

# Half-yearly results presentation

11 November 2010

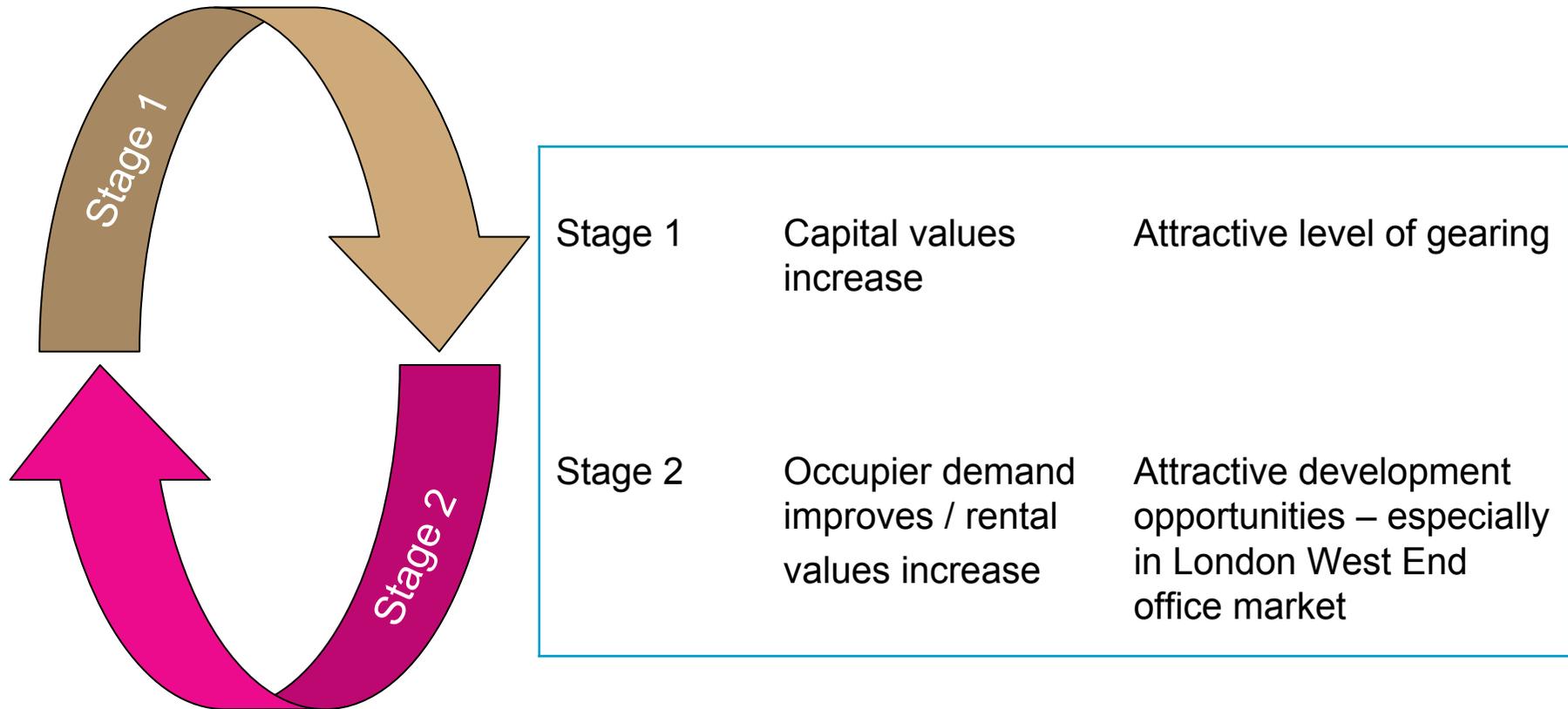
# Land Securities' proposition

- High exposure to growth opportunities
- Executing plan – already delivering value:
  - Developing into prime, supply constrained markets
  - Recycling capital
  - Achieving value-enhancing lettings



Active positioning of portfolio to create value

# Positioning a business for the recovery phase



Managing the differential timing of recovery in the investment and occupational markets

# Activity highlights of H1 2010/11 - developments

## **Trinity Leeds – started on site:**

- 50% prelet or in solicitors' hands
- Target 8.0% gross yield on cost

## **20 Fenchurch Street, EC3**

- JV signed. Starting on site

## **One New Change, EC4 – opened on 28 Oct:**

- 100% let for retail element

## **Wellington House, SW1**

- Excellent progress on sales - volume and price

## **Planning activity**

- Planning for 2011 starts in London
- Delivering floor space for supermarkets



**One New Change, EC4**

## Activity highlights of H1 – capital recycling



**Park House, W1: Sale at £242 million per acre**

	Value	Average yield	Surplus on Valuation/Purchase
Sales	£459.8m	2.9%	5.7%
Acquisitions	£174.0m	5.8%	2.8%

**5.7% surplus on sales relative to March 2010 valuation**



# Financial summary

Six months ended 30.09.09		Six months ended 30.09.10	change %
£(4.6)m	Profit / (loss) before tax	£455.3m	N/A
£(117.8)m	Valuation surplus / (deficit) <sup>(1)</sup>	£314.1m	3.4 <sup>(3)</sup>
691p <sup>(2)</sup>	Adjusted diluted NAV per share	737p	6.7
£128.4m	Revenue profit	£135.9m	5.8
16.89p	Adjusted diluted earnings per share	18.49p	9.5
14.00p	Dividend per share	14.00p	-

(1) Including share of joint ventures

(2) As at 31 March 2010

(3) Increase in value of the investment portfolio over the six months to 30 September 2010



# Investment portfolio valuation movements

Six months ended 30 September 2010

	% of portfolio	Valuation surplus - %	Net initial yield - %	Equivalent yield - %	Movement in equivalent yield - bps
<b>Shopping centres &amp; shops</b>	26.5	2.5	5.7	6.6	(26)
<b>Retail warehouses</b>	12.2	2.3	5.6	6.1	(18)
<b>Central London retail</b>	9.6	9.1	4.1	5.3	(21)
<b>London offices</b>	43.5	3.1	5.3	6.1	(16)
<b>Other</b>	8.2	3.9	6.6	6.8	(19)
<b>Total portfolio</b>	100.0	3.4	5.4	6.2	(20)

