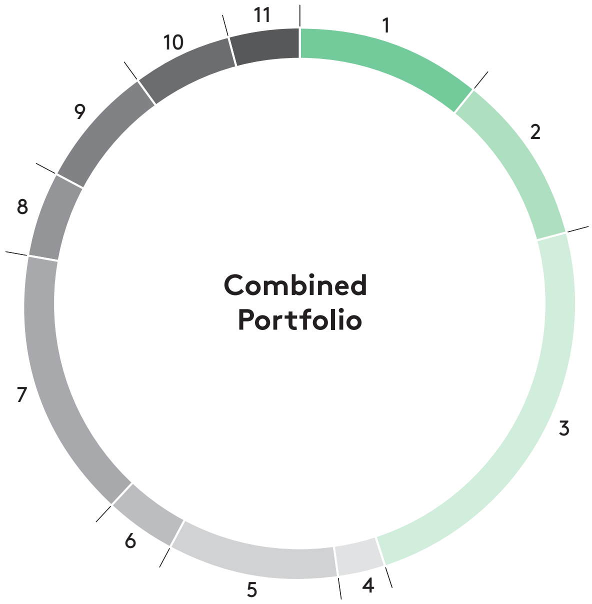
Portfolio review

We have a diverse portfolio of assets located in vibrant locations across London and the UK. Here's an update on how we bought, managed, developed and sold this year.

Our diverse asset mix

Chart 14

1. City of London	11%
2. Mid-town	10%
3. West End	24%
4. Inner London	3%
5. Central London retail	10%
6. London shopping centres	4%
7. Regional shopping centres	17%
8. Retail parks	5%
9. Outlets	7%
10. Leisure	6%
11. Hotels	3%



65%

of our assets by value are located in London

Our opportunity, approach and capital allocation varies by sub-sector

Our top ten assets by value

New Street Square, EC4
Contemporary offices, retail and restaurant campus.
Annualised net rent £37.7m

Cardinal Place, SW1
Landmark site, part of our Victoria cluster, home to blue-chip businesses and retailers.
Annualised net rent £29.1m

One New Change, EC4
Office and leisure destination in an iconic building.
Annualised net rent £29.9m

Bluewater, Kent
The dominant shopping and leisure destination in the south east of England.
Annualised net rent £28.6m (Landsec share)

Gunwharf Quays, Portsmouth
Outlet shopping, leisure and entertainment destination on a waterfront location.
Annualised net rent £29.0m

1&2 New Ludgate, EC4
Contemporary office, restaurant and retail space.
Annualised net rent £22.3m

Queen Anne's Gate,SW1
Landmark office building comprehensively refurbished in 2008. Annualised net rent £33.2m

Trinity Leeds
Retail and leisure destination forming the heart of Leeds city centre. Annualised net rent £26.5m

Nova, SW1
A stunning new mixed use destination within our Victoria cluster. Annualised net rent £8.6m (Landsec share)

62 Buckingham Gate, SW1
Office and retail space with a cinema in the basement.
Annualised net rent £23.1m

Key 2019 figures

Portfolio

-4.1%[1]
Valuation deficit

£23m
of investment lettings

£9m
of development lettings

London Portfolio

-0.5%[1]
Valuation deficit

£7m
of investment lettings

3.5%
Ungeared total property return

£8m
of development lettings

4.8%
The portfolio underperformed the MSCI Quarterly Universe

1.7%
Like-for-like voids (2018: 1.8%)

Retail Portfolio

-8.4%[1]
Valuation deficit

£16m
of investment lettings

-3.4%
Ungeared total property return

£1m
of development lettings

-6.8%
The portfolio outperformed the MSCI Quarterly Universe

-2.4%
Footfall in our regional shopping centres and outlets (ShopperTrak UK national benchmark down 2.8%)

3.7%
Like-for-like voids (2018: 2.7%)

0.8%
Units in administration (2018: 0.7%)

-0.9%
Same centre sales, taking into account new lettings and occupier changes (BRC national benchmark for physical stores down 2.1%; including online, flat)

