

FT Conference – 23 September 2008
Setting the course ahead

Francis Salway

Chief Executive, Land Securities Group PLC





Context

	1990 ¹	2008 ²
Inflation (ONS)	9.3%	4.6%
10 year gilt yields (IPD Monthly Index)	10.7%	5.1%
Property equivalent yields (IPD Monthly Index)	9.4%	6.8%
GDP growth (ONS)	0.8%	1.4%
London office vacancy rates (PMA) ³	City 19.2% West End 8.3%	City 11.1% West End 5.7%

Notes: 1 - Year to December 1990 or spot rate at December 1990

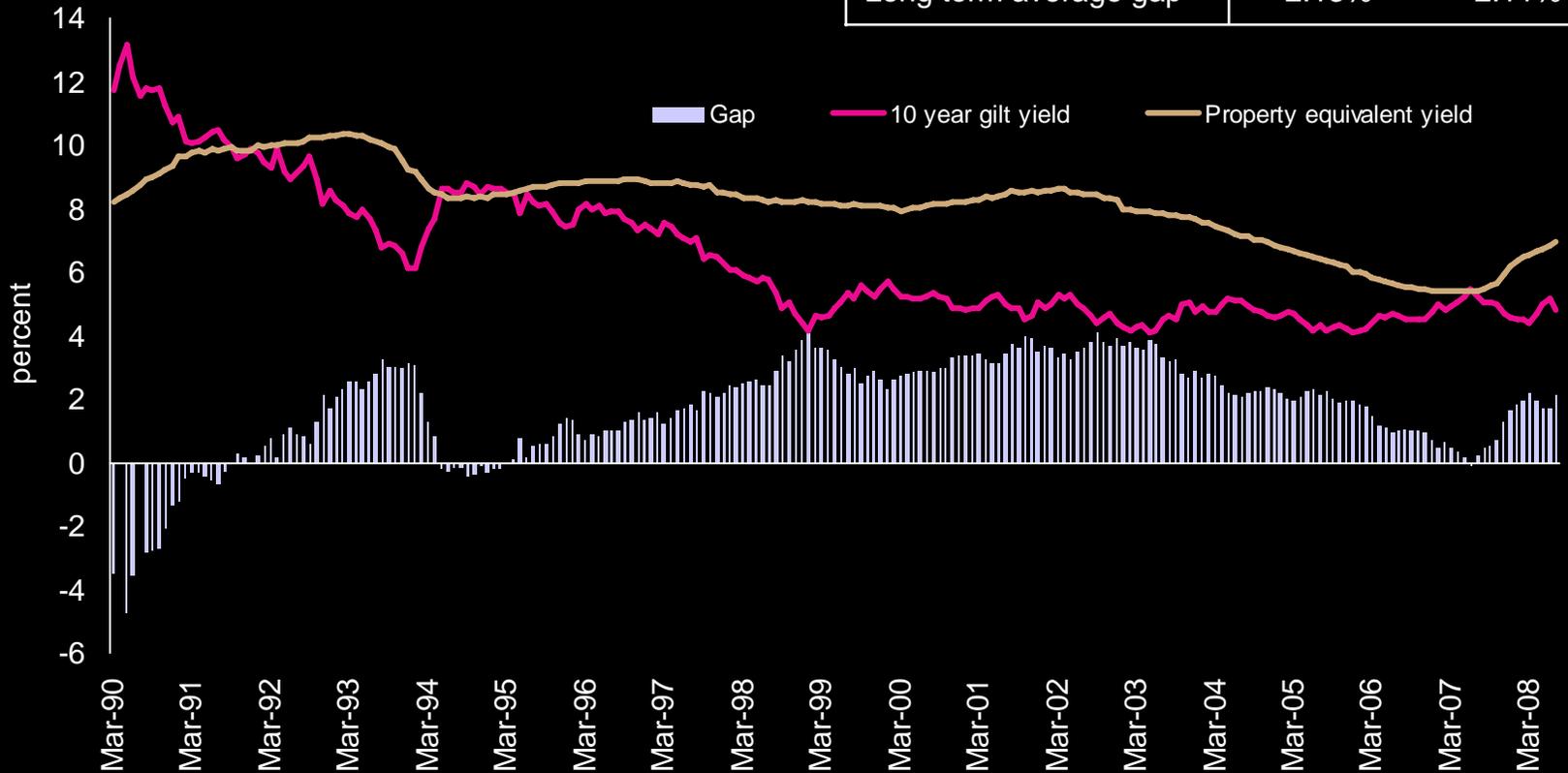
2 - Year to June 2008 or spot rate at June 2008

