LandSecurities

Land Securities Retail Portfolio Investor Morning presentation
Gunwharf Quays, Portsmouth
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Speaker: Richard Akers – Managing Director, Retail Portfolio
Good morning everybody and welcome to Gunwharf Quays and thanks all for making it down here.

Gunwharf Quays is an asset we are very proud of and we are also really pleased to have the opportunity to tell you a bit more about our Retail Portfolio. Clearly we announced our IMS on Wednesday and we had our AGM yesterday. So it has been a busy few days. But today hopefully we can get a bit more into the detail of the Retail Portfolio, And what we would like to do is talk a little bit about some of the challenges we have been facing over the last year and how we have been protecting value. And the guys will give some case studies and some examples of what we have done to protect value in the portfolio. And what we are planning to do to deliver value in the future.

And also it is a great opportunity for us to talk to you about this asset here at Gunwharf Quays because in many ways it epitomises what we want out of retail assets in terms of the quality of the destination and the customer experience. The structure of the leases here and also our approach to its management.

So what is the Agenda for today? After my brief introduction, we are going to have two presentations about our investment portfolio from Ashley Blake and Dominic O'Rourke. And then we are going to have a Q&A Session. We figured that you probably wouldn't be able to sit there for too long without wanting to ask questions. So we are going to have two Q&A sessions. The first one about the investment portfolio. Then Lester Hampton is going to talk about development and then we will have the second Q&A Session focused on development and of course any other questions you want to ask.

Then we are going to hand over to Mike Davidson, who is the Operations Director for our factory outlets and retail warehousing. He is going to give a brief presentation on Gunwharf Quays and then he and the team, and he will introduce his team, are going to take us on the tour of the asset, hopefully in the gap between the rain showers that are forecast.

After that I believe we have lunch back here. I know some of you are not going to be able to make it for lunch, but it would be great to see you all back here to continue the talk and ask further questions. And then you are free to shop as much as you like after that. All the leases are turnover rents. So we are very keen that you spend lots of money.

So our Retail Portfolio is comprised of 26 shopping centres, 21 retail parks, 100% UK. We do have some high street properties left although we have been selling those over the years. They are mainly in Bristol and Exeter and we manage those as part of our major assets there. But we also have a very significant amount of high street shops in London. They are not in our Retail Portfolio, they are in our London Portfolio. But they are really important to us in terms of our conversation with and proposition to our retailer customers.

Within the Portfolio we also have a lot of other uses – ancillary leisure – bars, restaurants, cinemas and hotels in mixed-use developments and we also have the Accor Hotel portfolio. The Portfolio has changed a great deal over the last five years with the development of the Bullring in Birmingham, Cabot Circus in Bristol, Princesshay in Exeter. Also we have seen some development of schemes of retail components in London, like Cardinal Place. We have also acquired some new schemes, prime schemes like Buchanan Galleries in Glasgow. And a number of London suburban schemes, Islington, Clapham, Wandsworth, Lewisham and Shepherds Bush. And so our Portfolio is increasingly focused on the top 50 locations around the country and on London, both central London shops and suburban centres. Our retail warehouse portfolio, much of it was actually developed in the 1980's and we are very early into retail warehousing. The performance of our portfolio has been held back over recent years, partly because of the age of the portfolio, but also because of the predominance of bulky goods retailers within it. But that has changed a lot as well with the acquisition of an major fashion park in Thanet, Westwood Cross and also the sale of 15 of our older retail parks since January 2007.

Our strategy is to use our leasing expertise and our relationships with retailers which have been developed over a long period of time and over a wide variety of sub-sectors of the market to add value to assets, through asset management and development and move assets up the retail hierarchy. Now this strategy has stood us in good stead, we have performed well, but in the recent past with the severity of the downturn in values, the element of operational gearing that the development in asset management activity has introduced, has led us to underperform in the last year. But what we are hoping to demonstrate today is that that activity, particularly our major developments in Bristol and Cardiff, will be absolutely prime in future and will generate long-term outperformance for the company.

Now, this is an opportunity for me to tell you how we are structured in the Retail Portfolio and to introduce you to the team. And the way we are structured is we have three core teams, the shopping centres, retail warehouses and development. Shopping Centres are led by Ashley Blake. Ashley joined us in January of this year, formerly he was with Laith Investments, who were also shopping centre specialists, although not just in the UK, also in Europe. Dominic O'Rourke, heads the retail warehouse portfolio, Dominic joined the company 7 years ago and worked in the development team and he was promoted to head the Retail Warehouse team in January 2007. They will both be giving presentations after my introduction. And then Lester Hampson, heading the Development team. Lester joined us almost four years ago to lead the

Cardiff development and was promoted to Head of Retail Development in January 2008. Those are our three business areas.

I also have three other direct reports and they run teams both big and small teams that have very focused expertise and functional expertise which is applied to all of our business areas. So Ronan Faherty runs our Commercial team. Ronan has been a retailer for all of his career until he joined Land Securities two years ago and my brief to him was to make us the number one port of call for retailers in the UK. So Ronan runs the team which is mainly comprised of leasing and marketing. Nick Peel runs our Property Management team. Nick has been with the Company for just over three years, became Head of Property Management just over a year ago. This is a big team, most of our property management is direct and it is extremely important to us in terms of the relationship with retailers in the service that we deliver. And you will get quite good insight into this through looking at Gunwharf Quays because a lot of our management expertise and the innovations that we've created are demonstrated here in this asset. Then last, but not least, Gary Sherwin. Gary heads the Investment team, a team of three people and Gary has been with the Company for 10 years, he has been in our Valuation and our Business Development teams in the past and joined the Retail team just over two years ago and by way of the timing, he has spent most of that time on disposals, and you have seen the evidence of that. But Gary is also dealing with Acquisitions, joint venture structuring and also performance forecasting. So that is the team. You are going to hear from Ashley, Dominic and Lester today, but during the Q&A the others are all available.

Before I hand over to the team, I am going to make a few comments about our investment and occupational markets. The investment market has become a lot more stable over the very recent past and you will have seen that evidenced in our sales and just focusing on the Retail Portfolio we have just announced in our IMS that we sold £163 million in the first quarter of this year. We have actually completed the sale of a further £50 million since the end of June. So that figure now exceeds all of our sales in the previous financial year. So that is an indication of how the investment market has changed. We are beginning to see more bidders, but it is not having a dramatic impact on price at the moment. Because sales are still on average below our March valuations. With more stability in yields, what we are starting to see is a real focus on rents, on security of income and also on prospects for ERVs. And this is what we think is determining investment value at the moment and also creating the arbitrage between buyers and sellers.

So a lot of focus on the occupational market. And the backdrop to the occupational market is not particularly positive. The consensus forecasts are for rents in retail to fall this year by nearly 10% in both shopping centres and retail warehouses and for further falls next year and for compound annual growth rates over five years from beginning of this year to be negative. So the backdrop is not great. The consumer picture is also slightly challenging with rising unemployment and with some of the disposable income improvements we have seen over the last six months starting to be reversed out a little bit with higher energy costs. But the retail occupation market is always active. There is always activity, there is always demand, there is always work to do.

And this slide just illustrates a few of the areas of the market which we feel are very buoyant at the moment. And if you speak to the team, they will say the market is good, because there are lots of things we can do. Lots of retailers wanting to expand, despite the fact that the generics show a fairly negative backdrop. Food stores want to take more space, both mainline food stores and discounters. Out-of-town and in-town centres. New formats, what I am getting at here is retailers that have been frustrated in their expansion drive, like John Lewis in major town centres schemes, have come up with a new format in outer town to fulfil that expansion drive. And Dominic O'Rourke will be talking a little bit more about that in his presentation. Value retailers, Primark, TK Maxx, I could mention a dozen others, are trading well and taking more space. And you will see some example of that in the case studies as well. Top line growth. What that means actually is retailers get more profitability from growing their floorspace and just to use an example, Debenhams have 150 stores, approximately, feel they can grow their number of stores to about 240 and that is really important for us. They get good profitability and there is demand from them for new floorspace.

And the retail market is always very competitive and we benefit from that. An example here is in the very competitive electricals market where margins are low, BestBuy are coming into the market. DSG are developing new formats to combat that, by combining PC World and Currys and their new mega store concept. And we are benefiting from that because we have two lettings with DSG which give them their new format.

London is still a very positive area, demand for retail in London is still very strong. There is a fairly restricted supply in central London and you will have seen our central London shops portfolio perform very well relatively over the recent past. And lastly what we expect to see in retail at this time in the cycle is people coming up with new concepts. Taking advantage of the market to introduce new concepts and seeing George Davis come up with a new concept is always good news because that is a bit of an indicator as to where we are going. And we are coming up with our own new concept as well. You may have read about our House of Brands initiative, which Ronan is leading and he will be happy to answer any questions about that in Q&A if you are interested.

I am going to hand over now to Ashley and Dominic to take you through the Investment Portfolio.

Speaker: Ashley Blake – Head of Retail Portfolio Management

Good morning everyone. I will give you a brief overview of the shopping centre and factory outlet portfolio and also go through four case studies to give you an insight to some of our assets and also to our active asset management in the current market.

Here on this map of the UK, you can see our 26 shopping centres and factory outlets which are very well spread in terms of geographical spread. Virtually every major region in the UK has one of our centres or outlets. And they start at the North of Aberdeen, right the way down to Exeter in the South West. It has got real scale, £2.6 billion in terms of capital value at the year end. It has nearly 12 million sq ft of accommodation.

