

# 2014 INVESTOR CONFERENCE





# Agenda

Robert Noel

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Scott Parsons

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Colette O'Shea

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Oliver Gardiner

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Kaela Fenn-Smith

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Tom Eshelby

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Marcus Geddes and Tom Elliott

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Q&A





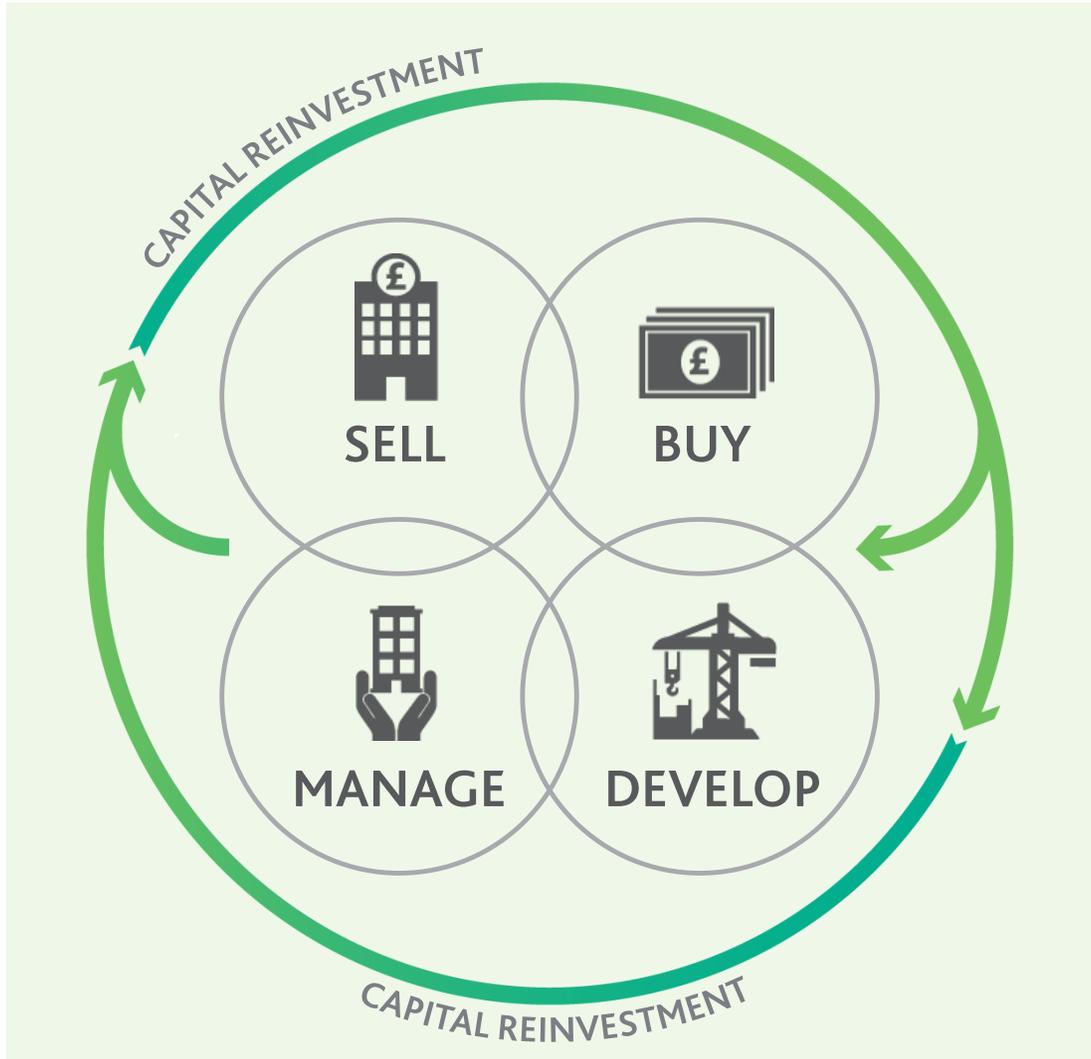
# Welcome

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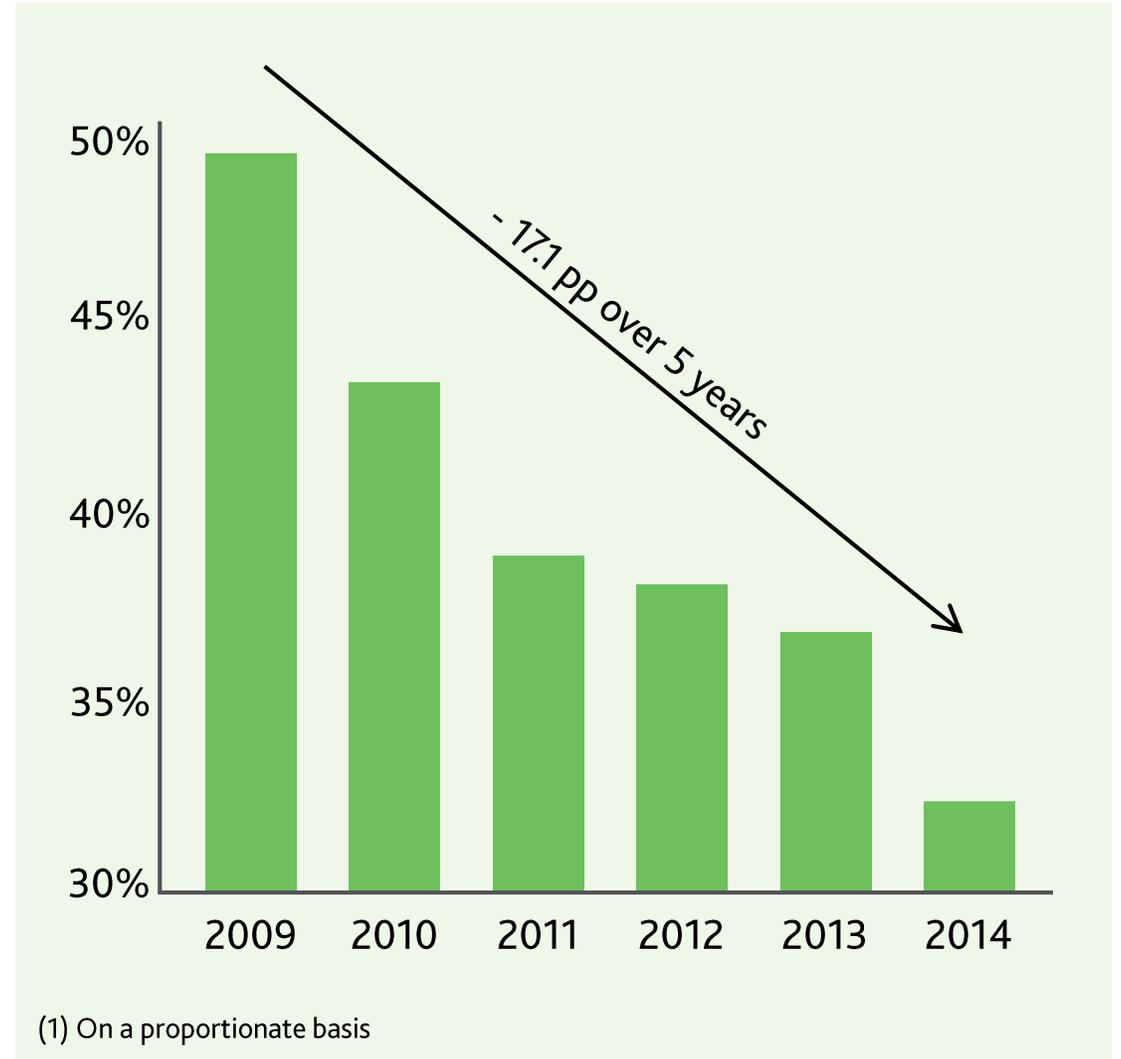
## Robert Noel

Chief Executive

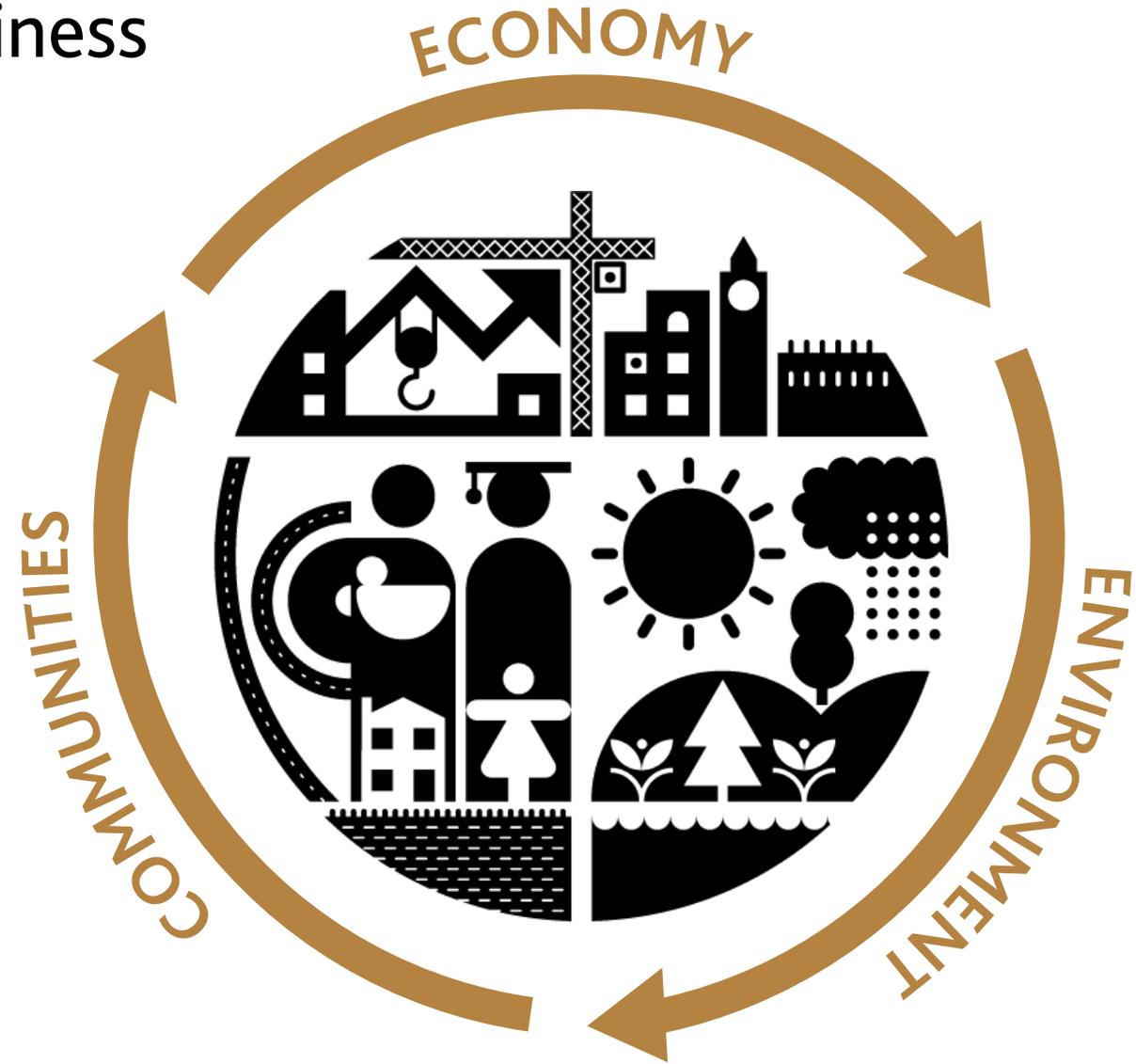
# Recycling capital



# Group Loan to Value<sup>(1)</sup> (“LTV”)



# Sustainable business





# 2014 INVESTOR CONFERENCE

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# Retail Portfolio

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**Scott Parsons**

Managing Director, Retail Portfolio



# Mobile technology



More  
mobile phones  
in UK  
than people

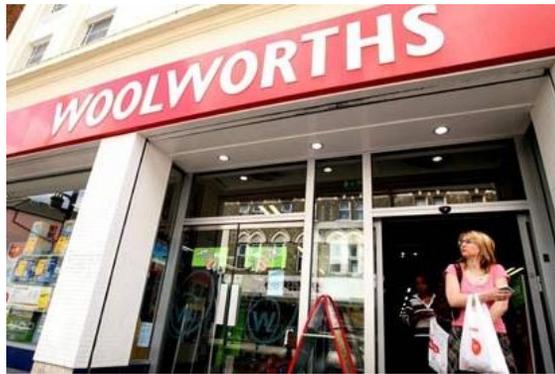


# The consumer choice



# Consumers changing shopping habits

|                          | Dominance & experience   | Convenience   | Secondary   |  |
|--------------------------|--|---|---|--|
| Dwell time increasing    |    |    |    | Influence of catering/leisure within centres                   |
| Average spend increasing |   |   |   | Dominant/destination centres – more choice/variety/stock range |
| Frequency of visit       |  |  |  | Convenience schemes up, secondary down                         |