1. On a proportionate basis.

Actions and outcomes

Focus for 2018/19	Progress in 2018/19
— Growing like-for-like net rental income in the London Portfolio	— Like-for-like net rental income growth of £20m achieved
— Diversify income streams through innovation in retail	— A number of new diversified income streams developed, including Black Box Revolution at Trinity Leeds
— Progress on time and budget at 21 Moorfields, EC2	— Deutsche Bank confirmed they are taking the entire 564,000 sq ft building — Completed piling six weeks early, with main contractor on site as of 1 April 2019 — On track to deliver on programme and to budget
— Progress plans for all of the development opportunities in central London — Progress feasibility on London shopping centres — Seek to grow the pipeline through acquisitions and partnerships	— One Sherwood Street, W1, Nova East, SW1 and 105 Sumner Street, SE1 commencing in 2019 — Planning applications being prepared at Shepherd's Bush, W12 and Finchley Road, NW3 and master planning under way at Lewisham — Acquired 1.6 acre site at Lavington Street, SE1
— Progress planning applications for physical improvement plans at our recently acquired outlets	— Planning consent received for improvement plans at all three outlets
— Understanding the changing needs of our customers and ensuring our portfolio responds accordingly	— Worked closely with our customers, launching new initiatives to better meet their needs – Myo, Landsec Fitted and Landsec Lounges
— Securing employment for a further 160 candidates via our Community Employment Programme	— Secured employment for 187 candidates
— Improving energy management in support of 2030 corporate commitments	— 19 energy management initiatives approved, across 15 sites, of which ten projects have already been completed

Focus for 2019/20

— Maintaining like-for-like net rental income

— Providing property as a service, harnessing data and technology, to improve customer experiences

— Researching and trialling ways to build better, faster and for less

— Expanding customer offerings of Myo, Landsec Fitted and Landsec Lounges

— Progress on time and on budget at 21 Moorfields, One Sherwood Street, Nova East and 105 Sumner Street

— Progress plans for the future development pipeline of 2.6 million sq ft in the existing portfolio and seek to grow the pipeline through acquisitions and partnerships

— Delivery of key strategic MSUs at our major shopping centres

— Generating £4m of social value across our community programmes, in support of our £25m corporate target by 2025

— Improving energy management in support of 2030 energy management corporate commitments

Portfolio review

continued

Our assets and operations continue to be focused on maximising financial, physical and social value by providing the right space for businesses and people to thrive. As the population grows and ages, and the boundaries between work, living and leisure time become more blurred, it is increasingly important to provide a broader mix of products and services to meet future demand.

In London, we have a portfolio of first-class office-led assets with supporting retail, leisure and amenity space, shopping centres with excellent development potential and hotels with longer term redevelopment opportunity. Strategically, London will become a larger proportion of our business and this year we've grown and progressed our development pipeline. We've also broadened our customer offer, including launching a flexible office product.

Outside London, we're focused on shopping and leisure destinations where people can shop, eat and socialise. In what remains a very challenging time for retailers, we're constantly enhancing the brand mix and reshaping space to provide the best experience. We also have a number of retail parks, a sector where we've significantly reduced our exposure over recent years.

Buy

We are actively tracking a high volume of both development and investment opportunities across London and are looking to buy in both well-established and emerging locations. We regard London as our core market. It is a huge, increasingly polycentric city with a world class public transport system. This year, in a market which has remained very competitive, we were pleased to grow our presence in SE1, with the acquisition of a 1.6 acre site in Lavington Street. We also acquired a small mixed use site on Wardour Street, W1, in order to satisfy part of the affordable housing requirements associated with our development at One Sherwood Street, W1. We didn't see equivalent buying opportunities in the retail and leisure sectors.

Develop

We have a 3.6 million sq ft near-term pipeline of opportunities in the capital. This includes 2.2 million sq ft of office-led schemes and 1.4 million sq ft of residential-led mixed use opportunities with further schemes being explored.

Work at 21 Moorfields, EC2 is progressing on time and to budget and Deutsche Bank has confirmed they want to lease the entire building. Work below ground has now completed and installation of the steel frame is under way. We're procuring products and services on this scheme in a different way. For example, we worked with four sub-contractors for 24 months to develop the design of the building, using a more collaborative approach to build an accurate forecast of costs earlier in the build process. This is enhanced by our use of building information modelling (BIM), which creates a 3D model of the whole building down to the very last detail. This means we're more likely to get construction and fit-out right first time while avoiding potential delays. We're already seeing significant benefits from BIM at 21 Moorfields and are applying it on all projects.