We have got a fantastic spread of income, 2,170 tenants and in terms of concentration of income, our largest retailer is Arcadia which represents about 3.4% of the retail portfolio income stream. So no major risks in terms of sectors or tenants and fantastic diversity.

We have got very good footfall, 300 million shopper visits going through the shopping centres and factory outlets. Excellent locations. And this gives us real leverage with retailers because of the sites that we control. Also shopping centres and factory outlets are fantastic opportunities for active management. If you take say a high street shop, your evidence is dependent on other landlords at the other end of the high street. The public environment outside is dependent on local authorities and what they do to the public realm. But with the shopping centres we can manage the deals, we can improve the public environment, we can control the environment, earn extra income. So the opportunity for active management is constant and ongoing which is really important in the market like today.

We have a real range of rental values in the portfolio, from £10 per sq ft right up to £310 per sq ft. It is an affordable portfolio for retailers, but it also gives us access to a real range from local traders right up to international major brands. In terms of our current voids, we have kept that under control, we are at 6.8% by estimated rental value, very small change compared to the year end and in terms of units in administration, through active leasing and active management, we have actually brought this down from 4.7% to 4.4% by rent roll. It has been active, as Richard said, and we have done a number of lettings throughout the portfolio and as I go through the case studies, I will give some examples of what we have been up to.

The first one is the Bon Accord and St Nicholas Centres in Aberdeen. This is held in a joint venture of British Land. It is a substantial centre in a strong regional town. 80 units, well anchored by John Lewis, M&S, Boots and just as a slight aside, has a very busy car park and major car park for the town with strong revenue growth. Across the portfolio, we control around 33,000 car spaces. And this part of our business actually generates revenues around £15 million a year. Now the ability to change charging, to manage costs in the car parks, even to offer contract parking, is a very robust income stream and one that we can grow under our own control.

Now this particular case, we have improved the environment in both centres and we have taken that opportunity to enhance our tenant offer. We have built in fact the largest Next in Scotland with nearly 54,000 sq ft and Next are currently in there fitting out ready to open in

August. We have created large stores for Topshop/Topman and River Island from the old Woolworths store in Bon Accord and we have opened up four Aurora units, Warehouse, Coast, Karen Millen, Oasis and some of you will know that these guys had some difficulties earlier in the year, had a restructuring. They lost a lot of their poorly performing units. In this case, they honoured all their obligations. And in fact Ronan and I worked together with Aurora using our relationships and the strength of our portfolio and the outcome of that was that we have not lost any of the Aurora units across the portfolio. They are all open, they are all trading, they are all paying us rent.

So back to Bon Accord and St Nicholas who introduced strong fashion brands. Here is a CGI of how this new fashion hub will work at the back of Bon Accord. You can see the old Woolworths, the ground floor there with Topshop/Topman, River Island. We have also taken the opportunity to clear out the central atrium, to improve site lines and improve shopper circulation.

That is the inside of the newly refurbished St Nicholas Centre. New flooring, new lighting, new ceilings, quite an improvement on the sort of 1980's, early '90s schemes that we took over.

And of course we brought in new retailers, that is the key. River Island, Kurt Geiger, Karen Millen, I won't go on. But all these guys with who were new to Aberdeen, we would work with them to create new enhanced, larger stores, giving them the sort of formats that they want.

And our work, along with the strong location that Aberdeen represents, has led to strong trading in the centre. Our John Lewis is the fourth strongest in the UK, during 2009, in terms of trading potential. And Oasis, Warehouse and Coast who opened up in the spring this year, are already 30-50% higher than their planned targets.

Rental values in the centre range from about £150-170 per sq ft zone A, and we are holding the line in terms of those values which is due to the strength of the underlying property.

And just to finish off and to show that they are open and trading, here are those four Aurora brands in a row who are now up and going, as part of our fashion hub.

My next case study is Lewisham town centre, a strong suburb in South-east London, an established scheme. We actually carried out a very cost-effective refurbishment in 2007 to give this scheme an extra lift. It is well anchored by M&S, Sainsbury's and a range of other key retailers. And we have actively managed this asset in terms of administrations and voids that appeared, to drive our void level from 9% of estimated rental value down to 3.4% during this year. Rental values are affordable for the Greater London region, around £85-120 per sq ft Zone A. And here are some photos showing the inside. A very busy scheme, it dominates

Lewisham town centre and it also offers what we call, the prime pitch. So that is the absolute 100% location key retailers want to trade from.

And here are some examples of how we have driven that void rate down. Take the Woolworths. Within six months of that store going dark as we say, or becoming vacant, we had re-let it to H&M, bringing them into the centre in Lewisham for the first time. That is a major new attraction for Lewisham's town centre. Roseby's and Mark One, also got into trouble. We have taken that opportunity to create space for Homestyle. We are now getting space ready for Costa and in fact we are helping Mothercare expand. So we are bringing new retailers in, but also helping existing retailers who are trading well, to upsize and improve their formats. WH Smith had a very large store in the centre. We took back a major part of that and brought in Poundland as a new retailer. Poundland are a good example of the value, variety based retailers that are doing so well in the current climate and are perfect for a town like Lewisham. Dorothy Perkins also left after a lease expiry and we replaced them with another fashion retailer, Internationale, who took their space. So that gives you an example of how we proactively manage those voids and dealt with them during 2009.

Corby town centre, now this is an example of an asset where we have done a major extension. 175,000 sq ft was added when we completed Willow Place and there is a photo showing you Willow Place, our new extension that repositions the entire town, bringing it up, the rankings in terms of its hierarchy and added some major new anchors to the centre.

We basically control retail in the town centre effectively. It is a 23 acre site, we have 145 shop units and bringing on Primark and TK Maxx as new anchors to complement Boots and WH Smith has really given the whole town a push along. And we have seen that in terms of strong trading. Primark are up 22% ahead of their target, trading actually ahead of larger towns who have stores, which is interesting. And as another case study, our Mothercare store is now in the top ten of our trading across the UK.

Willow Place and our other improvements have driven footfall up by 5% this year compared to 2008. And we have also been able to push out lettings, not just in the new part of the scheme, but also in the older part of the scheme, bringing in people like Vodafone and Mothercare and also helping people like HSBC expand and improve their stores. Very affordable rental values here. £10-75 per sq ft, potential for further growth and in fact we have already taken those levels on quite significantly from where they were 3-4 years ago.

My final case study is White Rose in Leeds, one of the UK's premier covered malls, located to the south of Leeds conurbation, fantastic access by road and really one of the greatest trading locations in the UK, in terms of where retailers are performing.

We have got a very large centre there, 109 shop units, extensive surface car parking. Well anchored by Sainsbury's and Debenhams, as you can see, and a range of top UK brands.

This centre is very strong, it has had footfall increases in the year of 3%. But also again just as a small glimpse of another part of our business, it has had a very strong growth in mall income. Commercialisation - across our portfolio we generate around £6million of income from ancillary sources such as retail merchandising units, promotions, advertising. This is led by Nick Peel's team, where we have a specialist team of people that target this income stream and we have had a 15% increase in that income since 2007/2008 due to finding other initiatives and also the new schemes we have brought into the portfolio, which in many cases Lester's development team have delivered to us. Fantastic shopper satisfaction levels, over 90%, so very popular with our consumers. But in terms of relationships with our retailers, we have used this as a model for the industry in terms of service charge. It was our test case for our Ten Point Plan in terms of driving efficiency and transparency and service charge. Having a partnership with retailers. And in terms of the bottom line, we achieved a 13% reduction in our service charge which of course is not just a saving for our tenants, but also a saving for us. Rental values here range up to £310 per sq ft Zone A. But in White Rose we have a system where they pay 80% of that as base rents and the rest is turnover. So when you compare it to large regional dominant covered malls, it is very affordable rent.

These strengths have led to very good occupancy. We are nearly at 97% occupancy by ERV across the centre. We brought in new retailers, catering operators such as Nandos, retailers such as Garage Shoes and Red Five. And in this centre, we have got many tenants who are undersized and need to expand. I have given you a small list of those tenants there. These are all people who could trade at bigger formats, who want to trade at bigger formats.

And in terms of looking to the future, that gives us the ability to create extra space and drive the centre forward. If you look at the centre itself, here is an aerial photograph of it, you have got the Sainsbury's down here, the Debenhams there. We have actually got about 175 acres on the main site itself. We also have ownership of an industrial estate in this area with another 15 acres. And we own land here or have options on land for a further 50-45 acres, depending on whether it is optioned or owned. So in total we have about 187 acres either ownership of or options for. And we are working with Leeds City Council on a South Leeds Strategy which will give us in the future the ability to extend this store, to provide bigger stores for retailers and take advantage of that pent up demand, not just from new retailers, but also existing retailers.

So I hope those four case studies were a useful glimpse into the portfolio. I will now hand over to Dominic who will talk you through our retail warehousing.

Speaker: Dominic O'Rourke – Head of Retail Warehousing

Thank you Ashley. I am going to give you a brief overview on the administrations picture. I am going to talk about current leasing and asset management using three examples. And then I am going to talk about the future and a couple of themes in the future using two examples.

Firstly though I would just like to give you a brief introduction or overview of the portfolio. We own 21 retail parks and two food stores. We also have a joint venture with Sainsbury's which Lester will talk about later. As at 31 March, we are valued at just over £1 billion with floorspace of 3.9 million sq ft. The average rent in the portfolio is £19.80 and the average unexpired lease length is 11.2 years. One interesting statistic from the portfolio is 71% of our floorspace by floor area is open A1 consent, but only 44% of that 71% is occupied by bulky goods retailers. So we do have something of an inbuilt reversion into the portfolio with that 27% not occupied by open A1 retailers.

