Land Securities half-yearly results presentation

Tuesday 10 November 2015

Speaker: Robert Noel – Chief Executive

Slide 2 – Title slide

Good morning everyone and welcome to our interim results presentation.

As you'll hear today, we continue to make good progress against our plan –our letting progress in London, the final structural steps we have taken to transform our retail portfolio, and our balance sheet positioning.

We've our usual agenda, but before Martin, Scott and Colette take you through their areas in more detail, I would like to take a few minutes to remind you as to how we are managing the business.

As a large cap, Land Securities will always be invested in the market. But to deliver shareholder value through the cycles, in our cyclical and changing market, the challenge for us - as management - is to correctly position the two key levers we have.

One, managing the amount of operational gearing in the business, with speculative development being perhaps the most obvious example; and two, managing the balance sheet primarily through the amount of financial gearing we have.

We use both these levers appropriately to build or buy great buildings that our customers will compete to rent, and just as importantly sell those that they might not want to compete to rent in the future, while the markets are a little less discerning.

To understand where we are now, it is necessary to go back a few years.

In 2010 we felt that conditions in the London market were right to significantly step up speculative development. You'll recall that in May 2010 we talked about supply constrained conditions emerging on the horizon, coupled with value in the supply chain - low land pricing and low construction costs.

So, we pulled the development lever - a £2.4bn speculative development programme

Slide 3 – London development - improving portfolio and income quality

And you will recognise many of the building we have built.

While much of this programme is now complete, and some of it sold, there is still a significant amount of space to deliver and let over the next 12 months.

As a consequence of delivering great space into the sweet spot of the London cycle, the quality of both our portfolio and our income has improved, with the market conditions giving us great negotiating power, particularly on lease term, as I have spoken about before.

In Retail, our task was different.

Slide 4 – Retail transformation – under themes of dominance, experience and convenience

Post the legacy of balance sheet repair, it was to completely reposition our portfolio under our themes of dominance, experience and convenience.

And in doing so, we took the lead on adding the important dimension of leisure into the mainstream.

You'll recall when we built Trinity Leeds, we pushed much further on the leisure content, and now even further still in Oxford. We also made important acquisitions with X-Leisure and, subsequently, Bluewater. Scott spoke about this at our investor day in September.

But as I said at the outset, we have two key levers – and we can't run a business like this using only one, thinking it can go on forever. So we have managed the balance sheet with as much care as we have our portfolio.

You have often heard Martin or me talk about our net debt neutral approach. We have funded the £4.4bn investment in acquisitions, and development and refurbishment capex over the last five and a half years - by recycling the capital from £4.3bn of disposals – broadly matched – as our Net Asset Value per share has doubled.

Slide 5 – Disposals – our investment activity has been funded by sales

And these were some of our disposals: either because from the price offered it was simply a no brainer, Park House for example, or due to a need to structurally change our portfolio because of the rapidly changing retail landscape – Corby, Aberdeen, Sunderland, Livingston and our superstores.

Slide 6 – Performance – creating shareholder value while strengthening the balance sheet

This chart shows our ungeared total property return since March 2010, in green, against our key benchmark, the IPD quarterly index, in blue. Our actions have delivered a strong performance at the property level over this period with the value of out-performance being approximately £2.5bn versus the underlying market.

As I said in May, we have been building and trading our way back to a position of strength, driving net asset value per share, creating more reliable income streams, and reducing gearing as we move through the cycle.

The pink line shows our total business return over the period, rise in net asset value per share, plus dividend. And, as this has happened we have been reducing LTV - from 43.5% in March 2010 to 26.5% in September 2015 - and this is likely to reduce further in the second half as you will hear from Martin.

So while creating value we have also been building a much stronger business – in order to be in a position to take advantage of opportunities when they arise.

And that is the most exciting thing that we see in front of us. In London we remain in a strong market for the time being, into which we are operationally geared, with a significant amount of space to deliver and let over the next 12 months.

We have also started to lay the foundations for the next chapter of developments as you will hear from Colette, for next time we think it is appropriate to pull the lever.

