

Our strategy

Our strategy addresses short-term opportunities and changes in our market sectors together with the big trends likely to affect us long term.

Group strategy

Our strategy is simple: we manage our businesses through property market cycles, adjusting key investment and development activities ahead of changing conditions to maximise returns and minimise risk.

Our strategy is designed to ensure we are a sustainable business through the market cycles and changing consumer demand, creating and protecting financial, physical and social value over the long term.

We focus on two key types of assets – mixed use buildings in London, and retail and leisure destinations in vibrant UK locations. We act early in response to changes and trends in our markets. And we help lead our industry forward on critical long-term issues. Our business strategy is supported by a strong sustainability programme focused on creating jobs and opportunities, efficient use of natural resources, and sustainable design and innovation.

We aim to be the best property company in the UK in the eyes of the people we rely on – our customers, communities, partners and employees – using our experience to provide them with great experiences. For us, everything is experience.



Westgate Oxford: an extraordinary new destination in the heart of historic Oxford.

London Portfolio

Buy

We aim to buy assets when values are falling or low, or when we see a long-term opportunity to enhance value. We're currently watching the market carefully, monitoring potential acquisitions. Our strong balance sheet and access to capital mean we can buy when we spot the right opportunity.

Develop

We start to develop early in the cycle so we benefit from lower construction costs, aiming to deliver completed schemes when demand is rising and supply is low. We've drawn our large speculative development programme to a close but have plenty of options for development and acquisitions.

Manage

We get to know our customers well so we understand their changing needs and can respond quickly. This helps us to retain occupiers and improve rental values, keeping our portfolio attractive and resilient.

Sell

We sell assets when we see better ways to use the capital. We aim to sell when there's strong demand for the space and ahead of a turn in the cycle from demand to supply. We look to add value through asset management or refurbishment ahead of selling an asset.

[To read about our London Portfolio's performance this year go to pages 26-29](#)



Work and play at Nova, SW1 – completed in April 2017.

Retail Portfolio

Buy

We acquire when we see an opportunity to transform an under-managed property or land into a great destination for shoppers and visitors.

Develop

We create destinations where people want to spend time and return frequently. We help retailers pursue multi-channel strategies and we use new technology to enhance the shopping experience. We de-risk developments by seeking substantial pre-lettings before we start construction. And we always contribute to the local community, which helps to make our centres busy and well regarded.

Manage

We are proactive managers, constantly looking to enhance our space in line with the changing needs of our customers and communities. We continually refresh the customer mix in our destinations and work hard to create the most compelling blend of retail, leisure, food and drink.

Sell

We dispose of an asset when we see opportunities to use capital elsewhere to create better, more valuable space with greater appeal.

[To read about our Retail Portfolio's performance this year go to pages 30-33](#)



We're now the UK's leading owner-manager of outlet centres.

Our strategic response to the big drivers shaping our market

①

Evolving customer needs

- Constantly looking to use our experience to create great experiences for our customers
- Focusing on well-connected locations in London and dominant retail destinations in the UK
- Prioritising customers' productivity, value generation and cost per head over cost per sq ft
- Being agile in our response to customers' changing priorities, needs and expectations
- Becoming more of a service provider who works in ever closer partnership with key customers
- Developing a more flexible approach to services and leases
- Providing more serviced office options within our portfolio
- Creating greater physical flexibility, connectivity and technical resilience in our space
- Curating the best mix of customers in each space and helping brands to thrive together
- Putting fresh air, light and other environmental elements at the heart of the experience we provide in our spaces
- Investing to ensure we understand fast-changing trends and technologies – and respond in smart, innovative ways.

②

Balance of supply and demand

- Progressing our pipeline of development opportunities in London
- Securing pre-lets on major development projects in the short term, in both London and Retail
- Monitoring buying opportunities closely and being ready to act
- Increasing asset management activity across our business to create more value from within the portfolios
- Enhancing the experience for visitors in our retail assets to ensure they remain popular and relevant
- Bringing in new customers to our retail assets, including international brands and online retailers.

③

Economic uncertainty

- Keeping operational and financial gearing at conservative levels for the time being
- Ensuring we have access to capital for acquisitions
- Continuing to grow our development opportunities and options, timing our activity carefully in line with the cycle
- Staying alert to both the challenges and the opportunities created by economic uncertainty, including the evolving space and service requirements brought by Brexit and other macro factors influencing customers' decisions.

④

UK competitiveness

- Ongoing investment in physical and social infrastructure wherever we develop and manage major assets
- Sharing our strong belief in the positive prospects of London and the UK
- Taking part in public debate and industry groups to raise standards in the UK construction and property sectors
- Creating jobs through the construction and operation of assets, including candidates supported through our Community Employment Programme
- Supporting students from disadvantaged backgrounds through our education programme.

