

**Capital Markets event**



# **Welcome to Southwark**



**THE TATE MODERN**  
21 September 2022



# Itinerary

## PRESENTATION

Introduction  
**MARK ALLAN**

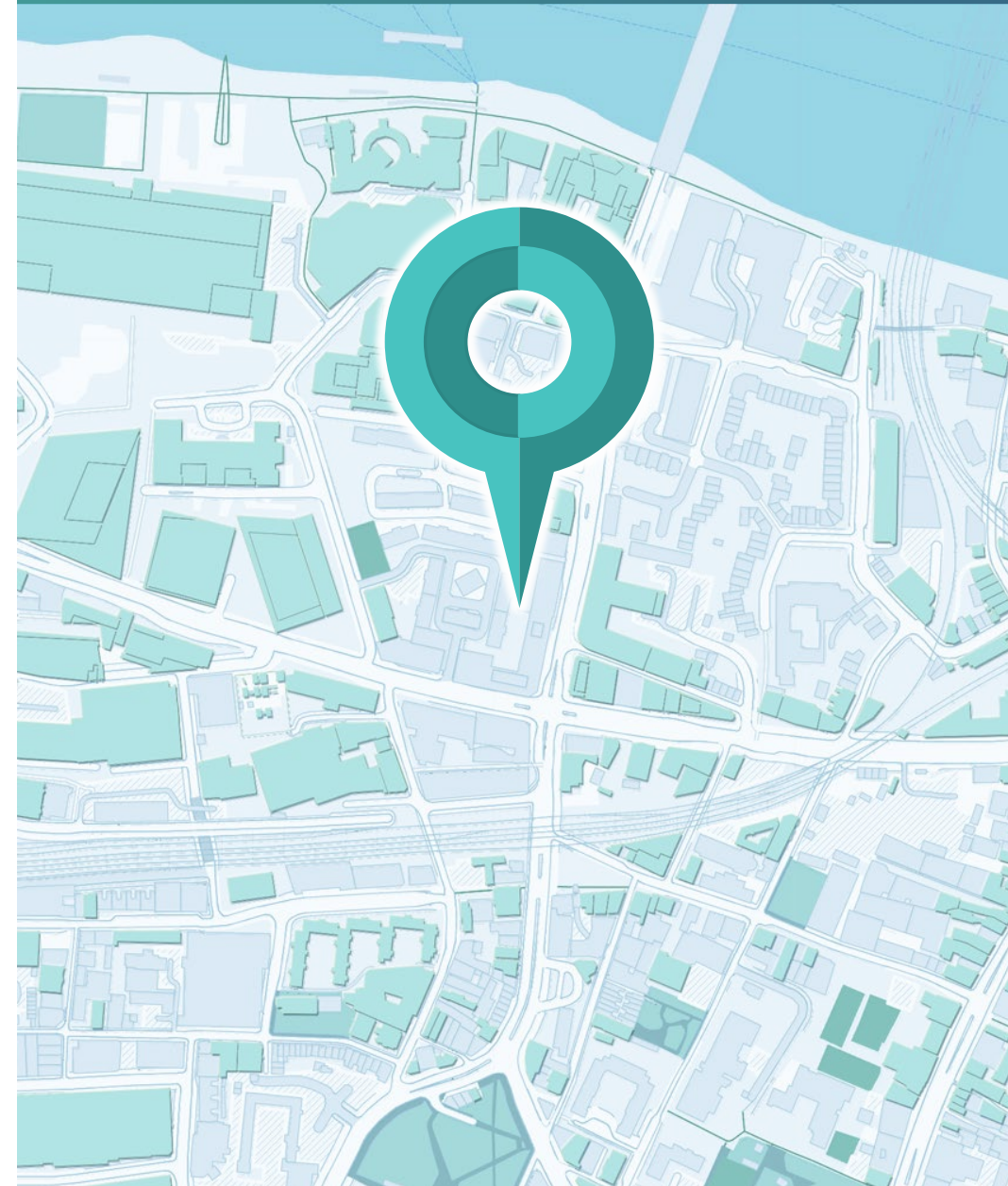
Central London  
operational update  
**MARCUS GEDDES**

Delivering net zero carbon  
buildings in Southwark  
**ALEXIA LAIRD**

External view of the  
Southwark market  
**MARK FISHER**

The Southwark office market  
**OLIVER KNIGHT**

## TOUR OF SOUTHWARK



## INFORMAL DRINKS





# Introduction

**MARK ALLAN**  
CHIEF EXECUTIVE OFFICER





# Resilience and optionality – well positioned for future growth

OUR PURPOSE: SUSTAINABLE PLACES. CONNECTING COMMUNITIES. REALISING POTENTIAL

## High-quality portfolio



Nova, SW1

- › Modern London office portfolio, already 44% EPC 'B' or higher, three times the overall market
- › Major retail destinations seeing return to growth post pandemic
- › Attractive pipeline of mixed-use urban opportunities

## Recycling capital



21 Moorfields, EC2

- › Sold £1.8bn of mature London office assets since late 2020
- › Divest further c. £2bn of mature and subscale assets over time
- › Grow mixed-use urban assets to 20-25% of portfolio

## Growth potential



Mayfield, Manchester

- › 2.8m sq ft London office pipeline to cater for strong demand for modern, sustainable space
- › 9.0m sq ft mixed-use pipeline, with first start on site this year
- › c. £3bn potential capex over five years, with c. 20% target profit

## Driving returns



MediaCity, Greater Manchester

- › Potential to grow income by c. £120m by recycling capital into pipeline whilst keeping LTV stable
- › Recycling of capital to deliver improvement in ROE over time
- › Expect EPS to grow low to mid single digit percent in FY22/23



# Continued strong operational momentum

## CENTRAL LONDON



Nova, SW1

- › Increasing focus from customers on quality of space and location
- › £20.8m of lettings signed or in solicitors' hands, 4% ahead of ERV
- › £1.2bn pipeline, 63% pre-let or in solicitors' hands

## RETAIL



Gunwharf Quays, Portsmouth

- › Continued improvement in operational performance
- › Footfall and sales recovering, despite challenging backdrop
- › Flight to prime continues, as online reverts back to trend

## MIXED-USE URBAN

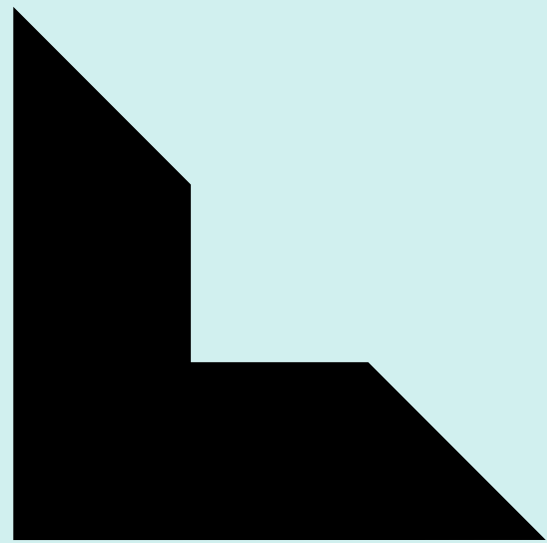


MediaCity, Greater Manchester

- › Integration of U+I team set to complete this month
- › Aim to start on site with first office at Mayfield in Q1 2023
- › Submitted revised plans for a 350,000 sq ft office at MediaCity



# Operational update Central London



**Landsec**

**MARCUS GEDDES**  
MANAGING DIRECTOR  
CENTRAL LONDON



# Central London portfolio

## Operational momentum remains strong

- › Continued strong interest in high -quality space
- › £20.8m of lettings signed or in solicitors' hands across investment portfolio YTD, on average 4% ahead of ERV
  - £16.0m in offices, 1% ahead of ERV
  - £4.8m in retail, 11% ahead of ERV
- › Office occupancy up to 95.5% (March 2022: 95.3%)
- › Growing demand for Myo flexible space
- › Committed pipeline now 63% pre-let or in solicitors' hands (May 2022: 56%)
  - £5.9m of deals in solicitors' hands on average 10% ahead of ERV





# Committed developments showing strong letting evidence

Current pipeline 63% pre-let or in solicitors' hands

## 21 Moorfields, EC2



- > 564,000 sq ft offices
- > Completion January 2023
- > 100% pre-let
- > Crystallised mid -20% profit on cost

## The Forge, SE1



- > 140,000 sq ft offices and retail
- > Completion December 2022
- > £10m ERV (March-22), reflecting 6.4% gross yield on cost

## Lucent, W1



- > 144,000 sq ft offices, retail and residential
- > Completion March 2023
- > £14m ERV (March-22), reflecting 5.5% gross yield on cost
- > 15% ISH, 18% ahead of ERV

