LandSecurities

Press Release

21 July 2010

Land Securities Group PLC ("Land Securities" / "the Group" / "the Company")

FIRST QUARTER INTERIM MANAGEMENT STATEMENT

In the first quarter Land Securities maintained momentum against its priorities. There was good progress on lettings, success in selling properties into the areas of strongest investor demand, improvements to debt facilities from further treasury initiatives, progress on its London development pipeline and a start announced for the first large retail development in recent times at Trinity Leeds.

- **Development**
  - Commitment to start 750,000 sq ft shopping centre development at Trinity Leeds based on good pre-letting levels at 43%, with a further 4% in solicitors' hands and 12% under negotiation.
  - Developments at 62 Buckingham Gate, SW1, and Wellington House, SW1, proceeding to programme.
  - Talks progressing on possible joint venture on 20 Fenchurch Street, EC3.

- **Income**
  - Achieved £4.6m of development lettings in the period, with a further £3.8m in solicitors' hands.
  - St David's, Cardiff now 79% let or in solicitors' hands.
  - One New Change retail now 98% let or in solicitors' hands.
  - Voids in the like-for-like portfolio down to 5.7% (5.9% at 31 March 2010). The void level includes units let on a temporary basis at 1.1%.
  - Units in administration down in the like-for-like portfolio at 0.8% (1.0% at 31 March 2010).

- **Asset recycling**
  - As announced in June, forward sale of our development, Park House, W1, to Barwa Real Estate ("Barwa") for a total consideration of £250m for the site, all of the construction costs and a profit share on completion.
  - Total property sales in the quarter (Land Securities' share) of £302.9m at 2.6% above March 2010 valuation, at an average yield of 1.0%.
  - Acquisitions in the quarter totalling £174.6m at an average yield of 5.6% (including non income producing development sites). The two principal investment property acquisitions were the O2 Centre, Finchley Road, in London and the Westgate Centre in Oxford.

- **Balance sheet**
  - Successful tender for 2013 bonds.
  - Weighted average cost of debt of 5.0% (5.3% at 31 March 2010).

- Average debt maturity now 11.6 years (11.8 years at 31 March 2010).
- Group LTV at 30 June, based on 31 March 2010 asset values, was 46.1% (43.5% at 31 March 2010) which will fall to 43.7% upon receipt of the £225m initial payment from the Park House sale.

Commenting on the quarter, Land Securities Chief Executive Francis Salway said:

“The themes in the first quarter continue to mirror the priorities we outlined with our full year results: delivering a substantial development pipeline for completion in 2012/13 and maintaining a strong focus on actions to grow revenue profit in the medium term. We have gained momentum on lettings, sales and development in the quarter and today we have announced the commencement of the 750,000 sq ft Trinity Leeds retail scheme.

“Our outlook and plan remain the same – a recovery in property values over the medium term, but interspersed by ripples. We see strong investor demand in some sub-markets, but early evidence of price resistance in others. We will continue to play any such imbalances to our advantage. We have a wonderful pipeline of organic opportunities and since January we have initiated projects with an aggregate development cost of £1bn, with profits already taken from one of those schemes.”

LONDON PORTFOLIO

In June, we forward sold Park House, W1, to Barwa for a total consideration of £250m for the site of which £25m is deferred until completion; Barwa will pay all of the construction costs and an additional profit share on completion. The sale enables us to realise the majority of our profit ahead of schedule and deploy the capital elsewhere. Construction has started and we are acting as development manager for Barwa.

Demolition is well underway at 62 Buckingham Gate, SW1 and Wellington House, SW1 where 59 prime residential apartments will be completed in July 2012. At 62 Buckingham Gate, construction of the 270,000 sq ft office development will start in September 2010 with completion due in April 2013.

The focus on lettings continues. At Thomas More Square, E1, co-owned with Cadillac Fairview, a further 70,000 sq ft of space was let to News International for a term of up to 10 years. News International will take the majority of 2 Thomas More Square (55,000 sq ft) and a further 15,000 sq ft of space at 3 Thomas More Square generating a further £2m per annum in rent. This latest letting takes total occupancy of the estate to just under 99% with News International occupying 260,000 sq ft of the 560,000 sq ft estate.

Lettings have continued at One New Change, EC4 and the retail space is now 98% let or in solicitors’ hands. Recent retail lettings include Hugo Boss, Guess and Swarovski. Practical completion of the development to shell and core is due in October 2010 and the offices, which are approximately one-third pre-let, will be available for occupation in June 2011.

