LAND SECURITIES' Q1 INTERIM MANAGEMENT STATEMENT CONFERENCE CALL
18 July 2012

Speaker: Robert Noel, Chief Executive

Good morning everyone and welcome to our first quarter interim management statement. As usual I am joined by Martin Greenslade and Richard Akers and after a few words from me we'll be happy to answer any questions you may have.

I know you will all have read the release and of course many of you will have been at our investor day in London two weeks ago, so I will keep my comments brief.

We are pleased with the activity we are reporting today. Developments are attracting lettings and beyond the deals actually completed we are in good discussions across our pipeline. Modern efficient space continues to appeal to potential occupiers and a shortage of new space continues to limit their choice. Our on-going discussions show that the interest and intent is there and reaffirms that our well managed development programme offers us great opportunity going forward. This shows through in our results. In Retail, Trinity Leeds is now 72% pre-let with a further 8% in solicitors' hands. In London at 20 Fenchurch Street the offices are now 19% pre-let or in solicitors' hands and the offices at 123 Victoria Street are now 42% pre-let.

There is demand for the right kind of space in the right place in both London offices and in retail. Always disciplined as you have come to expect we will continue to bring forward new development opportunities.

We are helped in this by the strength of our existing portfolio. We secured £7.0m of investment lettings in the period and we have continued to execute plans on every asset. It is particularly pleasing to report in our Retail Portfolio that our voids have remained flat at 3.6% of which 0.7% is under offer and our Units in Administration have fallen to 2%. This despite entering the period with the lingering impact of Game La Senza and Peacocks in administration, joined in May by Clintons. As you can see our teams are working hard to manage our assets and we are always looking to partner with the stronger retailers to maintain the appeal of our centres to shoppers and retailers.

We have also maintained our eye on potential new opportunities. Our purchases aside from the Cornerhouse in Nottingham have been small, but each opens up opportunities within existing assets. We remain patient on larger acquisitions but as you would expect we are out there and able to compete should we feel the opportunity suits our tastes.

This ability to compete is based on our financial strength. As you know, our strategy has been to fund our developments and acquisitions through sales rather than increased debt. This has brought our gearing down as we move through the cycle. The pro-forma LTV is 34.3% and we have very advantageous banking facilities. Our financial strength gives us access to opportunities.

Looking ahead, the wider market remains subdued but we can only go by what we see in our own dealings. While transactions are taking longer, as I have said, the interest and intent are there for our developments. Deals on existing assets are also being done, but there is a need for a relentless focus on managing individual assets to keep occupancy up.

We will continue to progress our plans; we will continue to be risk aware, but not risk averse and we will continue to marshal our financial strength to ensure we can react to any fluctuations in the wider economy.

So while the market is challenging, we remain confident in our position. We remain committed to our development pipeline which continues to progress well and offer exceptional opportunity. The focus for us is to continue to turn the interest we see across our schemes into lettings and grow income.

Now over to you for questions.

Question 1
Osmaan Malik, J.P. Morgan Cazenove
Great result on keeping voids flat in the Retail Portfolio. I was wondering if you had to give away any particular incentives, or anything else that you could say, in addition to the 2.9% below ERV you said in the release?

Answer – Richard Akers, Executive Director

No, on incentives, and this goes for development lettings, as well as investment lettings, they're very flat on previous periods; in fact, going back quite a long way. So the answer is no, we haven't had to give away more incentives. Obviously we are slightly below ERV on our lettings, but that's a very small sample, and we're not concerned about that particular result.

Further question

Did that include the lettings on Trinity Leeds **–** the new lettings that you've done **–** how did they compare with your expectations?

Answer – Richard Akers, Executive Director

The lettings on Trinity Leeds are absolutely in line with our plan, and our appraisal, and the incentives that we're giving at Trinity Leeds are in line with all the development lettings that we've done in the past. So what we've said is around 18 months to two years, for ten year leases on development lettings. On investment lettings, incentives are lower, around 12 months for a ten year lease.

Further question

And just finally on Leeds, we're hearing some press rumours that Hammerson may be pressing forward with their Leeds development; have you seen any indication that it's going to affect Trinity Leeds?

Answer – Richard Akers, Executive Director

We're 80% let or in solicitors' hands now. We haven't seen any impact on our leasing programme from the prospects of Hammerson's scheme so far. And, you know, frankly, we're very confident in the success of Trinity Leeds, and its position within the city centre. If Hammerson builds a John Lewis store, and we know that is their anchor store, I think that would be a very good thing, for Leeds city centre, and for us.

