Preliminary results presentation – 14 May 2008
Question and Answer Session

Question 1
Bhupen Master – Merrill Lynch

Just on the incentive packages, could you comment what sort of incentive packages you are offering retailers in the current environment and how they compare to say 12 months ago?

Answer
Richard Akers, Managing Director – Retail Portfolio

We said last year that we expected incentive packages to increase and they have. In the development programme, average incentives on development lettings have increased from 11 months in the previous financial year to 18 months in the financial year just gone. Pretty much in line with our prediction and that trend is still on the increase with a large supply of space coming through in 2008. In contrast in the existing portfolio, incentive packages haven't risen as steeply. They have risen from about six months to seven months in our existing shopping centre portfolio. In retail warehousing, the picture is slightly harder to interpret; incentive packages have actually reduced last year on the previous year, but most of the deals in retail warehousing are around moving or downsizing or upsizing retailers. So they are value creating deals where the marriage value in those deals tends to be shared with the retailers and there are surrender premiums as well as incentives on new lettings.

Question 2
Quentin Freeman - UBS

Can I ask on the London development programme, you have highlighted two future projects; these are Arundel Great Court and Selborne House. I wondered if Mike could give us an update on the current position and what you are planning to do with those two projects?

Answer
Mike Hussey – Managing Director – London Portfolio

Arundel Great Court and Selborne House are both subject to a planning application yet to be made. So they are in the pipeline and they are not yet at a point where we can give an awful lot more detail. But we will be submitting applications on Selborne probably later in the summer and Arundel Great Court a little bit after that.

Further question

Are those properties currently let and when do the leases expire?

Answer
Mike Hussey – Managing Director – London Portfolio

Selborne House is fully income producing and expires September next year. And the issue at Arundel Great Court is slightly more complex but it is income producing on a proportion of the offices and we still have the hotel operating.

Further question

Thank you. And Martin, you said that you are going to write off intangibles on the Associate. Can you give us a rough idea what intangibles are as a percentage of the NAV that you are showing in the accounts?

Answer
Martin Greenslade, Group Finance Director

That is within the fund. Within the PPP fund, all the individual PPP investments have to be recalibrated for their value. And as part of that the price that is paid for them has an intangible element to it and that has to be amortised. So within the fund, fund accounting there will be some amortisation of intangibles. I am not exactly sure what percentage it will take off the income that one would expect from the fund. But it is only in terms of the income that will come through on the Associate line.

Further question

So it doesn't affect the NAV

Answer
Martin Greenslade, Group Finance Director

It doesn't affect our NAV particularly no.

Quentin Freeman

Thank you.

Question 3 - from Webcast
Read by Francis Salway, Chief Executive

I have question that has come through on the webcast which, how confident are we that we will capture the reversionary potential?

Answer
Francis Salway

Now this clearly is a function of the relationship between the size of the reversionary potential and what happens to rental values over the period up to review. And I think what is very encouraging is that the reversionary potential on the portfolio increased from around 10% twelve months ago to 15% now. So whatever ones outcome on rental value growth is, we have got a larger buffer as it were on reversionary potential on the portfolio. And as I said, there are the very detailed schedules in the Appendix to your pack which show you when the reversions come through so people can come to their own views on that.

Question 4
John Fraser Andrews - HSBC

The first question, could you please put in context your own retail portfolio with the PMA estimate of 9% vacancy and please split that between retail parks and shopping centres?

Answer
Richard Akers, Managing Director – Retail Portfolio

Yes, our void levels in our like-for-like portfolio have increased very slightly from 3.8% to 4% over the year. They are slightly higher in shopping centres than they are in retail warehouse parks. I haven't precisely calculated the vacancy level on both shopping centres and retail warehouse parks. But what I can say is that we are very active in the way we manage our assets and if there is vacant space in the hands of a retailer, it is in our interest to try and deal with that and find a new occupier for that space. So there is very little vacant space in the hands of retailers in our centres. And clearly the rental growth prospects of retail assets are very much linked to the vacancy levels and so that is a big focus for us and we don't feel that we have a major issue with vacancy levels in either our shopping centres or our retail warehouse parks.

