

Sanford C. Bernstein's Pan-European Strategic
Decisions Conference – 24 September 2008

**UK property, the listed property sector
and Land Securities**

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Agenda

- Market overview
- Land Securities
- Land Securities' demerger proposals





The headlines

Direct property	(22.0)%	From June 2007
Listed property	(46.9)%	From January 2007
Rental values	(0.2)%	From April 2008

Source: Cazenove (share price changes), IPD Monthly Index (capital and rental value changes).





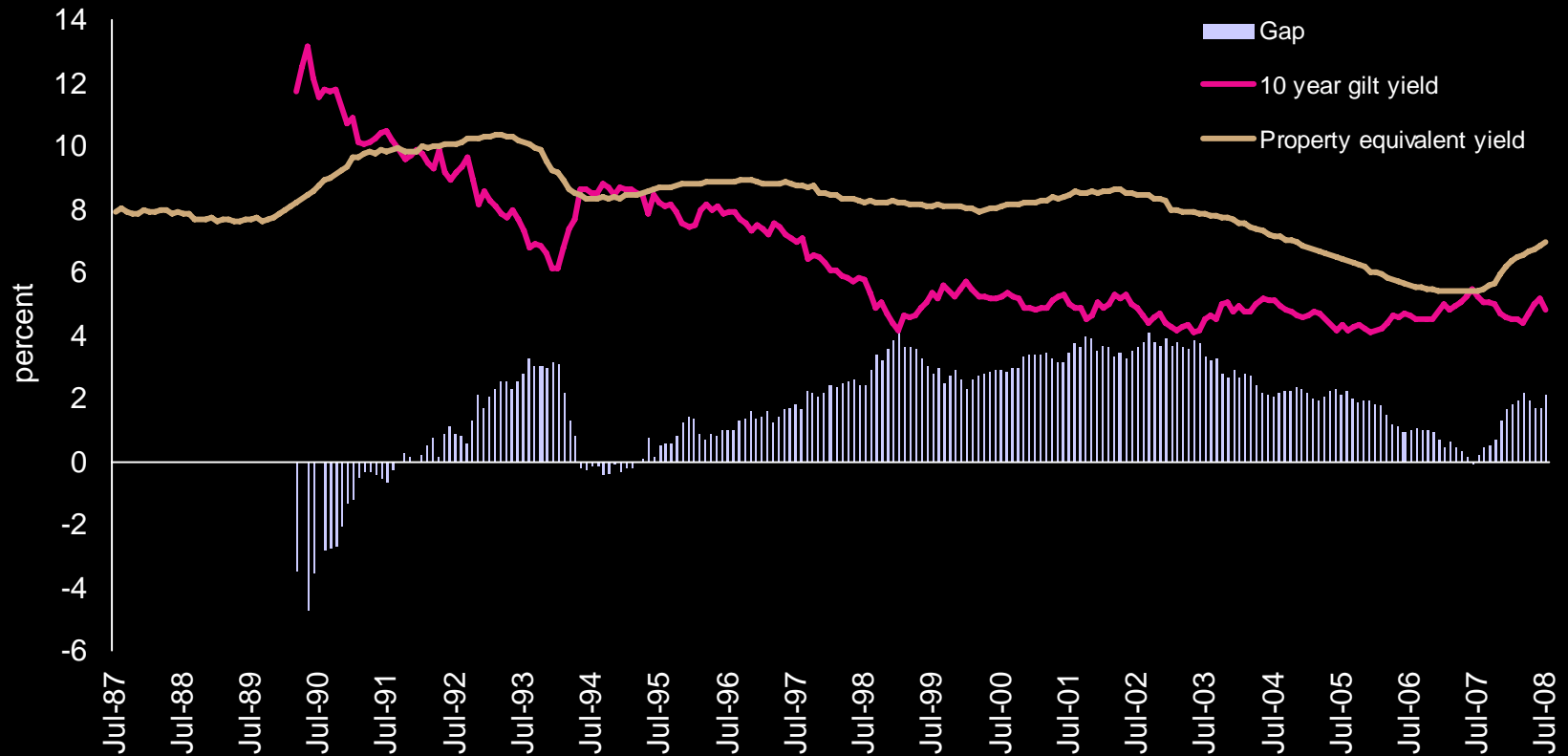
The underlying issues

- Investment property pricing bubble
- Availability of credit
- Economic outlook



Investment property yield pricing - I

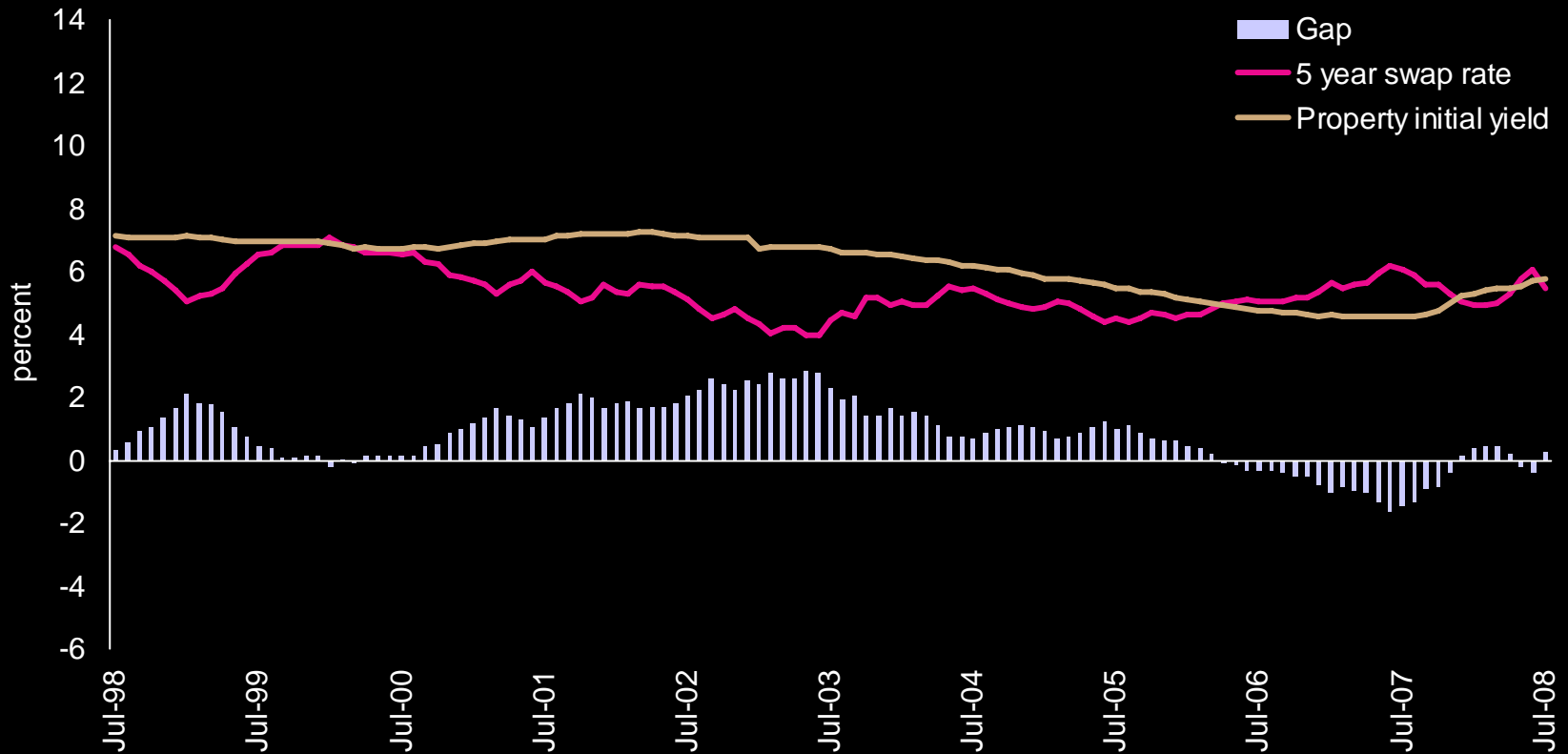
Yield gap	September 2008	15 year average
Long term average gap	2.13%	2.11%