At One Sherwood Street, W1, we started demolition in April. Completion is scheduled for June 2022. This 144,000 sq ft mixed use scheme behind Piccadilly Lights will comprise offices, retail units and a roof-top restaurant together with a Landsec Lounge at this iconic location.

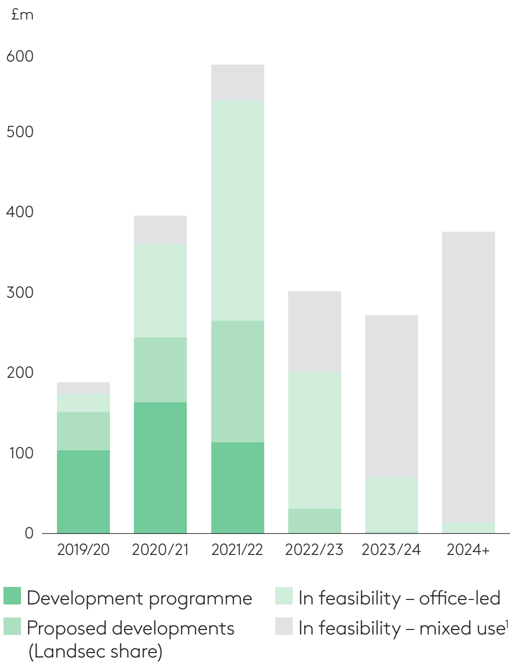
At Nova East, SW1, we've improved the scheme by simplifying the design and structure, increasing the consented floor area by 19%. We've recently submitted a revised planning application and gained possession of the site back from TfL. Enabling works have commenced and piling is expected to start in July.

At Portland House, SW1, we've moved away from a complete redevelopment and are planning a 401,000 sq ft comprehensive remodelling and extension of the existing building. We're applying every aspect of our customer insight to ensure we maximise the potential of this asset and will submit our planning application in June, aiming to start on site in April next year when the current leases expire.

In Southwark, at 105 Sumner Street we have consent for two buildings totalling 131,000 sq ft and will start on site in October with completion in early 2022. We will be implementing offsite manufacturing and automated on site assembly techniques here to reduce time, cost and environmental impact. Meanwhile, we are working up our plans for 324,000 sq ft of offices and new public riverside space at Red Lion Court. In addition, our recent acquisition on Lavington Street provides us with redevelopment and refurbishment opportunities for a range of workspaces. This will grow our presence in this increasingly popular part of London.

Outside central London, we've concluded a feasibility exercise on the opportunity to create residential-focused, mixed use developments in two well-connected vibrant locations in Shepherd's Bush, W12 and Finchley Road, NW3 comprising around 1,700 new homes in total, much of which we intend to retain as homes for rent. We aim to submit planning applications during the course of this financial year. In Lewisham, we've started master planning our town centre asset which extends to around eight acres and provides the potential for a new residential-led, mixed use destination.

Development expenditure
Estimated future spend Chart 15



1. Comprises Finchley Road, NW3 and Shepherd's Bush, W12.

Progressing our drivers of growth

Total
3.6m sq ft

Start	Scheme	Completion	Size
Oct 2021	Shepherd's Bush, W12		~610k sq ft
Oct 2021	Finchley Road, NW3		~750k sq ft
Jul 2020	Lavington Street, SE1	Jan 2023	370k sq ft
Jul 2020	Red Lion Court, SE1	Dec 2023	324k sq ft
Apr 2020	Portland House, SW1	Oct 2022	441k sq ft
	Including Castle Lane, SW1		
Oct 2019	105 Sumner Street, SE1	Jan 2022	131k sq ft
On site	Nova East, SW1	Feb 2022	208k sq ft
Jun 2022	Nova Place, SW1		
On site	One Sherwood Street, W1	Jun 2022	153k sq ft
	Including Wardour Street, W1		
On site	21 Moorfields, EC2	Nov 2021	564k sq ft

~£3bn TDC

2019 2020 2021 2022 2023 2024 2025

Note: Earliest start on site dates

21 Moorfields, EC2: Deutsche Bank will take the whole building as its new London HQ

Manage

London Portfolio

The quality and popularity of our central London office space is reflected in its 98% occupancy rate and healthy average lease term of nine years. During the year, we completed £15m of lettings. We also completed £23m of rent reviews at 17% above passing rent. Lettings included completing the line up at Nova where the blend of retail, restaurants and leisure has created a destination for local residents, occupiers and visitors.

