Land Securities London Portfolio Investor Conference

Friday 23 July 2010

Speaker: Robert Noel – Managing Director – London Portfolio
Slide 1 – Agenda slide
Good morning and a very warm welcome to New Street Square.

Today is about giving you some insight to our London Portfolio. We will spend about an hour here, 30 minutes of presentation followed by Q&A, before taking you on a tour of New Street Square and One New Change, ending up in Victoria to see the Victoria Masterplan and give you some lunch. Ed Thacker will talk about the tour at the end of the presentation.

In a minute, Scott will tell you about our views on the office occupational market and how the portfolio is set; and Colette will talk about the development programme. But before we start, I wanted to tell you what I have done to reshape the team since joining in January.

I found plenty of positive things within the business, a great portfolio with plenty of opportunity and many skilled people.

However, like most companies, Land Securities had a pretty torrid 2008 and 2009, and there was a certain amount of battle weariness and, to a certain extent, wariness of a newcomer.

I was clear how I wanted the structure to be set up before I joined. We are a London specialist investment and development business. I was also clear that I needed skill, enthusiasm and commitment running right the way through the team.

We operate in one of the deepest but most cyclical real estate markets on the planet. Markets can bounce back quickly and timing your decisions is key.

Slide 2 – London Management team
To reflect the nature of the London business unit as a whole, I immediately changed the structure from one of six silos reporting to a leader to two operating divisions: Property, now headed by Scott; and Development, now headed by Colette.

The three of us now make up a London Executive Committee bringing the speed and discipline of a mid cap to a large cap.

Scott's team is charged with new business and working and jerking our existing inventory, each asset with a clearly defined business plan. The investment management team is

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refocused and the asset management team is largely replaced, augmented and now fit for what I want it to do.

Colette's team is charged with seeking out development opportunity both within and out-with the existing portfolio. Working with the planning authorities and local communities and delivering and leasing those opportunities when they can demonstrably show risk adjusted premium returns to that of the investment portfolio.

Speaker: Scott Parsons – Property Director
Slide 3 – Agenda slide
I'd like to take you through two key market drivers that put Land Securities on an exceptionally good footing for the coming years. They are:

- Supply, or rather a lack of new supply
- Demand, and why we think it will be increasing.

And, how these two forces will drive rental growth from current historic lows. I will also show you why the make-up of our portfolio is so well placed to outperform in the coming years.

First, let's look at supply, and how vacancy rates and the development pipeline point to a lack of new supply.

Slide 4 – Central London office vacancy rates
Vacancy rates in Central London have peaked at lower levels than the previous two cycles. PMA forecast these to continue falling to beyond the long term average over the next three years.

Why? As we all know, many projects have been put on hold since the onset of the banking crisis. And robust take up levels have continued, despite the banking crisis.

So with vacancy rates falling, there is very little supply coming to the market. Look at this…

Slide 5 – London Office development pipeline
Here, you can clearly see that there has been less development than in previous cycles and very little new supply due to complete in the next two years. There is not much that can be done about this in the immediate future, given the long turnaround time for new developments.

A lack of debt funding for development means only a few can deliver. Our strong balance sheet means that Land Securities is one of those few and Colette will outline the depth of opportunity within our portfolio in a few minutes.

On the other side of the equation, as shown on the previous slide, demand has remained robust, as it consistently has in the Central London market.

Supply is only half the equation. We need to look at take-up and demand.

Slide 6 – London office take-up
Let's focus first on the white line. It represents 5% of the market universe in any one year. As office buildings have an economic life between refits of about 20 years, we would expect structural take up to be around 5% of the market each year. You can see that there is a bit more take-up in the good times as people plan for expansion and a bit less in more difficult times but overall take-up in London is very consistent.

We think demand is about to pick up and here's why:

Slide 7 – London office lease break and expiries
Lease expiries: there is a significant increase in lease breaks and expiries due in 2014/15. Typical leases from the late 1980s were 25 years. Examples include: Broadgate; Royal Sun Alliance at Leadenhall Court; and CMS Cameron McKenna at Aldersgate Street. Typical leases from the late 1990s were 15 years. Examples include: Aviva at Poultry and Schroders at Gresham Street.

PMA record that 81% of the floor areas signed in the 80s were for units of more than 100,000 sq. ft. This means we should see big corporate demand, peaking in 2014 and 2015 with decision-making required in the next two years.

