# Half-yearly results

10 November 2020

Landsec

Note: Photographic content has been commissioned post-impact of Covid-19

# Agenda

| | |
|---|---|
| **Overview** | Mark Allan |
| **Financial review** | Martin Greenslade |
| **Portfolio review** | Colette O'Shea |
| **Outlook** | Mark Allan |

Landsec

# An extraordinary six months but…

— Managing the impact of Covid-19 proactively and responsibly

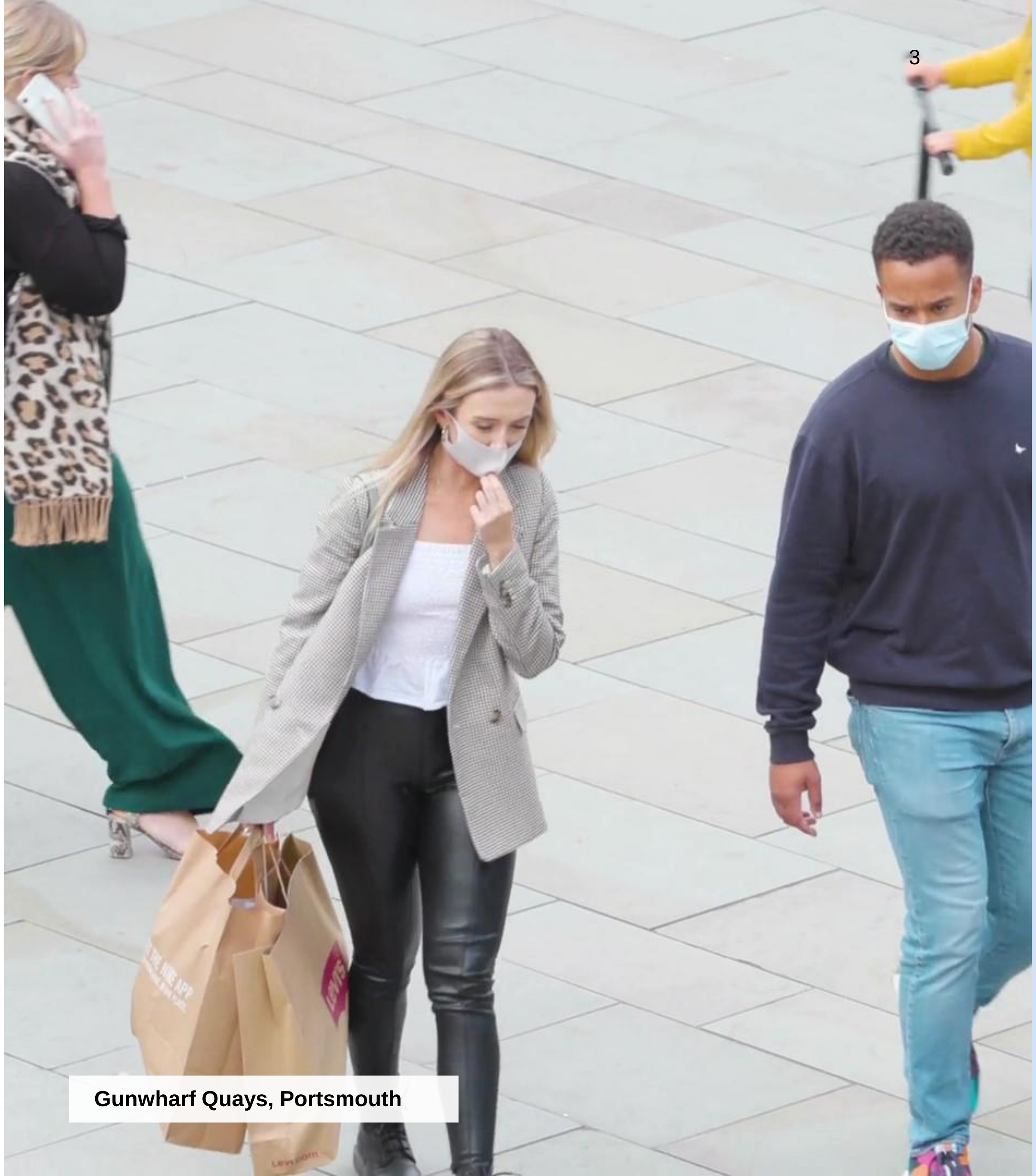
— Business fundamentals remain strong

— London remains attractive

— Reinstating dividend alongside interim results

— Looking beyond Covid-19 to medium and longer-term opportunities

— New strategy positions Landsec for growth



Gunwharf Quays, Portsmouth

# Managing the impact of Covid-19 proactively and responsibly

- Safety is our number one priority
- Strengthened customer relationships through collaborative dialogue
- Measured approach to development
- Neutral debt position over the period
- Financially prudent with cautious provisioning

Gunwharf Quays, Portsmouth

# Business fundamentals remain strong

- Low LTV
- Good portfolio liquidity
- London, in particular, defined by quality, resilience and liquidity
- Long held focus on sustainability creating value
- Significant medium-term regeneration potential within urban opportunities
- Strong track record, reputation and relationships
- Team characterised by experience, expertise and capability

Dashwood, EC2

# Looking beyond Covid-19 to medium and longer-term opportunities

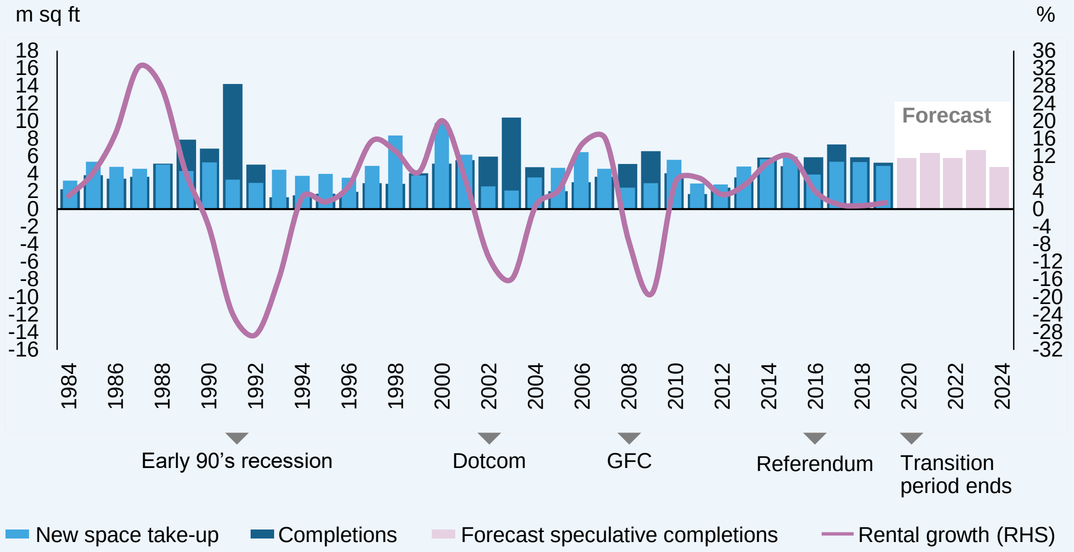
- How offices are used will change
- Expect increased obsolescence of older office stock in London to provide development opportunities
- Urban mixed-use/regeneration to deliver the change the built environment needs
- Financial and human resources in place

123 Victoria Street, SW1

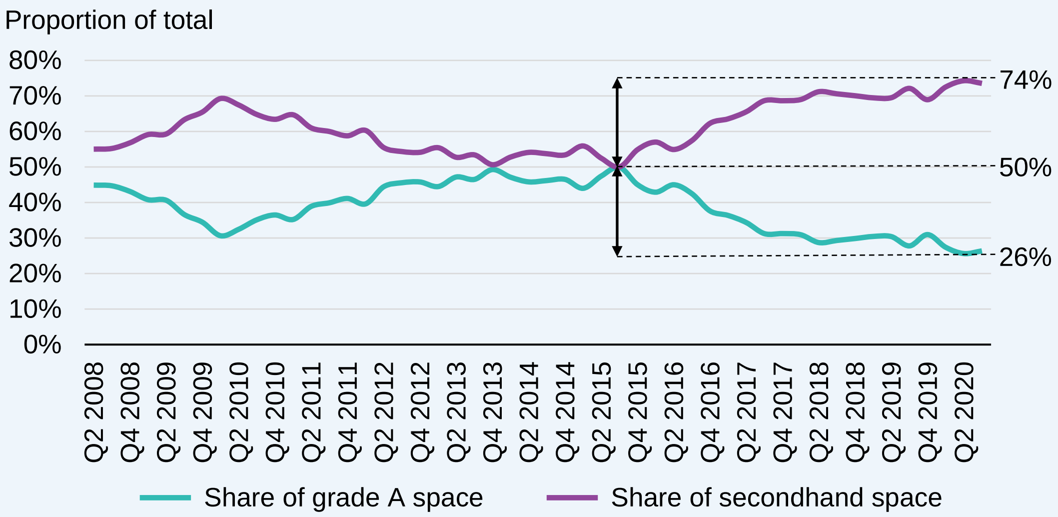
# Bifurcation of the central London occupational market continues

