Operating and portfolio review

Overview

Our overall portfolio on a combined basis was valued at **£10.2bn** at the end of March, which adjusted for disposals and new investments, was down £848m for the year due to a softening of valuation yields, and is made up of the following areas:

61%

Central London
Our modern, high-quality office (82%) and retail and other commercial space (18%), located in the West End (68%), City (26%) and Southwark (7%).

18%

Major retail destinations
Our investments in six shopping centres and five retail outlets, with the seven largest assets comprising 85% of the overall retail portfolio value, most of which are amongst the highest selling locations for retailers in the UK.

8%

Mixed-use urban neighbourhoods
Our investments in mixed-use assets and future development opportunities, focused on five sites in London, Manchester and Glasgow, of which some still have a short-term use as retail ahead of their medium-term redevelopment.

13%

Subscale
Assets in sectors where we have limited scale and which we therefore intend to divest over time, split broadly equally between retail parks, hotels and leisure assets.

Investment activity

When we set out our strategy in late 2020, we said we planned to sell c. £4bn of mature London offices and assets in sectors which were subscale for us over a period of circa six years, with a view to reinvest this into higher growth opportunities over time. We have continued to make strong progress on this, so 2.5 years into this period, we have now sold £2.4bn, including £1.4bn over the past year.

Our largest sale last year was the £809m disposal of our 21 Moorfields, EC2 development in September. The building is fully pre-let to Deutsche Bank for 25 years and therefore offered little room to add further value. The sale represented a 9% discount to March book value, partly reflecting the fact that construction had not yet completed, but crystallised a 25% profit on cost and 11% IRR since we acquired the site.

In January, we sold One New Street Square, EC4 for £350m. This building is fully let to Deloitte for a further 14 years and, following a regear of the lease at the start of the year, also offered little to room to add further value. The price was 4% below the September valuation, yet crystallised a 10% IRR since our acquisition of the site in 2005. At the start of the year, we also sold 32-50 Strand, WC2 for £195m, following a 10-year lease regear with the sole occupier, 15% above its prior book value. In addition, we sold £54m of smaller non-core assets, 22% ahead of book value, and we have now sold or exchanged contracts to sell over half of U+I's non-core assets for £98m, on average 16% above book value.

Relative to £1.4bn of disposals, we spent £120m on acquisitions and £280m on development capex last year. Our main purchase was the debt secured on 50% of St David's, Cardiff via separate transactions with two lenders. This allowed us to obtain 100% control of the shopping centre at a discount to the £113m book value of our existing half of the asset and an implied initial and equivalent yield of 9.7%. In addition, we spent a small amount on land assembly deals around some of our major mixed-use projects.

We have now sold £2.2bn of the c. £2.5bn London offices we earmarked in 2020, at an average yield of 4.4% and a 4% discount to book value. This means our London assets are now 74% in the West End and Southwark, with City exposure down from 39% to 26% over the year. We are planning further disposals this year, yet we expect future disposal activity to be more balanced towards our subscale sectors.

Portfolio valuation

The sharp increase in interest rates during the year meant that transaction volumes across global and UK property markets slowed materially. Yields reset quickly as a result, especially during the second half of 2022. Despite ERV growth across all key segments, this meant the value of our portfolio reduced 7.7%.

The value of our Central London portfolio was down 7.3% for the year. This reflected a 42bps increase in yields to 4.9%, which was partly offset by 4.7% growth in ERVs – at the high end of our guidance of low to mid single digit ERV growth for the year.

The value of our West End office (-8.0%) and retail and other assets (+1.3%), which make up 74% of our London investment portfolio, proved more resilient than our City offices (-15.4%). This reflected our strong leasing activity in Victoria, driving 3.7% ERV growth and strong growth at Piccadilly Lights. In the City, where we have sold £1.7bn of offices since late 2020, ERV growth was 4.7%, which solely reflected a major lease regear at a higher rent at New Street Square, with the associated refurbishment works to facilitate this taken as a cost in the valuation. Development values were down slightly (-3.0%), with ERV growth due to successful lettings offset by softer valuation yields.

