

Nomura Global Real Estate Forum – Tokyo
4 September 2009

UK property, the listed property sector and Land Securities

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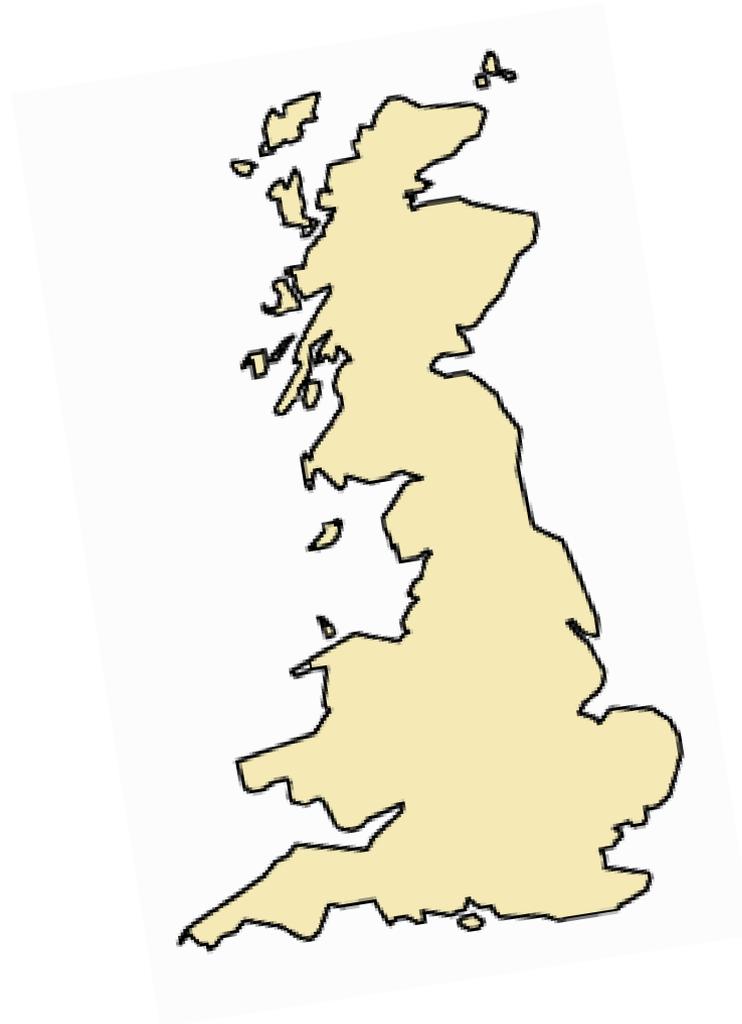


Agenda

- Structure of the UK direct property market
- Trends in the UK direct property market
- UK listed property sector
- Land Securities
- Questions & answers

UK property market - I

Physical, legal and regulatory environment

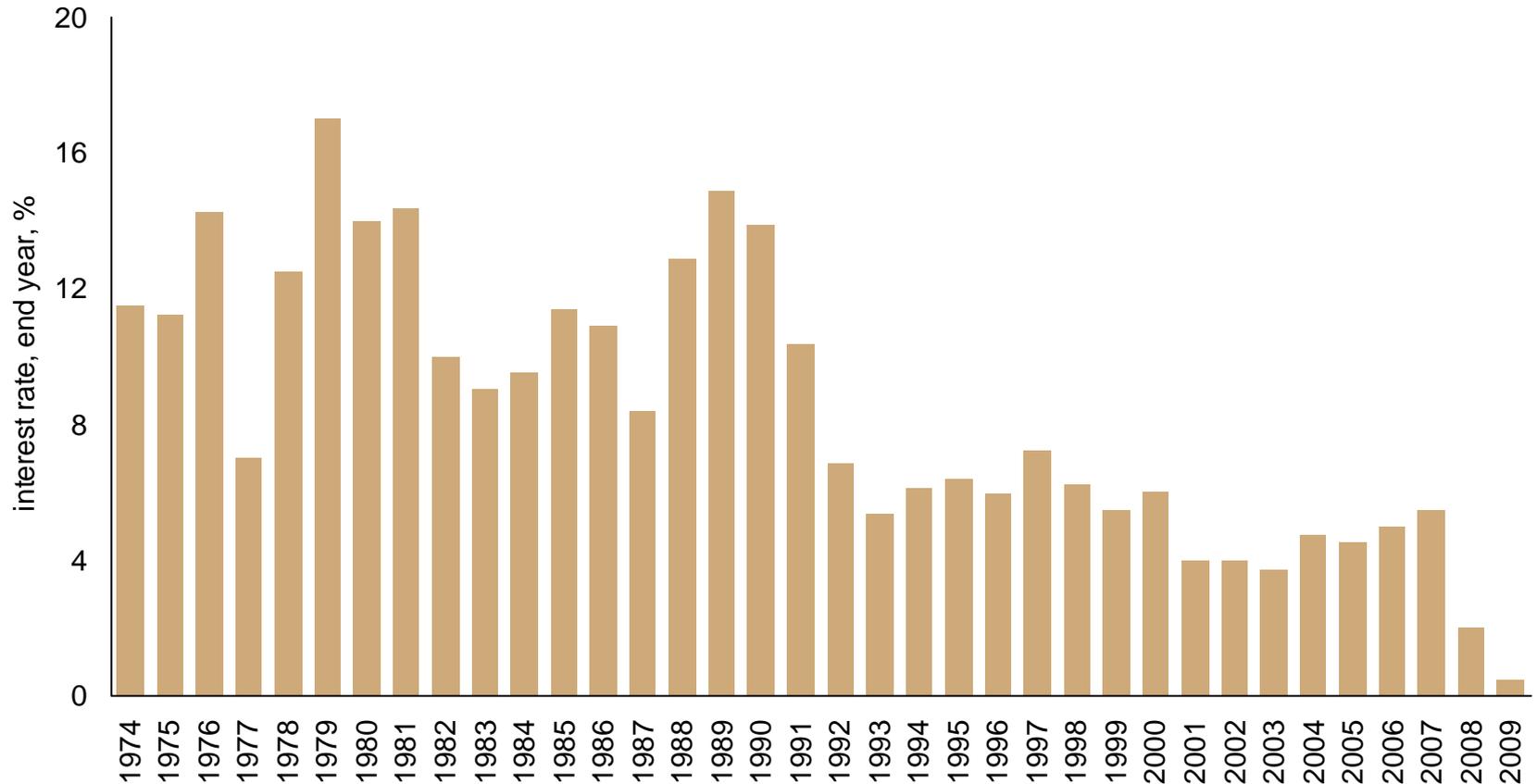


Physical supply constraints, planning constraints and lease contracts



UK property market – II

Low interest rates



Source: Bank of England.