## n2, SW1

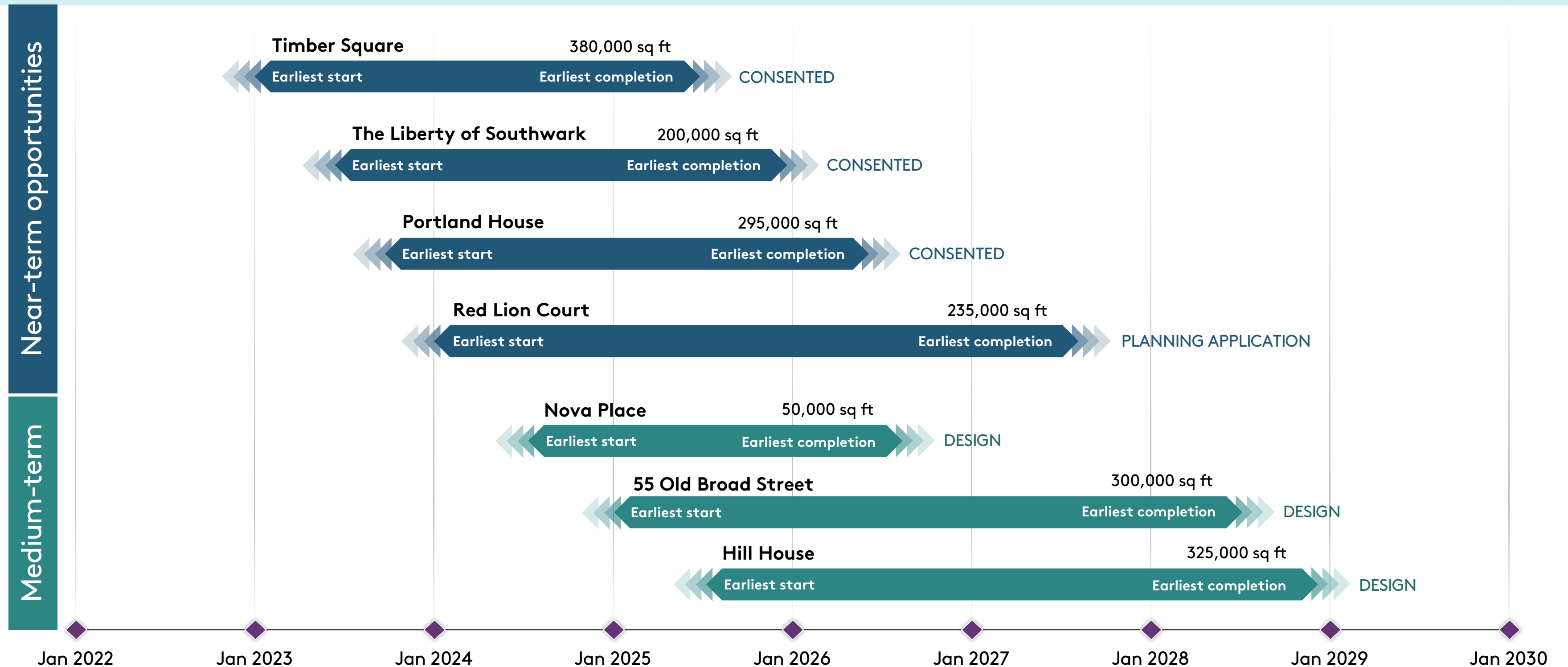


- > 167,000 sq ft offices
- > Completion June 2023
- > £14m ERV (March-22), reflecting 6.6% gross yield on cost
- > 27% pre-let. With a further 25% ISH, 6% ahead of ERV



# Pipeline of development opportunities

1.8m sq ft of opportunities





# Central London portfolio – operational summary

High-quality portfolio and pipeline continues to attract strong demand

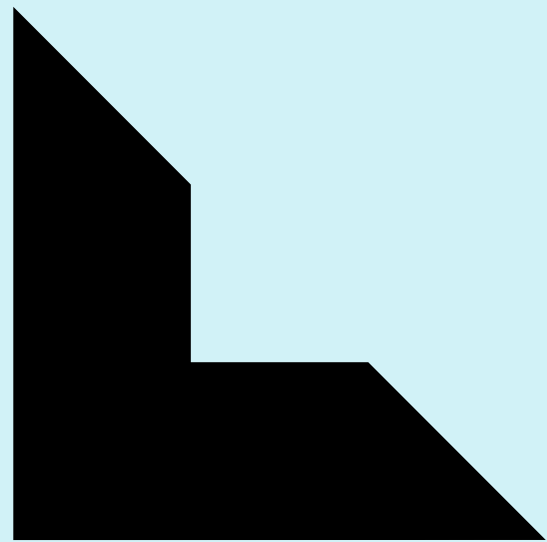
- › £20.8m of lettings completed or in solicitors' hands year to date
- › Vacancy close to half of overall London office market, reflecting high portfolio quality
- › Encouraging occupier interest in developments, setting record rents for Victoria
- › Four developments completing over the next nine months
- › Pipeline of 1.8m sq ft in attractive locations with virtually no grade-A vacancy



Cardinal Place and 123 Victoria Street, SW1



# Delivering net zero carbon buildings in Southwark



**Landsec**

**ALEXIA LAIRD**

SENIOR SUSTAINABILITY MANAGER



# What is a net zero carbon development?

A credible net zero claim must address both upfront embodied carbon and operational carbon. All of our new developments align with the definition below

## UPFRONT EMBODIED CARBON

Set embodied carbon target

Reduce embodied carbon intensity without compromising operational carbon

Offset remaining carbon at completion through credible offset scheme



## OPERATIONAL CARBON

No reliance on fossil fuels

Reduce energy demand in line with industry guidance (e.g. NABERS UK)

Provide onsite renewable power (e.g. solar PV) and/or credible source of renewable energy (e.g. additional Power Purchase Agreement)



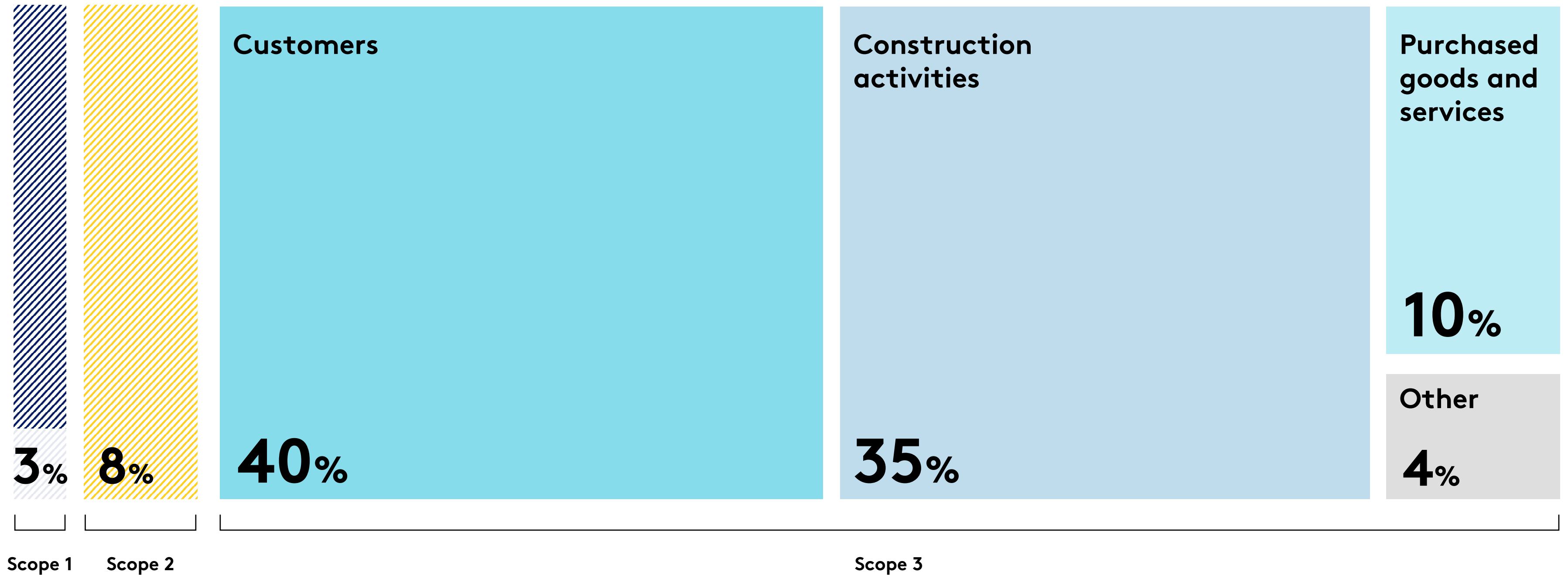
**UKGBC's framework definition of a net zero carbon building**

UK Net Zero Carbon Buildings Standard is being developed – setting a single, agreed methodology and performance targets.