- Take-up was 2.2m sq ft, 67% below the long-term average
- Availability increased by c.45% since Q1: vacancy rate increased to 6.5%
- Demand and supply balanced in run up to Covid-19
- Only 26% of available space is grade A(1)
- 46% of space under construction is already pre-let(2)
- New space represents 48% of total take-up(3) compared with a LTA of 39%

Central London office market




London office market availability – grade A vs secondhand space




Sources:
1) CBRE
2) CBRE, Knight Frank, Landsec
3) CBRE, Landsec

# Central London investment market robust despite short-term Covid-19 pressures

## Investment market

— Investment activity in calendar Q2 significantly below the long-term average but began to recover in Q3 and Q4 has started strongly

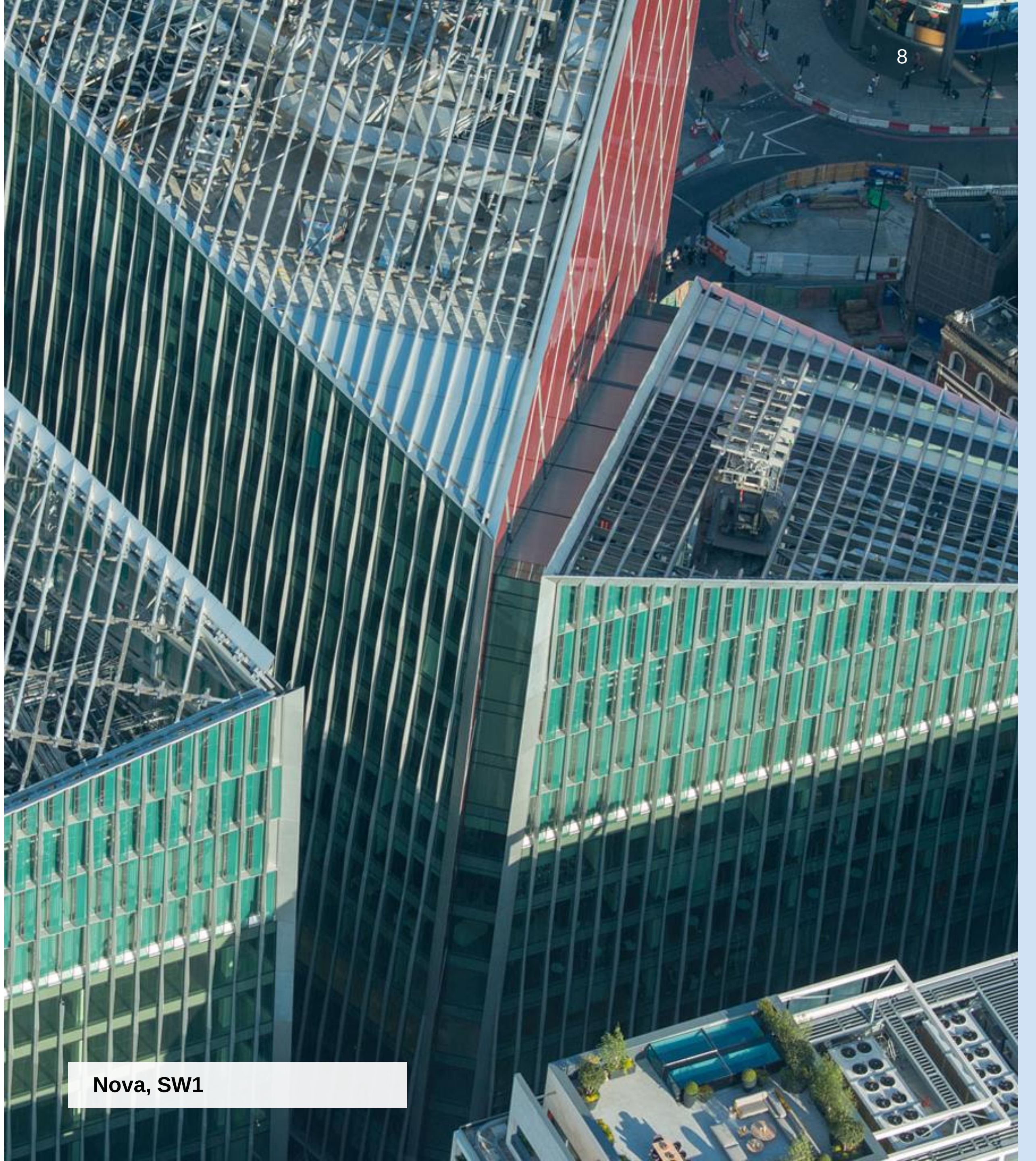
— Low rate environment and yield premium for London vs other global cities provides support for yields/values

## Three themes emerging

— Strong investor demand for quality assets

— Obsolescence of older stock accelerating

— Evolution of how space is secured and utilised



Nova, SW1

# Structural trends in retail accelerating, but outlets remain resilient

— Covid-19 has accelerated structural trends, but affecting different assets in different ways

— Outlets remain resilient

— Retailers likely to have fewer full price stores in future, but the physical store has a clear role to play in an omnichannel world

— Investment market for shopping centres remains stalled

— Establishing sustainable rents key to investment market stabilising

  — c.15% below September ERVs


Bluewater, Kent


Xscape Yorkshire

# Financial review

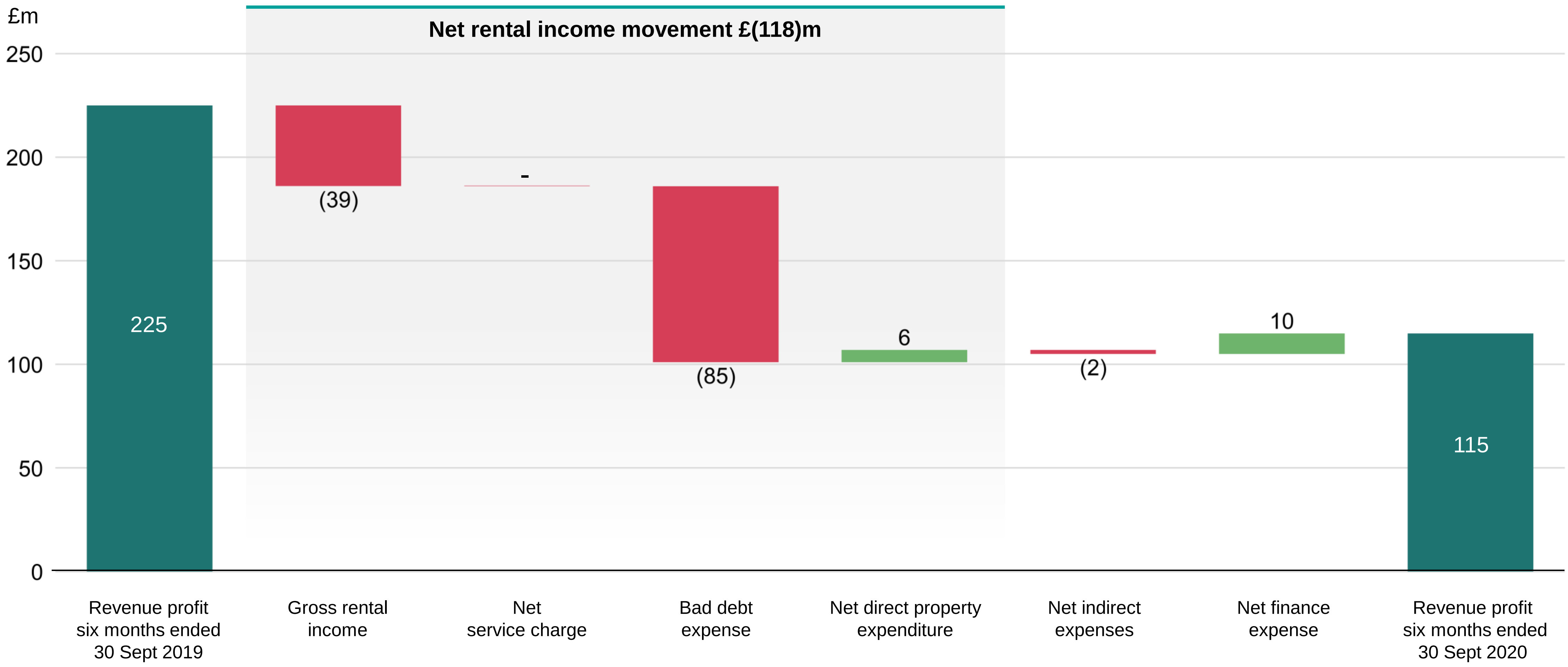
Landsec

# Financial summary

| 30 Sept 2019 | | 30 Sept 2020 | % change |
|---|---|---|---|
| £225m | Revenue profit[1] | £115m | -48.9 |
| £(368)m | Valuation deficit[1] | £(945)m | -7.7[2] |
| £(147)m | Loss before tax | £(835)m | |
| 30.4p | Adjusted diluted earnings per share[1] | 15.5p | -49.0 |
| 1,192p[3] | EPRA net tangible assets per share | 1,079p | -9.5 |
| 23.2p | Dividend per share | 12.0p | -48.3 |