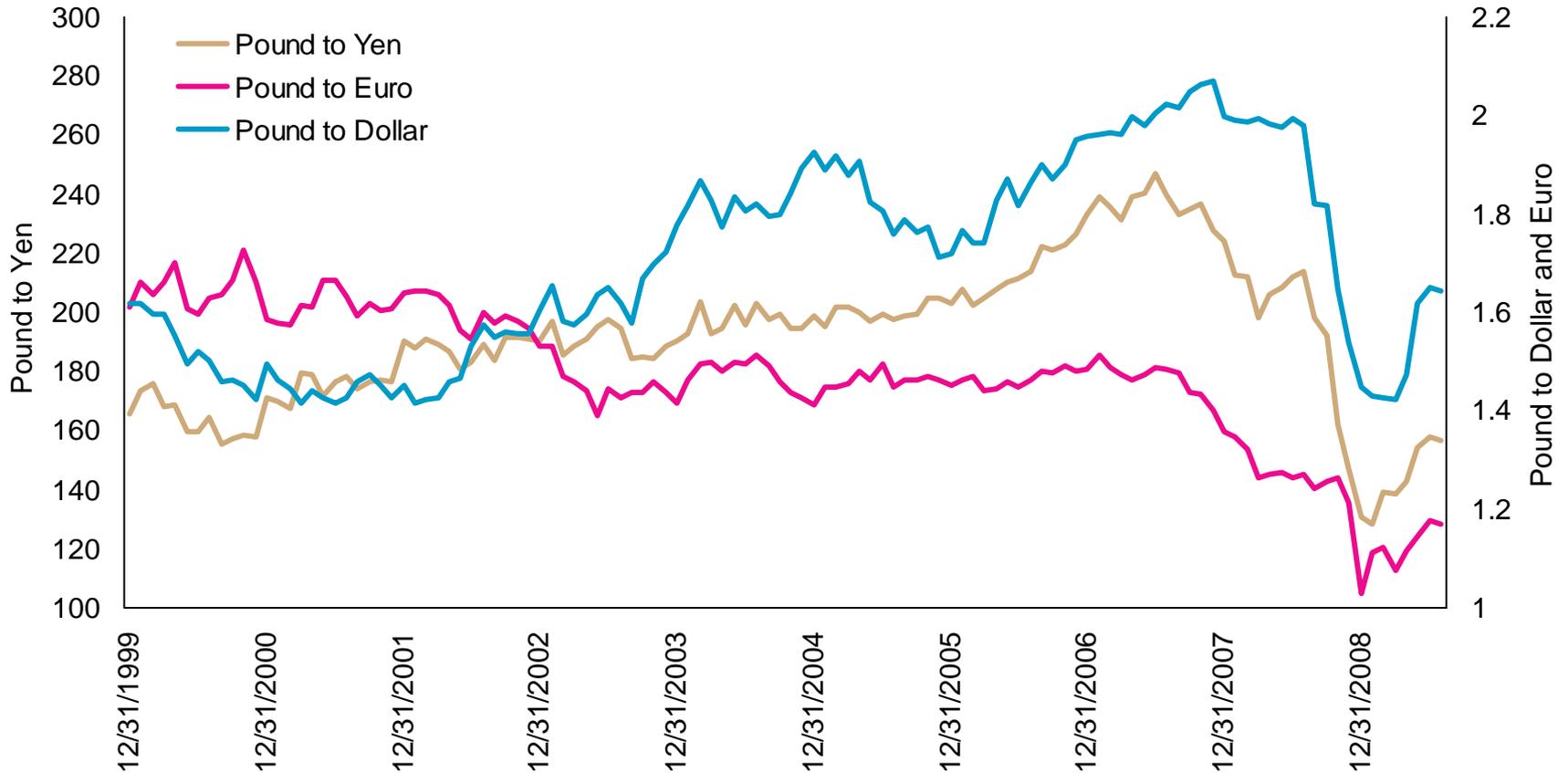
Additional impact of 'quantitative easing' (estimated 40-100 bps impact on gilt yields)





UK property market – III

Currency



Source: Oanda.com

Impact of currency on cross-border investment into the UK



UK property market - IV

Impact of London as a global financial centre



Financial services sector drives international competitiveness of UK

Recent trends in listed and direct real estate markets in the UK

Listed market	FTSE Real Estate Index	<ul style="list-style-type: none">• 80.9% off peak (Jan 2007) to low point (March 2009)• 64.7% off peak to now• 84.9% up from low point to now
Direct market	Capital values	<ul style="list-style-type: none">• 44% off peak (June 2007)
	Rental values	<ul style="list-style-type: none">• 8% off peak (April 2008)



Source: IPD

Listed sector 'forward looking' of capital values...capital values 'forward looking' of rental values