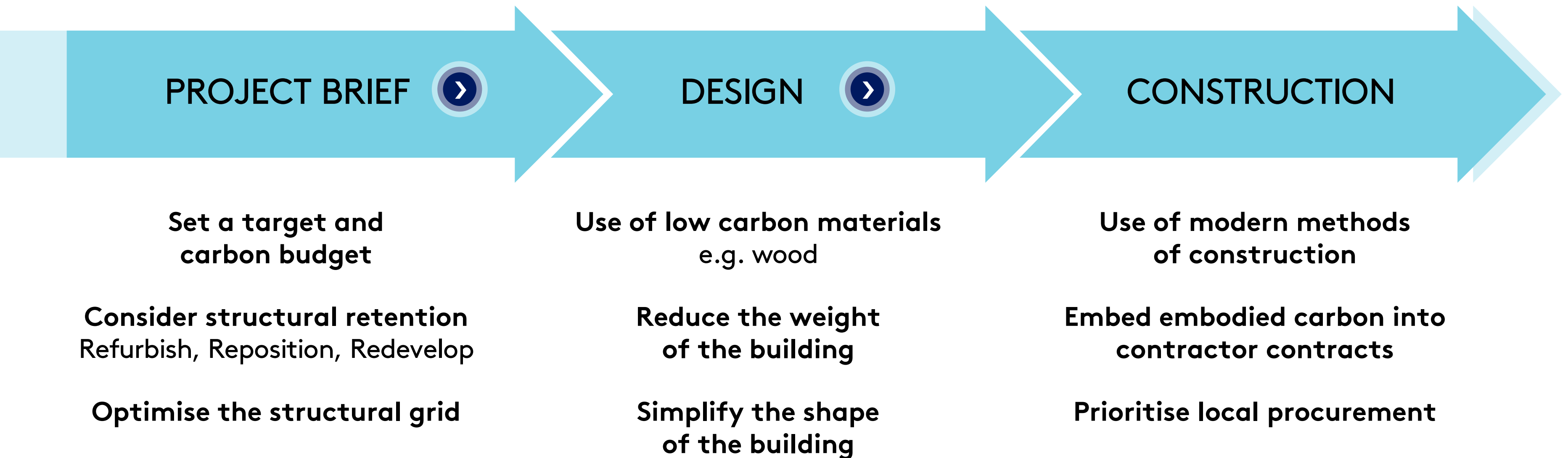
# Landsec's carbon emissions

Our new target is to halve embodied carbon intensity (kgCO<sub>2</sub>e/m<sup>2</sup>) by 2030 compared to a typical building





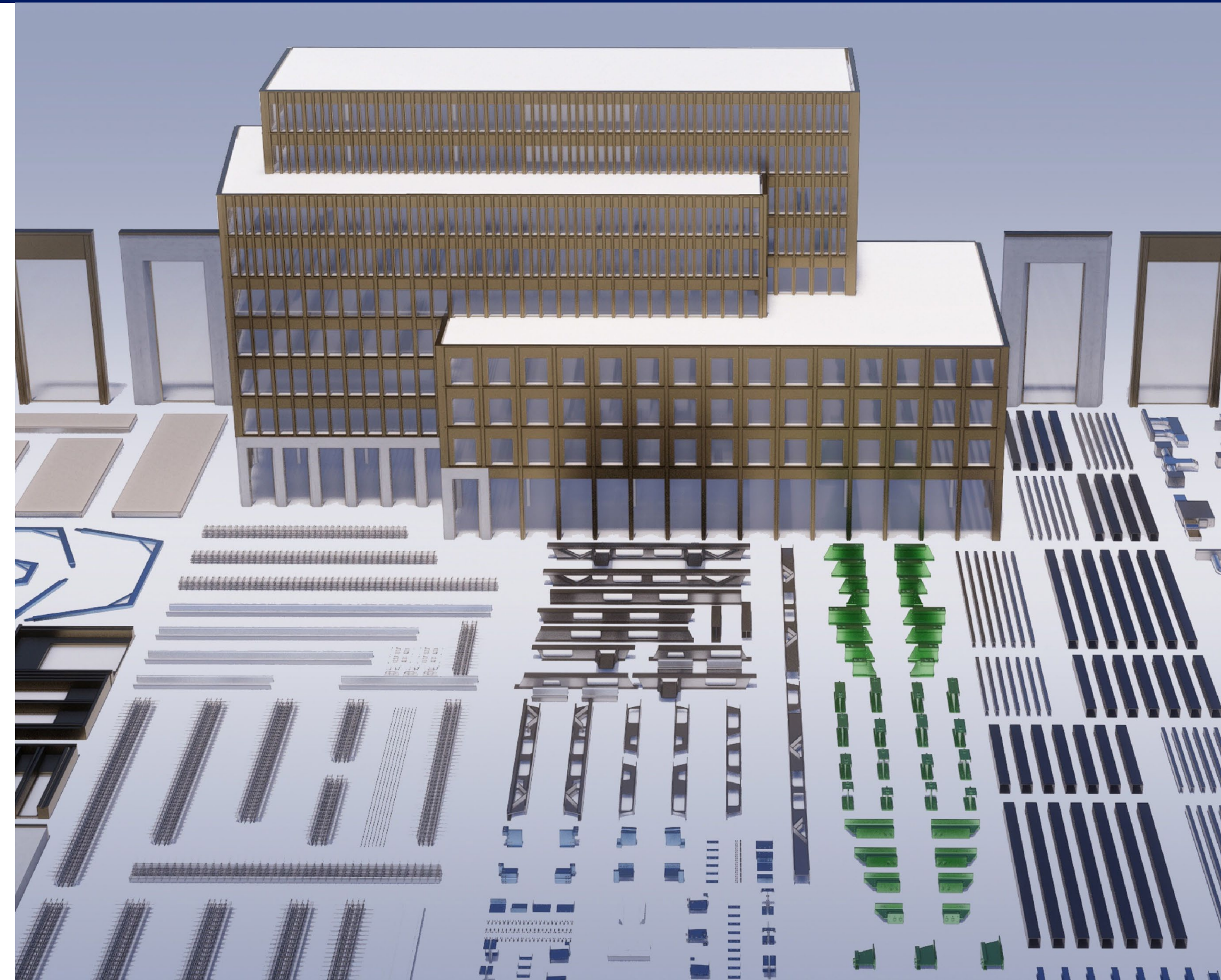
# Reducing embodied carbon on new developments





