunity to meet you so that we might discuss The Crown Estate's work in a more informal context. My team will contact your Clerk to see whether this might be possible before the election.

Outperformance of the market

As noted during the evidence session, we regularly outperform the market and our peer group which principally comprise fund managers and listed and unlisted property companies.

The best independent measurement of our relative commercial performance is the benchmarking service provided by IPD (Investment Property Databank), a Morgan Stanley Capital International company. They are the leading provider of real estate performance analysis in the world with a database holding information on over 77,000 properties valued at approximately \$1.9 trillion across 32 countries. The quality of their data for the UK is particularly rich, extending over 25 years, and their quarterly performance index, as at September 2014, benchmarked 9,712 commercial properties with a value of £134.5bn.

Every quarter we submit data to IPD and receive reports which, for example, benchmark the performance of our West End properties against all West End properties in their database. In this way we can track our on-going performance and understand the contributions from asset management, transactional activity and development.

At the end of each financial year we receive a bespoke IPD benchmark report which covers all of The Crown Estate's investment properties including rural, residential and offshore assets, such as wind farms.

This benchmark is weighted to reflect our average segment weightings during 2008-09 in order to:

- neutralise the impact of our historic high exposure to central London;
- enable us to assess the impact of our strategic decisions since 2008, for example the impact of increasing our exposure to dominant regional retail assets;
- attribute more weight to whether our properties have outperformed, highlighting the impacts of our asset management and stock selection.

The table below demonstrates a history of outperformance against both this benchmark and the standard IPD index (known as the IPD Annual Universe), which we have tended to outperform by an even greater degree.

Total Return	2014	3yrs	5yrs
The Crown Estate total return	20.0%	15.9%	16.2%
IPD Bespoke benchmark	17.3%	13.0%	13.8%
Relative outperformance	2.7%	2.9%	2.4%
IPD Annual Universe benchmark	13.4%	7.8%	10.4%

We have considered your suggestion that we have our benchmark independently evaluated and agree that this would be a valuable exercise so will commission such an assessment.

The independent review of the effectiveness of our Board

We have reflected on your comments during the session in relation to publishing further detail on the independent review of the effectiveness of our Board carried out for us by Price Waterhouse Coopers last year. We are satisfied that the key findings are covered in some detail in our annual report and during the evidence session we updated the Committee on progress against these findings. The full report contains sensitive information of both a commercial and personal contractual nature and we do not think it would be appropriate to put further detail in the public domain.

Our role in the housing sector

During the session we discussed affordable housing, in particular in the context of our scheme in Bingham. We recognise that one of the most challenging issues facing the UK today is how to deliver substantial numbers of new homes, both market and affordable.

I hope that we reassured the Committee that, whilst we have no statutory role in the provision of affordable housing, within the context of our commercial remit we continue to play our part by progressing sites for new homes through the planning process.

Affordable housing is just one component of any community benefit package associated with a development and it is ultimately for a council to determine how it wishes to balance local

requirements for affordable housing against other community benefits, such as infrastructure, schools or public spaces.

You specifically asked us to provide more details on the affordable housing contingent of our 1,050 home scheme in Bingham. The planning consent obtained from Rushcliffe will see us deliver a minimum of 200 affordable homes. Rushcliffe Borough Council granted the consent following negotiations that were informed by an open book viability assessment, which we shared and agreed with the Council. There will be an £8m Section 106 contribution towards local infrastructure, together with the provision of land for a new country park and community facilities.

The final level of affordable housing provision will be directly linked to the overall viability of the development as it is built out. This means that the level of affordable housing will rise if scheme profits rise, this being delivered through a legally enforceable mechanism which could increase to

250 affordable homes. We see this as an innovative approach to collaboration that balances affordable housing and other community benefits with the viability of the development, which is key if any affordable housing is to be provided at all. We will also be contributing up to £3.5m in payments to Rushcliffe Borough to spend on additional affordable housing.

I hope this deals with the points raised by the Committee during the session and further reassures you that we are discharging our duties responsibly in the manner Parliament expects under the Crown Estate Act 1961.

We look forward to meeting your Committee again in the future and as noted will stay in touch with your Clerk to find a convenient date for a meeting with you and a visit to some of our key assets for the wider Committee.

20 February 2015