⑤

Product innovation

- Strengthening our customer-led culture through our Creating Experiences employee training programme
- Working in partnership with customers to ensure we understand and respond to their deeper business priorities, opportunities and challenges
- Investing in customer insight and forecasting
- Testing and exploring new ideas with customers and partners
- Putting sustainable design and innovation at the heart of our activity
- Improving construction and asset management processes and health and wellbeing standards through our Customer Improvement Groups, which bring together teams from Landsec and key customers and partners.

⑥

Sustainability as advantage

- Continuing to realise value through leading our industry and the business community on sustainability
- Building on our leadership position as the first property company to have an approved science-based carbon target so we can deliver operational efficiencies for our business and our customers
- Creating social value for our partners and communities through our employment and educational programmes
- Responding to climate change in order to protect the long-term interests of our shareholders and business continuity for our customers
- Ensuring all of our employees actively think about and address sustainability by delivering our Sustainability Matters employee training programme
- Setting high standards for partners through our Sustainability Brief and Charter
- Pioneering new systems and solutions, building on our ground-breaking work with green gas and renewable electricity.



Our strategy

continued

We aim to create value for the people who matter most to us: our customers, communities and partners – including shareholders – and our employees.

Our strategic objectives

Our strategic objectives are agreed by the Board. They form the starting point for our strategy and inform how we run and report on the business.

-  Deliver sustainable long-term shareholder value
-  Maximise the returns from the investment portfolio
-  Maximise development performance
-  Ensure high levels of customer satisfaction
-  Attract, develop, retain and motivate high performance individuals
-  Continually improve sustainability performance

 To see how we measure progress against our strategic objectives go to pages 20-21

Our strategic choices

To meet our objectives and respond to market conditions we make a series of strategic choices. These shape both our immediate, tactical response to opportunities and risks and our long-term positioning and priorities.

Market

We focus on two dynamic sectors of the UK real estate market – offices, retail, leisure and residential in London; and retail, leisure and residential outside London. Being active in these two sectors rather than one provides us with greater financial stability as they work to different cycles.

Timing

We apply our experience and insight so we buy, develop, manage and sell assets at the right point in the property cycle. This often means being prepared to act early when we see an opportunity.

Scale

We aim to maintain our financial and operational size and strength. This enables us to deploy our capital if we want to acquire or develop a number of major assets at the same time.

Locations

We only buy and develop in thriving locations or places with excellent potential. Good transport links coupled with first-class buildings are becoming more highly valued than fashionable postcodes.