# The Forge – innovating construction

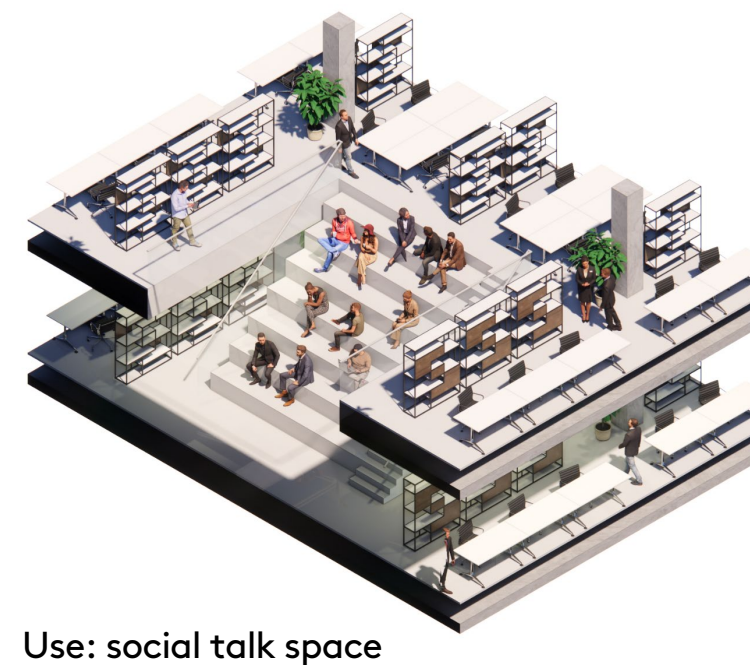
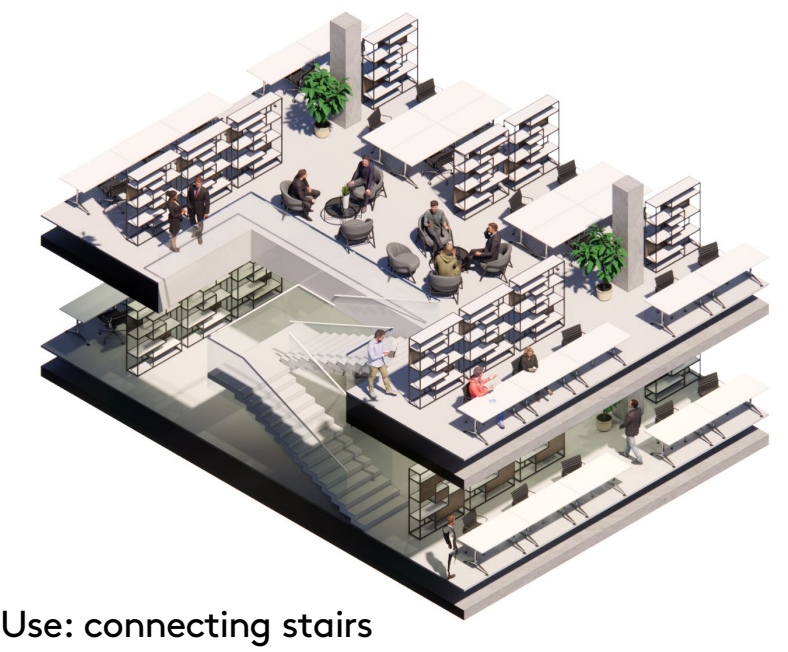
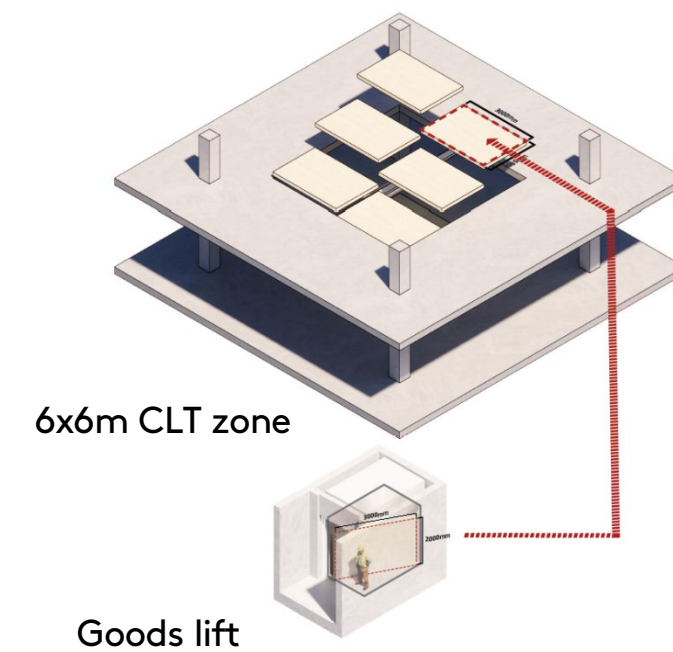
- › 80% standardisation in superstructure, facade and M&E resulting in 19.4% reduction in embodied carbon
  - 18.4% less steel in the frame
  - Ribbed slab results in 13% less concrete
- › Early engagement with supply chain was key
  - Testing of high levels of cement replacement
  - 65% recycled content in the aluminium façade
- › The Forge is currently tracking an embodied carbon intensity of c.  $1,000\text{kgCO}_2\text{e/m}^2$





# Red Lion Court – embedding flexibility and adaptability

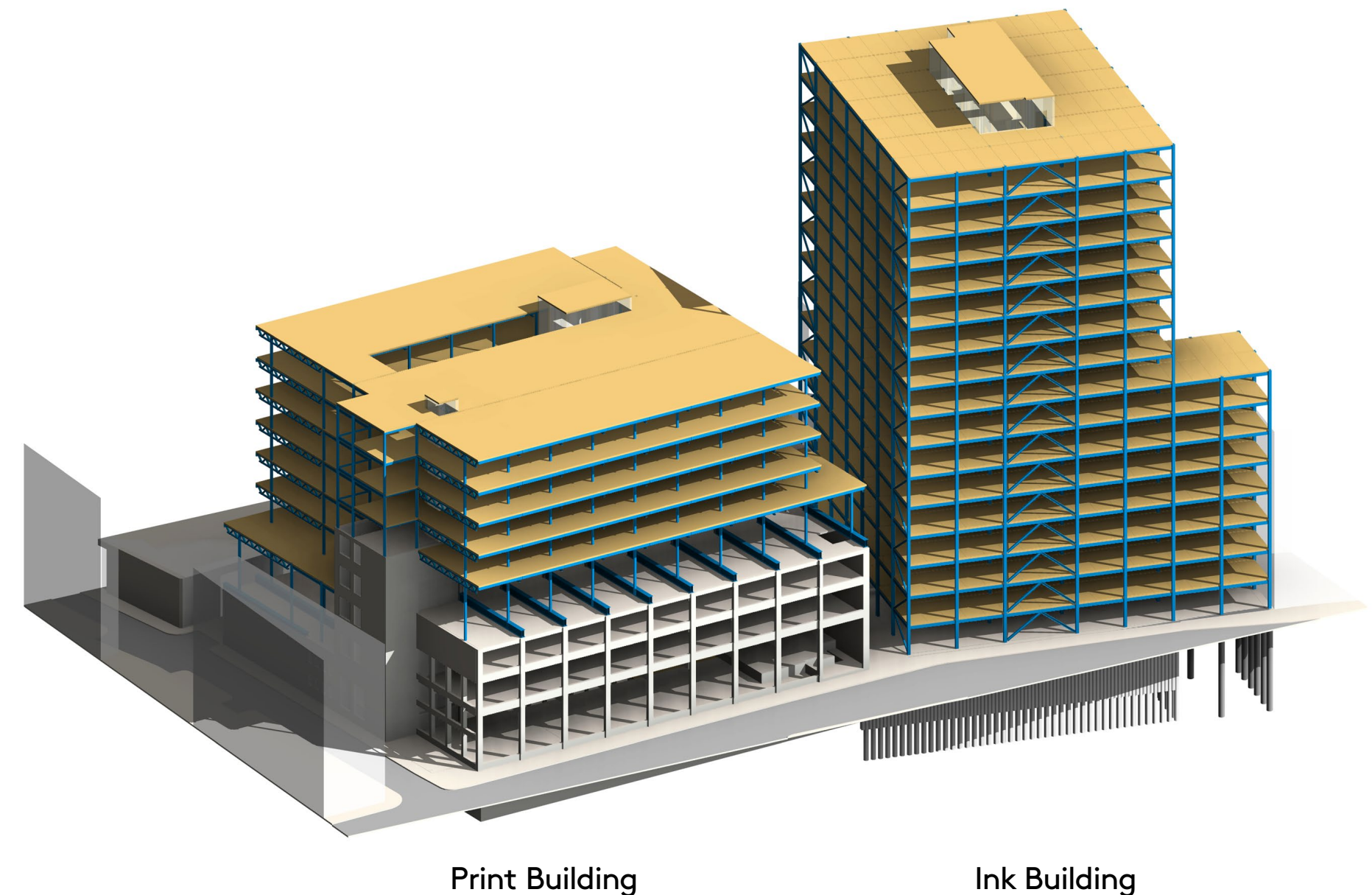
- › Expected embodied carbon of **600kgCO<sub>2</sub>e/m<sup>2</sup>**
- › Retaining 35-40% of the existing basement and piles
- › Post-tensioned concrete structure with high cement replacement and Cross Laminated Timber (CLT) infills
  - These provide flexibility and adaptability to meet our customers' evolving needs
- › Timber is inherently low carbon





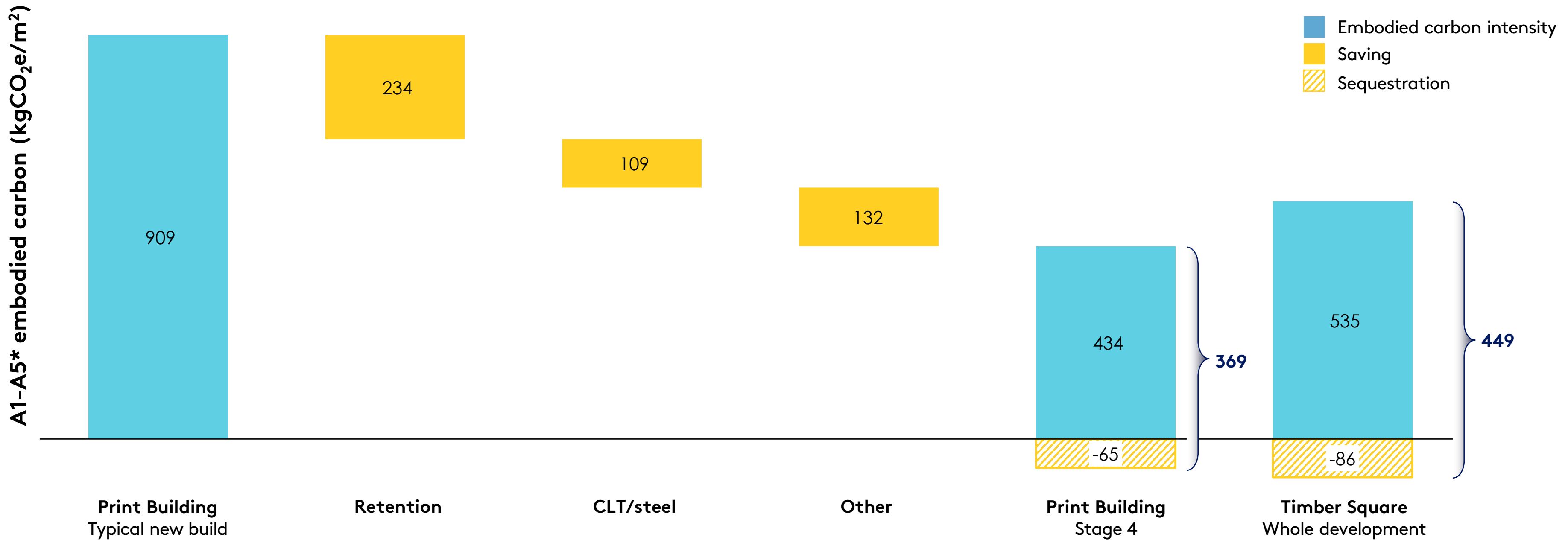
# Timber Square – retention and sustainable materials