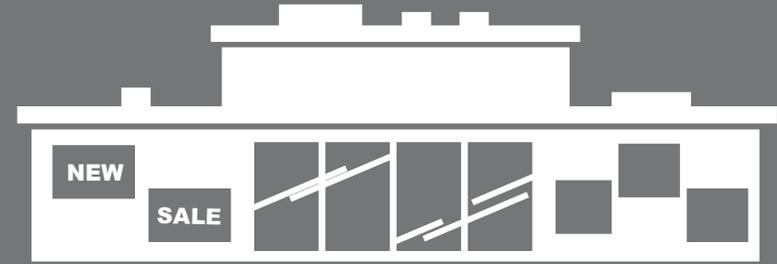


# Retailer trends

Many stores  
in many  
locations



One flagship store in one dominant centre



Large hyper/supermarkets

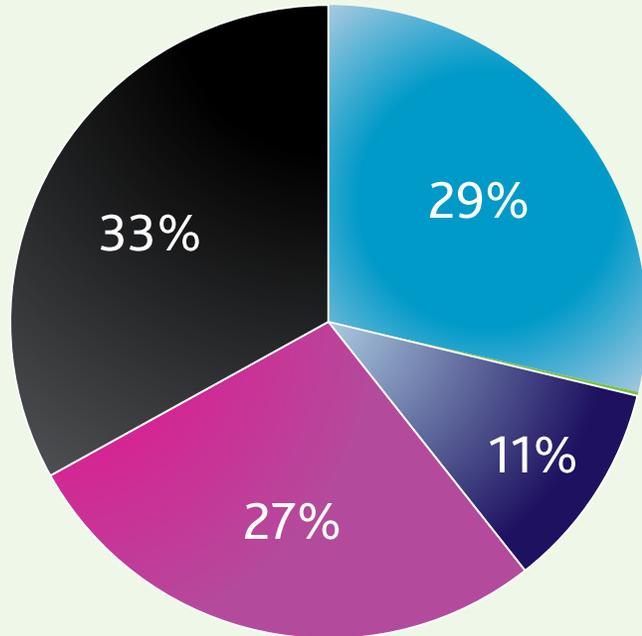


Smaller c-stores, convenient locations

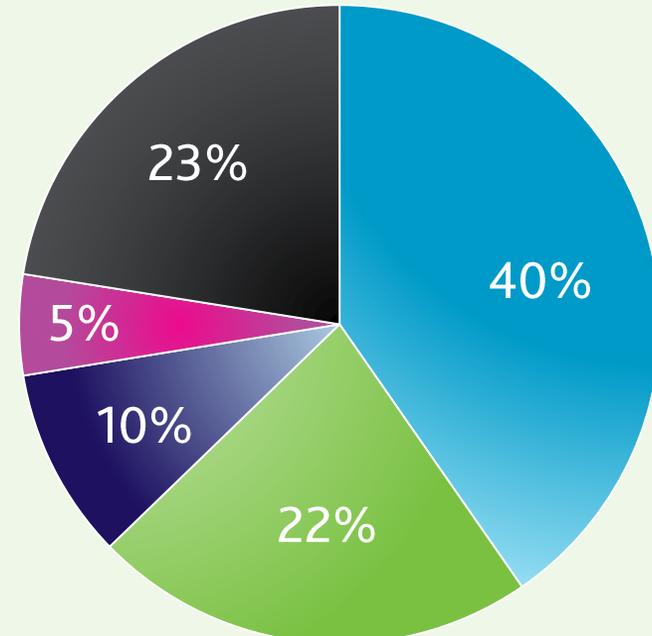


# Portfolio evolution

March 2007



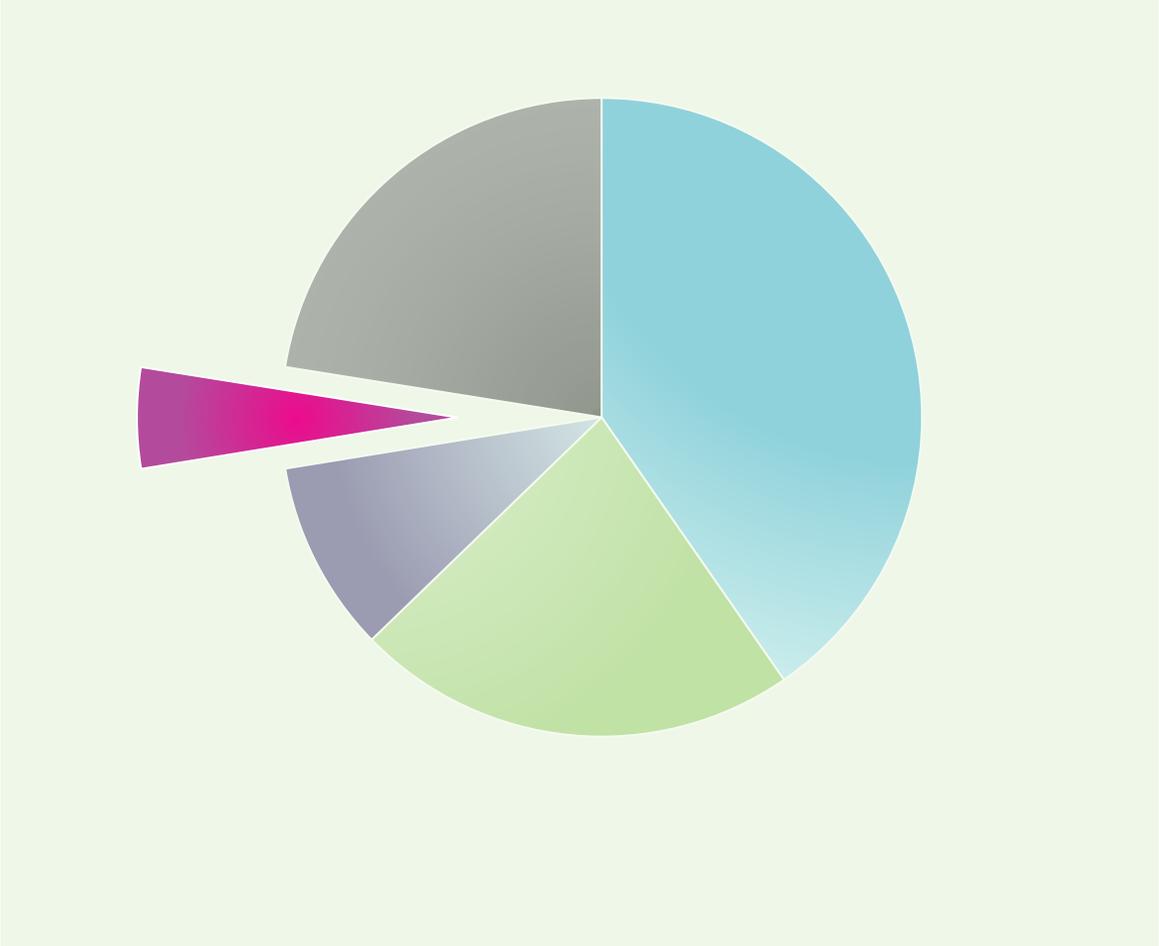
March 2014



- Dominant shopping centres
- Leisure and hotels
- London suburban centres
- Secondary centres
- Retail warehouses and foodstores

**Recycling capital into dominance, experience and convenience**

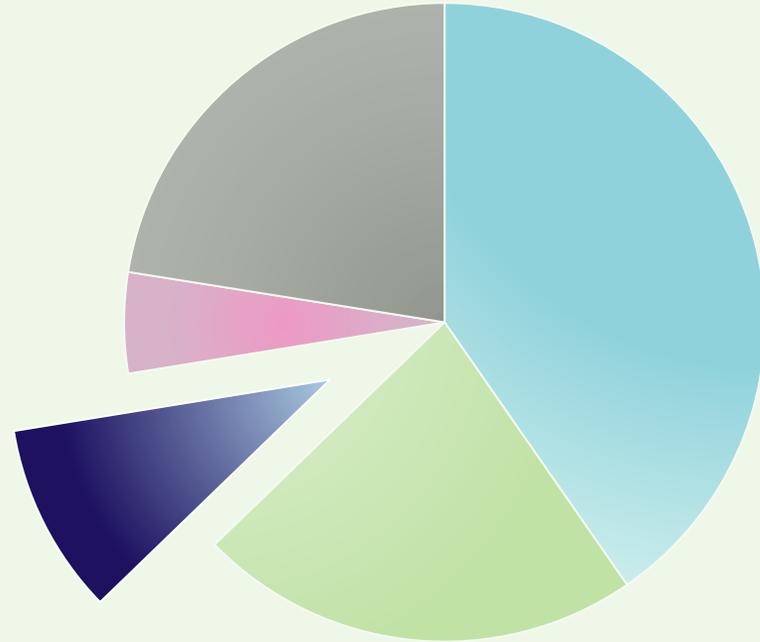
# Secondary shopping centres



EXITING



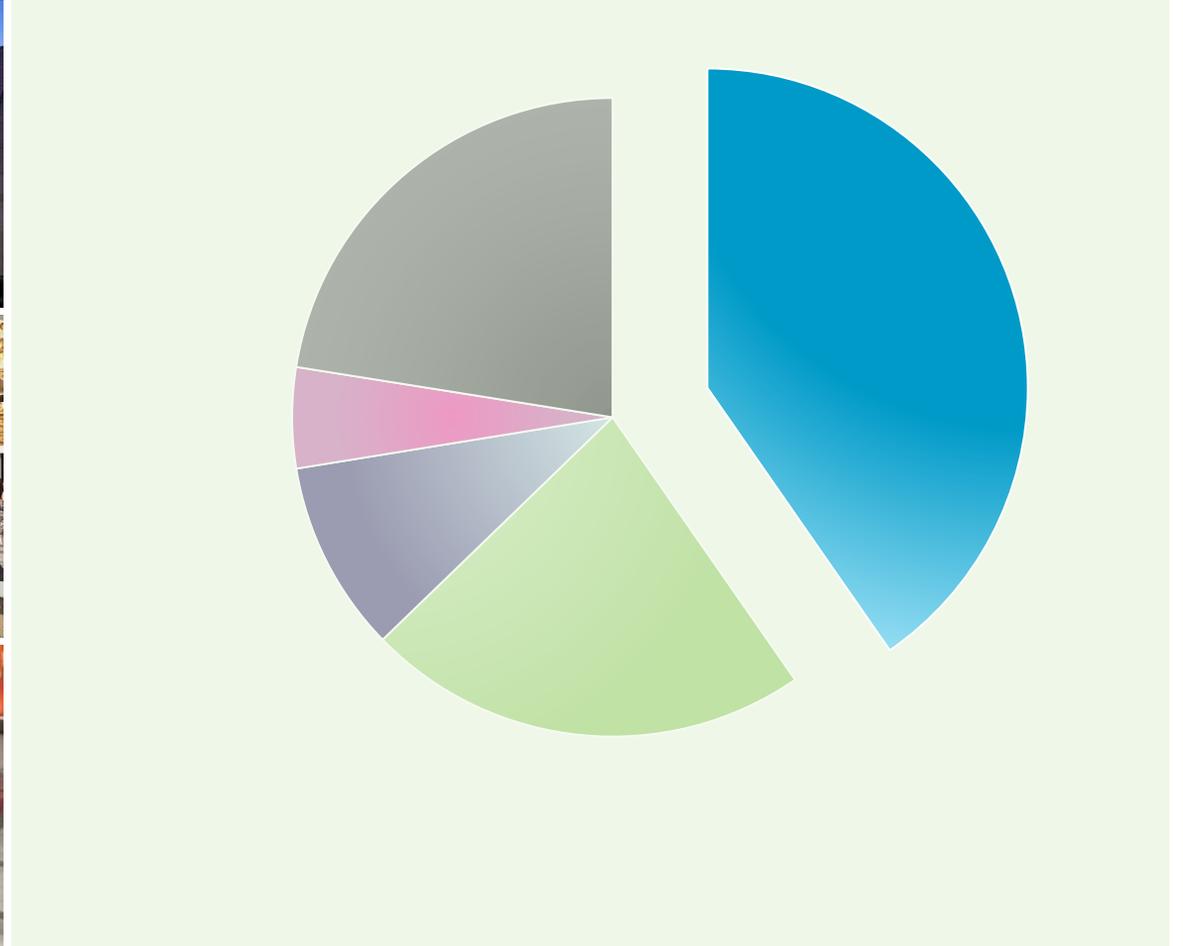
# Suburban London shopping centres



EXPLORING



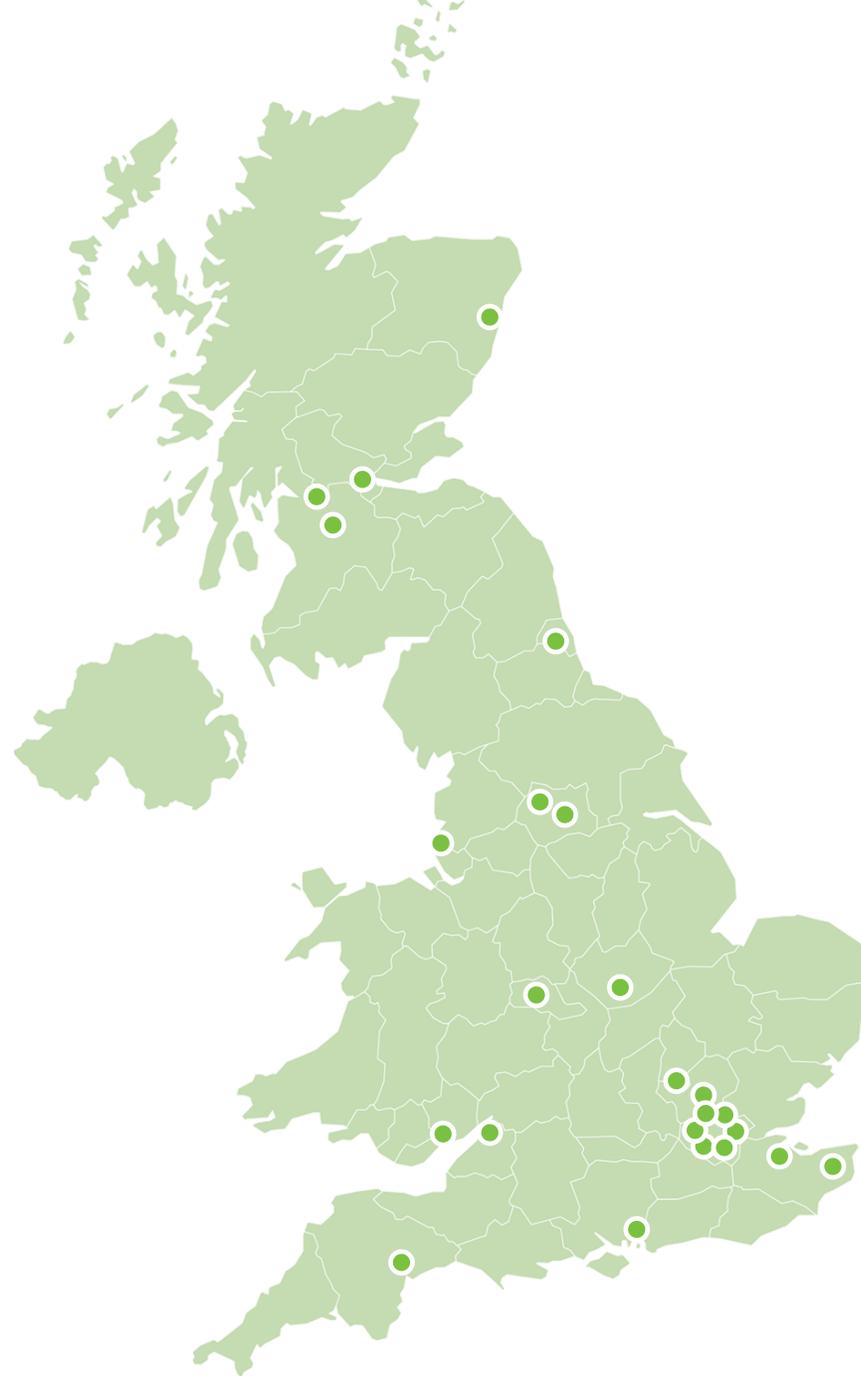
# Dominant shopping centres



**GROWING**



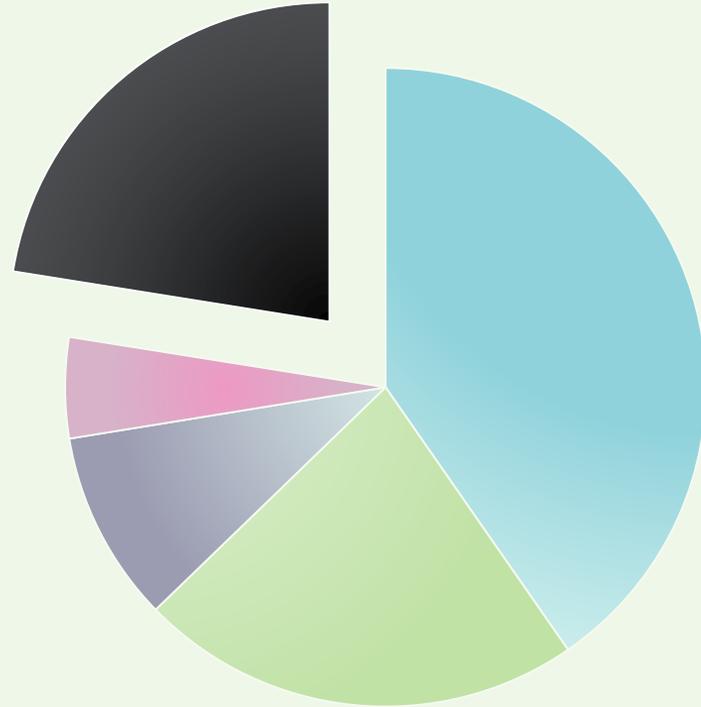
# Shopping centre portfolio 2007



# Shopping centre portfolio 2015



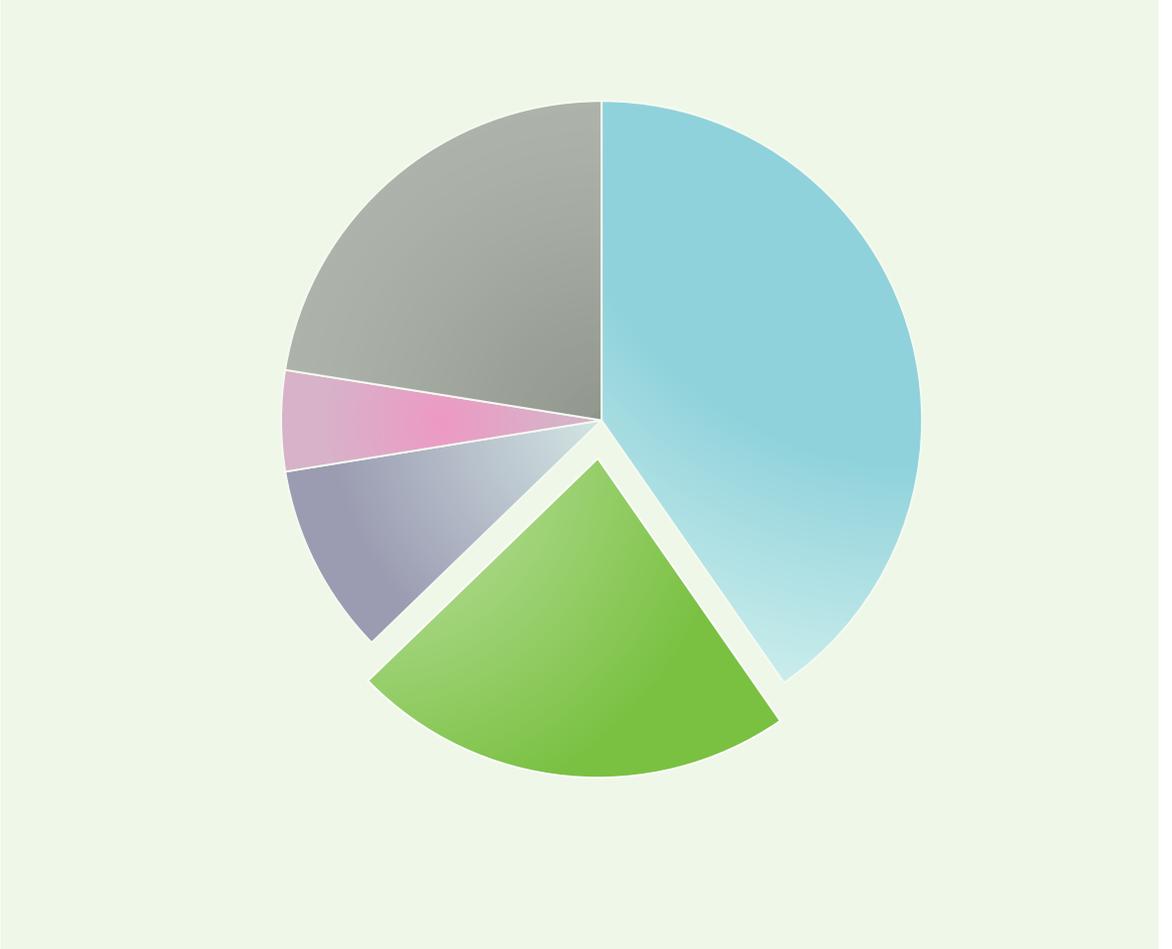
# Retail parks



EVOLVING



# Leisure



**MATURING**



A photograph of an Apple Store exterior at night. The store has large glass windows and a prominent white Apple logo on the facade. People are visible inside the store. The text "Dominance" is overlaid in large white font.