Finance

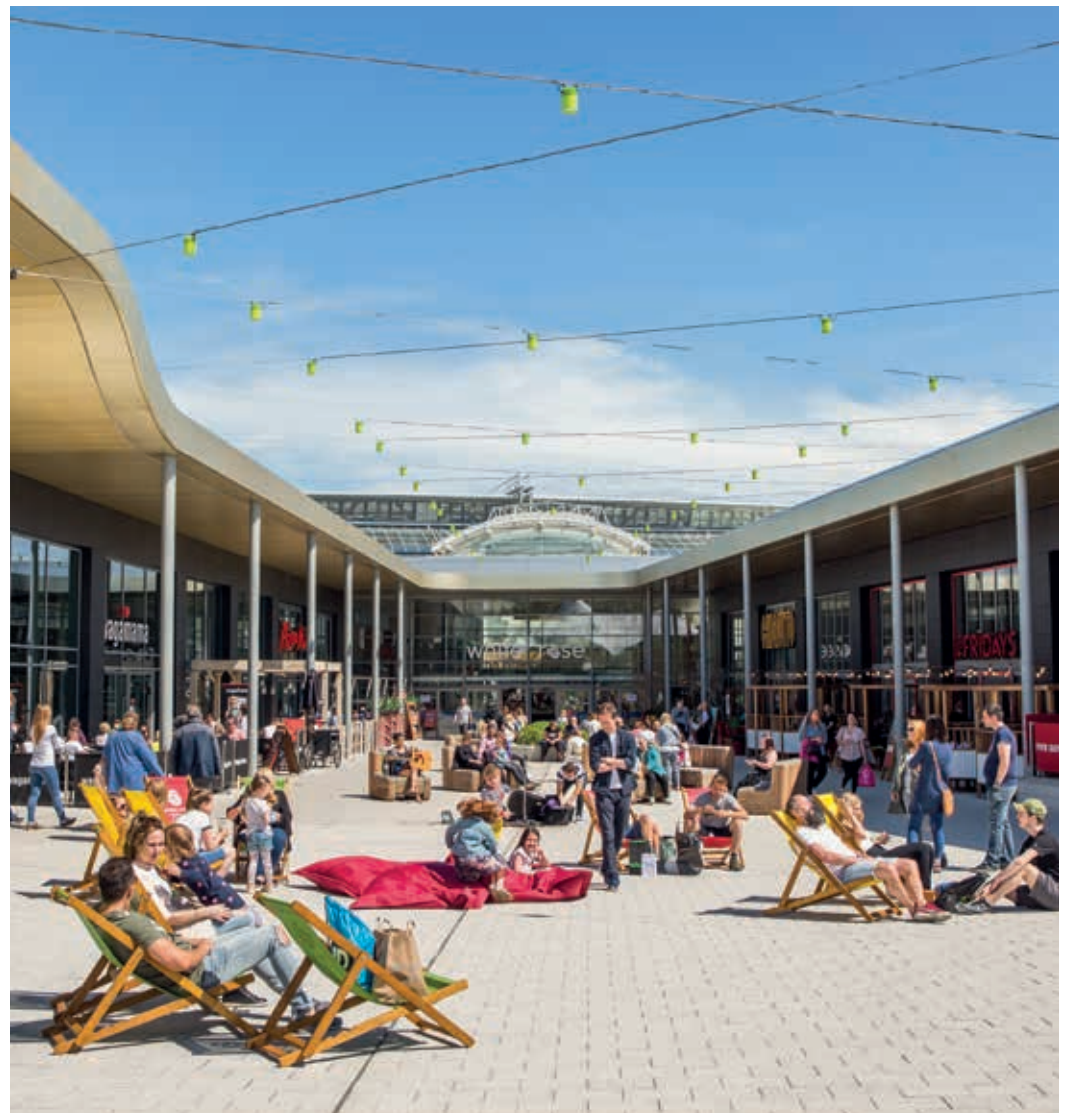
We look to enhance returns by using debt to help finance our investments and activity, using our assets as security to drive down costs. We may increase debt when we see substantial opportunities to buy and develop. We may decrease debt through sales if we see weaker demand and lower investment levels ahead.

Risk

We address the risk that space will be left unlet – or let at low rents – if supply outstrips demand by owning assets with strong appeal, developing early in the cycle and managing actively. We act early to mitigate risks related to changes in climate, legislation and resource availability.

Relationships

We work to develop close relationships with our customers, communities, partners and employees so we understand their evolving needs and they trust us to meet their expectations.



Investing through the life-cycle

We aim to buy, develop, manage and sell assets in a way that benefits those closest to us – our customers, communities, partners and employees. We believe that responding to people’s needs, and giving careful consideration to the environment, economy and community, helps us to create enduring financial, social and physical value over the long term.

Where we acquire or develop, we work closely with customers and communities to ensure the new space meets their needs and expectations. We manage most of the buildings we own (by value) which means we get to see how people interact with them and hear their views.

