

# Capital Markets Day

21 June 2023

@LandsecGroup

Landsec.com



# Welcome

## Mark Allan

CHIEF EXECUTIVE OFFICER



# Agenda

---

**Introduction**

Mark Allan

---

**Market context**

Remco Simon

---

**Retail update**

Bruce Findlay

---

**Panel session and Q&A**

Hosted by  
Nik Porter

---

**Gunwharf Quays: A growth story**

Pablo Sueiras

**GUNWHARF QUAYS TOUR**



# Market context

**Remco Simon**

CHIEF STRATEGY AND  
INVESTMENT OFFICER



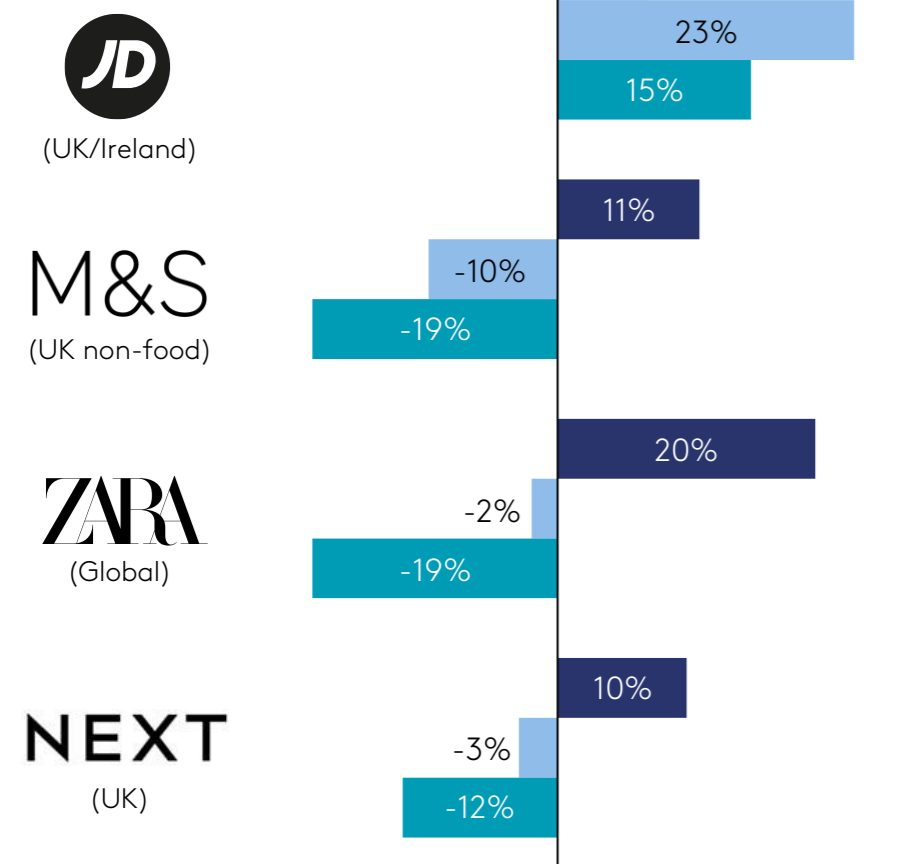
# Best-in-class locations attracting higher sales growth

## Well-positioned in ongoing flight to prime

Fewer, bigger, better stores...