Are tenants going to move? They've been in these buildings for 15 to 25 years so we think they will, which leads me on to affordability and rental levels.

Slide 8 – Office affordability
Here we look at rents as a proportion of salary cost – a proxy for office overheads. It shows they have fallen dramatically over time. In fact, they've fallen even more than shown in this graph. Since 2008, rents have fallen a further 20%.

What this means is that rent is less of a cost concern for companies than it used to be. This point is further reinforced if we look at real rents over time.

Slide 9 – Prime office rents
You can see that with the City in particular – real rents are at an all time low.

The market is cyclical and rents are low because tenants have had choice. As that choice evaporates, we believe rents will rise quickly, especially at the prime end and this is why we are building.

So as we've seen, we're looking at a lack of new supply and increasing demand leading to rental growth. Our portfolio is very well placed to benefit and I'd like to explain why by breaking it down.

Slide 10 – Portfolio by status
First let's look at the largest wedge, the blue one. 51% of our portfolio, by value, is made up of Grade A assets. Either properties redeveloped or refurbished in the last 10 years or trophy buildings.

A further 31% are effectively development prospects – be it schemes on site, in green; buildings with planning consent, in purple; or schemes in design, in red. This last category consists of buildings which are typically still let but where we have carried out massing studies and we are either working towards vacant possession or at most letting them on short term leases to maintain flexibility.

The remaining 18% is active management stock with a specific asset management plan identified and being implemented.

What this means is that over 80% of our entire London portfolio is either Grade A or development prospects.

Digging deeper into this.

Slide 11 – Grade A assets
Here are some key examples of our Grade A holdings. Most of which you may know, indeed you will have the chance to look around New Street Square and Cardinal Place today.

This 51% of the portfolio is well placed to achieve rental growth. Average office rents of £44 per sq ft are conservative and as we head into a supply constrained market, rental values are set to rise.

To give you a tangible example, here at New Street Square, average passing rents per sq ft are in the low £40's. Knight Frank ERVs in March were in the mid £40's. The latest deal in the area, at Rolls & Breams Buildings just across Fetter Lane, was a letting to Weill Gotschall at £54.50 per sq ft. So as you can see, Grade A rents are already rising.

These assets also provide income streams with a weighted average unexpired lease term of 11.7 years.

Just to note that we have excluded Queen Anne's Gate from these stats because last year we raised £360m on a self-amortising bond against the rent secured on this property until lease expiry in 2026.

Colette will talk about the three slices of the pie relating to the development pipeline in a minute, so I'll move on to our active management assets...

Slide 12 – Active management

The remaining assets in the portfolio are essentially our basket of toys. They are either being held as enablers for our development programme, as Colette will touch upon, or have real potential for growth through active management.

Let with an average office rent of just £32 per square foot. The average lease length is short, about 4.5 years, which suits us, as it gives us the opportunity to capture headline rental growth as we renew with existing tenants or re-let in the open market at a time when again supply is forecast to be constrained.

To give you a specific and very recent example, in Thomas More Square we agreed a surrender from AIG and simultaneously re-let all remaining space on the estate to News International at rents well ahead of Knight Frank ERVs.

Each of our assets has a clearly identified plan, and as Rob said earlier we now have an enlarged, enthusiastic and more experienced Asset Management team to work those assets hard.

I'd like to show you two final images, images that demonstrate that Land Securities does not just build and manage great buildings. We create great environments, environments that tenants want.

Slide 13 – Fleet Place

This first photo shows Fleet Place, offices surrounding a public square located about 500 yards to the east of here. It was taken at lunchtime, about three weeks ago.

Slide 14 – New Street Square

Same time, same day. This photo shows New Street Square, the Land Securities development where we are now sitting, during our Great British Summer event.

I'm now going to hand over to Colette, she is the one who is responsible for creating these environments.

Speaker: Colette O'Shea – Development Director
Slide 15 – Agenda slide
Thank you Scott and good morning everyone

Scott has talked to you about the supply constrained market and the raw material. My job is to make the most of this opportunity. To do that you need a development pipeline that has schemes on site ready to deliver into a rising market, and consented schemes, that are viable and ready to build, that's what we have got.

Slide 16 – London development experts
To my mind there are four areas critical to success and where we can demonstrate a strong track record.

Raw material. We have a property portfolio which has been built up adopting a cluster approach. We can now exploit these clusters as estates, securing value advantages such as land use swaps which increase the efficiency of buildings, particularly in Victoria. Even more importantly, we can invest in the raw material within our existing portfolio now avoiding the need to compete in a highly competitive investment market.