As a quick cross section through the portfolio, at the very prime end, we own Westwood Cross in Thanet, Kent. It is a purpose built shopping park, about 340,000 sq ft, anchored by Marks & Spencer's and Debenhams. The scheme benefits from town centre status and the local authority recognise the centre as the primary shopping destination for Margate, Broadstairs and Ramsgate. Retail World in Gateshead owns a 430,000 sq ft park, again open A1 consent in Team Valley just off the A1. We have owned Retail World since 1986, whilst it is not prime, it is considered prime by most people. It has undergone significant refurbishment over the years. It has an open A1 consent and the occupier line up has gradually softened over the years to include TK Maxx, Arcadia amongst others and last year we did a deal with New Look for a 10,000 sq ft unit.

At the opposite end of the portfolio is Ravenside Retail Park in Chesterfield. Only 100,000 sq ft, comprises just 8 units including Next and Currys. However the Park is 50% open A1 by floor area and it sits adjacent to the town centre and has excellent asset management potential. We own existing land adjacent, just highlighted there which has planning permission for 30,000 sq ft of further accommodation and Chesterfield despite being near Sheffield is a good trading location for retailers and has a very loyal shopper catchment.

So turning to our first topic, the picture on administrations. My colleagues were quite keen I put the UK wide bit at the top of the sites so there would be no confusion around this, that this isn't the Land Securities portfolio. I do need to add to this at some stage, possibly the Allied Carpet situation. They have filed notice and intend to appoint administrators. They have got 180 units, about 1.9 million sq ft of space and we wait to see what the outcome is going to be of that administration. Given the amount of second hand floorspace on the market, there is obviously pressure on rents. But generally speaking, we do own good trading parks in good locations. By way of example, we had eight MFI units in the portfolio and we did use to own significantly more but sold out of solus units and small retail park clusters some years ago. In discussions with the MBO company last year, it became very clear that they wanted all but two of our MFI stores because they were good trading stores. And indeed Gateshead was very near the top of the pile for them in terms of trading performance. Unfortunately the MFI

MBO failed, however in the 8 months since the failure of the MFI, we have let two of the units, another one has gone via a sale of a park, leaving 5 and we are progressing credible interest on 4 out of those 5 units.

The theme is a similar one with Allied Carpets. We have a very good relationship with Allied Carpets, as we do with most of our occupiers. Of their 8 stores that we have, we only know of two stores that are actually poor performers. And that poor performance is more a product of rental level than actual trading performance. Whilst we await further news of Allied, we are being proactive, we are under offers subject to vacant possession of two of their stores with other retailers. And another store will go via a sale, leaving 5. Of this 5, if a pre-pack happens and is successful, we fully expect the MBO company to take 3 of them.

Finally there has been considerable press speculation with regards to Focus and a potential CVA. We only have 4 Focus units in the portfolio. And again by way of example of good trading locations, all of our Focus units are open trading, they are not part of the 20 so called dark stores which are closed.

Turning now to asset management and leasing using three case studies. Firstly Poole, we have owned Poole for a number of years and about 5-6 years ago we took in other interests in the park. It was in three ownerships and we have amalgamated those interests to create a modern retail park following significant refurbishment. On the park are 13 units, and it is about 207,000 sq ft. We have obtained open A1 consent on this terrace by exploiting a planning loophole. Despite this planning loophole, we do have a good relationship with the local authority who have recently granted us open A1 consent on the former Courts unit at the front of the site. As you will have seen from the plan, the former Courts unit has John Lewis on it. John Lewis will be opening their first out-of-town format in this unit this autumn for Christmas trade. So a pretty grotty Court unit will turn into something a little bit nicer. So when you think back to the picture of administrations, you could get a bit downhearted. We do realise that the environment is challenging, but retail is a very dynamic business and this is a very good example. Since Courts went into administration in 2005, we have gone and got open A1 consent on this unit. We then did a deal with Tesco Homeplus for their new format. We had engrossment out following successful deals with them in Bracknell and Chester. They then pulled the deal at the last minute because they stopped the rollout of that concept. However, John Lewis came out of the woodwork and we did a deal with them. Also BestBuy were very interested in this unit as well, but were a little bit too slow.

John Lewis did the deal with us for three primary reasons. Firstly, Poole has a good catchment. It is a good demographic, but interestingly it wasn’t top of their list in terms of demographic catchment with the opportunities they were looking at. The second key factor was we could get the unit opened for them by Christmas. And the third key factor was it was Land Securities via Lester and Ashley’s team we have a very good existing relationship with John Lewis. Not many landlords or property companies can say that. They know and they trust us. Also new planning A1 consent was a factor, whilst John Lewis will trade / can trade under a bulky goods planning consent. For their first unit, that open A1 consent gave them a degree of comfort on certain product categories.

Very interestingly, since we have announced the John Lewis letting, we have had very good interest in the former MFI unit on the park for a split. So whilst we need to see how the new format trades, it has been very well received in the marketplace.

The next case study is Livingston. Livingston is a new town situated between Edinburgh and Glasgow on the M8. In Livingston, we own the shopping centres which are about 980,000 sq ft. We own 50% of the designer outlets and we own three retail parks in the town. The retail parks total about 350,000 sq ft and all benefit from open A1 consent. The retail park here that I am going to use as a case study, the Almondvale Retail Park comprises 11 units and is about 110,000 sq ft. What we have been doing here is we have relocated Currys into the former MFI. Currys, combined PC World unit, which will be the first one in Scotland. Maplin will be a direct tenant of ours, they were a sub tenant of MFI, we will inherit those now as a direct tenant. And then we have backfilled the former Currys unit with Dreams. So we did all of those deals concurrently so there was not any risk.

As Richard mentioned before, Currys / DSG are investing in new stores. This is an image of the new format. The feedback from DSG about refitted stores is very good. They seem to be trading significantly above forecast and above previous trading levels.

I will talk a little bit more about DSG and BestBuy, in this case study here, Lakeside in Thurrock. Lakeside is a major retail park, 360,000 sq ft, just off junction 32 of the M25 near Dartford. It sits within the largest concentration of retail floorspace in Europe, adjacent to the Lakeside shopping centre. The park comprises 21 units and again benefits from an open A1 consent. The link back here to administrations is Ilva. Lakeside was one of the three Ilva units in the country - Lakeside, Gateshead and Manchester. Ilva unfortunately went into administration last summer, but again, Lakeside was a good trading location for them. This was the only Ilva unit that actually made a profit. What we are going to do here is relocate Currys into the Ilva unit which is 50,000 sq ft, plus a full cover mezzanine for Currys mega store. We are going to take a little bit of the Ilva unit there for smaller units. We are going to split that into two. Interestingly we have got heads of terms agreed with two operators for that, interestingly one of those operators is relocating a facia from the adjacent shopping centre where they have got a lease expiry. M&S are on the lease. This unit was originally an M&S life store. When M&S stopped that rollout, they sublet to Ilva. We kept M&S on the lease so M&S will be taking on the liability of the existing unit. So Land Securities aren't too exposed. The link to BestBuy. BestBuy have engrossment sales on the former Courts unit, on the park over the road just about there. So again DSG, quite conscious of the competition and looking to raise their game.

The next case study comes under the heading of ‘The Future’. Two of the themes that are starting to emerge are food stores, which Richard mentioned earlier and the town centre pipeline which he also mentioned earlier. Food store operators are beginning to look at retail parks that have an open A1 non food planning consent because the theory is that the leap with the local authority to go and get an element of food shouldn’t be that big. Whilst it is early days, we have grasped a number of these opportunities within the portfolio. The Greyhound Retail Park in Chester is about 200,000 sq ft. It is 13 units and again has open A1 consent. Over the past couple of years we have been working with the local authority and we have recently received a 55,000 sq ft food consent. So this gives us a number of options. Carpet Right here are over sized but they want to stay in the park because again it is a good trading location for them. They could relocate to the former Land of Leather there, that will free up that 30,000 sq ft unit. We are talking to John Lewis Home. They have a strong requirement for Chester, the floorspace requirement is ideal for them. And also interestingly talking to Waitrose. Waitrose have had a longstanding requirement for Chester. Now we have got the 55,000 sq ft food store consent, we can have a serious conversation with them. Waitrose traditionally haven’t gone on retail parks, they don’t particularly like them. But here, we have got the ability to create almost a stand alone unit for them with dedicated car parking and separate access and egress.

The longer term play with Chester is the local authority owned site here adjacent to us. The local authority own 8.6 acres. We have got 55,000 sq ft of food consent that we could transfer over to that site whilst applying for further food store consent if we can get a larger consent, say 90,000 sq ft gross, which we think is possible, we are then going to have strong demand from Asda, Sainsbury’s and Tesco all of whom have requirements for the area.