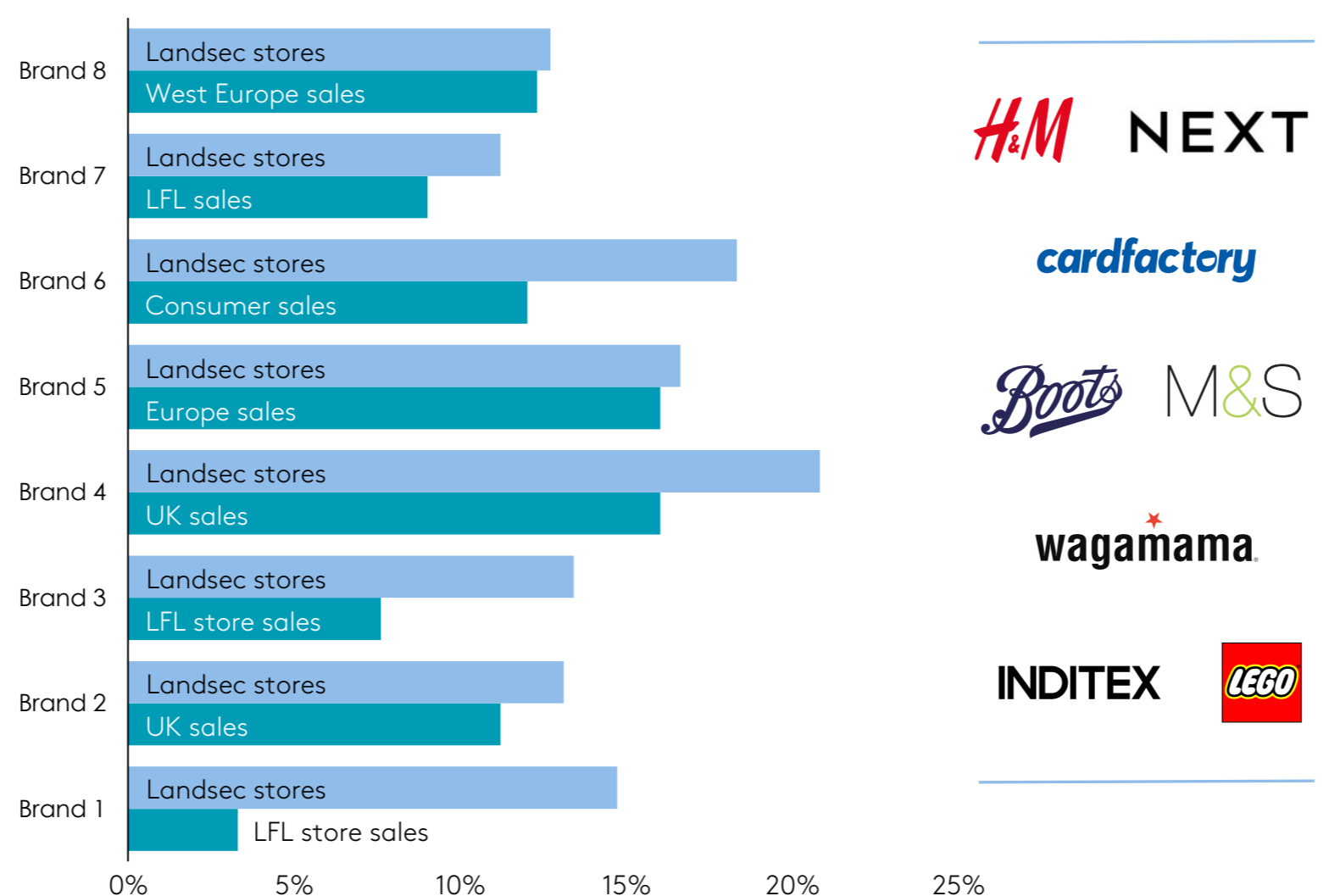
Change in brands' stores since 2018

■ Average store size ■ Total store space ■ Number of stores



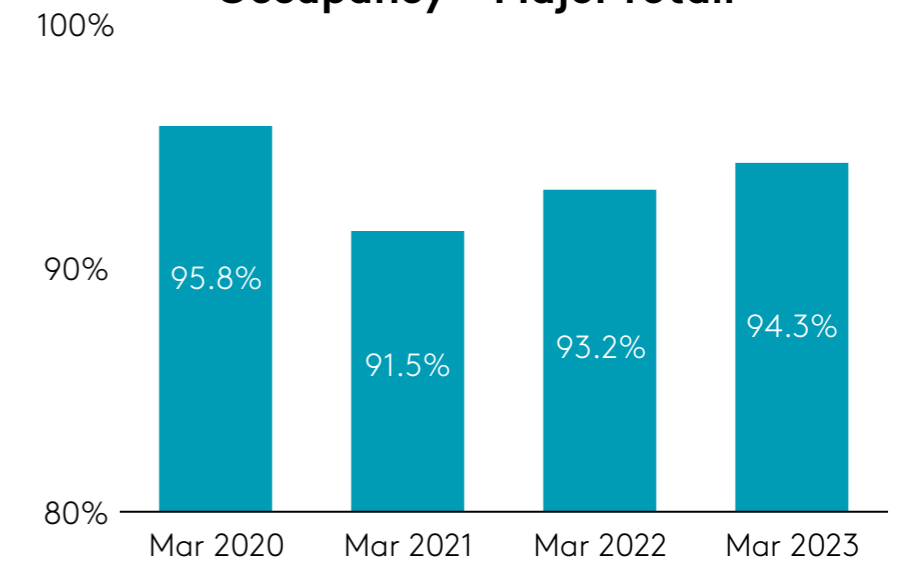
...as Landsec destinations outperform for brands...

Growth in brands' overall retail sales vs sales growth in Landsec stores<sup>(1)</sup>