The value of our major retail assets reduced 6.4% during the year, despite our successful leasing activity driving 0.9% ERV growth. Virtually all of this movement occurred in the final quarter of the 2022 calendar year, as valuers moved yields out by 40bps, mostly based on sentiment, as there were no comparable transactions during the period. We ascribe more value to the continued improvement in operational performance than "sentiment", so we continue to focus on driving this. Reflecting the high income return, the total return of our major retail assets was at 0.5% ahead of London (-3.4%) and mixed-use (-2.8%).

In mixed-use, our completed assets at MediaCity were down 5.9%, as ERV growth of 8.6% was offset by a 61bps increase in yields. Our future developments were down 9.4%, reflecting the fact that these are mostly valued based on their existing use and we manage the income on a short-term basis to maximise flexibility for future development. In Subscale, hotel values were down slightly (-3.1%), whilst retail parks were down 12.1% driven by 69bps yield softening, following a strong 31.9% increase in values during the prior year. The value of our leisure assets was down 17.7% reflecting concerns around the largest tenant, Cineworld, although the news of its recapitalisation post the year-end is a clear positive.

Valuation analysis

Table 4

	Market value 31 March 2023 £m	Surplus/ (deficit) £m	FY valuation change %	H2 valuation change %	LFL rental value change[1] %	Net initial yield %	Topped up net initial yield %	Equivalent yield %	LFL equivalent yield change bps
West End offices	2,653	(222)	(8.0)	(4.0)	3.7	4.8	5.3	5.1	46
City offices	1,304	(234)	(15.4)	(7.4)	4.7	3.3	4.0	5.2	53
Retail and other	1,095	14	1.3	1.1	7.6	4.1	4.3	4.6	13
Developments	1,190	(37)	(3.0)	(2.5)	n/a	0.3	0.3	4.6	n/a
Total Central London	**6,242**	**(479)**	**(7.3)**	**(3.6)**	**4.7**	**4.3[2]**	**4.7[2]**	**4.9**	**42**
Shopping centres	1,196	(60)	(4.8)	(5.8)	3.0	8.1	8.6	7.9	39
Outlets	684	(67)	(8.9)	(8.4)	(2.5)	6.5	6.8	7.2	45
Total Major retail	**1,880**	**(127)**	**(6.4)**	**(6.7)**	**0.9**	**7.5**	**7.9**	**7.6**	**40**
Completed investment	389	(24)	(5.9)	(1.1)	8.6	5.4	5.4	6.4	61
Developments	426	(48)	(9.4)	(11.2)	n/a	5.3	5.4	5.8	n/a
Total Mixed-use urban	**815**	**(72)**	**(7.8)**	**(6.9)**	**8.6**	**5.4[2]**	**5.4[2]**	**6.1**	**61**
Leisure	476	(99)	(17.7)	(15.5)	(1.4)	8.0	8.1	8.3	116
Hotels	408	(13)	(3.2)	(8.1)	9.9	6.6	6.6	6.7	117
Retail parks	418	(58)	(12.1)	(7.1)	4.9	6.5	7.0	6.4	69
Total Subscale sectors	**1,302**	**(170)**	**(11.6)**	**(10.6)**	**3.5**	**7.1**	**7.3**	**7.2**	**96**
Total Combined Portfolio	**10,239**	**(848)**	**(7.7)**	**(5.4)**	**3.6**	**5.4[2]**	**5.9[2]**	**5.8**	**50**

1. Rental value change excludes units materially altered during the period.
2. Excluding developments

Looking ahead, whilst yields appear to have started to stabilise in recent months, investment activity in reality remains thin across most sectors. Investor demand is selective, so combined with the volatility in interest rates and tightening of credit conditions the outlook remains uncertain, although we expect values for prime assets to stabilise and return to growth well before secondary. We also expect high yields in major retail destinations to offer more resilience than lower yielding sectors.

Reflecting the strong demand for high-quality space and limited supply, we expect ERVs in London and major retail to grow by a further low to mid single digit percentage this year.

