Press Release

19 July 2011

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

FIRST QUARTER INTERIM MANAGEMENT STATEMENT

Land Securities has continued to make sound progress on lettings across its development projects and its investment portfolio. The Company has also recycled capital through profitable asset sales and continues to bring forward a number of new development opportunities in both its London and Retail Portfolios.

Key themes:

Development

- Good momentum on development pipeline:
  - Sale of 110 Cannon Street, EC4, shortly after start of construction, realising virtually all of our anticipated development surplus.
  - Demolition started at 30 Old Bailey and 60 Ludgate Hill, EC4 in preparation for delivery of two new buildings totalling 375,000 sq ft in December 2013.
  - Progress on 20 Fenchurch Street, EC3 – revised planning consent received for minor modifications, enabling continuous construction through from the current ground works to completion of the scheme in April 2014.
  - Further progress on Victoria development plans with the submission of a planning application to develop Kingsgate House, SW1.
  - Planning permission achieved for the 90,000 sq ft letting to Primark at Trinity Leeds. Still 20 months from completion, the scheme has moved from 51.8% let at March 2011 to 54.8% let at June with a further 3.0% in solicitors' hands.
  - Good progress on the scheme at 185-221 Buchanan Street, Glasgow, which is now 68.7% prelet by income. Of the eight remaining un-let units, one is in solicitors' hands and terms are agreed on a further four.
  - Sale of the Sainsbury's store site at Wandsworth (a Harvest joint venture property) for £25.7m (Land Securities' share) to PRUPIM.
  - Increased pipeline of smaller retail developments being progressed to capitalise on retailer demand in specific locations. Projects worth £275m identified equating to 1.0m sq ft.

Asset management

- Active demand for space in investment portfolio:
  - Achieved £9.5m of lettings in total with a further £5.4m in solicitors' hands.
  - 55,900 sq ft office lease regearing concluded with Motability at Southwark Bridge Road, SE1.
  - Advertising panel at Piccadilly Lights relet at double previous rent.

  - Voids in the like-for-like portfolio down to 3.9% (4.2% at 31 March 2011). The void level includes units let on a temporary basis at 1.0%. A further 0.4% is under offer.
  - Units in administration in the like-for-like portfolio at 0.6% (0.4% at 31 March 2011).

Capital recycling

- Further capital recycling:
  - Total property sales in the quarter totalled £177.1m at 7.9% above March 2011 valuation, at an average yield of 4.1%.
  - Capital expenditure on developments in the quarter of £42.2m.
  - Total property acquisitions in the quarter of £18.5m at an average yield of 2.1%. The acquisitions consisted predominantly of vacant site-assembly assets within Victoria.

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

"While the quarter has seen a period of uncertainty in the wider economy, our activities show that our plan continues to deliver opportunities for value creation. The outlook for development in London remains attractive and, despite the mixed messages in the retail sector, our leasing activity demonstrates that the stronger retailers are looking to take new space.

"This retail demand has meant we have over the last few months also begun to step up our activity in retail development predominantly in edge of town locations and we now have a £275m, 1m sq ft, pipeline of opportunities to meet the growing demand from food and fashion retailers for space. Once again, we will look to marry our development expertise with retailer commitment to a scheme before we take these opportunities forward.

"We entered the financial year with a clear plan, and the letting and sales activity we have undertaken in the first quarter underpins our confidence in this plan."

LONDON PORTFOLIO

Good progress was made on our development programme during the period. We sold our development at 110 Cannon Street, EC4, along with two adjoining properties for £52.2m crystallising virtually all of our forecast development surplus.

At One New Change, EC4 a further 8,900 sq ft of the offices on the top floor is now in solicitors' hands. As a result, the offices are now 75% let or in solicitors' hands.

We received planning consent for our proposed minor modifications to 20 Fenchurch Street, EC3, and this will allow construction to continue as we get to grade in February 2012 maintaining our forecast completion date of April 2014.

Having received planning consent, demolition is underway at 30 Old Bailey and 60 Ludgate Hill, EC4 in preparation for delivery of two buildings totalling 375,000 sq ft in December 2013.

In the West End our developments at 123 Victoria Street, SW1, scheduled to complete in June 2012 and 62 Buckingham Gate, SW1, scheduled to complete in April 2013, are both on programme and to budget. At Wellington House, SW1, sales have been agreed on three of the five remaining penthouses at prices which are slightly ahead of our forecast of £2,000 per sq ft. Following the sales only 6% by floor area will remain unsold. Completion of the scheme remains on schedule for July 2012.

We have submitted a planning application to redevelop Kingsgate House, SW1, currently 201,000 sq ft to provide a new building totalling 341,000 sq ft. The mix of uses includes 203,000 sq ft of offices, 29,000 sq ft of retail and 109,000 sq ft of residential.

As part of our strategic land holding, we are now seeking a partner to help take forward the long-term development opportunity at Eastern Quarry, at Ebbsfleet in Kent. This is a natural next step in the process as it allies the potential we see in the site with our belief that a large residential development is best led by an established volume housebuilder.