# Dominance

A photograph of an audience in a 3D movie theater. People are wearing 3D glasses and holding large buckets of popcorn. They are looking towards the screen. The text "Experience" is overlaid in large white font.

# Experience

A wide-angle photograph of a large resort complex at night. The buildings are illuminated, and there are many trees and parking lots. The text "Convenience" is overlaid in large white font.

# Convenience



# London Portfolio

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**Colette O'Shea**

Managing Director, London Portfolio

# London Portfolio

- Clear strategy
- Early cycle developer
- Delivery results



Piccadilly Lights, W1

# A focus on excellence

- Team
- Operational
- Delivery
- Market



20 Fenchurch Street, EC3

# Intellectual firepower

- Market intelligence
- Customer insight
- Product development



New Ludgate, EC4

# The “Property Trinity”

- Control of day-to-day operations
- The right developments and delivery to plan
- Investing in relationships



New Street Square, EC4

## A focus on excellence

- Team
- Operational
- Delivery
- Market



123 Victoria Street, SW1

# Team Excellence

## Development:

Oliver Gardiner

## Leasing and Markets:

Kaela Fenn-Smith

## Residential:

Tom Eshelby

## Investment and Asset Management:

Marcus Geddes and Tom Elliott



One New Change, EC4



# London Portfolio

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**Oliver Gardiner**

Head of Development



**Committed**  
to total of

**3.3m**  
sq ft

Total  
Development Cost  
of

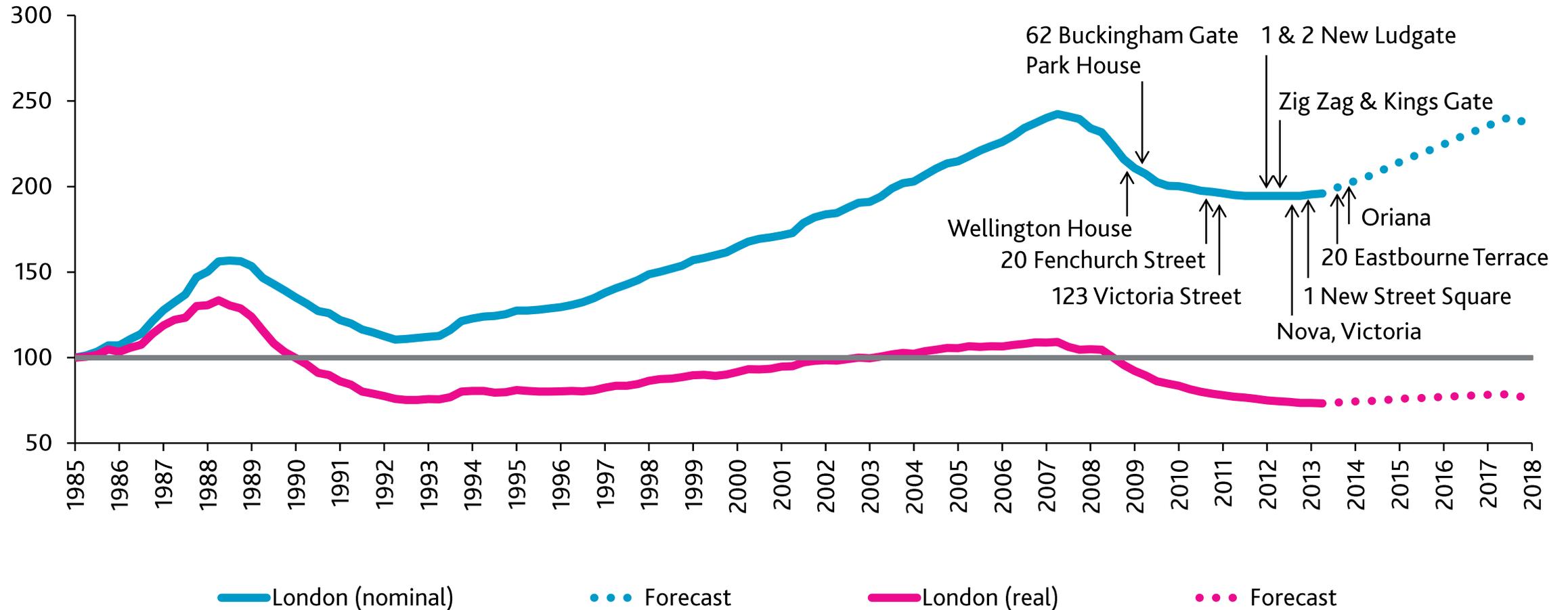
**£2.4bn**



# Land Securities' London developments

## Construction contracts negotiated

Tender prices 1985 = 100



# 2010 and our start of development



**Park House, W1**

- Sold during construction in 2010



**Wellington House, SW1**

- 59 private apartments
- All units sold pre-PC



**62 Buckingham Gate, SW1**

- 275,300 sq ft
- Completed May 2013

# Quality design and finishes



123 Victoria Street, SW1

- 228,000 sq ft (including 28,000 sq ft retail)
- Completed August 2012
- 100% let



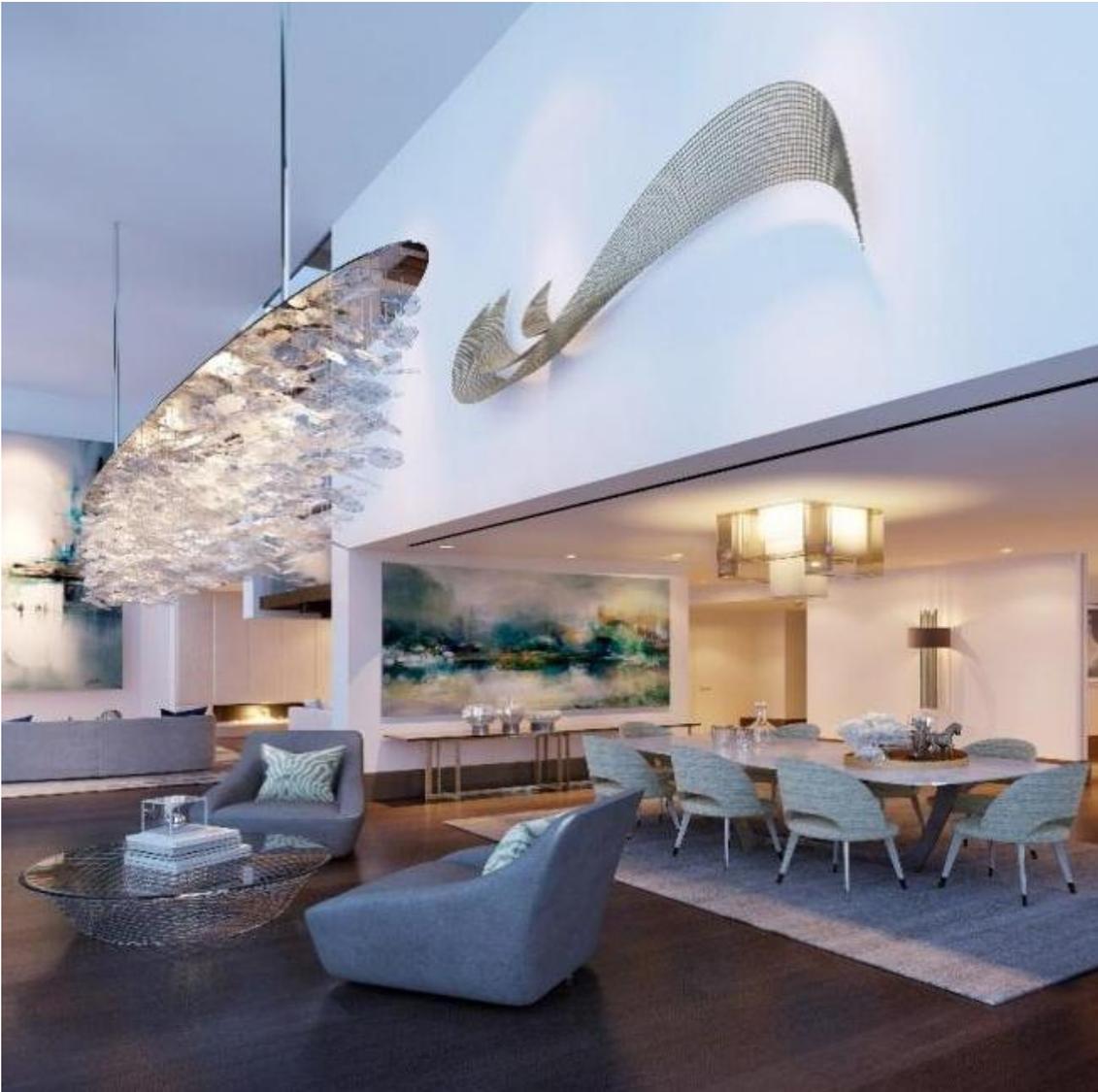
## The Zig Zag Building

- 189,000 sq ft offices
- 44,000 sq ft retail

## Kings Gate

- 109,000 sq ft
- 100 apartments
- 82 apartments pre-sold

The Zig Zag Building and Kings Gate, SW1



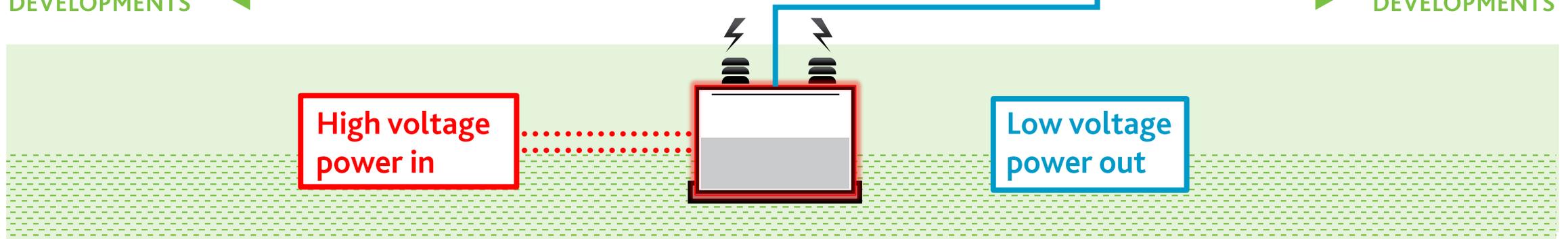
Kings Gate apartments

# Resilient power infra-structure



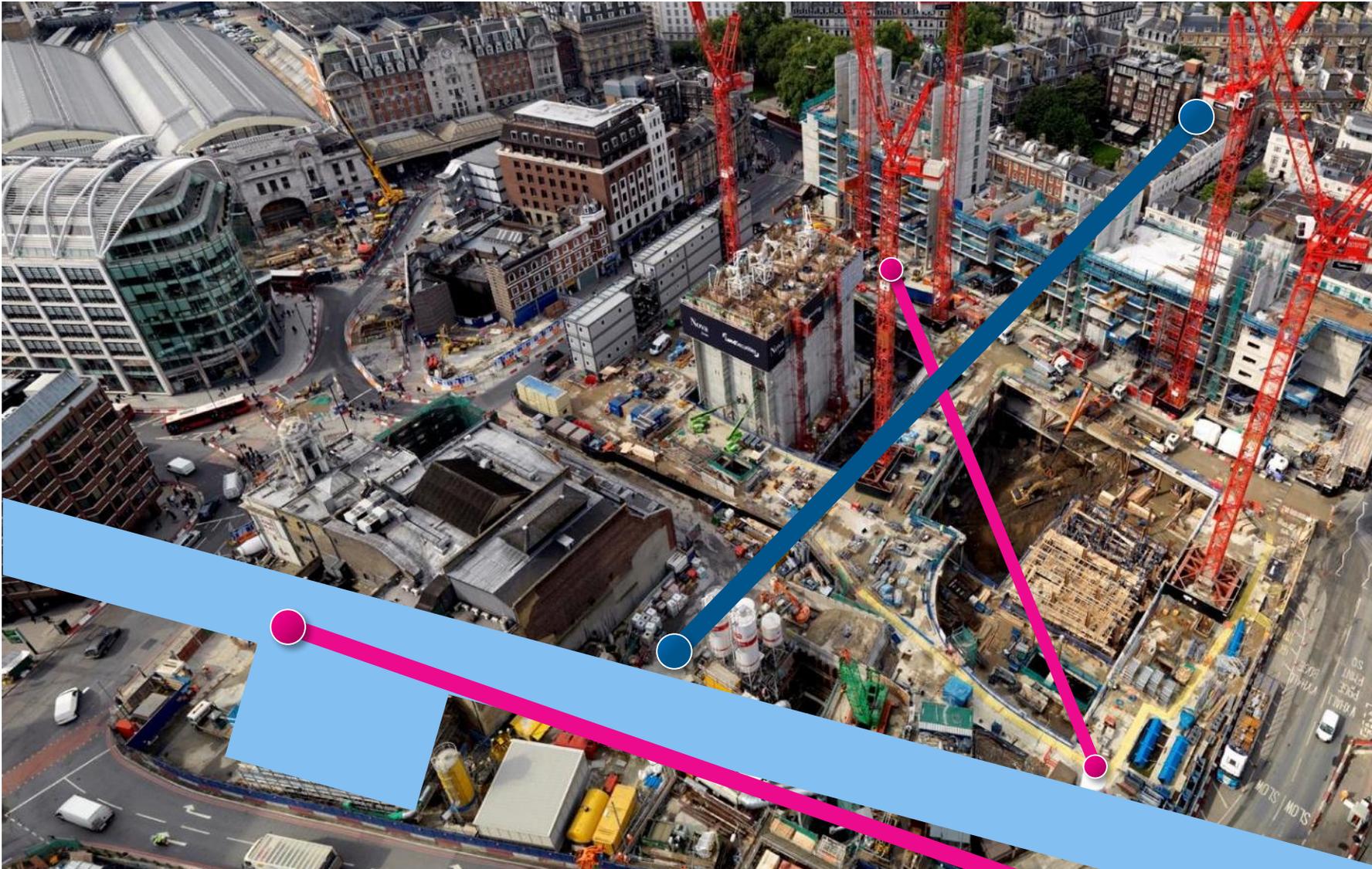
TO FUTURE DEVELOPMENTS

TO FUTURE DEVELOPMENTS





Nova, Victoria, SW1



Victoria Line



King's Scholars  
Pond sewer and  
Western Deep sewer



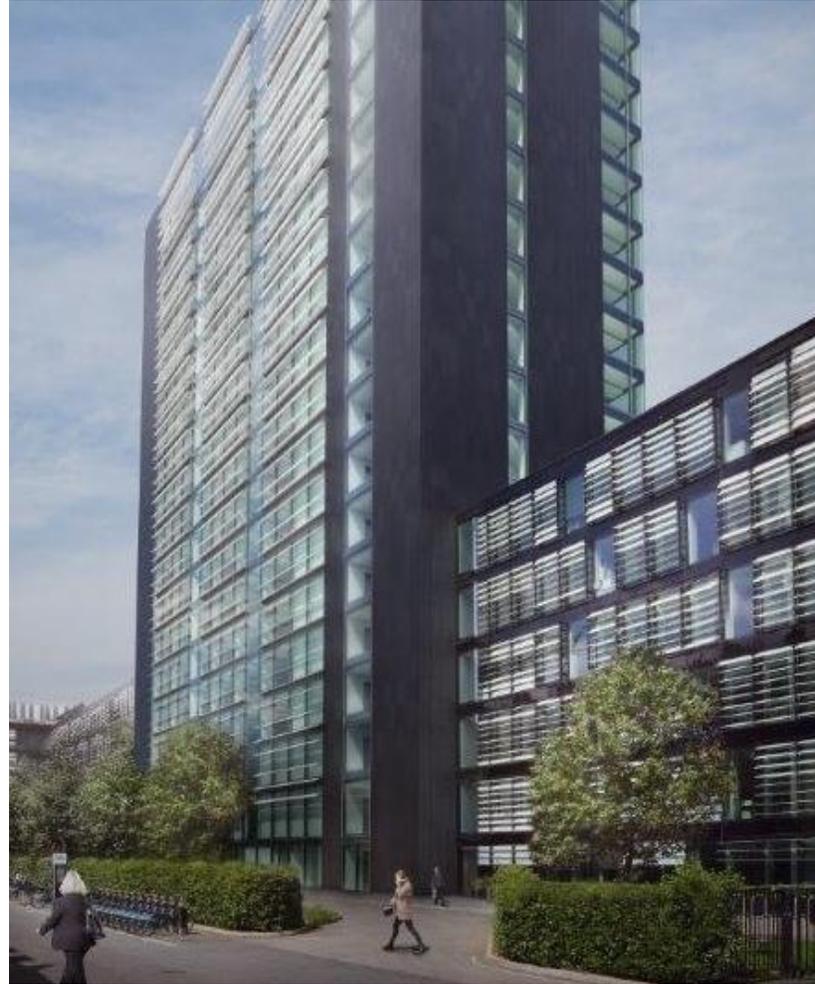
Crossrail 2  
(Chelsea to Hackney)