With new ways of working and people's expectations of their work environment evolving at speed, we're continuing to enhance and extend the services we provide to office customers, their employees and visitors. For example, our Landsec Lounge concept – which provides communal touch-down meeting spaces in a café-style environment – has proved very popular at 80 Victoria Street, SW1 and 20 Eastbourne Terrace, W2. We are now implementing our Lounge concept at Dashwood House, EC2, and 62 Buckingham Gate, SW1, with 6 New Street Square, EC4, and One New Change, EC4 to follow.

Myo, our new flexible office brand, has opened its doors to a new generation of growing customers, as well as meeting larger customers' core and flex requirements. Myo offers flexible terms, customisable design options, seamless IT and front-of-house support, which means our customers can focus on their business. It adds to the flexible space already provided at our assets through third party operators.

We currently operate 36,000 sq ft as Myo flexible space and plan to grow this significantly through opportunities within our existing portfolio and our development pipeline, providing new and existing customers a broad ecosystem of space from a few desks to head offices.

We have also trialled Landsec Fitted this year, a fully fitted out workspace, providing customers with a faster and more convenient way into occupation. This has proved very successful, reducing leasing times and incentives and attracting rents at a premium to unfitted space.

Retail Portfolio

18% of our Retail Portfolio by value is also located in London. These assets comprise our London shopping centres, which provide good development opportunities in densely populated catchments, and the majority of our hotels by value. Many of the hotels are valued at less than replacement cost and provide good development opportunities in the longer term, with resilient income streams in the meantime.

Outside London, our assets predominantly comprise six shopping, five outlet and 17 leisure destinations, increasingly focused on providing a great day out. The retail market is particularly challenging at the moment and our destinations are not immune from this. However, the work we did in recent years to shift investments away from secondary shopping centres and retail parks has limited our exposure to the retail sector most impacted by retailer difficulties. Our portfolio outperformed the national benchmarks for both footfall and retailer sales during the year.

The challenging nature of retail has been reflected in the level of company voluntary arrangements (CVAs) and administrations in the market. Since the start of 2018, more than 80 retail and food & beverage chains have gone into CVA or administration across the UK impacting more than 6,000 stores.

Myo, our new flexible office brand, was launched during the year

In this difficult market, the quality of our assets has meant that where retailers have a choice, as they do in a CVA, they are more likely to remain in a Landsec destination with 93% of our stores affected by CVA remaining open and continuing to trade compared with 85% for the market as a whole.

Shopping centres

Our strategy is to focus on dominant destinations with enduring appeal in strong and growing catchments, and core to the multi-channel strategies of both traditional and new retail brands.

Our partnerships with successful retailers are key to successful placemaking. For example, having upsized Primark at Trinity Leeds and introduced them at Westgate Oxford with a flagship unit, this year they came to Bluewater, Kent. Their 60,000 sq ft unit opened for trade in March, bringing a much requested retailer to the destination and adding to a strong and diverse mix of brands there. Also at Bluewater this year, we introduced Polo Ralph Lauren, BMW opened its first UK Urban Store and Beaverbrooks, JD Sports and Rituals all upsized.

We worked closely with Inditex, creating a new flagship for their Zara brand at Westgate Oxford and introducing their Bershka brand into St David's, Cardiff, following the successful opening of the Stradivarius brand at the end of last year. Letting the remaining units at Westgate has proved more difficult than we anticipated due to current market conditions, but we are pleased to have completed flagship units for Urban Outfitters, Mango and Flannels.

