LAND SECURITIES' Q3 INTERIM MANAGEMENT STATEMENT CONFERENCE CALL
23 January 2013

Speaker: Robert Noel, Chief Executive

Good morning everyone and welcome to our third quarter interim management statement. As usual I am joined by Martin Greenslade and Richard Akers and after a few words from me we'll be happy to answer any questions you may have.

We are pleased with the performance we are reporting today. We continue to make good progress - we've seen momentum in development lettings and a strong operational performance across our investment portfolio.

Our developments continue to attract quality occupiers and we are letting up space at good rental levels and on good lease lengths. We are seeing interest across our schemes in a market where occupiers continue to be drawn to modern, efficient space in the right locations. At 20 Fenchurch Street, for example, since the beginning of October we have secured two more lettings: Ascot which we announced in November and Royal Sun Alliance which we announced separately today, taking it to 34% pre-let with a further 18% in solicitors' hands, so 52% spoken for; and there is good further interest with 15 months to go to completion. At Trinity Leeds, further lettings in the period, including securing Victoria's Secret and Armani Exchange, have taken the development to 90% let or in solicitors' hands and bang-on track for opening on 21 March. At 123 Victoria Street, the building is now 77% let or in solicitors' hands, and the offices at One New Change are now fully let.

Underpinning our development programme is the existing portfolio and here we have continued to manage space effectively as we execute our plans for every asset. We secured over £9m of lettings in the period. Voids in our Retail Portfolio were virtually flat at 3.2% versus 3.1% at September last year, a resilient performance in these challenging conditions. And even after including the recent HMV, Jessops and Blockbuster insolvencies, our retail units in administration were 2.2% and our occupancy rate was 97.1%.

Retail sales in our shopping centres were up 0.3% versus the same quarter last year. Footfall was down 1.4% but strongly outperformed the market, reflecting the trend in shoppers visiting less often but spending more per visit. Food and beverage sales in our centres were up nearly 4% in the quarter, continuing to underpin our belief in the changing nature of customers' use of bigger centres and putting our portfolio at the heart of these changes.

In line with our plans to increase leisure within our business we made two important acquisitions in the period. In November we purchased the Printworks, Manchester's dominant leisure scheme and last week we completed the acquisition of a further 42% interest in the X-Leisure fund and 100% of the management company. This gives us unparalleled reach to the major operators in this area. We will continue to remain patient on larger acquisitions, we have the balance sheet to act when those opportunities arise and will not hesitate to do so.

Our finances remain in great shape. During the period we received the cash from the sale of the apartments at Wellington House and the final payment relating to the Park House deal. This cash has gone some way to offsetting the total investment in the quarter and as a result our LTV, based on September valuations, has remained stable at 36%.

Looking forward, we operate in what continues to be a challenging environment. Transactions are still taking longer than average to complete, but we continue to see interest in our developments and to let up space. We are working hard to ensure our existing assets are well-let and we protect income and you can see that in our voids performance.

So, as you can see, there's plenty going on and, despite the environment, we remain confident about our position. In two months' time, in Leeds, we will have launched the only major shopping centre to open this year and, in Glasgow, opened over 100,000 sq ft of new retail space on the prime shopping street, at 90%+ let on both.

And there's plenty more for us to go for. We will continue to work up our plans for the next phase in our development programme. Working to a clear plan disciplined as always, risk aware, not risk averse. And on that note, I'd like to pass over to you for any questions you may have.

Question 1

Harm Meijer, J.P. Morgan Cazenove

Good morning, gentlemen. Rob, you also mentioned that you are open for larger opportunities; are you actually seeing more? And a second question here would be, would you also be willing to issue equity if something interesting comes along?

Answer – Robert Noel, Chief Executive

Well, there are two parts to that question, Harm; on the first part, are we seeing more? I would say that our teams are actually underwriting more opportunities than they were this time last quarter. And as you saw, we've done two significant transactions in this quarter. Whether or not that will lead to more deal flow or not, I'm not sure. We are very patient. We've got plenty of opportunity within the portfolio.

As far as issuing equity is concerned, we have always been very clear. If we see value, we will buy it, and we will work out a way of buying it, at that time. And how we pay for that will depend on the circumstances. We would absolutely never preclude issuing equity.

Further question

Great, and just the last one, on just your development pipeline; are there any new projects coming into focus?