In Retail we now have a very strong business, having boldly and decisively repositioned it into the swiftly changing landscape while capital market conditions allow.

Both our markets are dynamic, and that means there will be opportunity. For us, the best raw material we can have right now is the operational and balance sheet strength to identify and seize those opportunities when they come – whatever the market does. And because of the way we have used the levers over the last five years, we are very well placed.

Slide 7 - Agenda

So let me now hand over to Martin, Scott and Colette to take you through the results and operations of the past six months

Speaker: Martin Greenslade – Chief Financial Officer

Slide 8 – Title slide

Thank you Rob. Good morning everyone.

Once again the results we have published today reflect the actions we have taken – values continue to rise, albeit at a slower rate, earnings are up and our LTV continues to come down.

So let's look at the headline numbers…

Slide 9 – Financial summary

Our profit before tax was £707.9m, which includes our valuation surplus of £519.3m and £9.8m of disposal profits. Adjusted diluted NAV per share was 1367p, an increase of 5.7% or 74p since March.

Revenue profit for the six months was £184.2m, up £14.2m or 8.4% on the same period last year. Adjusted diluted earnings per share were also up 8.4% and our dividend was 16.3p for the six months, up 3.2%.

Overall, these results translate into a total business return of 7.0% for the 6 month period.

So, turning now to more detail on revenue profit.

Slide 10 – Revenue profit

This slide sets out the main components of our revenue profit on a proportionate basis.

Revenue profit increased by £14.2m. There are three main components to look at: net rental income, indirect costs and interest. I'll skip over the increase in net rental income as I will cover this on the next slide.

Our net indirect expenses were virtually unchanged at £39.4m compared with £39.3m in the prior period.

The net interest costs of the Group and joint ventures decreased by £11.9m, partly as a result of disposals but primarily due to the repayment of joint venture debt in the prior period using cheaper Group facilities.

Let's now look at that net rental income in more detail.

Slide 11 – Net rental income analysis

I have presented the movement in net rental income slightly differently this time. This enables me to highlight the key movements by portfolio.

Overall, net rental income increased by £2.4m, made up of a £6.8m increase in the London Portfolio and a £4.4m reduction in the Retail Portfolio.

In total, we benefitted from around £4.5m of non-recurring income, including surrender receipts, much of which was in the like-for-like portfolio, where income was up £9.2m. The majority of this increase was in Retail and was largely due to new lettings and increased turnover income on the Accor portfolio. In London, the increase was mainly due to rent reviews and surrender receipts.

Taken together, our capital activity - developments, acquisitions and disposals – has resulted in a £7.4m decline in net rental income, partly due to net divestment but also due to the switch from higher yielding, secondary retail assets into lower yielding prime assets. The development programme saw net rental income increase by £7.9m with almost all of the increase coming from 1 & 2 New Ludgate following practical completion of the scheme.

Acquisitions contributed an £11.8m increase in net rental income, predominantly due to the purchase of our 30% stake in Bluewater at the end of June last year. In London, the £3.9m increase relates to the 50% of Thomas More Square we bought in from our partner.

And, finally, disposals. The scale of our disposal activity resulted in a loss of £30.9m of net rental income. The main impact was from sales we made last year, namely our assets in Bristol, Livingston, Sunderland in the Retail Portfolio, and Times Square in London.

Turning now to the valuation surplus.

Slide 12 – Combined Portfolio valuation

The value of our Combined Portfolio at 30 September was £14.6bn. The valuation surplus over the six months was £519.3m, an increase of 3.8%, and within that, Retail saw values rise by 1.6% and London by 5.6%.

The 3.0% increase in the like-for-like portfolio was due to rental value growth of 3.7% with little yield movement. Within acquisitions, Bluewater was up above the average for the Retail Portfolio but the standout performer was Thomas More Square which saw strong valuation gains as a result of lettings secured in the period.

Our completed developments delivered the highest percentage increase, up 10.7% representing £94.0m. The two main contributors are 20 Fenchurch Street and 62 Buckingham Gate, with the latter performing particularly strongly following the letting of nearly 30% of the building in the six months.