Operating and portfolio review continued

Leasing and operational performance

Central London

Despite the recent disruption from transport strikes, London continues to get busier and office utilisation continues to gradually increase. We continue to see a growing bifurcation in demand, with customers focusing on flexibility, the best quality space in areas with the right amenities to attract key talent, and sustainability. Across the London market, office take-up slowed in the second half, ending the year at 11.8m sq ft – up 7% vs last year and just 4% below the 10-year average. Space under offer reduced to 3.2m sq ft vs a 10-year average of 3.4m sq ft and vacancy in the City remains high at 11.7%. Conversely, vacancy in the West End, where c. 70% of our assets are located is just 3.6% and down 70bps YoY. Overall, 67% of available space is second-hand, as Grade A vacancy remains low at 1.7%.

Reflecting the strong demand for the best quality space, we signed 44 lettings and renewals, totalling £43m of rent, on average 3% ahead of valuers' assumptions, with a further £6m in solicitors' hands, 19% above valuers' estimates. This included an upsized, new 17.5-year lease with Taylor Wessing at New Street Square, in a deal where we are temporarily relocating them to a different building on the estate where we are drawing up plans for medium-term redevelopment, whilst we decarbonise their existing building. In line with our guidance, occupancy increased 110bps to 95.9%, with our West End offices effectively full, at 99.5% occupancy. We continue to see strong demand for our Myo flexible offer, with 123 Victoria Street 100% let and Dashwood 85% let, vs 98% and 64% a year ago. We plan to open three new Myo locations in autumn, totalling 138,000 sq ft, with a further location to open next summer.

Looking forward, we have been clear in our expectation that more flexible ways of working would reduce overall demand for office space in the UK. However, we have also consistently said that the impact of this will not be evenly spread, with large HQ type space and areas which lack the amenities that offer people a reason to want to spend time there expected to see a much bigger impact. This has started to play out and we expect this will continue. Across London space marketed for subletting increased to 5.1m sq ft over the year, but 75% of this is in the City, City Fringe and Docklands. In the West End and Southwark, where assets are smaller and occupiers more diversified, demand remains strong and Grade A supply is low. This continues to drive ERV growth for the best assets, which continues to benefit our portfolio.

Major retail destinations

Customer demand for retail space in the best locations continues to grow. Underlining the value of our major retail destinations for brands and consumers, total retail sales across our portfolio grew 6.9% YoY and like-for-like sales were 4.4% above 2019 levels. Footfall across our shopping centres increased 12% and is now at 90% of pre-pandemic levels, compared to 83% for the UK market and 80% a year ago.

Consumer behaviour continues to gradually revert back to pre-Covid trends, with online sales down and in-store sales up over the past year. For most leading brands, online and physical channels are now firmly interconnected, and a number of key brands such as Next and Inditex indicated recently that online is no longer expected to grow as quickly as previously anticipated. The increase in cost of capital and cost of doing business online has also led many online pure-play retail models to shift their focus from growing market share to growing profitability, increasing the cost for consumers to buy online.

Whilst we expect brands to continue to rationalise their overall store footprints, their focus on 'fewer, bigger, better' stores continues to drive growth in demand for space in our assets, as they upsize existing stores or open new stores as they move from nearby locations to benefit from higher footfall in a 'flight to prime'. Reflecting this, we completed 218 lettings totalling £27m, up 35% vs the prior year, on average 8% above ERV. Close to 70% of the leases we signed during the year had some

Operational performance analysis Table 5

	Annualised rental income £m	Estimated rental value £m	LFL Occupancy[1] %	LFL occupancy change[1] ppt	WAULT[1] years
West End offices	134	146	99.5	1.0	6.4
City offices	61	87	90.5	1.2	8.6
Retail and other	42	56	95.4	1.5	7.4
Developments	5	57	n/a	n/a	n/a
Total Central London	**242**	**346**	**95.9**	**1.1**	**7.1**
Shopping centres	114	123	94.7	1.9	4.5
Outlets	56	60	93.6	(0.2)	3.0
Total Major retail	**170**	**183**	**94.3**	**1.1**	**4.1**
Completed investment	24	26	97.8	1.8	9.2
Developments	28	31	n/a	n/a	n/a
Total Mixed-use urban	**52**	**57**	**97.8**	**1.8**	**9.2**
Leisure	51	50	95.5	(1.0)	10.3
Hotels	31	28	n/a	n/a	8.2
Retail parks	28	30	98.6	2.1	4.7
Total Subscale sectors	**110**	**108**	**97.7**	**0.3**	**8.0**
Total Combined Portfolio	**574**	**694**	**95.8**	**0.7**	**6.5**

