LAND SECURITIES' Q1 INTERIM MANAGEMENT STATEMENT CONFERENCE CALL
17 July 2013

Speaker: Robert Noel, Chief Executive

Good morning everyone, and welcome to our first quarter IMS. As usual, I'm joined by Martin Greenslade and Richard Akers and we'll give a short rundown of what we want to say and then take any questions you have.

As you'll see from the tone of the announcement, we're pleased with the position we're reporting. We've seen an increased interest in our developments and we've maintained our virtually full occupancy across the remainder of the business. In central London demand for office space is still below the long term average but it is increasing and due to the under-supply of efficient, technically resilient and cost effective space in the market, we're getting good levels of interest in our developments. At 62 Buckingham Gate, for example, we were 10% let on completion of the scheme in May. Since then, a further 43% has gone into solicitors' hands and we're in advanced discussions on more space.

At 20 Fenchurch Street we're now 52% pre-let which is a slight increase on May, a further 4% in solicitors' hands and again we're in advanced discussions on other floors. As you know, since 1 April we've committed to build over 1.1 million square feet at Nova, Victoria and 1 and 2 New Ludgate, timed to complete when there will be a scarcity of new space. Beyond that, the level of supply is less clear and we'll continue to monitor this whilst considering options for future development.

In retail, Trinity Leeds has moved to 94% let, 15 units have opened for trading since 1 April and we'll see Victoria's Secret, Trinity Kitchen and the 107,000 square foot Primark store open later this year. Retailers continue to trade well at the centre and leisure goes from strength to strength. Generally the retail market remains challenging as we said in the announcement, but despite this backdrop we've maintained very high levels of occupancy in our centres. We've secured £5.5 million of lettings in the period, voids in the retail portfolio at the end of June were unchanged versus March at 2.9% and units in administration fell slightly to 2.2% despite Dwell, Model Zone and Ortak going into administration during the period.

And if we look at what's happened since the end of June, we've agreed terms for the re-letting of five of the six remaining HMV units, secured continued occupation of Republic on temporary rolling one month leases, giving us income and flexibility. And these actions more than offset the impact of Internacionale going into administration this month, with the result that our units in administration would currently stand at just 1.7% if those all signed.

Footfall in the shopping centres was down 2.9% but outperformed the market. On a total sales growth basis, sales in our shopping centres rose by 2.5% on the same quarter last year, on a same store like for like basis sales fell by 50 basis points. Continuing recent trends, the food and beverage sector was a strong performer with growth of 3.3% versus the same quarter last year. That performance demonstrates why we're pleased with our increased exposure to the leisure sector which reflects increased consumer demand for experiences.

We continue to recycle capital, funding our investments and development activity through the sale of those assets which are not well placed to adapt to change or have no long-term place in our portfolio. Since 1 April the major disposals were our 50% share in Empress State and this month we sold Oxford House to GPE as you will have seen this morning. Both of these were sold to special purchasers. We disposed of retail assets in Liverpool and Welwyn Garden City as we continue to reposition our retail portfolio as well.

Our finances remain in good shape with our LTV at 37.2%, proforma for the sales is 36% and cash and undrawn facilities of £0.9 billion.

Outlook is unchanged. In May I said that we moved into the new financial year with an optimism tempered by caution and that remains the case. In London we've seen an increase in interest from potential occupiers and no change to supply-constrained conditions in the market. The retail market, as I said earlier, remains challenging but we're working hard to maintain occupancy and you've seen the evidence of that today.

Consumer and retailer demand continues to evolve, and we're providing space which meets that demand and selling assets which are less well placed to do so. Expect this approach to continue.

So we continue to deliver on our plan. Our development programme is well placed and well timed. Our asset management is maintaining virtually full occupancy.

So on that note I think I'd like to hand over to you for questions.

