# Press Release


20 January 2009

**Land Securities Group PLC (“Land Securities” / “the company”)**

**LAND SECURITIES – THIRD QUARTER INTERIM MANAGEMENT STATEMENT**

Land Securities continues to focus on its near term priorities of balance sheet management and leasing in a market which experienced an accelerated deterioration in the last quarter. During the period between 30 September 2008 and the date of this announcement the company completed the sale of Trillium along with £213.8m of other assets. The cash generated from these disposals was largely used to pay down debt. The company made further progress on lettings in the period but this remains challenging in the current economic environment. Looking ahead, the company expects that the rate of deterioration in the market will ease, but the direction will continue to be negative. In light of this the company believes it is following the right strategy to maintain a resilient position through current conditions with a view to being ready to react quickly when the cycle turns.

Period at a glance:

- Sale of Trillium completed on 12 January 2009.
- Other disposals since 30 September were £213.8m including investment property disposals of £201.8m in the quarter, 7.8% below September 2008 valuation.
- £1.8m p.a. of development lettings completed in the quarter.
- Portfolio voids: 4.6% on like-for-like portfolio, excluding properties held for re-development (4.3% at 30 September 2008).

Commenting on the third quarter, Francis Salway, Group Chief Executive of Land Securities said:

“Commercial property has gone through an unprecedented period of re-adjustment. The speed of valuation decline allied to rising insolvency rates mean the sector is facing one of the most challenging periods in generations. However, the ongoing stability of the vast majority of our income streams acts as a major support.

“Our objective continues to be to navigate a prudent line through the current volatilities by concentrating on the management of our balance sheet and the leasing up of our developments. Neither will be easy in the current environment but we are pleased with the progress we have made. In particular, since September we have sold Trillium, disposed of £213.8m of other assets and used the cash proceeds to pay down debt and strengthen our balance sheet.

"We maintain a cautious outlook in the belief that property will continue to be affected by the weakness of the wider economy. We will focus on balance sheet strength and maximising income across our portfolio. We believe that the companies that can maintain their strength and operational flexibility in the downturn will emerge as the stronger ones when the cycle turns."

**LONDON PORTFOLIO**

The majority of our substantial development programme in London was completed by the end of last year in line with our anticipation of a slowdown in the London office market in around 2009. We completed the refurbishment of Dashwood House, EC2, during the quarter, leaving us with no major development completions until One New Change, EC4, completes in September 2010. We remain flexible on the timing of the start of construction at 20 Fenchurch Street, EC3 and we await the outcome of the judicial review on Park House, W1.

Acquisitions totalled £8.0m during the quarter and related to site assembly for future development projects.

There were no office development lettings completed in the quarter. Leasing is challenging in the current market environment, but the void level on our like-for-like office properties, excluding development pipeline properties was unchanged at 4.4% at 31 December (4.4% at 30 September 2008). Including development pipeline properties the like-for-like void rate was also unchanged at 9.0% compared to 30 September 2008.

The relatively low level of retail space within the London portfolio means that its exposure to retail tenants in administration is relatively small. At 31 December 2008, tenants in administration represented 1.1% of annual net rent, 42% of which are still paying rent. For offices, the greater risk to income relates to leases expiring which are not renewed. Within the London portfolio, lease expiries due in the final quarter of our financial year, and yet to be resolved, represent 1.7% of rental income.

We completed our 14,820 sq m City office development at Dashwood House, EC2, on 31 October. Our intention is to seek lettings on a floor-by-floor basis and we have tentative interest from prospective occupiers.

At Thomas More Square, E1, in which we own a 50% interest, the prospective short-term letting of 17,700 sq m to News International referred to in our half-yearly results did not complete. We are reviewing refurbishment options for the buildings.

During the quarter we submitted a planning application for our Wellington House development on Buckingham Gate as part of our vision for the transformation of Victoria. The submission followed those for the Victoria Transport Interchange and Selborne House proposed development sites and Arundel Great Court which were submitted in September 2008. All of these schemes can be completed from 2012 and represent opportunities for the next cycle.