Issues underlying downturn in UK direct commercial property markets

1. Investment property pricing bubble
2. Economic downturn
3. Lack of availability of credit





Issues underlying downturn in UK direct commercial property markets

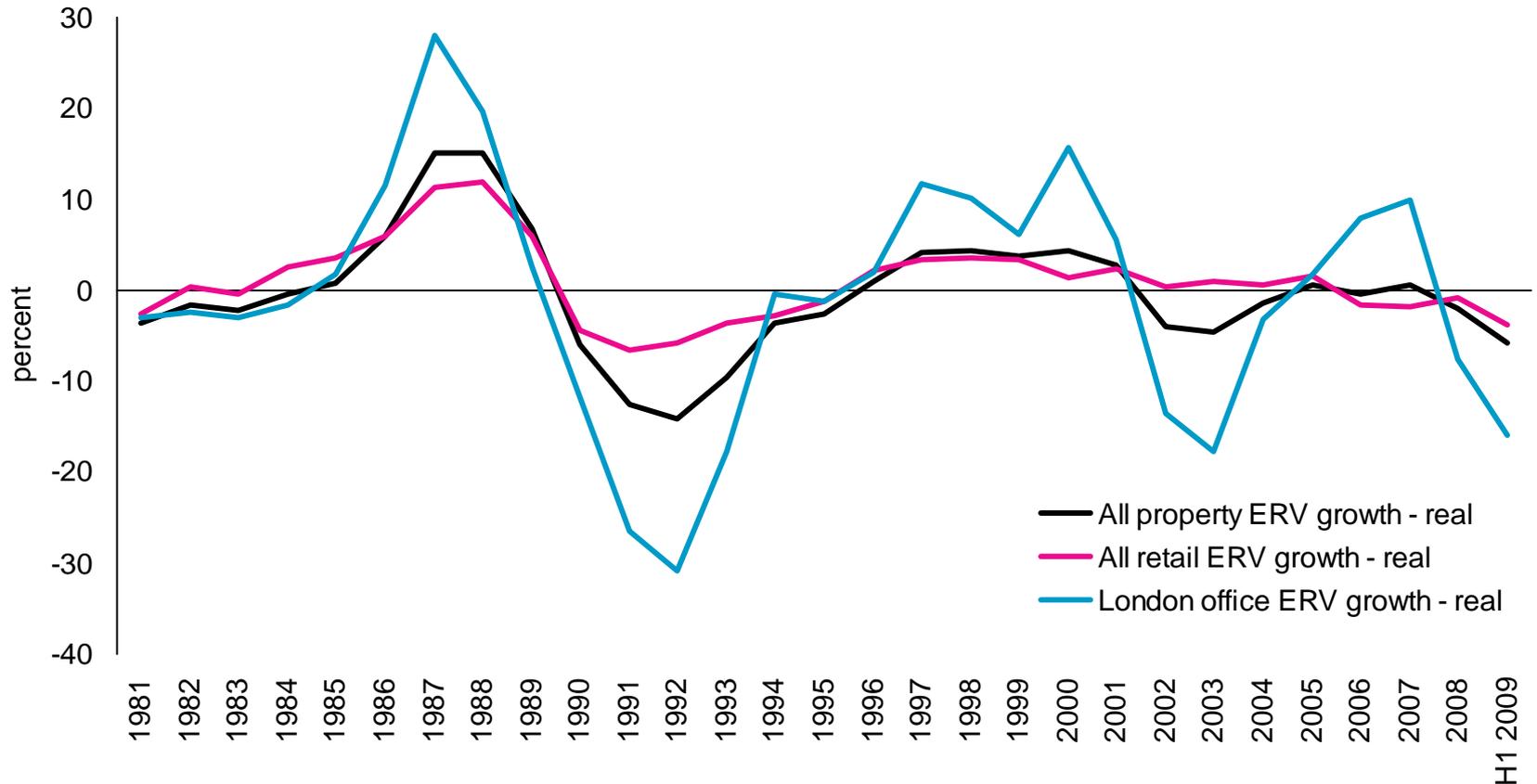
1. Investment property pricing bubble	(25)%
2. Economic downturn	(20) – (25)%
3. Lack of availability of credit	(5) – (10)%
	<hr/>
	(43) – (50)%

How much will be recovered?