Sales during the quarter included 110 Cannon Street, EC4, and City Forum, EC1, a proposed residential development which is outside our core geographical market. Sales totalled £94.0m and were 15.9% above the March 2011 valuation in aggregate at an average yield of 3.3%.

Investment property lettings in the quarter totalled £5.4m across 10 lettings with a further £0.5m in solicitors' hands. The lettings included 14/22 Southwark Bridge Road where we regeared a lease with Motability due to expire next year to a new 10 year term certain lease over 55,900 sq ft, and the letting of an advertising panel at Piccadilly Lights at double the previous rent.

The void level on our like-for-like properties in our London Portfolio was 3.8%, at 30 June 2011, down slightly from 3.9% at 31 March 2011. Excluding pre-development properties, the voids on the remaining like-for-like properties were 3.0%. Units in administration were 0.2% (0.2% at 31 March 2011).

RETAIL PORTFOLIO

Disposals in the period totalled £83.1m, at 0.2% above March 2011 valuations at an average yield of 5.0%. The principal disposals were food stores in Grimsby, Swindon and Wandsworth. All these assets were under offer for sale at the prior valuation date of March 2011.

The sale of the Sainsbury's supermarket site at Wandsworth is further evidence of our commitment to crystallise development profit and recycle capital. PRUPIM have acquired the existing store for £25.7m and have committed to purchase the extended store and new development upon completion for an additional £14.6m (both figures representing Land Securities' 50% share). The Harvest Partnership has been retained by the purchaser to manage the future development of the property. Construction is due to start in January 2012 and will comprise a 28,000 sq ft extension of the food store together with a 120-bed Premier Inn and an additional retail unit of 21,000 sq ft.

Trinity Leeds is now 54.8% let with 3.0% in solicitors' hands and letting activity at Cardiff has taken the scheme to 86.3% let with a further 5.1% in solicitors' hands.

In Glasgow, of the eight remaining units at 185-221 Buchanan Street, one is in solicitors' hands and terms agreed on a further four. This follows on from the pre-lets signed with Forever 21, Paperchase and Gap in the last financial year. The scheme is now 68.7% pre-let by income.

We achieved a number of planning consents in the period. At Trinity Leeds we secured planning permission for the 90,000 sq ft Primark store. At the Nene Valley Retail Park, Northampton, we received lawful development certificates for 75,000 sq ft of food space. At Ravenside Retail Park, Chesterfield, we achieved Open A1 consent for the former Focus store to create three units of 36,500 sq ft.

We have also been active in taking forward smaller development opportunities to take advantage of a shortage of new supply with increased demand from food and fashion retailers. We have identified a £275m, 1.0m sq ft, pipeline of schemes to satisfy this location specific demand. The opportunities range from extensions and reconfigurations of existing assets to identified potential new sites. The programme will marry our development expertise with retailer commitment, and offers development opportunities with good returns and low risk. While planning approval will be needed on many of the sites, we are already progressing several opportunities.

During the period, investment property lettings totalled £4.1m across 55 lettings with a further £4.9m in solicitors' hands. The lettings included White Company and Hugo Boss at Gunwharf Quays and Superdry at Overgate, Dundee.

The quarterly change in retail sales in our shopping centre portfolio (April to June 2011 compared to April to June 2010) was -0.4%, 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 -0.6%. The quarterly change in footfall on our shopping centres (also April to June 2011 compared to April to June 2010) was 0.0% (flat). This compared to a -0.2% movement in national footfall data over the same period.

The void level on our Retail Portfolio like-for-like properties was 4.1% at 30 June 2011, down from 4.5% at 31 March 2011. Temporary lettings accounted for 1.4% within this void figure. A further 0.5% is in solicitors' hands. Units in administration increased to 0.9% from 0.6% at 31 March 2011 due to the Focus DIY and Habitat administrations.

FINANCE

As at 30 June 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 £3,997.7m (31 March 2011: £4,185.9m). Group LTV including joint ventures at 30 June 2011, based on 31 March 2011 asset values, was 37.5% (39.0% at 31 March 2011).

The weighted average cost of debt increased slightly to 5.0% (4.9% at 31 March 2011), and the average duration of the Group's debt is 11.6 years (11.4 years at 31 March 2011). These movements are the result of lower drawings of our shorter duration low interest rate debt.

The first interim dividend payment for the current financial year will be 7.2 pence per share. It will be paid on 24 October 2011 to shareholders on the register at 16 September 2011. 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 dates for the calculation price and latest date for election will be announced following the Company's Annual General Meeting on 21 July 2011, at which certain changes to the scrip dividend timetable will be considered.

– Ends –

A conference call for analysts is being held today at 08:30 BST
Conference call details:
Dial-in number: +44 (0) 1452 555 566
Call title: Land Securities Q1 IMS
Conference ID: 82185631

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: 82185631#

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