(1) Including our proportionate share of subsidiaries and joint ventures
(2) The percentage change for the valuation deficit represents the fall in value of the Combined Portfolio over the period, adjusted for net investment
(3) As at 31 March 2020

# Revenue profit



# Analysis of bad debt provisions

| By activity | £m |
| --- | --- |
| Provisions related to customer support fund concessions | 20 |
| Other provisions for rents receivable | 45 |
| Provisions for service charge receivables | 12 |
| Tenant lease incentive provisions | 10 |
| **Bad debt expense charged to revenue profit in the period** | **87** |

| By segment | £m |
| --- | --- |
| Central London | 8 |
| Regional retail | 44 |
| Urban opportunities | 6 |
| Subscale sectors | 29 |
| | **87** |

# Rent collection by activity

| | Period ended 30 Sept 2020[1] | 29 September quarter day |
|---|---|---|
| | Amounts received to date | Amounts received to date |
| Offices | 99% | 96% |
| Rest of Central London | 74% | 50% |
| Regional retail | 51% | 50% |
| Urban opportunities | 54% | 60% |
| Subscale sectors | 69% | 47% |
| **Total** | **77%** | **78%** |

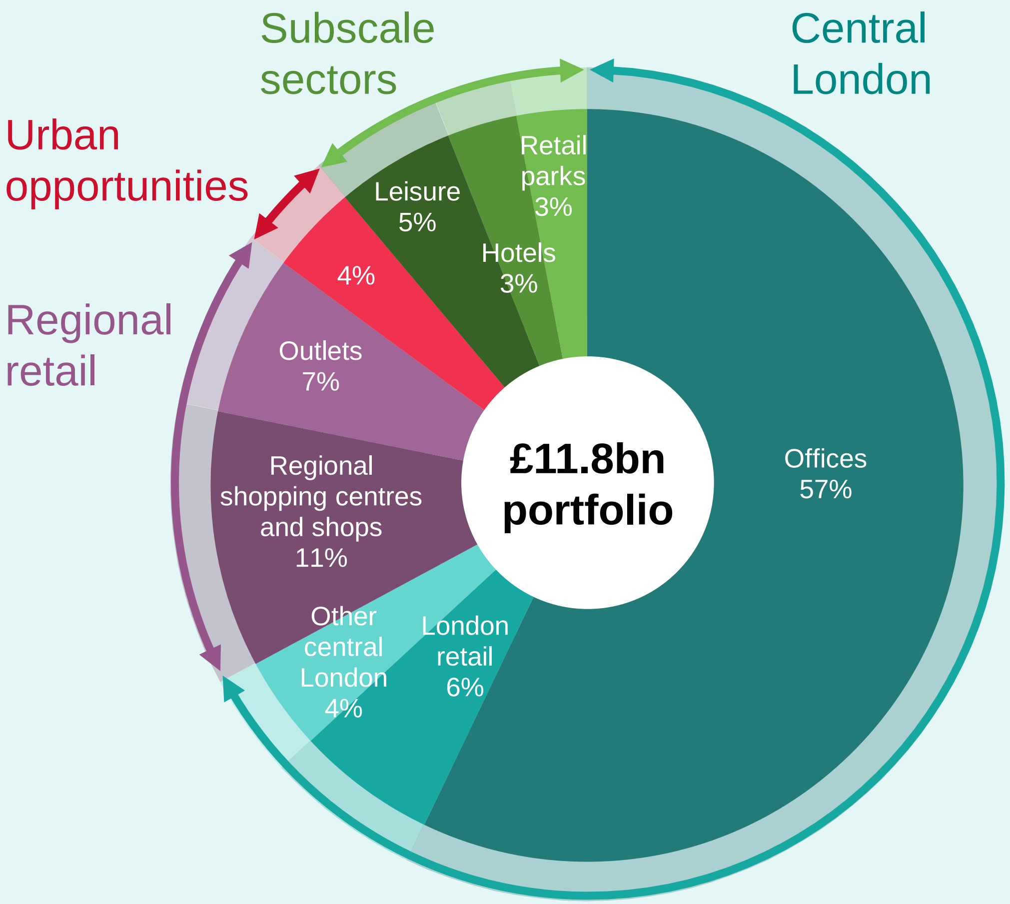
(1) Due dates from 25 March to 28 September 2020

# Combined Portfolio valuation

£11.8bn portfolio

Valuation declined 7.7% or £945m

3-month to 6-month rent concessions assumed for certain sectors: £72m impact



# Combined Portfolio valuation
## Central London

£7.9bn portfolio,
67% of Combined Portfolio

Valuation declined
3.8%

**Offices (-2.3%)**

— Like-for-like rental values down 1.0%
— +2bps like-for-like equivalent yield shift to 4.6%
— Like-for-like assets down 1.9%
— Developments decreased by 3.9%

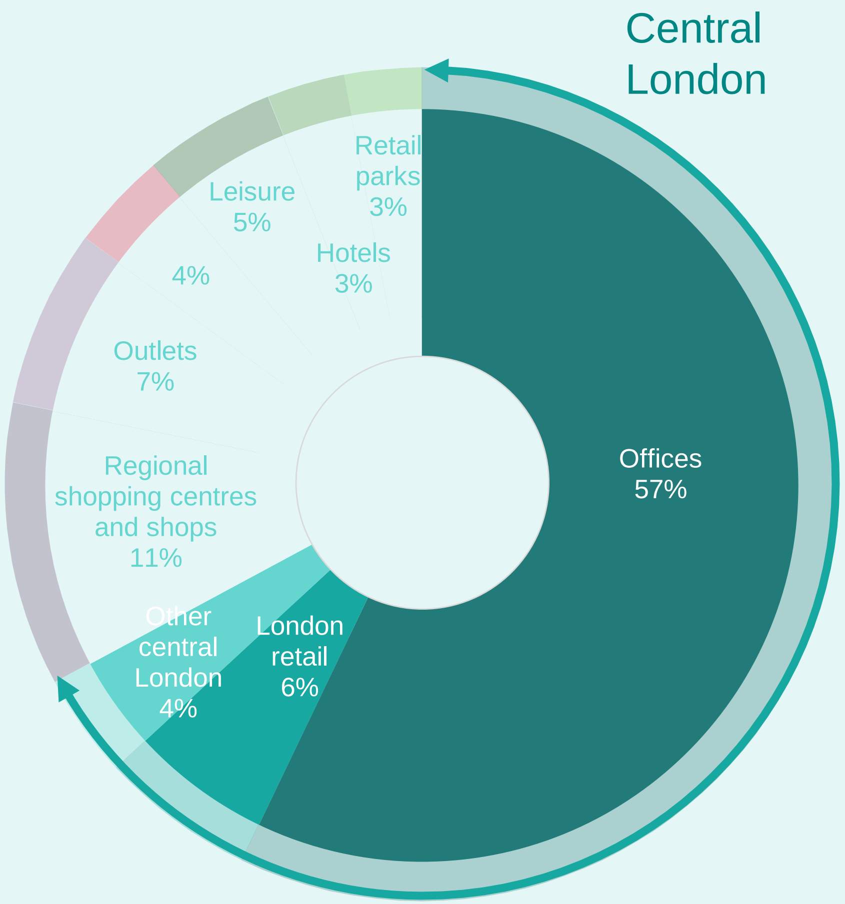
**London retail (-16.7%)**

— Like-for-like rental values down 16.5%
— +12bps like-for-like equivalent yield shift to 4.4%

**Other central London (0.2%)**

— Like-for-like rental values are flat
— Like-for-like equivalent yield flat at 4.3%