UK real estate market trends – I

Real growth in rental values



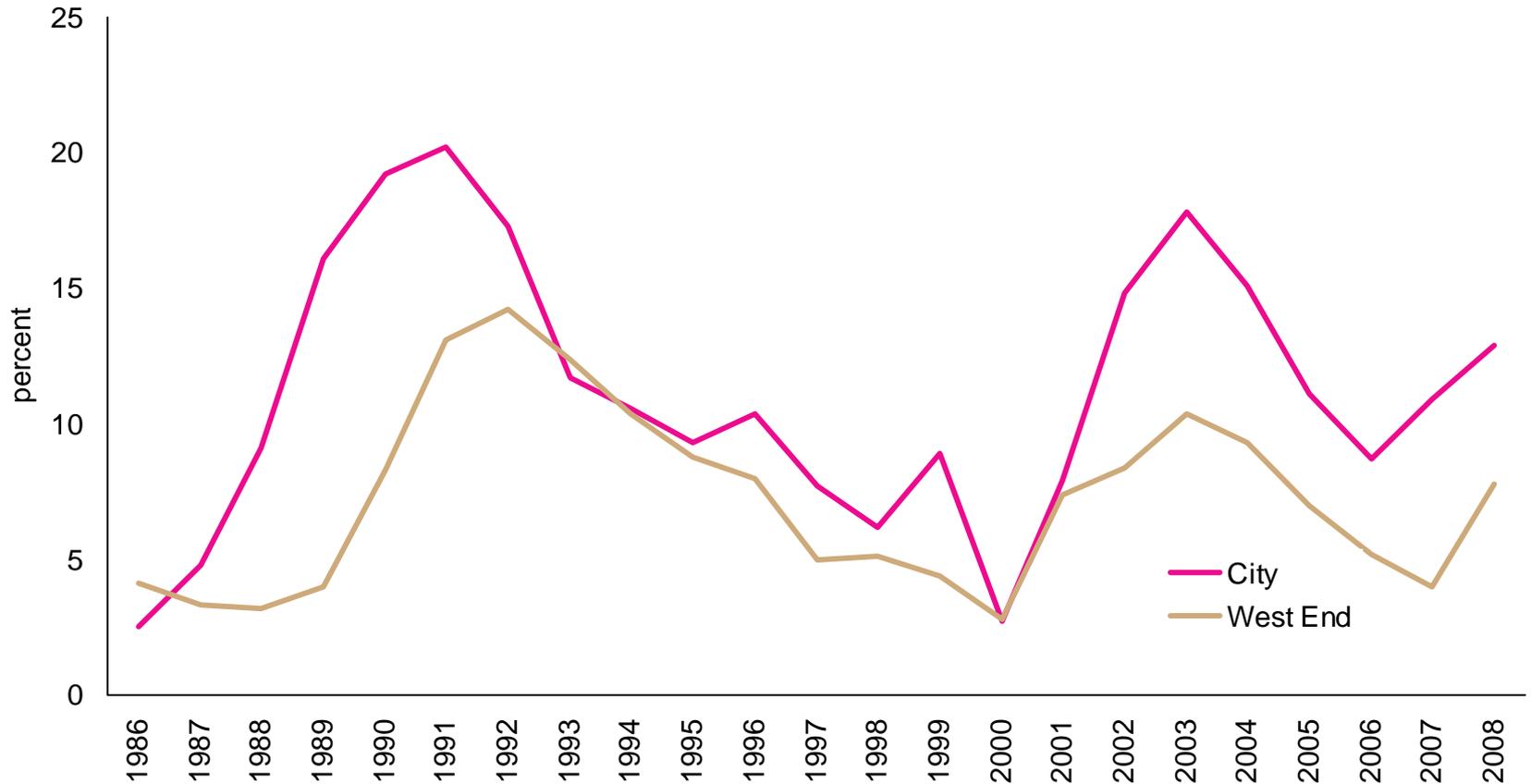
Source: IPD, ONS

No bubble in rents – except London West End office market



UK real estate market trends – II

London office vacancy rates



Source: PMA

London office vacancy rates currently below levels in 1991 and 2003



UK real estate market trends – III

Retail market investment portfolio voids



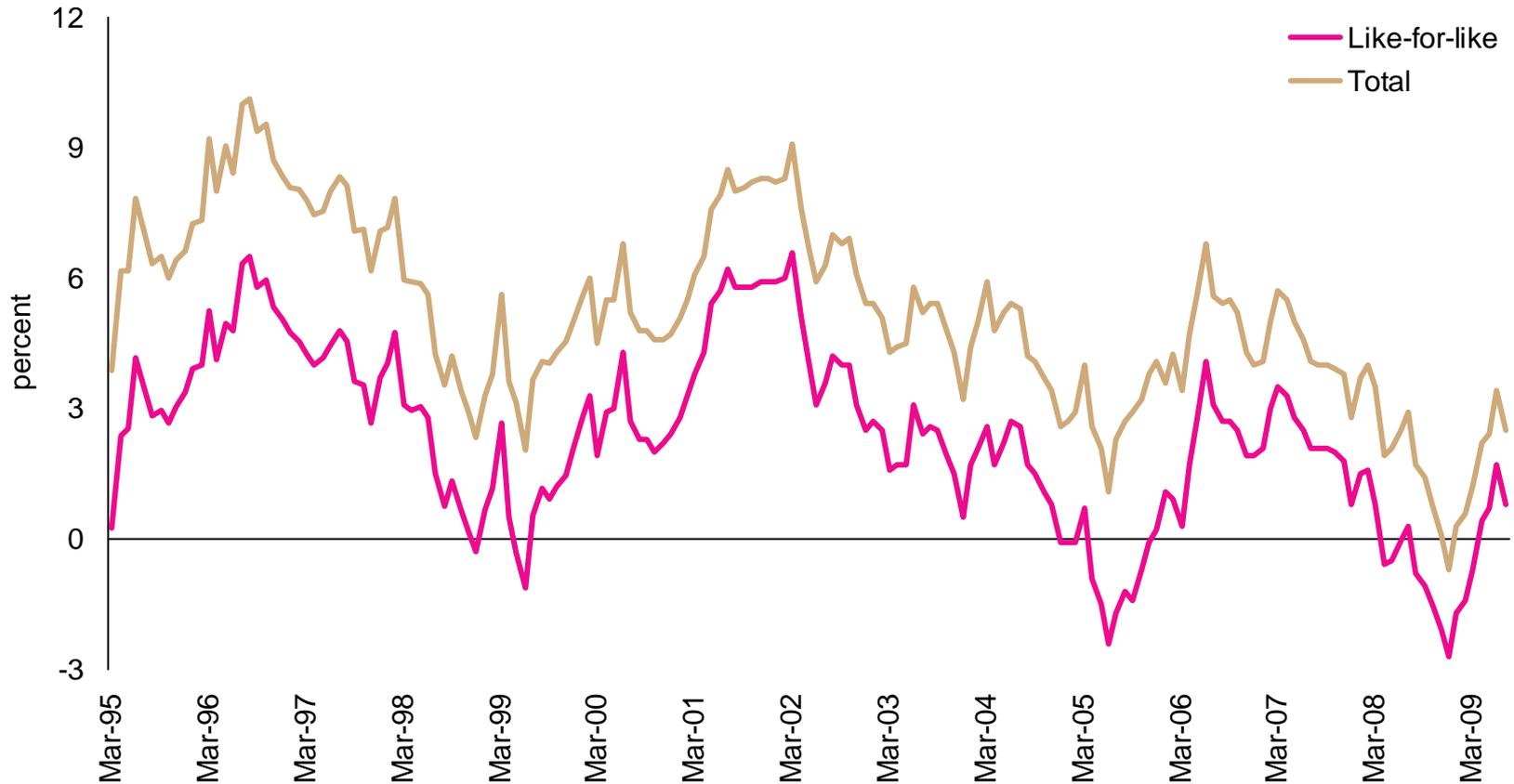
Source: IPD

Retail void levels higher than in early 1990s



UK real estate market trends – IV

Retail sales growth



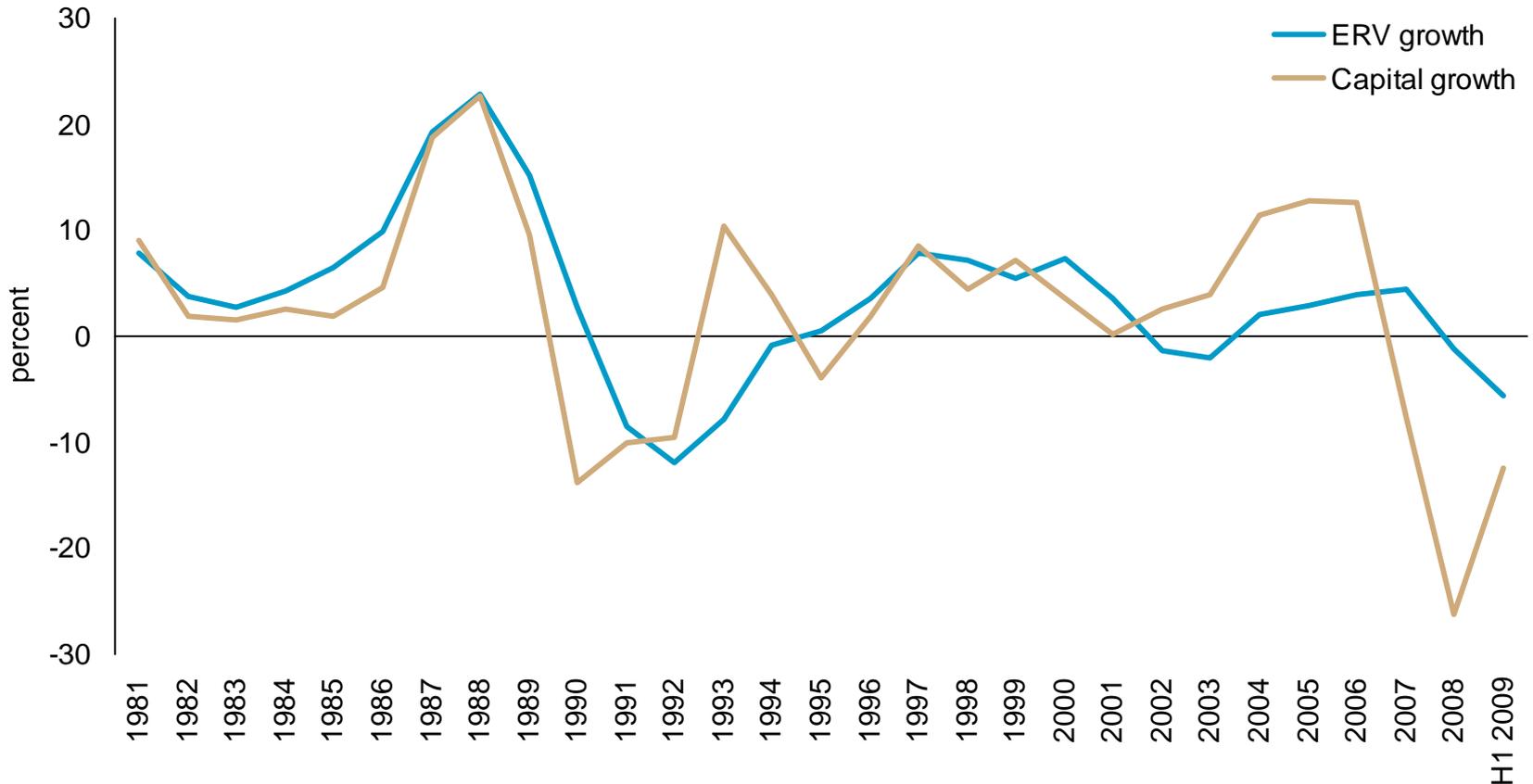
Source: BRC

Retail sales more resilient than expected in downturn



UK real estate market trends – V

Rental and capital values



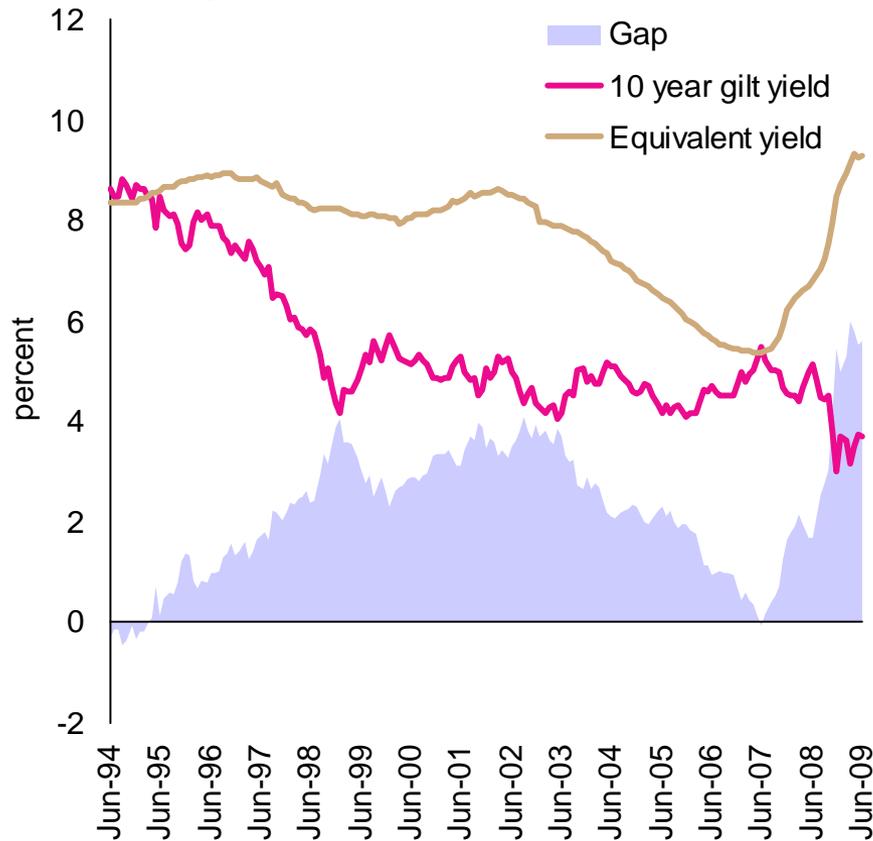
Source: IPD

Divergence between rental value and capital value trends from 2002



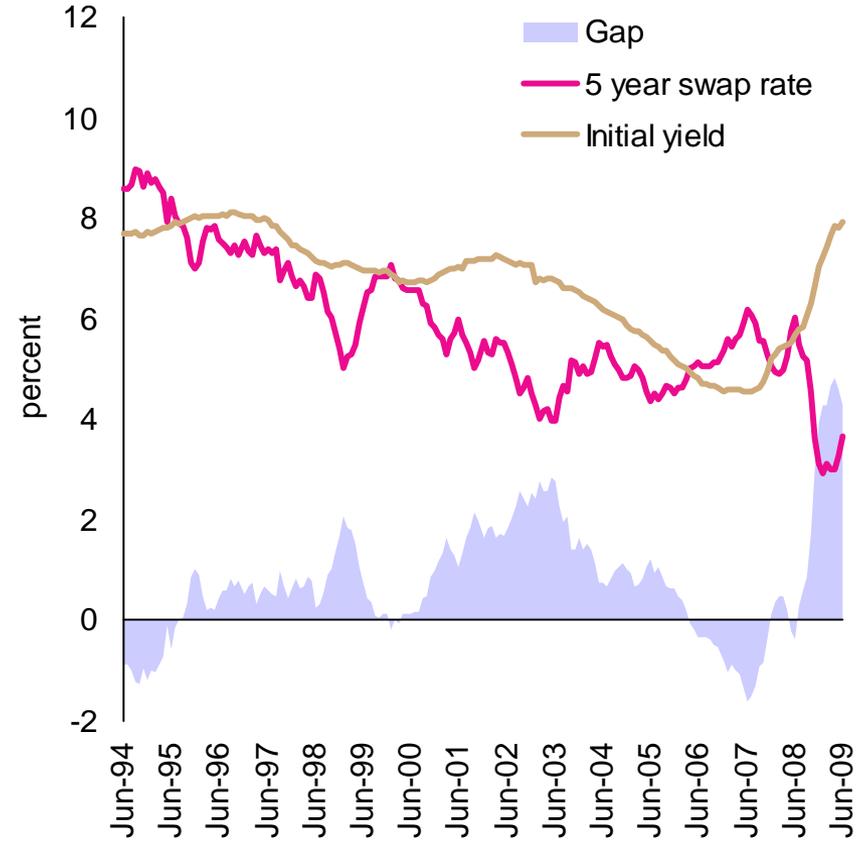
UK real estate market trends – VI

Yield gap



Source: IPD