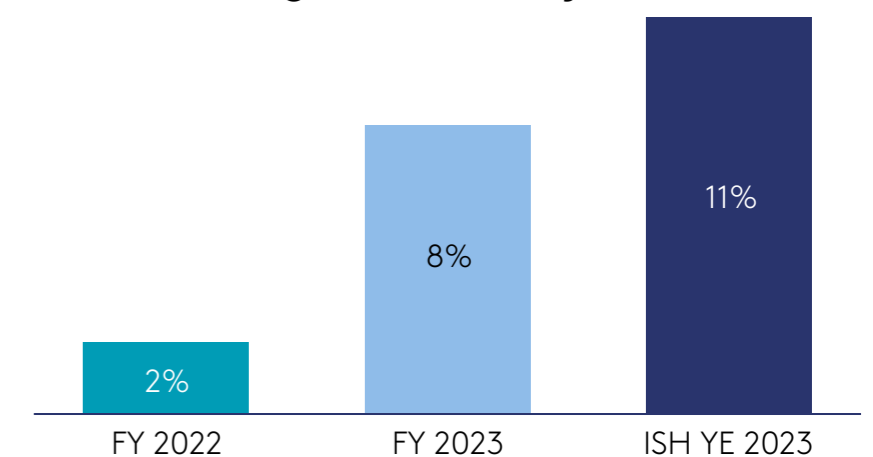


...driving operational growth

Occupancy – Major retail



Leasing vs ERV – Major retail

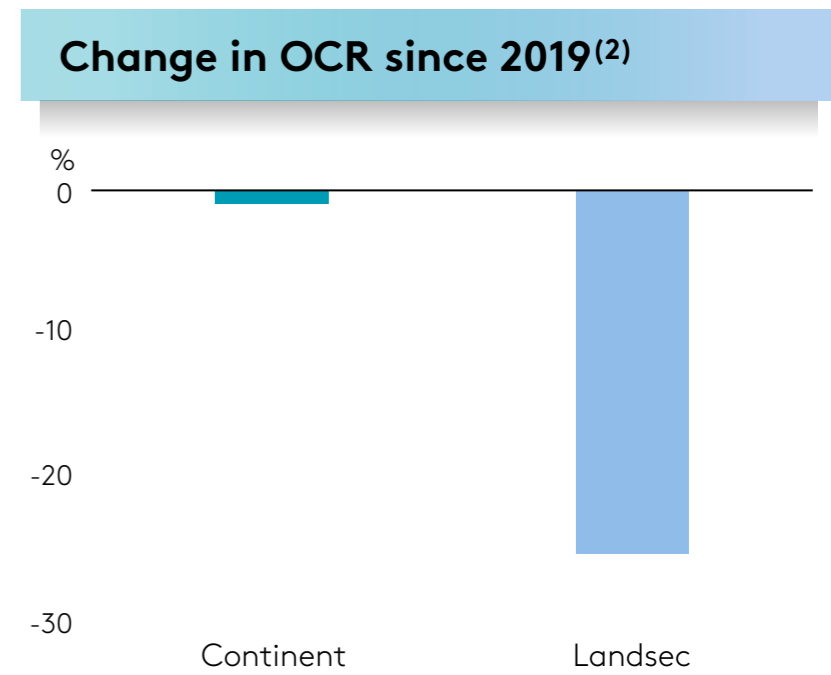
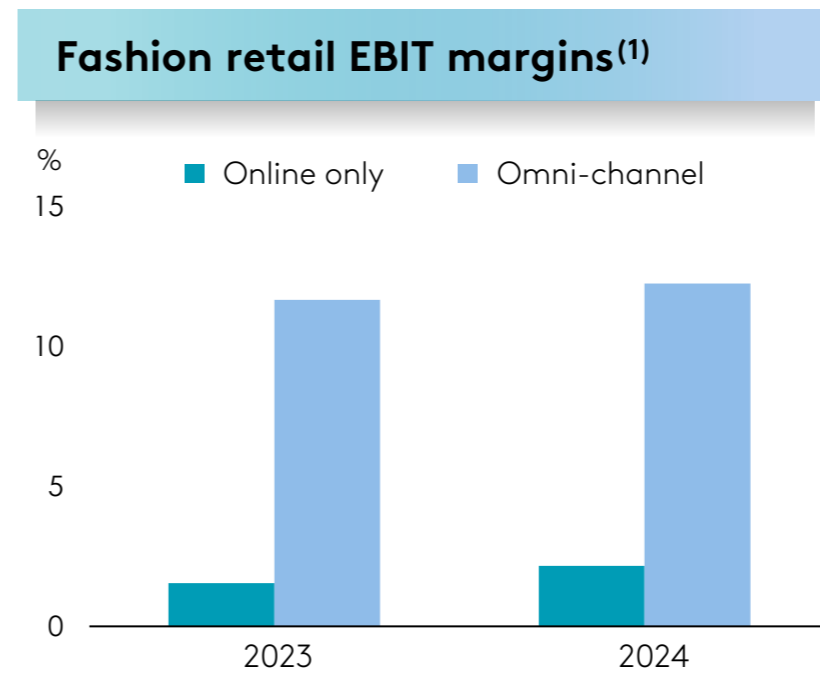
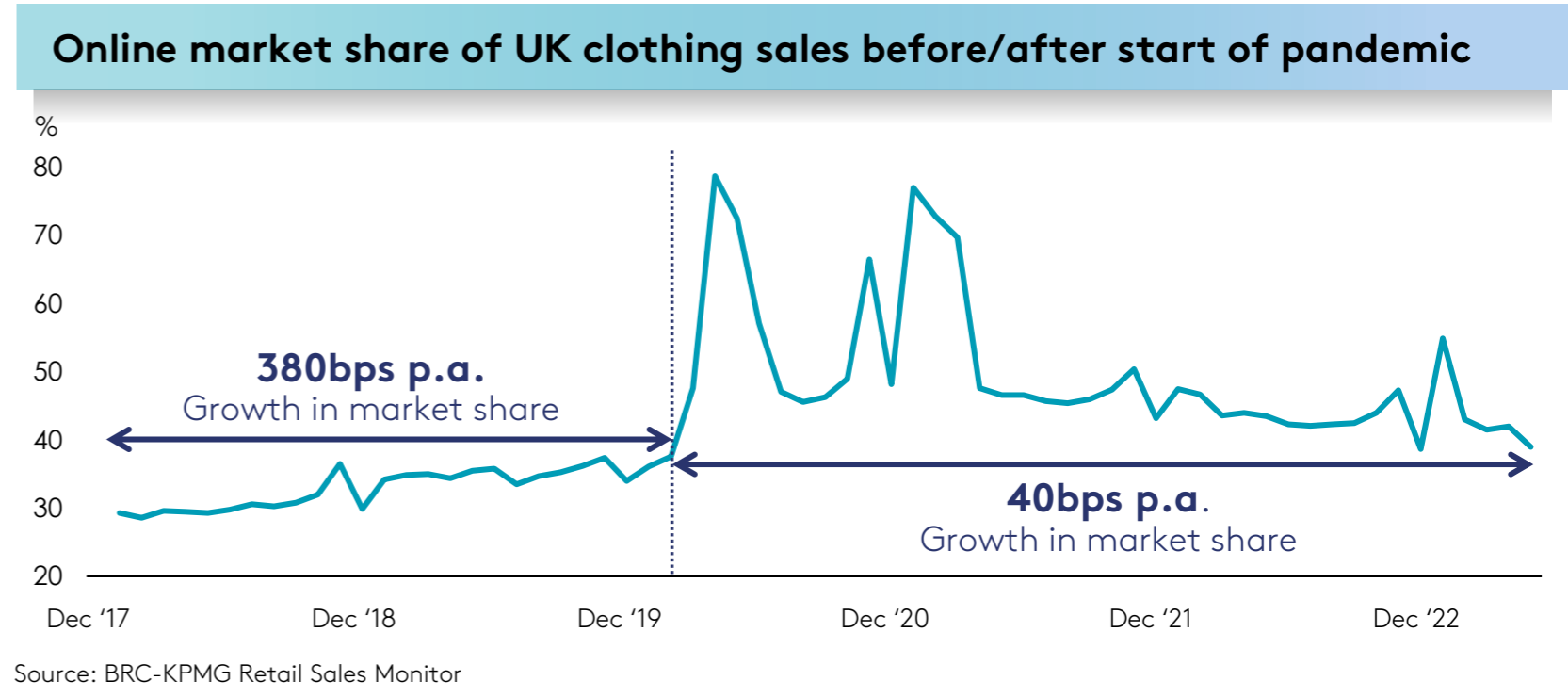


(1) Based on recent trading period consistent with individual brands reporting periods

# What has changed in last 5+ years

## Increased relevance and profitability of physical stores

- › Brands focused on omni-channel vs online/offline
- › Online non-food sales down for each of last 22 months, with positive in-store sales each month
- › Clothing sales' online market share virtually back to pre-Covid levels
  - Normalisation of consumer behaviour
  - Elevated store experience due to brands' investment
  - Shopping online more expensive for consumers
- › Online margins substantially below physical
- › Improved profitability of stores, as sales have fully recovered but occupancy cost is down sharply



(1) Averages of ASOS, Boohoo, Fast Retailing (Uniqlo), H&M, Inditex, Next, TJX, Zalando (MS Research)  
 (2) Landsec shopping centre occupancy cost ratio vs average of five largest Continental shopping centre operators

# What has changed in last 5+ years

## A better, more sustainable brand line-up

- › Pandemic accelerated shake-out of weaker brands
- › Reduced higher-risk, weaker brands by 0.5m sq ft, or 8% of total retail space
- › Re-let 0.5m sq ft to higher quality, modern brands
- › Let/renewed 31% of all rent in Major retail destinations in last two years (including deals ISH)
- › Less than £1m of rent lost due to administrations, CVAs or restructurings in last two years

**-0.5m sq ft**  
since 2018

Weaker brands with  
average credit score  
of 39<sup>(1)</sup> or CVA

DEBENHAMS

Paperchase Wallis

TOPSHOP GAP

mothercare

**+0.5m sq ft**  
since 2018

Modern brands with  
average credit score  
of 94<sup>(1)</sup>

ZARA FOOTAZIUM

MANGO JD M&S

GRAVITY ACTIVE ENTERTAINMENT FLANNELS

THE IVY

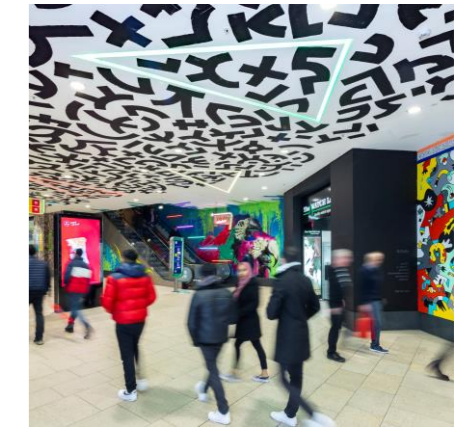
UNIQLO

(1) Based on Creditsafe Rating from 0-100

# What has changed in last 5+ years

## Repurposing of space is reducing supply

- › At start of 2018 still c. 3m sq ft of new shopping centre space under construction
- › No new development in last few years
- › Current values roughly half of replacement cost, rendering future development unviable
- › Excess space being converted into residential, office or other alternative uses
- › Retail floor space starting to shrink, reinforcing concentration of brands in prime locations