OPTIMISE



# Combined Portfolio valuation

## Regional retail

£2.1bn portfolio,
18% of Combined Portfolio

Valuation declined 16.4%

Like-for-like rental values down 10.1%

**Regional shopping centres and shops (-20.4%)**

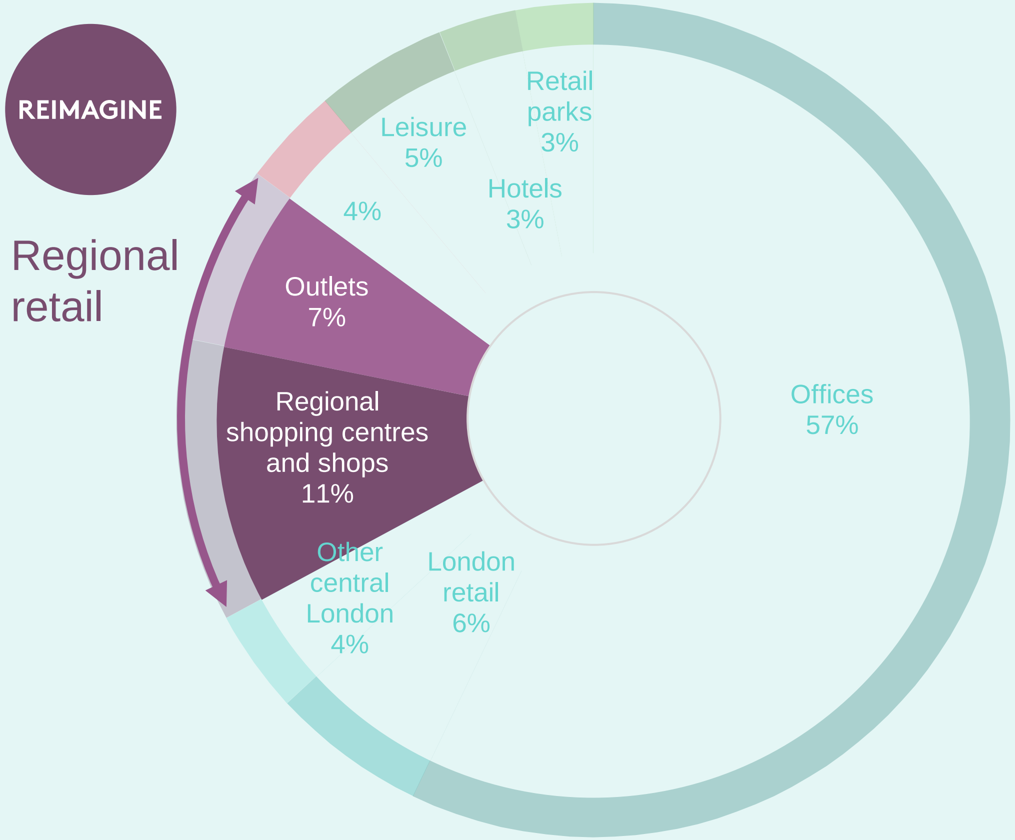
— Like-for-like rental values down 14.4%

— +42bps like-for-like equivalent yield shift to 6.6%

**Outlets (-8.8%)**

— Like-for-like rental values down 1.3%

— +38bps like-for-like equivalent yield shift to 6.3%



# Combined Portfolio valuation

## Urban opportunities

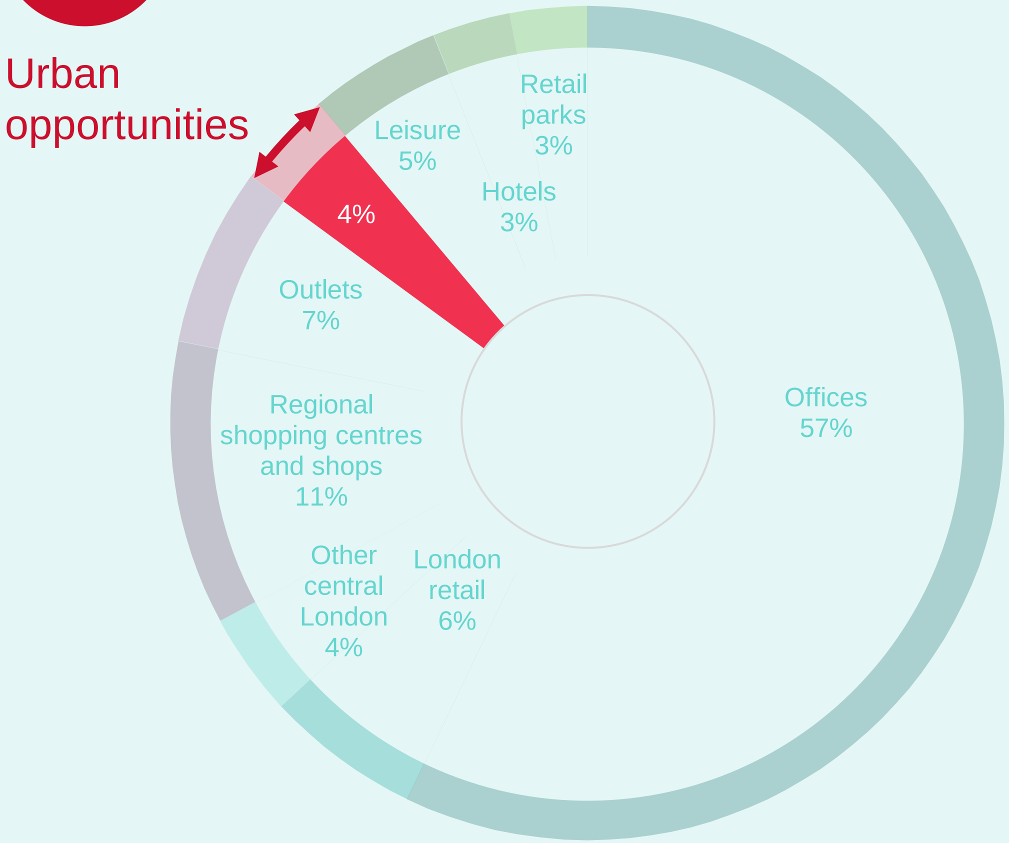
£0.4bn portfolio, 4% of Combined Portfolio