Answer – Robert Noel, Chief Executive

Well, of course, we announced in November that we were starting Kingsgate House, so we've now got teams scrambling around in the ground there. We're also underway demolishing Victoria Circle, as you know. It's too early to announce a commitment to that scheme, but I'm very much hoping that we'll be able to update the market by the time we speak to you in May on that one, and also on New Ludgate, but otherwise, no change.

We continue, also, outside London, to work hard on our plans on both Oxford and the extension to Buchanan Galleries, and as we said in the statement, our out-of-town programme is also making quite good progress.

Question 2

Mike Prew, Jefferies

Good morning. Just going back to 20 Fenchurch, you're 52% committed or in solicitors' hands; does that include Liberty Mutual that's been on some of the wires, the 18%?

Answer – Robert Noel, Chief Executive

Well, Mike… Morning. We never talk names until we've signed deals…

Further question

Just between the two of us?

Answer – Robert Noel, Chief Executive

We have 18% in solicitors' hands; you can read into that what you will. You know, as soon as we've got something to say, we'll say it.

Further question

Can I just ask an additional question? This one is for Martin really. You seem to be benefitting from, sort of, subsidised interest lines; are those a temporary phenomenon? Do we see those disappearing, or are they going to be a permanent feature, do you think?

Answer – Martin Greenslade, Chief Financial Officer

We've seen our weighted average cost of debt come down slightly because we've used our revolving credit facilities, but we put those in place, clearly, with a view to using them. They last for a number of years. So are we being subsidised by it? I'm not so sure. I think, if anything, the credit market has eased a bit, and so we are benefitting from the strength of our balance sheet, and the relationships we have with our banks. I think that will continue.

Further question

And just one thing on Google; the product search you just announced. Will you have access to data that Capital Shopping Centres are talking about, and will this, in future, generate any EBITDA for the business?

Answer – Richard Akers, Executive Director

We will have access to some data, but that's absolutely not at the forefront of our strategy. What we're trying to do is enable our retailers to execute their multichannel strategies within our shopping centres, and we think that is the best route to maximising our own business, by making our centres more attractive to retailers, so that they'll pay more rent, and we'll keep them fully occupied.

Question 3

Steve Bramley-Jackson, Credit Suisse

Just a couple of questions, actually, if I may. The first is just to get a temperature check, and it's probably a question for Richard, really, on your insolvency positions. And just thinking about how your watch list might be moving. And secondly, whether you're fairly concerned about what might potentially be around the corner?

Answer – Richard Akers, Executive Director

Our position is that at 31 December 2012, we had 1.5% of the Retail Portfolio in administration. If you include Jessops, Blockbuster and HMV, that moves to 2.2%, as opposed to 1.8% at the half-year, and 2.8% at March last year. So we've demonstrated that we can let this space, when it comes back to us. Clearly, the three that have happened in January have been no surprise to anybody. So they were absolutely predictable.

And in terms of what might happen in the future, well, our views is that there is a great degree of structural change occurring, but there's always change in the retail sector, and we're seeing new retailers come in, as well as some of those that haven't been able to cope with that structural change, leaving the scene.

Further question

So you're not unduly concerned?

Answer – Richard Akers, Executive Director

No, I don't think so. Nothing has happened which has surprised us. I think we know there's a lot of structural change happening; that's why we are focused on the major, prime centres, where people are travelling to go to, and they're spending longer, and why we're increasing the leisure and food and beverage provision in those centres. And as I said, what happened in January and the recent past, hasn't really surprised us. We will get more insolvencies, but there are also new retailers coming into the market for those centres.

Further question

Thank you very much for that, Richard. Rob, actually, just a question for you. It's a broader question, but sterling's renewed weakness, and possible ramifications for the London market; I can see that it's a positive from an occupational cost perspective, but how about from the investment market sense? A weak currency is a benefit, to a degree, but if we're going to go into another phase of weakening, which is certainly underway, do you see that as a problem, potentially, for the investment market?

Answer – Robert Noel, Chief Executive

I think that you need to remember that London is a global trading place, and as long as it maintains that status, there is no reason to think why investors should not seek out its product. A weak sterling, though, is not helpful for the investment market, because in theory, it questions your safe haven status. But sterling has been strong, variously strong and weak, and before, investment markets wax and wane, and I don't think we're anywhere out of kilter, and the market is certainly not overpriced at the moment.