**RETAIL PORTFOLIO**

The defensive nature of our Retail portfolio, with a strong range of assets and a diversified tenant base allied to our experienced management team, is important in the increasingly challenging retail market in which we operate.

The void level on the like-for-like properties in our Retail portfolio, excluding development pipeline properties, was 4.7% at 31 December (4.3% at 30 September 2008). Including development pipeline properties the like-for-like void rate was 5.0% (4.4% at 30 September 2008). In addition, tenants in administration represented 4.8% of annual rental income (15% of which are still paying rent). This compares to 30 September 2008 when tenants in administration represented 2.9% of annual rental income (29% of whom were paying rent). Taking all of the units which have gone into administration since the start of our financial year (1 April 2008), 31 units or 16% by income have been re-let or have enjoyed continuity of payment of rent.

There were no material acquisitions during the quarter.

We have completed a further 14 retail development lettings at an aggregate rent of £1.7m p.a. (Land Securities' share), with a further £5.8m p.a. in solicitors' hands. In the nine months to 31 December 2008 our completed development lettings in the Retail Portfolio totalled £8.6m.

During the quarter the quality of our developments was again recognised by the industry. Cabot Circus in Bristol, the scheme undertaken in partnership with Hammerson and completed in September 2008, won the BCSC Supreme Gold Award, and MAPIC EG's Best Shopping Centre of the Year, beating an international shortlist. The scheme is 91% let.

The extension to our Elements development in Livingston opened in the first half of the year with Marks & Spencer and Debenhams anchoring this scheme. During the third quarter we made some further progress on leasing up the scheme, which is now 78% let or 80% let/in solicitors' hands.

Our retail development in Cardiff, St David's 2, undertaken in partnership with Capital Shopping Centres, completes in September 2009. Letting progress on this scheme reflects the tough environment for the retail sector. The scheme is now 23% let or 37% let/in solicitors' hands by income; by floor area it is 40% let or 52% let/in solicitors' hands. The outlook remains challenging for the leasing of this project.

**TRILLIUM**

On 12 January 2009 we completed the sale of Trillium to Telereal, the property investment and services company, for a total headline consideration of £750m, receiving cash proceeds of £444m. Land Securities made available a loan of £50m to the TIP fund which has been drawn down.

**FINANCE**

As at 31 December 2008, net borrowings (including joint ventures and adjusted for the sale of Trillium which closed on 12 January) amounted to £5,692.2m at an average cost of 5.0% with an average maturity of 11.1 years. 87% of our debt was fixed. The market value of our debt and related interest rate swaps at 31 December 2008 was £5,028.9m. Net borrowings at 30 September 2008, (including joint ventures but excluding non-recourse debt in PPP contracts) was £6,084.9m

The vast majority of our external debt is lent to the Secured Group which provides fixed and floating charges over the majority of our investment properties. The LTV ratio of the Secured Group at 30 September 2008 was 53.4%. We did not carry out a revaluation of our investment properties at 31 December 2008. However, if we were to assess the LTV ratio of the Secured Group at 31 December 2008 based on 30 September 2008 asset values and the 31 December 2008 debt position further adjusted only for the sale of Trillium, the LTV ratio would have been 49.1%

Since 30 September 2008 we have raised £93.4m of new debt facilities, including our share of debt raised in joint ventures. During the quarter we repaid £106.4m of loan notes and there are no bank facilities that mature prior to 31 March 2010. The facilities which mature during the 2010/11 financial year have term-out options of one year.

The third quarterly dividend payment for the current financial year will be a Property Income Distribution of 16.5 pence per share. It will be paid on 24 April 2009 to shareholders on the register at 20 March 2009.

- ENDS –

A conference call for analysts is being held today at 08:30 GMT

Conference call details:
UK dial in number: 0871 700 0345 / 0870 043 6302
International dial in number: +44 (0) 1452 555 566
Call title: Land Securities IMS conference call
Conference ID: 81295722

A replay facility will be available to listen to immediately following the call for a period of 7 days

Encore Replay details:
UK dial in number: 0845 245 5205
International dial in number: +44 (0) 1452 550 000
Access number: 81295722 #

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**Forward Looking Statements**

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