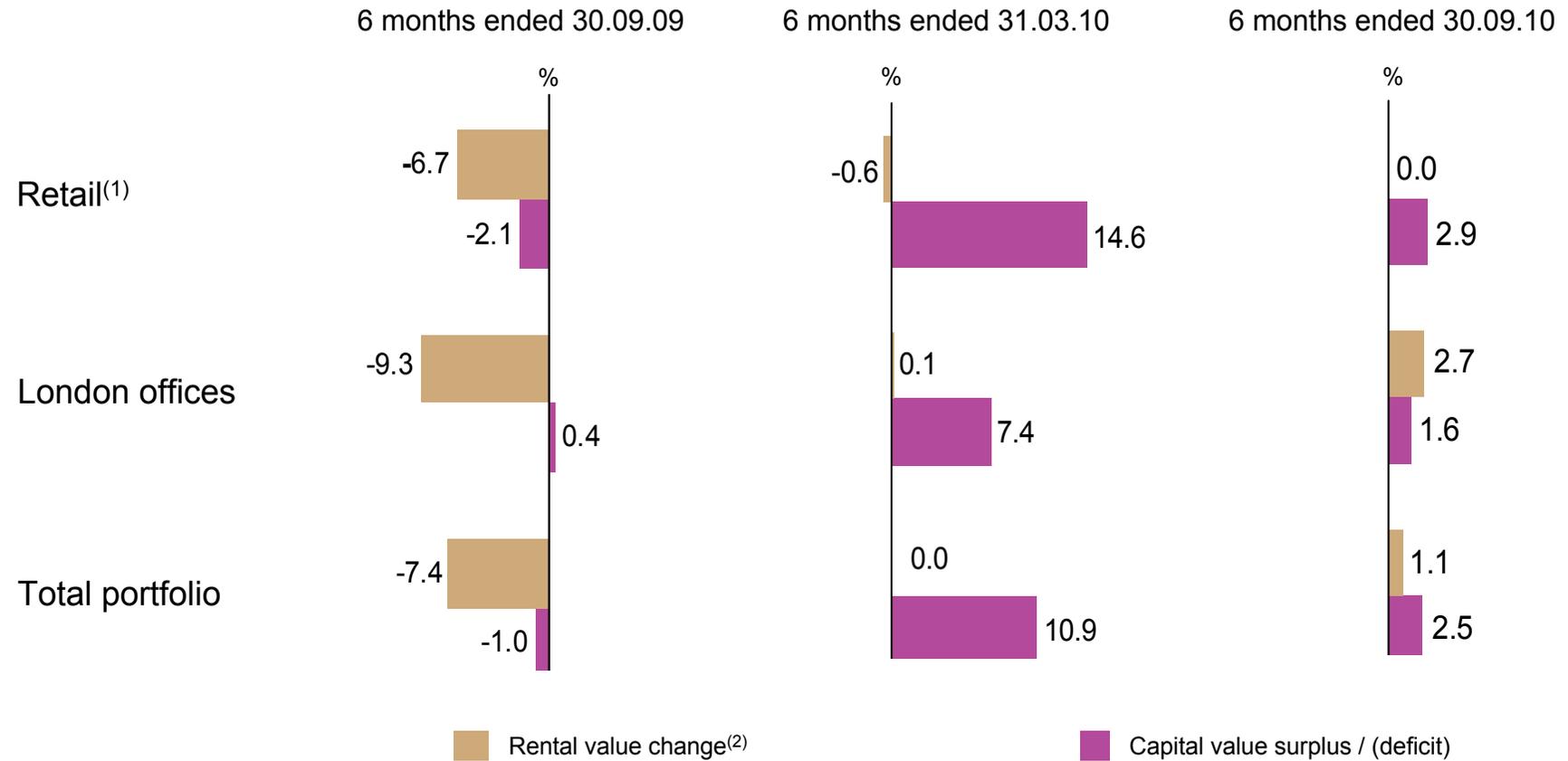
Valuation surplus of 9.6% on development programme