Question 4

Hemant Kotak, Green Street Advisors

Good morning, gentlemen; I've got three questions, one general, and then one office, and one retail, please. The general one, to start with, how much should we read into the disparity between the lettings versus the ERV in the London Portfolio, and the Retail Portfolio? And to what extent is it appropriate to extrapolate to the wider portfolio, please?

Answer – Robert Noel, Chief Executive

I think that you must remember, Hemant, that we are talking about a very, very small sample in both portfolios. Our London portfolio is, to all intents and purposes, full. If you strip out the building we've cleared for redevelopment, it's less than 2%, and our Retail Portfolio is virtually full. We've only carried out £9.2 million of lettings in the quarter; that is great, because we're filling our stuff, but it's very small in relation to our rent roll.

Further question

That's a good point. How should we think about it, in terms of what's happening in the market, though? These two data points; I realise they're a small subset, and maybe they're extremes.

Answer – Robert Noel, Chief Executive

I think you should read into the market that there is upward pressure in London, and there is no pressure - it's flat in retail.

Further question

And then, with regards to 62 Buckingham Gate, you've previously indicated strong interest there; what level of lettings do you expect on completion in May? And then also, a related question to that is I think you were in discussions with ENI and I think that was reported in the press; it's also reported, that they pulled out; can you comment on these things, please?

Answer – Robert Noel, Chief Executive

Well, let's deal with the press point first. The one thing that happens to us is that the press write all sorts of stories about us, all the time. And as I said to Mike Prew earlier on, we will announce stories when it's the right time to announce them. We never mention names before, we never have, and I'm pretty sure we never will, mention names before we have signed them, because things come and things go.

In terms of 62 Buckingham Gate, remember, the west end market is generally not a pre-let market. You get much higher percentages of pre-lettings in the city market, because you're dealing with larger space users. In the west end market, you're generally dealing with 20,000 square feet and below; these people will generally look just before they're due to move, not two years in advance, and so the pre-letting market is a rarity in the west end.

So in terms of 62 Buckingham Gate, we've got 10% in solicitors' hands; we have always had good interest, we still have good interest in this building. We are not going to let it cheaply, because the west end market is not a pre-letting market.

Further question

Do you expect a significant deal by May, when it completes?

Answer – Robert Noel, Chief Executive

I mean, that would be nice. Yes, that would be nice.

Further question

And then a retail question, please. The last calendar quarter, like-for-like tenant sales performance that you've said is 0.3%, can you break that, in terms of retail parks and shopping centres, please?

Answer – Richard Akers, Executive Director

That's all shopping centres. We don't generally have data for our retail parks.

Further question

And then, what's the number on a same centre basis? Because the number you've quoted is same retailer, which is often worse; what's it on a same centre basis, so that I can compare it to some of your peers, please?

Answer – Richard Akers, Executive Director

I don't think we've calculated it for the quarter; we do for our half year and full year results, but I don't have that number. You're right that it is usually ahead of the pure like-for-like number, so it's absolutely like-for like, same retailer. But we'll have a look. We may be able to get back to you.

Question 5

Robert Duncan, Jefferies

Morning, gents. I'd actually like to take Hemant's first question one step further. I appreciate that there's a very small sample size through the third quarter, but taking the year to date, could you please comment on the range of letting performance versus ERV, split specifically between the retail warehouse portfolio and the shopping centre portfolio? And then, could you just give a more general comment on the rental growth prospect you see in the differential between say, the more traditional operators in the retail portfolio, versus F&B?

Answer – Robert Noel, Chief Executive

As you will appreciate, this is a trading statement, not a reporting date, so the numbers are not audited, and we don't have everything. Retail lettings to date this year, versus ERV, in total, -1.1%. London, I haven't got the exact figure on me, but it's around 2%.

Further question

Can you just comment on the outlook for rents split between the F&B style operators, and say, the more traditional retail operators?

Answer – Robert Noel, Chief Executive

Well, the outlook for F&B operators, we think is positive, because spend is increasing. You know, people are eating out more often than they were in 2012, it's one in nine meals out, and in 2010, it was one in ten meals out, and there is not enough space for the number of occupiers that are growing, and sales are up, as we've said, in food and beverage, almost 4% on the last quarter.

Speaker: Robert Noel, Chief Executive

Thank you very much, indeed, for joining the call. As you can see, we're pleased with the performance we're doing, we're delighted with the interest we're getting across our development pipeline. The asset management team are flat out, the balance sheet is in great shape, and our plan is delivering. So we're in good fettle, and we look forward to reporting to you in May. Goodbye.

– ENDS –

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