1. Excluding developments.

turnover linkage, although the average turnover element was only 10% of the total rent. Overall, 53% of our leases now have some turnover component, with turnover rent making up 12% of our total retail income. This turnover data provides us with valuable insights and a unique competitive advantage in underwriting income levels.

As a result, occupancy increased 110bps during the year to 94.3%. We continue to monitor credit risks, but units in administration remain low at 0.4%, vs 0.5% a year ago. There have been no CVAs and minimal insolvencies, as the most challenged businesses already folded during the pandemic. Whilst Cineworld (less than 1% of annual rent in major retail destinations), filed for Chapter 11 bankruptcy protection in the US during the year, it continues to trade and pay rent and agreed a recapitalisation shortly after the year-end.

Looking forward, despite the cost of living challenges consumers are faced with, we continue to see few signs of any let-up in demand from brands, with £11m of lettings in solicitors' hands, up 28% vs this time last year, on average 11% above ERV. With sales in our shopping centres close to pre-pandemic levels and rents having reset c. 35% during the pandemic, operational profitability for brands further improved due to the c. 30% reduction in business rates last month. With the last large over-rented historical leases expected to reset this year, this is expected to underpin solid like-for-like income growth from next year.

Mixed-use urban neighbourhoods

Our completed investment assets in mixed-use at present solely comprise our investment in MediaCity, where occupancy increased 1.8% to 97.8%, with lettings well ahead of ERV. The bulk of the income in our mixed-use development assets relate to our three shopping centres in London and Glasgow. This income is managed on a short-term basis to maximise our flexibility for future development. This will eventually erode and be replaced by our new schemes, but in the near term it compensates for the holding costs of these sites as we prepare them for future development.

Subscale sectors

Across our subscale portfolio, operational performance remained robust. We completed £7m of retail park and leisure lettings, 10% above valuers' assumptions, with a further £1m of rent in solicitors' hands, 5% above valuers' assumptions, and overall occupancy increased 30bps. Our hotels, which are fully let to Accor, saw occupancy rise to 94% of pre-Covid levels, up from 67% last year, driving a substantial increase in RevPAR.

Development pipeline

Central London

Demand for the best quality space remains strong. Our two on-site West End schemes, n2 in Victoria and Lucent behind Piccadilly Lights, are set to complete shortly and are 73% and 71% pre-let or in solicitors' hands respectively, with rents agreed over the last 12 months on average 11% ahead of ERV. At the end of March, we completed The Forge, in Southwark. Our Myo flexible offering will operate 35% of this space and is set to open in autumn, and we are now in solicitors' hands on 11% of the remaining space. Combined, these three projects are expected to generate an ERV of £39m once fully let, which will support our near-term income growth.

During the year, we sold our development at 21 Moorfields in the City, which we fully pre-let to Deutsche Bank, for £809m, ahead of its completion. This crystallised a 25% profit on cost and 11% IRR since our acquisition of the site in 2012.

As expected, we are seeing a slowdown in new development starts across the London market, reflecting the increase in construction and finance costs, but also the decline in available development finance. In previous periods of economic uncertainty, new development starts ended up c. 30-90% below originally expected levels and we believe this is likely to repeat this time. As demand for the best, most sustainable space remains strong, this creates an attractive window for us to deliver new space in 2025, when Grade A supply is expected to be very low.