Valuation declined 9.8%

Like-for-like rental values down 5.8%

+15bps like-for-like equivalent yield shift to 5.3%

GROW



# Combined Portfolio valuation
## Subscale sectors

£1.4bn portfolio,
11% of Combined Portfolio

Valuation declined
12.4%

**Leisure (-15.3%)**
- Like-for-like rental values down 3.9%
- +70bps like-for-like equivalent yield shift to 7.1%

**Hotels (-13.1%)**
- Like-for-like rental values down 13.2%
- +27bps like-for-like equivalent yield shift to 5.4%

**Retail parks (-7.3%)**
- Like-for-like rental values down 6.1%
- +16bps like-for-like equivalent yield shift to 7.6%

# Financing position

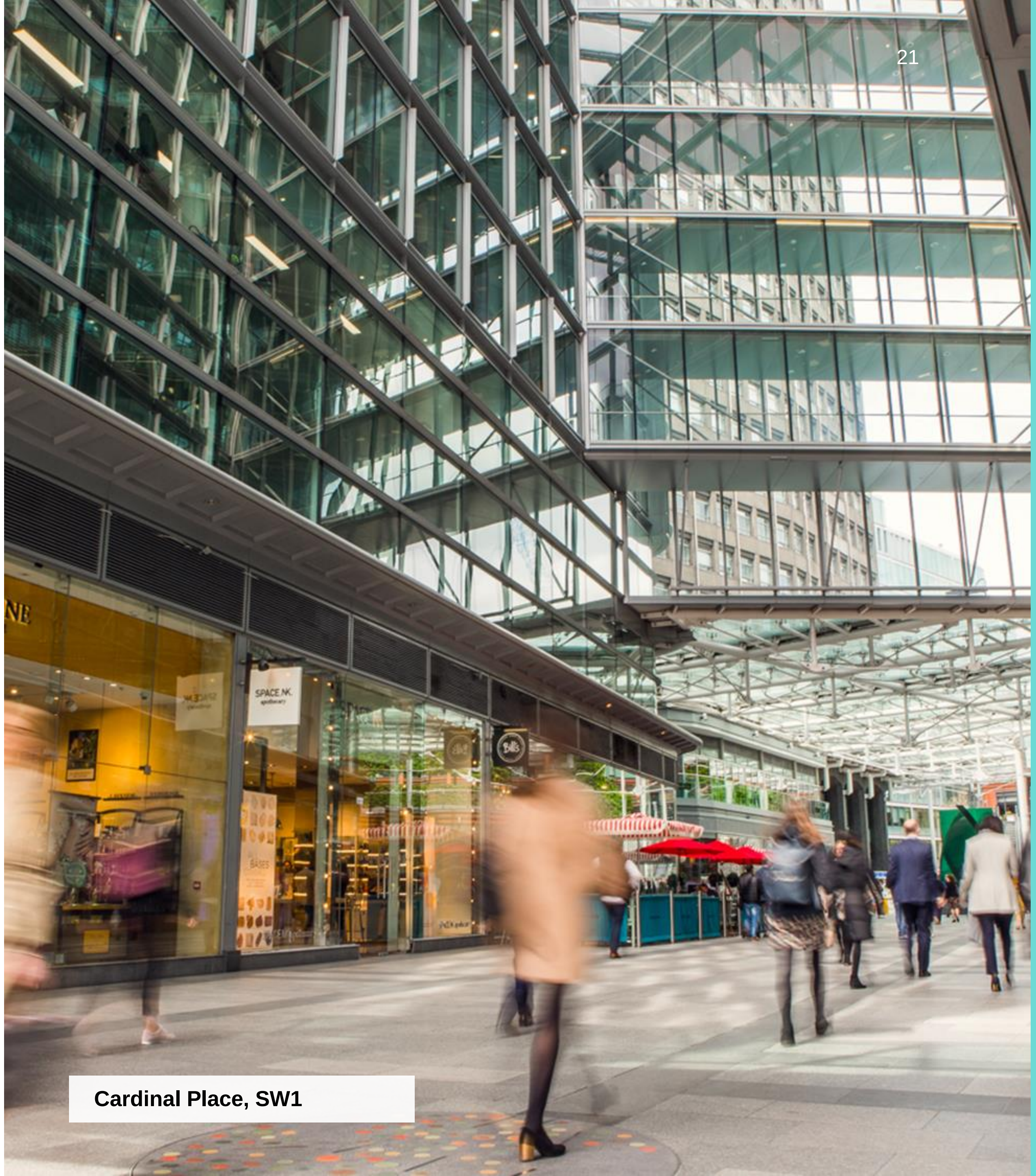
## A strong position with available resources

- Group LTV 33.2%
- Weighted average cost of net debt 2.1%
- Next bond expected debt maturity: £10m in September 2023
- Cash and available facilities £1.2bn

| | 30 September 2020 |
|---|---|
| | £m |
| Bond debt | 2,350 |
| Bank debt | 476 |
| Commercial paper | 1,079 |
| Other | 59 |
| Net cash | (24) |
| **Adjusted net debt** | **3,940** |

# Reinstating the dividend

- Reinstating the dividend at 12p per share representing two quarterly dividends
- Retaining quarterly payments
- Dividend will be c.1.2x-1.3x covered by underlying earnings




Cardinal Place, SW1

# Looking ahead

- Retail and leisure sectors remain challenging
- Disciplined approach to capital investment
- Resilient balance sheet with firepower

CGI of Timber Square, SE1

# Portfolio review

Landsec

# Central London portfolio

## A resilient portfolio with the ingredients to thrive

- 98% let
- £1.4m of lettings, with a further £6.2m in solicitors’ hands
- £7.2m office rent reviews at 1.2% above passing rent
- £3.2m of income renegotiated in response to Covid-19
- Office WAULT of eight years
- Flexible development programme


Nova, SW1

# Regional retail portfolio

## Managing ongoing restrictions

- 93% let
- £2.2m of lettings, with a further £9.9m in solicitors’ hands
- Responding to capacity issues and changing local restrictions
- July to September footfall -39.2% year-on-year, in line with ShopperTrak national benchmark of -39.9%
- July to September same centre sales (excluding automotive) -26.3%, compared to the BRC national benchmark of -12.3%
- Significant variation between assets


Gunwharf Quays, Portsmouth

# Subscale portfolio

## Supporting our customers to resume trading

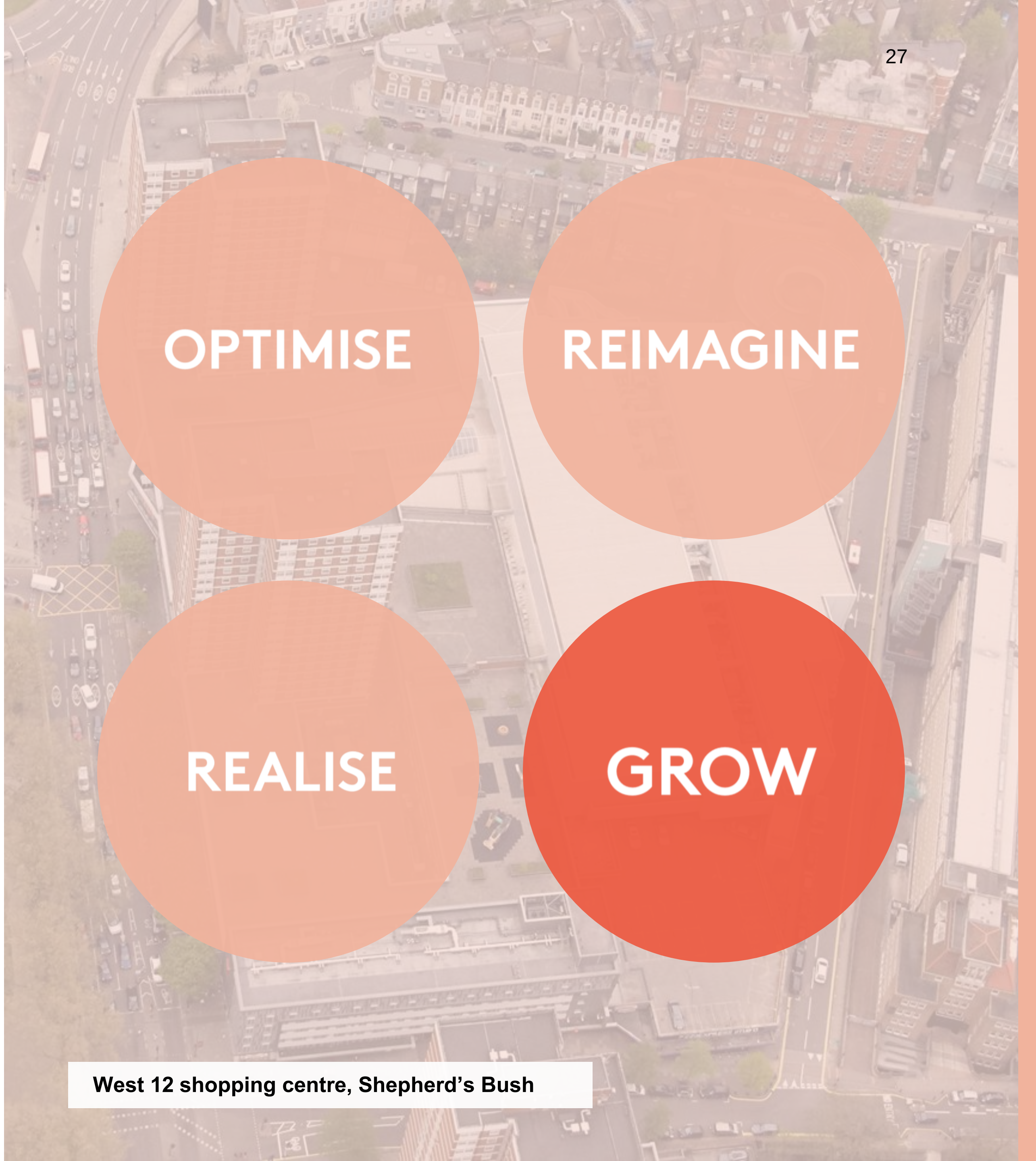
- 95% let
- £1.2m of lettings, with a further £2.4m in solicitors’ hands
- All leisure and retail parks reopened, but now operating under new restrictions
- 21 hotels reopened and two remained closed. However rental income impacted by turnover leases