3 - Includes developments completing within 12 months



Investment property yield pricing - I

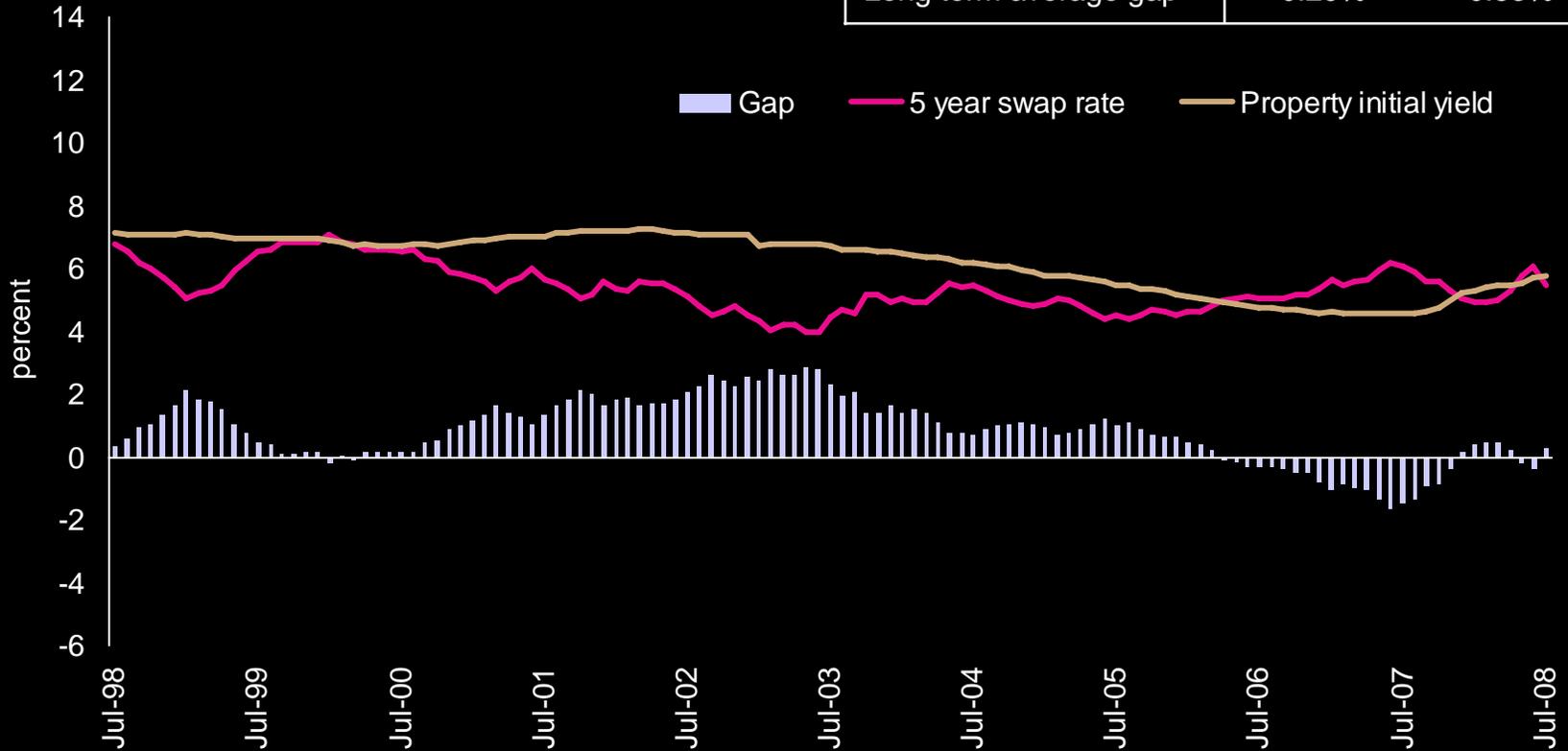
Yield gap	September 2008	15 year average
Long term average gap	2.13%	2.11%



Source: IPD Monthly Index, Reuters.