# Like-for-like portfolio

## Rental and capital value trends

Like-for-like portfolio value at 30 September 2010: £7,454.5m



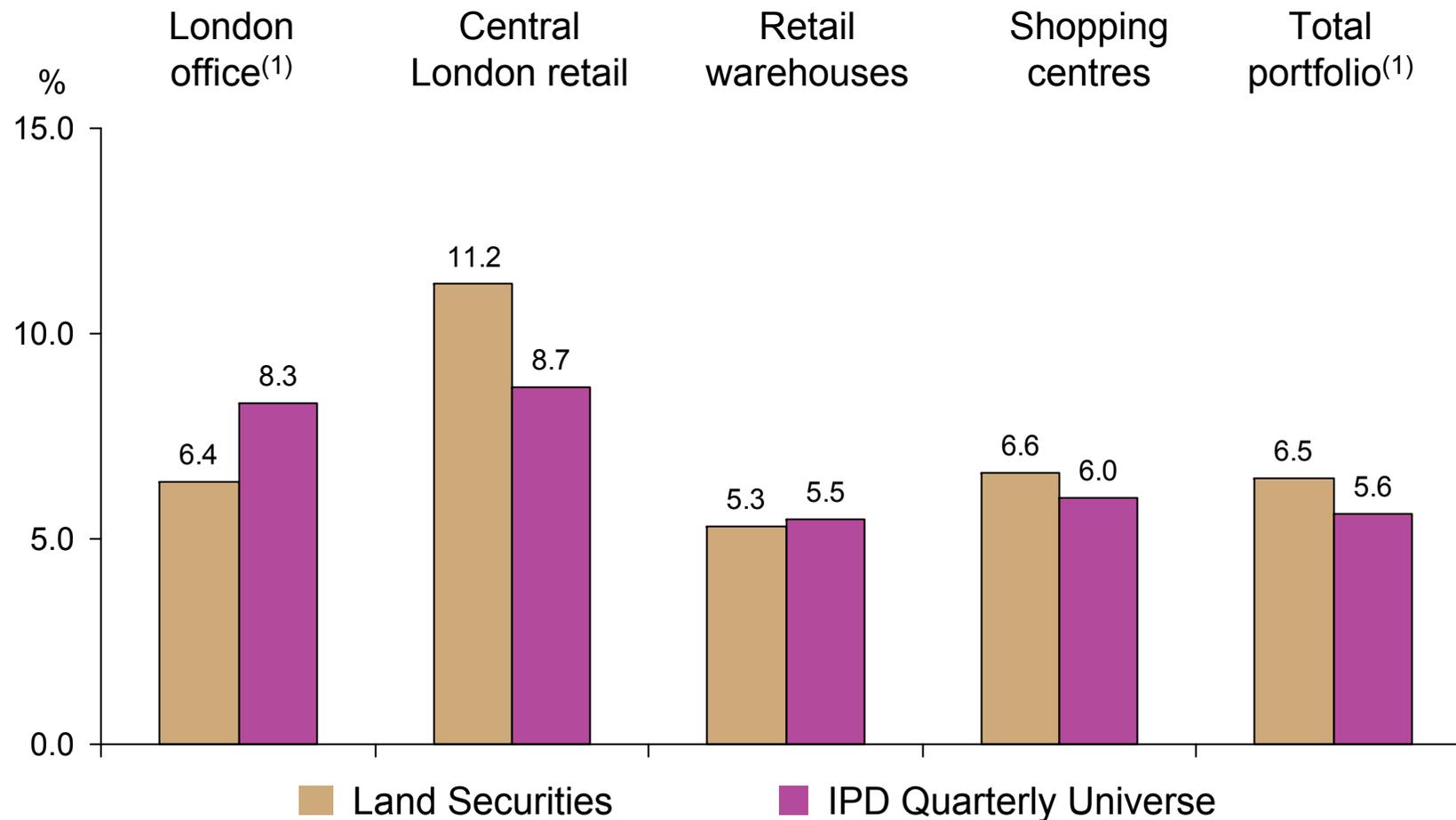
(1) Includes London retail

(2) Rental value growth figures exclude units materially altered during the year



# Investment portfolio performance relative to IPD

Ungearred total return (six months ended 30 September 2010)



(1) Land Securities total return higher by 0.4% for London offices and 0.1% for total portfolio if adjusted for capital extracted from Queen Anne's Gate, SW1 through bond issue

# Financial results

Martin Greenslade

Group Finance Director



# Revenue profit

	Six months ended 30.09.10 £m	Six months ended 30.09.09 £m	Variance £m
Gross rental income <sup>(1)</sup>	305.3	325.6	(20.3)
Net service charge expense	(3.9)	(6.0)	2.1
Direct property expenditure (net)	(21.9)	(27.0)	5.1
<b>Net rental income</b>	<b>279.5</b>	<b>292.6</b>	<b>(13.1)</b>
Indirect costs	(21.5)	(23.6)	2.1
<b>Segment profit before interest</b>	<b>258.0</b>	<b>269.0</b>	<b>(11.0)</b>
Unallocated expenses (net)	(16.4)	(16.6)	0.2
Net interest – Group	(88.5)	(108.0)	19.5
Net interest – joint ventures	(17.2)	(16.0)	(1.2)
<b>Revenue profit</b>	<b>135.9</b>	<b>128.4</b>	<b>7.5</b>

(1) Includes finance lease interest; and pre-tax results of joint ventures

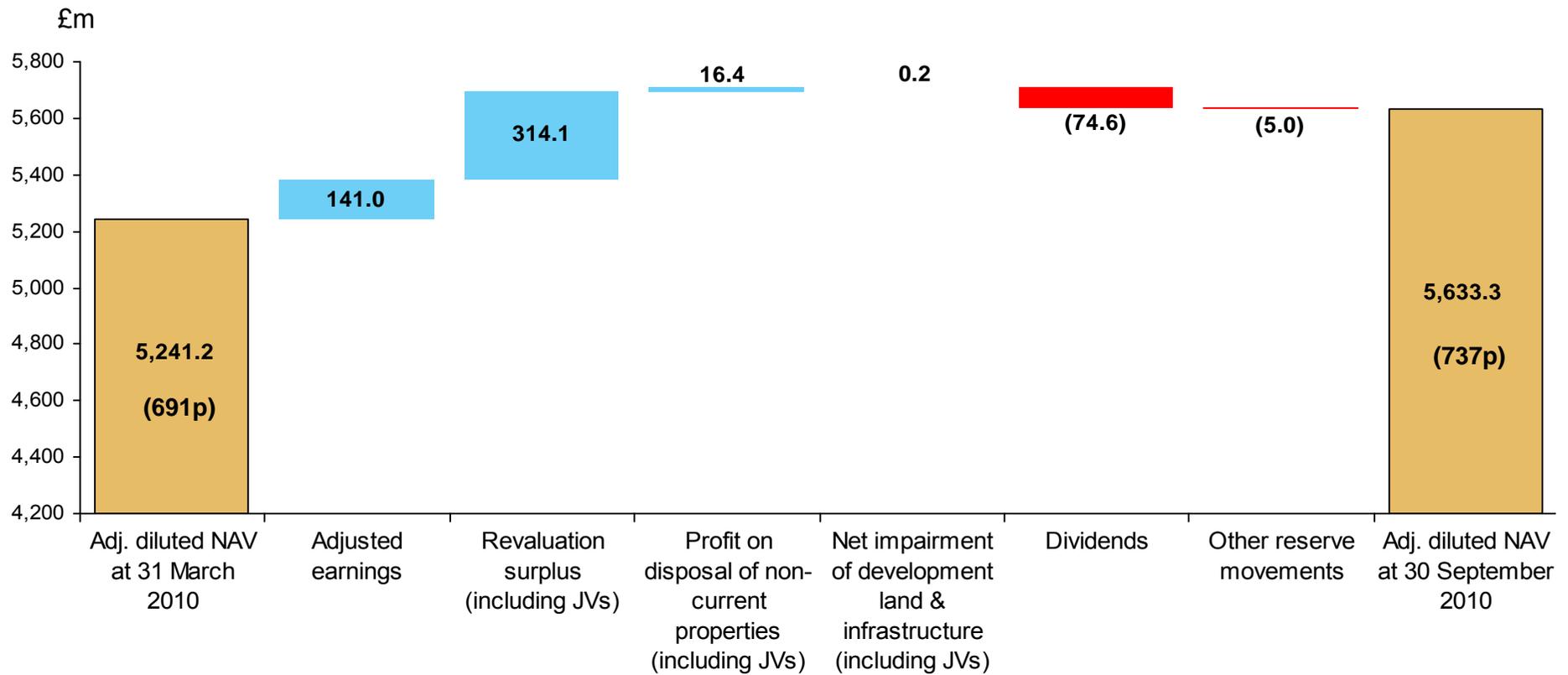


# Net rental income analysis

	Six months ended 30 September					
	Retail Portfolio		London Portfolio		Combined portfolio variance	
	2010	2009	2010	2009		
	£m	£m	£m	£m	£m	%
Like-for-like investment properties	116.4	109.5	118.4	118.0	<b>7.3</b>	<b>3.2</b>
Proposed development properties	(0.1)	-	2.6	5.0	<b>(2.5)</b>	
Ongoing development	4.9	6.1	1.7	(1.1)	<b>1.6</b>	
Completed development	6.9	6.5	16.4	13.5	<b>3.3</b>	
Acquisitions since 1 April 2009	4.0	0.1	0.1	-	<b>4.0</b>	
Sales since 1 April 2009	4.6	23.8	0.2	7.8	<b>(26.8)</b>	
Non-property related income	2.0	2.0	1.4	1.4	-	
<b>Net rental income</b>	<b>138.7</b>	<b>148.0</b>	<b>140.8</b>	<b>144.6</b>	<b>(13.1)</b>	<b>-4.5</b>

