**CONFERENCE CALL ON LAND SECURITIES' Q1 INTERIM MANAGEMENT STATEMENT**
**19 July 2011**

**Speaker: Francis Salway, Chief Executive**

Good morning and thank you for joining us today for our first quarter's interim management statement. Martin Greenslade is with me, and after a few words from myself on the announcement, we'll be happy to take questions.

I think if I had to sum up the announcement today, it would be more of the same from Land Securities: we have a clear plan; we've created a number of opportunities with the potential for high returns and we're delivering on those; and also bringing forward some new opportunities. And what we've seen in the quarter has strengthened our belief in the course we've set. In spite of some negative economic headlines, we're delivering lettings, we're selling well, investors are showing an appetite to buy into our development projects early, and also we're seeing retailers respond positively to our plans to create new space. Our letting performance in our like for like investment portfolio is good, the voids are down, and units in administration remain at a low level. On our retail portfolio, voids have fallen further from 4.5% in March to now 4.1% in June, and of that figure of 4.1%, 1.4% is subject to temporary lettings. We've also continued to sell well. Sales in the quarter are £177 million at 7.9% above the March valuation, and at an average yield of 4.1%.

We've given further evidence, or provided further evidence, of our wiliness to crystallize profits early on our development projects and the Cannon Street sale in the City is similar to our Park House deal last year: we moved quickly to initiate a development; somebody came in to buy the opportunity, and we took money off the table, and the price again gave us nearly all our forecast development surplus.

Now, as we said in May, we've got a very strong development pipeline, but you shouldn't necessarily expect us to deliver all of the schemes. The proceeds from that sale in Cannon Street have been put to work, in effect because we started demolition at Ludgate Hill and Old Bailey for the 375,000 sq ft office scheme, which is due for delivery in late 2013, and we've also done some early sales of developments in the retail sector. The forward sale of the development project at Wandsworth, which is in our Harvest joint venture with Sainsbury, shows that the appetite is there from investors in the retail sector as well, for the right product.

In terms of the retail sector, we've been consistent in saying that for the right space in the right location there is demand from stronger retailers, and that's why we moved quickly to start some projects as we came out of the downtown, but only with substantial pre-lettings in place, and our larger city centre schemes have gone on to attract further lettings. So Trinity Leeds has moved up to 55% of let, with a further 3% in solicitors' hands, and there's another tranche of lettings to go into solicitors' hands shortly: Buchanan Street in Glasgow with just under 70% firmly pre-let, and of the remaining eight shop units we've now agreed terms on a further five. And our success in responding to retailer-led demand has also prompted us to look at the potential opportunity offered by smaller development schemes in edge of town locations, and we see active interest here, again from the stronger retailers, particularly in the food sector, and of course there's a limited supply of new space being brought forward there, and we're actively responding to that opportunity. And as some of you heard on Friday, we've identified a £275 million forward pipeline of schemes totalling about 1 million sq ft. All of those projects are supported by retailer demand, and these opportunities will come through in a variety of forms: some extensions of existing assets; some partial redevelopments, and some new site acquisitions.

Now the need to get planning means that we can't be absolutely certain that all of those projects will be delivered, but we're confident that a high proportion will, and at attractive returns. So I think it's fair to say that whilst the wider economic outlook remains uncertain, our plans are not. We always foresaw a sticky recovery and, whilst some businesses are failing, others are growing, and a high proportion of our business activity is with stronger companies and in the sectors of the UK property market with better growth opportunities. We've got the financial resources and expertise to buy into new opportunities, and I think you can see from this morning's statement that what we've delivered in lettings and sales in the quarter underpins our confidence in our plans.

Now Martin and I are happy to take questions, and I'll now hand back to the conference call operator to take the questions.

**Hemant Kotak – Green Street Advisors**

Good morning, Francis, and Martin. Can I just ask with regards to 30 Old Bailey and 60 Ludgate Hill, can you give an indication of what the rents and total development costs are for that project, please?

**Francis Salway – Chief Executive**

We'll do that when it enters into our formal development programme, which we would expect to be at the half year. At the moment, as we said, we've just started the demolition contract, so I think we'd better keep to our formal practice in disclosure here, which is as things move into the formal development programme there will then be full disclosure.

**Hemant Kotak - Green Street Advisors**

I see. Okay, that's fine. And can you comment on the state of the lettings market in the City and Victoria, please? It feels like the letting, the activity, has slowed in 2011 year to date and I just wanted to check if this is your thinking and do you expect a pick-up in the next six to 12 months?

**Francis Salway – Chief Executive**

I think broadly we would agree with that assessment. We said, going back to our IMS statement in January 2011, and reiterated in May, that leasing activity in London at the moment is at satisfactory levels; whereas in 2010 it was at very strong levels: 30% above long-term average. We are pleased that there are, certainly in the City where people are generally more open to taking pre-lettings, a number of enquiries on our projects, both at 20 Fenchurch Street, and at Ludgate Hill.

**Hemant Kotak – Green Street Advisors**

Okay. So just on those projects you're actually seeking pre-lets? You are seeking lettings on those schemes as we stand. You're not necessarily just holding out for higher future rents as the market increases?