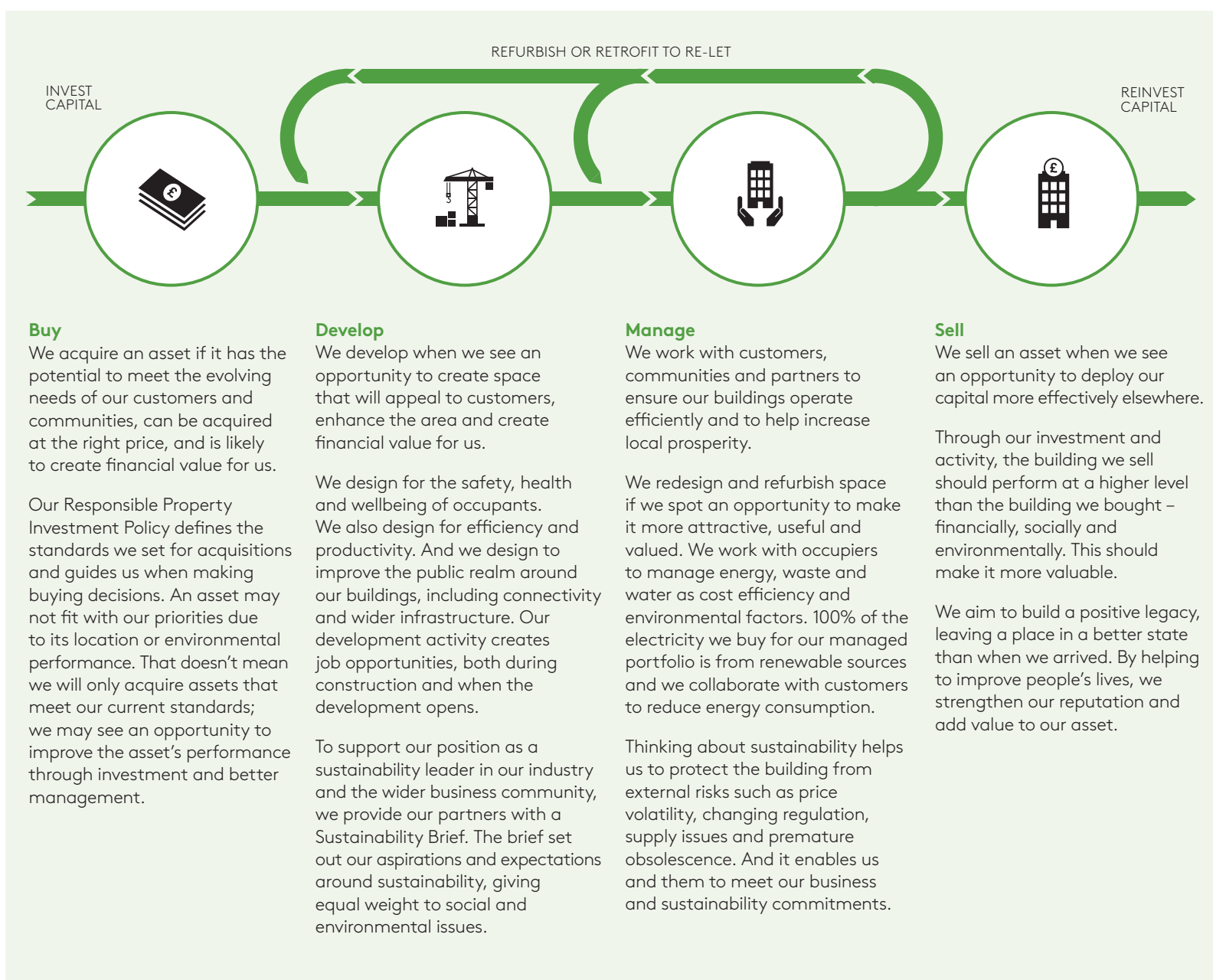
We can take decisive action to improve things for the better when we have control of assets.

We aim to develop and manage buildings in a sustainable and innovative way; make efficient use of natural resources; and create jobs and opportunities for the people who live near our assets, including disadvantaged groups who are furthest from employment.

We have a clear Stakeholder Engagement Policy that formally sets out our commitments, objectives, values and engagement process.

① To see our Stakeholder Engagement Policy, Responsible Property Investment Policy and Sustainability Brief go to landsec.com

Asset life-cycle



Buy

We acquire an asset if it has the potential to meet the evolving needs of our customers and communities, can be acquired at the right price, and is likely to create financial value for us.

Our Responsible Property Investment Policy defines the standards we set for acquisitions and guides us when making buying decisions. An asset may not fit with our priorities due to its location or environmental performance. That doesn’t mean we will only acquire assets that meet our current standards; we may see an opportunity to improve the asset’s performance through investment and better management.

Develop

We develop when we see an opportunity to create space that will appeal to customers, enhance the area and create financial value for us.

We design for the safety, health and wellbeing of occupants. We also design for efficiency and productivity. And we design to improve the public realm around our buildings, including connectivity and wider infrastructure. Our development activity creates job opportunities, both during construction and when the development opens.

To support our position as a sustainability leader in our industry and the wider business community, we provide our partners with a Sustainability Brief. The brief set out our aspirations and expectations around sustainability, giving equal weight to social and environmental issues.

Manage

We work with customers, communities and partners to ensure our buildings operate efficiently and to help increase local prosperity.

We redesign and refurbish space if we spot an opportunity to make it more attractive, useful and valued. We work with occupiers to manage energy, waste and water as cost efficiency and environmental factors. 100% of the electricity we buy for our managed portfolio is from renewable sources and we collaborate with customers to reduce energy consumption.

Thinking about sustainability helps us to protect the building from external risks such as price volatility, changing regulation, supply issues and premature obsolescence. And it enables us and them to meet our business and sustainability commitments.

Sell

We sell an asset when we see an opportunity to deploy our capital more effectively elsewhere.

Through our investment and activity, the building we sell should perform at a higher level than the building we bought – financially, socially and environmentally. This should make it more valuable.

We aim to build a positive legacy, leaving a place in a better state than when we arrived. By helping to improve people’s lives, we strengthen our reputation and add value to our asset.