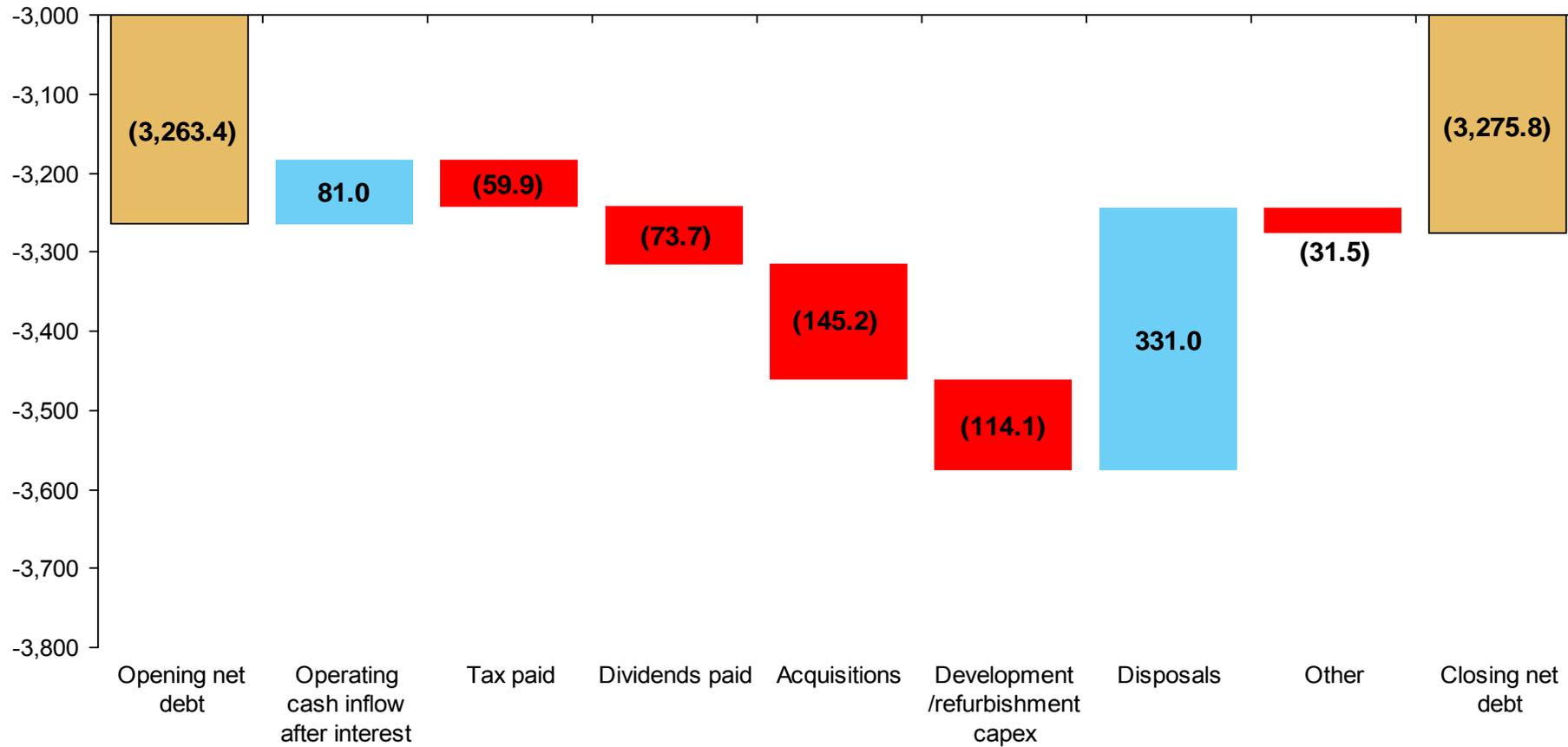


# Movement in adjusted diluted NAV



# Cash flow and debt

£m



## Reconciliation of cash rents and P&L rents to ERV

	Rents and ERVs at 30.09.10		
	Retail Portfolio £m	London Portfolio £m	Total £m
<b>Annualised rental income</b>	310.2	278.5	588.7
SIC15 adjustments and ground rent	(11.4)	2.9	(8.5)
<b>Annualised net rent</b>	<b>298.8</b>	<b>281.4</b>	<b>580.2</b>
Add back ground rents payable	13.6	5.0	18.6
Additional cash rent from unexpired rent free periods	10.2	12.9	23.1
Contracted additional income (from development programme)	13.0	22.3	35.3
Net reversion on rent review or break / expiry	(14.1)	(25.7)	(39.8)
<b>ERV from portfolio currently let (or agreed to be let)</b>	<b>321.5</b>	<b>295.9</b>	<b>617.4</b>
Voids including developments	35.6	60.6	96.2
<b>Annual gross ERV</b>	<b>357.1</b>	<b>356.5</b>	<b>713.6</b>



# Financing

## **Activity**

- £254m notes due March 2011 bought back in June 2010
- New £100m 4 year bilateral bank facility
- Renegotiated pricing on existing bilateral facilities

## **As at 30 September 2010**

- Weighted average maturity of debt: 11.9 years up from 11.8 years at 31 March 2010
- £2.3bn of cash and undrawn facilities
- Group LTV at 42.1% (including JVs), down from 43.5% at 31 March 2010

**Balance sheet enabling us to deliver our plans**





## Summary

- **Strong revenue profit performance**
- **Appropriate level of gearing**
- **Considerable amount of financial firepower**



# Retail Portfolio

Richard Akers

Managing Director, Retail Portfolio

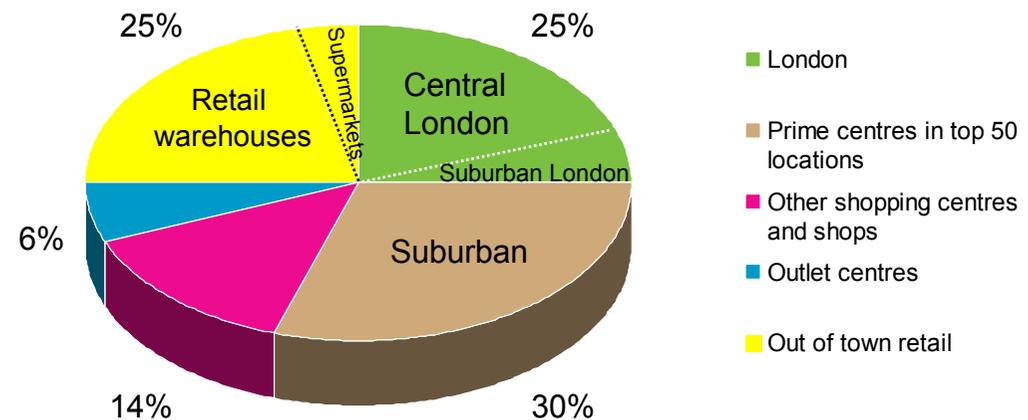


# Land Securities' Retail

- Key lettings and constrained supply
- Major city centre development in Leeds
- Out of town development driving returns