Nova, Victoria, SW1



Nova, Victoria, SW1

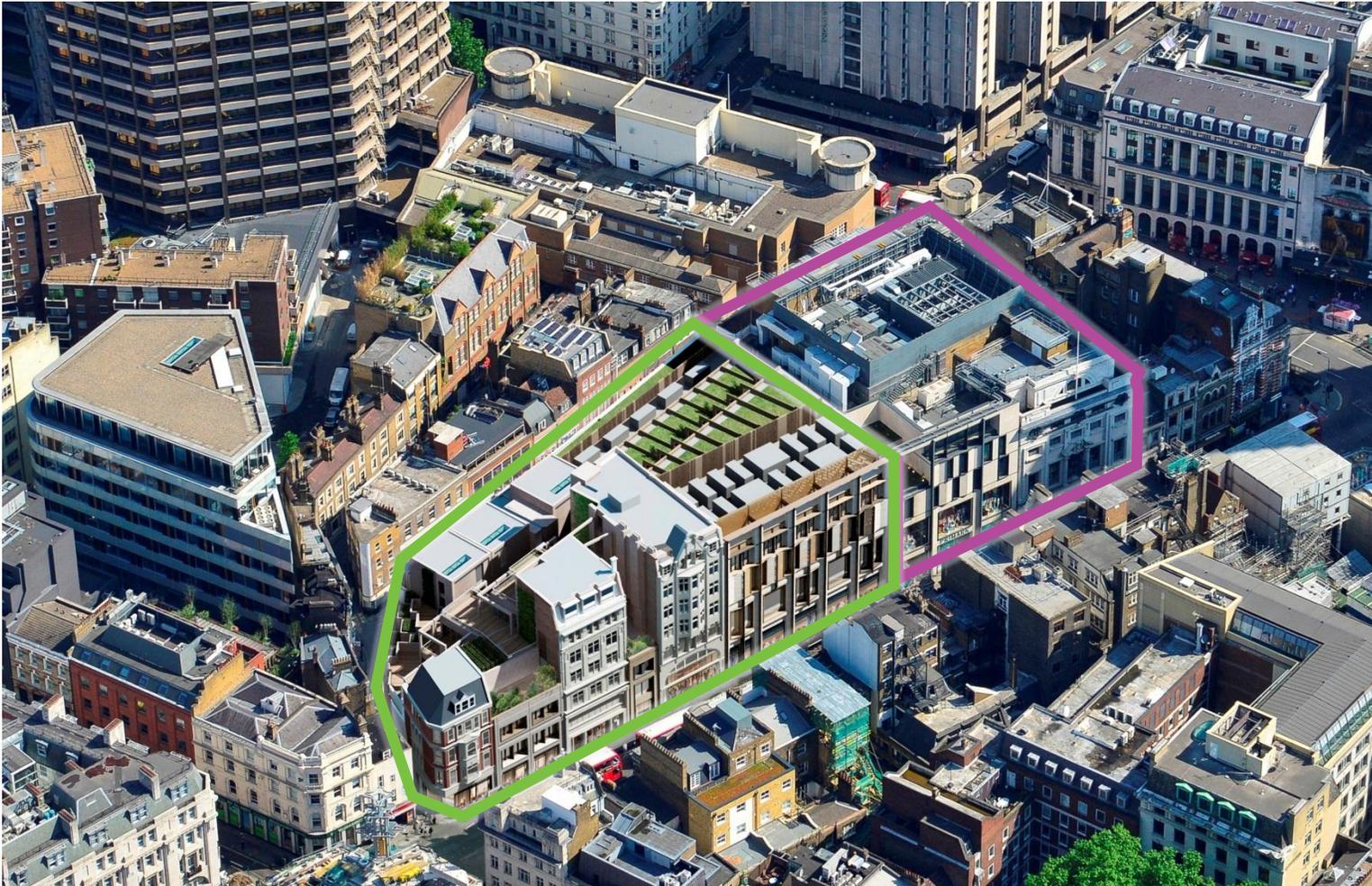
# Perfectly sized floor plates



- 92,000 sq ft offices
- 6,000 sq ft per floor
- Shared 17th floor roof terrace

20 Eastbourne Terrace, WC2

# More retail in Oxford Street



## 50% interest

- 72,000 sq ft retail
- 20,000 sq ft residential
- 18 residential apartments

Oriana Phase II, W1

# Speculative development in the City



20 Fenchurch Street, EC3

## 50% interest

- 690,000 sq ft
- Average rent £63 per sq ft
- Average lease 17 years
- Tenant fitting-out has started
- Solar shading works underway

# The centre of Central London



New Ludgate, EC4

## 1 New Ludgate

- 154,000 sq ft offices
- 25,000 sq ft retail

## 2 New Ludgate

- 195,000 sq ft offices
- 5,900 sq ft retail

# The centre of Central London

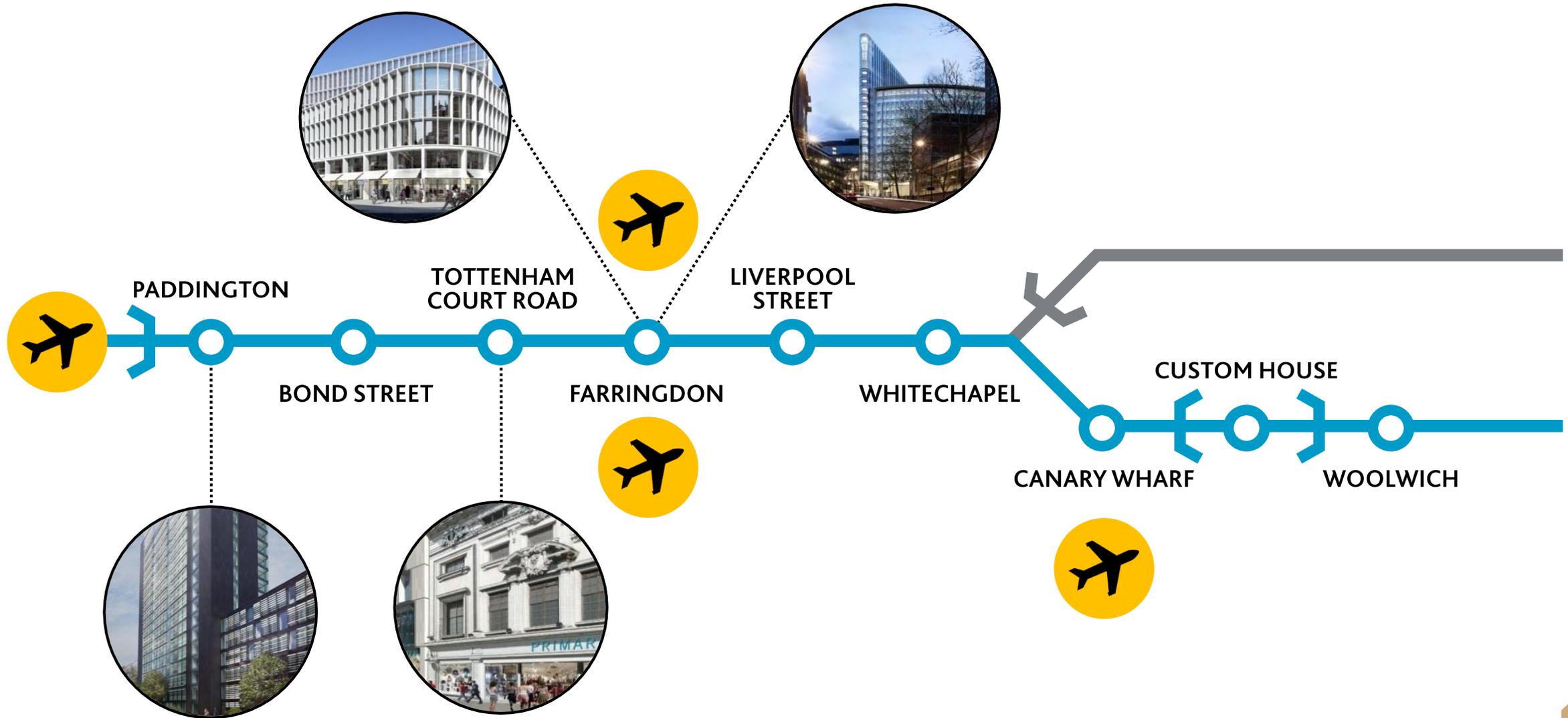


## 1 New Street Square

- 258,000 sq ft offices
- 4,700 sq ft retail

1 New Street Square, EC4

# Crossrail Farringdon and Blackfriars Stations



# Construction at full tilt



# Development returns

| Property                                    | Letting status at 31 March | TDC <sup>(1)</sup> | Net income / ERV | Gross yield on cost | Valuation surplus to date | Market value at 31 March + outstanding TDC <sup>(1)</sup> | Gross yield on: TDC <sup>(1)</sup> + valuation surplus to date |
|---|----------------------------|--------------------|------------------|---------------------|---------------------------|---|--|
|   | %                          | £m                 | £m               | %                   | £m                        | £m  | %  |
| 123 Victoria Street, SW1                    | 93                         | 154                | 13.9             | 9.0                 | 97                        | 262   | 5.5  |
| 62 Buckingham Gate, SW1                     | 65                         | 179                | 18.6             | 10.4                | 139                       | 323   | 5.8  |
| 20 Fenchurch Street, EC3 <sup>(4)</sup>     | 87                         | 239                | 21.5             | 9.0                 | 137                       | 377   | 5.7  |
| The Zig Zag Building, SW1 <sup>(2)</sup>    | 4                          | 174                | 15.8             | 9.1                 | 36                        | 210   | 7.5  |
| 1 & 2 New Ludgate, EC4                      | 0                          | 257                | 22.6             | 8.8                 | 32                        | 289   | 7.8  |
| Nova, Victoria, SW1- Phase I <sup>(4)</sup> | 0                          | 245                | 20.0             | 8.2                 | 30                        | 276   | 7.3  |
| Oriana, W1- Phase II <sup>(4)</sup>         | 64                         | 40                 | 3.0              | 7.6                 | 16                        | 55  | 5.4  |
| 20 Eastbourne Terrace, W2                   | 0                          | 66                 | 5.3              | 8.0                 | 3                         | 69  | 7.7  |
| 1 New Street Square, EC4                    | 0                          | 177                | 16.0             | 9.0                 | 4                         | 181   | 8.8  |
| Bishop Centre, Taplow                       | 82                         | 39                 | 2.7              | 6.9                 | 9                         | 48  | 5.6  |
| <b>Total</b>                                |                            | <b>1,570</b>       | <b>139.4</b>     | <b>8.9</b>          | <b>503</b>                | <b>2,090</b>  | <b>6.7</b>   |

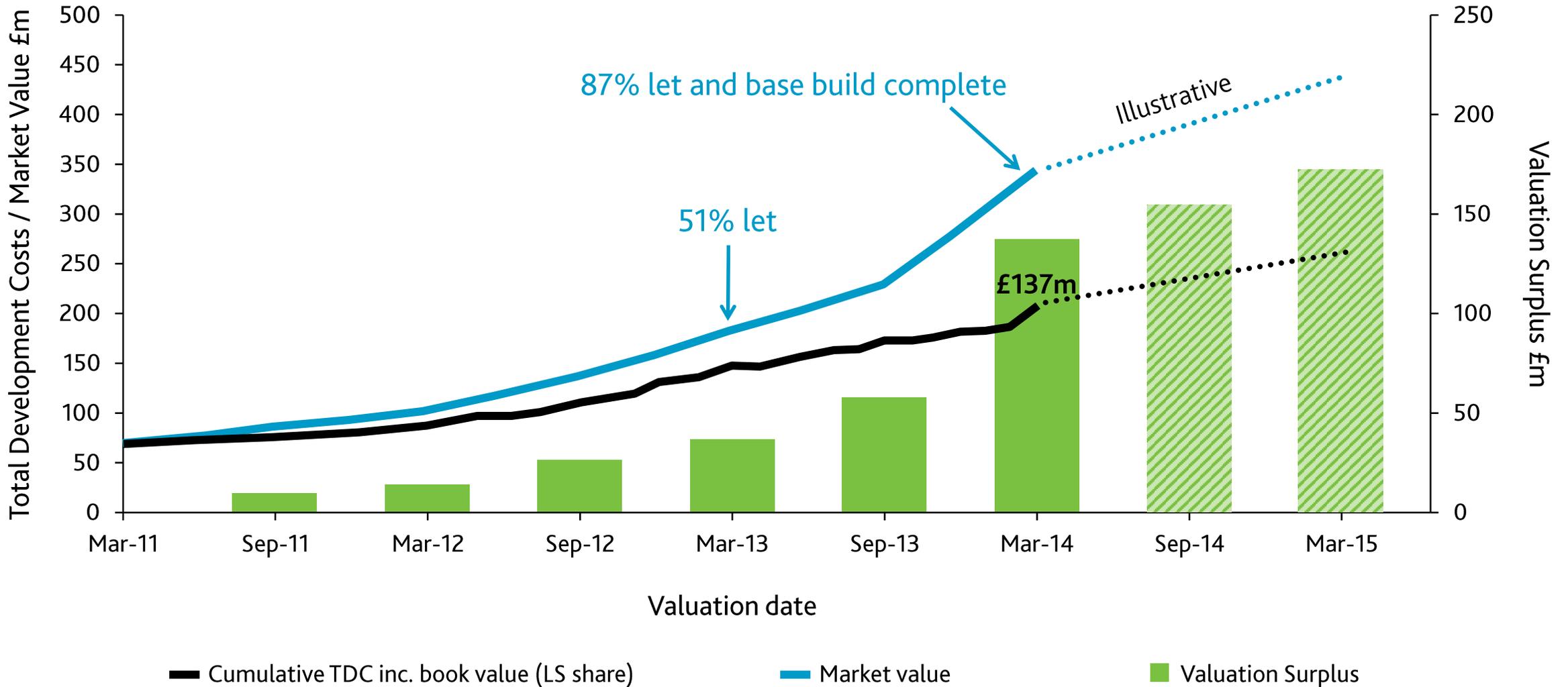
(1) Excludes allowances for letting voids and rent free periods, but includes estimated tenant capital contributions

(2) Includes retail element of Kings Gate, SW1

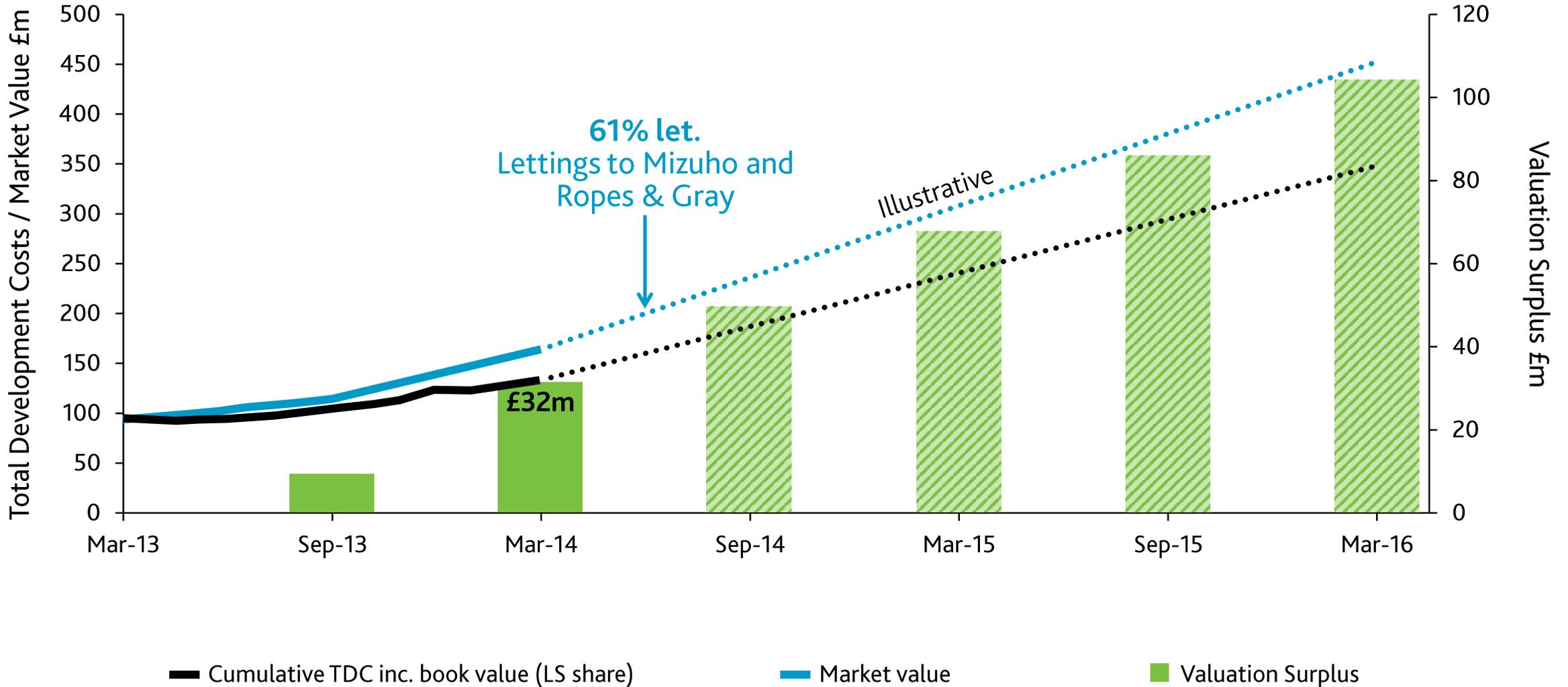
(3) All figures exclude residential properties