Novotel, Greenwich

# Urban opportunities portfolio

## Working with customers to responsibly manage trading

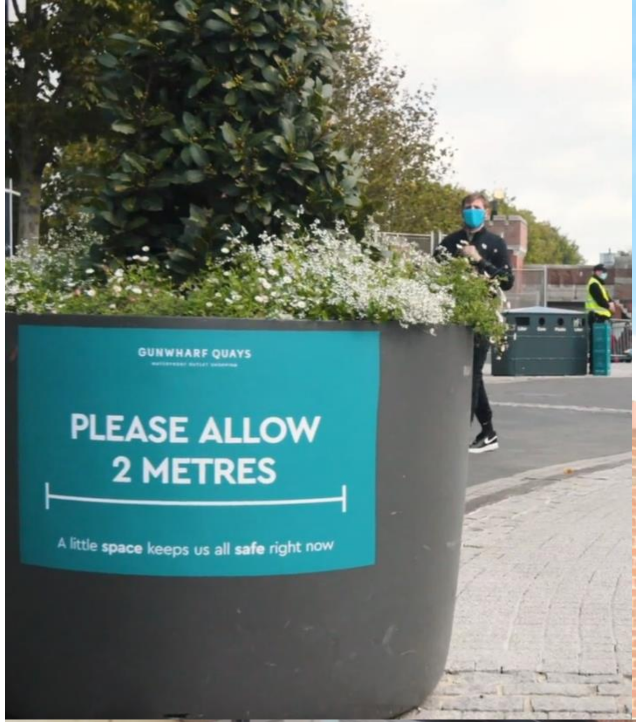
- 94% let
- £0.2m of lettings, with a further £1.2m in solicitors' hands
- Suburban London assets fully re-opened when initial restrictions lifted
- Assets benefitted from working at home
- Plans progressing for 8m sq ft of mixed-use space



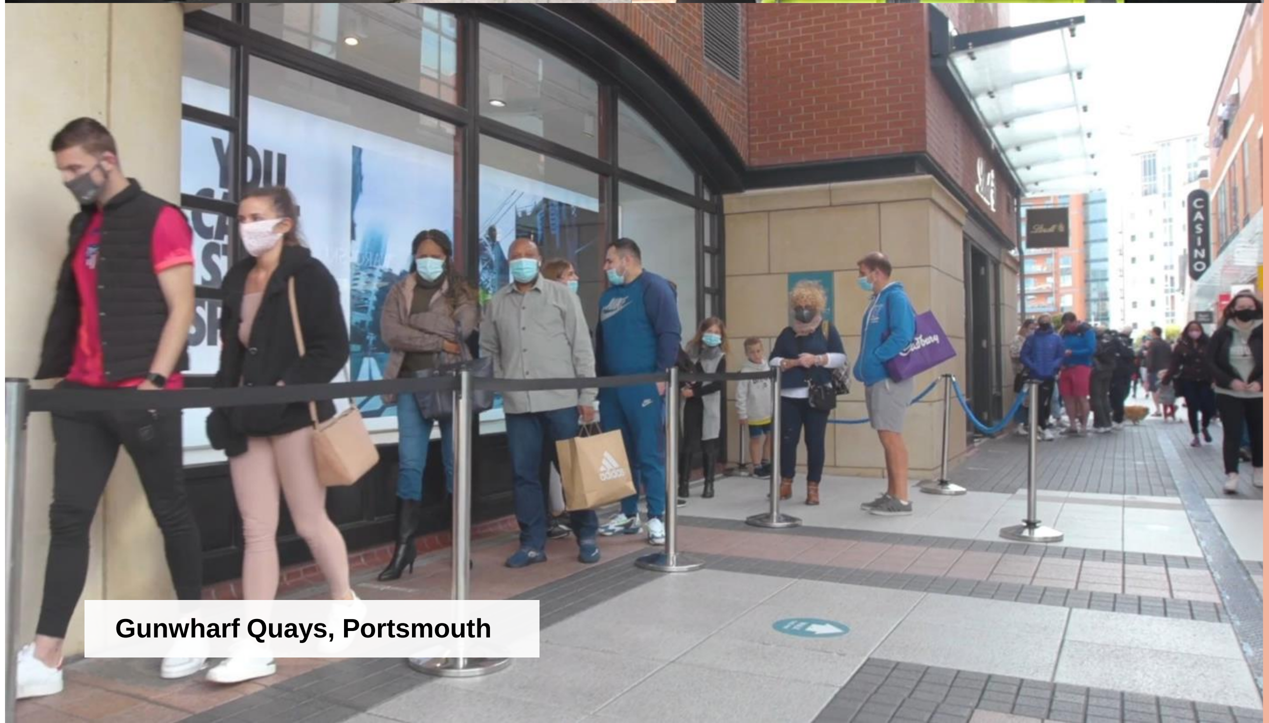

West 12 shopping centre, Shepherd's Bush

# Supporting our customers during Covid-19

- Safety number one priority
  - More signage
  - More security
  - More cleaning
  - More communication
- Proactive leadership has strengthened customer relationships





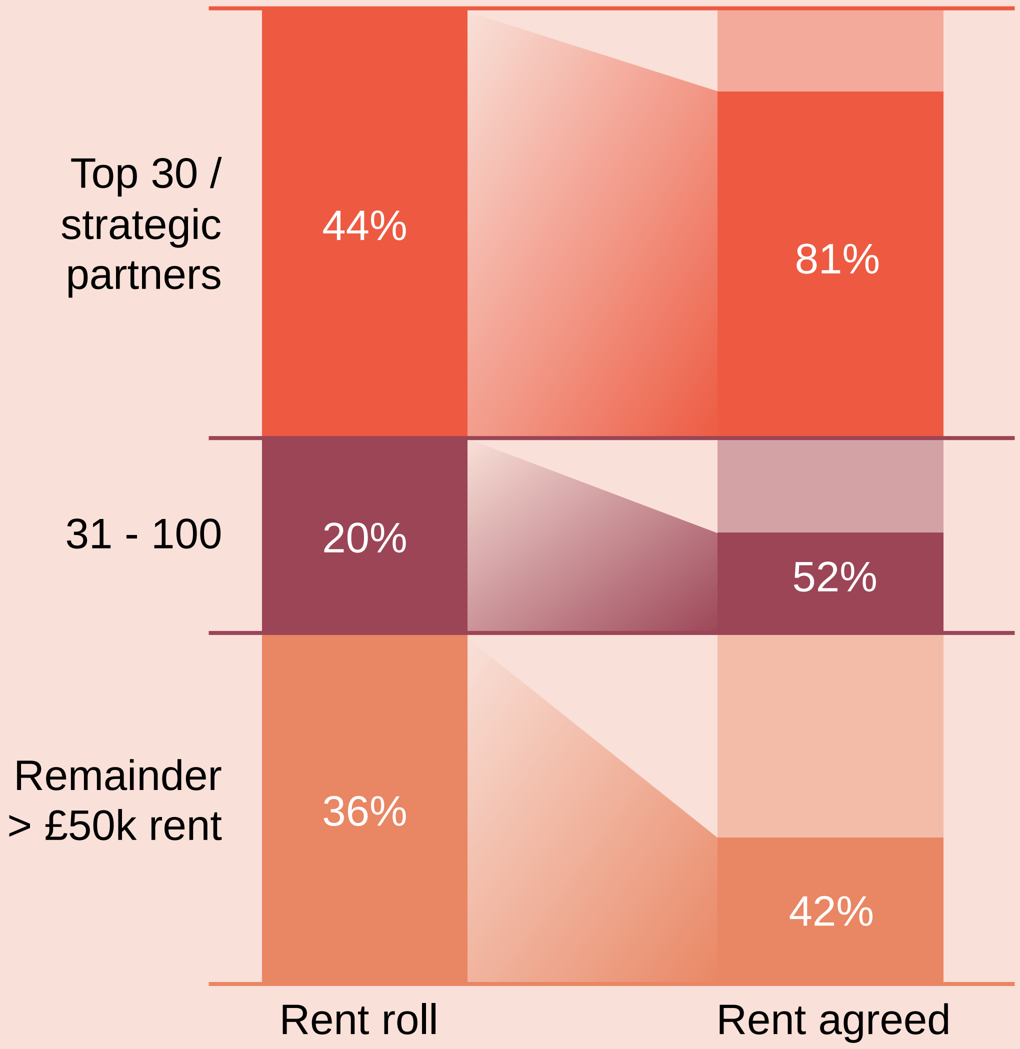



Gunwharf Quays, Portsmouth

# Actively engaging with our customers

## Pro-active conversations

- Approximately 600 retail, leisure and F&B customers across the portfolio
- Engaged with customers systemically, starting with the top 30/strategic partners
- Now granted concessions of £20m of the £80m support fund



# Optimising for growth
## Attractive and resilient

- 98% let
- Mutually beneficial opportunities
  - Re-negotiated six leases
  - 58,000 sq ft
  - Extended terms by average of nine months
  - £3.2m income secured
- Lower letting activity, little available space
  - 25,000 sq ft, £1.4m
  - £6.2m in solicitors' hands