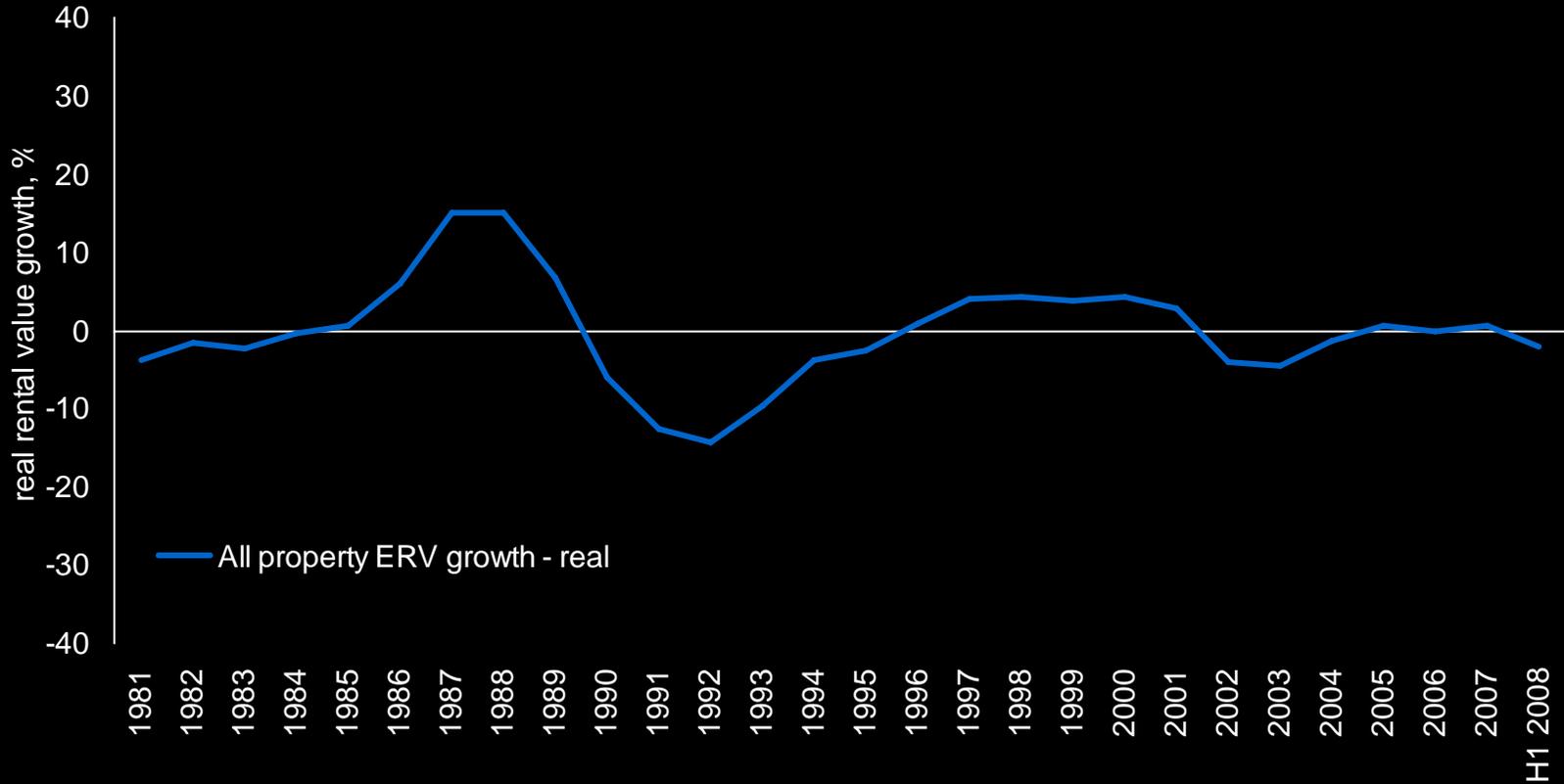
Investment property yield pricing - II

Yield gap	September 2008	10 year average