(4) Land Securities' share

# 20 Fenchurch Street



# 1 & 2 New Ludgate







# London Portfolio

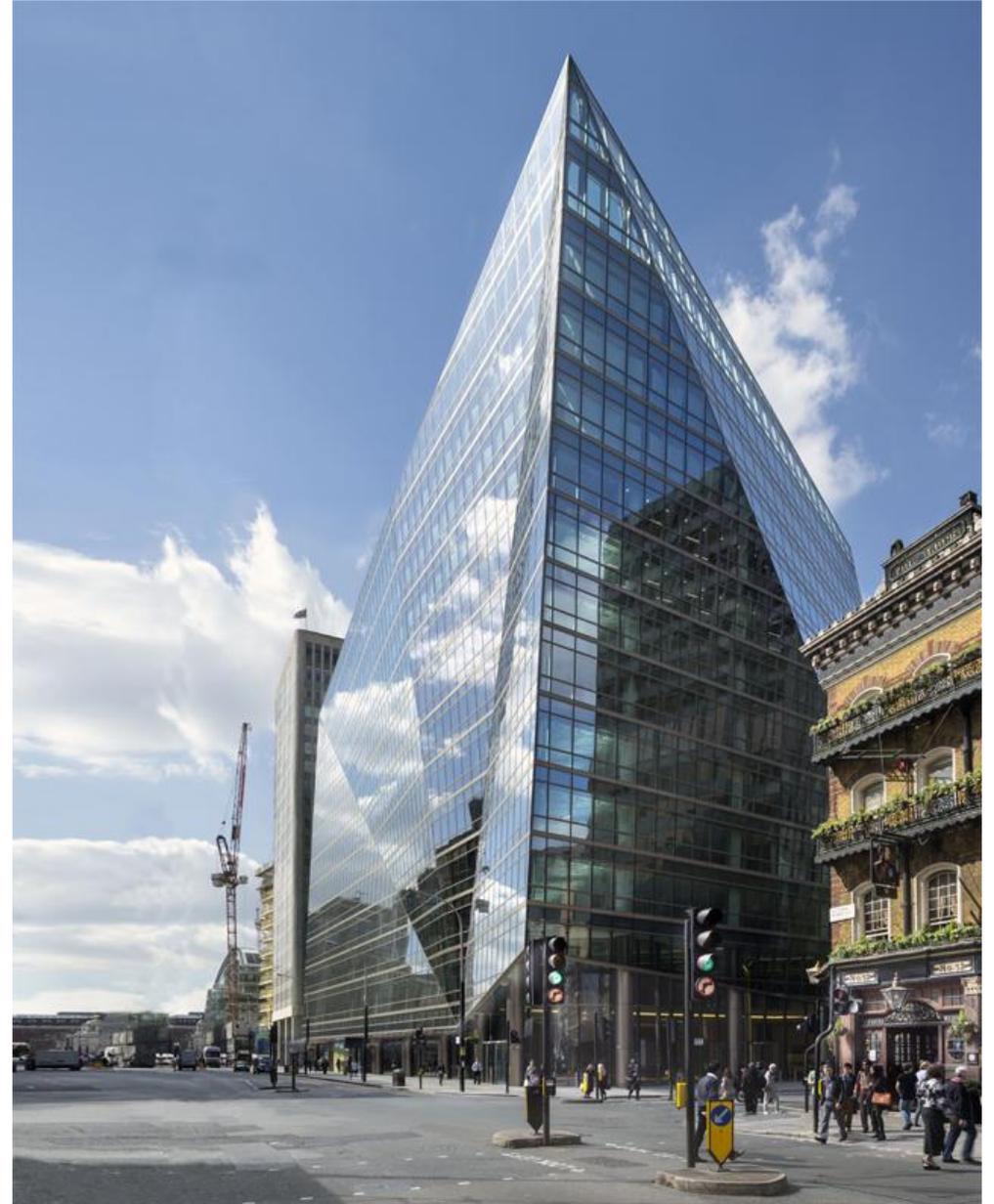
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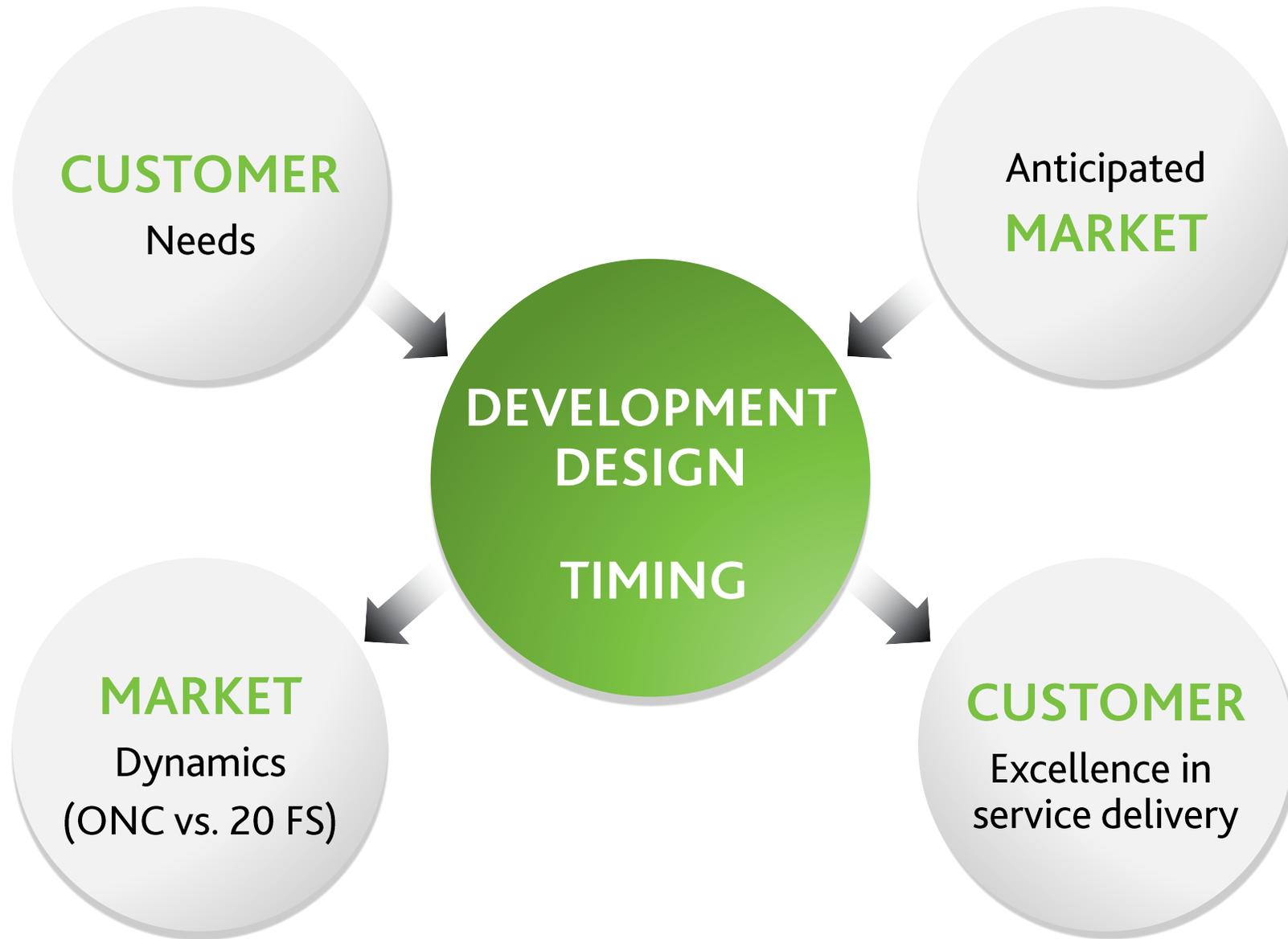
**Kaela Fenn-Smith**

Head of Commercial



- We understand our market
- We understand our customer
- This informs our building design and leasing tactics