Source: IPD Monthly Index, Reuters.

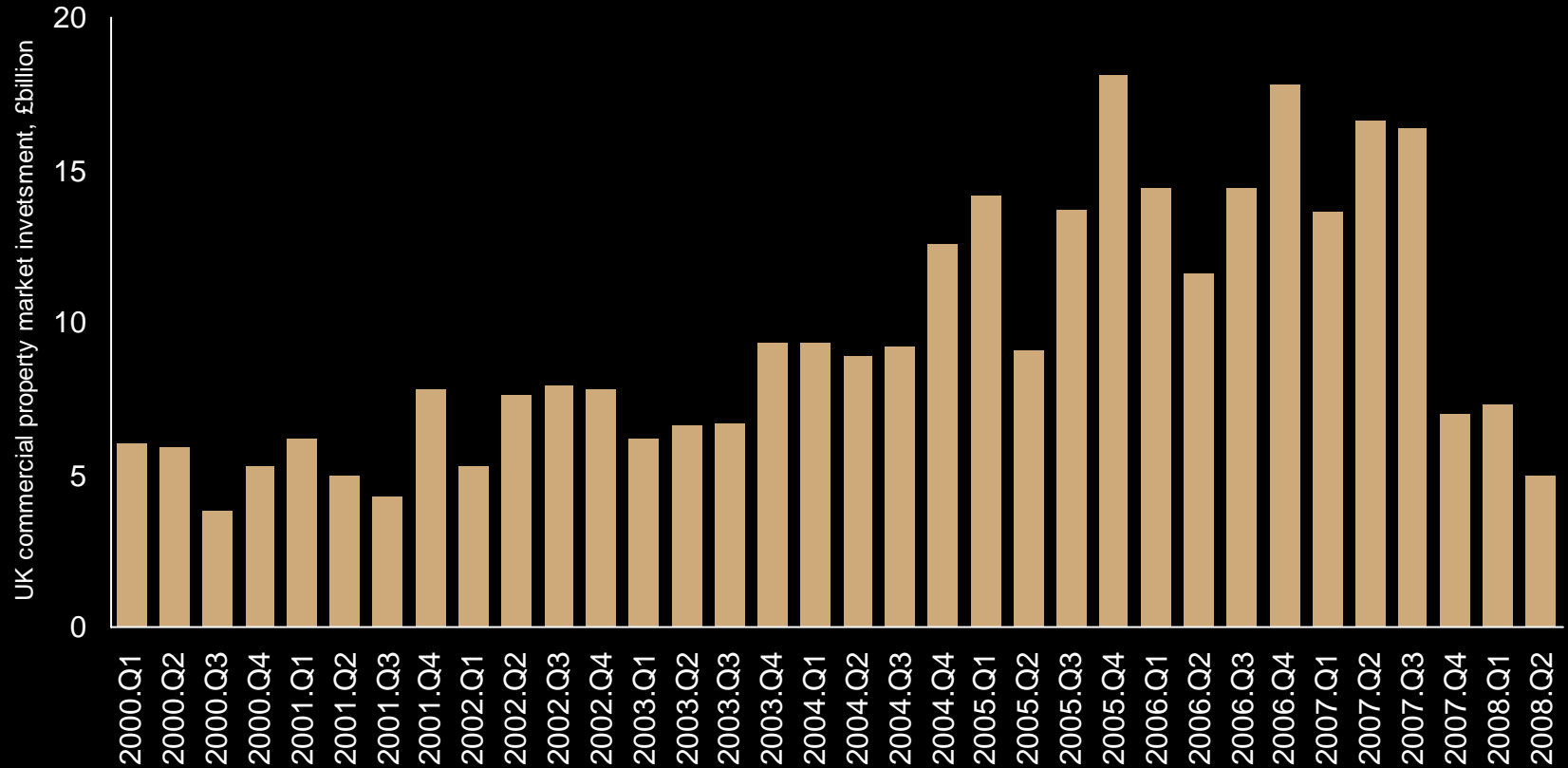
Investment property yield pricing - II

Yield gap	September 2008	10 year average
Long term average gap	0.29%	0.83%



