LandSecurities

Press Release

24 January 2012

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

THIRD QUARTER INTERIM MANAGEMENT STATEMENT

Land Securities continues to execute well against its operational targets for the business with void levels reduced further and a number of development lettings completed.

Key themes:

Development

- Further lettings on the development programme:
  - One New Change, EC4 – 25,200 sq ft let to CBRE Global Investors bringing the office element of the scheme to 82.0% let.
  - Trinity Leeds has moved from 54.0% pre-let at September 2011 to 57.8% pre-let with a further 7.9% in solicitors' hands.
  - 185-221 Buchanan Street, Glasgow has moved from 67.2% pre-let at September 2011 to 90.7% pre-let by income for the commercial element of the scheme.

- Key milestones on future development pipeline:
  - Kingsgate House, SW1 – obtained resolution to grant planning consent for 336,000 sq ft, including 104,000 sq ft of residential.
  - Good progress on edge-of-town and out-of-town retail developments with planning permission achieved for our 146,000 sq ft scheme in Crawley, planning applications submitted and pending decision for a further 254,000 sq ft in Peterborough, Taplow and Chadwell Heath and terms agreed for the acquisition of a further four sites.

Asset management

- Active demand for space in investment portfolio:
  - Achieved £7.1m of lettings in total at an average of 0.5% above the September 2011 rental values. A further £3.3m of lettings are in solicitors' hands.
  - Voids in the like-for-like portfolio down to 3.1% (3.3% at 30 September 2011). The void level includes units let on a temporary basis at 0.9%. A further 0.2% is under offer.
  - Units in administration in the like-for-like portfolio increased slightly to 0.6% at 31 December 2011 (0.4% at 30 September 2011). As at 20 January, the units in administration stood at 1.0%.

- Capital recycling:
  - Total property sales in the quarter were £104.0m (net receipts) at 1.9% below March 2011 valuation and at an average yield of 7.6%. Total property sales over the nine months to 31 December were £299.7m, at 5.7% above March 2011 valuation and at an average yield of 5.4%.

  - Total investment in the quarter of £89.1m, including capital expenditure on developments of £51.1m and acquisitions of £11.1m. The acquisitions were at an average yield of 1.4%.

Balance Sheet

- Further strengthening of the balance sheet
  - Signed a new £1,050m five year revolving credit facility at a headline margin of 120 basis points over LIBOR.
  - Weighted average cost of debt at 5.0% (4.9% at 30 September 2011).
  - Average debt maturity now 11.2 years (11.0 years at 30 September 2011).
  - Group LTV including joint ventures at 31 December 2011, based on 30 September 2011 asset values, of 37.2% (37.7% at 30 September 2011).

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

"Despite weak economic news flow, we have continued to make progress in the period having completed a number of development lettings, and further reduced void levels on our portfolio. As is to be expected in a period of economic uncertainty, letting transactions are taking longer to execute.

"Having refinanced over £1bn of our bank facilities, we are well placed with long average duration of debt, moderate balance sheet gearing and the capacity to invest. We expect the economic uncertainty to continue in the near term, but we remain confident of our ability to withstand economic fluctuations and to take advantage of opportunities that may arise from the scarcity of bank funding."

LONDON PORTFOLIO

We maintained progress with our development lettings during the period. At One New Change, EC4 we have let 25,200 sq ft to CBRE Global Investors. The office element of the scheme is 82.0% let with just 66,000 sq ft of offices remaining available.

In the West End, we have 37,000 sq ft in solicitors' hands at 123 Victoria Street, SW1, our only development due to complete this year that is not already pre-let or pre-sold. This scheme will provide 200,000 sq ft of office space and is due to complete in June 2012. We also have good interest in the remaining space.

Our two remaining committed developments at 62 Buckingham Gate, SW1 (completing in April 2013) and 20 Fenchurch Street, EC3 (completing in April 2014 and being undertaken in joint venture with Canary Wharf Group) are progressing to programme and budget.

At 30 Old Bailey and 60 Ludgate Hill, EC4, a proposed 377,000 sq ft office scheme, demolition is nearing completion. With a relatively short construction time of 22 months, we remain flexible as to when we start construction.

At Victoria Circle, SW1, the legal challenge period on the compulsory purchase order for a few minority interests has expired and planning consent to reposition a listed building has been obtained. The existing buildings remain substantially let until September, after which demolition can start, with completion due in phases from 2016 to 2018.

At Kingsgate House, SW1, we achieved resolution to grant planning consent in November 2011 for a scheme totalling 336,000 sq ft (188,000 sq ft offices, 44,000 sq ft retail and 104,000 sq ft residential).

No material acquisitions or disposals were made in the third quarter. Since 31 December 2011, £205.4m of disposals have been made including 15 Bonhill Street, EC2, having completed our business plan for the asset, and Eland House, SW1. Eland House was developed by Land Securities in 1995 and is occupied by Central Government under a lease with a break clause in November 2016. These sales bring cumulative disposals for the financial year to date for the London Portfolio to £299.4m, at 3.1% below the March 2011 valuation, with the Eland House sale accounting for the negative variance to valuation.

Investment property lettings in the quarter totalled £5.5m across eight lettings at 0.5% ahead of the 30 September 2011 rental values (excluding one unit materially altered during the period). A further £0.7m is in solicitors' hands. Since the end of the quarter, we completed a new letting at Moorgate Hall, EC2, where Mace has taken an overriding lease on all of the offices totalling 67,000 sq ft for a minimum 15 year term.