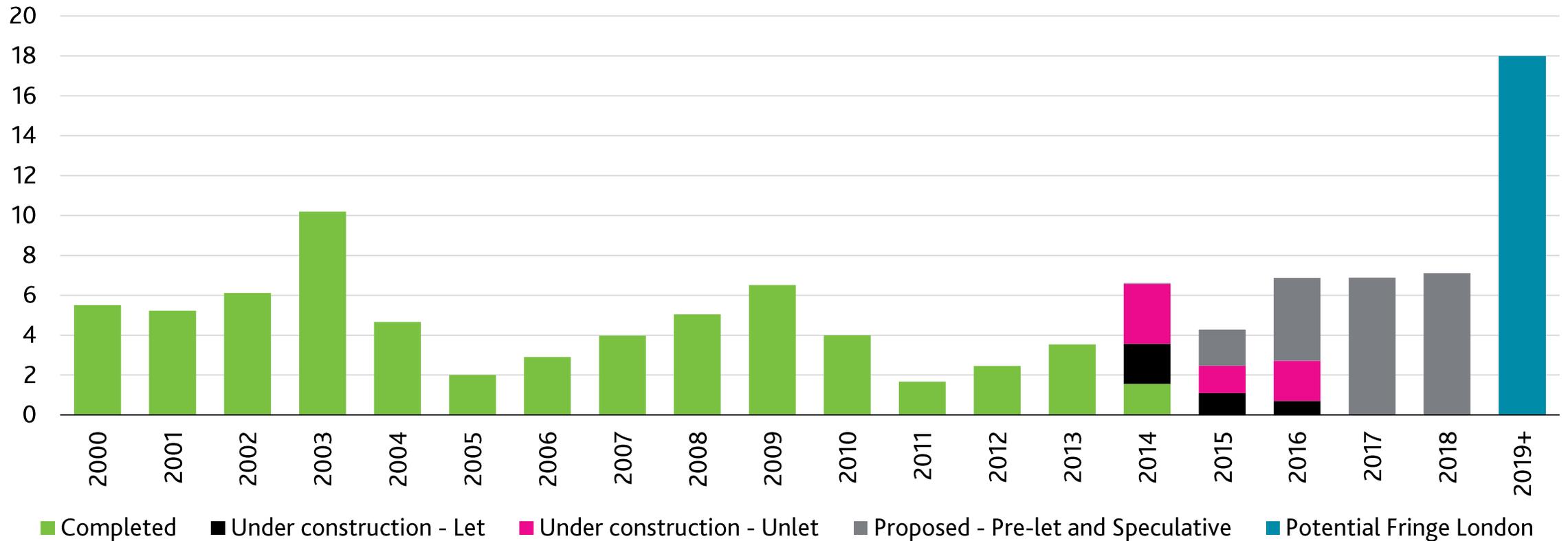




# Supply – Central London, May 2014

## Development completions

Million sq ft

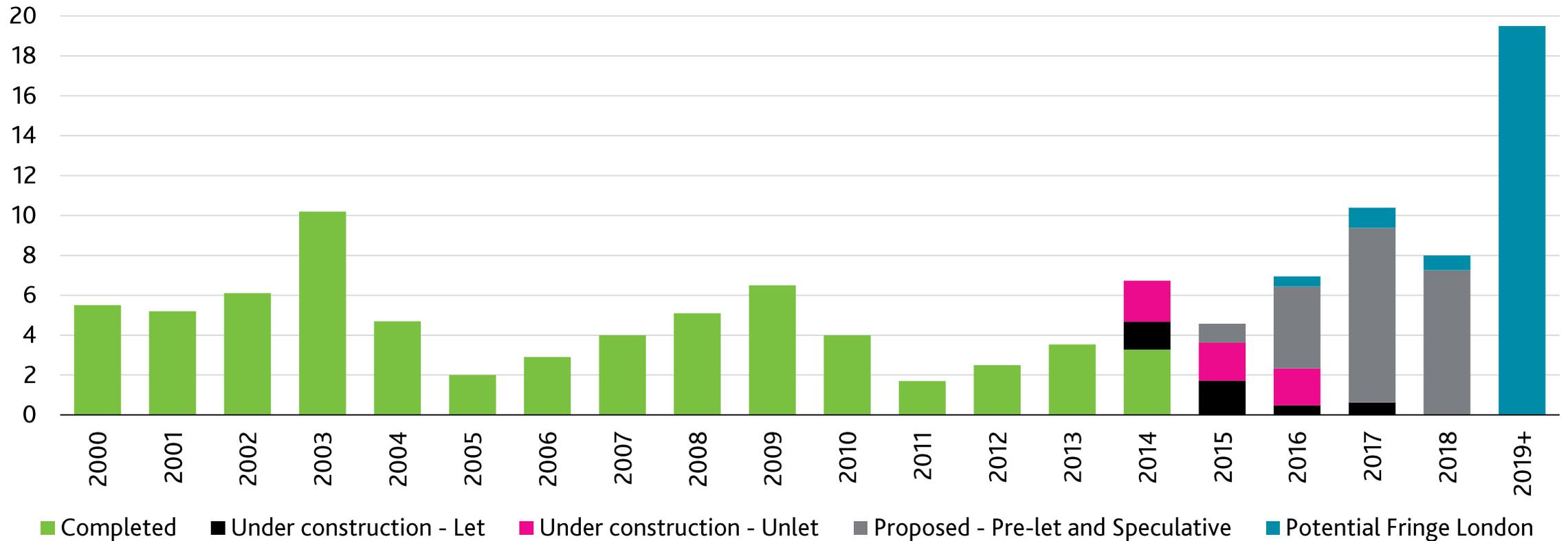


Source: CBRE, Knight Frank, Land Securities

# Supply – Central London, September 2014

## Development completions

Million sq ft



Source: CBRE, Knight Frank, Land Securities



## Pre-lets



True  
pre-lets only  
account for



2%  
take-up  
in West End



5%  
take-up  
in City





## Tenant demand

One of  
highest levels  
of take-up  
across Central  
London

Since  
**2007**



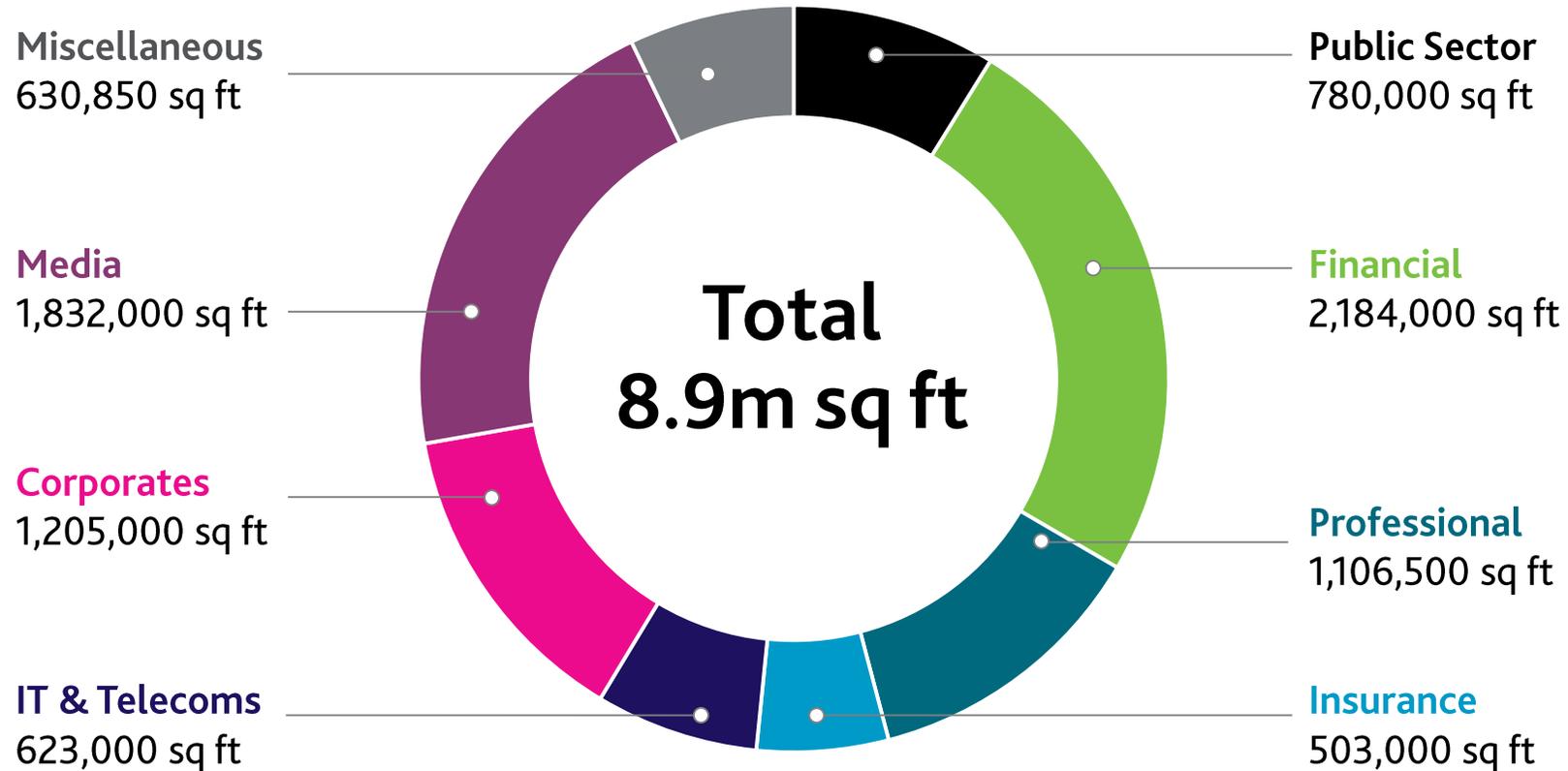
# Tenant demand





# Active demand in Central London

## Sector and space requirement



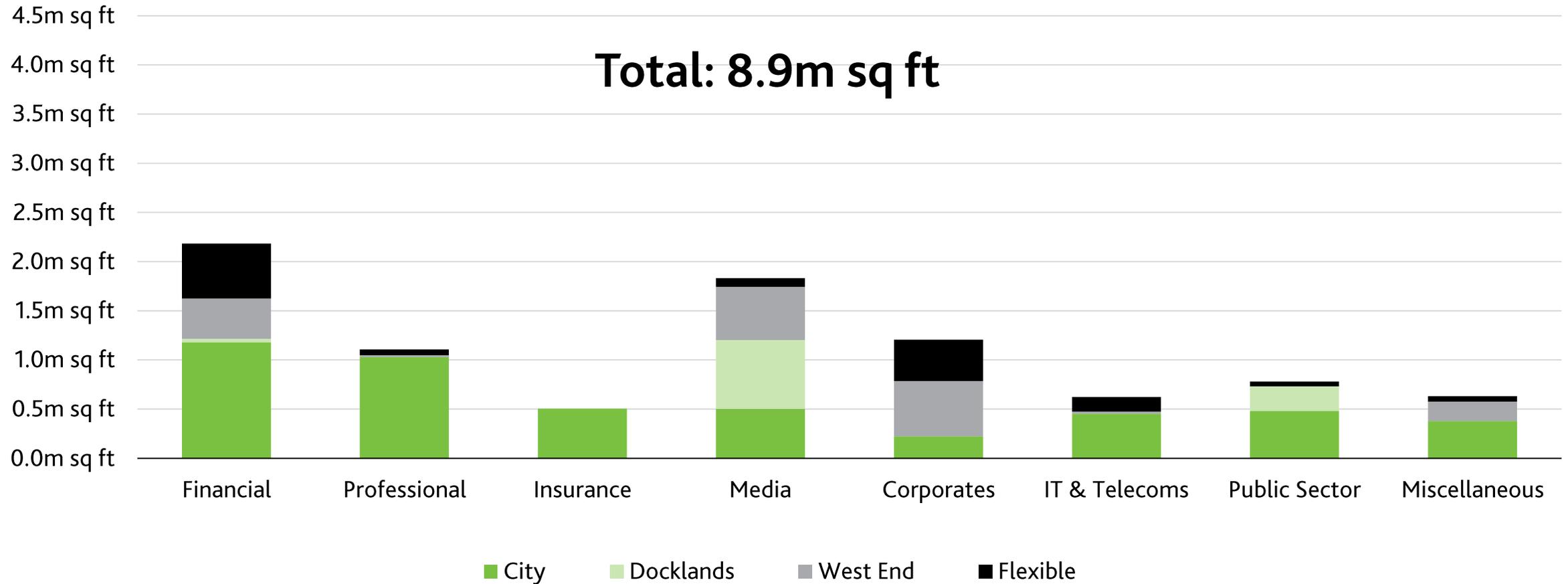
Source: CBRE, Knight Frank, Land Securities





# Active demand in Central London

## Sector and location requirement

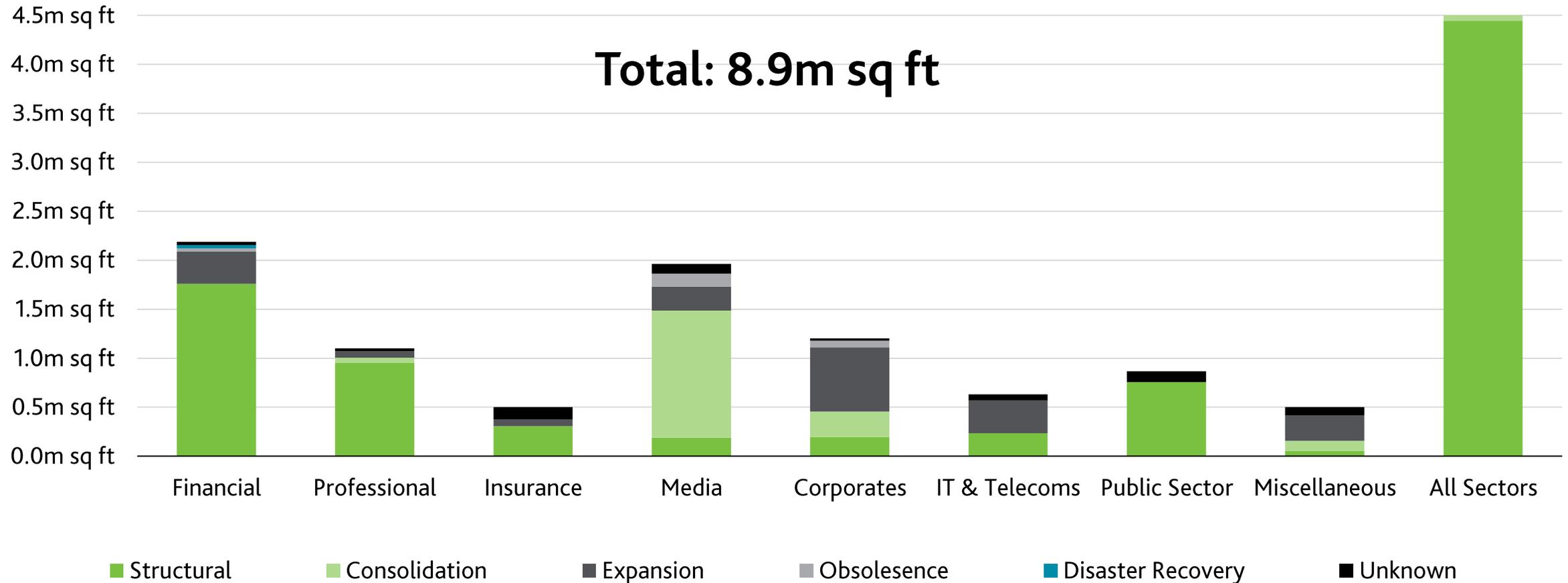


Source: Knight Frank



# Active demand in Central London

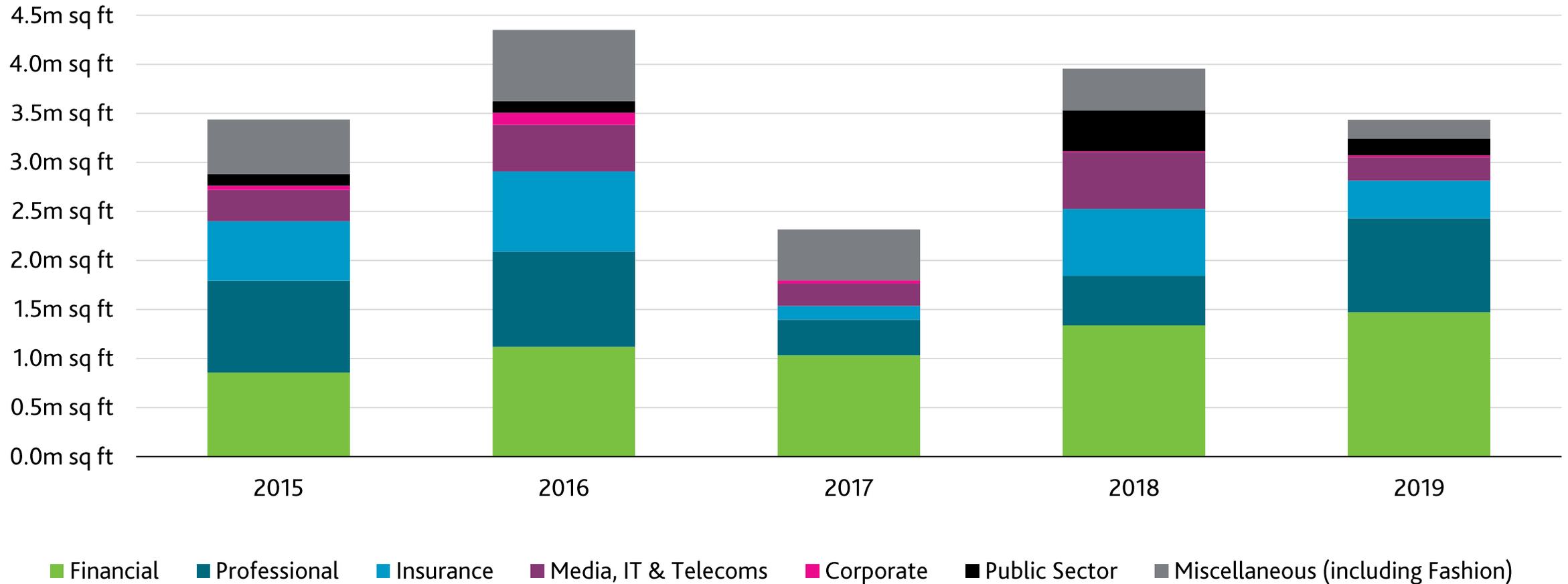
## Sector and primary motivation



Source: Knight Frank

# Lease expiries in the City

## Sector and potential space requirement



Source: Knight Frank





Active  
demand  
in the City

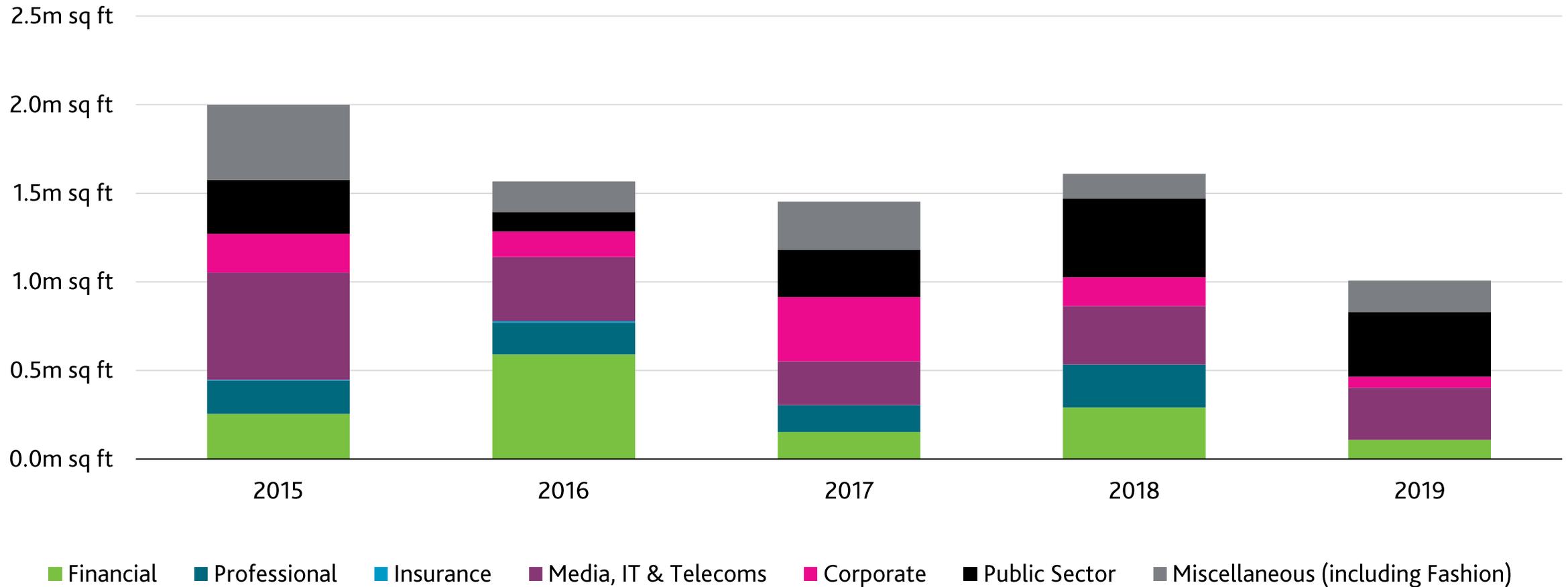
Financial sector  
take-up  
in the City of  
**1.7 m**  
sq ft

Financial sector  
is up by  
**56%**



# Lease expiries in the West End

## Sector and potential space requirement



Source: Knight Frank





Vacancy rate  
is at its  
lowest in the  
West End

Since  
**2001**

Almost fivefold  
increase in  
**lettings**  
**of space**  
under construction

Source: JLL





Active demand  
in the  
financial  
sector

Has increased  
almost  
**threefold**



└ Growth in oil and gas sector



Headcount growth in fashion sector

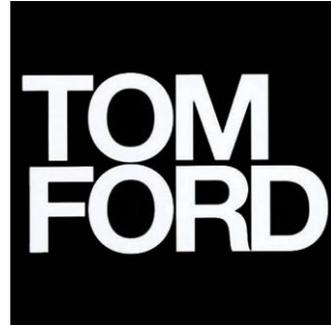


GIORGIO ARMANI

**BALLY**



K E R I N G



JIMMY CHOO



**BURBERRY**<sup>®</sup>  
L O N D O N





One New Change, EC4



20 Fenchurch Street, EC3



- Practical completion at end of 2010

One New Change, EC4

- Marketing in 2012 for completion in 2014



20 Fenchurch Street, EC3

## Customers and our buildings

**Powerful machines for better business.  
Just add talent.**

**LandSecurities**

**Productivity**

**Innovation**

**Collaboration**

**Talent**



# POWERFUL MACHINES FOR BETTER BUSINESS

*(Just add talent.)*





# Building design meeting occupier needs



## Productivity

Comfortable, well-ventilated, well-lit, safe workplaces increase productivity by as much as 16% and job satisfaction by up to 24%, and reduce absenteeism.

[www.deskttime.com](http://www.deskttime.com)

## Creativity

65% of workers say they would improve their performance if their offices were more comfortable.

[www.inc.com](http://www.inc.com)

## Cycling

The quality and availability of workplace cycle facilities influences the career choices of more than half of respondents.

[Cycling and The Modern Workplace](http://www.pleasecycle.com)

## Fit healthy staff

Fit employees commit 27% fewer errors on tasks involving memory or concentration.

[www.pleasecycle.com](http://www.pleasecycle.com)





## Customer experience

One MIZUHO: Building the future with you  
**Mizuho Financial Group**

“The Right building at the right time”

“Customer First Mentality”





# Residential

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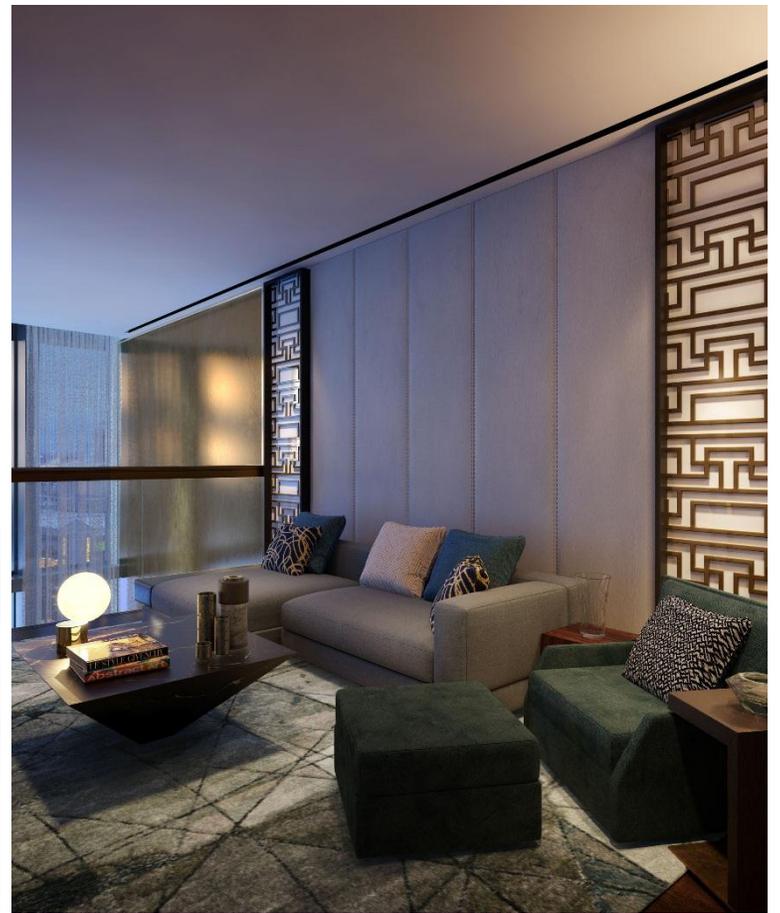
## Tom Eshelby

Residential Director



## Wellington House, SW1

- Completed 2012



## Kings Gate, SW1

- Completion due summer 2015

# The role of Residential within Land Securities



62 Buckingham Gate, SW1

- Development increased floor space from 118,000 sq ft to 275,300 sq ft

RESIDENTIAL  
REQUIREMENT



Wellington House, SW1

- Private apartments



Wilton Plaza, SW1

- Affordable housing

An aerial night photograph of a city, likely Victoria, showing a mix of modern and traditional architecture. The modern buildings have illuminated facades and unique shapes, while the older buildings are more traditional with lit-up windows. The city is densely packed with buildings, and the streets are visible with some traffic. The overall scene is vibrant and shows a city in transition.