Gilts	June 2009	15 year average
Yield gap	5.29%	2.25%



Swaps	June 2009	15 year average
Yield gap	4.27%	0.80%

Significant positive yield gap



UK real estate market trends – VII

Comparison to early 1990s

		Early 1990s	Current cycle (to date)
All property	Capital values	-27.1	-44.2
	Rental values	-21.7	-8.0
Retail	Capital values	-19.0	-45.7
	Rental values	-7.0	-5.7
	Void rate	6.0	7.1
London offices	Capital values	-51.2	-47.0
	Rental values	-56.9	-24.4
	Vacancy rate	20.9	9.6

Source: IPD, PMA

Current cycle compared to early 1990s: offices stronger, retail weaker



The UK REIT Sector Has Stabilised...

Increased clarity around potential trough valuations, supportive dividend yields and future growth prospects

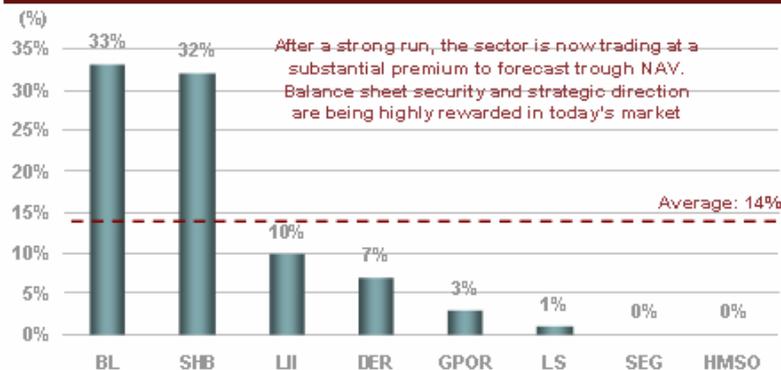
Commentary

- Following unprecedented levels of equity issuance, UK REIT share prices have recovered and outperformed the market in Q2 2009