The next case study is Bracknell, the Peel Centre. The Peel centre is 181,000 sq ft. It is a 6 unit scheme which benefits again from open A1 consent and sits within the boundary of Bracknell town centre. It is not the best looking scheme in the world. We do have planning consent for refurbishment as it is starting to look tired. As part of the planning consent, we have got the ability to take the back off the former MFI unit and create some new smaller units at the end of the terrace there. This shows here, this was a former Focus Unit. We have taken Focus out, put Tesco Homeplus in. Tesco are now open and trading and the feedback from Tesco is they are trading very, very well. The point here is Bracknell has a very, very good quality catchment, but a poor retail offer. We have talked to a lot of retailers over the past couple of years and the thing that has always been there is the town centre scheme. Now the town centre scheme is on ice for the foreseeable future, there is pent up retail demand and we currently are the only show in town. We have got that open A1 consent, we sit within the town centre boundary. We are now having serious conversations with retailers for the whole of the MFI or a split of the MFI.

So by way of summary, I will just talk quickly about the picture on administrations. How it is not all doom and gloom. We are still doing deals. I have talked about three case studies in terms of asset management and leasing. And then we just looked at two case studies involving food retail and town centre schemes.

Thank you very much. And I think we are now going to questions which Richard will field.

Richard Akers
Hopefully what we have demonstrated in those presentations is the actions we have taken to protect value, to protect income in our centres. And also how we have exploited some of the opportunities in the occupational market I was talking about earlier in my introduction.

Now if you wish to ask a question could wait until you get the microphone as this is being audio cast. And then when you ask the question, just say your name before you ask the question that would be really helpful.

Question 1
Stuart Martin, First State Investments
Just looking at the Lewisham shopping centre, could you put some colour on the new deals that you have done on some of the space that was handed back. The new rents versus the old and maybe the lease lengths on the newer deals compared to the old? And how the structures of those leases may have changed?

Answer – Richard Akers
I think in general, rents have held up quite well in Lewisham and there has been a reasonable amount of demand which has been created because we have improved the centre and the footfall in the centre has been very strong. But Ashley can you give a bit more colour on that?

Answer – Ashley Blake
In effect we have not had to have particularly short leases or go into hugely different structures. The incentives have been pretty in much in line with the market and we have also held the rental, in fact a few of the deals have been slightly above our rental tone which is good. So I think nothing has been given away light and we have not had to do a radical change of the lease structure down there which would affect the value of the other units.

Further question
Just one more on the retail parks. Where you are introducing the likes of Waitrose and others and you have still got expansion opportunities to bring in say a Tesco or Sainsbury. Is there a first mover advantage for someone like Waitrose in introducing stronger lease covenants to prevent you introducing a competitor onto the site or are they not asking for that?

Answer – Richard Akers
I think generally the requests for solus clauses or things that might prevent competition coming in are less well received in the market and by landlords. I think the reality of the

situation is that we are not going to have two food stores in Chester. So what Dominic was explaining was one thing or another. Either we work with our existing floorspace and our existing consent for food or we expand the site and put a larger food store in to support the bigger overall concept.

Question 2
Leonard Geiger, Cohen & Steers
Could you talk a little about the rental levels you could get on those food stores relative to what they were getting in the past?

Answer – Richard Akers
As I said, food stores are generally still acquisitive. I think the rents they are prepared to pay are very dependent on the location of the competition. Dominic, have you got any further comment to make?

Answer – Dominic O'Rourke
I think food stores generally are holding up quite well. It is very location specific, rental spreads can be anything from mid teens to mid twenties. Again it boils down to whether the food store operators and the competition with each other. If it is a one on one position, the deal is obviously slightly worse. But again for a non London store in a decent town, you are probably looking at £17.50 to £19.50, something like that.

Further question
Compared with the averages in these areas?

Answer – Dominic O'Rourke
It is very difficult to give an average because every deal stands on its own two feet, but as a general comment, food store rental growth is still positive, still holding up. We have not seen particularly poor evidence coming through.

Question 3
Quentin Freeman, UBS
Richard could you tell us a bit more about your kind of sales activity and the properties that you have sold prior to today and why pick on Maidstone or were you are just selling everything and why Aintree? And a bit more flavour on the £50 million you have sold since the half year would be good?

Answer – Richard Akers
I think by and large the assets that we have sold, and this goes right back to early 2007, have been assets we have wanted to see away. They would have been part of our sales programme, they may have been slightly accelerated. The exception to that maybe one or two of the food stores that we sold earlier in the year. Just picking up on your comment on the

recent sales. Aintree in particular, the retail park where we had a very complex planning position and we managed to get a small amount of open A1 consent which we used to create stores for Marks & Spencer, Next and Boots. And to do that we had to move an existing Comet and Mothercare and it was quite a complicated procedure and we made maximum use of that open A1 consent. And we felt that we had taken that park as far as it could go in asset management terms. So that is why we sold Aintree. The properties we have sold since the 30 June are Edmonton Retail Park and Pontardulais Road, in Swansea which is a smaller retail park. And the reasons for those sales, I think it is probably in common with many of our retail park sales are that we don't believe that there is rental growth potential in those assets and in fact, our view on the occupational market is that there are some significant risks still in those particular centres with either the occupiers or vacant space in the case of the Swansea asset. There is an MFI in that asset which is still vacant. So those are the reasons for those sales. Just dealing with the shopping centres, Maidstone again it is a scheme which was developed in the mid part of this decade. We have had a lot of insolvencies in that scheme and quite a high level of voids. And we felt it was going to take a lot of capital expenditure and a lot of effort to get it back to the sort of rent levels that exist, that are passing in the centre at the moment. And that it was one that we would rather leave behind so that we could focus that effort and capital expenditure in other parts of the portfolio.

Answer – Dominic O'Rourke
On the Aintree situation, one of the things people forget about Aintree is that the Tesco joint Everton proposal is ten minutes drive from the park. That is where Tesco are going in for 110,000 sq ft food store and I can't remember the precise figure, but it is about another 250,000 sq ft of open A1 retail offer at the back of that, plus an Everton stadium. They had the planning inquiry last autumn. This is purely a personal view, I think there is a good chance that they could get planning for it and that is a ten minute drive from the site.

Richard Akers
It is all about sport in Liverpool at the Aintree retail park you can park for free when the Grand National is on and with Everton football club moving close by it will give it even more of a sports theme.

Further question
Do you have any long-term plans on Exeter?

Richard Akers
We do have long-term plans for Exeter. The existing scheme suffered from administrations, but we have managed to agree re-lettings on most of those units. This proves it is a strong location and improving location. We think Exeter will continue to consolidate as a regional centre for the south-west and we have a large number of properties around the Princesshay development in Sidwell Street around the bus station which create an opportunity to do more in Exeter in the future. There is strong retailer demand for the town for major space and we

are already working on the possibilities for further development in Exeter. In terms of how we finance that, we will consider all opportunities for that going forward, whether it be financing development from our own resources or bringing in a joint venture partner. I say that in case you are referring to speculation there has been in the press that we might be bringing in a joint venture partner.

Further Question
I was meant to ask a question about House of Brands concept?

Answer – Richard Akers
The House of Brands concept was something which Ronan generated in response to a number of circumstances in the market. The fact that it is an opportunity to take retail floorspace at very attractive prices with incentives, if you are looking at it from the retailer's perspective. The fact that a franchising model in the UK is not generally in use and that the retailers that use franchising extensively in other markets in the Middle East, in the Far East, in Russia and so on, have not seen that as an expansion possibility in the UK whereas we believe it is an expansion possibility for them in the UK. And I think also the fact that we have very good relationships with many retailers and many of those retailers / brands have an online presence or a wholesale presence in the UK and are keen to put down some floorspace. Those are the characteristics of the market at the moment which induced us to come up with the concept. And Ronan, perhaps you can put a few more bones on that in terms of the type of brand that we are targeting for this concept.

Answer – Ronan Faherty
And the other factor was there is a high level of demand to come to the UK, a number of the American brands and European brands have always wanted to come to the UK but found the market too complex to enter. The types of brands we are talking to are some of the top brands within the US. Equally we are in serious negotiations with three global brands who would be well recognised within the market, unfortunately we cannot divulge the names, but they are looking now to set up a brand new retail presence. So it is a very exciting initiative. It's a great opportunity for us and those brands to start to differentiate our centres and our opportunities within the UK. And the great thing from the brand point of view, looking at Land Securities, is the great level of confidence and knowledge that we bring to the party. We de-risk that, by having incredible market knowledge. Having regional and London presence, we can create a critical mass for retailers which allows them opportunities for the future.

Further question
Can I ask how many units of retail warehouses you actually have in administration?

Answer – Dominic O'Rourke
Voids are 1.9% and in administration 6.25%.

Question 4
Tom Walker, AMP Capital Redding
Could you just expand a little bit on what might take you back into the acquisition side of things? And if so, what would you be looking for?

Answer – Richard Akers
We haven't acquired an investment property of any note since 2005. We have been quiet on that front. You will hear about some of our avenues for new investments through development from Lester in a minute. But in terms of asset acquisition, I think what we would be looking for is opportunities that give us the ability to move rents forward. And bearing in mind the slightly negative generic picture on rents for the retail sector, at the moment it is quite hard to find those opportunities. I think the discussion between vendors and purchasers at the moment is very much about the arbitrage on a view on rental values. So if you are buying you have a view that rental views in that asset are going to be stable or improving. If you are selling obviously you take the opposite view. And I think it is harder to find assets which have obvious potential for rental growth. Rental growth and rental levels are incredibly asset and location specific and are dependent on the local supply and demand situations. But we are looking at the possibility of acquisitions going forward and starting to gear up and thinking about the types of asset, who might own those assets at the moment and when we might discussions. But as Francis said in the IMS, we think there are opportunities that will be around for quite a while. We are in no hurry to pursue those and we will be patient.