Long term average gap	0.29%	0.83%



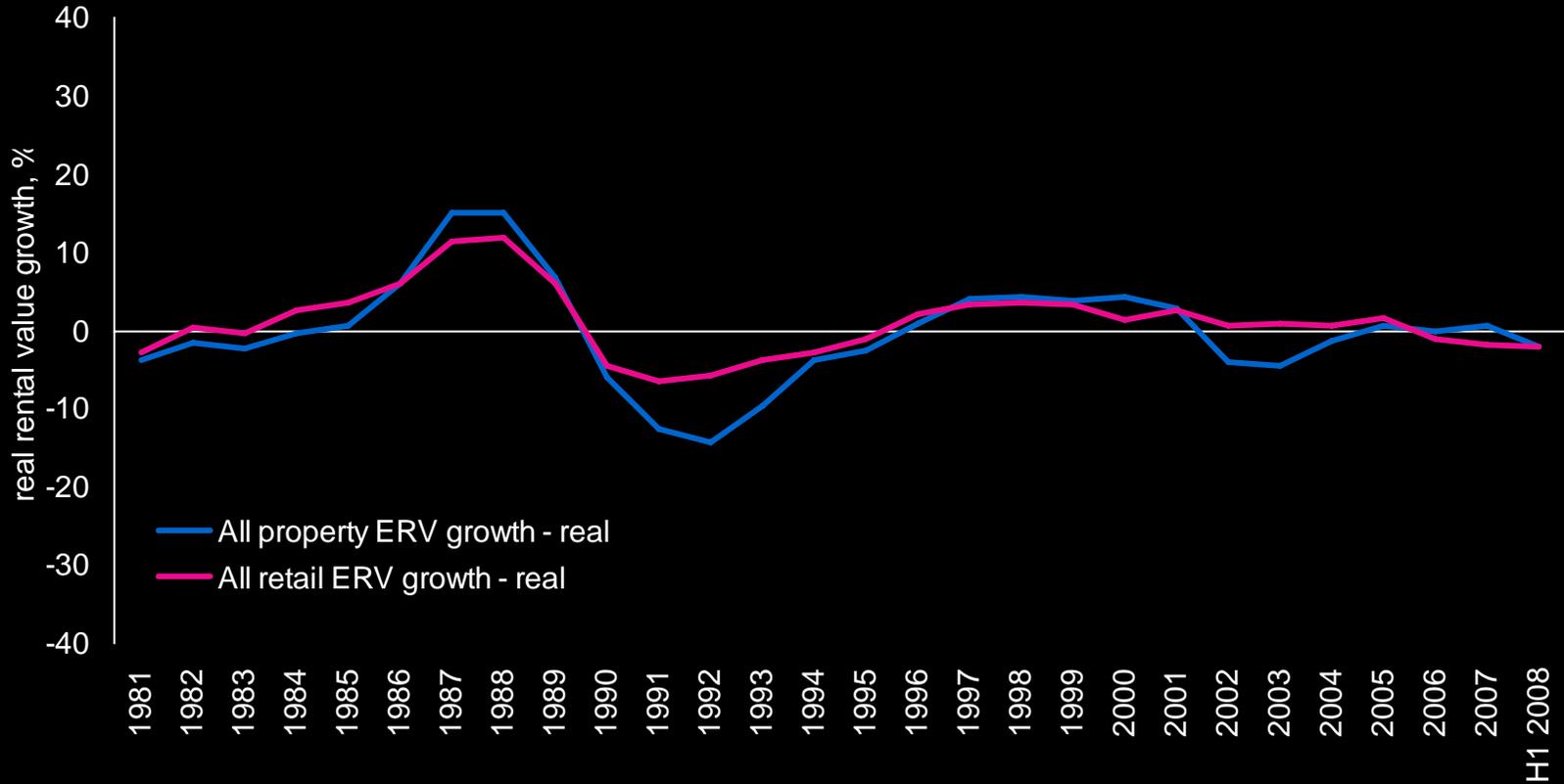
Source: IPD Monthly Index, Reuters.