Market specialists. We have an innate understanding of the London market, what occupiers, investors and partners want. We are experienced at dealing with the complexities of the planning regimes under which we operate. This gives us the confidence and ability to create challenging briefs, and to appoint and manage leading designers. This expertise enables us to become the partner, investor, and landlord of choice and to push the planning policy boundaries.

We have the skills to secure viable planning consents. These are a big barrier to entry, and are likely to become more difficult to achieve, while we transition to the localism agenda of the new government. This plays to our strength. We have always adopted a localism approach, spending huge amounts of resource on local consultation and in 2009 – 2010 we secured planning consent for just under 3m square feet of space. As consents become more difficult to secure, the value of our consents increases.

And finally, execution discipline. It is vital that our developments are timed correctly. We are early cycle developers, because our schemes are at the larger end of the spectrum and take longer to build. Also because it affords us the opportunity to divest as the market is rising.

Slide 17 – Development pipeline
Turning to our pipeline

We have 1.2 million square feet on site at the moment, including Park House. Virtually 3 million square feet consented and a further 1.7 million square feet currently in feasibility.

Slide 18 – Development pipeline- schemes on site

For the schemes that we are building, we expect to deliver development yields of over 8% from where they were valued in March.

Starting at One New Change, the book value in March was £238m, and at March, there remained a further £131m including all fees and interest, to spend, in order to complete the scheme. We anticipate letting the remainder of the offices at £52.50 giving a total rent role of around £28m.

At 62 Buckingham Gate, the March value was £55m with £133m remaining to be spent. At an average office rent of £65.00 this would produce £17m in rent.

Finally at Wellington House, the site was valued at £26m in March. The estimated expenditure including fees and interest to Practical Completion is £32m, at an average rate of £1200 per sq ft for the residential, the capital value of the completed scheme will be around £73m.

Enclosed within the appendix to your pack, is detail on the schemes that have planning consent, and are in feasibility.

I shall now move onto the pipeline starting with the biggest

Slide 19 – One New Change, EC4

One New Change demonstrates our skills. To have secured planning consent, next to St Paul's Cathedral, achieving a standing ovation from English Heritage, and satisfying the Dean of St Paul's, is testament to the challenging brief we set ourselves - namely to deliver a shopping centre in the City of London with an office building above.

Designed by Jean Nouvel, this scheme has certainly attracted attention.

I can now confirm that all but 2 of the 60 retail units are spoken for, 4 months before opening. Considered in the context of the wider retail market, we are particularly pleased with this result

As you know, we pre-let a third of the office floors at the outset, and we have 220,000 square foot remaining. This space will be ready for occupation in the summer of next year. We could have let it at £40 per square foot at the beginning of the year. Our call, is that by the end of this year, the rent it will have a 5 in front of it and we will be right to have held back.

Slide 20 – Park House, W1

Park House, Oxford Street is the largest speculative scheme to be built in Mayfair, since before the Second World War. It is a great example of how we have utilised the wider portfolio to maximise value, as well as becoming the investor of choice.

One of the original long lease holders occupying this building was UCL, housing students on Oxford Street. They had to be moved to enable redevelopment.

We moved them to a lower value land holding at Wilton Plaza in Victoria, this enabled redevelopment of Park House on one of the most valuable pieces of land in the capital.

As to being the investor of choice, you are aware that we pre-sold this scheme to the Qataris last month. This sale has enabled us to crystallise, the lion's share of our surplus, with no capital employed. We have fixed the yield at the low point in the rental cycle, and fixed the residential price per square foot. Our final profit share will depend on the office and retail rents achieved, and the speed of these lettings post Practical Completion.

We now have an estimated £35 million at risk, as opposed to well over £400 million had we not sold.

Taking our money off the table now, allows us to recycle it into other projects

Slide 21 – Wilton Plaza

This is an example of utilising our planning skills, creating an affordable bank, because it not only houses the UCL accommodation, which enabled Park House, but it is also the first affordable housing bank created in the UK.

Developers in Westminster are required to match the additional commercial space they build with an equivalent number of residential units and a third of these must be affordable housing. Many face viability issues, when forced to provide this mix of uses, particularly affordable housing, on one site.