Question 2

Mike Burt, Espirito Santo

I was just wondering if you could give, maybe, some more detail on the impact of administrations on the Retail Portfolio, which you eluded to, and to what extent that you've been retaining stores, and if there has been any significant re-letting?

Answer – Richard Akers, Executive Director

As we said, we're down to 2% of rent in administration in the Retail Portfolio. A little over half of that is still trading, and the majority of those are with the three major retailers that went into administration – Game, La Senza, and Clintons. And what I can say is, whilst it takes a long time to agree and document re-lettings to the buyers of those businesses, our expectation is that we will re-let 29 out of the 44 units to the buyers of those businesses. And whilst there will be two or three concessionary deals within that number, broadly those re-lettings will be in line with ERV.

Question 3

Marcus Phayre-Mudge, Thames River Capital

Just a question on this comparison between your retail sales data and the BRC data; you mentioned the like-for-like same retailer basis, +1.4%, which is an excellent number; how does that data set compare with the BRC? I.e., I mean, is that particularly focussed in one particular subset? It's a fantastic number; I just wondered if you could give us some more colour on that?

Answer – Richard Akers, Executive Director

Yes, the answer is that BRC's non-food sales index is -0.2%, and our sales are +1.4%. We think it's the non-food sales which are the most comparable to our portfolio, so we think that's the right benchmark to look at. Interestingly, when we look on a strict like-for-like basis, which is the same as BRC, but when we look at our sales on a same centre basis, which takes into account the fact we might have replaced the retailer with a better retailer that has higher level of sales, then our growth is +3.8%, and that obviously also takes into account where we've let voids.

Further question

So just to clarify, your figure includes food, or is yours also ex-food?

Answer – Richard Akers, Executive Director

Our figure is all our retail sales, and it's the BRC non-food sales index. Now that's excluding grocery, not excluding food and beverage.

Question 4

Hemant Kotak, Green Street Advisors

Just sticking with the retail theme, do you expect retail sales to hold up, given the recent cuts to UK forecasts, and the potentially negative impact that this might have on consumer sentiment? Are we expecting to see conditions take a turn for the worst?

Answer – Richard Akers, Executive Director

I think all we can do, really, is tell you how we're finding it in the market. And we've given our figures for the sales that we've experienced over the last quarter; it is a tough market, we've simply performed pretty well. We saw consumer confidence perhaps improving a little bit towards the end of the quarter, maybe reflecting the Jubilee Celebrations, and that's been a positive. We're hopeful that the tick down in inflation will also help with consumer confidence, but all we can do is tell you how it is. We're finding a reasonable amount of demand for our portfolio, and for our developments, and we think we will continue to maintain our stability.

Further answer – Robert Noel, Chief Executive

If you remember our plan, we're talking about investing in the right locations where the retailers want to be, and don't forget that we've got a growing population in this country, we're now up to 66 million people, everyone needs to wear clothes, and everyone needs to eat. So you know, shopping is not going to disappear, and I think it may be a slightly over-whacked market at the moment; the key is, being in the right locations.

Further question

And then secondary pricing, and even good secondary pricing appears to be taking a hit. Do you think that prime is likely to follow anytime soon? And then maybe a related question on secondary is, at what point does secondary pricing become attractive? When has it fallen enough?

Answer – Robert Noel, Chief Executive

Well, Hemant, you're not expecting us to give you a forecast on pricing. However, the one thing I would say is that the spread between property yields and gilts has never been wider. We don't see gilts ticking up anytime soon, we're in negative real interest rate territory, which may be good for property, but gives you some sort of underlying view on the wider economies on this planet at the moment. I don't think there's any real outward pressure on yields, because the spread is wide. So you know, if there is going to be a landing for prices, it's going to be relatively slow.

Speaker: Robert Noel, Chief Executive

If there aren't any further questions, we'll just wrap up, and I'd just like to thank you for coming on the call, and just bear in mind our business plan is not predicated on economic growth. We have been sticking to a very clear plan since late 2009, early 2010. We are developing into supply constrained conditions in London, we've got very good interest in our schemes, and we're building shopping centres and out of town stores which are predominantly pre-let, and we've got great interest in those, as well. So we're pretty comfortable, and our balance sheet is bulletproof. Thanks very much.

– ENDS –

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