Question 5
Nicolas Lyle, HSBC
I was just wondering if you could define a bit more on what you regard as prime in terms of your future strategy and what you portfolio might look like in ten years from now?

Answer – Richard Akers
It is a very interesting question and I will ask Ashley to talk about that in terms of shopping centres. Prime and secondary are words that are often used and not very well defined. And I think we would always think of good opportunities as being opportunities which offer rental value growth potential and Corby is a great example. Nobody would say Corby is prime as a shopping centre, but it is a great opportunity for us to continue to improve and to generate growth. However, having said that, I do believe that with the structural changes that are happening in retail that more trade will be concentrated in the bigger centres and so our portfolio will be, as it has been over the last five years, continuing to shift towards the major centres. And also shift towards more mixed use schemes which offer visitors more than just the opportunity to buy goods. The opportunity to eat and drink and gamble and stay overnight and all of those things.

Answer – Ashley Blake
I would probably say that in the future, we would want to have a combination of core assets which dominated their regions. So if you took say a range of retailers, some will want to open 200 stores, but many I think would want to open 80-100 stores around the UK. And if you had a portfolio which would effectively match that requirement in its core assets, then you would get all the new retailers coming into the market. And it is often those guys that drive rental growth. So I think I would want a portfolio that matched their aspirations, linked very well with central London and gave them a real sort of offering across the whole portfolio. But also that we didn't move away from some of the more opportunistic centres which are value driven, and Corby is a great example, where we have been able to drive the rents forward and reposition the town. The middle market does slightly worry me, I think some of these big towns which have got huge shopping centres but actually don't offer the retailers dominance or destination in that location, could be centres which don't have the growth we need.

Further question
You mentioned in the IMS that you were more confident in your peak to trough fall in capital values at 45-50%. Say for a minute that the consensus fall in ERVs was hugely out in terms of -10% and we were looking more at sort of -20-30%. What impact do you think that would likely have on your confidence on peak and trough fall in capital values?

Answer – Richard Akers
Firstly I think what we said was that we are more confident with what we said at the time of the Rights Issue, being right in terms of our forward look. I think if you spoke to all of this team individually, we would say that we are pretty confident that rental value falls will be contained across the board and in particularly in our portfolio. I will come back to the fact that rental values are very location specific. It really is about the local supply and demand conditions, and there will be some centres which are very badly hit indeed. But we have got to remember that whilst there may be huge supply / demand imbalances in certain towns right now, that does not necessarily mean that rents have fallen all the way to where a deal might be done today. As those imbalances level out, then rental values will come back to an affordable level for retailers and I think at the moment what we are seeing is deals being done with retailers and I am not talking necessarily about our portfolio, but in some locations where there is a lot of supply and very little demand, deals being done with retailers at levels which are not at an affordable level for those retailers, but at a level which is extremely profitable for those retailers. And that will come out of the market as the supply / demand imbalances come out. We are not overly negative about rental values particularly in our portfolio which I don't think would surprise you, because clearly we have adjusted the shape of our portfolio to try and ensure that we have the best prospects for growth.

Question 6
Bhupen Master – Merrill Lynch
Could you maybe provide a case study of where things have not gone right? And what you learnt from the experience and what you would probably do differently?

Answer – Ashley Blake
We have an anchor store in one of the smaller centres where we took surrender and to be fair we were so confident of getting it away again, we hadn’t actually back to backed the letting, so we had that void for a reasonable period. We are now in the process of re-letting it to another anchor tenant. But it made our life a little bit harder, because we created a few more extra voids in that smaller centre than we should have done, instead of doing more back filling, then it wouldn’t have happened. So that was a case where we perhaps got too excited about the whole initiative and should have been a bit more careful in managing our downside risk. But we have learnt that lesson and in that particular case, have turned it round.

Further answer – Dominic O’Rourke
I think on the retail park portfolio, there is one park in particular that we should have sold. The reason why we hung on, this was between January and May ’07, was because we were doing another deal. We thought, right we will get that deal done and then we will sell it. It was something we wanted to sell. The retailer pulled out at the last minute and by this stage it was May/June ’07 and it was just a bit too late. We had a good run on sales between Jan and May ’07, we sold £252 million of retails parks. We were conscious of not putting too much on the market at the same time. But it was one waiting, we should have bitten the bullet and got it out. But interestingly now, we have got problems on the park, but it is one of the examples where we are looking for a food store and we have got a couple of food stores looking at it. Consent will not be straightforward, but we think we have a half decent chance of getting a food store consent.

Richard Akers
These are examples and I think in the retail park one, the key thing is that something comes along to help when there is a difficult situation and in that case it was the fact that if we can get a food consent, then that sorts the situation out. And the local authority in that case are quite positive about it, because they are looking at the job creation possibilities of having a food store there. So that is an example of where perhaps the negative signals in the economy are slightly helping us to repair the damage in that particular situation.

Shall we move on and hand over now to Lester Hampton who is going to talk a bit about our development programme.

Speaker: Lester Hampton – Head of Retail Development
Good morning. I would like to add my welcome to everybody here at Gunwharf Quays and thank you for taking the time to come down and see us. I would like to take about 20 minutes

to illustrate some of the schemes that we have completed in the last few years and to explain a little about our current activities and touch upon our future potential activities within the development.

The schemes I will cover will include Princesshay in Exeter, Cabot Circus in Bristol, St David's at Cardiff, which will complete and open in October this year. Our pipeline scheme in Leeds. I would also like to touch upon One New Change. And whilst that does not fit within the Retail Development team, I felt it would be of interest to you. Then I would like to talk briefly about our relationship with Sainsbury's and the Harvest Partnership. And lastly touch on potential opportunity in Chester with ING and the local authority.

On this slide is an extract from some research we have undertaken, is the quality of the development project that Land Securities has or is involved in. You will see from this slide that we have strong representation within four out of the top five locations. Also within the schemes we have the opportunity to add significant added value at Leeds with Leeds Trinity and in Glasgow with Buchanan Galleries

At Land Securities, we are fortunate to have strong representation within the top ten locations. And through our development skills we have the ability to access other opportunities by leveraging from our track record, working in partnership with local authorities and other partners who lack the necessary development skills.

Princesshay, Exeter: In May 1942, a significant part of the city was destroyed. And post war reconstruction was driven by necessity and speed as opposed to quality and longevity. What was built in this period was neither a beauty nor functionally suitable for the needs of the modern retailer. However, Princesshay opened in 1952 and even then Land Securities were seeking to innovate because it was one of the first pedestrianised streets within the UK. But by the early 1990s, the retail accommodation was reaching obsolescence and did not meet the requirements for the modern retailer. And due to the constrained nature of the site, refurbishment and extension was simply not an option. So in our more recent redevelopments of Princesshay, we created the first of a new generation of open streets and true mixed-use. Our development was the first that really brought to life the phrase, "places for people". And I think the next sequence of slides really demonstrate that.

We and the city wanted to create an extension to the city, not just a stand alone mall that turned its back on the neighbouring quarters. We wanted to expose the Cathedral, create open streets and introduce a really high quality of public realm. And in doing so we were able to bring 37 new retailers to the city, as well as 9 new catering offers that we were not previously represented within Exeter.

The approach to this development was also innovative. In order to create an organic design that integrated within the existing city centre, we appointed six different architects and designers. The skill was to create a variety of townscape without creating a Disneyland approach. By the number of awards we have received, I think we must have been successful in this. English Heritage Urban Panel recently commented that Exeter "is an exemplar of how major regeneration schemes can reach the fabric of major historic cities in delivering urban design and architectural excellence of the highest quality".

Richard touched upon mixed use. It is not just about retail, but also residential. And at Exeter we have built 116 apartments, of which we have now either sold or let 105. Again this is evidence and perhaps testament that we really are creating places for people.

Cabot Circus, Bristol: Now the development at Cabot was all about satisfying an underlying demand that wasn't being met by the existing retailer offer. On this slide it benchmarks Bristol against Birmingham. The pink is the number of A&B households and the 1,000's and in blue is the number of quality fashion units. So you can see pre-Cabot there was an imbalance between post Bullring Birmingham and pre-development at Cabot. The problem in Bristol was affluent individuals would not use the existing town centre due to its poor environment. They preferred to go to Cribbs Causeway, Bath, Cheltenham or indeed Cardiff. So there was a clear opportunity to create a really strong, qualitative retail destination. And I think Cabot really has delivered upon this because it has moved Bristol up the Experian Town Centre ranking from position 24 to 14.

Cabot consists of 140 new shops, incorporating a new House of Fraser store (170,000 sq ft), Harvey Nichols (37,000 sq ft), 15 major new flagship stores and over 25 cafes and restaurants. It is all about providing more than just the retail. It increases the dwell time which ultimately feeds through to the retailers bottom line.

Cabot has also won a number of awards and one I would like to mention is a citation from the MAPIC, the European awards, where Cabot picked up the Best Shopping Centre of the year. It said, "Cabot has changed the entire city and for one shopping centre to do that is quite an achievement". I think that really shows again and demonstrates the face changing abilities that we have in Land Securities.

Part of the Cabot scheme is Quakers Friars, an integral part of this scheme. We took the dilapidated Quaker's Meeting House which you can just seen here and renovated it and made it into a restaurant, occupied by Brassiere Blanc. As well as introducing other catering uses, such as Carluccio's, we have created an upmarket destination, introducing retailers such as Harvey Nicholls, Hugo Boss and Ted Baker.