- Equity raisings have allowed REITs more time to complete planned asset disposals – these will further strengthen balance sheets
- With greater visibility around likely future value falls, particularly as transaction evidence increases, REITs are now trading at or above trough NAVs
- These valuations are supported by relatively attractive and well-covered dividend yields, which were largely rebased alongside equity raisings

Listed Sector Valuations Improving



Price / Forecast Trough NAV (%)



2010E Dividend Yield (%) & Dividend Cover (x)



Source: FactSet, Datastream, company data, broker research (NB: Segro forecasts are pre the completed takeover of Brixton)

UK listed real estate sector has doubled in value since 9 March to £21bn (£5bn fresh equity)

Land Securities – key facts



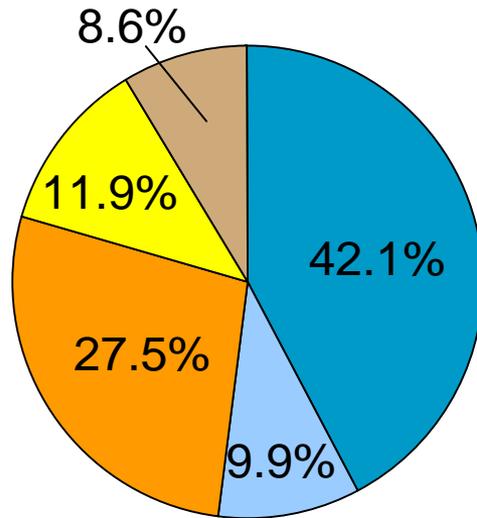
Piccadilly Lights, W1

- Founded 1944
- Largest listed real estate company in UK (by market capitalisation)
- £4.7bn market capitalisation
- £9.4bn portfolio
- Focus on London offices and retail