At Wilton Plaza, we have over provided affordable housing, and in doing so have beaten Westminster's own housing targets. In return for this Westminster have allowed us to treat the over provision, as credits. In simple terms a bank, which we can draw down. This enables us to deliver more valuable schemes. And a great example is 62 Buckingham Gate, in Victoria

This brings me neatly onto Victoria where we have 2.7 million square feet of raw material.

Slide 22 – Victoria Masterplan

Traditionally, Victoria was the civil service heartland. But with Government decamping to the regions coupled with a number of large leases expiries, we have a generational opportunity, to create a dynamic, modern, fit for purpose business hub, located in the heart of the West End, adjacent to one of the busiest transport terminals in the UK, and one of the most desirable residential areas in London.

Now I am going to continue to demonstrate, how we utilise an estate wide strategy, to maximise the value of each individual site.

Cardinal Place, highlighted here, was the first phase of the Victoria Masterplan. Completed in 2006, it was the transformer, that enabled Victoria to claim its rightful place in the West End market.

Victoria, is the one place in the West End, that can still deliver the size, and scale of floor plates, that the modern occupier needs. Using the Masterplan approach, we have been able to swap land uses, creating more efficient and profitable buildings, while maintaining the mixed use requirements of planning policy. In a way, we are taking on a town planning role.

Take 62 Buckingham Gate, shown here, to satisfy planning policy this site should contain offices, retail, residential and affordable housing but it doesn't. The consented scheme is for offices and shops, and that is because the private housing is at Wellington House.

Wellington House is a standalone high end residential building to satisfy planning policy it should, but it doesn't. The affordable housing for both 62 Buckingham Gate and Wellington House is here at Wilton Plaza, where we have utilised some of our affordable housing credits.

And there's more. Victoria has also enabled development sites outside the estate. Take Arundel Great Court. The Wilton Plaza bank has also provided affordable housing for Arundel Great Court which is on the Strand. I shall talk more about Arundel Great Court later.

We have the skills and we are maximising our valuable raw material.

Slide 23 – 62 Buckingham Gate and Wellington House

The result of these land use swaps, is an uncompromised office building at 62 Buckingham Gate, which will appeal to both occupiers and institutional investors. Demolition is under way and the scheme will reach practical completion in 2013. We are confident we will secure good interest, as the supply constrained conditions, play out over the next few years.

Demolition is also underway at Wellington House where we are due to complete construction in 2012. As Rob said at our results presentation, we see residential as becoming increasingly more important. We are required to deliver it, and we are turning this necessity into a virtue, because the market for quality is deep and liquid. This demand for quality plays to our strengths.

Slide 24 – Victoria Masterplan
Back to the Masterplan, and what is to come.
We are planning refurbishments, and market repositioning, of 123 Victoria Street, for delivery in late 2012. The redevelopment of Kingsgate House will require delivery of a substantial amount of residential space, which we are planning to deliver not on site but at the tower-Portland House.

And the affordable at Eastbourne Terrace in Paddington. Where we plan to create another affordable housing bank again utilising the buildings in active management.

Finally Victoria Transport Interchange, VTI, shown here which was a scheme consented last year. I mentioned that planning is a barrier to entry and will become more difficult to achieve – we already have consents

Slide 25 – Consented schemes
VTI - This is another transformational scheme for Victoria, over 900,000 sq ft of space which we can start from September 2012. We are currently in the process of tidying up various interests, with the benefit of the CPO process.

Our proposals here, have enabled the Mayor to facilitate the upgrade of the Victoria line. This is one of only a few projects that the mayor decided to continue to fund, and I suspect having an agreement in place between Land Securities and LuL, was a serious consideration, when taking this decision. Victoria Station is as busy as Heathrow airport, and the much needed upgrade, new ticket hall and entrances, will all serve to enhance the sustainability of Victoria's place in the West End.

This scheme is a great example, of how our participation in the local agenda, helps secure planning consents.

At Arundel Great Court, we secured consent for over 660,000 square feet of office and residential space – This site, occupies a unique Strand location on the bend of the river. The residential element on the river side, will have sensational views of London, while the world class office building on the north of the site, will be in the heart of Midtown.

Finally, 20 Fenchurch Street – we are progressing with our joint venture negotiations, and reviewing our plans. Developing the concept scheme into one that can be delivered, in an efficient and cost effective manner.

Our aspiration is to start construction in the first quarter of next year, with completion in the first quarter of 2014

Slide 26 – The future
Looking forwards, we will have a busy year

The buildings highlighted on this slide, have a current floor area of 1.2 million square feet.