St David's 2, Cardiff: This redevelopment aims to go beyond simply improving what is there at the moment. The goal is to make the centre more attractive, to help move Cardiff up the retail rankings from its current position at 11 to 8. The new St David's which will incorporate the existing St David's 1, will undoubtedly make our own centre the dominant destination of

Wales. This is a point Richard was making earlier, by improving the retail offer, we will seek to extend the catchment from its current existing 1.9million to 2.5million and achieve footfall throughout the centre in excess of 25million people.

As a scheme St David's 2 offers large and flexible retail space which has attracted a number of new retailers to Cardiff. The scheme will potentially bring 57 new retailers into the city, as well as seeing a number of re-sites. The John Lewis store will be their largest outside Oxford Street and it is going to open in two months time. As well as John Lewis, we have signed or have in solicitors' hands in respect of 65% of this space. Retailers that are already committed include the likes of Reiss, Kurt Geiger, H&M, Hugo Boss, All Saints, New Look, the list goes on. As part of the mixed-use we will also be introducing a strong element of catering into the scheme with Wagamamas, a Jamie Oliver's restaurant, Pizza Express, and the usual line up of coffee operators.

As you can see from this slide, St David's 2 has been designed as a gently curving grand arcade. This compliments the existing architectural heritage of Cardiff's existing Victorian and Edwardian arcades. It really is a truly stunning space when you stand in the middle of it.

As we have seen with our other major developments, we have included strong elements of mixed-use. At Cardiff we have incorporated 300 rooftop apartments designed around a rooftop court park. We are undoubtedly building the best residential product both in terms of quality and accommodation. Where else can you claim that John Lewis is your corner shop. These apartments will be released to the market over the next 18 months.

Trinity, Leeds: As you are probably aware, Leeds Trinity is not yet a committed development. You may recall that we recently took the decision to defer the development to allow the delivery in 2012 when we hope the market will be stronger and subject to achieving the necessary level of pre-lets. However, we do believe the opportunity in Leeds really is strong. Leeds is the only city of the 8 core UK cities to experience growth. Leeds has the most diverse economy across the full range of business sectors of the UK's top 15 employment centres. Leeds benefits from a large catchment of 5.5 million of which 2.2 million are within 30 minutes drive time.

Currently Leeds consists of disjointed and dispersed retailing, there are six smaller centres with no retail focus. The city lacks modern retail units and that is why the city is ranked very highly in terms of retailer requirements. As you will see shortly, the existing environment really is very dated and poor. As a consequence Leeds really is not fulfilling its regional catchment potential. Leeds Trinity will move Leeds up from position 5 to 4 in the retail hierarchy behind the West End, Birmingham and Glasgow.

This slide shows the front door to the scheme of Briggate, which enjoys extremely strong pedestrian footflow. This is an extract from some work we have done with space syntacs to look at pedestrian movements on various cities and locations across the UK. With Briggate you will see in a pinky red colour and the other principle streets on our scheme is Albion Street. So you start to see how Briggate benchmarks across trading locations within the UK. And to the left of Briggate is Piccadilly Circus, it is not bad for the front door to our scheme to have 90% of the footflow of Piccadilly Circus.

We talked earlier about the need to have dominant schemes, Leeds Trinity plus the area around Briggate South will have 44% of the city centre space.

This is an internal view of the upper levels showing the boutique cinema called ‘Everyman’. It is about increasing the mixed use, increasing the dwell time, providing more than just the retail. And I think this slide starts to demonstrate how centres have that much longer lifetime than just providing retail, bringing in leisure uses and catering uses.

At Land Securities we use a couple of phrases a lot. One is creating places for people and the other is moving assets up the value chain. This next sequence of slides demonstrates how with our proposed development in Leeds, we seek to do both.

So this is our existing ownership in Albion Street, it is hardly inspiring. We know that Albion Street is one of the busiest thoroughfares in Leeds. Yet it needs to be upgraded as part of a reinvigorated shopping centre. So this is how we can transform it. You can clearly see that we are able to redevelop our existing ownership to trade modern well configured units with the potential to have double high shop fronts and two level trading if required. This is the existing Leeds, it is another view of Albion Street looking south towards the station. - it is hardly a joy and a beauty. And Southern Bridge is obviously a visual barrier, but the steps and escalators that you can see are also a physical barrier and it is appalling actually. This is what we would do, it is a fairly simple solution. Remove the clutter, open up the shop fronts and as you can see it really does transform the location.

We have got another bridge as well, this is the one which links the Plaza shopping centre with our newly acquired Trinity site and we obviously had to keep the physical connection between the two, but not as it is. So what we plan to do, is to create a living bridge where we can incorporate restaurants into the design of the new bridge and plan to reconfigure the retail units adjacent to the bridge.

I always think this shot reminds me of something from Dallas in the ‘80s. This is the existing entrance to the Plaza. It is hardly welcoming, it is definitely not contemporary. We plan to completely rebrand the entrance, reformat it and create something much more contemporary with this remodelling and rebranding.

One New Change, London: As well as the office accommodation we are building, One New Change is to be an iconic world class shopping and leisure destination that really will have a transformation effect on the City's shopping and leisure use. The City currently lacks a major retail destination to rival the West End. And as such One New Change will provide an alternative to perhaps some of the outer town locations such as Westfield and Bluewater. Currently shopping in London is towards the West. If you turn 180 degrees and head East from Oxford Street, I think the first time you come to anything the equivalent of One New Change is Amsterdam, so it has got quite a good catchment.

Now the needed regeneration of our ownership had to be conducted within the bounds of a highly sensitive site. Regard had to be taken to Paternoster Square, the Bow Bells world heritage site, London underground and as you can see from this slide St Paul's Cathedral.

The scheme consists of 330,000 sq ft of offices over floors 2-6 of which 38% is already pre-let to K&L Gates, and there is 220,000 sq ft over lower ground, ground and first, which 20% is pre-let to a number of retailers such as Topshop, H&M and M&S. One interesting anecdote on the letting is that there is one retailer who has signed up for One New Change, initially he was looking for four separate locations in the City, but when they saw the quality of the units, they decided to consolidate everything into one large shop over three floors taking an area of 22,000 sq ft.

Jean Nouvel, the signature architect, he has undoubtedly created and designed a brilliant scheme in a truly world class location. With this blend of offices, retail, catering and a rooftop park, we have created a true destination for the City.

Harvest Joint Venture: I would like to touch on our relationship with Sainsbury's which is our Harvest Joint Venture. Richard and Dominic have both referred to food stores taking more space. We plan to be developing two new projects with Sainsbury's by next year. At Wandsworth which is the first one perhaps on site, we are looking to carry out a mixed use development. We are particularly pleased with this because I understand Sainsbury's have tried to unlock the potential of this opportunity in the past with others, but they were not able to find an acceptable solution. At Land Securities with our skillset have been able to find that solution. It is a fairly simple scheme - as well as increasing the size of the Sainsbury's store, we will be building a budget hotel, additional car parking and a single large retail unit.

This is an early view of the scheme and is therefore a somewhat crude image of the simple extension with which we shortly intend a planning application. There is also potential to add additional retail in the future if is judged to be appropriate.

And finally, the Harvest partnership has in the last few weeks, acquired six acres of additional land adjacent to our existing Westwood Cross development. They will be seeking to achieve the dual aims of additional space for Sainsbury's as well as strengthening our existing centre.

Chester: Chester fits comfortably within the top 50 retail destinations that Ashley referred to earlier. Chester is a destination in its own right, people go to Chester simply because it is Chester. We believe the special and unique locations have always held up as a valid trading locations, they are simply great places to be. It is also interesting to note that these historic centres are of interest to international investors. Dom has referred earlier to the great work that he has been doing in our working relationship with Chester local authority. I believe that these two schemes will sit very comfortably together.

Because of our track record of working in partnerships in historic locations, such as Cambridge, Canterbury and Exeter, we have been asked by Chester local authority and by ING Real Estates to partner with them. We have agreed an exclusivity position to give us a 12 month period to allow us to carry out our detailed research into demographics and tenant demand to see whether we wish to take the opportunity further with them.

I hope that I have been able to demonstrate the expertise that we have in Land Securities. We are fortunate to have a number of opportunities to add value to our existing ownerships, when we consider that the timing of the cycle is appropriate and that the returns are acceptable.

Richard is now going to host the final Q&A session.

Question 7
David Fick, Stifel Nicolaus Research
With respect to your development plans, how do you look at the UK Retail macro picture? You have talked about the structural changes in retail, and the credit is really what I am focusing on, how you look at the retailer? And specifically, with BestBuy coming into the market, we have seen them just completely destroy the other major US retailers, Circus City and so forth. And I am wondering about expanding your relationship and reformatting of the DSG and Curry's in that context?

Answer – Richard Akers
I will answer the first part of that and then get Dominic to comment on DSG. The picture on the macro side of retail and development I think is quite a complex one and as you have heard and as Lester alluded to certainly in context of Chester, where we will be focusing investment and development activities in the future will be on top locations. Leeds being in the top five locations in the country. Chester being a destination for people for reasons other than going to buy goods. Those are the areas where we will be focusing our investment. And this asset here at Gunwharf Quays is an example of how we intend to deal with structural changes in retail. This asset will never be affected by online retailing because people don't come here just to get goods. They come here for a day out and that is what will happen in Chester as well, a massive tourist destination. Increasingly people are spending money in the

shops as part of leisure trips. Clearly different locations have very different characteristics, but commodity retail in mid range towns and cities will be the area where we believe the pain will be felt and so we are focusing very much on the top end and experience for customers. And also as you have heard, on the very high convenience locations, food stores and associated retail around food stores and retail warehousing at very accessible locations will always compete with other channels for retailing because of the extreme convenience and the fact that there will always be people that want to just pop out and get something. And their car parking and accessibility are absolutely key. So that is where we will be focusing our attention.