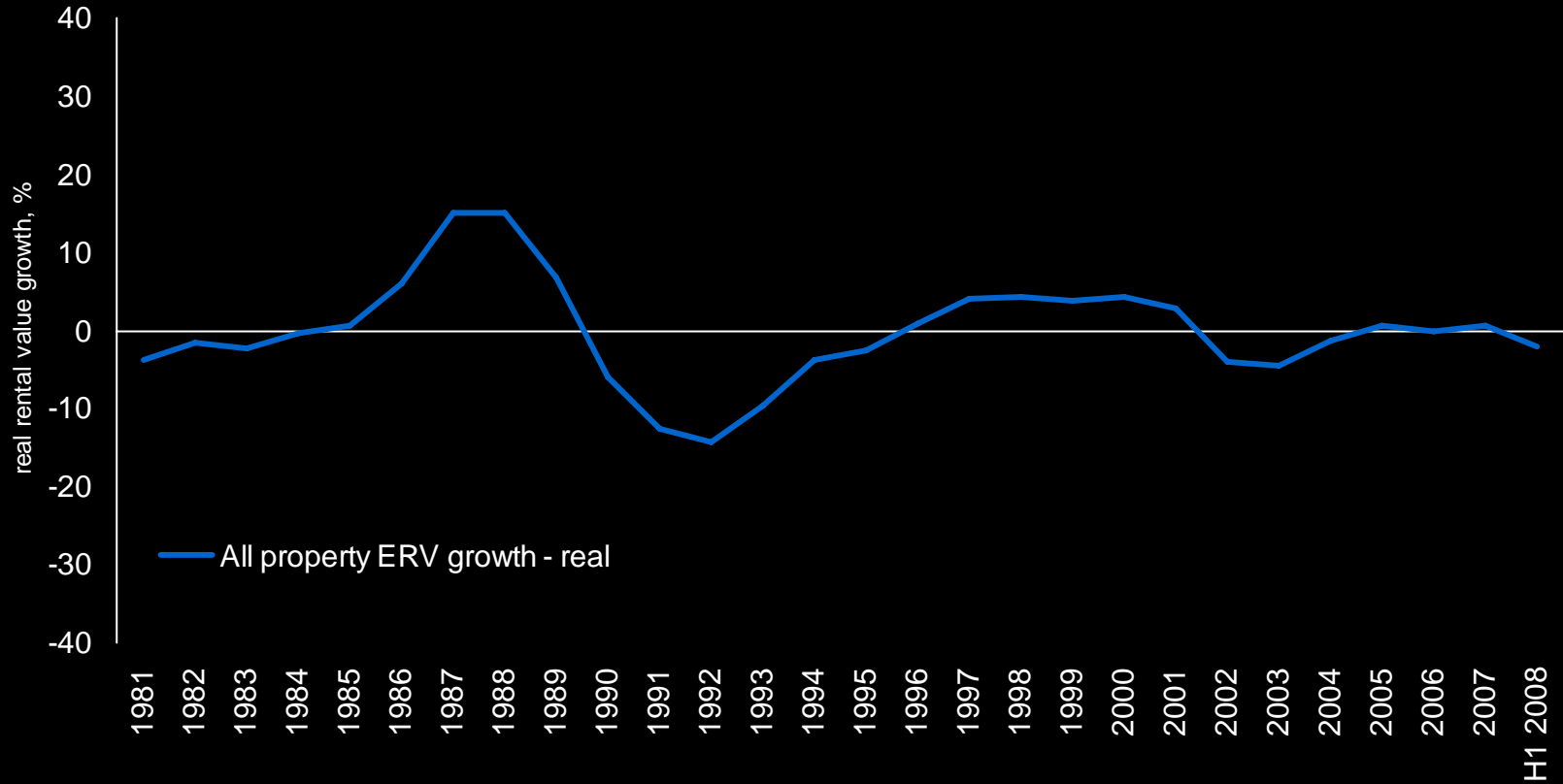
Source: IPD Monthly Index, Reuters.

Turnover in UK commercial property market



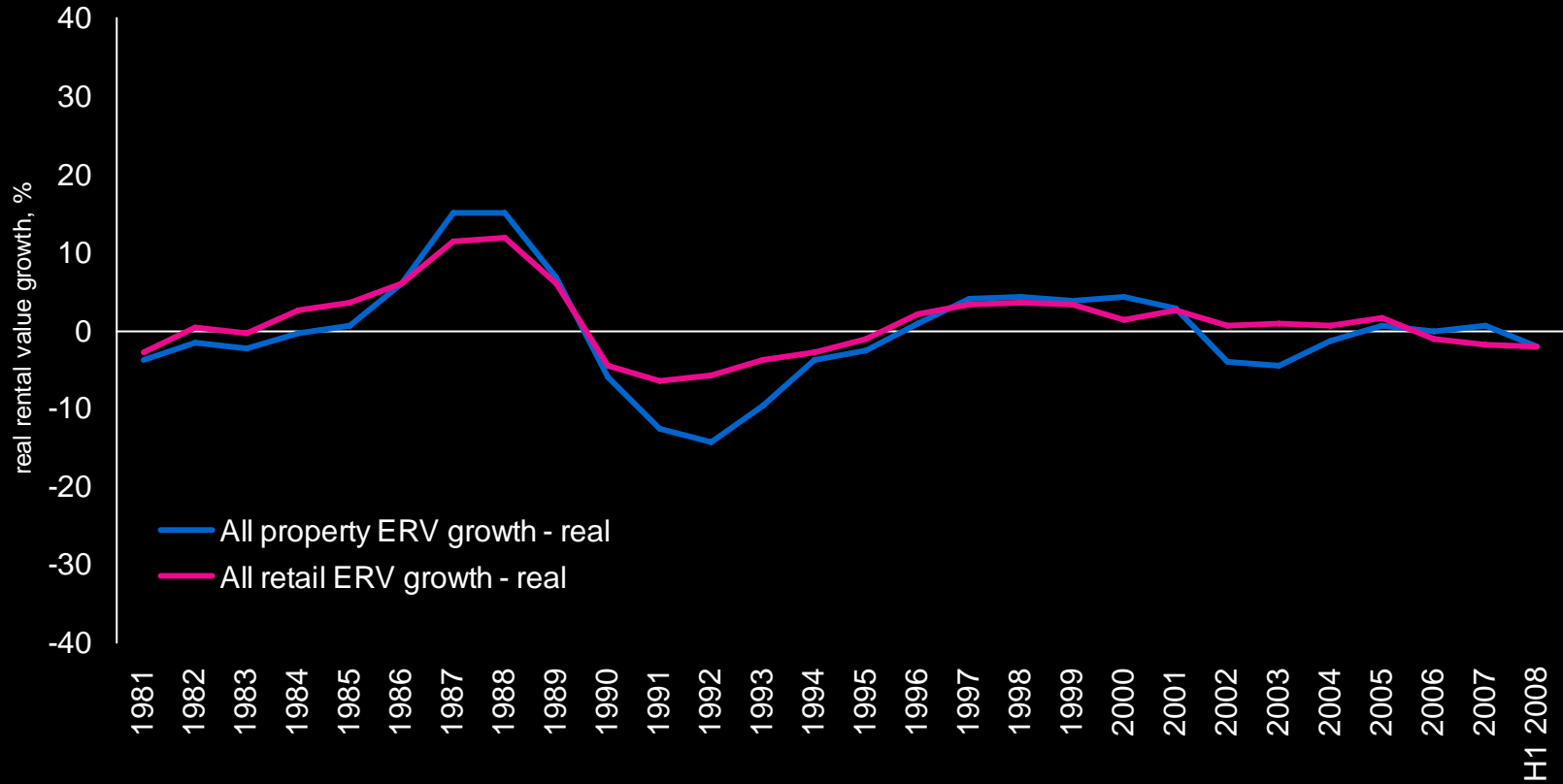
Source: Property Data Limited.