- › Print Building embodied carbon intensity:  $434\text{kgCO}_2\text{e/m}^2$  – already beating our 2030 target of  $500\text{kgCO}_2\text{e/m}^2$
- › Retaining 85% of the existing structure of the Print Building thanks to its legacy as a printworks
- › Hybrid steel and CLT – overall development is c. 20-25% lighter than if built using regular materials
- › New Ink Building designed to maximise modern methods of construction
- › Overall development is  $535\text{kgCO}_2\text{e/m}^2$





# Timber Square



\*RICS Modules A1-A5 (embodied carbon up to practical completion)



# Landsec's approach to sustainability in developments

Meeting the needs of our customers, the community and the planet

- › Maintaining our sector-leading position in ESG
  - Delivering exemplar net zero carbon developments
  - Halving our embodied carbon by 2030 compared to a typical building
  - Growing pipeline of refurbishments as we decarbonise and modernise our office assets
- › Underpinning our newly refreshed sustainability strategy

**Build well**   **Live well**   **Act well**







# Southwark

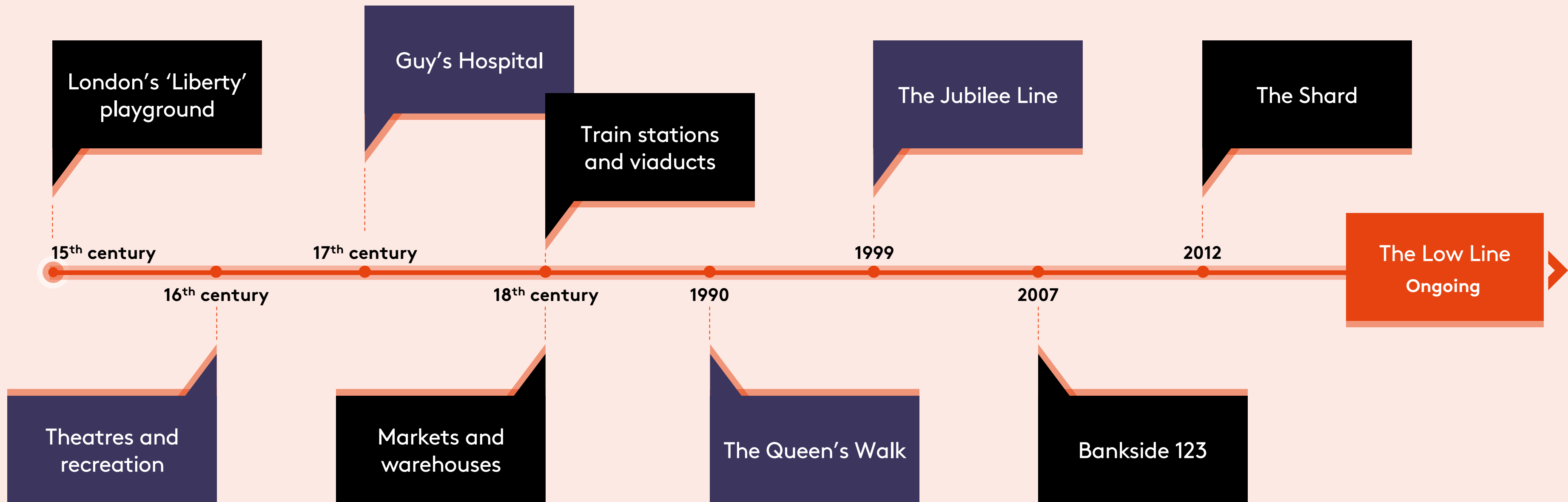
## The agent's view



**MARK FISHER**  
UNION STREET PARTNERS



# A brief history of Southwark





# What do tenants like about the area?

CONNECTIVITY



LIFESTYLE



VARIETY OF BUILDING TYPE



VIEWS & ACCESS TO THE RIVER



AMENITY



TALENT POOL



QUALITY OF SPACE





# Amenity offer

Cultural spaces

Galleries

Theatres

Cinemas

Independent amenity

Markets

Meanwhile spaces





# Unique appeal to staff

- › Easy walk from mainline stations with no onward tube journey
- › Cycle routes
- › Cool factor
- › Independent thinking
- › An area where they would **choose** to go out after work
- › Quality buildings but in a mixed-use area
- › An area that retains both a business and local community feel



Vinegar Yard, SE1



# Who is located here?

## Design and architecture

Early adopters seeking character warehouse space

tp bennett

Allies and Morrison

 Robert Bird Group

## Media

Large companies seeking buildings of scale, in a cool location

OmnicomGroup



News UK

## Legal and professional

Wanting alternatives to traditional locations

Winckworth  
Sherwood

 LEWIS SILKIN

Boodle  
Hatfield.

## Life sciences

Proximity to hospitals

SYNLAB 

  
Guy's and St Thomas'  
NHS Foundation Trust

KING'S  
*College*  
LONDON

## Tech, finance and corporate

Younger decision-makers untethered by West End and City traditions



SEGA

IBM

kubrick



# Importance of sustainability and wellness

- › The 'flight to quality' continues
- › Companies of scale ask for ESG credentials as a pre-requisite
- › Staff retention relies on ESG provision
- › The WFH revolution
- › The area is a target location for large companies seeking quality space