	Cardiff city centre	Oxford city centre	Leeds city centre
Repurposing projects	6	3	5
Status	Part consented, part in design	Part on-site, part in design	Part on-site, part in design
Planned reduction in retail space	c. 550k sq ft	c. 250k sq ft	c. 250k sq ft
Reduction in city centre retail space	c. 20%	c. 15%	c. 8%
Landsec occupancy	92.6%	94.0%	95.9%

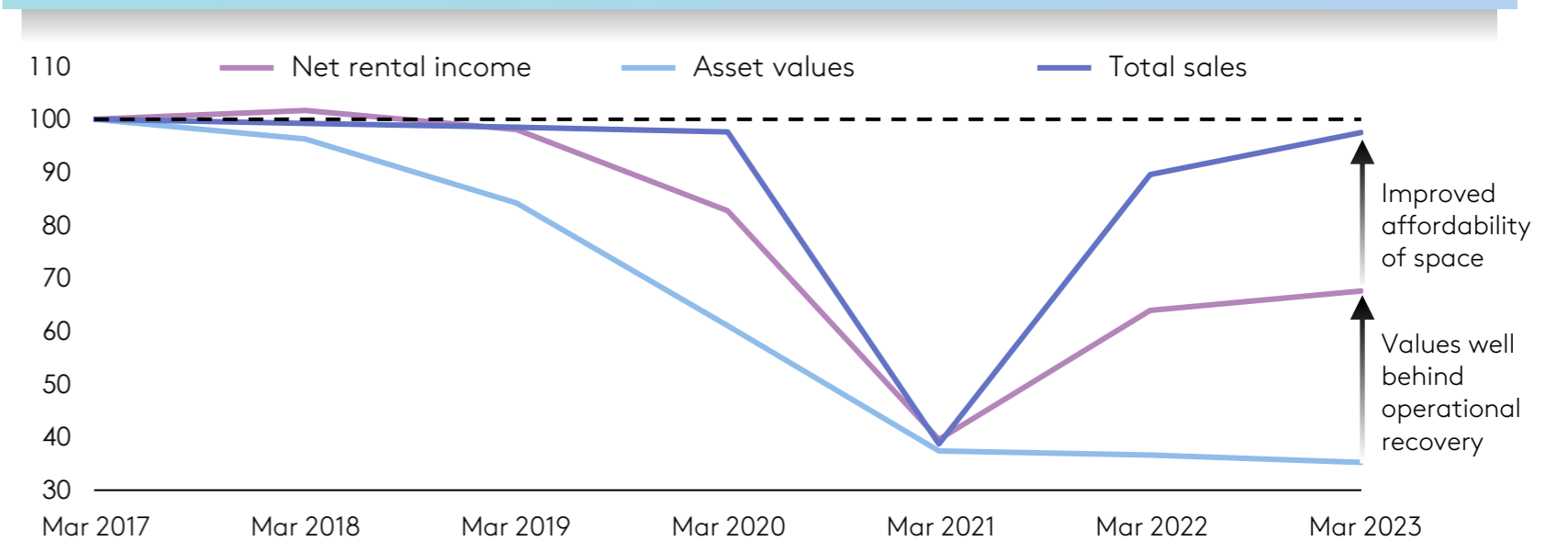


# Attractive future return potential

## High income yields with rents set to return to growth

- › c. 7-8% income return based of sustainable rents
- › Expect low to mid, single digit ERV growth
- › Investing in assets key to support future growth
- › Expect high single/low double digit ungeared total return
- › Attractive risk premium vs other markets/sectors
- › Opportunity to monetise growing platform value and create value by unlocking complex situations

**Movement in shopping centre sales, valuation and rents — March 2017 = 100**



**Risk premium – spread between prime yields and 5-year real interest rates**



# Retail update

**Bruce Findlay**

MANAGING DIRECTOR, RETAIL



# What has changed in Landsec Retail

## Customer centric property management

- › Our Retail Operating Model was developed with three goals in mind:

**IMPROVE** OUR PERFORMANCE

POSITION OURSELVES TO **DRIVE GROWTH**

RESTORE AND **CREATE VALUE**

- › Move from generalists to specialist functions
- › CRM with retail sector specialists