Trends in rental values – in real terms



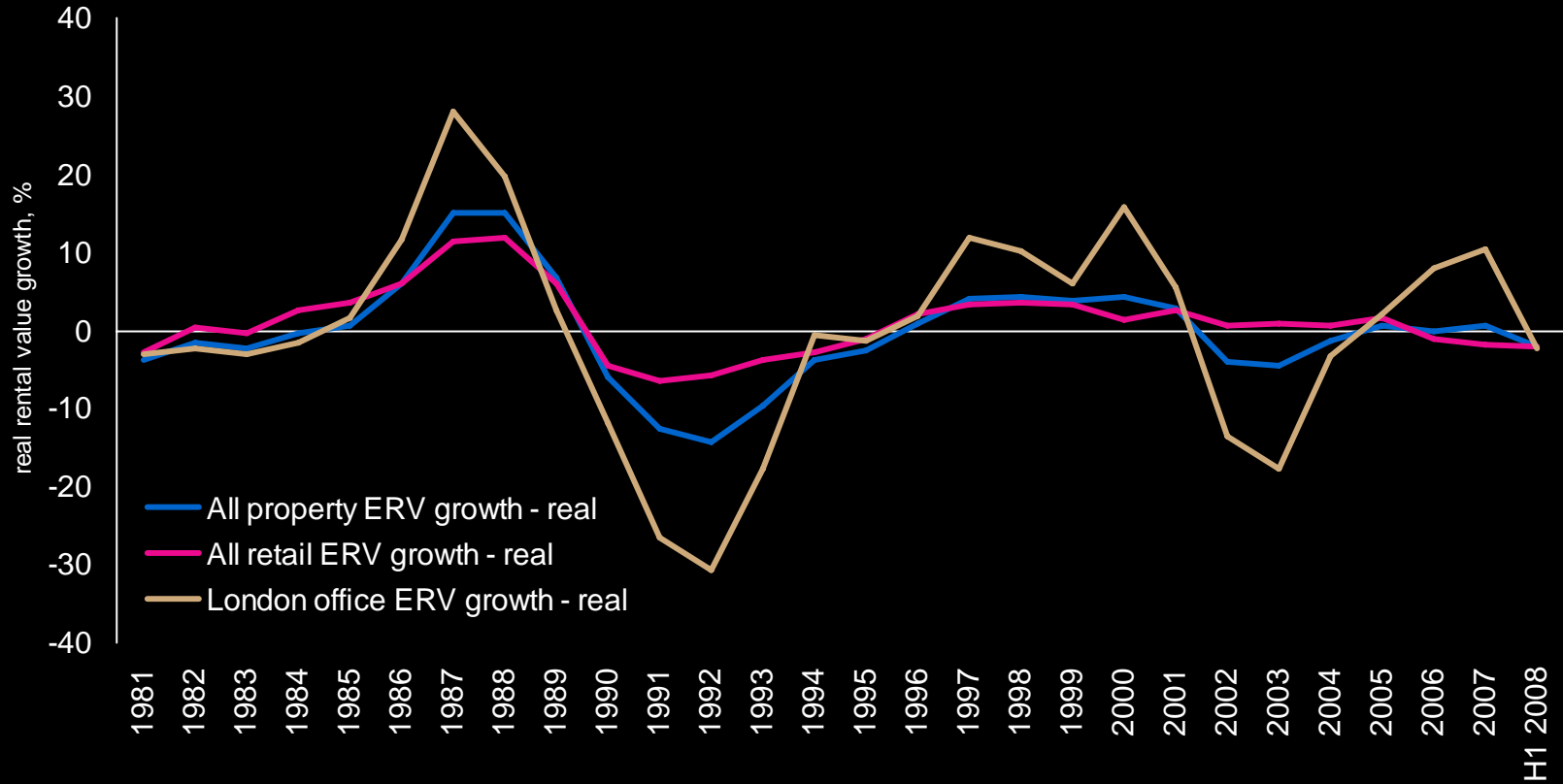
Source: IPD Annual Index (1981-2007) IPD Quarterly Index (H1 2008), ONS.

Trends in rental values – in real terms



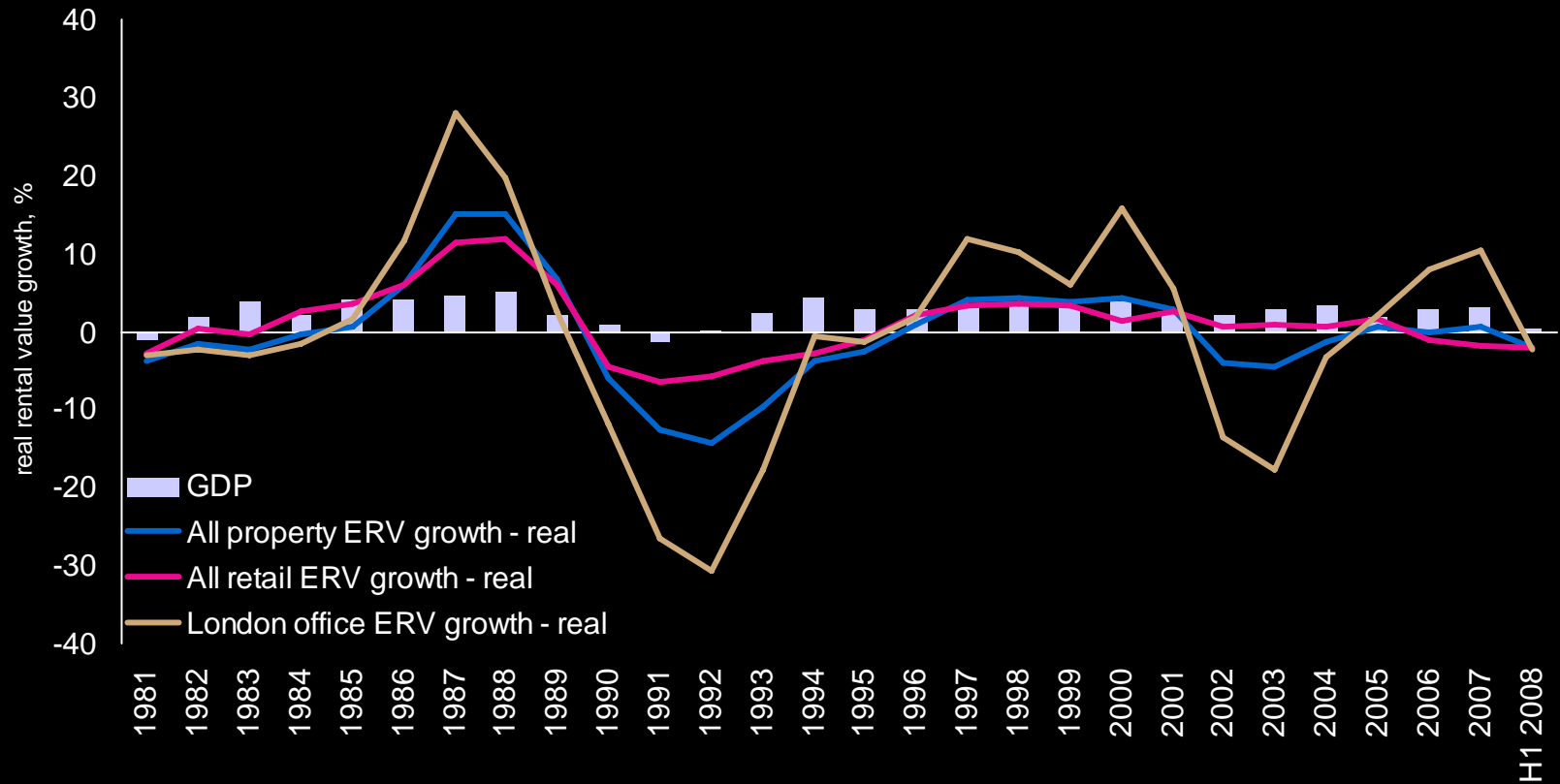
Source: IPD Annual Index (1981-2007) IPD Quarterly Index (H1 2008), ONS.