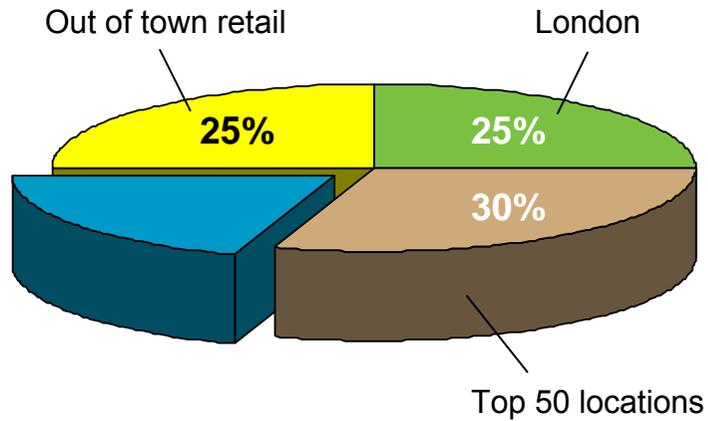


- Quality portfolio with growth opportunities



Diverse portfolio with high quality assets

# Land Securities' retail assets



Exeter, Princeshay



Bristol, Cabot Circus



Leeds, White Rose



Cardiff, St David's

## Top 50 locations



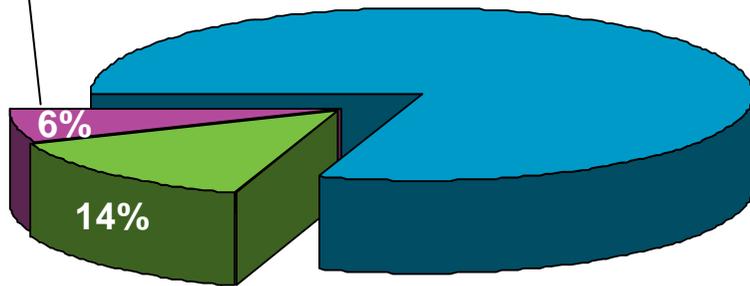
Suburban London - Southside



Out of town - Bracknell

# Land Securities' retail assets

Outlet centres



Other shopping centres  
and shops



Factory outlet – Gunwharf Quays



Other - Corby Town Centre



Other – The Bridges, Sunderland

# Recycling capital

**Bought**



**O2 Centre, London, NW3**



**Westgate Centre, Oxford**

**Sold**



**N1 Centre, Islington,  
London, N1**



**Stratford Centre,  
London, E15**



**Notting Hill Gate shops,  
London, W11**

**Develop**



**Trinity Leeds**



**Atlas, Glasgow**

# Lettings, voids and insolvencies

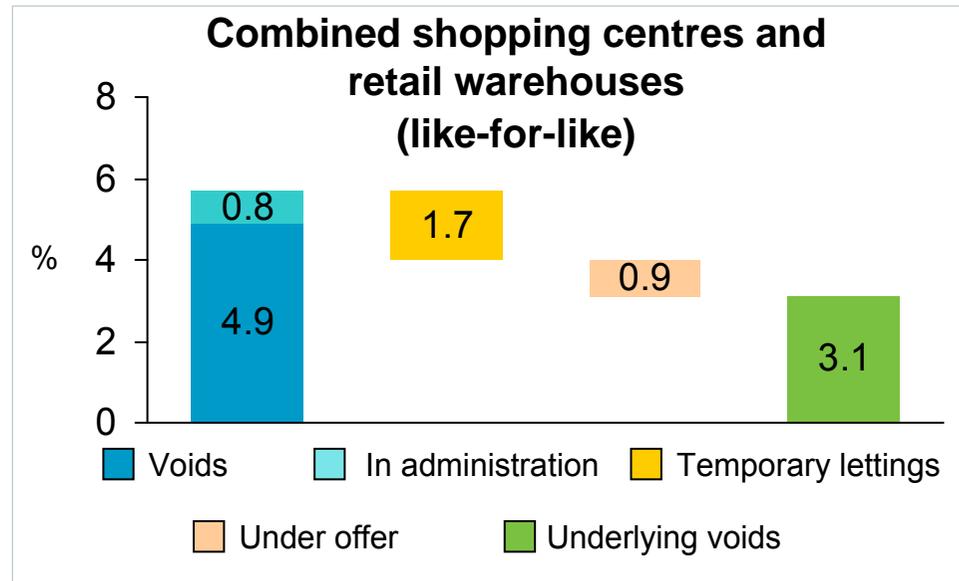
- Voids down
- Insolvencies return to normal levels
- £7.2m pa rent created through 107 new lettings at 0.8% below ERV
- Incentives reducing



Intense focus on leasing

# Lettings, voids and insolvencies

- Temporary lettings 1.7%
- 0.9% in solicitors' hands
- 97% occupancy



- 50 lettings in development programme, 28 in solicitors' hands
- Cardiff moves to 83% committed



St David's, Cardiff

**Intense focus on lettings**

## Key occupiers



**John Lewis at home, Exeter**



**John Lewis at home, Chester**



**Primark, Sunderland**



**Primark, Livingston**

Presence of key retailers drives footfall

# Developments – Trinity Leeds



# Developments

## Trinity Leeds

- 45.4% let
- 4.7% in solicitors' hands
- 10.7% in negotiation



- 8% gross yield on cost
- £350m total development cost

## Out of town developments



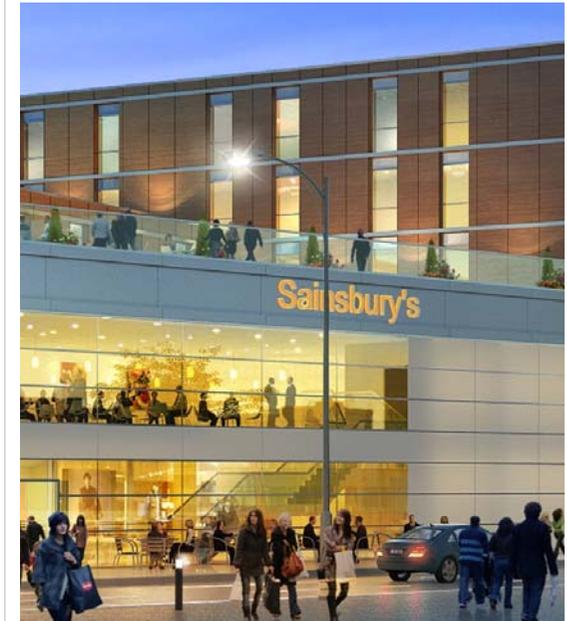
**Livingston**

- 90,375 sq ft
- Opening December 2010
- 11% valuation surplus



**Lincoln**

- 40,225 sq ft extension
- Opening November 2010
- 31% valuation surplus



**Wandsworth**

- 50,000 sq ft retail
- 120 bed hotel
- To commence Spring 2011

# Retail Portfolio plan

Focused on occupier trends and occupier demand to deliver:-

- Asset management – the right letting to the right retailer to create value
- Development – new development opportunities grounded on pre-lettings