Last autumn, we decided to commit to the early works for the refurbishment of Portland House, SW1 and Timber Square, SE1. At a cost of £55m, this allowed us to maintain our programme for a delivery in late 2025, whilst keeping flexibility on the residual c. £400m of capex at a time of high financial and political uncertainty. Returns on both projects remain attractive, with gross yields on cost of 7.4% and a yield on capex of 12%+, so supported by the strong leasing success in our current pipeline, with recent lettings 11% ahead of ERV, we therefore plan to commit to the full works on both imminently.

We also continue to progress our future pipeline, as we received planning consent for Red Lion Court, SE1 in March; are currently seeking to enhance our existing consent at Liberty of Southwark, SE1; and unlocked a future opportunity at Southwark Bridge Road, SE1 adjacent to The Forge, through a lease surrender we agreed in the second half of the year. This further adds to the potential to create a unique cluster of highly sustainable offices in Southwark, which is one of the most attractive areas of London in terms of amenities. All combined, this provides us with a 2.0m sq ft future pipeline, of which 1.1m sq ft is now consented.

Committed development pipeline

Table 6

Property	Sector	Size sq ft '000	Estimated completion date	Net income/ ERV £m	Market value £m	Costs to complete £m	Market value + future TDC £m	Gross yield on MV + future TDC %
Lucent, W1	Office/retail/residential	144	Aug-23	15	270	23	293	5.1
n2, SW1	Office	165	Jun-23	14	229	21	250	5.7
Total		**309**		**29**	**499**	**44**	**543**	**5.4**

Operating and portfolio review continued

Future Central London development pipeline

Table 7

Property	Sector	Proposed sq ft '000	Indicative TDC £m	Indicative ERV £m	Gross yield on TDC %	Potential start date	Planning status
Near term							
Timber Square, SE1	Office	380	400	30	7.5	H1 2023	Consented
Portland House refurbishment, SW1	Office	300	380	28	7.3	H2 2023	Consented
Liberty of Southwark, SE1	Office/residential	220	250	16	7.4[1]	H2 2024	Consented
Red Lion Court, SE1	Office	245	310	24	7.7	H2 2024	Consented
Total near term		**1,145**	**1,340**	**98**	**7.5**		
Medium term							
Nova Place, SW1	Office	40				2025	Design
Old Broad Street, EC2	Office	290				2025	Design
Hill House, EC4	Office	350				2026	Design
Southwark Bridge Road, SE1	Office	130				2025	Design
Total medium term		**810**					
Total future pipeline		**1,955**					

1. Gross yield on cost adjusted for residential TDC.

Mixed-use urban neighbourhoods

Consumer expectations on how we live, work and spend our leisure time continue to evolve and demands on sustainability continue to grow, which means there is a structural need to remodel many parts of the built environment, to make sure they are fit for future needs. Located in attractive locations with strong transport links in some of the fastest growing urban areas in the UK, our pipeline is well placed to cater for this. The combination of U+I's placemaking skills and Landsec's sustainability and development expertise means we now have the platform to both deliver and curate thriving mixed-use places and realise the long-term sustainable value from the future opportunities we have created.

Our 10m sq ft mixed-use pipeline in London, Glasgow and Manchester has a total development cost of c. £5bn, with a mix of residential, office and leisure space deliverable across multiple phases over the next 10-15 years. The current book value of these sites is modest compared to its potential upside, at c. £330m, and given the c. 5% income yield on the current use of the existing assets, its holding cost is modest. With unlevered IRR targets in the low to mid-teens, this offers valuable optionality for growth.

We have made excellent progress during the year at our two most advanced projects, which provides optionality to potentially start first works on site over the next 12 months. At Mayfield, next to Manchester's main train station, the new 6.5-acre public park opened in September and we agreed terms with our JV partners for a drawdown of land for the first phases of development. This allows us to develop 100% of the first phase, covering around one-third of the overall project, ourselves and therefore paves the way for a potential start on site with the first two office buildings totalling 320,000 sq ft later this year. The expected investment for this is c. £150m, with an expected gross yield on cost of c. 8%.

At Finchley Road, in zone two, London, we secured a resolution to grant planning consent at the end of March for our masterplan to develop 1,800 new homes. Subject to further planning and land assembly workstreams being satisfactorily progressed, this could allow us to start on site with enabling works for our first major residential scheme later this year.