**Francis Salway – Chief executive**

We have said that the scheme at Ludgate Hill lends itself very well to pre-lettings with two buildings of 150,000 to 200,000 sq ft. We will start without pre-lettings, but would we expect to let at least one of those two buildings during construction? Yes. And likewise on 20 Fenchurch Street, we've said that we are open to doing pre-lettings now, but don't have to, and I think on a large building such as 20 Fenchurch Street, we will see lettings taking place throughout the construction period, and then finally letting up at or shortly after the date of completion.

**Hemant Kotak – Green Street Advisors**

That's great. And then just one final question from me, please? The letting at One New Change I realise is quite a small one, but are you able to give us an indication of the rents and tenant incentives there, please?

**Francis Salway – Chief Executive**

Yes. The rent is at the top end of the range that we've previously given, which was £52.50 to £55, and the rent-free period is around two years for an effectively ten-year term certain lease.

**Hemant Kotak – Green Street Advisors**

Thank you very much.

**Robert Duncan - Jefferies**

Morning gents. Just two questions from me, please. Can you give us an idea of the rent that was lost in the period; obviously you give us a good disclosure on the new rent in the period of £9.5 million of lettings, but can you just say how much rent was lost, and then potentially split that between that on developments and that on the ongoing investment portfolio?

**Francis Salway** – **Chief Executive**

In terms of developments in the quarter - I'm pausing for a moment - but I think we lost very, very little income, because of course it tends to come at certain lease expiry dates, and the site which was emptying out of income is Ludgate and Old Bailey, but clearly those lease expiries were in a prior period. We then have, looking forward, a little bit of income as we move into the last half of this calendar year and into next year, at Arundel Great Court, and the next lease expiry after that is at Kingsgate House in March 2012. But in this period we had de minimis pre-development income dropping out. In terms of insolvencies, it's interesting. For the tenants going into administration in the quarter, the income totalled £3.1 million, which makes it about half a per cent of total portfolio income, and that actually compares to the figure in the corresponding quarter in 2010, so quarter to June 2010, of £4 million. And you may recall, we said that we expected this year insolvencies to be slightly higher than 2010 but lower than the 2009 year, but actually insolvencies in the quarter were slightly less.

**Robert Duncan – Jefferies**

Okay, thank you for that. And then the other question I had was on the new rents. You again highlighted the absolute amount of rent, but can you comment on how that compares to the ERVs, or where applicable, the previous rent on the unit/office?

**Francis Salway** – *Chief Executive, Land Securities*

Yes. In retail the figure for our retail portfolio lettings relative to ERV, excluding turnover leases, is up 4.3%. The equivalent figure that we gave for the year to 31st March 11 was up 0.6%, and that slight improvement is consistent with the guidance we gave at our financial year end; that units in solicitors' hands had a more favourable relativity to ERV than the lettings we completed in the prior year, and in the London office segment, on the completed lettings in the quarter, we're actually 20% ahead of ERV. However, don't read too much into that; it's a relatively small level of lettings, and it does include Piccadilly Circus lights, so on the actual office lettings we are by and large more in the range of sort of 5% to 7% ahead there. That's on smaller volume, this being a great number of individual lettings clearly in the retail part of the business.

**Robert Duncan – Jefferies**

That's fantastic. Thank you very much indeed.

**Martin Allen – Deutsche Bank**

Hi. Just really a bit of housekeeping. On the Trinity Leeds you're quoting a pre-letting of 54.8% and 3% in solicitor's hands; that gets you to 57.8%. I think on Friday people were talking about practically at 60%, so have you made some progress since the quarter end?

**Francis Salway – Chief Executive**

There's been a fractional amount of progress since the quarter end, and, as I said at the beginning of this call, we have another tranche of lettings, prospective lettings that we expect to go into solicitors' hands shortly, and we've had just a little bit of that. But there's a bit more to come in the short-term, so there is continued momentum on lettings at Trinity Leeds, yes.

**Martin Allen – Deutsche Bank**

Thanks. That's me done, thank you.

**Remco Simon – Bank of America Merrill Lynch**

Good morning. I was wondering, this is the first time since quite a while that you mentioned Ebbsfleet Kent in one of your statements again, and I was just wondering if you could give us a little bit more background on timing, potential money you expect to put to work there: basically your idea how to take this forward?

**Francis Salway – Chief Executive**

Yes. This is a very large, very long-term project. To date, on peripheral parts of the site, we have been involved in the delivery of over 800 residential units, working with a house-builder Countryside. The site went into complete hibernation intentionally during the extremes of the downturn with almost no activity - not quite none, but very low levels of activity - and as we look forward a number of years, we expect activity to resume. We will again look to partner with, probably but not necessarily, a volume house-builder, and we have started the process of seeking a partner. It is I should say, just on the Eastern Quarry part of the site, and you'll know the site comes in two main elements: the big quarry, which is the hole in the ground next to Bluewater; and then the land around Ebbsfleet station, directly round Ebbsfleet station itself, and it's on the quarry element that we're looking to bring in a partner. But don't expect high levels of activity in the short-term. This is a large complex site and we're just starting the process of bringing in the partner.