Question 1
Neil Green, J.P. Morgan Cazenove

Good morning. Neil Green from JP Morgan. Just two quick questions please. How do these development lettings compare to your plan and also these retail lettings you've announced, the £5.5 million, how do these compare to the prior passing rents? Thank you.

Answer - Robert Noel, Chief Executive

Let me talk about the London development lettings because those are the only development lettings we've done apart from some in Trinity Leeds, and then Richard will talk about the investment lettings in the retail portfolio, because virtually all the investment lettings this quarter are in the retail portfolio because, if you remember, the London portfolio at May was full.

So the London developments, both lettings and in solicitors' hands, every single deal is ahead of our underwriting in terms of rent, rent free and lease term, every single deal.

Answer - Richard Akers, Executive Director

The investment lettings in the retail portfolio, as we said, are 1.8% above ERV. In terms of their comparison with passing rents, we don't provide that, but rental values fell in the last financial year, so I think it's fair to assume that these would have been probably slightly below the passing rent that existed prior to those units becoming void.

Question 2
Hemant Kotak, Green Street Advisors

Good morning, guys. Can you just help us understand the motivation for selling Oxford House at this stage and just to help us understand what the price was above book value and the profit on cost margin that you've foregone given the £90 million sale price please?

Answer - Robert Noel, Chief Executive

Yes. These things are never black and white, Hemant. I mean, we've been working on this now for quite some time and both this and Empress State House, where people asked exactly the same question - why are you selling a building which is next to where someone else is doing something - and that's exactly the point. We've been working on this sale for quite some time. It is right for us to do, so we've done it. We're totally unemotional. We've got a price at which we are very happy. We can put that money to use better elsewhere, so that's what we're going to do.

We don't report on individual buildings ahead of book value. We will give you aggregate numbers of book value as always when we report in November, but we're happy with the sale and I'm sure Toby is happy to purchase, so we're all happy and that's great.

Further question

Just if I could push a little bit more on one point there. On Park House I think you indicated what you left on the table, if I'm not mistaken. What do you think is the profit on cost margin that you've foregone by not building out Oxford House?

Answer - Robert Noel, Chief Executive

I can't tell you that, Hemant. If I knew I would tell you. The difference in Park House when we sold it is we were two months into a committed construction contract with a fixed price contract so we knew exactly what the numbers were. All we've got at Oxford House is a planning consent. We haven't even got a detailed design and a tender design yet, so we just don't know.

Further question

Just one more question please? With News Corp planning to move out of Thomas More Square in 2014, I think, what's the best use for this asset? Is it still offices in the medium term? And then what are your plans for it?

Answer - Robert Noel, Chief Executive

Yes, we think it's offices and we're fairly well down the line of what we're going to do to it. Clearly we've known about this potential move out of News International, who are one of the tenants in the scheme, for some time. As you will know, rents are low here, they're in the £20s and so it's value space and always has been value space, and there is a place for that in the market. So we'll be just doing a little bit of reconfiguration work and then re-letting that space I suspect.

Further question

Sorry, I know I said last question but just one more quick one. How much more advanced discussions do you have at 62 Buckingham Gate and 20 Fenchurch Street please? I think you mentioned that?

Answer - Robert Noel, Chief Executive

Yes, again, I'm just not going to go into that. I mean, the impression we're trying to give, Hemant, and hopefully we've been successful, is that there is a marked increase in the amount of real discussions we're having on the space and we will only tell you when something is in solicitors' hands if everything has been agreed and it's been handed over to the lawyers to close. And we're in that position on 43% of the rent but we've got more discussions where we're not quite in that position yet, so we haven't reported that.

Question 3
Christopher Freemantle, Morgan Stanley

All my questions have been answered. Thank you.

Answer - Robert Noel, Chief Executive

Well, if there are no more, chaps, and you can still hear me, then thanks very much indeed for coming on the call. We're around all day if you've got any further questions. Ed's here and Richard, Martin and I are here all day, so look forward to hearing from you later if you've got any further questions. See you!

– ENDS –

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