The void level on our like-for-like properties in our London Portfolio was 2.7% at 31 December 2011, down from 3.3% at 30 September 2011. Excluding pre-development properties, the voids on the remaining London Portfolio like-for-like properties were 2.4%. Units in administration were 0.1% (0.1% at 30 September 2011).

RETAIL PORTFOLIO

Disposals in the period totalled £104.0m, at 1.9% below March 2011 valuations and at an average yield of 7.6%. The principal disposals were Corby town centre and Almondvale Retail Park, Livingston. This takes total disposals for the financial year to 31 December 2011 to £205.8m, at 1.8% above the March 2011 valuations and at an average yield of 6.4%.

Our developments continue to attract interest from retailers with lettings completed to Watches of Switzerland, Skechers and Fat Face at 185-221 Buchanan Street, Glasgow. The scheme is now 90.7% pre-let and has only three commercial units remaining available just over a year before completion. Trinity Leeds has moved to 57.8% pre-let with a further 7.9% in solicitors' hands.

Further lettings at St David's 2, Cardiff have taken the scheme to 90.2% let with a further 5.3% in solicitors' hands. Lettings in the period included River Island, Schuh and Dwell.

We are making good progress in taking forward our pipeline of edge-of-town and out-of-town development opportunities, which will be significantly pre-let before the start of construction. During the quarter, we obtained a minded to grant resolution on our 146,000 sq ft scheme in Crawley and have since received full planning permission. We await planning decisions on our applications for 254,000 sq ft at Peterborough, Taplow and Chadwell Heath. In addition, four sites are under offer which will add 500,000 sq ft to our pipeline and we have exclusivity agreements for the acquisition of a further two sites.

During the period, investment property lettings totalled £1.6m across 37 lettings with a further £2.6m in solicitors' hands. The lettings were at 0.6% above the September 2011 rental values.

The quarterly change in retail sales in our shopping centre portfolio (October to December 2011 compared to October to December 2010) was −0.8%, excluding VAT, on a like-for-like 'same retailer' basis. This compares to the BRC national sales figures for the same period, which include VAT and hence the 2.5% VAT increase, at −1.2%. The quarterly change in footfall on our shopping centres (also October to December 2011 compared to October to December 2010) was +1.5%. This compared to a −0.3% movement in national footfall data over the same period.

The void level on our Retail Portfolio like-for-like properties was 3.4% at 31 December 2011, up slightly from 3.3% at 30 September 2011. Temporary lettings accounted for 1.4% within this void figure. A further 0.1% is in solicitors' hands. The void figure reflects the impact of the closure of all eight of our Brand Empire stores in November. Brand Empire was envisaged to act as an incubator to attract new entrants to the UK market, but we were unable to establish the brands in the UK in what has been a challenging environment.

Units in administration in the like-for-like Retail Portfolio increased to 1.0% at 31 December 2011 from 0.7% at 30 September 2011 due primarily to the Barratt's and Officer's Club administrations. In January we have seen further administrations, notably from La Senza, The Outdoor Group and Peacocks. This increased units in administration in the Retail Portfolio to 2.0% as at 20 January 2012. However we expect the majority of the La Senza and The Outdoor Group units in our centres to continue to trade; no such guidance is yet available on the Peacocks units.

FINANCE

During the quarter, we signed a new £1,050m five year revolving credit facility at a headline margin of 120 basis points over LIBOR. This will replace the existing £1,500m revolving credit facility and £400m of bilateral arrangements. In addition to the new £1,050m facility, Land Securities has retained £300m of existing bilateral arrangements which are due to expire in November 2014.

Under the previous revolving credit facility, no drawings were possible where the Security Group LTV exceeded 65% or would exceed 65% as a result of the drawing. The new facility provides a mechanism whereby it is possible to utilise facilities up to an LTV of 80% subject to certain conditions, most notably the advanced notification of such intention while the Security Group LTV is below 65%.

As at 31 December 2011, adjusted net debt (including joint ventures and adjusted for the nominal value of our bonds but excluding the mark-to-market on our swaps) amounted to £4,089.7m (30 September 2011: £4,142.2m). Group LTV including joint ventures at 31 December 2011, based on 30 September 2011 asset values, was 37.2% (37.7% at 30 September 2011).

The weighted average cost of debt is 5.0% (4.9% at 30 September 2011), with an average duration of 11.2 years (11.0 years at 30 September 2011). These movements are the result of drawings on our new revolving credit facility, replacing the previous shorter duration and lower interest rate debt.

The third interim dividend payment for the current financial year will be 7.2 pence per share. It will be paid on 26 April 2012 to shareholders on the register at 16 March 2012. The cash dividend will be paid entirely as a Property Income Distribution (PID).

The Group offers its shareholders the option to receive a scrip dividend alternative which will not be treated as a PID. The latest date for election to participate in the scrip dividend alternative in respect of the third interim dividend will be 19 March 2012 and the calculation price will be announced on 27 March 2012.

– Ends –

A conference call for analysts is being held today at 08:30 GMT
Conference call details:
Dial-in number: +44 (0) 1452 555 566
Call title: Land Securities Q3 IMS
Conference ID: 41545589

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: 41545589#

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