Your question on DSG, before I let Dominic comment on that, DSG are very much the market leader in this country, they have, despite the fact that there are always well publicised complaints about service, they have a very dominant position and loyal customer following. I think it will be difficult for BestBuy to break into the market to acquire the amount of property they need to put down to compete for that market positioning. It won't be a quick and easy task.

Answer – Dominic O'Rourke
Your point about expanding the relationship with DSG, all the deals that we have done with them and we are doing with them recently is where they have got an existing store on a park. We are moving them next door into a slightly larger, better format store. So we are not significantly increasing our exposure. We are only doing those deals where we can backfill the unit there, relocating back to back deals. So what we are getting is the new reformatted stores which are trading better. So it is not a large exposure, it is re-exposure to DSG. In terms of BestBuy, we are talking to them about two or three things. They have got 12 things on the blocks at the moment at varying levels, they have got a couple with engrossment sales. They have just been up to Yorkshire and done a tour of Leeds, we have met them a few times. So we are getting to know and understand BestBuy. It will be very interesting to see what their rollout plans are going to be.

Question 8
Robbie Duncan, Cazenove
There has been a bit of press speculation earlier this week about a refinancing event with St David's 2. If there is any colour you could give, that would be superb? And the second question which is also to do with Cardiff, the scheme is 65% pre-let or in solicitors hands, can you split that number please between the two, pre-let which I think is 53% isn't it? But then is there any serious interest, which we should be pencilling into our numbers going forward? And then the third question, on rent frees, lease incentives on new lettings and in particular the developments, are they blowing out? If they are, where are they going to?

Answer – Richard Akers

Okay, well I will deal with the last question first and then hand over to Lester to talk in more detail about Cardiff. On lease incentives, what we have said at the year end in our Final Results was that in development, our average for the previous year was 24 months. In retail warehousing was 19 months and in the shopping centre portfolio, 10 months. Those are the figures that I gave I think in answer to a question at our Results Presentation. And they were the averages for the last financial year. I think things have not changed dramatically and probably moved out a little bit. And I will let Lester comment specifically about Cardiff. Just to precede Lester's comments on Cardiff, I would just say that hopefully detected, there is an enormous amount of confidence and enthusiasm about Cardiff from us and one of the things Lester often says, is you have to see it to really get fired up by it. It is a fantastic centre. It is so obviously going to capture the prime pitch for Cardiff. And Cardiff is an incredibly busy and vibrant city. So we are very confident about Cardiff. We have managed the construction to budget, to timescale. We have not thrown a lot of money at this scheme that wasn't originally budgeted. The values, yields and rents come and go. But we are very, very confident that this scheme is going to be extremely successful in the future.

Answer – Lester Hampson

We are on 64% let by area and 53% by income. And the split by income is 30.5% is exchanged and 22.5% is in solicitors' hands. As Richard alluded to on the incentives, in our results we talk about the two year plans, that is moving out just slightly. That is not surprisingly at this stage in the cycle and also in the letting sequence. We hope that will come back a little bit towards the latter part of the leasing cycle. In relation to banking, we are in discussions with banks to put in a facility and those discussions are ongoing.

Question 9

Neville Pike, Oechsle

Could you please talk a little bit about the planning environment and the attitude of planners because some of your sites you talk about improving to open A1 and I wondered to what extent in the current environment that planning authorities really wanted to protect some of the commodity retailing in the town centres and are reluctant maybe to add and be more liberal in planning in some of the developments you were looking at?

Answer – Richard Akers

I think the overall planning environment in the UK is very, very stable and it does favour town centres. So it continues to be extremely difficult to manage the planning on out of town centres and retail warehouse parks. Having said that, it is not impossible and as I said earlier, there is this pressure in terms of economic development and jobs which local authorities do have to respond to which maybe a slight help in some situations. But clearly adverse impact on town centres is still a no-no as far as planning is concerned. Dominic?

Answer – Dominic O'Rourke
I think in terms of our portfolio. I think I said earlier we are 71% open A1 consent by floor area. So we have got a very good base to start from. We spend a lot of our time like the example I gave in Poole, combing through the various notices to make sure that what we do have is, if the local authorities think they have given us a bulky goods consent, is that actually true? One of the common errors is not copying consents over when you split a unit. And you can exploit that. So we spend a lot of time knowing what we have got.

In terms of the broader planning environment, as Richard said, it is quite stable. I don't think the Government is going to abandon town centre first, they shouldn't do that. The latest draft, PPS 4 which is out, completely reiterates that. However on the ground, what we are seeing is an inherent tension with local authorities. On one hand they are very conscious of the economic environment. We are having, I wouldn't say easier conversations, but two or three years ago we would not have even got through the door to have a conversation. Now we are at least getting through the door. Those conversations are still difficult, but at least we are having the conversation. I don't think town centre first is not going to be abandoned.

Answer – Richard Akers
And just to complete that. There is very little political risk of change in the planning environment. I think. Major parties are all completely at one in terms of the current planning qualities.

Question 10
Bhupen Master – Merrill Lynch
Could you put some numbers around your development pipeline, in terms of the individual schemes, the costs you are assuming?

Answer – Richard Akers
Yes I think in broad terms what we have seen is obviously worsening viability on the current programme. So Bristol was around 6.75% in terms of the yield on its cost. The slightly later schemes in Livingston and Cardiff would be around 5% yield on cost. So those are the broad numbers and we disclose that in the Report and Accounts in any event. Lester you may want to comment on the rents and any other factors?

Answer – Lester Hampson
You will note from our accounts what our exposure to our development programme within retail it is £107million which is principally related to St David's 2 because as you are aware we have taken a decision to defer Leeds Trinity. All other expenditure is quite modest in just working through concept schemes. So it really is quite tiny. As Richard mentioned earlier, on Cardiff we are controlling costs really well. There is a bit of downward pressure on rents, but we expect over the full leasing period, which could be a 24 month period, that we will start to recover some ground on that.

Further answer – Richard Akers
In terms of the overall rental value in Cardiff, which just over £30million, half of that is letter in solicitors' hands. It is a 50:50 joint venture with Liberty. So our further exposure on the rents is around £7.5million.

Further question
Could you maybe talk about what is happening with construction costs at the moment?

Answer – Richard Akers
We haven't been in the market with construction contracts for obvious reasons in the recent past. We have been having some discussions and negotiations with the contractor on our Leeds scheme. I think what we are seeing is that costs are coming down, particularly labour costs which is entirely logical when we think about the employment positions on a macro basis. The materials costs, probably not coming down as fast, as quickly as we would have expected and I think probably the other comment to make is construction costs in retail I think is slightly less of an impact than they are for central London schemes. But I think we are not expecting construction costs coming down to suddenly bring a lot of development back into viability.

Answer – Lester Hampson
Probably 40% of the construction cost is labour. So there is a pressure on labour rates. I think one of the things we need to be careful about is whilst over the next 24 months, construction costs will come down, there is a lot of capacity that is leaving the industry, so what we need to be careful about is not to predict any future schemes on the basis of current day pricing. Because when the market does come back, we expect inflation and the construction cost inflation to come back quite quickly.

Question 11
Remco Simon, Kempen & Co
From previous down cycles can you give a little bit of colour of what happens to a centre when you open it at say 60% pre-let, what kind of an impact that has and how footfall and trading will develop in the next few years? How long it will take to get back up to speed or to full potential?

Answer – Richard Akers
We can give some colour on that from previous experience and our partners on Cardiff could give some colour on it because they opened Lakeside in 1991 with I think less than half of the centre open. My personal experience. I was developing a shopping centre in the '90's which opened in October 1991, three months before opening there was not a single unit let or exchanged. There were 17 out of 46 units open on the opening day. At the end of the following year, at the end of 1992, 40 units were let out of 46 and the beginning of '94, it was

sold after yields compressed back to around 8%. It was originally appraised at about 9.75%. So it ended up not being a major problem through that cycle. Yields came back into, not profitability, but it washed its face. Lester you probably have some experience?

Answer – Lester Hampson
Just to reiterate what you are saying about Lakeside and also Bromley. They opened with very few retailers in place and now they are substantially well let, great performing assets. But I think the key thing for us too, we have always had a vision for St David's 2. And we could probably have moved the lettings percentages further on, but what we don't want to do is compromise that vision by putting retailers in that don't fulfil that long-term vision. I have absolutely complete confidence that the space will all move, start moving faster and faster as we move to completion and thereafter. We are getting some great names wishing to come to Cardiff now.

Answer – Richard Akers
I think life is a little bit different now to the early '90's. I think there is a greater overall supply of retail floorspace and I think if we were developing in anything other than these very prime locations, I think it would be of some concern how long it is going to take to let us that floorspace. But as we have said, we are very confident about Cardiff. And we are very confident about the other developments that Lester has talked about, Leeds and of course in the Harvest portfolio where the space would be very substantially, if not completely pre-let prior to embarking on construction.