Further Question

So that comment applies to retail parks as well. If you were estimating the amount of space the tenants are looking to assign rather than is trading as vacant, would you bolster that vacancy level in your own portfolio?

Answer
Richard Akers, Managing Director – Retail Portfolio

Well clearly there are always units that retailers have on the market that they are trying to assign or sub-let. On an asset by asset basis, we keep a very close eye on that because it gives us a good indicator as to the relativities between supply and demand, and again we are very comfortable in our portfolio that we don't have problems with many retailers in any specific assets looking to assign their leases, and we are comfortable with the supply / demand relationship in all of our assets.

Further Question

Thank you. Second question in two parts, on Trillium. The first one is could you impart the exit IRR, the sale of the assets into the fund demonstrated the profit you recorded broadly what was that exit IRR that you achieved? And secondly what is the competitive landscape for new business in Trillium possibly the outsourcing market is more alive now than it was during the boom and also could you add a word on what the competition is for new PPP investments?

Answer
Ian Ellis – Chief Executive – Land Securities Trillium

Do you mean the price the fund buys it from us? That is around 8.7%. That will obviously vary slightly into the debt rate going forward, but that is pretty much fixed for the next 12-18 months as our exit rate. The second point in terms of competition in the widest property partnerships marketing, including our outsourcing deals. Interestingly I think both the economic situation and the commercial side might bring some corporates back, because if you think it, they might lighten their balance sheet. And on the Government side, they have firmly reaffirmed that PPP, again in its widest sense, not just PFI but property partnerships generally will be used to unlock value and to reduce running costs. And Croydon is an example of that whereby the local authority is engaging with the private sector to find a way to provide better accommodation and unlock future value. So I think actually the demand side is going to be good, the supply side is probably more restricted because there are less companies around like Trillium that have the strength and the track record to go forward in the market place. I think the one rider against that is debt, because all these deals, if they are in the private sector need debt, and the banks need to be there to fund these long term deals. The good thing is that because they are backed by Government income very often, I think the banks are still interested albeit pricing might have moved out. And that pricing goes back into the market. So I think the signs are good in terms of both, there will be good deals to come to us and there will be potentially less competition.

Further question

Thank you. And in the PPP market, are you seeing any change in market conditions in terms of appetite to buy those investments and any changes in pricing?

Answer
Ian Ellis – Chief Executive – Land Securities Trillium

We are probably seeing less deals being done and more deals coming to us off market. So I think actually there is definitely a slow down in that market and I think because debt has to be part of that equation, it should move pricing out slightly, which again should be to our advantage.

Question 5 - from Webcast
Read by Francis Salway

I have another question from the webcast, it is a question for Richard, is there any update on the Bullring disposal?

Answer
Richard Akers, Managing Director – Retail Portfolio

Well the answer is there is no update on that. We are considering disposal of our one third stake in the Bullring Limited Partnership. And it would be entirely in accordance with our strategy. We have been very successful at Bullring with the development and creating value in the asset. There is limited development potential remaining in the Bullring asset although there is lots of asset management opportunity. And so it is consistent with our strategy to recycle that capital into assets which have more active management potential. And also as we only have a one third stake, we don't have direct management in contact with the retailers which is the way we like to manage our assets. So it would be consistent with our strategy to take forward a disposal of our interest in Bullring.

Question 6 - from Webcast
Read by Francis Salway

We have a further question from the webcast which is, when will we be a buyer in the market again?

Answer
Francis Salway

I think we gave an indication that we are looking. We are in no rush to move into the market. We do think there may be individual opportunities which we think are attractive and we gave guidance to the sorts of assets where that may be the case.

If there are no more questions, thank you very much for joining us.

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