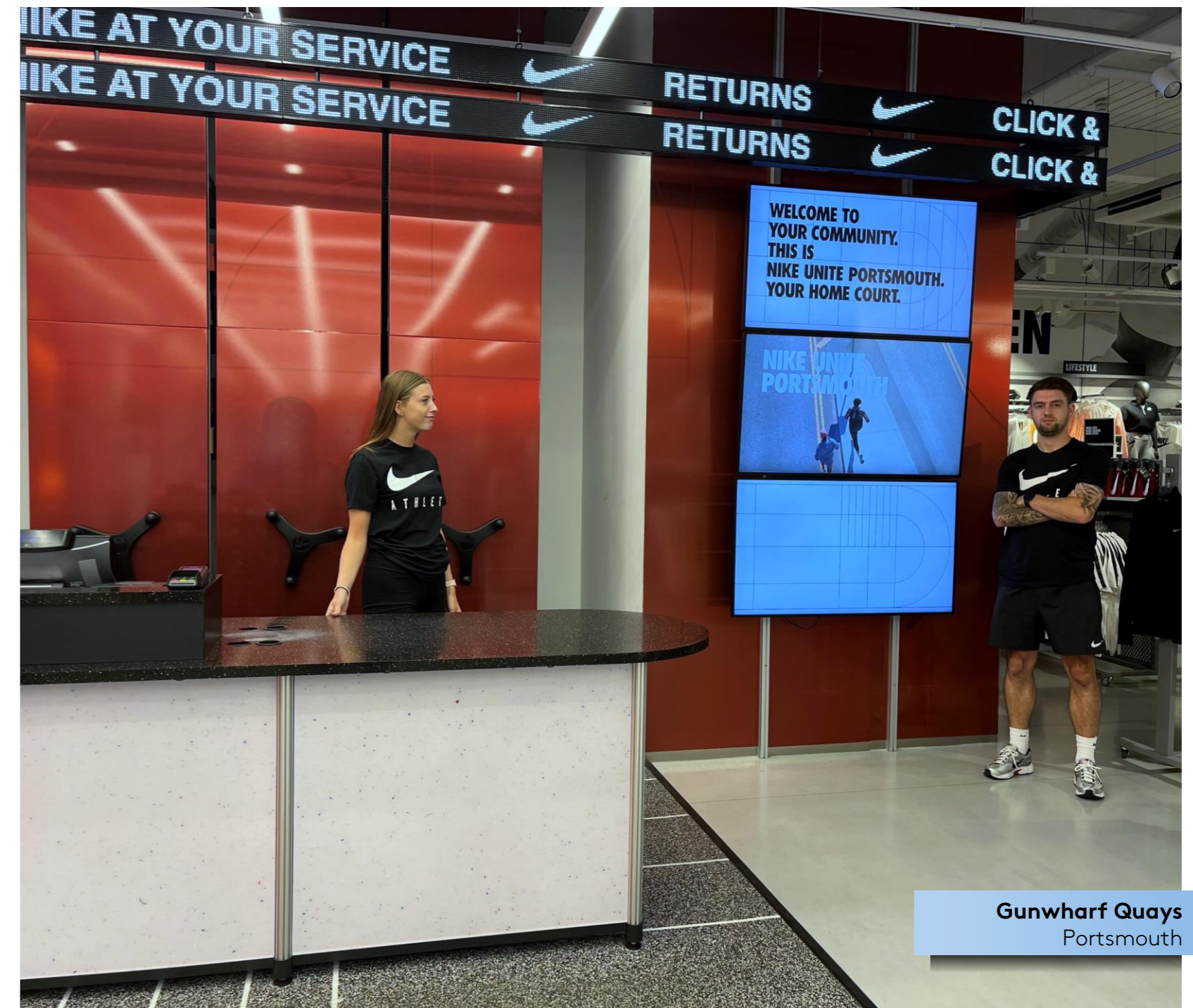


Bluewater shopping centre  
Kent

# What does good look like

## A modern omni-channel retail place

- › Improving performance through experience-led places
- › Driving growth by attracting and retaining the best brands
- › We welcome a degree of brand churn – it drives a virtuous cycle



Gunwharf Quays  
Portsmouth

# Improving performance

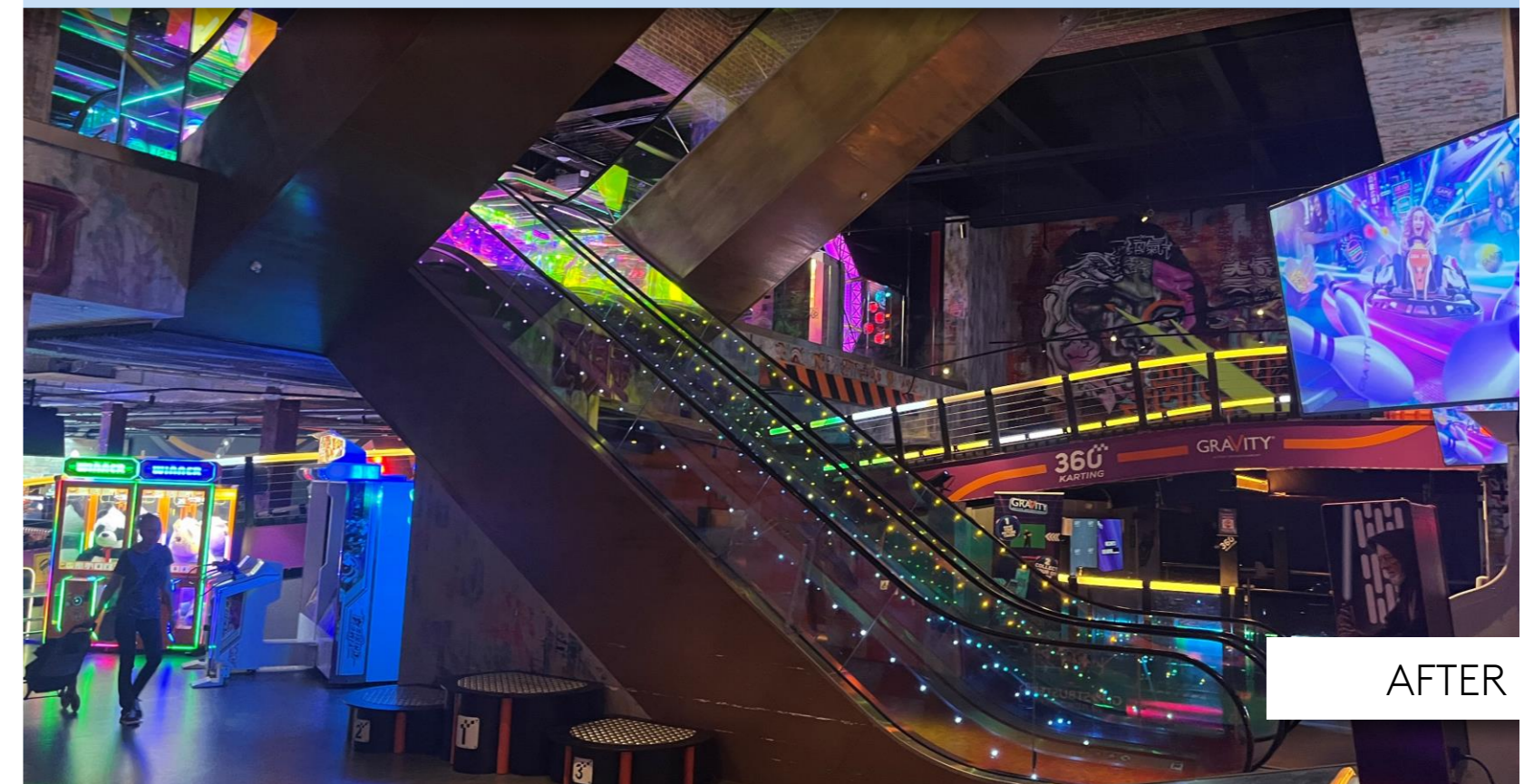
## Through experience-led places

---

- › Opening of Gravity Leisure concept at Southside
- › Impact on Southside FY23 performance
  - Footfall 8.5m +11% vs last year
  - Total Net Sales £64m +15% vs last year
  - Occupancy improves vs. FY20
- › Compared to pre-pandemic performance
  - Footfall +4% vs FY19/20
  - Total Centre Net Sales +20% vs FY19/20



**Gravity Leisure – Southside, SW8**



# Drive growth

## Attract and retain the best brands

---

- › Opening of M&S flagship store concept at White Rose
- › Impact on performance
  - M&S had 96,000 visitors
  - M&S total net sales ahead of target
- › White Rose opening week's footfall was 258,000
  - +22% vs last year
  - 25% of footfall to White Rose came via new M&S entrance
  - +20% on 2019 levels