The void level on our like-for-like properties in our London Portfolio reduced to 5.9% at 30 June 2010 from 6.1% at 31 March 2010. Lettings were largely matched by lease expiries at 60 Ludgate Hill, EC4, and 123 Victoria Street, SW1, which form part of our plans to redevelop into a supply-constrained market. Units in administration were 0.0% (0.2% at 31 March 2010).

RETAIL PORTFOLIO

There was one investment property sale during the period. We sold the N1 shopping centre in Islington, jointly owned with Delancey, for £111.7m at a yield of 5.3%.

During the period we purchased two shopping centres. In April, we acquired The O2 Centre, Finchley Road, NW3, from the Matterhorn Palos Partnership, for £125.9m representing a yield in excess of 6%. The 10.5 acre site is in an excellent location and has the potential for asset management activity and longer term development. In May, we bought a 50% stake in the Westgate Centre, Oxford from The Crown Estate for just over £28m representing a yield of 6.75%. The property will be jointly held in a limited partnership. The partnership will aim to enhance the shopping experience at Westgate through asset management, while we assess prospects for a commercially viable development proposal.

Our letting activity demonstrated that there is still appetite amongst retailers for the right lettings in the right locations. At Livingston, we have attracted Primark to open at the scheme and have secured lettings to women'secret and Springfield during the quarter through our Brand Empire business. Since April 2009, we have secured 11 lettings at this scheme, generating a rental income of £0.9m p.a. and the Centre is now 90% let. Other lettings in the period included Hollister at Buchanan Galleries, Glasgow, and JD Sports and Bank Fashion at The Bridges, Sunderland.

This activity helped drive a reduction in the void level on our like-for-like properties to 5.6% at 30 June 2010, down from 5.8% at 31 March 2010. Temporary lettings accounted for 2.0% within this void figure. Units in administration reduced to 1.4%, from 1.8% at 31 March 2010, as a consequence of the re-letting of space rather than units moving from administration to void status.

Within our development programme we completed 44 lettings with an aggregate rent of £4.1m p.a. (Land Securities' share) and have a further £2.7m p.a. in solicitors' hands. St David's 2 in Cardiff is now 79% let or in solicitors' hands (71% at 31 March 2010).

We have also announced today our intention to start the 750,000 sq ft shopping centre development at Trinity Leeds. We are making this major commitment only after achieving our pre-letting threshold. The scheme is now 43% let with a further 4% in solicitors' hands. Lettings completed to date include Next, Top Shop, River Island, Cult and Hollister with an extension and new entrance into Marks & Spencer. The total development cost of the scheme (including land and capitalised interest) is estimated at £350m and additional capital expenditure will be approximately £240m. The expected gross yield on cost is 8.0%. The construction contract is due to be signed imminently with project completion due for Spring 2013.

FINANCE

As at 30 June 2010, net borrowings (including joint ventures) amounted to £4,405.6m (31 March 2010: £4,201.0m). Group LTV at 30 June 2010, based on 31 March 2010 asset values, was 46.1% (43.5% at 31 March 2010).

In June, the Company took advantage of market conditions to purchase £253.8m of the outstanding £300m bonds due in 2013. The purchase was funded through drawing bank facilities, thus converting fixed-rate debt into floating rate debt and increasing the flexibility of our borrowings. The average duration of the Group's debt is 11.6 years (11.8 years at 31 March 2010) with a weighted average cost of debt of 5.0% (5.3% at 31 March 2010).

The first interim dividend payment for the current financial year will be 7.0 pence per share. It will be paid on 25 October 2010 to shareholders on the register at 17 September 2010. The cash dividend will be paid entirely as a Property Income Distribution (PID).

The Company offers its shareholders the option to receive a scrip dividend alternative which, in the case of the first interim dividend, will not be treated as a PID. The calculation price for the scrip dividend alternative in respect of the first interim dividend will be announced on 22 September 2010, and the latest date for election will be 4 October 2010.

BOARD APPOINTMENT

Land Securities has today announced that Simon Palley will join the Board as a non-executive director on 1 August. Simon has had a successful and broad ranging career in investment banking, consulting and private equity, rising to be Managing Partner at BC Partners, one of the leading private equity firms in Europe.

– Ends –

A conference call for analysts is being held today at 08:30 GMT
Conference call details:
Dial-in number: +44 (0) 1452 569 335
Call title: Land Securities Quarter 1 IMS
Conference ID: 87399379

A replay facility will be available to listen to immediately following the call for a period of 7 days
Encore Replay details:

UK dial-in number: 0845 245 5205
International dial in number: +44 (0) 1452 55 00 00
Access number: 87399379#

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Forward Looking Statements

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