That is not your last opportunity to ask questions, because we will all be walking around the centre later and you will be able to ask questions of us individually. But now we would like to just hand over to Mike Davidson, who will give a brief presentation on Gunwharf Quays and then organise us into our tours of the centre. And Mike has got his team here, available for the tours and I think Ashley has got Deepan Khiroya is here sitting at the back, who is the Portfolio Director in Ashley's team and responsible for our factory outlets. And he is also available to answer questions about Gunwharf Quays. Thank you.

Mike Davidson – Retail Operations Director
Thanks Richard. And good morning everyone. I am going to canter fairly quickly through this to try and catch up a little bit of time and of course you will then have the opportunity to ask some questions as we go around.

What I would like to do this morning is give you a brief overview of why we think Gunwharf Quays is such a special asset and indeed why it is so successful. Those are the items I am going to touch briefly on.

LandSecurities

The history of the site, it has historic connotations going back hundreds of years and therefore it is quite a special location. And we will see lots of examples of that as you tour. But when it actually closed as a base for the navy, it was then declared a conservation area and of course we opened it as Gunwharf Quays in 2001.

Very complex development. The original developer was the Berkeley Group and Land Securities bought in a 50% stake in the commercial side of the centre during the construction period and subsequently purchased the other 50% from Berkeley a few years after we opened. Quite an interesting and complex development as you can see from some of those factors there.

This is quite an interesting picture, because what it shows is this area here, where we actually constructed a marine deck which is the largest marine deck in Europe to infill the existing site and between the railway station to maximise the available space. Actually the central area here is pretty much the car park with a centre built on top and again an underground car park, 1532 spaces which is set below the scheme and at high tide the lower deck is 5 metres below sea level.

There are a number of factors that affect the performance of this scheme and these are listed here. Location obviously as ever is key, but all those other factors pay quite a significant part in the process and I will take you through those briefly. Location - we are sitting here, we are at the hub of a fabulous communication network. We have the M275 very close by with motorway links to the rest of the south of England. Many of you will have arrived by train direct from Waterloo, literally in next door. And there are a variety of different ferry terminals to Gosport, Isle of Wight, Continental Ferry Port located very close by. Also there are some very well established local attractions such as the historic dockyard which adds to the vibrancy of the area. And clearly one of the key assets, is the backdrop of one of the busiest harbours in the UK, and a very, very special environment of course with the slightly better weather being down here on the south coast. Hopefully that won’t let us down today.

This truly is a mixed-use scheme. And what you can see here is the mix of uses and the proportion of them. What is not mentioned there is the 900 residential units which are outside of our ownership but are part of the whole Gunwharf Quays complex. And also some of you may have noticed a rather large structure when we arrived, the Spinnaker Tower. Again not specifically mentioned because it is not under our ownership. It is actually under the council’s ownership, but it is an integral part of Gunwharf Quays as you can only access it by coming across our area. And again you will see more of that on the tour.

The key element of the success of the scheme is the flexibility of the lease structure. We have turnover leases which are made up of a base and a turnover top up. They are outside the landlord and tenant act, which gives us the flexibility to put in the performance breaks that allow us to do some very active asset management on this scheme. What that effectively means is that we have retailers who, if they are not performing particularly well and working with them, we can't resolve those issues and improve their performance, in reality it is not the best location for either them or us. So we have the opportunity to take those retailers and replace them with others that maybe performing at a better rental level and better performance level for themselves. So that means that as a relationship between our occupiers and ourselves, that is a key element. We are actually working very closely with our retailers and our A3 and our leisure operators on the basis of a partnership from which we both very much benefit.

This shows you the turnover growth we have had since opening in 2001. Consistent both in retail and catering up to just short of £120 million worth of turnover. That does not include the leisure, hotel, casino and some of the other uses on site of course as well.

If you look at the retail in particular, what this slide demonstrates is that when we have opened up additional areas of the scheme, is that the development has continued, such as Market Place and Canalside, which you will see on your tour. That has not been at the expense of existing retail sales. No cannibalisation, it has all been incremental, which shows the continued growth and success of the site.

One of the key elements of course has got to be proactive asset management and the way that we do this, through the leases as mentioned, but also we have a huge amount of information as to the performance of our occupiers. Sales information, viability monitoring, that is basically understanding all their occupation costs relative to their sales performance. So we can look at that percentage and that ratio and highlight retailers in particular that may be at risk and work much closer with them. And how we achieve that is predominantly through our retail liaison manager and the onsite team, centre director and the onsite team. And in fact you will be introduced to them shortly for part of the tour.

The role of the Retail Liaison Manager is key. It is not just the communication between the retailers and ourselves. Indeed, all the occupiers and ourselves. That role is one that does a constructive involvement in the retailers business. We actually will work with our retailers and help them maximise their trading opportunities at this location. Because we understand the location best, we understand our market best. They understand their product and we work with them actively to maximise that. Clearly for both our advantage. On the occasions where maybe we have somebody that is underperforming, that gives us the other opportunity which is refreshing the mix, which as I said is taking them out and putting in an alternative trader who is going to trade at a better level.

This is an example of some brands who opened their first factory outlet centres in the UK at Gunwharf Quays and this sort of gives you a good indication as to the extent to which this is a desirable location both for existing retailers and those coming into the market.

And this one demonstrates the value that we add through that process. So if you actually look at the blue line, this would have been the outgoing base rents of those retailers who we churned, compared to the incoming base rents. And of course the base rent is only part of the story. Clearly a better performing retailer is going to be giving us a better rental through top us as well.

So if we actually look at the split of base rent to turnover rent, again you can see both of them growing. But the key aspect here is that because we have an annual basis where the combination of base and turnover, a percentage of that, usually 80% but not always is converted to base rent for the next year. It means that as the retailers expand and indeed A3 as well, the element of turnover rent which is secured. Or sorry the element of rent that is secured is base rent, increases each year.

And the car park, a very substantial performance in its own right. It is a £3.5illion business which contributes bottom line, £2.2-2.3 million to the scheme. So a very significant operation and a specialist team of car park management that operate that on our behalf. And I think Ashley pointed this out before, that there are a lot of opportunities in car parks within our portfolio to get performance to this sort of level.

Operational management is key in a scheme of this nature, in fact it is key in every scheme. But it is particularly interesting here, because we have overcome some enormous challenges. As you will see as you walk around, there is a very substantial ratio of common area to let space. Marine environment potentially very corrosive, complex M&E solutions. And we genuinely are a full 24 hour economy with hotels, casinos, night clubs, bars, restaurants and everything else as well. That makes it very difficult to find windows of opportunity for maintenance cleaning activities. So the guys are really up against it, but despite that, achieving high standards is something that is absolutely key to the customer experience and it is what is achieved on this site by the Centre Director and his team.

As you can imagine, there is the normal activities that they are responsible for some very interesting features on this site. Security, we are particularly proud of the team in this area. They were the first in Land Securities to get a Home Office accreditation scheme and one of the first in the country. We have our own police station on site and indeed our own special Constables drawn from our own staff and from the retail staff as well. Quite innovative in the way that we manage the scheme operationally.

Waste management and recycling, very important environmental credentials. And again the team here achieving traditional recycling methods, well over 50% of the, I think it is over 2,000 tons of waste that is generated on site a year here. But the rest of it does not go to landfill, it goes to a plant where it is converted into energy and fed into the national grid. So we actually achieve a full recycling of more than 99% on site.

We continually invest in this centre, and again you will see this as you go around. This is interesting, this is the car park office when we opened. We didn't think it was the same sort of experience that we would like our customers to have. So this is it as you will see it now. Far nicer environment. Fully DDA compliant and an example of how we always look to find things to improve in this scheme, particularly in terms of the customer facing elements. And the toilets again, another example of doing a refurbishment, where rather than doing the basics, we went the full hog and really added some value in that area.

We have been building Gunwharf Quays as a destination brand for a number of years and the way that we have done that, the branding, the logo and everything, has evolved as the centre has evolved. And again you can see some of the styles as it has progressed over the years.

Our catchment area. We have a superb location, despite being on the south coast and obviously that limiting the catchment. We do draw, particularly in the retail being an outlet retail. We do have a huge catchment area and you have something like 6 million people within an hour's drive time. So it is a very, very strong, wide catchment area we have.

And who visits us? Well this gives you an example. This was our latest research earlier this year. What I think is quite interesting, is only 49% come by car, which gives you a good indication as to the success of the other modes of transport to get to Gunwharf Quays. Dwell times are very high, spend is high, conversion is high. Obviously all good news for our occupiers and ourselves.

A major part of what goes on at Gunwharf Quays is the Events Programme. These can be community events, ambient activity, annual events. And it is very much all about creating an onsite experience which gives our customers reason to be here and to keep returning.

You would be surprised if we didn't take advantage of the location and we clearly do. We have 550 metres of berths at the waterfront. And we have hosted some international events that have actually been able to bring us not just hugely increased footfall and spend during those periods, but some massive international coverage in PR terms as well.

And effectively, what is this all about? Well we have a wonderful location. We have got a terrific mix of use which we keep refreshing. We have got very high onsite standards. We are innovative in the way that we manage the scheme both in asset management and operational management. And all of that is to ensure that the best possible experience is available to the customers who visit. And that is clearly important to us. It is a turnover based scheme. From our perspective it is all about getting people to visit, visit more often, to stay longer, spend more. That is good for our occupiers and it is good for our bottom line.

And that at very quick canter through is an overview of Gunwharf Quays. So what we are going to do now is give you the opportunity to see it for yourselves. So please join us on that tour. Thank you.

- End -

Forward Looking Statements

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