BEFORE

M&S store – White Rose, Leeds



AFTER

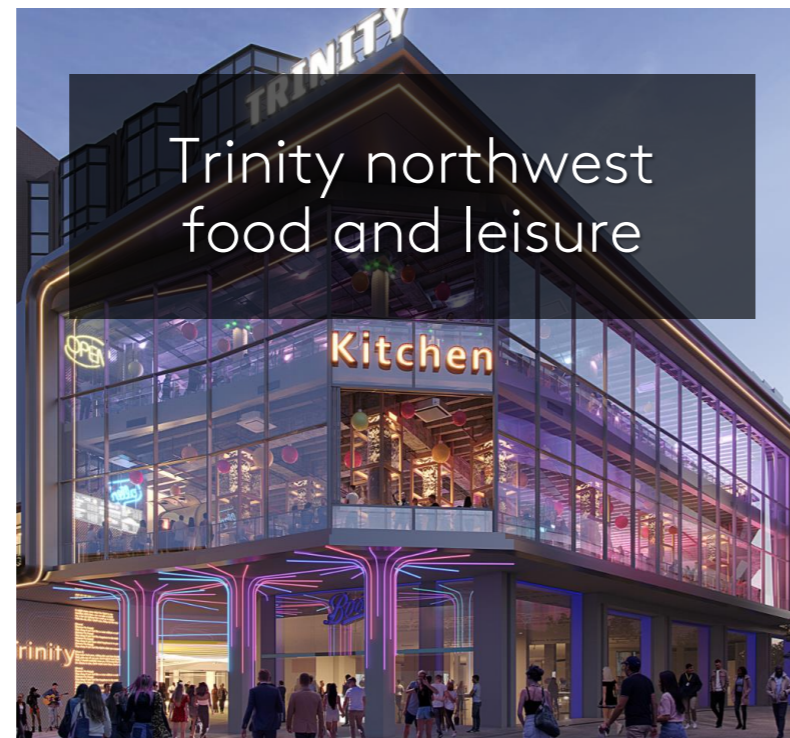
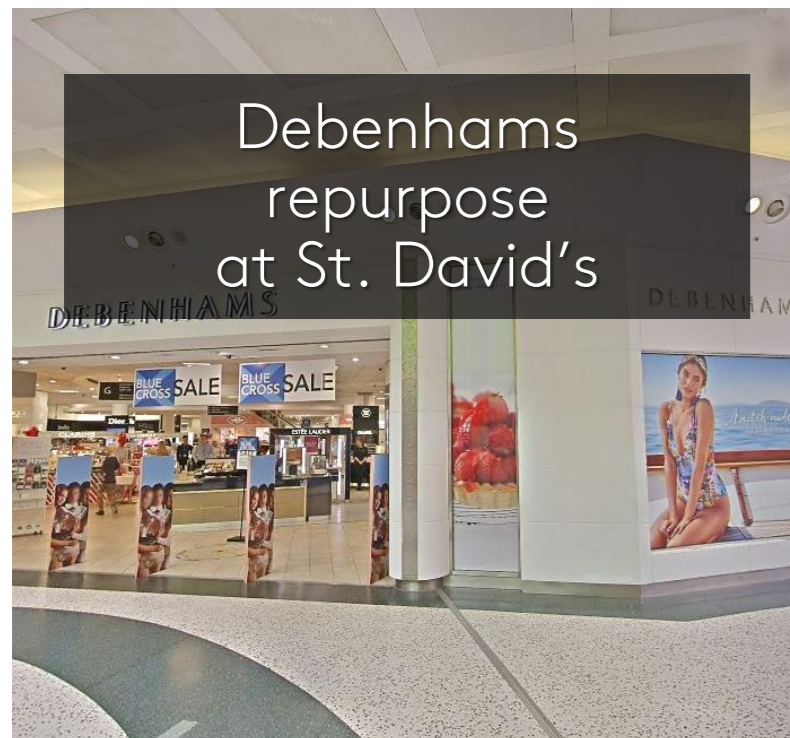
# Accretive capex

## Strategic investment that delivers returns

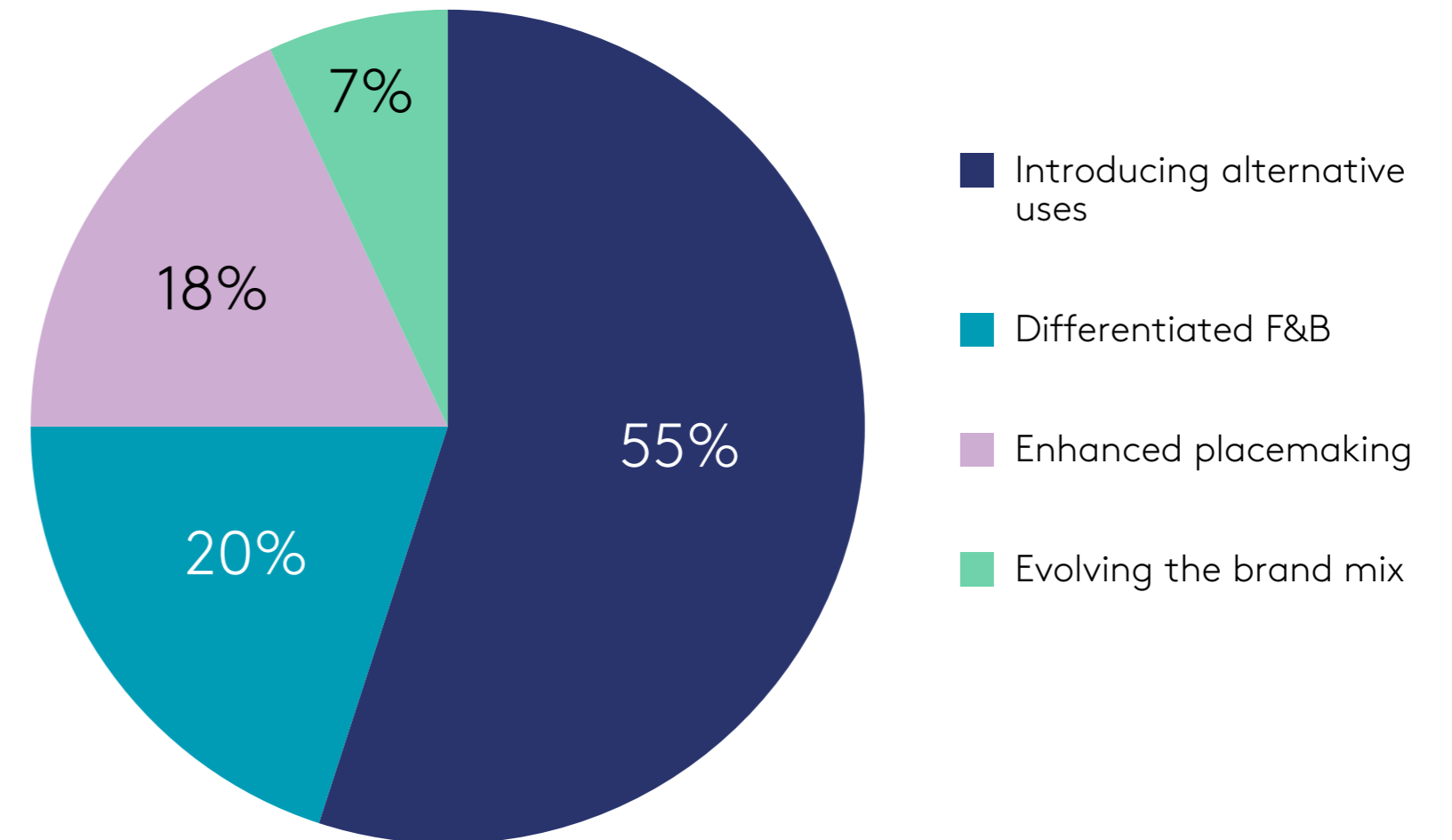
### Four categories for space optimisation