A leading multi-focus company

Land Securities – portfolio composition

By capital value - £9.4bn



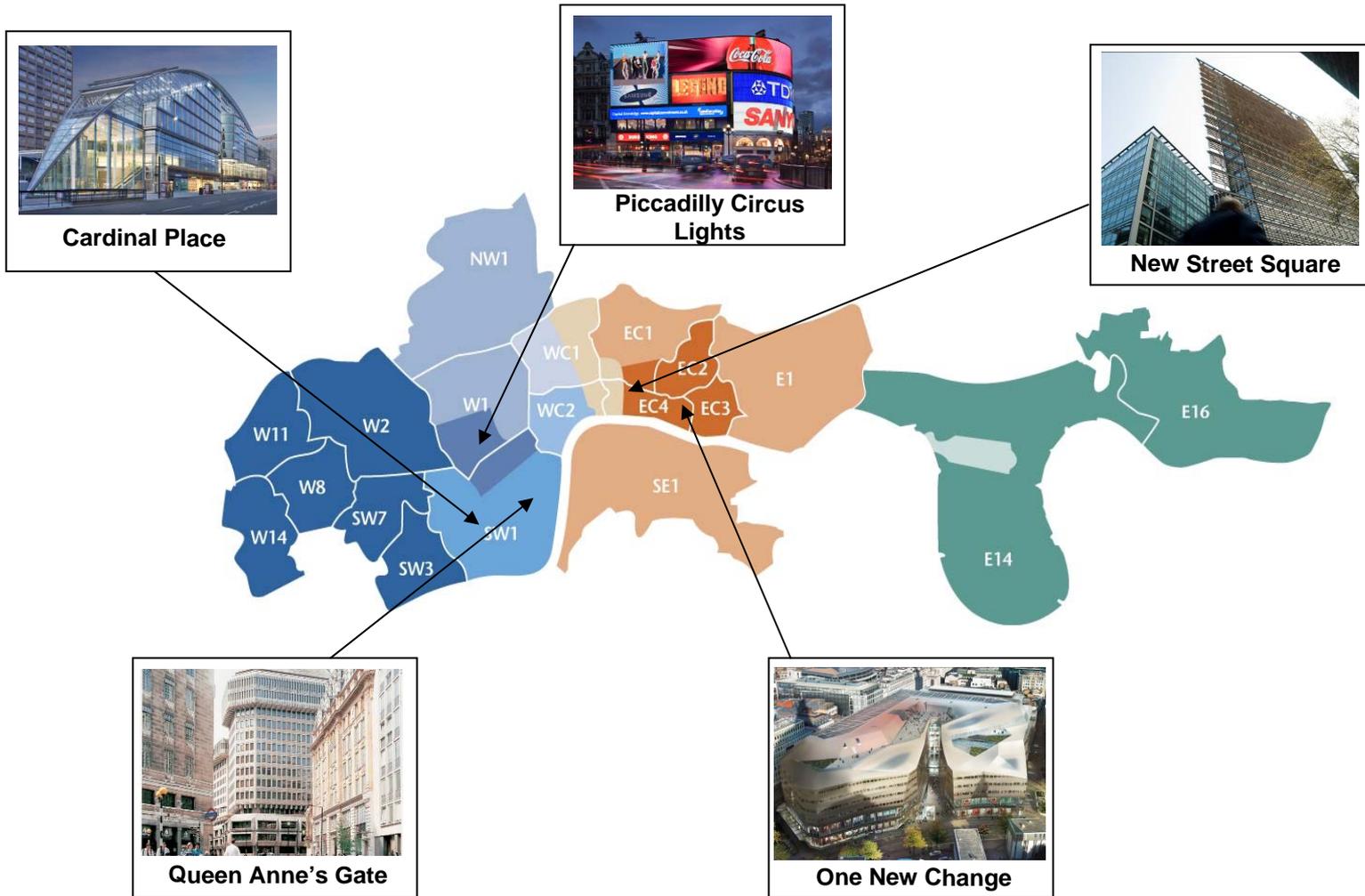
- London offices
- Shopping centres
- Other
- London retail
- Retail warehouses



Focus on London office and retail

Land Securities – key assets

London Portfolio



44% of London office portfolio in the West End

Land Securities – key assets

Retail Portfolio



26 shopping centres and 24 retail warehouse parks

Land Securities – property yields⁽¹⁾

	Gross Income Yield ⁽²⁾	Equivalent Yield ⁽³⁾	Range of equivalent yields ⁽⁴⁾
	%	%	%
Shopping centres and shops	9.0	8.0	6.9-10.3
Retail warehouses and foodstores	8.3	7.9	6.9-10.7
London retail	5.6	5.8	5.0 - 7.7
London office	8.1	7.3	6.3-10.5
Total portfolio	8.1	7.5	5.0-10.7

(1) Total portfolio excluding only the development programme and proposed developments

(2) Gross income yield topped up for unexpired rent free periods (but not for future stepped rental increases)

(3) Net nominal equivalent yield calculated on the gross outlays for a purchase of a property (valuation plus purchaser's costs)

(4) Excludes properties under £10m

Yields at historically high levels



Land Securities – balance sheet management

- Approximately £4.0bn of disposals since April 2007
- Rights issue to raise £755.7m (net) in March 2009
- Group LTV at 31 March 2007 of 38.0%
- Group LTV at 31 March 2009 of 52.0%



Devonshire House, W1
Sold in 2007 at 3.9% yield

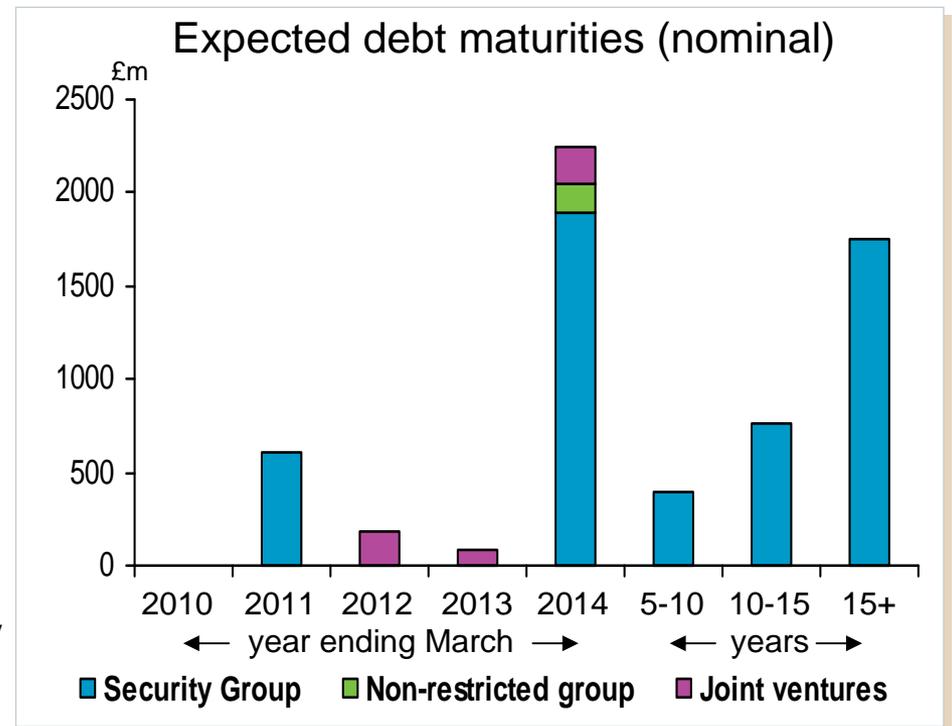


Whitefriars, Canterbury
Sold in 2007 at 4.1% yield

27% reduction in net debt in 2008/9 financial year

Land Securities – liquidity management

- £4.4bn adjusted net debt with average duration of 8.7 years
- Cash holdings of £2.2bn (as at 31 July 2009)
- Weighted average cost of gross debt of 4.4%
- No event of financial default under principal debt structure until 100% LTV or 1.0x ICR