We have only one proposed development – Buchanan Galleries in Glasgow – where our plans were put on hold in early July. Understandably, this uncertainty has impacted the valuation of the asset which declined 7.7% in the period.

And the final contributor is the development programme which was up 6.8%, representing £96.2m.

Before we move on, there is one further aspect of the valuation to which I'd like to draw your attention. In line with best practice and following a tender exercise, we have moved the valuation of our portfolio from Knight Frank to CBRE. As you would expect, there have been some minor differences on individual property values but, overall, it is wafer-thin. And I believe our industry should take considerable comfort that our £14bn property portfolio has been revalidated by another leading firm of valuers.

There is, however, a slight difference between the valuers on how they look at the rental value and equivalent yield components of a valuation. While this does not impact the individual property valuations, it does impact the rental value and equivalent yield movements between the March Knight Frank figures and the September CBRE numbers. So for example, our like-for-like London offices, which are up 3.0% in value, are showing rental growth of 6.6%, which is ahead of the market and our expectation, but a counter-intuitive outward movement of yields of 10bps. This marginal re-basing of rental values and equivalent yields is a one-off event, although it is likely to be echoed at the year-end as we will again be comparing to 31 March 2015 numbers.

Now let's look how the valuation surplus, and other movements, affected adjusted net assets.

Slide 13 – Movement in adjusted diluted NAV

We started the period with adjusted NAV per share of 1,293p.

Adjusted earnings were £184.2m. Then comes our valuation surplus, which is followed by the £9.8m of profits from the disposal of investment properties (largely 130 Wood Street).

Our dividend in the period was £126.6m, and we spent £12.4m buying shares for the EBT. With other reserve movements of £11.0m, that's how our adjusted diluted NAV per share ended the period at 1,367p. Let's now move onto cash flow.

Slide 14 – Cash flow and adjusted net debt

Set out on this slide are the major components of the cash flow movements which affect our adjusted net debt – all on a proportionately consolidated basis.

So beginning with adjusted net debt at 31 March of £4.17bn, operating cash inflow was £144.7m. Acquisitions of £94.8m primarily relates to the purchase of 6-17 Tottenham Court Road. We spent £237.9m on development and refurbishment capex including our joint ventures at Nova, Victoria and Westgate, Oxford. And we received consideration of £446.1m from disposals, the largest being Times Square. The next item relates to the repayment of a £50m loan we made available to the Trillium Investment Partners fund when we sold the business in January 2009. After some sundry items, we ended the period with adjusted net debt of £4.0bn, down £163.4m.

So let's look at how our net debt has moved so far this year compared to last year.

Slide 15 – Adjusted net debt

So on this slide, last year's adjusted net debt is in pink with the year to date in blue. You can see how our net debt jumped last year following the acquisition of Bluewater and then declined as we paid down debt with the proceeds from disposals.

We started out the year with higher net debt than we had last year but, with no major acquisitions, this reversed in June and is on average £205m lower than the prior period. And we expect net debt to continue to fall as we receive the proceeds from the £565m of contracted disposals which will complete in the second half. And you should note that assets which we have sold in the six months or agreed to sell since 30th September contributed £16.1m of net rental income in the first half of this year.

While these disposals will have a negative impact on earnings going forward, we believe owning the right retail and London assets is more important for our long term total return.

Slide 16 – Financing

So let's now look briefly at financing.

The £163m reduction in our adjusted net debt, and the continued rise in asset values, led to a 2.0 percentage point reduction in our LTV to 26.5%. And, as Rob mentioned, I expect our LTV to fall further in the second half on the back of the disposals I've just referred to.

The weighted average maturity of our debt is 8.3 years with a weighted average cost of 4.6%, up marginally from 4.5% at March, as we repaid cheaper revolving credit facilities.

So let me summarise.

Slide 17 – Financial summary

We have continued to deliver earnings growth at the same time as enhancing the quality of our assets and reducing our gearing. All of these put us in a very strong position. Now for more news on the Retail Portfolio, let me hand you over to Scott.