Trends in rental values – in real terms



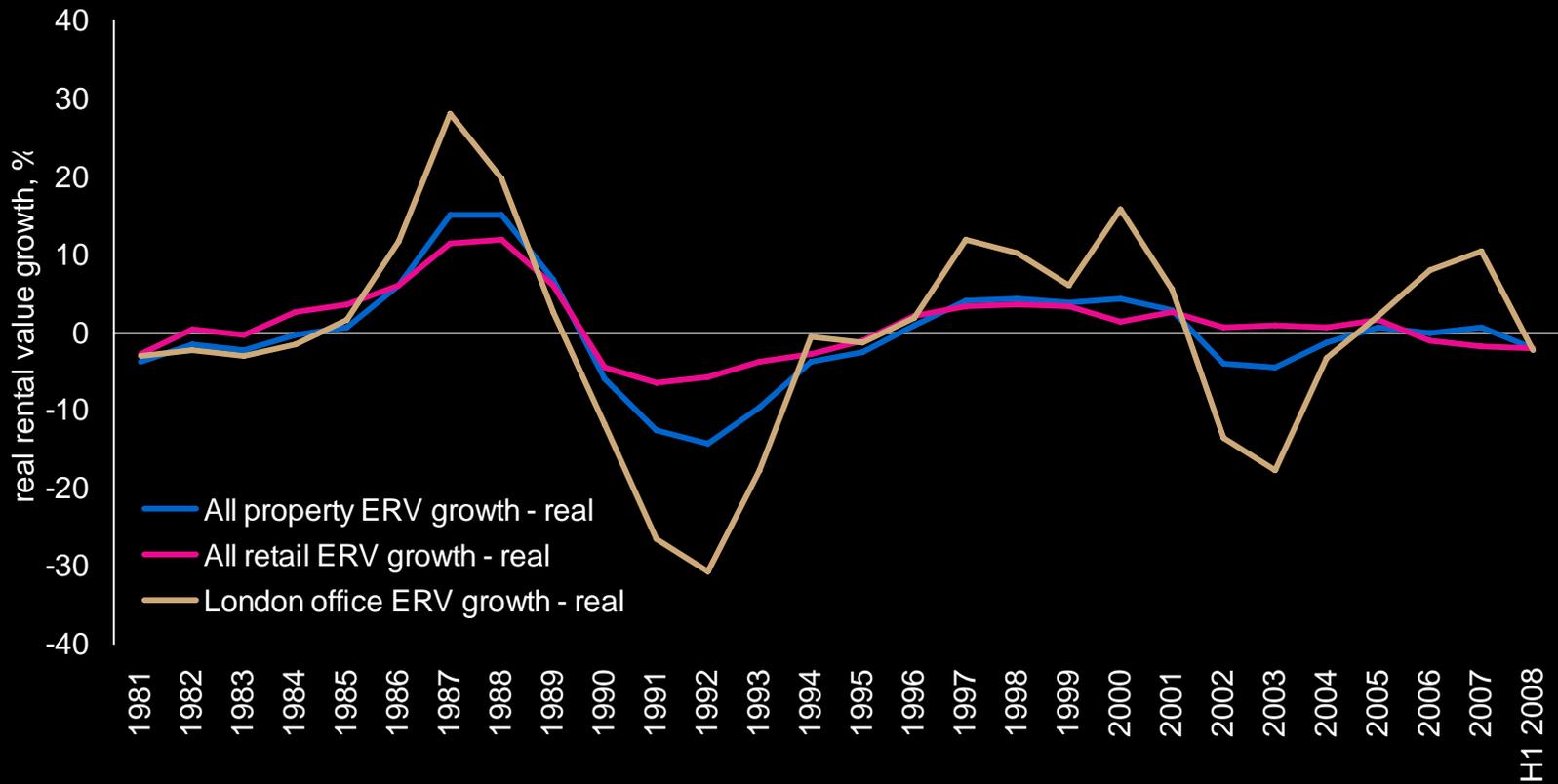
Source: IPD Annual Index (1981-2007) IPD Quarterly Index (H1 2008), ONS.

Trends in rental values – in real terms



Source: IPD Annual Index (1981-2007) IPD Quarterly Index (H1 2008), ONS.