Trinity Leeds



O2 Centre, Finchley Road, NW3

Clear strategy founded upon occupier trends and occupier demand

London Portfolio

Robert Noel

Managing Director, London Portfolio





# Valuation

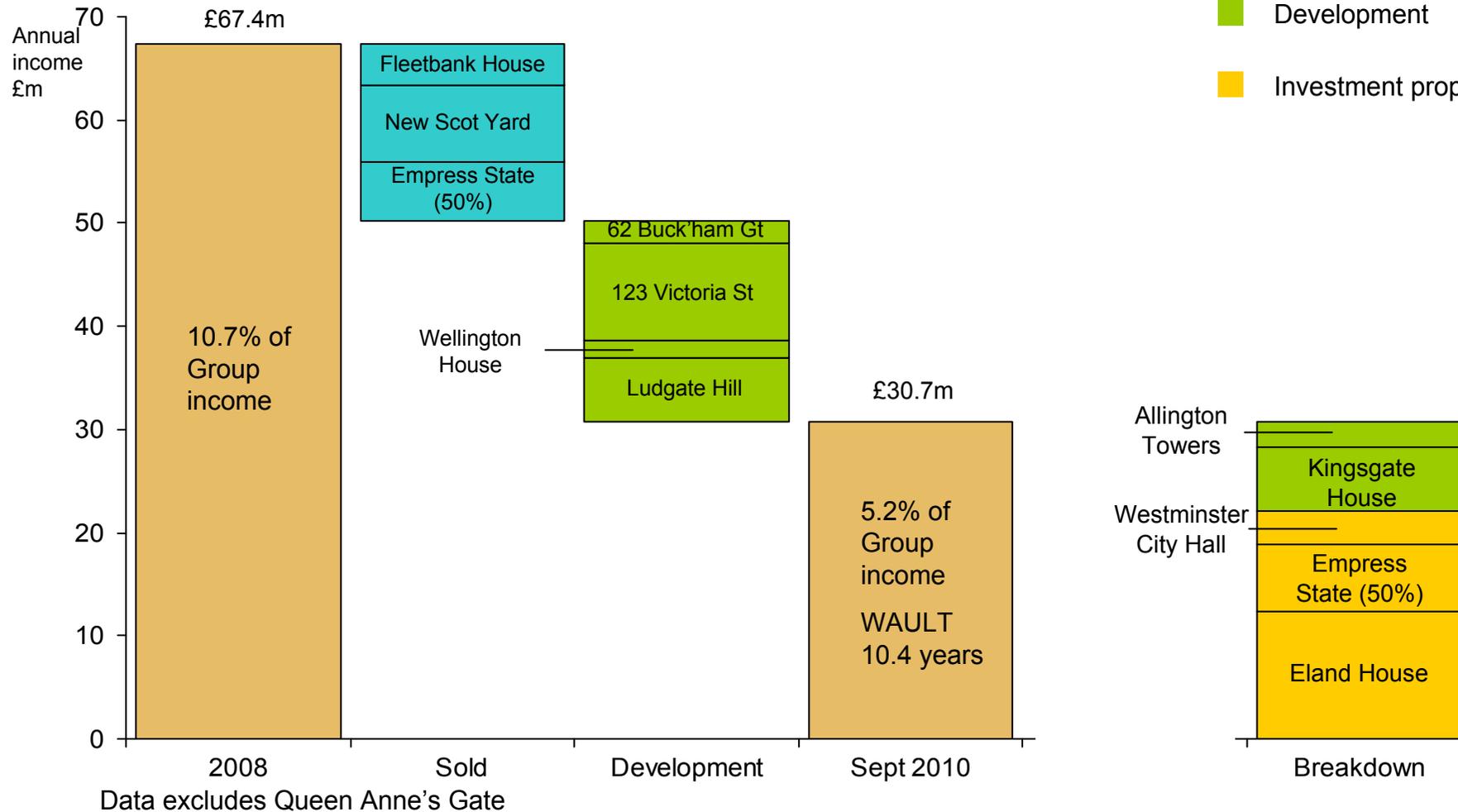
Six months to 30 September 2010

	Value £m	Movement		Equivalent yield %
		£m	%	
Like for like				
West End	1,643.0	17.1	1.1	6.1
City	442.9	17.1	4.0	6.7
Mid-town	286.9	4.0	2.0	6.9
Inner London	681.8	7.8	1.2	6.2
London retail	735.1	32.0	4.6	5.3
Other	153.8	1.3	0.9	6.0
Subtotal	3,943.5	79.3	2.1	6.1
Non like for like	1,359.3	120.1	9.8	
Total	5,302.8	199.4	4.1	



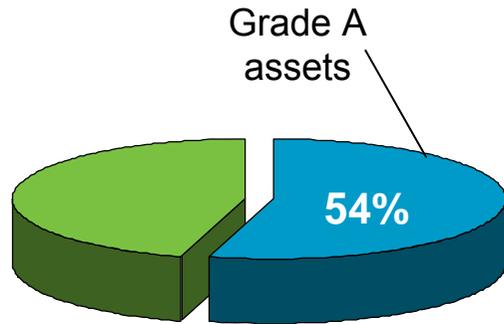
# Government, local government and Metropolitan Police

- Disposal
- Development
- Investment property



Excluding Queen Anne's Gate, this group is now 5.2% of Group income

# Grade A assets



Type	ERV	WAULT	Rent psf	ERV psf
Offices <sup>(1)</sup>	86.4%	12.2	£44	£42
Retail	6.1%	8.9		
Advertising	7.4%	4.4		
Other	0.1%	3.5		