Speaker: Scott Parsons – Managing Director, Retail Portfolio

Slide 18 – Title slide

Thanks Martin. Good morning everyone.

We've delivered a strong set of results in the first half of the financial year. As Martin said, our values are up, and as I'll expand on in a minute, our sales and footfall are beating the benchmarks, we've secured a fantastic line-up of lettings, our voids are down and we've delivered some great active management wins.

And to demonstrate those strong results, I'm going to take you through what I think are five simple, but crucial, performance drivers in today's retail environment:

Slide 19 – Drivers for retail performance

First - you've got to own the right kit; second - if you've got the right kit, your sales should be ahead of the pack; third - and it goes without saying, but you need to attract the right occupiers with a mix that reflects consumers' constantly changing needs; fourth - to get growth, you need rental tension, and you can't have rental tension if you've got a lot of voids; and finally - you can't outperform without constant and relentless active management.

I'll take you through how we're on top of all five of these performance drivers, but let's start with the quality of our assets.

Slide 20 – Best in class retail assets

Now those of you who joined us at Bluewater for our Investor Day in September will have seen a version of this slide, and what it shows is that we have the right kit.

Almost 40% of our retail assets are dominant regional shopping centres. And these are all vibrant destinations with a high quality income stream. Like-for-like values for our dominant shopping centres are up 2.2% since March.

Just shy of 19% of our portfolio is leisure and hotels, and these have achieved a 2.8% valuation uplift in the first half. Leisure spend is rising, as are rents. Our hotel income continues to grow, and as I've said before, values are more than underpinned by vacant possession values.

More than a quarter of our retail is in Central and suburban London, and this is a great differentiator between us and our peers in terms of income resilience, tenant demand, and growth potential. Values are up 6.1% and tenant mix is going from strength to strength on the back of exciting lettings from London Union and Polpo in Lewisham to Ricker and Jason Atherton in Victoria.

About 15% of our retail assets are retail parks. Values are flat since March, but we've been proactive, selling those with poorer catchments and inflexible planning to focus on convenience parks. And since the half year this journey has continued with the sale of £270m of retail parks in the North and Scotland. Post this disposal, retail parks will make up about 12% of our total and all our parks will have good catchments, low voids and provide a strong and resilient income stream.

So, we're pleased with the shape of our retail, and the high quality, resilient income stream it provides. But a resilient income stream is only half the story because we think we're well positioned to grow that income. And that leads me on to my second key performance driver - strong sales…

Slide 21 – Beating the benchmarks

Strong sales are key. They determine whether a retailer is thriving, or failing, in a location. They're critical in enticing new occupiers to a scheme, they're one of the deciding factors when it comes to decision-making at break or expiry, and they're a fundamental factor when retailers decide whether or not to invest in their stores. They're a key indicator of the health of a retail property.

And our retail is in good health. Footfall in our shopping centres was up 4.1% over the first six months of the financial year, outperforming the benchmark which was down 1.1%.

Our like for like same store sales were up 3.8%, again outperforming the national benchmark. Trinity Leeds led the charge with growth of 7.9% in the first half, closely followed by One New Change at 7.7%.

Our like for like MSU sales growth has been particularly strong at 6.7% and in a moment I'll touch upon how we're upsizing a number of MSUs across the portfolio.

And our total growth same centre sales, taking into account new lettings and tenant changes, were up 5.2%.

Affordability within our centres is good, with an overall sales to rent ratio below 10%.

These strong figures aren't just driven by our high quality assets but also by our skills in knowing what consumers want. They're demanding, and we're delivering, brilliant basics - things like good wayfinding and free Wifi, but also a bit of wow-factor, with things like targeted marketing, a fresh and relevant tenant mix, and a great range of food and leisure.

So because we have the right kit, and we know our consumers, we're capturing more than our fair share of sales and footfall - and that's driven some great momentum on the leasing front…

Slide 22 – Strong leasing momentum

Since 1st April almost 150 lettings have been completed or are in solicitor's hands within our investment portfolio, encompassing just shy of £15 million of rent per annum.