# What are the prospects for Southwark?

Excellent transport infrastructure

Large scale development opportunities underway

Life sciences is a significant new sector

More footloose tenants, seeking alternatives to the City

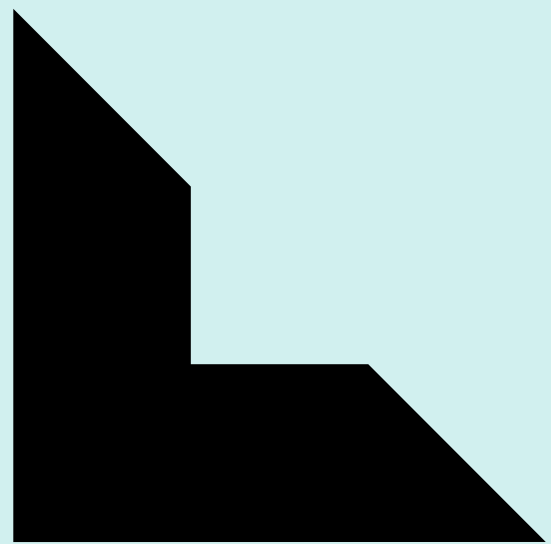
Appeal to more corporate sectors

Becoming mainstream but without losing it's character

Loyal local tenants need best-in-class space



# The Southwark office market



**Landsec**

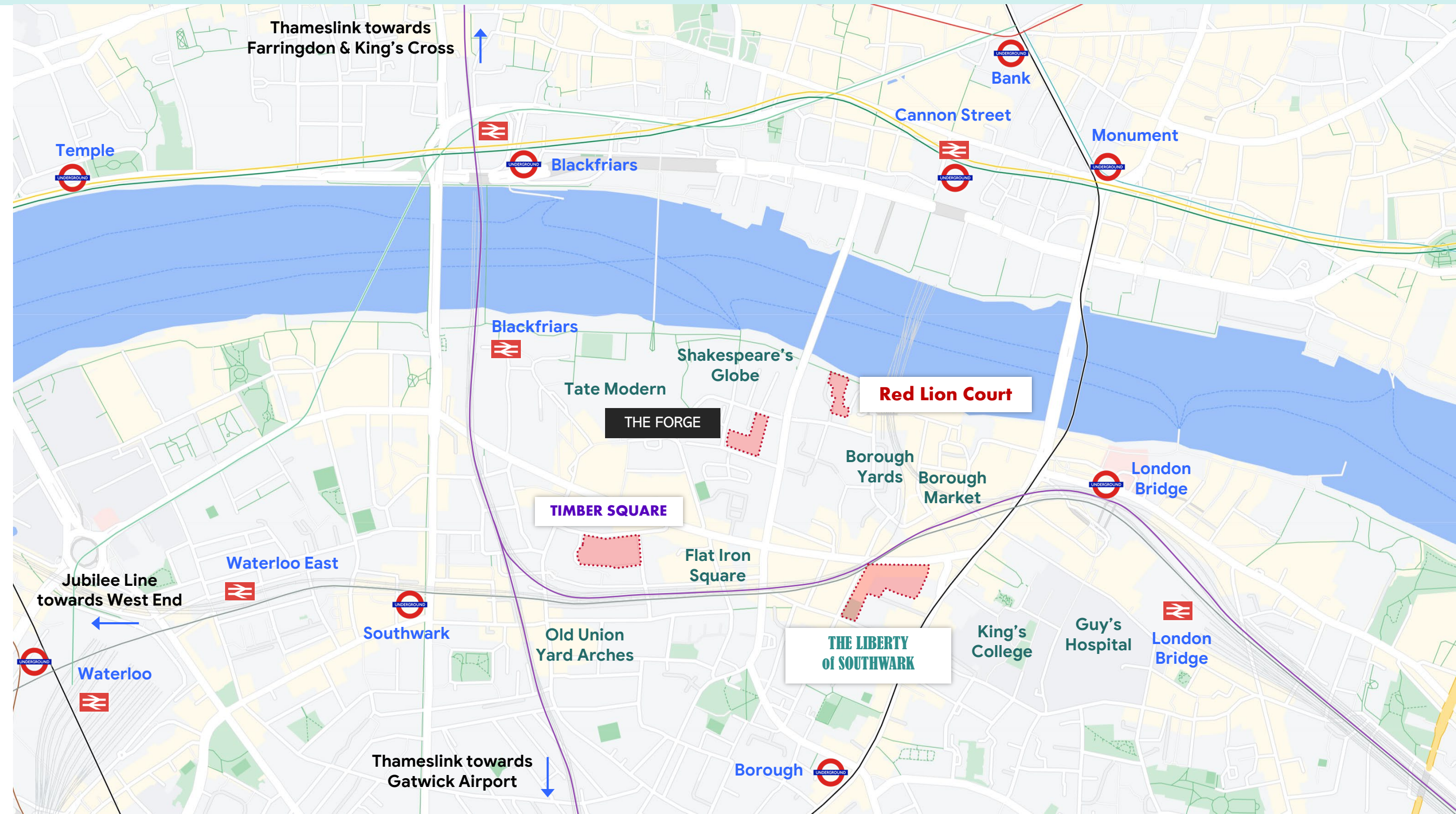
**OLIVER KNIGHT**  
HEAD OF OFFICES



# Creating a 1m sq ft Southwark green office cluster

Four schemes with great transport links in a vibrant location

- > Unique blend of culture, heritage, leisure and F&B destinations
- > 150 million passengers p.a. through Waterloo and London Bridge
- > Jubilee and Northern lines connecting to City and West End
- > 24 Thameslink trains per hour connecting to Farringdon, King's Cross stations and Gatwick airport



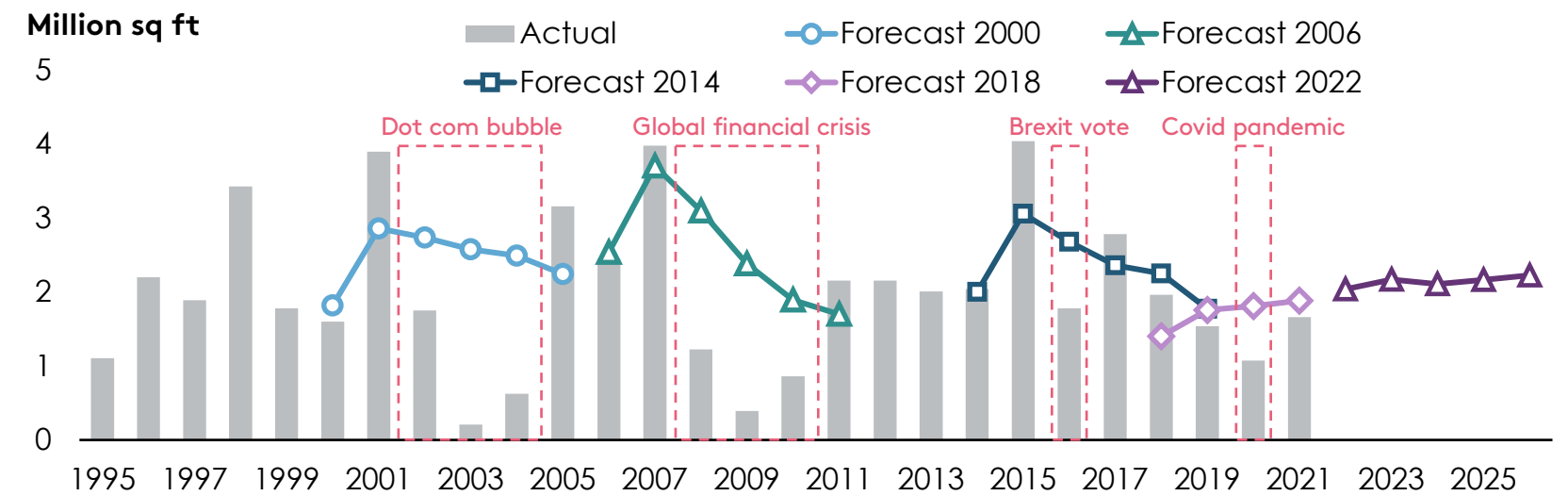


# Central London grade-A office supply likely to tighten

Some construction starts are likely to be deferred

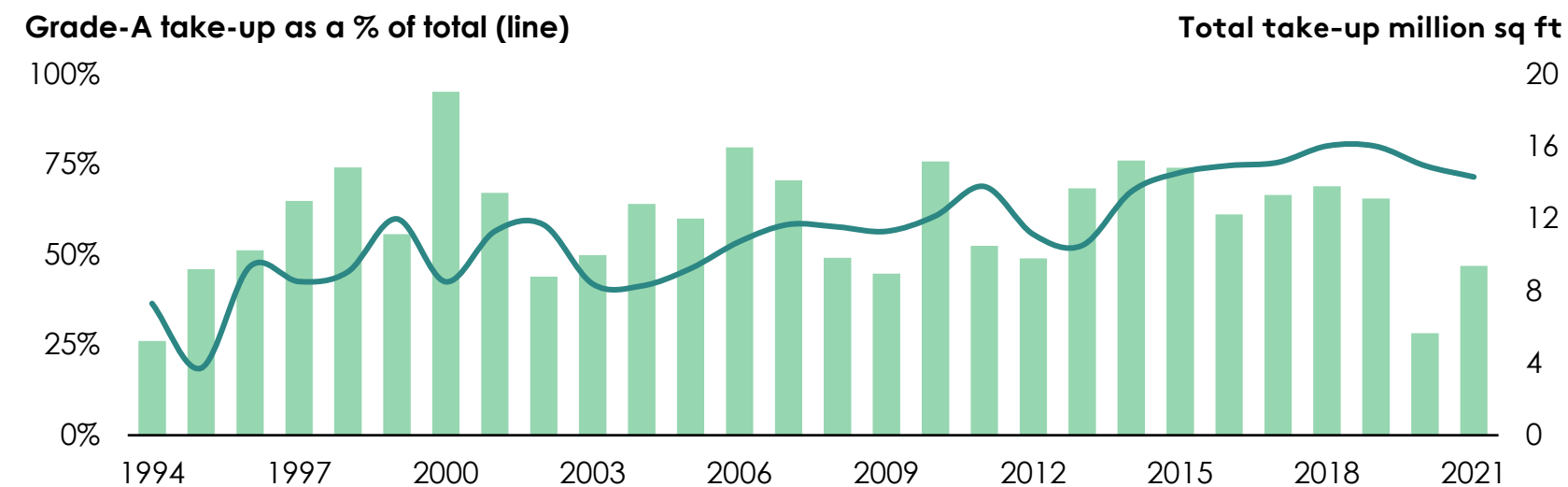
- > Growing demand from occupiers for grade-A space with strong sustainability credentials
- > Expect to see delayed construction starts in the market, resulting in lower future supply
- > Rental values supported by limited grade-A supply

Actual construction starts in the City have reduced sharply compared to original forecasts in previous periods of economic uncertainty