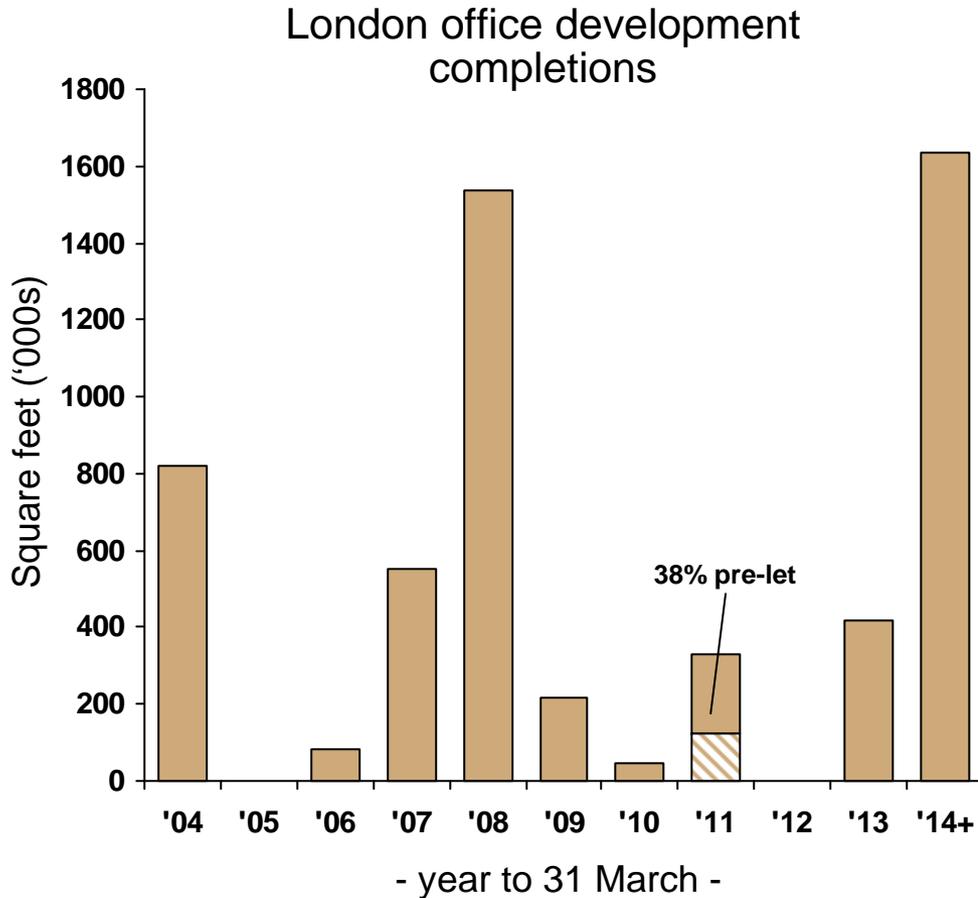


Well positioned on debt maturities and loan covenants



London offices

Adding value through development



Park House, W1



Selborne House, SW1

A good track record on timing of London office developments



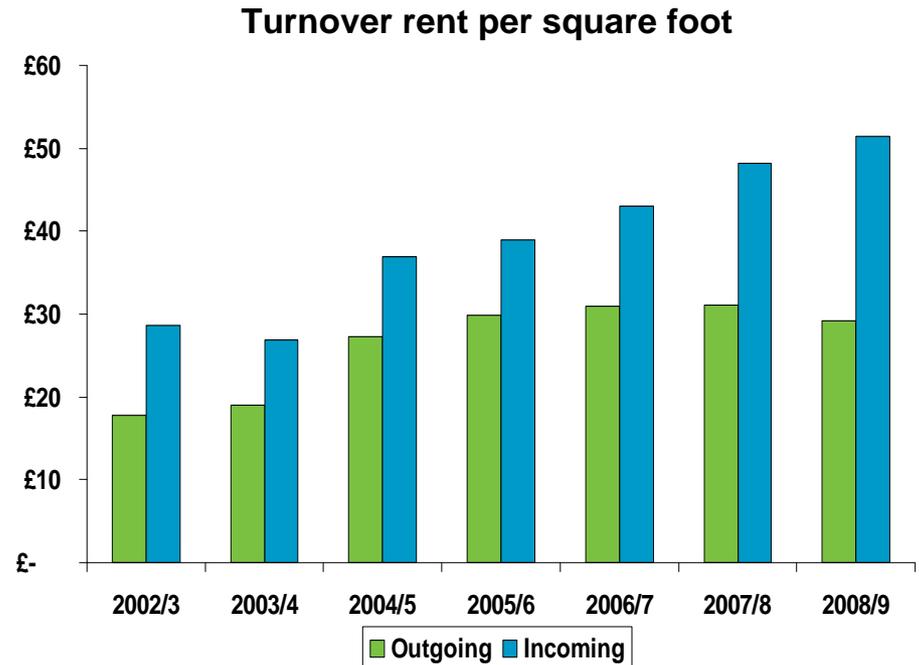


Retail

Adding value through asset management and tenant mix



Gunwharf Quays, Portsmouth



Land Securities - conclusion

1 st stage of recovery	Capital values increase	Attractive level of gearing
2 nd stage of recovery	Occupier demand improves / rental values increase	Attractive development opportunities – especially in London West End office market
Through the cycle	Impact of cost base	Cost advantage from scale – especially low cost of debt

Land Securities – well placed for recovery phase of market



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