Trends in rental values – in real terms



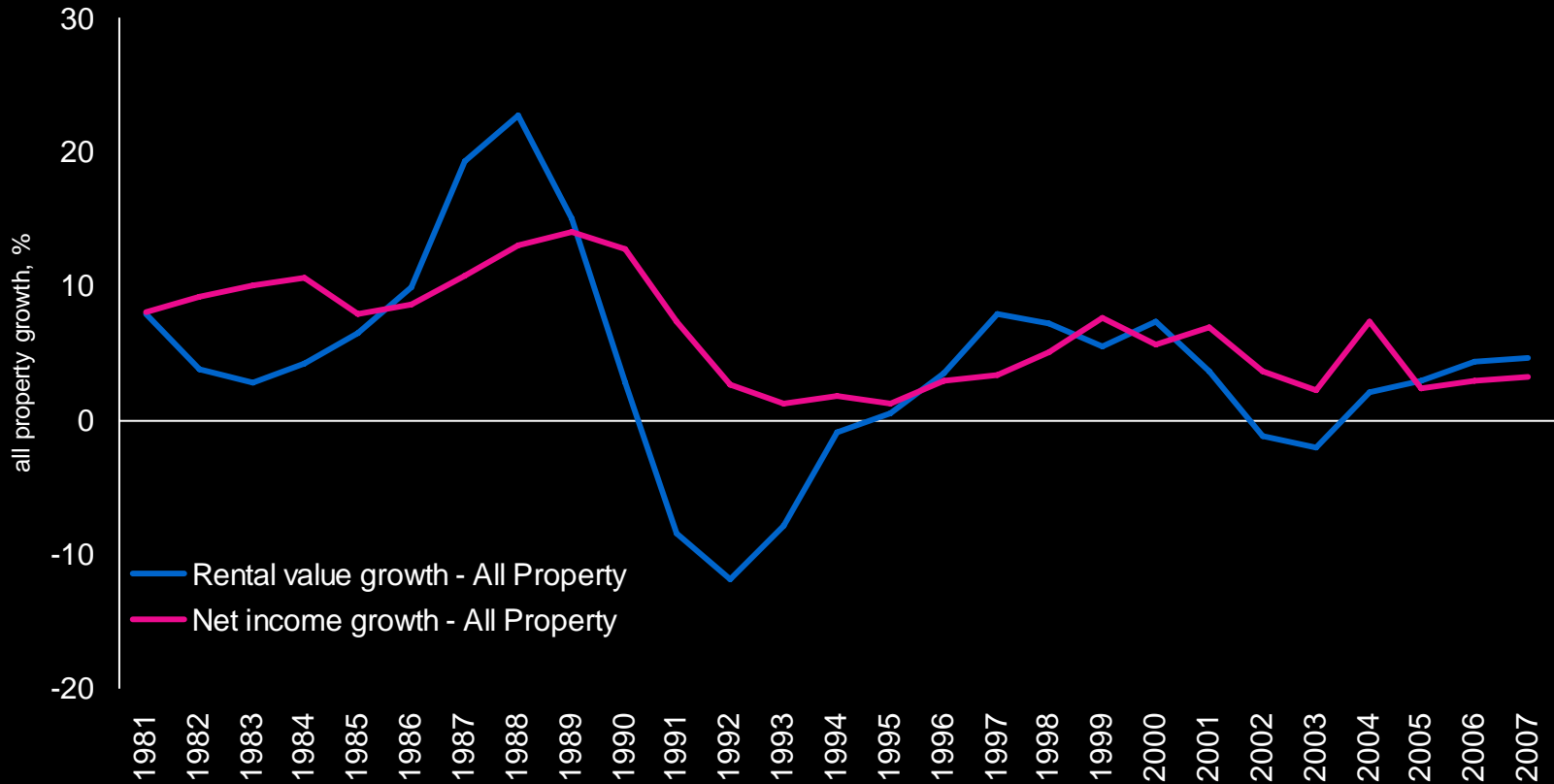
Source: IPD Annual Index (1981-2007) IPD Quarterly Index (H1 2008), ONS.