They are pretty much all let but with short leases and at then end of their economic life. Early feasibility studies, suggest that we will achieve a mix of refurbishments and redevelopments, accommodating approximately 1.7 million square feet of space.

We won't build all of these schemes. We are disciplined, and always looking for opportunities to take our money off the table, and recycle capital just as we have done with Park House

Speaker: Robert Noel – Managing Director, London Portfolio
Slide 27 – Agenda slide
Before we move to Q&A, I'd just like to cover a few things that we don't talk about at the results but they are mightily important, especially when you are concentrated in one market. It's not just about building it's also about attitude to the community, the market place and the environment. It is as a responsible counterparty that you make progress, particularly in the very restricted planning regimes we have in central London and in these fields, Land Securities is the leader.

Slide 28 – Corporate Responsibility
We established the Westminster Fund last year, a grant giving endowment fund aligned with the City Council's Local Area Agreement Objectives and securing match funding from Grass Roots Grants. Very well received by the local authority, it is open to any organisation or individual who wants to give in Westminster.

Employment is important to all of us and shortly, we should have established National Skills Academy for Construction status for Land Securities, the first developer to introduce the status, providing training, employability and "back to work" schemes for local communities. Also, as part of our commitment to the marketplace, we have provided grants to four post graduate planning students – the next generation of planning officers. In addition, we are involved with the Mayor's London Employer accord programme providing access to our extensive supply chain, as well as jobs within Land Securities.

The London Portfolio is also a key supporter of Business Improvement Districts. We are one of the original sponsors of the New West End Company. NEWEC has been key to the many improvements in public realm, crime prevention, truancy control, street cleaning and marketing that has seen the West End buck the national trend in retail sales and improve on its position as the premier retail destination in Europe.

We are also key members of Heart of London bid, the newly created Victoria bid and the Cheapside Initiative.

We believe Land Securities is the most sustainable property company in the UK. No other property developer sets itself such tough targets nor pioneers so many environmental initiatives. Our focus on sustainability is not new, and as I pointed out at our environment conference in central London in last month, we first appointed an energy manager almost 30 years ago and for the last 5 years, have held ISO 14001 accreditation – the only property company to have achieved this across their whole portfolio.

Our commitment to the sustainability agenda is grounded in the reality that every asset we own has an impact on the environment.

In London, this presents us with two distinct challenges.

Slide 29 – Sustainability

The first, is making our new buildings as environmentally friendly as we can. This naturally leads to a focus on technology, such as the energy pile technology at One New Change, and design to find innovative solutions. It plays to our strong engineering expertise.

The second challenge is the sustainability of our existing portfolio. Where modern working practices and habits place greater environmental strain on buildings that were not designed with today's environmental agenda in mind.

To make a difference in this area, we concentrate on getting closer to our occupiers to drive change through education. Memorandums of Understandings are being entered into with tenants at buildings such as Haymarket House, shown here, so that occupiers adjust their working behaviours and also allow us to manage buildings more efficiently. These are just a few of the steps in what will be a long journey.

You may think it odd that I am talking about all this today. How does it benefit shareholders?

Land Securities does not do Corporate Responsibility to be nice, we do it to make a difference and it is important that we should - it will drive commercial returns. As Colette has said, we would like local communities and the local authorities to be supporters of our buildings and be pleased that it is Land Securities who own or are developing in their area.

This will drive commercial return for our business as we will have a less difficult journey through the planning process.

Slide 30 – Summary
And finally, to conclude the presentation I would like to summarise the main points

Despite economic gloom, the London office occupational market is turning. As Scott has articulated, we are heading towards supply constrained market conditions. Vacancy rates have peaked at lower levels than in the last cycle, there is no new supply to speak of and we predict an increase in demand.

As a result, rental growth from march valuation levels is set to pick up quite strongly. Scott demonstrated how the make up of our portfolio sees us well set. The investment portfolio is let at conservative rents and we have a significant amount ripe for redevelopment

And with our developments. As Colette has said, we are more comfortable early cycle players this is for two reasons

First, due to our size, our schemes tend to be at the larger end of the scale and, by definition will therefore take longer.

Second, by starting buildings earlier in the cycle we can buy our construction contracts competitively, have less leasing competition and still get the benefit of a rising market post letting and history provides plenty of examples.