In Glasgow, we intend to submit the planning application for our mixed-use masterplan shortly, which we expect to be determined in the first half of 2024. In Lewisham, south-east London, we maintain positive engagement with the Council on our new residential-led masterplan, for which we are preparing to submit a planning application later this year. At MediaCity, we are working with our partner Peel on establishing the long-term vision for this site, ahead of the future phases of its development.

Our good progress during the year has further added to the valuable opportunity to build an attractive balance of income, development upside and medium-term growth potential our pipeline provides. The mixed-use nature, ability to phase capex, geographic spread of the pipeline, and the flexibility to adapt to changes in demand all add to the balanced risk-profile of this part of our business.

Mixed-use urban neighbourhoods development pipeline

Table 8

Property	Landsec share %	Proposed sq ft '000	Earliest start on site	Number of blocks	Estimated first/ total scheme completion	Indicative TDC £m	Target yield on cost %	Planning status
Mayfield, Manchester	50-100	2,500	2023	18	2025/2032	800-950	7-8	Consented
MediaCity, Greater Manchester	75	1,900	2024	8	2026/2031	600-700	7-8	Consented
Finchley Road, NW3	100	1,400	2024	10	2027/2035	950-1,050	6-7	Consented
Buchanan Galleries, Glasgow	100	1,900	2025	9	2028/2036	1,000-1,100	7-8	Design
Lewisham, SE13	100	1,800	2026	14	2028/2037	1,100-1,300	6-7	Design
Total future pipeline		**9,500**				**4,450-5,100**		

Delivering sustainably

During the year, we delivered a 16.6% reduction in energy intensity compared to 2019/20. This was up 0.9% year-on-year, although this largely reflected particularly low utilisation in the prior year in the early months of emergence from the pandemic. At current levels, it is 33.2% below 2013/14 levels and therefore remains on track vs our target to reduce energy intensity by 45% from this baseline by 2030.

At the start of this year, we updated our carbon reduction targets to align with the Science Based Targets initiative's (SBTi) new Net-Zero Standard. Landsec was amongst the first companies worldwide to have our science-based targets validated under the Net-Zero Standard, which is the world's first framework for corporate net-zero target setting. In response to the new SBTi standard, and in recognition of progress to date, we have committed to a near-term target of reducing direct and indirect greenhouse gas emissions by 47% by 2030 from a 2020 base year and have committed to reach net zero by 2040 from the same base year. This significantly increases the scope of our targets, as it now includes emissions from all sources, including all of our scope 3 emissions such as the emissions from our development pipeline, supply chain and customers.

In late 2021 we were the first UK property company to launch our fully costed net zero carbon transition plan. This plan will see us deliver our science-based target and meet the Minimum Energy Efficiency Standard of EPC B by 2030, with the expected cost for this already reflected in our current portfolio valuation. 36% of our portfolio is already rated B or higher, including 38% of our office portfolio. The latter is down from 44% last year, partly reflecting the sale of One New Street Square. We expect this to increase to 44% in the coming months once our current pipeline completes and this will increase further from 2025 onwards, as the benefits from our net zero transition investment kicks in.

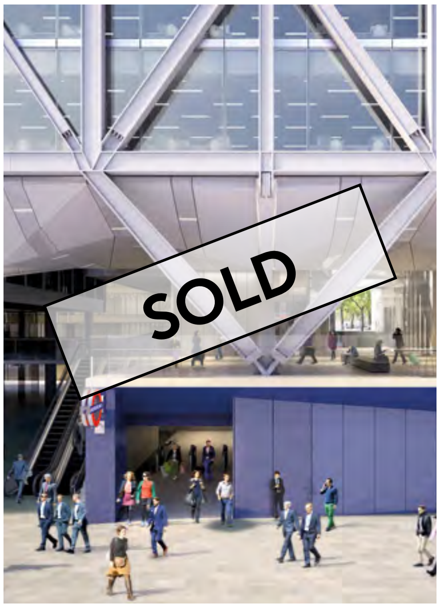
▲ **Bluewater, Kent**

We remain on track with this plan and have now completed air source heat pump feasibility studies for six offices, with four progressing to concept design and two to detailed design. We have also completed the optimisation of building management systems for 11 offices, and will be completing this for two of our shopping centres this year. In addition, we have expanded our energy audits from 15 to 25 of our largest customers, which combined cover 19% of the energy use in our office portfolio. This identified potential annual carbon and costs savings of 10-15% per customer and we plan to expand this to the next 12 customers this year.