### Project examples



### Capex spend — FY24-FY28



# Strategic investments

## Accretive capex

### St. David's Debenhams | REIMAGINE PLAN

- › Deliver a placemaking initiative that will enhance guest experience and increase dwell time

Removing  
**160,000 sq ft**  
of vacant retail

Create a  
**new city square**

Introduce  
**10,000 sq ft**  
of new F&B space  
and a **20,000 sq ft**  
leisure box



CGI, St. David's shopping centre  
Cardiff



# Strategic investments

Accretive capex

---

## Trinity | REIMAGINE PLAN

- › Building on the success of Trinity Kitchen
- › Re-purposing 40,000 sq ft vacant retail space in Trinity northwest
- › Delivering new 70,000 sq ft hospitality destination



CGI, Trinity shopping centre  
Leeds

# Retail platform

## More than a portfolio of assets

### › Building on our competitive advantages

- Continue to drive performance
- Platform to support growth
- Create value for our business, our stakeholder and our Brand Partners

#### Landsec's three key competitive advantages



High-quality portfolio



Strong customer relationships



Unlocking complex opportunities



Trinity shopping centre  
Leeds

# Panel session

Hosted by



**Nik Porter**  
HEAD OF BRAND  
ACCOUNT  
MANAGEMENT



**Will Smith**  
PROPERTY DIRECTOR  
  
M&S



**Ruth McFetridge**  
BRAND DIRECTOR



**Ilana Sarner**  
BRAND DIRECTOR



**Harvey Jenkinson**  
CEO  
  
**GRAVITY**  
ACTIVE ENTERTAINMENT



**Peter Harris**  
CO-FOUNDER  
  
HOTEL  
*Chocolat.*



**Nick Tite**  
VP COMMERCIAL  
  
**ace & tate**

# Q&A

An aerial photograph of a city waterfront, featuring a prominent tower with a pointed top and a large body of water. The image is overlaid with a blue diagonal shape on the left side and a diamond-patterned grid on the right side. The text 'Q&A' is positioned on the blue shape, and the 'Landsec' logo is on the right side.