And for the time being, we have the added advantage in that due to our balance sheet strength and committed facilities. We can finance our planned developments at competitive rates where such finance still remains relatively scarce.

As Colette has shown you, we have over 1.2 million square feet on site at the moment as part of a programme of over 5 million square feet over the next 5 years, equivalent to over half of the existing portfolio.

We are not about to rush off and build 5 million square feet. We will maintain our discipline, and chose our exits carefully, as we have done with Park House

We have a portfolio with opportunity, a balance sheet which enables us to invest in it, a clear plan and a great team

Slide 31 – Forging the future of London
Now, that concludes the presentation but we are happy to take any questions you may have before Ed explains how the rest of the morning is going to work.

We will now take your questions.

Question 1
Martin Allen – Reech
You pointed out the bunching of lease expiries in the City particularly in 2014/2015. You also made the point that you are an early cycle player. Will you press the button some time next year on quite a lot of schemes to try and hit that sort of peak of expiries? And if so, how do you manage that in terms of risk, financing risk and pre-let risk?

Answer
The answer is yes our inspiration is to start next year. 20 Fenchurch Street, which as you know is 700,000 sq ft, is something we could do on our own, but we are not going to. We will do it with a partner for two reasons. Because we are early cycle players, we want to be able to bring on more schemes at one time. If we do 20 Fenchurch Street, we might possibly think that we wouldn't have the appetite to do another large one. I would rather have 50% of two, than a 100% of one and get the first one right and then two right with the second. The second reason with 20 Fenchurch Street for finding a partner is that simply having 700,000 sq ft of letting space at risk in one location, remember this is primarily going to be a speculative building, is really too much for one location in my view. And that is what it is about. We will be pushing the button next year, we do have the appetite and we have plenty of facilities as you know, but deals like Park House which have enabled us to crystallise our profit and take the cash off the table, give us the appetite to carry on and give us the fire power to do them.

Question 2
Bhupen Master – Merrill Lynch
Just on 20 Fenchurch Street, what skillset are you looking for from a joint venture to bring to the table?

Answer
We either wanted to go to a silent capital partner or we wanted to go with someone who has experience at building buildings. Why? Building buildings can be a very complicated, risky business and you are making decisions through the construction process which require rapid thinking because you need to think on your feet. And we have got to conclude at some stage whether we go down the route of having a partner who is used to building and can add that skillset, so can go with us in the decision making, or, who will let us just get on with it. We are pretty relaxed on both counts, but we have chosen one particular route although we haven't said who it is going to be.

Question 3
Alan Carter – Evolution Securities
If 20 Fenchurch Street is a building that you are happy to develop speculatively, is there anything else in the development portfolio at the moment, either committed or likely to be, that will only go ahead with a pre-let?

Answer
There is nothing at the moment which will only go ahead with a pre-let. Next out of the blocks will be 123 Victoria Street, SW1 which we should start early next year to deliver in mid-2012, that is going on for 200,000 sq ft, and will be speculative. Following that we have got a planning application going on in Ludgate Hill, Aldgate and Ludgate Houses which will be submitted in March and we aim to start on site in September 2011. We are going to refurbish Canon Street Tower, 110 Cannon Street, 70,000 sq ft, currently the home of K&L Gates, who are moving into One New Change. Cannon Street will be a refurbishment, we are going to be on site midway through next year for delivery again in mid-2012. So those are the next ones out of the blocks, but they will all be speculative. If we get a pre-let in the course of our planning and construction so much the better, but you have got to time these early, you have got to go.

Question 4
Nicolas Lyle – HSBC
In your schemes in feasibility, how much do you think you can raise in terms of disposals and what kind of prices are you anticipating for those?

Answer
We don't have any schemes in feasibility and by definition means we don't have a planning concept yet. So the first thing for us to do is to get the planning consent, that will define what can be created on the site. At the time we get the planning consent, we will be looking forward to market conditions at that stage and decide whether the scheme is something we should do, whether we should do it with someone else, whether we should do it on our own speculatively or whether we should wait for a pre-let. As Collette pointed out, we have got about 1.2 million sq ft of space which is in feasibility at the moment, which will have planning applications submitted by March of next year. So within this commercial year, where we will be seeking planning consent for around 1.7 million sq ft., around 300-400,000 sq ft of that will be prime residential space in Victoria. The residential space creates a completely different market place, because it is less cyclical and the market is very undersupplied at the moment at the high end.