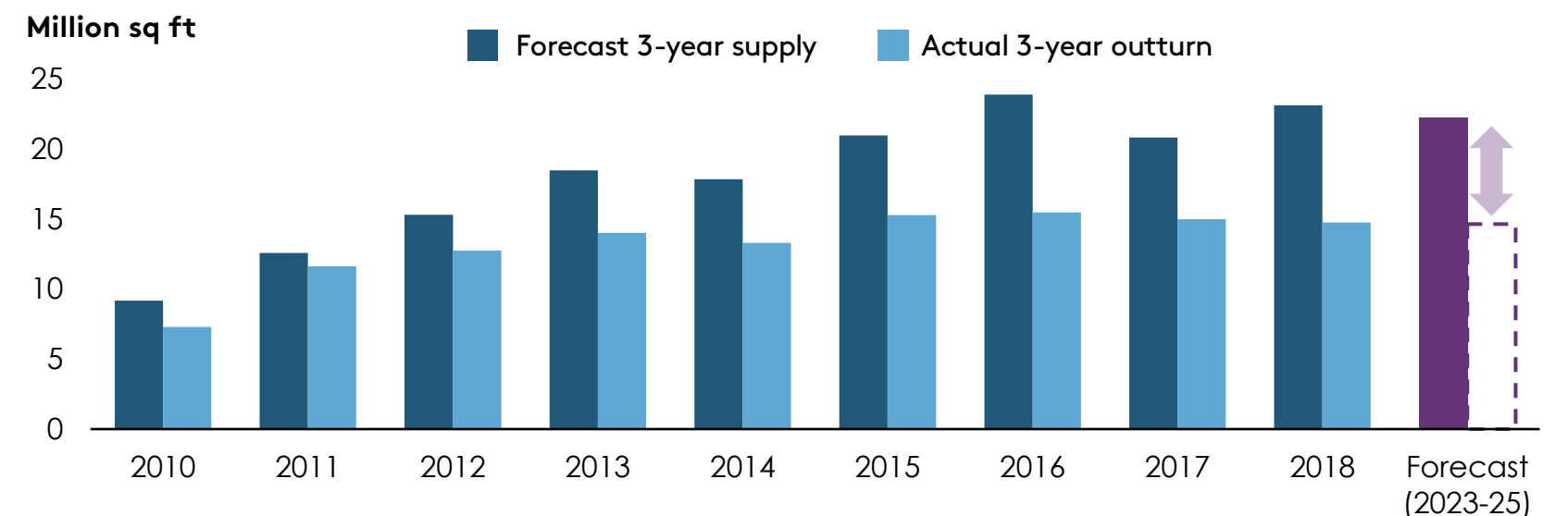
Source: PMA

Share of grade-A space has grown to c. 75% of overall take-up



Source: CBRE

Forecasted supply is on average 34% higher than actual London office completions, and the difference is expected to be even higher in next 3 years



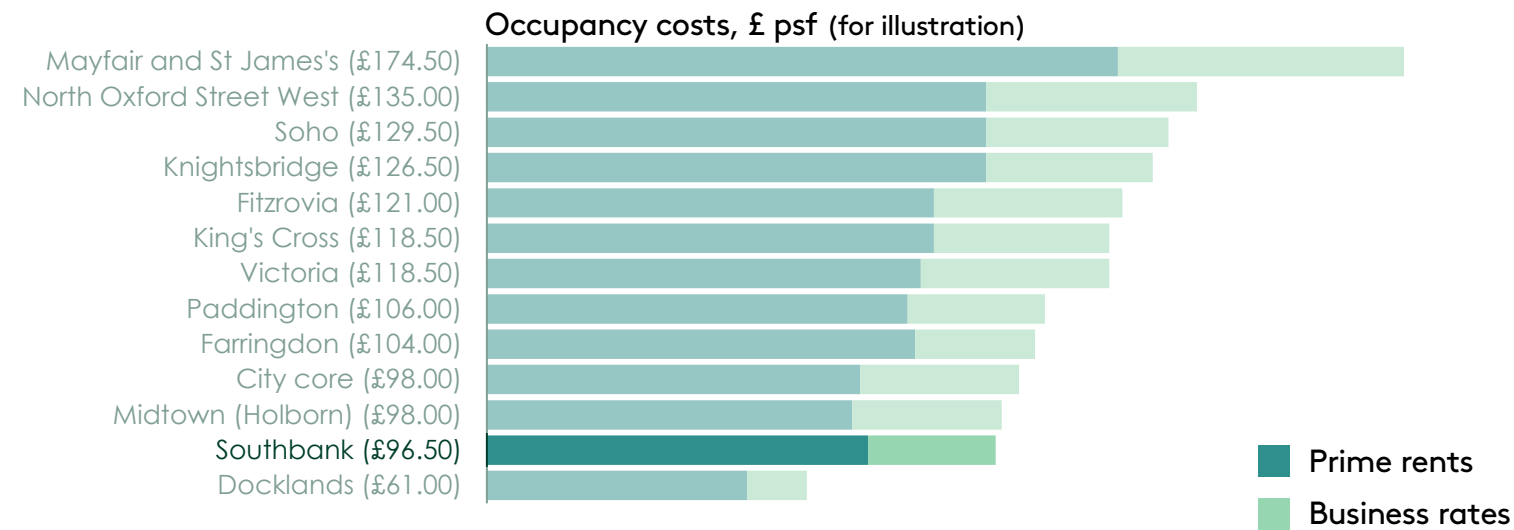
Source: CBRE



# Why Southwark?

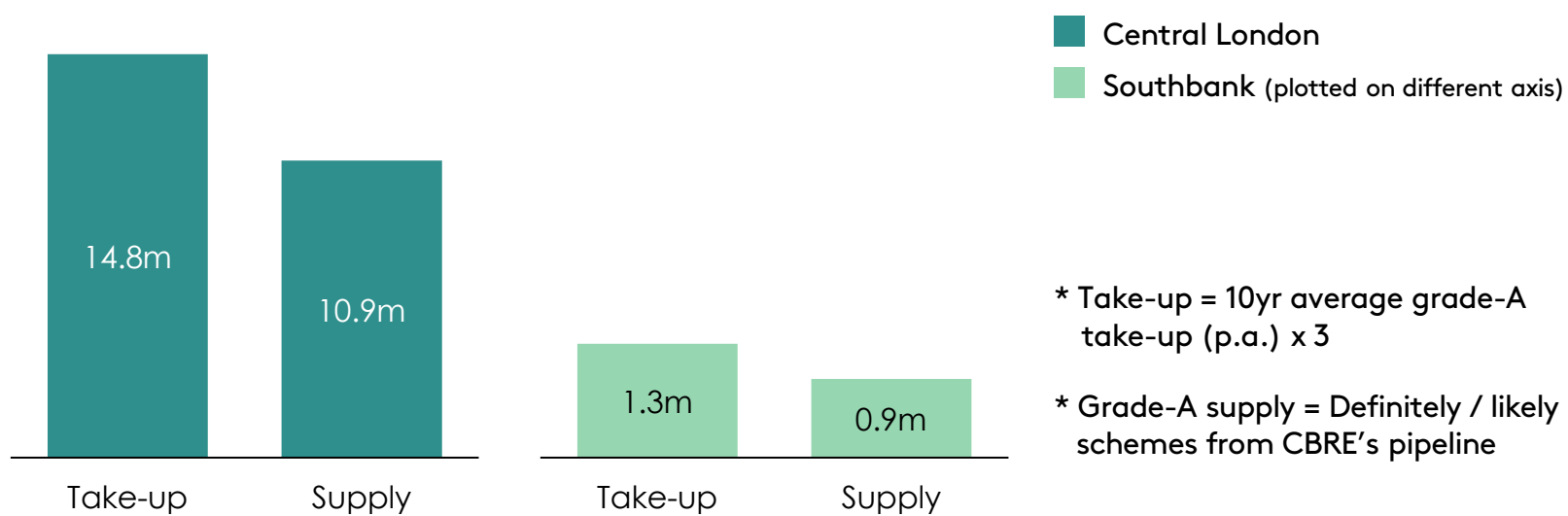
## A growing market with compelling characteristics