And as you know, on the development side, we de-risk with pre-lets to ensure retailer support for our schemes. Our potential developments at Ealing, Worcester Woods and Selly Oak are 42%, 67% and 62% pre-let respectively. And we're adding to the leisure and catering offer at Bluewater and White Rose by converting and extending space, both with substantial pre-lets.

We're on site at Westgate in Oxford and progressing well for planned opening before Christmas 2017. We're about a third pre-let, and momentum is incredibly strong. In the past few days, we've put another 9% in solicitors' hands, so we're well over 40% pre-let two years before opening. Strong demand for space means that we've got the confidence to pursue a bold leasing strategy with annual fixed uplifts, shorter lease lengths and leases without automatic renewal rights so that we can retain control over occupier mix and keep our retail offer fresh.

The food & beverage, fashion & footwear, health & beauty and homewares sectors have all been active on the leasing front, but only for the best trading locations. Having the right space in the right place means that we have choice when it comes to leasing, and choice means we can optimise occupier mix rather than relying on pot luck to fill space.

And if we have choice when it comes to occupier mix, that's a good precursor for rental growth…

Slide 23 – Low voids driving rental tension

But importantly, you can't achieve rental growth without rental tension. And of course, you can't achieve rental tension if your voids are high.

Our voids are low. In the first half we reduced voids and administrations in our like for like portfolio from 3.3% to 2.4%. Our like-for-like shopping centre voids are down to 2.5%, and centres like Gunwharf, Trinity, and White Rose are pretty much full.

Our retail park voids are down to 1.5%, and adjusting for the portfolio sale we exchanged in October, that figure will fall to 1.3%.

And our leisure and hotels portfolio has voids of just 1.1%.

So with low voids, great letting momentum, and strong sales across a high quality portfolio, we're well-positioned to achieve rental growth.

But we're not sitting back and waiting for rental growth to drive an increase in net rental income. Every asset has a plan and our focus on asset management is relentless. We're constantly delivering initiatives to drive performance.

Slide 24 – Relentless asset management

We spoke in detail at our Investor Day in September about asset management wins across our portfolio, so today I'll just highlight a few key themes to give you a flavour for what's driving the increase in our like for like net rental income.

We're upsizing MSUs to give retailers the space they need. As I said earlier, MSU retailers have seen the best like-for-like sales growth - and that's why, across the portfolio, we're busy delivering them new enlarged stores. These deals demonstrate the importance of the best trading locations to retailers, and importantly, they're growing our net rental income, while increasing rental tension by taking out voids and smaller units.

With our strong customer relationships we've also agreed a number of "right sizing" deals on our retail parks. At Blackpool, for example, we downsized Dixons to give them the right amount of space, while simultaneously letting their surplus space and increasing rents by about 25%. Deals like these are "win win win" - our customer gets the space they need, our consumers get a broadened occupier mix and our net rental income goes up.

Throughout our portfolio, we've used our leisure expertise to increase the breadth of food and entertainment on offer. Since 1st April, lettings completed or in solicitors' hands to leisure and restaurant brands number about 50. The diverse range of leisure and catering in our centres encourages longer dwell time and increased spend, and thus benefits our customers.

So there you have it…

Slide 25 – Positioned for performance

We've allocated our capital to focus on Dominance, Experience and Convenience, and will continue to ensure we've got the right space in the right place. Our high quality portfolio, with its resilient and growing income stream, is the right kit to perform in today's retail environment.

And because we've got the right kit, our sales are growing ahead of the benchmarks.

We're achieving strong lettings and really focusing on the best occupier mix for our consumers. Because we know what they want.

Our voids are low, driving rental tension and enabling rental growth.

And finally, our relentless focus on asset management means that we've got a constant flow of initiatives to boost like for like net rental income, and add to the experience for our consumers.

Thanks very much, and I'll hand you over to Colette for the London update.