Bankside 2&3, SE1



Times Square, EC4



New Street Square, EC4



Eland House, SW1



Cardinal Place, SW1



Piccadilly Lights, W1



Dashwood House, EC2

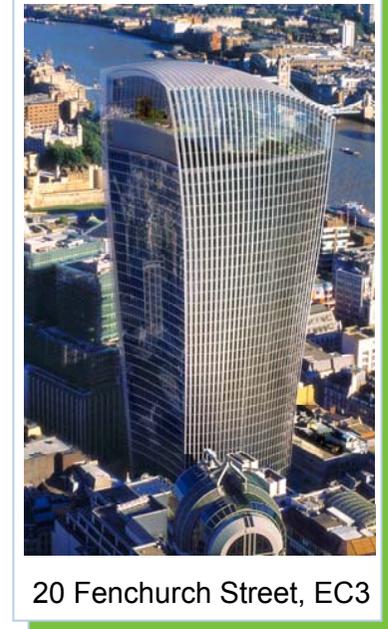
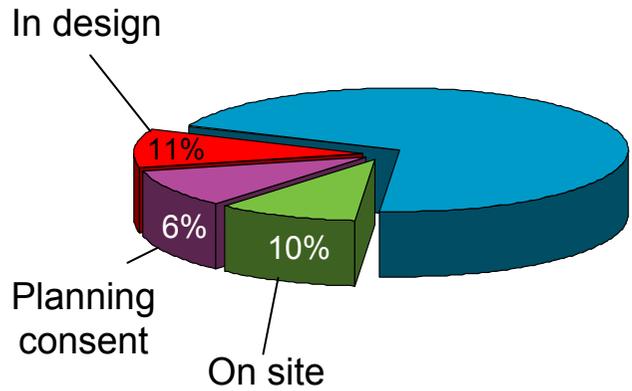


Westminster City Hall, SW1

**The eight assets make up 43% of our London Portfolio**

*(1) Excludes Queen Anne's Gate*

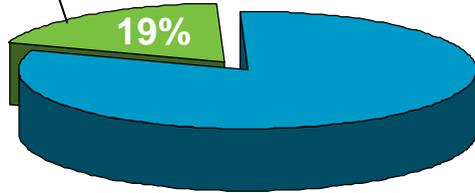
# Development assets



These eight assets make up 17% of our London Portfolio

# Asset management assets

Asset management assets



Type	ERV	WAULT	Rent psf	ERV psf
Offices	81.3%	4.2	£32	£27
Retail	16.5%	7.4		
Other	2.2%	43.1		



40 Strand, WC2



Thomas More Square, E1



Moorgate Hall, EC2



Oriana JV, W1



Haymarket House, SW1



140 Aldersgate Street, EC2



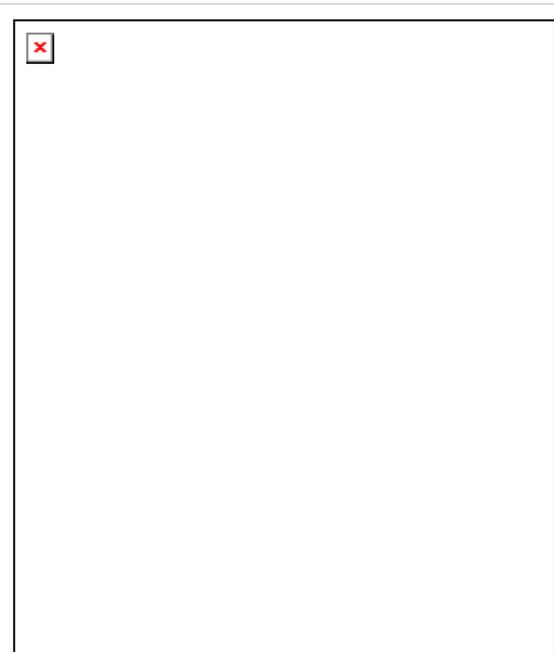
Harbour Exchange, E14



70/88 Oxford Street, W1

These eight assets make up 11% of our London Portfolio

# Asset Management



**Oriana JV, W1**

- 140,000 sq ft
- Conditional lease to Primark
- 35 year term



**40 Strand, WC2**

- 94,000 sq ft let to 2012
- Mindshare lease surrendered
- New 15 year lease to Bain & Co



**6-9 Harbour Exchange,  
E14**

- 260,000 sq ft
- Previous WAULT 6 years
- New overriding 30 year lease to Telecity

**These three leasing deals represent £15.5m<sup>(1)</sup> rent roll with a weighted average lease term of 26 years, 27% ahead of March ERV.**

*(1) Oriana JV included as our share*

# One New Change



## One New Change



- Retail centre opened 28 October
- Now 100% let
- 49 of 60 units open for trading
- Offices finished to shell and core
- 115,000 sq ft handed over to K&L Gates
- Office interest picking up
- 18% of remaining office space under offer



## In course of construction



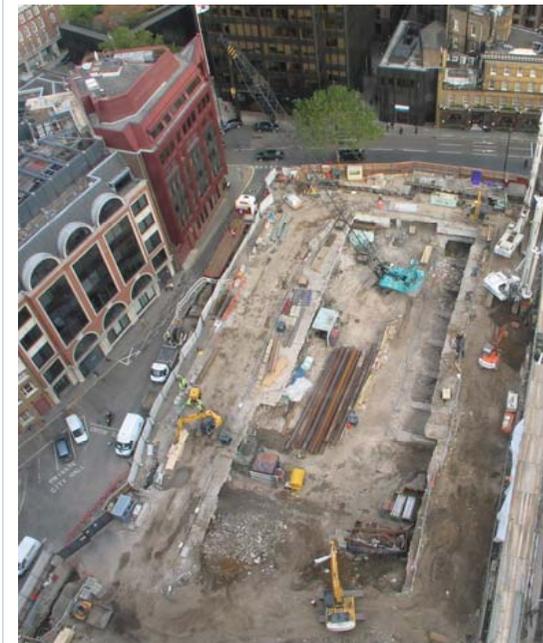
**Park House, W1**

- 308,500 sq ft
- Pre-sold to Barwa
- 95% retail under offer
- Profit share to come
- Completion November 2012



**Wellington House, SW1**

- 62,200 sq ft
- 40 units pre-sold
- Average price £1,325psf
- Transferred to trading
- Completion July 2012



**62 Buckingham Gate, SW1**

- 269,000 sq ft
- Demolition completed July 2010
- Now below ground level
- Completion April 2013

## 20 Fenchurch Street, EC3



- 50:50 joint venture formed with Canary Wharf
- 690,000 sq ft
- Mobilisation started
- Ground slab blasted
- Detailed design underway
- Construction to start in the New Year
- Build to grade Feb 2012
- Completion mid 2014