### Southbank occupancy cost is at a significant discount to competing sub markets



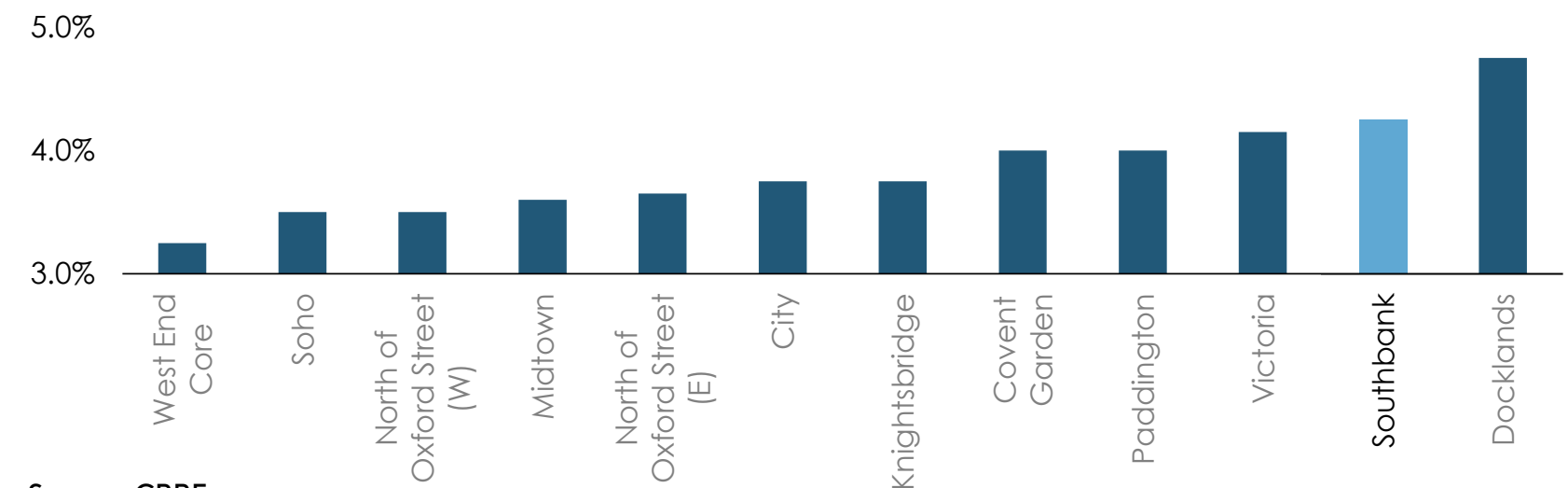
Source: CBRE, Knight Frank

### Southbank is under-supplied 2022-24 compared with average take-up



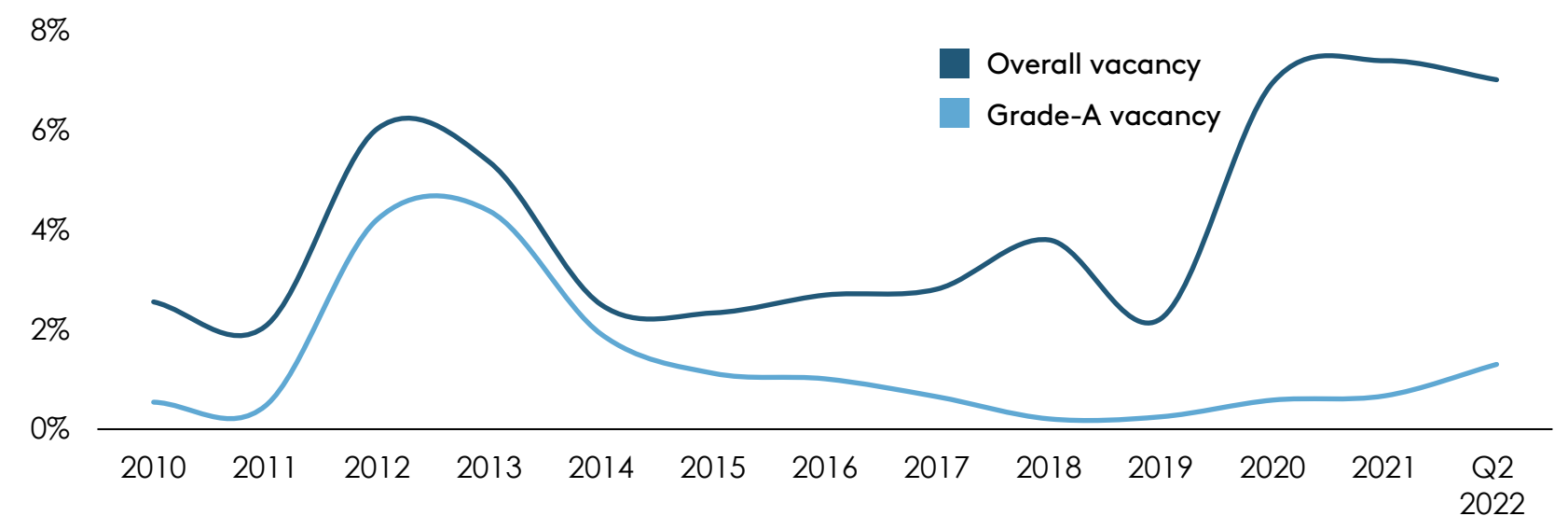
Source: CBRE, Knight Frank

### Prime yields are above other sub markets – Q2 2022



Source: CBRE

### Low levels of grade-A vacancy in Southbank



Source: CBRE



# Creating a 1m sq ft Southwark green office cluster

Four complementary schemes with c. £1.1bn TDC and anticipated yield on cost of c. 7%

THE FORGE – 140,000 sq ft



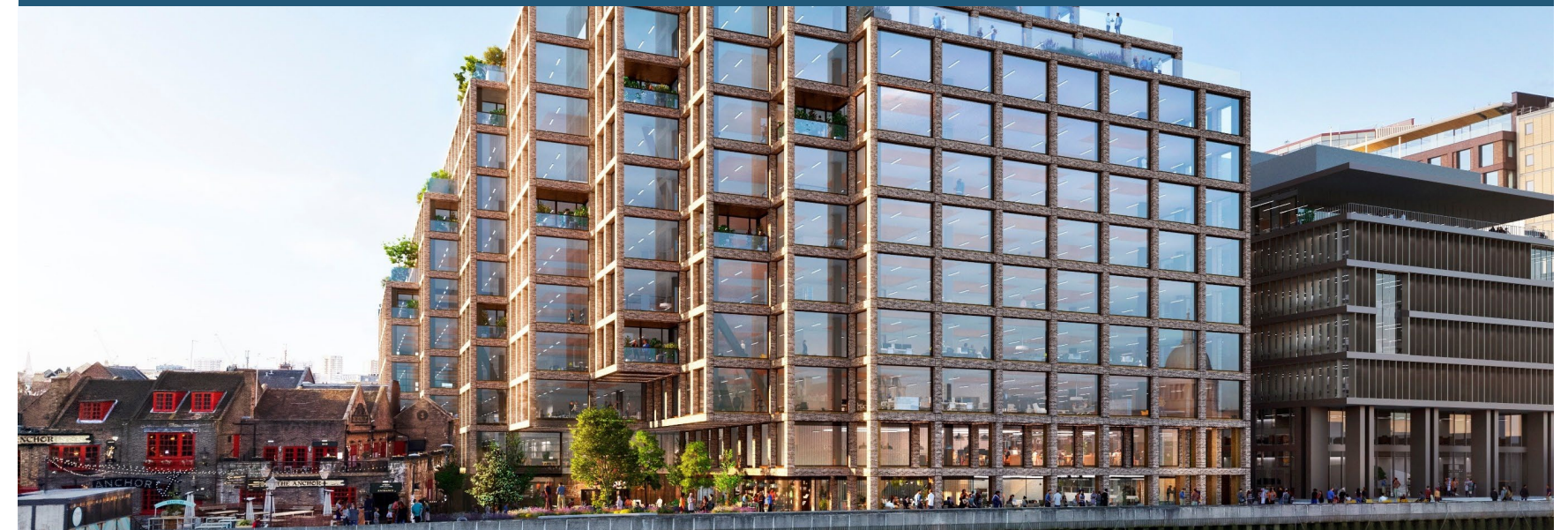
TIMBER SQUARE – 380,000 sq ft



THE LIBERTY OF SOUTHWARK – 200,000 sq ft



RED LION COURT – 235,000 sq ft





# Summary

**MARK ALLAN**  
CHIEF EXECUTIVE OFFICER





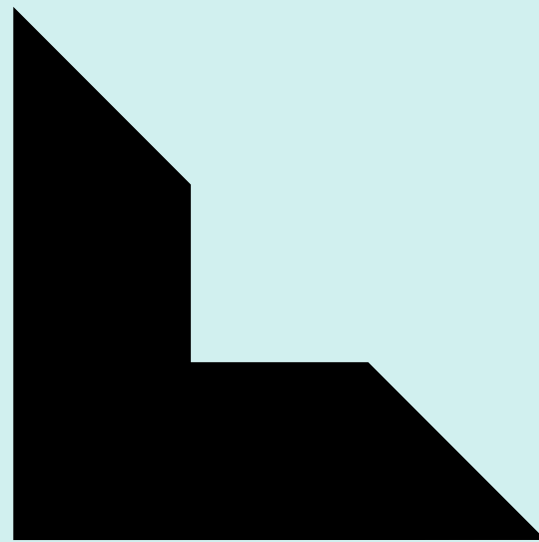
# Well positioned for future growth

Strong financial base and flexibility in pipeline provide optionality

- › Strong operational performance across business
- › Customers increasingly focused on high-quality space
- › Macro challenges impacting investment markets
- › Repricing of assets with lowest yields
- › Sold £1.8bn of mature London offices over the last two years
- › Optionality in significant pipeline
- › Low 30% pro -forma LTV provides solid base for future growth







**Landsec**

**Q&A**