Further question
Can you tell us a bit more about your strategy in terms of offices? How many office buildings do you own? And what kind of office buildings do you see yourselves owning in majority in five years time?

Answer
We have about 45 holdings across London, slightly more than that in numbers of buildings. We have quite a few clusters as you know, so one holding might be 3-4 buildings. As for how the office environment is going to look in 5 years time, it is moving very fast and the

environmental agenda is pushing us along on a great wave. And actually it is the environmental agenda that is very important when you consider why we think there is a load of demand coming up. You can see the wall of demand coming up in the City. The slide on the West End is slightly more complicated, because the slide that is in your pack, the bar charts look very small. The data is the square footage or square foot units of 20,000 sq ft and above. Now you will know that in the West End 90% of transactions are below 10,000 sq ft. So you have only got, the top decile in the market representing that. There is a raft of expiries across the West End as generally the West End has been let on the short term leases as you well know.

It is the environmental agenda that is moving things along. That will play to our strengths because that is where the demand is going to come from because people require fit for purpose buildings. Rents in real terms are lower than they have ever been and the cost of rent is not the big corporate consideration at the moment, as Scott's chart with the green line showed.

Question 6
Osmaan Malik – JPMorgan Cazenove
You spoke for some time on Victoria, I was just wondering if you had any take on Government spending cuts, what the effects on the offices in Victoria could be?

Answer
Well it is going to be quite big. We have got 5 buildings in Victoria let to the Government. One of them has just expired which is Ashdown House which is the one we are going to refurbish and so they are moving out which is great. So we can get on with that. The other one is Kingsgate House which expires in 2012. Now that is 160,000 sq ft at the moment that we are going to take to own the 400,000 sq ft. It is the one that Collette showed you just before Portland Tower on the Masterplan thing. A lease expiry leading to a vacancy would be welcome.

The other three buildings we have got are Eland House in 2016. Empress State building, housing the Met Police in Earls Court that we own with Capital and Counties expiring in 2019, and is Ludgate House in the City which expires this year and that is where we are going to be building.

As Collette said, if the Government decamp from London, they are leaving some of our buildings already. But we see the decamp as a real advantage for Victoria, because Victoria is a grey civil servant location, so we have a generational opportunity to upgrade it. It is the only area in the West End that is 75% conservation area. So it is a very difficult location to build new buildings in, it is the only area where we can wholesale build new significantly larger buildings and get the big floor plates and the flexible floor plates that people want. And also design sustainable buildings.

Question 7
Keith Crawford – KBC Peel Hunt
I am trying to digest all of this, this is formidable stuff of course. Only Land Securities have assets like Park House, nobody else has anything like that.

Comment
We don't have it any more Keith!

Further question
I am sure you were only too pleased to get rid of it if there was only £35m of risk and you get the day after tomorrow's prices, fantastic. But you do have others of course which you have built like New Street Square. One of the downsides which I see in the company is the debt structure of the company is reasonably inflexible. In a way to confront this, some of these buildings are going to be going to be sold aren't they?

Answer
I don't think the financing is inflexible. Where we sit at the moment, which is broadly at the bottom of the cycle. We have got £4bn of debt, of which the lion's share is in the Security Group and 90% of that is bonds. Now the one thing we have difficulty doing at the moment is wholesale selling because obviously we have got fixed rate interest on those bonds. But in terms of the buying and the CapEx concerned, we have magnificently robust and cheap, flexible arrangements. Our revolving facility gives us over £2bn of fire power at the moment if we want it, we can just draw down on marginal costs and that is the best part of 100 basis points.

Further question
The development pipelin is a serious sort of capital hunger isn't it? Joint venture partnerships will not be enough. I mean we will need to recycle some of the existing trophies I would have thought.

Answer
You know my track record, we will recycle.

Further question
Did you say the Government is leaving Ludgate House?

Answer
The Government left last month.

Further question
Do you like Arundel Great Court as an asset?

Answer
I like it a lot. Where it sits in our balance sheet at the moment is at a conservative level. We have an amazing planning consent. At the moment we have got a couple of leases to buy out. Our aspirations start there in 2012 and we deliver in 2015. Don't forget that the majority of that is a residential scheme which sits on the river, right on the bend. And if any of you have ever been into what used to be the Howard Hotel, the views are unbelievable. It has the best vista in town.