Trends in rental values – in real terms



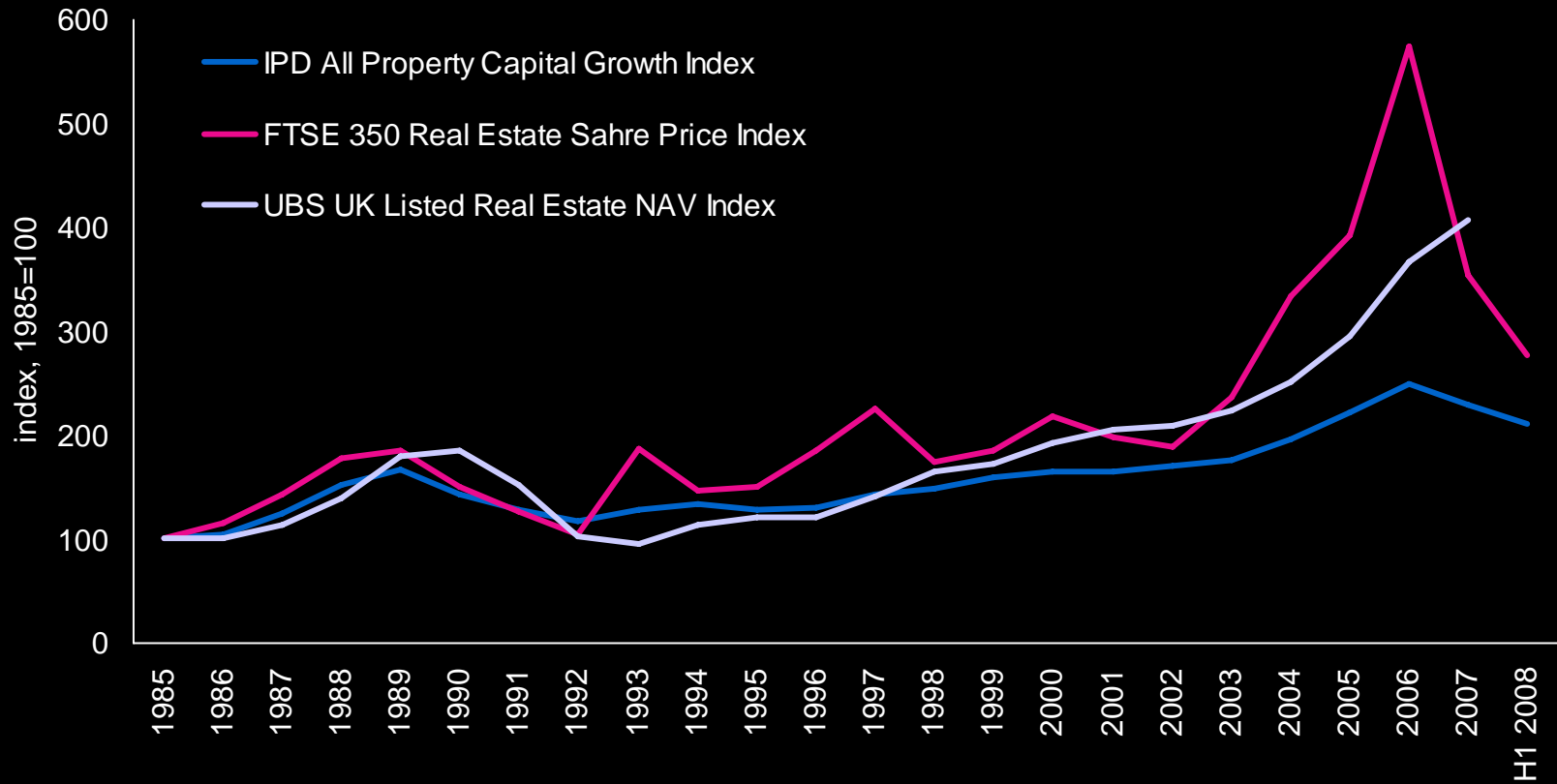
Source: IPD Annual Index (1981-2007) IPD Quarterly Index (H1 2008), ONS.

Rental values and net income – the impact of the UK lease structure



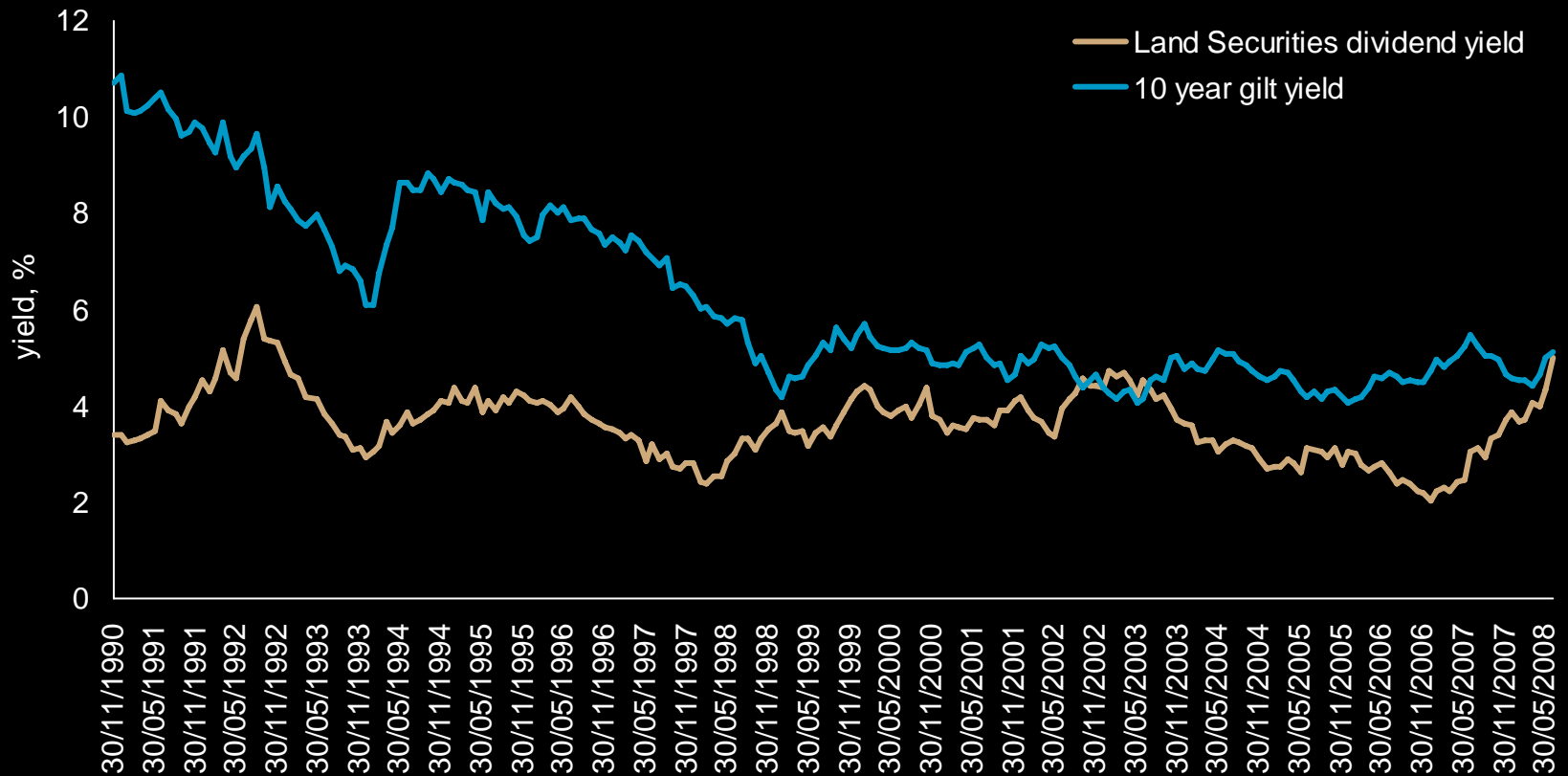
Source: IPD Annual Index.

UK listed property sector



Source: IPD Annual Index, UBS

Listed property – an income perspective



Source: Land Securities.