Trends in rental values – in real terms



Source: IPD Annual Index (1981-2007) IPD Quarterly Index (H1 2008), ONS.



Criteria for success for a property company

1. Good **asset level performance** on investment properties **+6.5% relative outperformance of LS vs IPD Quarterly Universe (All Property)**
2. Manage timing and execution on **development** properties **2.3m sq ft of development completions – 94% let**
3. Manage **gearing** through the cycle **£1.56bn of investment property sales**
£0.81bn of capital released from PPP fund

..... criteria relevant to up-swing and down-swing of cycle



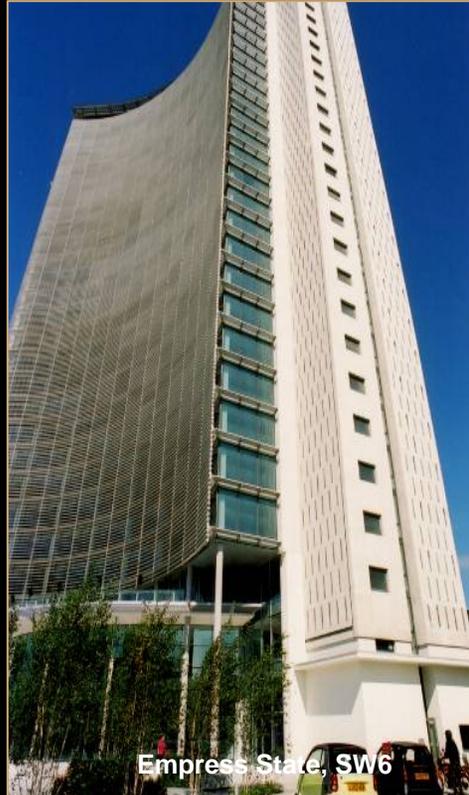


Priorities



Cabot Circus, Bristol

Development lettings



Empress State, SW6

Continuing portfolio rotation



Selborne House, SW1

Preparing developments for next cycle

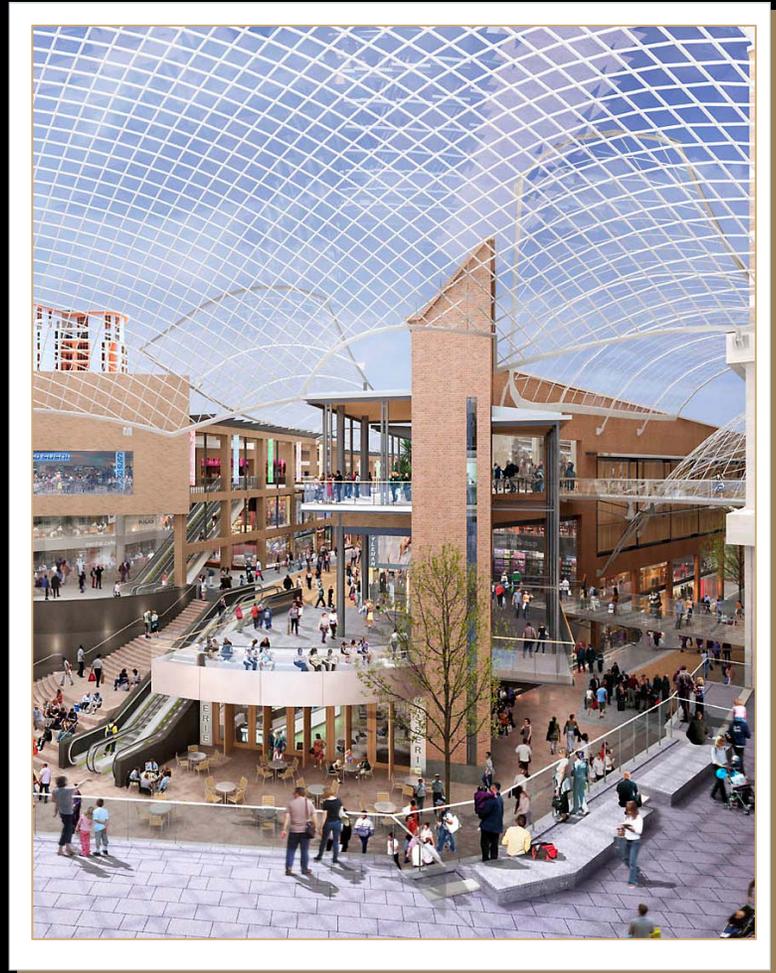
A blend of immediate and long-term priorities