Question 8
Quentin Freeman – UBS
On the projects you have got, looking at "Scott's toys" if I may, you have got Harbour Exchange, you have bought Thomas Moore in the past, I don't know if you still own Greater London House up in North London. Are we going to see more of those kind of forays into what I call fringe London in the new world or is that going to be cut back a bit? And did you look at Hammerson's Harbour Exchange property?

Answer
I think it is highly unlikely. We have a reason for owning every asset that we own at the moment, we have a clear plan. We have various things going on there which will augment and lengthen the income stream, but we will not own it long term. Thomas More Square, same detail. We have slowly been filling it up with News International. It will be very interesting to see whether News International redevelop or not the buildings that they are in at the moment. Obviously Fortress Wapping which is next door to Thomas More Square, they have moved in. Whether they decide to go back there in due course or stay in Thomas More Square is up in the air. We co-own that with Cadillac Fairview as you may know. Greater London House was sold to Lazari Investments in 2007.

Further question
And then on VTI, can that be developed in phases?

Answer
It can be developed in phases. And VTI is another scheme like 20 Fenchurch Street, where I suspect we will look for a partner. It is 900,000 sq ft, it is no small commitment.

Question 9
Andrew Cox – Numis
In terms of the chart showing the lease expiries and breaks from Knight Frank, has there been any qualifications to that in terms of are these properties actually in occupation at the moment?

Answer

They have got lists of expiries against tenants who are in or against leases who are in buildings. And that is how it is represented on a chart, but can't cover by definition a whole market, otherwise everyone would be clambering for their evidence. So it is only a broad indication. And I think it just shows that you have got the lease expiries of the 25 year leases as Scott said, the 1980s boom and the 15 year leases and the 1990s boom, all coming to an end at one stage. And I think the examples he used were Cameron Mckenna in Aldersgate Street, a building Land Securities built a couple of cycles ago, that lease expires in 2015 and by then they will have wanted to find a new home. Now they are in the market looking for 200,000 sq ft at the moment to deliver in that date. And they have gone early because they know there is going to be no choice. There are others like them – Santander, BT, Standard Chartered – the names go on. They haven't yet got into the market with their enquiries, but they will. And if they come into the market next year, and bear in mind if you want 200,000 sq ft you are going to be looking 2-3 years before you actually move. They are going to come into the market next year. They are going to find zero supply.

Question 10

Stuart Martin – First State Investments

Looking at the development portfolio and the size of the development book. In order to benefit from the REIT tax breaks, development buildings must be held in the portfolio for no less than 3 years following completion and if you sell within this period you cannot take advantage of the breaks. What consideration do you have on that and how do you assess the whole sale strategy?

Answer

First of all, I don't think that your tax consideration should drive a property decision. So if you think of it like this, if we build a building and we think it is the right time to sell, whether we are a REIT or not we should sell. If we are not a REIT we will pay tax anyway. So if we are a REIT what is the problem with paying tax? Secondly, if I sell before practical completion, I don't pay tax. So Park House for example, no tax. Also at some stages and if I pay it early into the cycle, it may be that I do hold the building for 3 years post PC to see that cycle play out and for us to sell. You take this building for example which was completed early last year. It was pre-let in 2005 to Deloitte, the rent that Deloitte pay is low £40s per sq ft. We go into the rent review cycle on this building in 2013, lat 2012/13, it is going to be perfect timing. After that we have been through that rent review cycle and we have marked the rent to market and we will still have 10 years on the lease and then will be the time to sell it.

The other thing about REITs, a development is only a development if at the time you start it you are spending more than 30% of the value of the holding. So if we are going into a pre-let for example, and it might be a refurbishment, quite a lot of the value of that pre-let will have been recognised at the point that you sign the pre-let and maybe before you have committed to the scheme. So in some instances you will come outside the REIT ring fence by going down projects that way.

Question 11
Graham Jones – Arbuthnot Securities
What happens if City office rents are £45 and 3 years rent free on a 15 year term?

Answer
Our building stock in this City is getting old and people will need to move because buildings don't work. You know, we are coming to the end of the economic life of the 1980s office boom. Your choice as a tenant is either to occupy those buildings and limp on or to go into a new building. At £55 a sq ft the price differential is not that much and as we have seen, it is a far lower proportion of your overhead than it ever was. Rents in Lime Street, in 1974 were £55, they are still £55 today. I don't think rents are going to fall to 40 quid because they will only fall to £40 when there is a combination of over supply and under demand and we will not have that combination because there is no supply.

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Forward Looking Statements