Land Securities – share price analysis

Adjusted diluted Net Asset Value (NAV) per share at 31.03.08	1,956 pps
Share price at 09.09.08	1,375 pps
Discount to March '08 Net Asset Value (NAV)	(29.7)%
Discount to March '08 Gross Asset Value (GAV)	(17.7)%
Implied property equivalent yield	7.0%
Implied property initial yield	6.3%
Dividend yield	4.8%
Adjusted EPS yield	5.9%



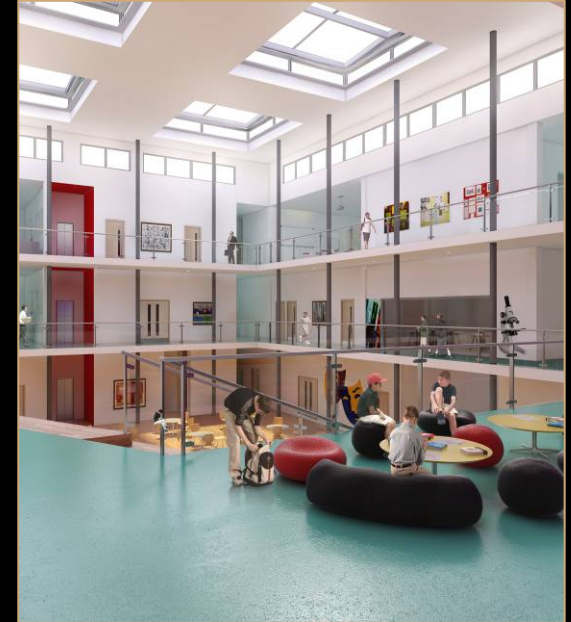
Land Securities – our business



London Portfolio
11 million sq ft



Retail Portfolio
18 million sq ft



Trillium Property Partnerships
51 million sq ft





Criteria for success for a property company

1. Good **asset level performance** on investment properties **+6.5% relative outperformance of LS vs IPD Quarterly Universe (All Property)**
2. Manage timing and execution on **development** properties **2.3m sq ft of development completions – 94% let**
3. Manage **gearing** through the cycle **£1.56bn of investment property sales**
£0.81bn of capital released from PPP fund