# Benefit of residential to place making and Victoria brand

Helps the transformation of Victoria, providing variety and prestige



## Wellington House, SW1

- Land Securities first prime London residential development
- 59 apartments
- Delivered 47% profit on cost

# RESIDENTIAL

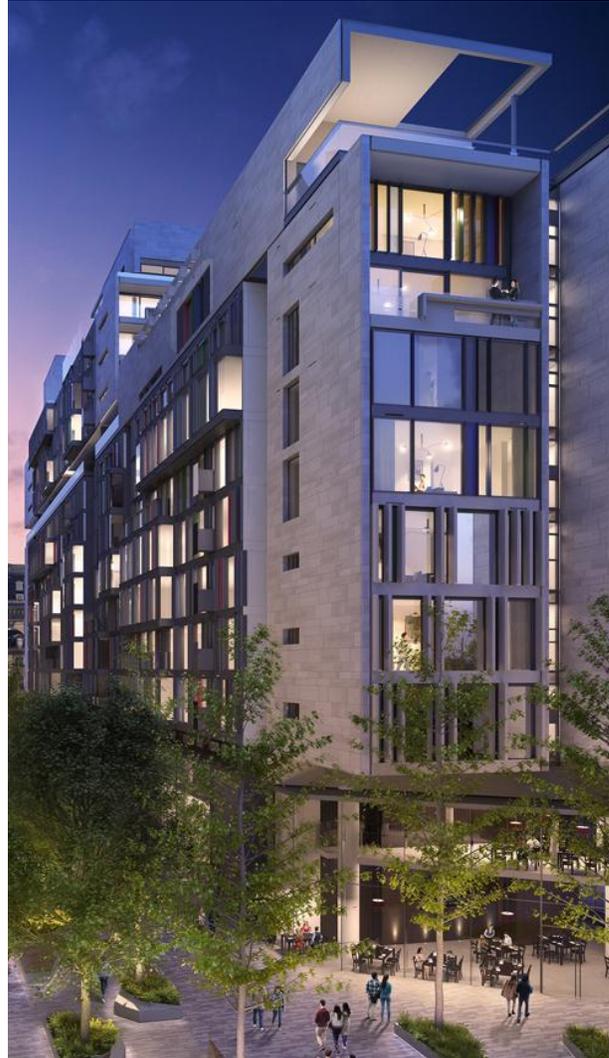
by LandSecurities



Strong reputation for delivering market beating design and specification

# Established and attractive residential developer

- Globally renowned real estate brand
- Unrivalled covenant attractive to all buyers and investors
- Strong development track record
- Over-arching investment story of mixed-use transformation



# On-going design work



Portland House, SW1

# Disposals with residential consents



Park House, Oxford Street W1



Oxford House, Oxford Street W1



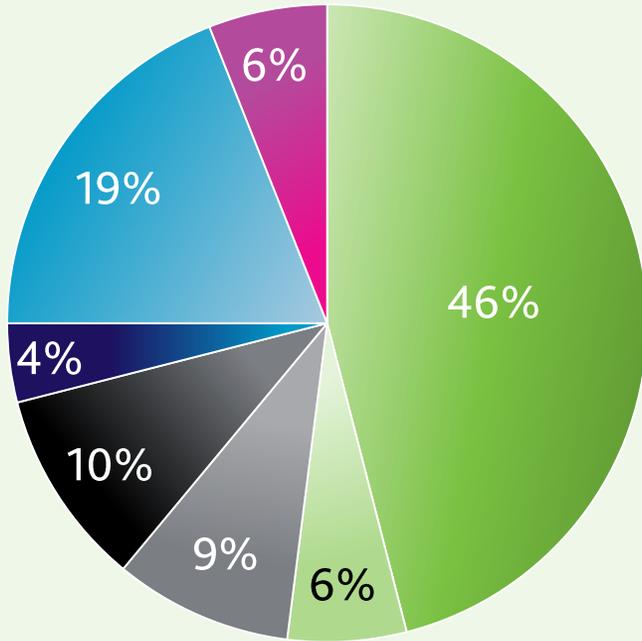
Arundel Great Court, WC2

# Residential programme

| Project                               | Status                                  | P/C   | Units      | NIA sq ft      | GDV £m          | % Unsold   | £/sq ft       |
|---------------------------------------|---|-------|------------|----------------|-----------------|------------|---------------|
| Park House, Oxford St, W1             | Forward sold                            | 2012  | 39         | 60,000         | £120m           | 0%         | £2,250        |
| Wellington House, SW1                 | Completed and sold                      | 2013  | 59         | 66,000         | £90m            | 0%         | £1,425        |
| Arundel Great Court, WC2              | Site sold with planning consent         | 2017? | 151        | 158,000        | £300m           | 0%         | £1,800        |
| Oxford House, Oxford St, W1           | Site sold with 'Office to Resi' consent | -     | 88         | 90,000         | £150m           | 0%         | £1,750        |
| Kings Gate, SW1                       | Under construction                      | 2015  | 100        | 109,000        | £207m           | 36%        | £1,900        |
| The Nova Building, SW1 (50% JV Share) | Under construction                      | 2016  | 170        | 166,000        | £340m           | 32%        | £2,050        |
| <b>TOTAL</b>                          |   |       | <b>607</b> | <b>649,000</b> | <b>£1.207bn</b> | <b>15%</b> | <b>£2,400</b> |

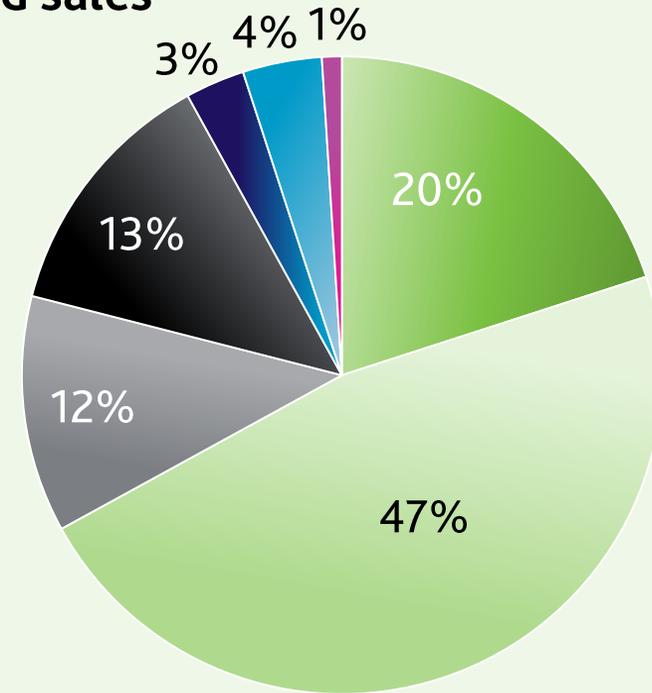
# Overseas investors in prime Central London prefer new build

## Second hand sales



Based on number of units

## New build sales



Based on number of units

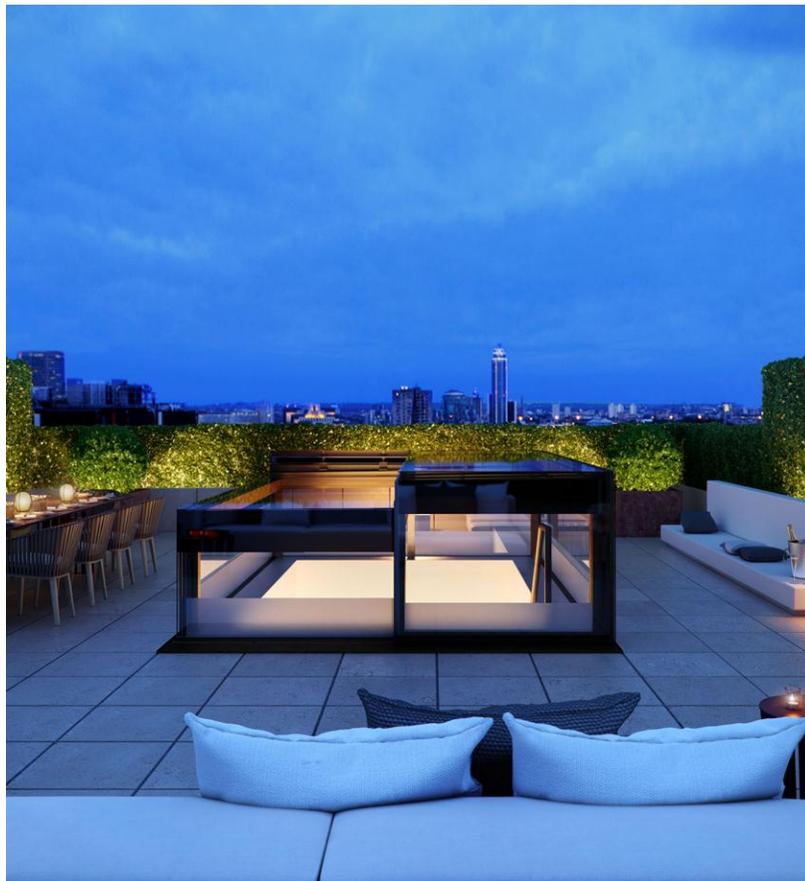


Source: Savills 2010-2014

# RESIDENTIAL

by LandSecurities

- Strong reputation for high quality architecture and specification
- Continued strong overseas demand
- UK-based buyers increasingly important



Kings Gate Penthouse, SW1



# Portfolio Update and Strategy

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## Marcus Geddes

Head of Portfolio, West End



## Tom Elliott

Head of Portfolio, City



Asset management  
initiatives

Retail  
within London

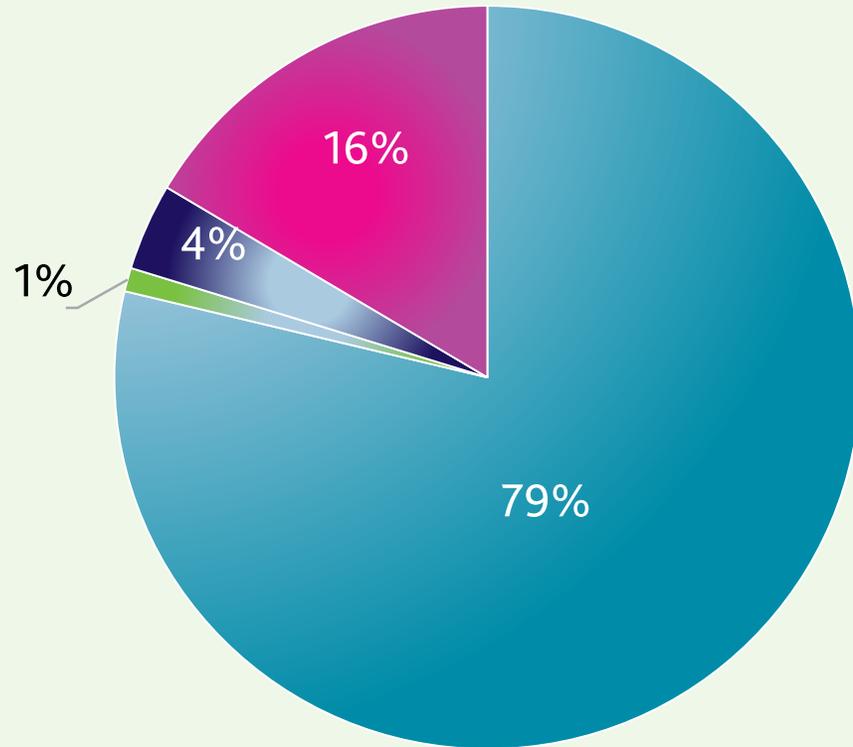
Sales and capital  
allocation

Future pipeline



# London Portfolio allocation - classification

March 2014



Investment Properties

Feasibility

Consented schemes

Schemes on Site

Investment Portfolio  
relative to  
Development  
Activities

# Uncompromising asset management



# Asset management

- Lease surrender and combination of Spar and Brook Street units
- New 15 year lease ITSU
- 59% uplift in aggregate rent



40 Strand, WC2

# Asset management

- DP World 4th floor lease surrender
- 10 year lease to Polar Capital
- 5th floor break removed
- New rental tone set
- Over 90% of income now secured past 2022



16 Palace Street, SW1

# Asset management



80 – 100 Victoria Street, SW1

# Strategic acquisitions



Piccadilly Lights, W1

- Completed Island site freehold ownership
- Unlocking series of accretive deals



# Asset management



Piccadilly Lights, W1

# Asset management



Piccadilly Lights, W1

# Asset management





## WW1 Commemoration

# Asset management



Red Lion Court, SE1

- Lloyds Banking Group reversionary lease
- Income extended from June 2015 to June 2020



# Asset management



160 Queen Victoria Street, EC4

- Majority let to Bank of NY Mellon, 2023
- Dechert LLP – reversionary lease
- 90% of income secured to 2023
- Future block date aligned



# Asset management



38-48 Southwark Bridge Road, SE1

- Head tenant surrender premium
- Sub tenant direct relationship
- Income lengthened from 1¼ – 5¼ years
- Sale crystallised gain



# Asset management



- Offices fully let
- Consumer choice and convenience
- 99% retail occupancy
- 9% Y/Y sales growth

One New Change, EC4



# Asset management



- Lease surrenders
- Reconfiguration
- New 20 year lease to Wahaca
- On trend brand consolidating F&B quarter