Speaker: Colette O'Shea – Managing Director, London Portfolio

Slide 26 – Title slide

Thank you Scott. Now to London where letting and delivering the development programme remains our focus.

For now, market conditions remain favourable for our developments. Rental values are continuing to rise, as supply remains low, so we're confident we can maintain our strong letting momentum.

Let me start with that strong letting momentum.

Slide 27 – London Portfolio – strong letting momentum

Since March we've let, or have in solicitors' hands 500,000 sq ft of the 1.1 million sq ft we had available. Interest is strong and we're really confident about letting the remaining space in our programme.

We talked in detail about the market in May. The trends we identified were supply-constrained conditions continuing through 2015 and 2016, "our sweet spot", and supply then increasing beyond 2016.

Unsurprisingly the outlook for development completions in 2015 and 2016 remains the same but if you look at our May projections for supply, we now estimate there's 6 million sq ft on top of that, which could be delivered from 2017 and beyond. Supply is increasing. There's a slide in the appendix to your pack showing the detail.

I'm going to start in the city where we're in a great position.

Slide 28 – Development – City and Mid-town - building portfolio resilience

20 Fenchurch Street is 98% let. New Ludgate is now 92% let. And at 1 New Street Square, you'll recall we've pre-let the whole building to Deloitte. Construction is due to complete in July next year which has moved to accommodate works for Deloitte, though the rent start date remains unchanged.

Over to Victoria, and I think the transformation is now clear for all to see.

Slide 29 – Development – Victoria - repositioned within West End market

As each building completes, and new occupiers move in, our vision is becoming a reality. And importantly, our customers now get it. Since 2010 we've built an amazing list of names who've taken our space.

We've repositioned Victoria as a core business hub in the West End.

Turning to the remaining developments where we're creating clear value…

Slide 30 – Development – Victoria - great product ensuring value creation

At 62 Buckingham Gate we're 100% let or in solicitors' hands.

At Zig Zag we've made great progress. As we went to press, the building was 37% pre-let. This morning we've announced a 92,000 sq ft letting to Deutsche Bank, which takes the building to 77% pre-let, with a further 11% in solicitors' hands. This is a ringing endorsement for our product, and Victoria. Mango, Jamie's Italian and Iberica are all open and M Restaurants will follow next month.

At Kings Gate, we've sold 85 of the 100 apartments, and with the building completing last month, we're now starting the buyer completion process.

Slide 31 – Development – Nova - London's newest food quarter

Up the road to Nova, right outside Victoria station, not only are we creating new buildings, but two new pedestrian streets and a square which together are the size of 10 tennis courts.

Slide 32 – Development – Nova - London's newest food quarter

They will be lined with restaurants, shops, public art and over 400 hundred outdoor seats.

This will be London's newest "go to" food quarter and I think an exciting place, where people will want to stop and relax.

Our line-up of brands continues to grow and the two office buildings.

Slide 33 – Development – Nova – transforming Victoria

Nova North and Nova South are already 12% pre-let to Advent and Egon Zehnder.

At the Nova Building, we've pre-sold 135 of the 170 apartments.

We estimate there'll be an 8 week delay to completion, which reflects the complexities of delivering developments in the current market.

Now, on to Paddington.

Slide 34 – Development – capitalising on a Crossrail location

Eastbourne Terrace is right outside the entrance to Paddington Crossrail Station and remains on programme. The floors are 6,000 sq ft which is an attractive size in the West End. As you'll know, this size typically lets after completion, but we already have strong interest with 62% in solicitors' hands.

As Rob mentioned earlier we've been improving the quality of our income…

Slide 35 – Manage – strengthening income - building portfolio resilience

…increasing our weighted average unexpired lease term as we move through the cycle.

In March 2010 our WAULT was 7.8 years. Today it's 9.2 years. This excludes our development programme which will make it longer still.

Voids are down from 4.3% to 3.6%.

We're on the front foot seizing and creating opportunities to increase rents. We're capturing rental growth and completed £7.1m of investment lettings and £7.5m of rent reviews.