London office development



1.6 million sq ft



0.135 million sq ft



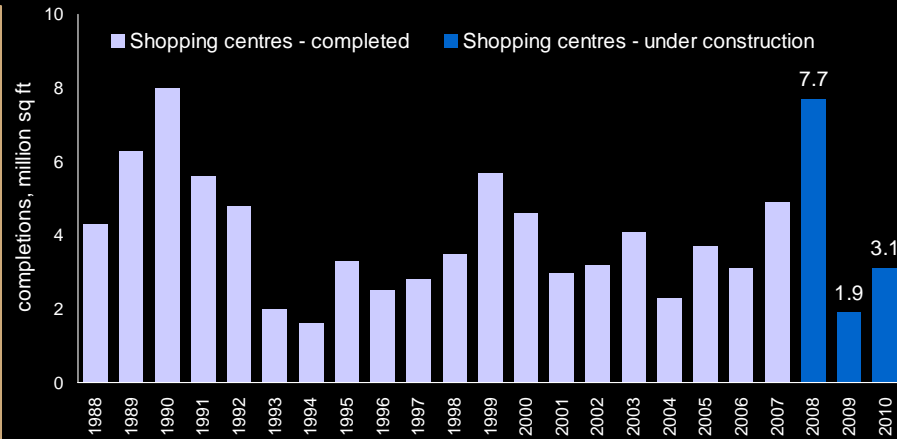
>1 million sq ft



Retail development



2007 openings 95% let
 2008 openings 90% let / in solicitors' hands



Trillium – creating value



High quality customers
with low default risk



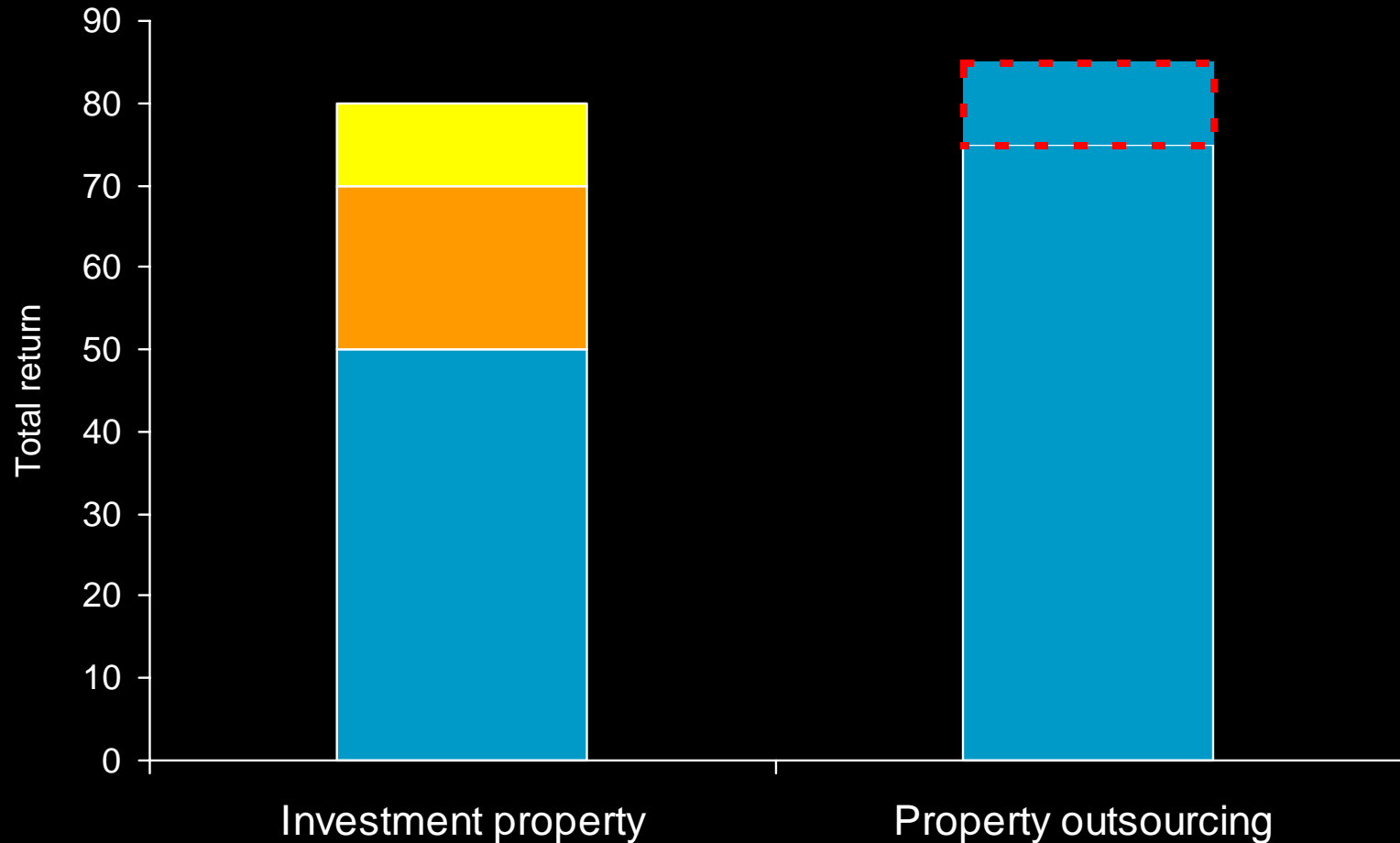
Lower exposure to
property cycle



Long duration RPI linked
contracts

.....9.5% return on capital in 2007/08

Trillium – outsourcing facilities management, construction and property risk





Demerger - evolution

- Mid 2004
 - Exit industrial property
 - Change organisational structure from function (asset management / development / outsourcing) to focus (London / Retail / Trillium)
- Late 2005
 - Identify corporate structure (diversified / specialist) as key Board issue
- Spring 2007
 - Initiate review
- Late 2007
 - Announce plans to demerge



Demerger: gains

Improved ROE <ul style="list-style-type: none">■ Tailored balance sheet■ Improved proportionate impact of transactions	Stronger growth prospects <ul style="list-style-type: none">■ Greater ability to use equity for corporate and property acquisitions
More efficient capital allocation <ul style="list-style-type: none">■ Sector allocation undertaken by shareholders<ul style="list-style-type: none">◆ Lower transaction costs◆ Greater liquidity	Stronger brand <ul style="list-style-type: none">■ Customer alignment■ Staff attraction



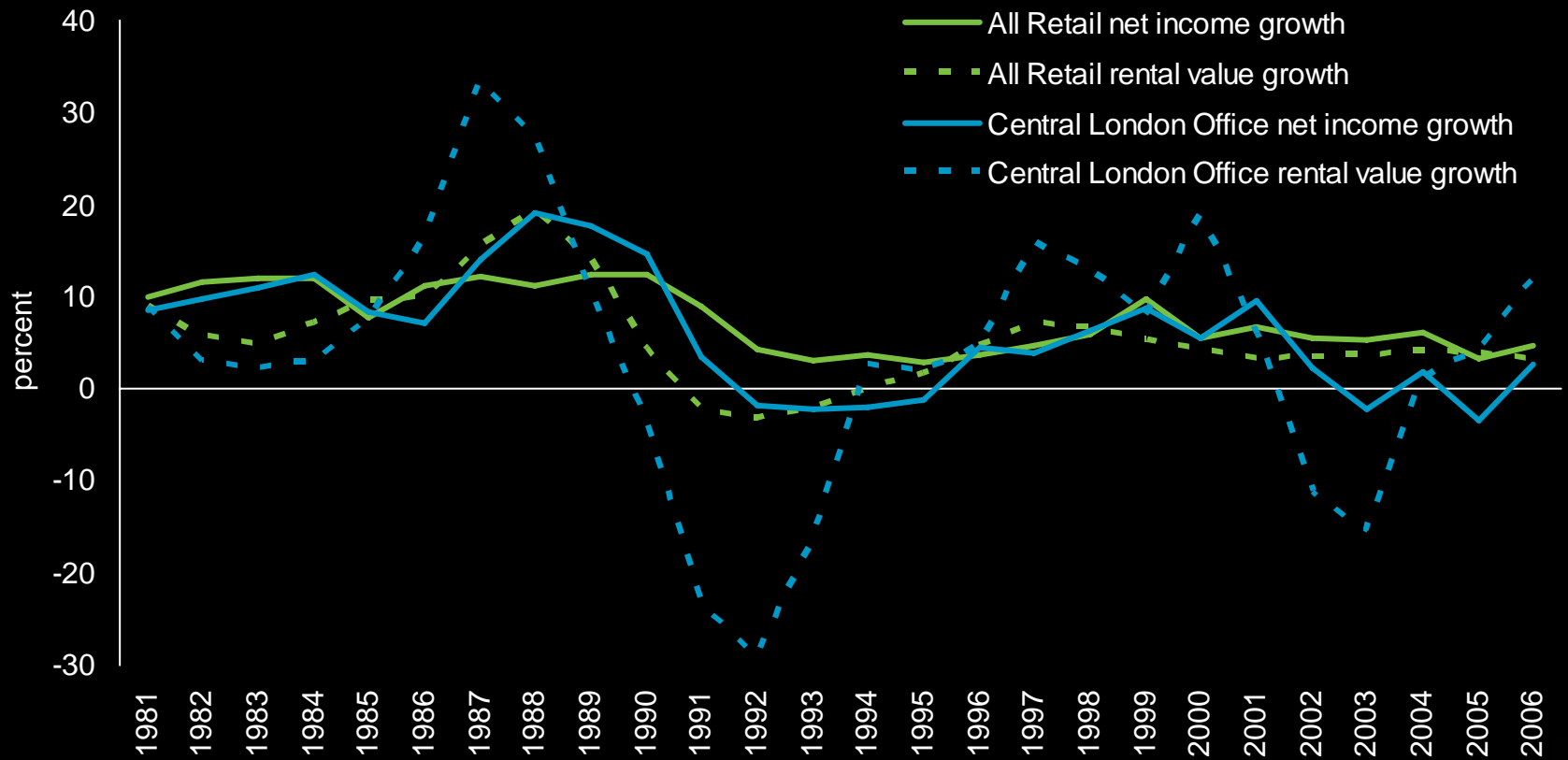
Demerger: retaining

- Scale
- Presence in customer markets
- Stability of income flows



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Demerger: the numbers

Historic total shareholder returns

(TSR – UK – periods to 2 October 2007)

	Diversifieds	Specialists	Difference
	% p.a.	% p.a.	% p.a.
5 years	20.4	25.5	5.1
10 years	9.9	16.1	6.2

Source: J P Morgan Cazenove

Future return prospects

+++	ROE
++	Share rating relative to NAV
-	Cost of debt
-	Administration costs



In Summary



- Significantly outperformed property market in 2007/08 – over £800m of value preservation
- Well positioned for more challenging market conditions
 - Moderate gearing
 - Well timed sales programme in 2007/08 – £1.56bn at 5.3% above valuation
 - Well timed development programme – 2.6 million sq ft completed in 2007/08 and 94% let
- Plan for long-term, sustained value creation through demerger

Track record of performance on execution and timing

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