Retail – delivering developments

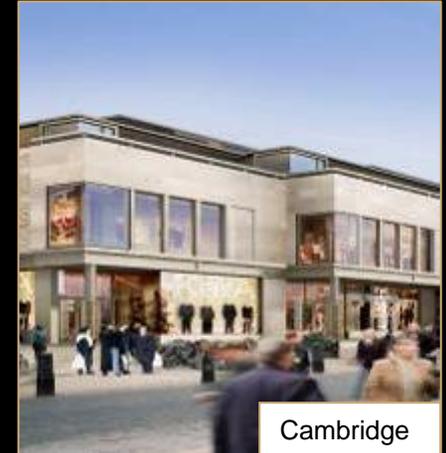
Cabot Circus, Bristol

- UK's eighth largest city with high GDP and affluent population
- 1.5m sq ft mixed-use development
- JV with Hammerson
- 140 new shops
- 75% of retailers new to Bristol's city centre
- 92% let or in solicitors' hands
- Opening 25 September 2008

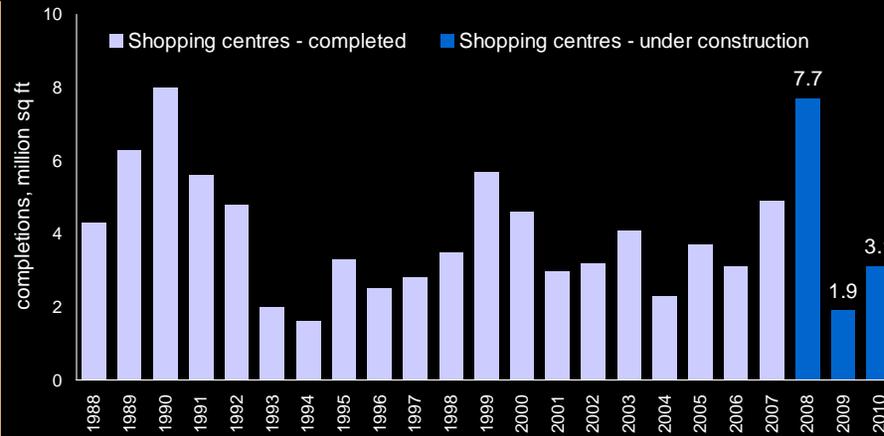
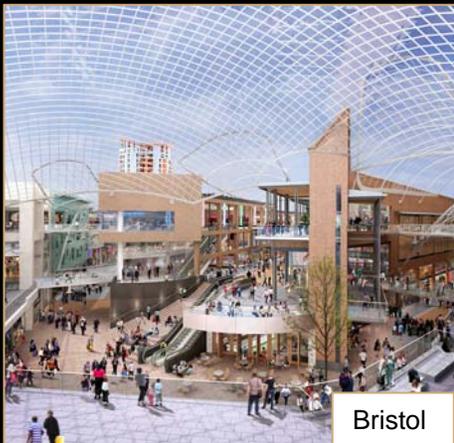


Regeneration delivering civic pride, jobs and economic growth

Retail development lettings



2007 openings 95% let
 2008 openings 90% let / in solicitors' hands



Achieving letting success in a competitive market

London office development



1.6 million sq ft



0.135 million sq ft



>1 million sq ft



Adjusting volume of development to the cycle

Trillium – creating value



High quality customers
with low default risk



Lower exposure to
property cycle



Long duration RPI linked
contracts

..... 9.5% return on capital in 2007/08

In Summary



- Significantly outperformed property market in 2007/08 – over £800m of value preservation
- Well positioned for more challenging market conditions
 - Moderate gearing
 - Well timed sales programme in 2007/8 – £1.56bn at 5.3% above valuation
 - Well timed development programme – 2.6 million sq ft completed in 2007/08 and 94% let
- Plan for long-term, sustained value creation through demerger

Track record of performance on execution and timing



FT Conference –
23 September 2008