**Landsec**

# GUNWHARF QUAYS

## A growth story

**Pablo Sueiras**

HEAD OF RETAIL  
ASSET MANAGEMENT



# Gunwharf Quays

## A growth story

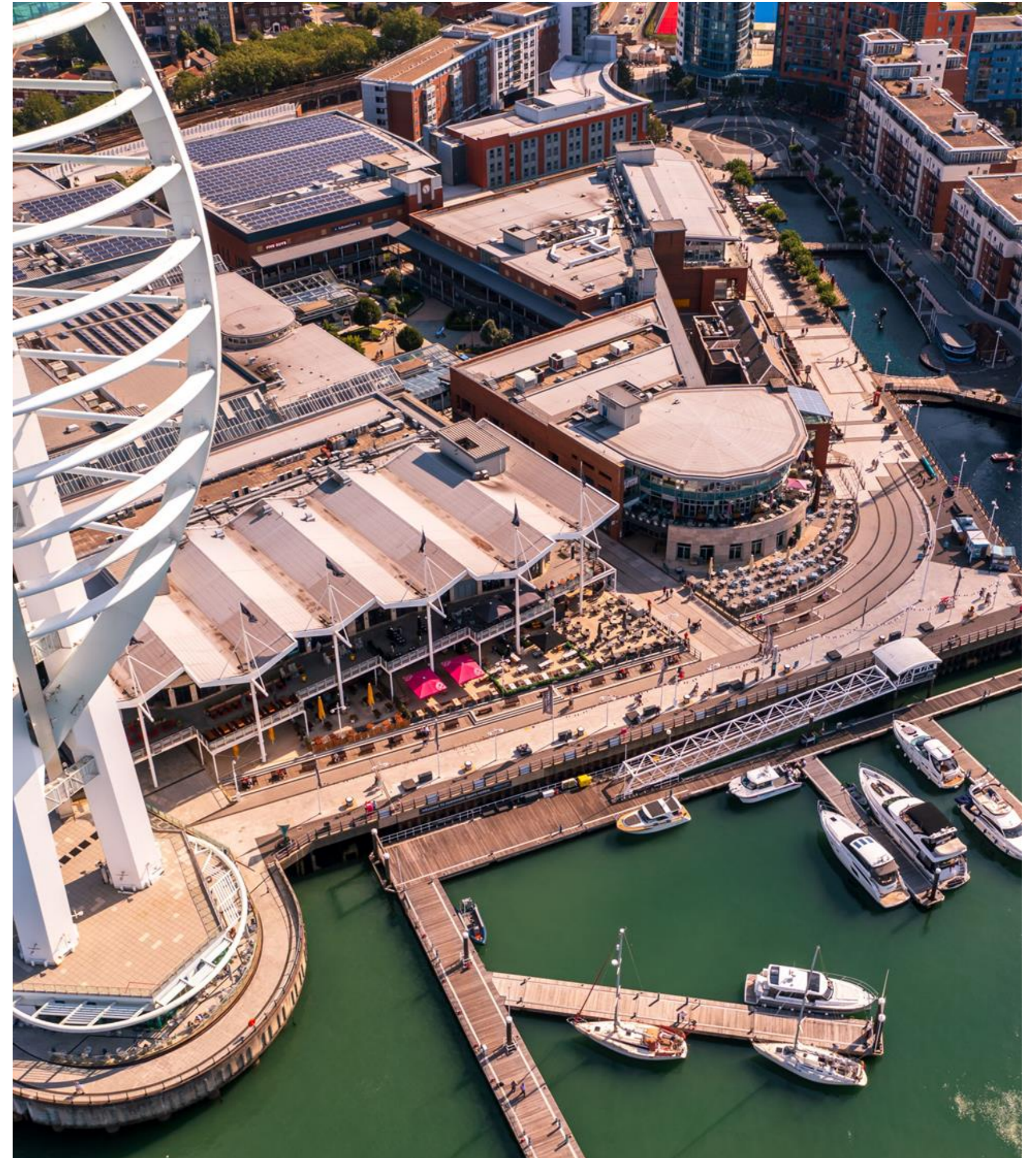
---

### Top 3 UK outlet (CACI)

- › 6.4m footfall, £205m total sales (FY23)
- › 95 off-price retail units (210k sq ft)
- › £17m invested (FY15-18)
- › 42% growth in Retail Sales Density to £732 (FY15-20)
- › 21% growth in Net Rental Income (FY15-20)

### Successful mixed-use scheme

- › 40 restaurants, bars and cafés (136k sq ft)
- › A collection of alternative uses
- › £27.4m Net Rental Income (FY23), +7% vs FY20



# Portsmouth and Gunwharf Quays

Maritime heritage and a collection of world-class attractions and buildings



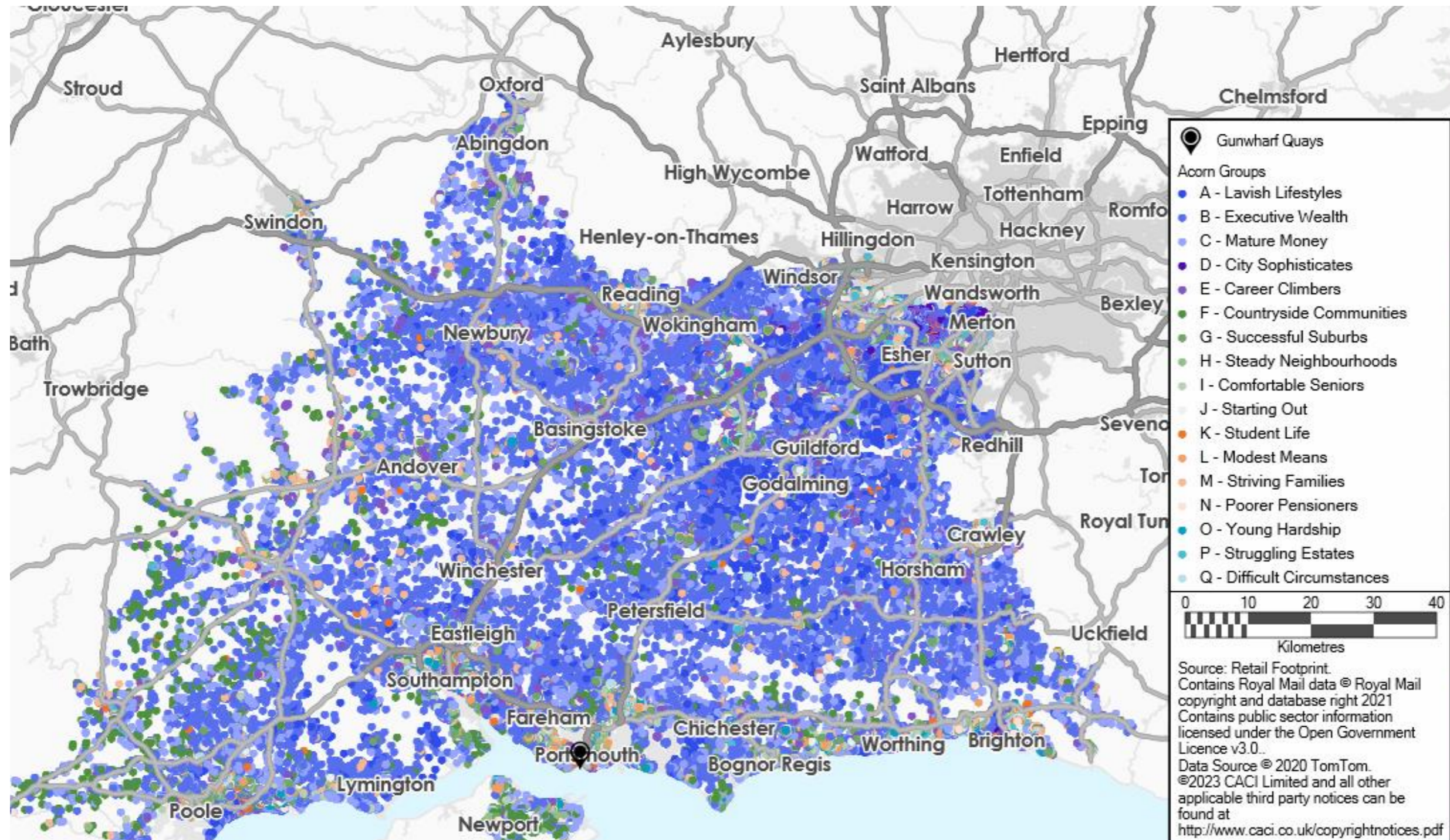
# Living history

Home to numerous listed buildings and naval memorabilia





# Catchment and dominant Acorn group



Gunwharf Quay's catchment (90-minute drivetime) extends northwest to Oxfordshire and northeast to south and west London.

# Our mission

Create a leading European lifestyle waterfront destination

---



# Transformation plan

Being executed across all areas



## Asset

Curation of zones

Increase retail space



## Brand

Elevate the brand mix

Realise greater value from the public realm



## Consumer

Targeted marketing strategy

Enhance the guest experience



## Development

Unique character

Four key projects

# Four key projects

## Marlborough Square



# Four key projects

## Central Square



# Four key projects

## The Avenues



# Four key projects

## The Waterfront

---



# Design intent





# Transformation plan

## Key metrics

---

c.£45m

Development capex to deliver the projects

+18%

Additional retail space (+32k sq ft)

68%

Premium retail space mix, +27ppts vs today

£1,011

Retail sales density, vs £750 today

£290m

Total centre sales, +41% vs today

+22%

Net Rental Income vs today to £33.4m

c.£4m

Incremental Net Income in FY30 vs base case

8%+

Yield on cost

# Capital Markets Day

21 June 2023

@LandsecGroup

Landsec.com

An aerial photograph of a city at sunset, featuring a prominent, tall, spire-like building. The Landsec logo, a white L-shaped graphic, is overlaid on the right side of the image.

Landsec