One New Change, EC4



One New Change is thriving



next

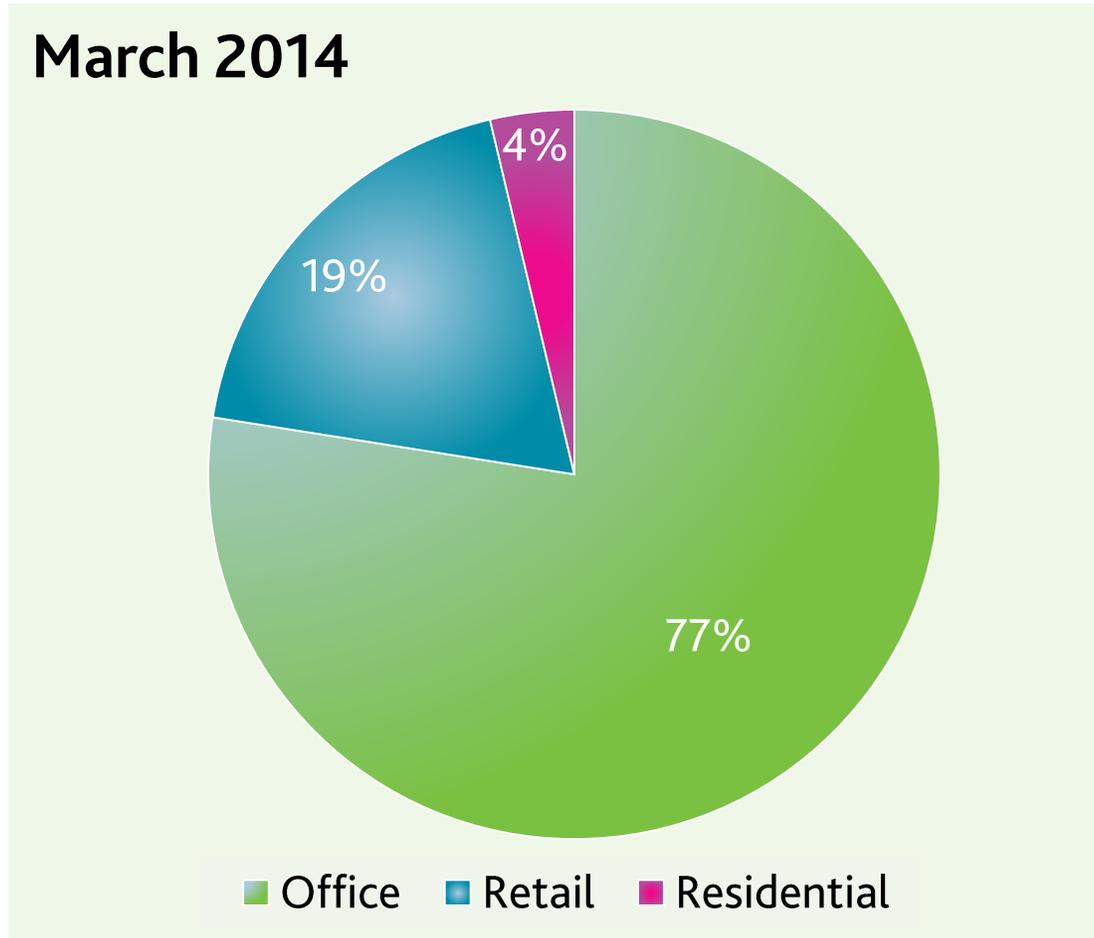


# Asset management



One New Change, EC4

# London Portfolio sector allocation



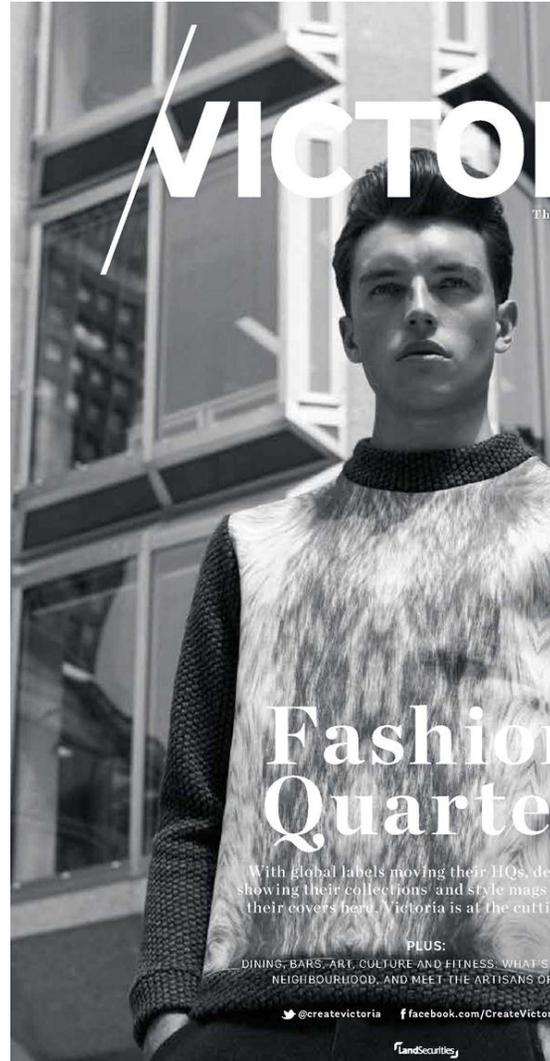
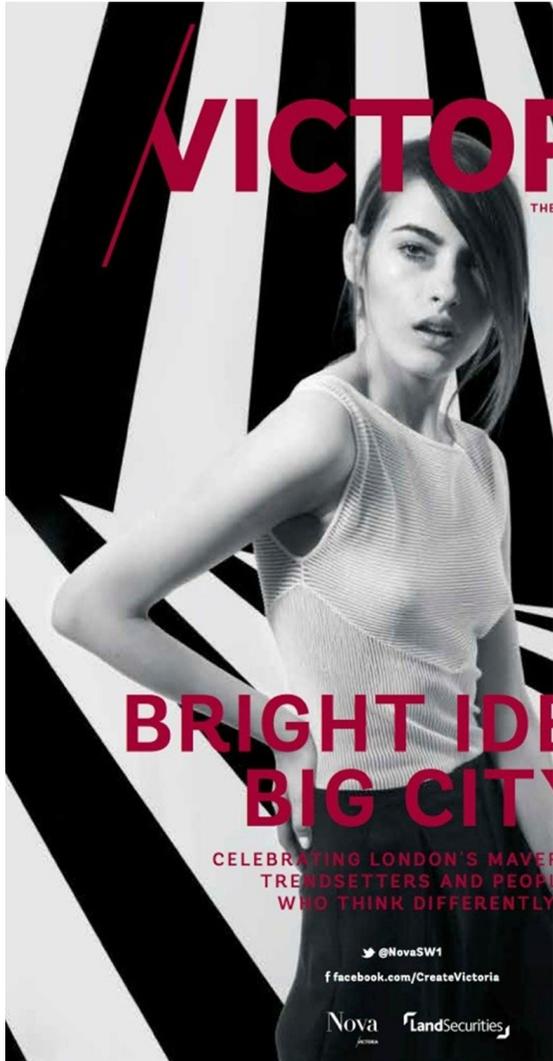
**Retail key component  
of the portfolio**



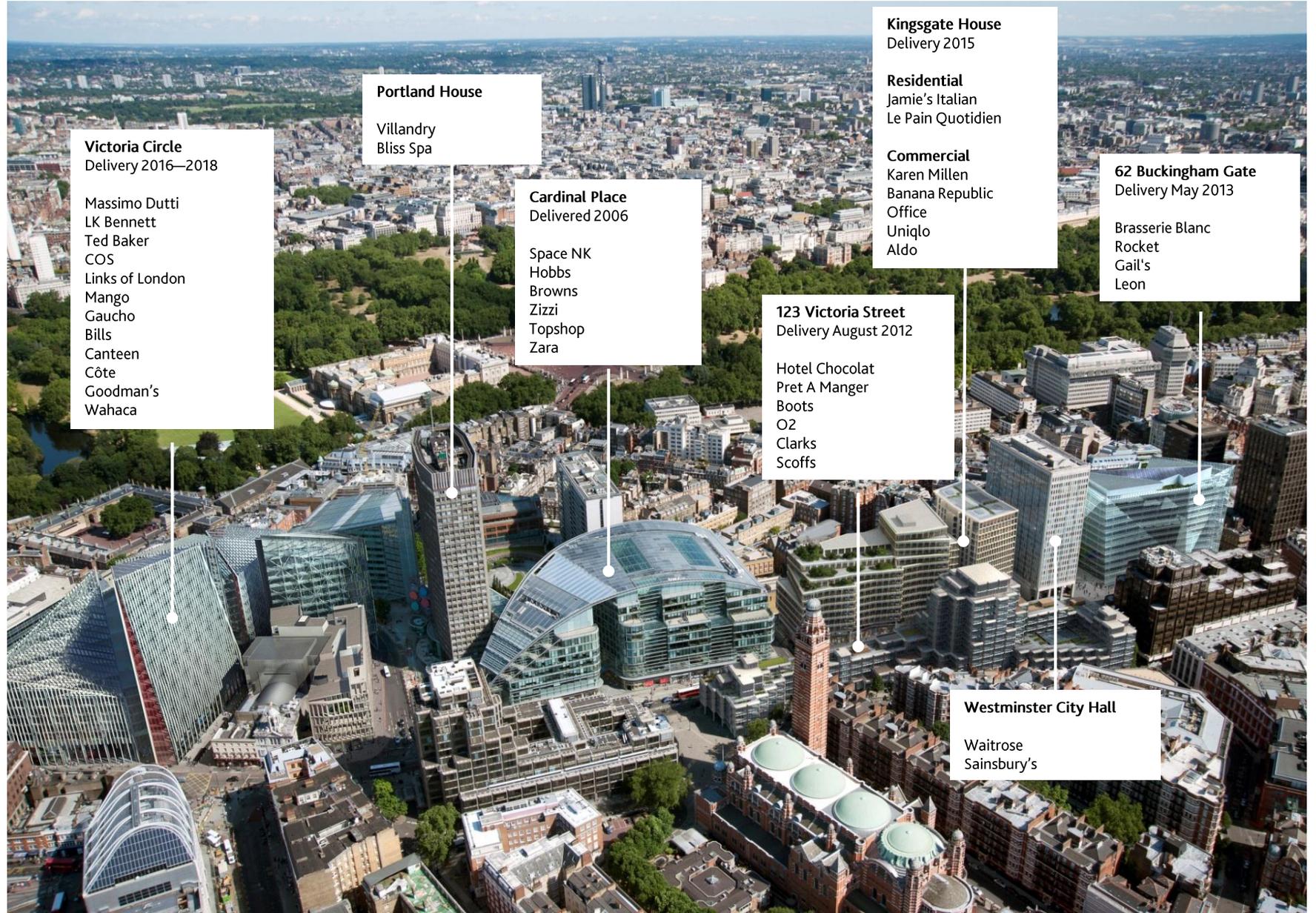
# Public space



# Create Victoria



# Victoria Retail vision July 2012



Victoria Retail vision  
September 2014



# Capital allocation and returns

- Investment returns comparatively unattractive for now....
- Focus on development returns 13%+
- Refurbishment returns 10%+



1 & 2 New Ludgate, EC4



Thomas More Square, E1

# Pre-development sales



Park House, W1



110 Cannon St, EC4

**Sale provided development profit with no risk or capital**

# Recent sales

## Recycling capital into development programme



Harbour Exchange, E14

- Imminent voids
- Capital expenditure required
- Weak tenant demand



38-48 Southwark Bridge Road, SE1

- Value captured through regear
- Crystallised via sale



Oxford House, W1

- Special Purchaser
- Sold immediately post planning
- Poor returns from price paid



Empress State, SW6

- Special Purchaser
- Offices over rented
- Shortening lease

## Recent sales

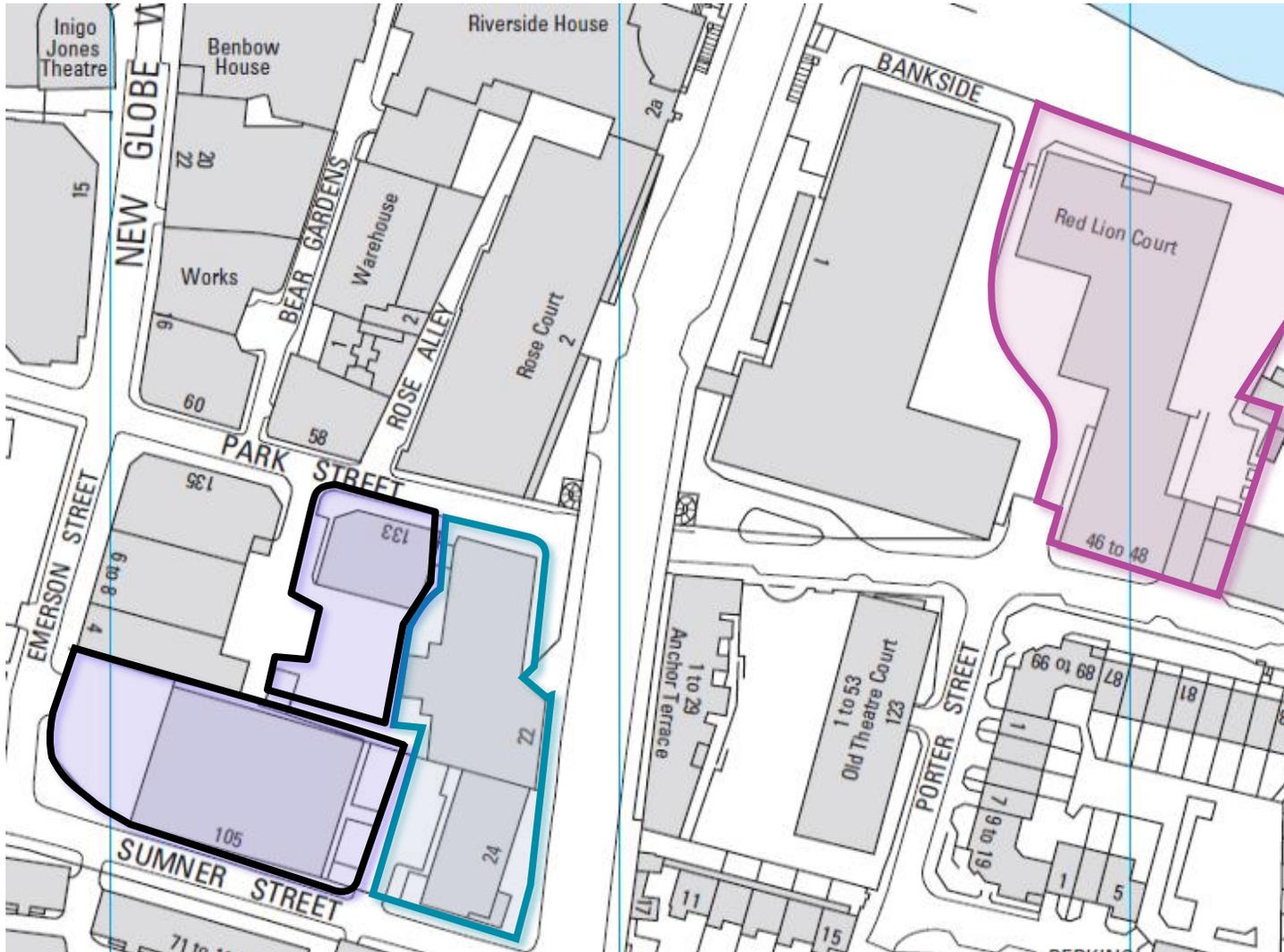


Bankside 2 & 3, SE1

- RBS 13 years unexpired
- Leasehold
- £315m
- 5.2% NIY



# Southwark pipeline – Land Securities ownerships



- Red Lion Court
- City Gate and 24 Southwark Bridge Road
- 105 Sumner Street, 133 Park Street and Car Park

# Future pipeline



Piccadilly Lights, W1 - 120,000 sq ft



Phase 2 & 3 Nova, SW1 - 170,000 sq ft



Portland House, SW1 - 390,000 sq ft



## Portfolio strategy

- Well progressed development programme
- Funded by selective sales
- Rigorous asset management
- Strong balance sheet for acquisitions



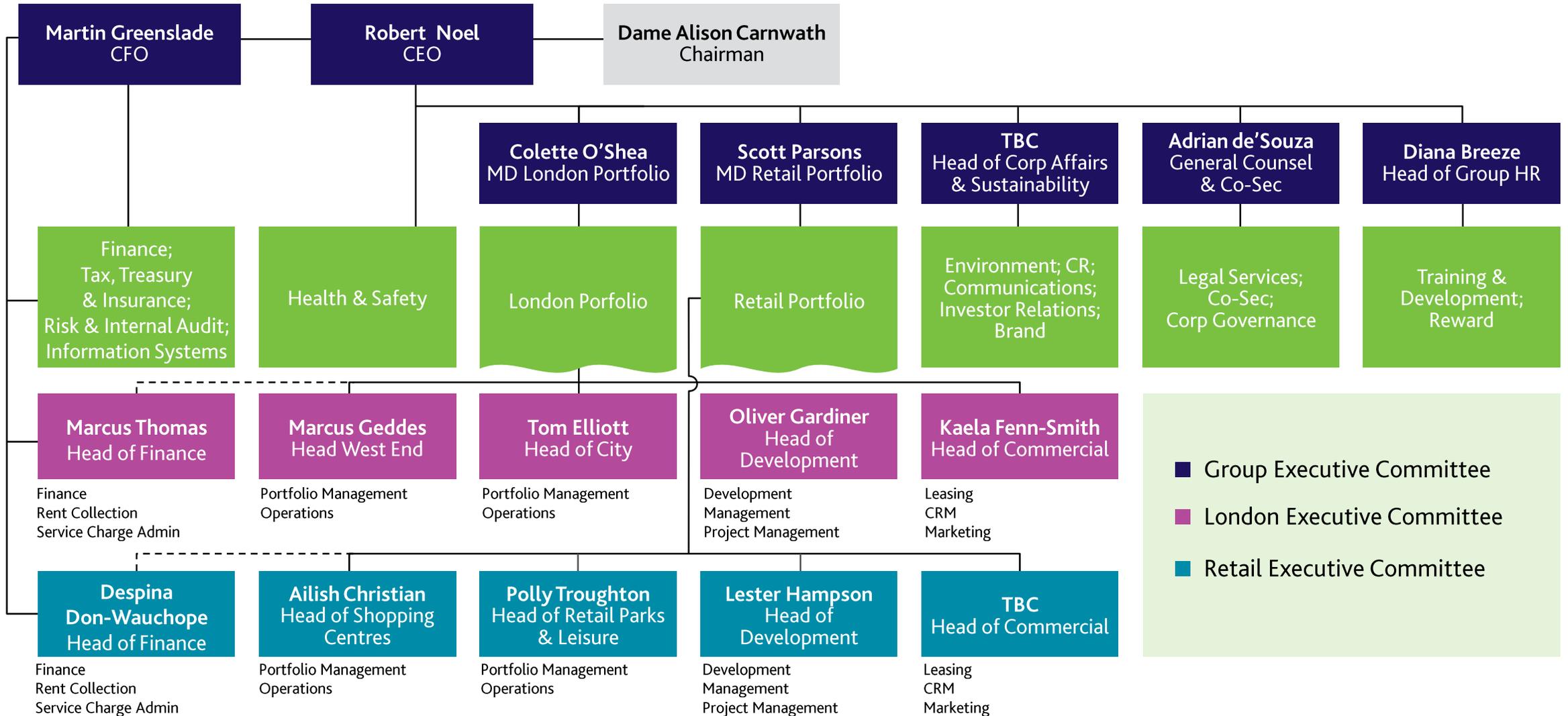


2014

# INVESTOR CONFERENCE

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# Ownership and accountability





# Notes





# Notes