▲ **Mayfield, Manchester**

Operating and portfolio review continued

▲ **Lucent, W1**



▲ **21 Moorfields, EC2 – sold**

We continue to work on driving down upfront embodied carbon and during the year we announced a target to reduce this by 50% vs a typical development by 2030, to below 500kgCO_2e/m^2 for offices and 400kgCO_2e/m^2 for residential. We are already tracking an average 36% reduction in upfront embodied carbon across our future pipeline, which equates to an average upfront embodied carbon intensity of 640kgCO_2e/m^2 on our offices and 535kgCO_2e/m^2 for residential. To help us achieve our longer-term targets, during the year we signed up to the ConcreteZero Initiative where we commit to using 100% net zero concrete by 2050 with ambitious interim targets. This complements our existing membership of the SteelZero Initiative and sends a clear signal of our commitment to net zero to our supply chain.

Near-term, at Timber Square, SE1 our plans show upfront embodied carbon intensity of 535kgCO_2e/m^2, reflecting the retention of part of the existing structure, a highly optimised design and the use of low carbon cross-laminated timber. At Portland House, SW1, retaining the existing structure and upgrading the existing façade has resulted in upfront embodied carbon intensity of 395kgCO_2e/m^2. At Red Lion Court, SE1 we expect an upfront embodied carbon intensity of c. 600kgCO_2e/m^2, reflecting the retention of 35-40% of the existing basement and piles and the use of a highly flexible concrete structural solution with demountable timber infills. The Forge, SE1, which recently completed, is the first building in the UK to be designed, constructed and aspiring to operate in line with the UK Green Building Council framework definition of a net zero carbon building.

Building on our strong track record of investing in our local communities, we have enhanced our approach to community investment by launching the Landsec Futures fund last month. This is aimed at improving social mobility in the real estate industry and will see us invest £20m over

▲ One New Change, EC4

▲ The Forge, SE1

the next ten years, to empower 30,000 people towards the world of work and create £200m in social value. This includes a bursary programme that provides financial support to underrepresented young adults studying for a placemaking career, internships within Landsec and a small grants programme for local charities and community organisations in the areas we operate.

Creating the right culture and investing in our platforms

Our strong operational performance and continued progress on executing our strategy over the past year clearly reflects the capability and dedication of the substantial talent within Landsec. We continue to work on creating the right culture and a more diverse organisation, which is key in getting the most out of the valuable skills and expertise our teams harbour and in successfully delivering our strategy over time.

With this in mind, we initiated an organisational review early last year aimed at reducing internal complexity and becoming more agile, customer-orientated and outward focused. This work built on previous changes in our retail team, where we brought in significant experience and capabilities from international retailer backgrounds to focus more on growing brand relationships and guest experience, and our focus on retaining the unique placemaking and design capability of U+I during its successful integration over the past 12 months.

As a result of this organisational review, we made several changes, including to our leadership team. We also reduced the number of layers in our organisation and increased management reporting spans. This has improved our efficiency and freed up resource to focus more on activities which drive value for our customers, rather than on internal processes. In a sector which is rapidly becoming more operational, this further underpins the value of our operating platforms and their future growth potential.

Despite high inflation, this also meant we managed to keep overhead costs flat over the past 12 months and although inflationary pressures remain elevated, we expect overhead cost to be down slightly for the current year. In early 2022 we also initiated significant investments in upgrading our systems and data capability. We incurred £6m of cost for this during the year and expect a broadly similar cost in the current year, but this is set to drive further efficiency improvements for the year to March 2025 onwards.