**Remco Simon** - **Bank of America Merrill Lynch**

Okay. And maybe one question on City Forum. Given the fact that residential is extremely strong at the moment, and given your success at developing residential at Wellington House, just wondering what was the idea behind selling this site?

**Francis Salway – Chief Executive**

Well, it's slightly more fringe London than central London, and we will be concentrating on some of the projects right in the centre of London. The vacant possession profile is lease expiries running from last year through to I think about 2013, so it's not an immediate opportunity and we've achieved a positive margin relative to the most recent evaluation. And even without that, we still expect to get planning consent and to deliver just under 1 million sq ft of residential in London.

**Remco Simon – Bank of America Merrill Lynch**

Okay, right. Thanks a lot.

**Carl Gough – Matrix**

A couple of questions from me please. First of all, on the dividend 7.2% for Q1, is that a sensible guide for the following quarters? I think last year you paid even amounts each quarter. Is that fair?

**Martin Greenslade – Finance Director**

Yes, it is. What we aspire to do is to keep the first three quarters dividends the same.

**Carl Gough – Matrix**

The first three quarters, did you say? Or all quarters?

**Martin Greenslade – Finance Director**

The first three, and then we'll review it at the end of the year, just as we have done this year.

**Carl Gough – Matrix**

Okay, that's very kind. And on the acquisitions, this quarter and obviously quite a small number there's been plenty of activity elsewhere from certain other companies, are you thinking that most of your acquisition fire power is better, or capital is better spent within the existing portfolio, or are you still seeking out some exciting opportunities in the investment markets?

**Francis Salway – Chief Executive**

We're certainly open to buying income-producing investment properties; we're looking at a number of things at the moment. But you're right that generally the development-oriented opportunities deliver higher prospective returns, but I absolutely would expect us to put capital into income-producing investment properties, and I think in terms of the things we're looking at our acquisitions last year provide a very good guide in terms of Dundee, Oxford, and O2 Centre in Finchley, which is a well-established shopping centre, a centre with potentially some development opportunity, and then a slightly more mixed scheme with a strong leisure component. If we could replicate that pattern, we'd be very happy this year.

**Carl Gough – Matrix**

Excellent. Thank you very much.

**Quentin Freeman - UBS**

Morning, guys. Could you give me a bit more detail on the £275 million? Do you have a rough idea of the timing of that money?

**Francis Salway – Chief Executive**

We would expect that to be largely starting in the next calendar in terms of capex going out, and then spreading through a couple of them could be money going out until about 2015, so there's one or two which are slightly longer duration. There are other ones which once we start, will be very quick in terms of turnaround: a year or slightly less to build out.

**Quentin Freeman – UBS**

And on the shopping centre programme, you sort of had a target for pre-letting income. Do you have a similar sort of target for these projects?

**Francis Salway - Chief executive**

We don't. We would expect, thinking of one of the larger ones, probably not dissimilar to Trinity Leeds, 40% plus, though a number will be considerably more than that. So, for example, the project in Crawley we would expect to be 90% pre-let before we start.

**Quentin Freeman – UBS**

Just on Crawley – sorry, I should have asked the question on Friday – is it a JV with Morrisons, or is it just a Morrisons pre-letting?

**Francis Salway – Chief Executive**

Morrisons pre-letting. It's a development by ourselves.

**Quentin Freeman – UBS**

Great. Thanks very much. And do you have a sort of target initial cash return on these projects?

**Francis Salway – Chief Executive**

I think we're very much driven by a margin over and above the yield on supermarkets, because supermarkets will represent a material part of the income on a number of these projects. What I think you will see is us continuing our approach of re-cycling capital around supermarket developments.

**Quentin Freeman – UBS**

Thank you very much.

**Daniel Horwood – Liberum Capital**

Morning, just a quick question on the investment market actually. I know you haven't yourselves disposed of too much during this period and we are now going into summer, but can I just ask whether you see any change in the complexion of investment demand for your product, and the primer end of the property market as a whole, by which I mean, say, the total demand and also the split between overseas and the UK?

**Francis Salway – Chief Executive**

Not an enormous change in complexion. Outside London, we would have said that we are beginning to see some new names who've raised capital to invest in the market, so private company, private fund-type organizations. But I wouldn't have said that we've seen an enormous change in the mix, no. No.

**Daniel Horwood - Liberum Capital**

Thank you. Oh, and sorry, just finally, Francis. No weakening in overseas demand specifically?

**Francis Salway – Chief Executive**

No, not evident at the moment. I think it continues to be the case that there is a significant amount of capital looking to be invested in UK property, particularly in London, but actually I think the number of people who are looking at assets outside London is also slightly stronger than perhaps people were implying from comments made six, nine months ago.

**Daniel Horwood – Liberum Capital**

Thank you.

**Francis Salway – Chief Executive**

I think the key message is that we set out a clear plan, and the activities during the quarter support our confidence in that plan, particularly with good momentum on lettings, further reductions in void levels, and asset sales above valuation. Thank you.

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