There're a couple of transactions I'd like to highlight starting with Dashwood House.

Slide 36 – Manage – City, Mid-town and West End – on the front foot seizing and creating opportunities

In May we explained that 81% of the space was subject to review by next March, and that we'd created good rental evidence in advance. We've now reviewed 40% of this space, 23% ahead of passing rent.

When News International vacated their space in Thomas More Square in 2014, we committed to a refurbishment to reposition the offices and public realm. That brought 5 new retailers to the estate. We're now attracting new occupiers on 10 year leases increasing rental levels by 33%. 70% of the refurbished space is now let or in solicitors' hands.

It's a similar story at Holborn Gate. We're refurbishing some of the offices, reception areas and public realm and have increased rents by 14%. Again, nearly 70% of the refurbished space is now let or in solicitors hands.

At 30 Eastbourne Terrace, we've significantly improved rents. With two new lettings, we've set a new headline rental tone in excess of £60 psf that's created timely evidence in advance of rent reviews at 10 Eastbourne Terrace and lettings at 20 Eastbourne Terrace.

All these transactions have been agreed in line with market incentives. As always, every asset has a plan.

We continue to actively work the portfolio and we're successfully recycling capital.

Slide 37 – Successfully recycling capital

We incurred development and refurbishment capex of £179m and completed disposals of £363m. These were all ahead of the March valuation.

We made one acquisition, acquiring our partner's 50% share in 6-17 Tottenham Court Road for £59.5m. Located next to the New Tottenham Court Road Crossrail station, this is a retail property with both strong rental prospects and good long term development potential.

Turning to the future, we've an exciting pipeline of new development opportunities.

Slide 38 – Future pipeline – building in optionality

Starting with Portland House, I can now update you on our plans. This is a popular office building so we've decided to retain the offices and grow the income through light touch refurbishment, and short term leases.

Our success in letting our Victoria developments ultimately made this the stand out route. But a tower residential planning consent in Westminster is valuable, so we've banked it to maintain optionality for the future and still have the option to return to it in 2020.
We've submitted planning applications for 1 Sherwood Street – behind Piccadilly Lights, and Nova East and at 21 Moorfields we're finalising the Section 106 Agreement.

As we said in May, once we finalise the consents, we plan to build 21 Moorfields and Nova East to grade, in order to increase our ability to capture pre-letting opportunities.

So, with these and our other schemes we have a potential future pipeline of over 1 million sq ft.

So in summary,

Slide 39 – London Portfolio summary – business is delivering on all fronts

As I said at the start, we're really pleased with our strong letting momentum. Market conditions remain favourable and our negotiating position is strong. Our key focus is on letting the remaining space in our programme, over the next 12 months.

We're using every opportunity to capitalise on current market conditions to increase rents and lengthen leases.

Finally, we continue to work on a new pipeline of great sites and as always have an eye on future opportunities.

I will now hand back to Rob.

Speaker: Robert Noel – Chief Executive

Slide 40 – Title slide

Thanks Colette

Slide 41 – Summary

So, as you've heard, and as ever, there is an awful lot going on in the business. Our Retail portfolio is now in very good health with positive operational metrics across the board, as you have heard from Scott today, and at our recent investor day at Bluewater.

And since the half year we have continued to fine tune the portfolio with the sale of three retail parks.

As Scott said, we now own the right kit, which we have achieved by selling in a liquid market, while it was relatively starved of product.

In London, leasing momentum is good, as you just heard from Colette, and as she predicted it would be.

The market conditions remain favourable for the time being and we remain operationally geared into it.

I'm really pleased with the progress we have made against our goals. The portfolio has been transformed over the last 5½ years. The balance sheet is strong and the likelihood of us being a net seller in the second half means it will be even stronger by March.

And as we have explained in these meetings, on investor days, and on our investor roadshows, this is where we wanted to be.

We have a great team, we are all over our markets, we are building a good hopper of opportunity within the portfolio and, when we see opportunity outside, we are fully equipped to use our firepower.

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And with that, we'll now hand over to you for questions

- End -

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