## Intended 2011 starts



**123 Victoria Street, SW1**

- 230,000 sq ft
- Start April 2011
- Completion late 2012



**110 Cannon Street, EC4**

- 75,000 sq ft
- Start May 2011
- Completion mid 2012

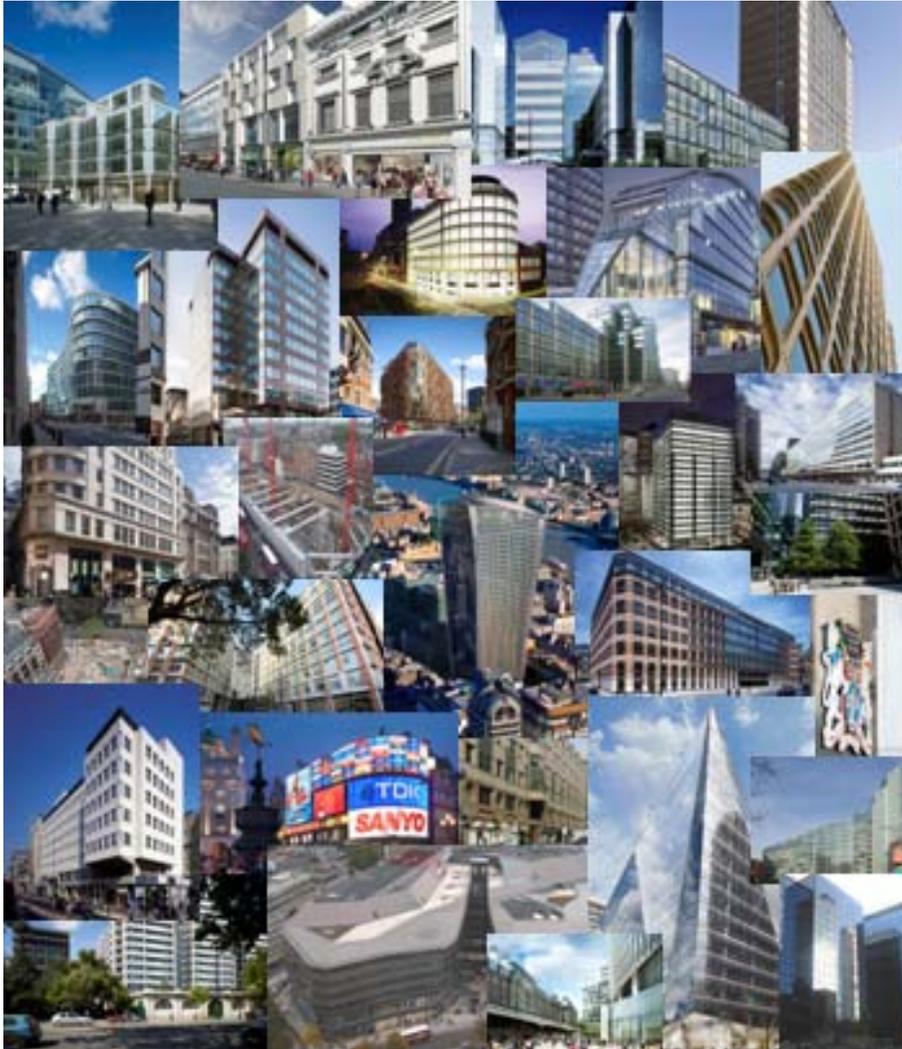


**Ludgate Hill/ Old Bailey,  
EC4**

- >300,000 sq ft
- Start Aug 2011
- Completion early 2014



## London Portfolio round up



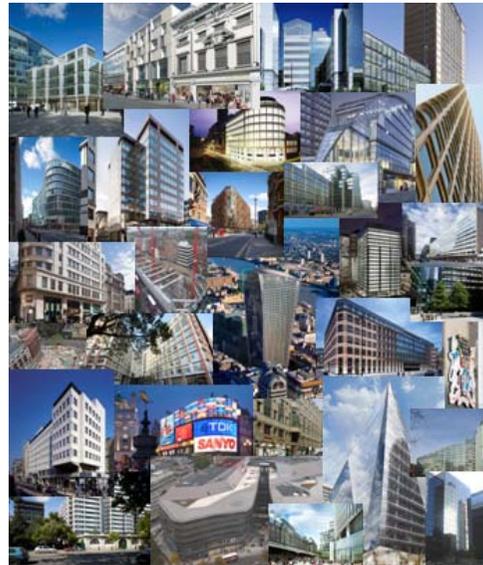
- Heading towards supply constrained conditions
- Portfolio well positioned for growth
- Asset management team at full strength
- Profits being taken
- Well timed development programme



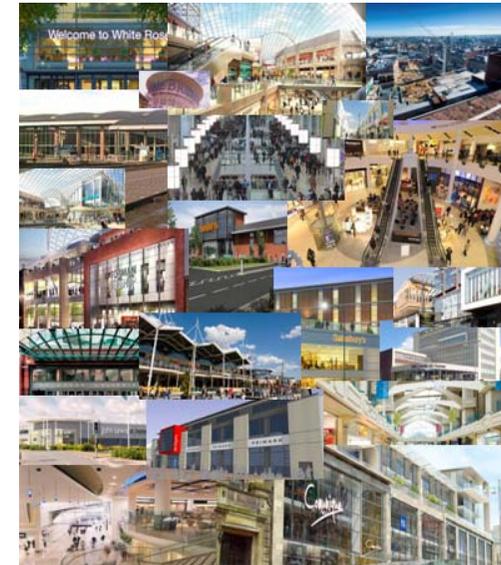
# Outlook

# Outlook

Increasing differentiation between sectors and individual assets



Land Securities



From 'top down'..... to 'bottom up'





# Market outlook and business actions

## Outlook

### Investment market

- Continued strong buying interest for London and prime retail
- Increased number of sellers
- Potential mismatch of buyers and sellers

### London offices – occupational market

- Limited supply / improving demand  
→ strong growth in prime rents

### Retail – occupational market

- High national vacancy rates
- Lower and improving prime vacancy rates
- Firm expansion plans from strong retailers

## Actions

- Exploiting wide margin between investment IRRs and development IRRs
- Expect to buy attractively priced, mid quality retail over next 12 months
- Recycling capital
- Develop early
- Develop speculatively
- Value creation from ‘the right lettings to the right retailers’
- Selective development grounded on pre-lets

Targeting demand from financially strong occupiers and investors



# Land Securities' proposition

- High exposure to growth opportunities
- Executing plan – already delivering value:
  - Developing into prime, supply constrained markets
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  - Achieving value-enhancing lettings



Active positioning of portfolio to create value