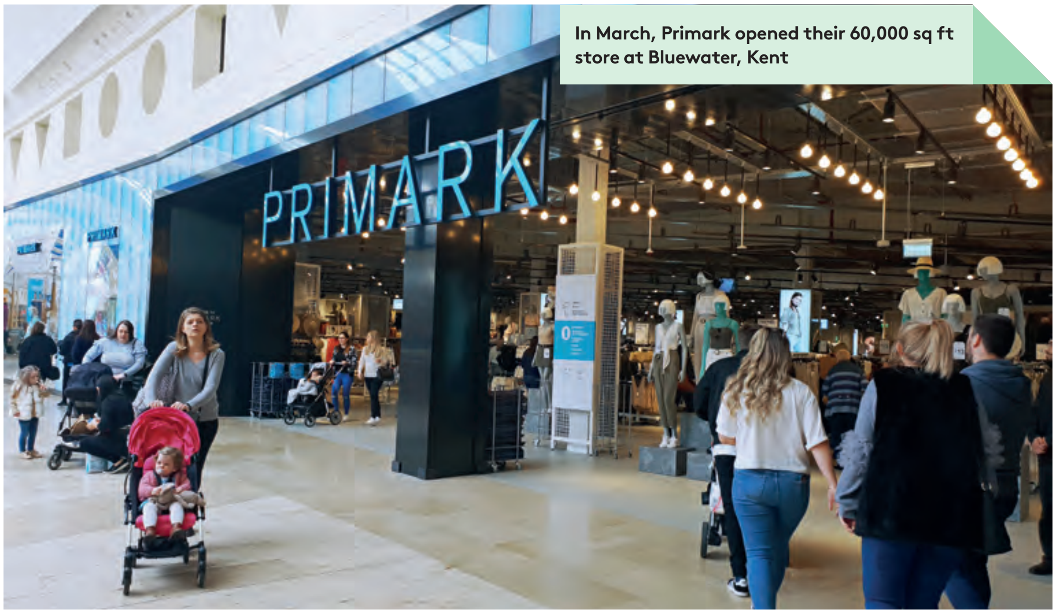
We're constantly working to refresh the retailer mix and customer experience. This year, for example, we introduced Black Box Revolution at Trinity Leeds. This enables us to curate space with constantly changing offers while providing brands and retailers new to bricks and mortar retail the ability to nimbly test the water and connect with shoppers in new ways.

Outlets

Outlets provide a shopping experience which is difficult to replicate online as well as being destinations for a day out. Turnover-related flexible leases enable us to capture income growth annually and allow us to regularly introduce new brands which reflect changing consumer preferences.

Again customer relationships are key. For example, during the year, we introduced Polo Ralph Lauren at Braintree Village, key to our plans for transforming the brand line-up. This built on our work with the brand at Gunwharf Quays, where we had created a new Polo Ralph Lauren flagship store. Following the retailer's opening at Braintree Village, Polo Ralph Lauren also opted to take a full unit at Bluewater.

Westgate Oxford - leisure and entertainment are important elements of a successful shopping centre



In March, Primark opened their 60,000 sq ft store at Bluewater, Kent

During the year, we secured planning consents at the three retail outlets we acquired last year in Braintree, Street and Castleford – each for physical improvement schemes that enable us to implement our business plans.

Leisure parks

Our leisure parks cater for the growing experience segment of consumer spend, providing family friendly cinema and sport anchored experiences and vary from a full day out at the award winning Xscape destinations to accessible family offers in the more traditional parks.

The leisure market remains relatively resilient and we are at near full occupancy, with UK leisure spend forecast to increase by 17% over the next five years (GlobalData). Total cinema admissions in 2018 were up 3.7% on 2017 and at their highest level for 50 years. We're constantly engaging with cinema operators to ensure our portfolio delivers the best movie experience possible and completed two cinema lease extensions and upgrades in the year.

Retail parks

This segment of the market is particularly impacted by oversupply and poor investor confidence. Having reduced the number of retail parks in our portfolio by nearly two-thirds over the last ten years to focus on parks that offer convenience and are in locations which are not oversupplied, we have retained good occupancy at 95%.

Sell

Having used buoyant market conditions over the last few years to sell many assets that did not form part of our long-term plans, the only significant disposals this year were retail parks at Livingston and Selly Oak. We will continue to reduce our allocation to this market segment further over time.