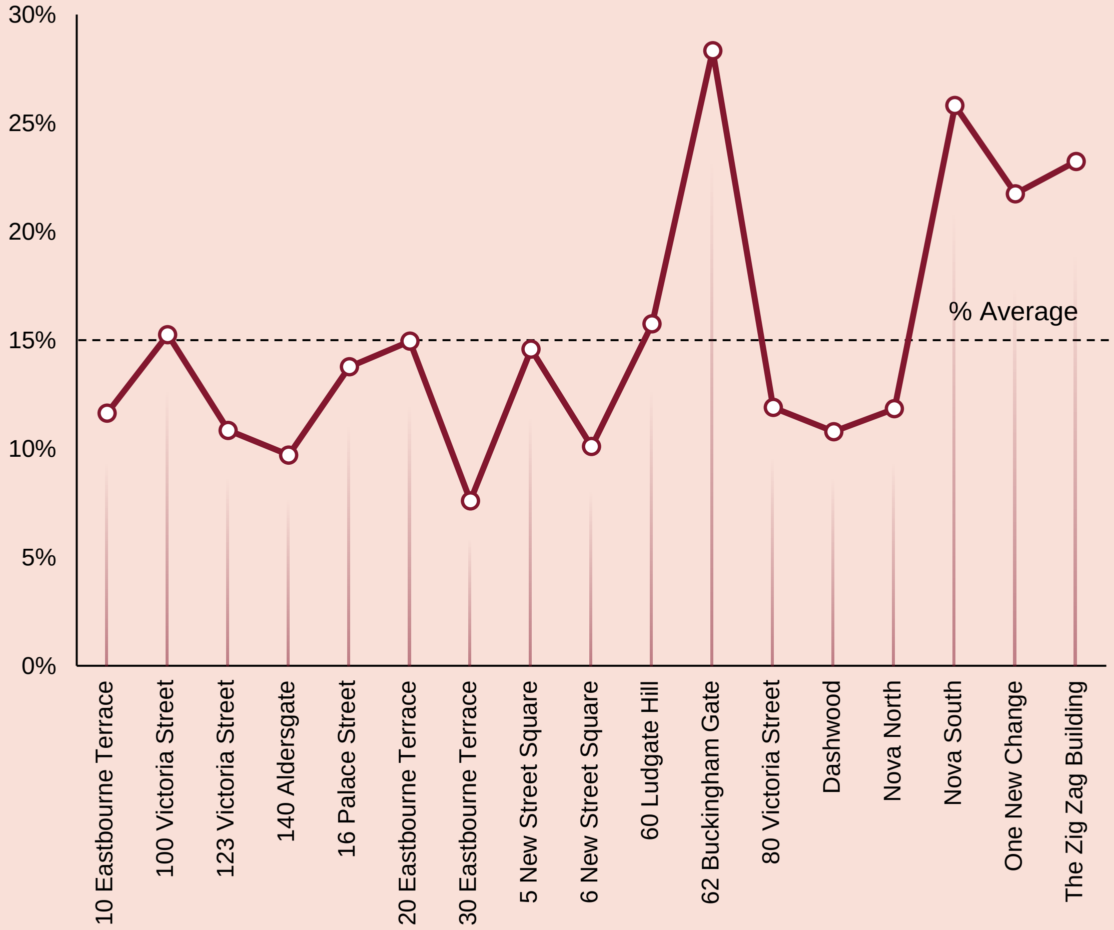

Eastbourne Terrace, W2

# Impact from Covid-19

## Office occupancy varied

- October average office occupancy of 15%
- Banking, financial and professional services higher than creative, tech, media and government sectors
- Issues facing customers for return to work
  - Changing Government guidance
  - Transport
  - Lack of collaboration spaces

Average weekly occupancy rate by property




Note: Occupancy rate = Average occupancy (AO) for October / AO for February where AO is calculated as total occupancy for a given building divided by the number of weeks

# Longer-term office trends

## Giving customers access to our expertise

— Realisation of wider impact of working from home

— Hybrid model likely

— Range of products provides flexibility

— Healthy environments and sustainability are essential requirements

— Working towards WELL certified portfolio

**Blank Canvas** – Self-contained offices completed to a Cat A or Shell condition with traditional pricing and lease

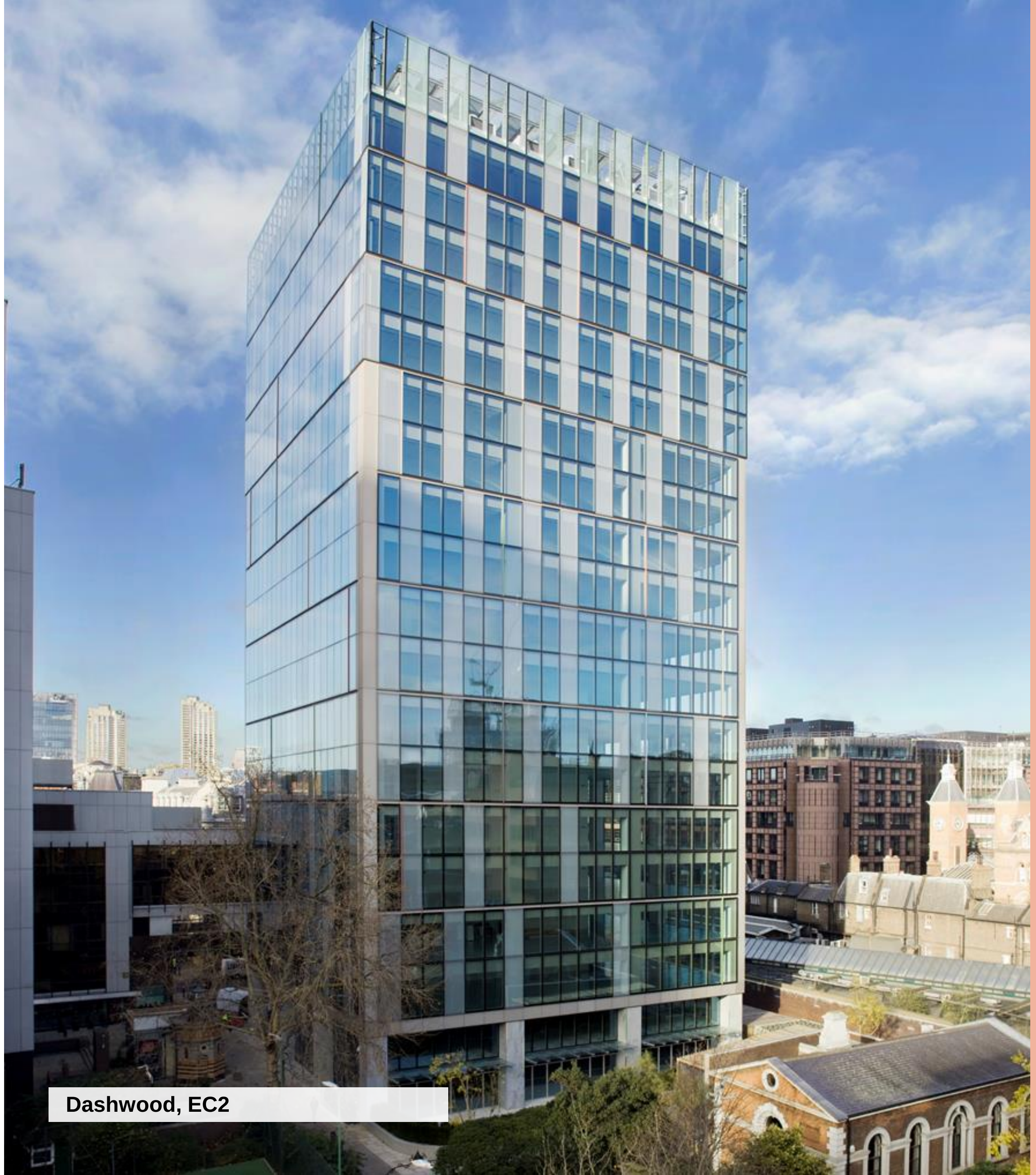
**Customised** – Self-contained offices fitted and managed by Landsec 'On-demand' fitout delivery

**Myo** – Private serviced offices with communal facilities and dedicated on site team

# Dashwood

## Active management to provide all three products

- Floors 9 to 12 original proposed Myo
- Floors 9 to 11 customer needed to extend lease
- Floor 8 customer marketing
- Floors 6 to 9 new Myo
- Landsec Lounge on ground floor



Dashwood, EC2

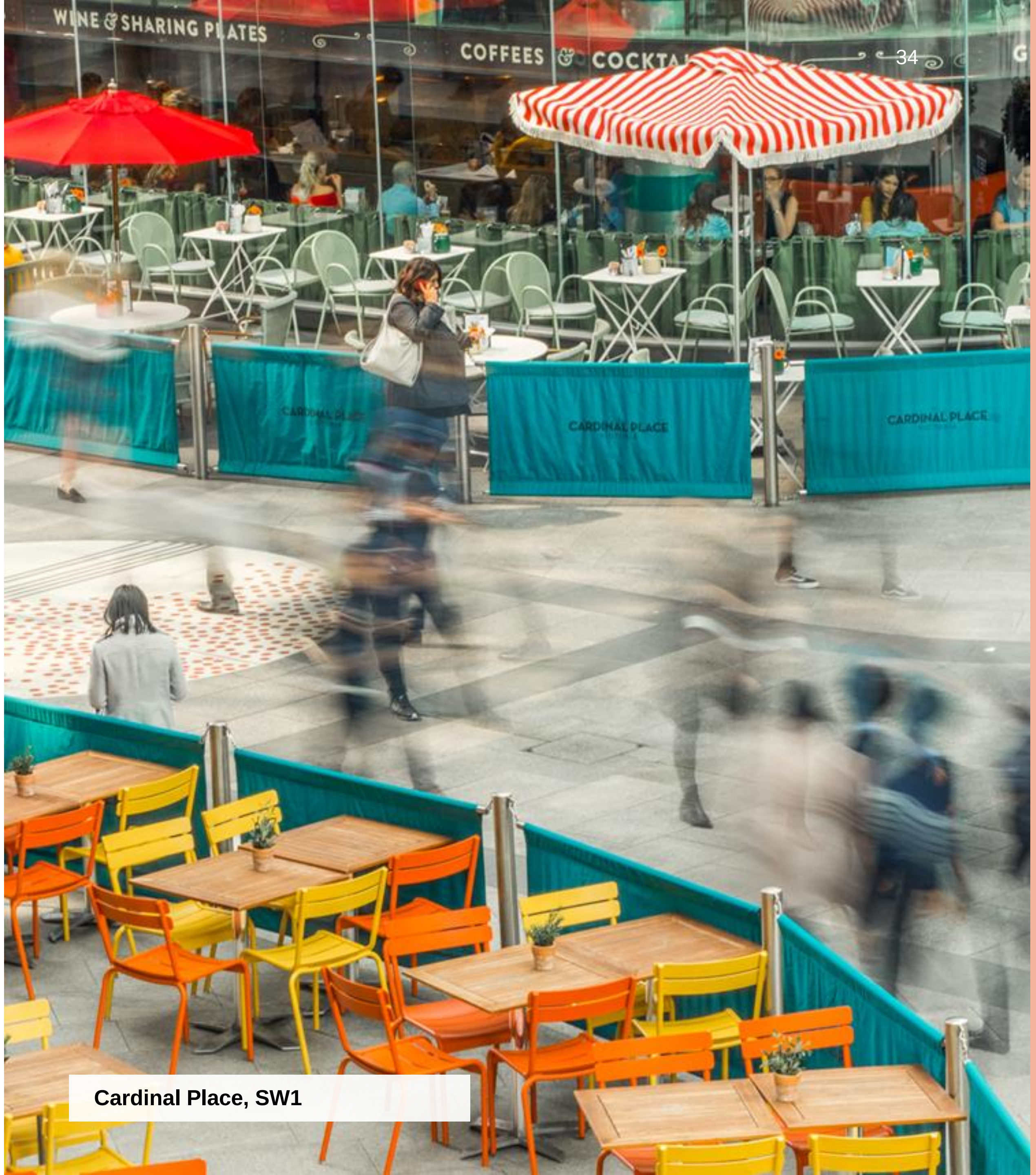
# Changing the future of office ground floors

— Hardest hit with the low office and tourist footfall in the streets of London

— 6% of capital value

— Essential to London's living and working ecosystem

— Reimagining the ground floor




Cardinal Place, SW1

# Taking advantage of the optionality in the development pipeline

- Pre-pandemic 1.4m sq ft development pipeline across five office schemes
- Continuing with 564,000 sq ft pre-let scheme at 21 Moorfields, with a TDC of £576m
- Committing TDC of £381m to progress two speculative schemes across 284,000 sq ft at Lucent and The Forge


CGI of Lucent, W1


CGI of n2, SW1


CGI of 21 Moorfields, EC2


CGI of The Forge, SE1


CGI of Portland House, SW1

# 21 Moorfields

## Pre-let to Deutsche Bank

- Operating at around 75% capacity since August
- Completion scheduled in June 2022
- Only four months behind programme
- £576m TDC, 6.5% yield

21 Moorfields, EC2

# Adapting development to a Covid-19 world

## Thinking and planning has evolved

— Procuring contracts with optionality

— Focus on wellbeing within our designs

  — Touchless access

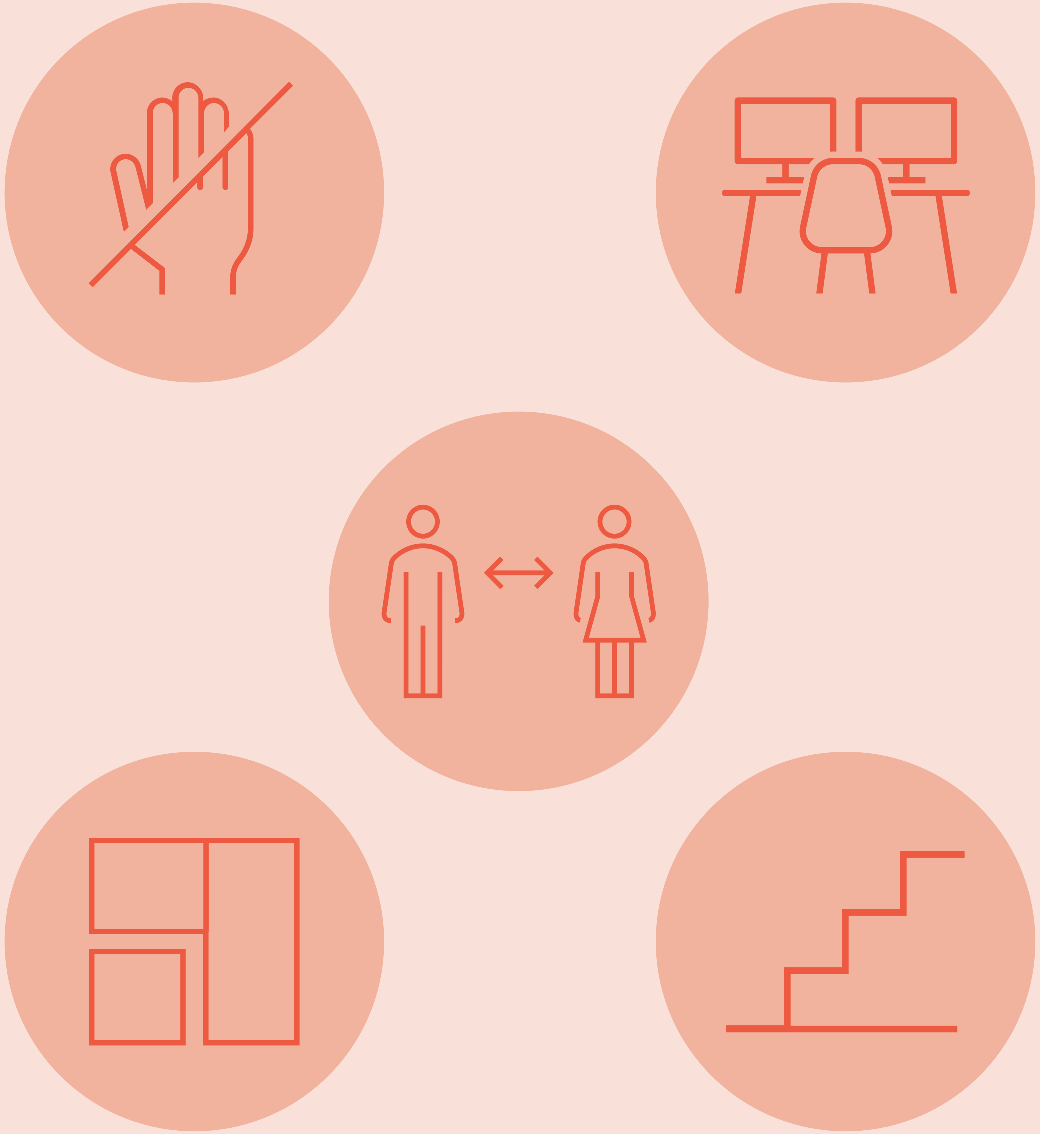
  — More collaboration and creative spaces as well as private work areas

  — Lower densification

  — More divisibility

  — More staircases to support lifting capacity

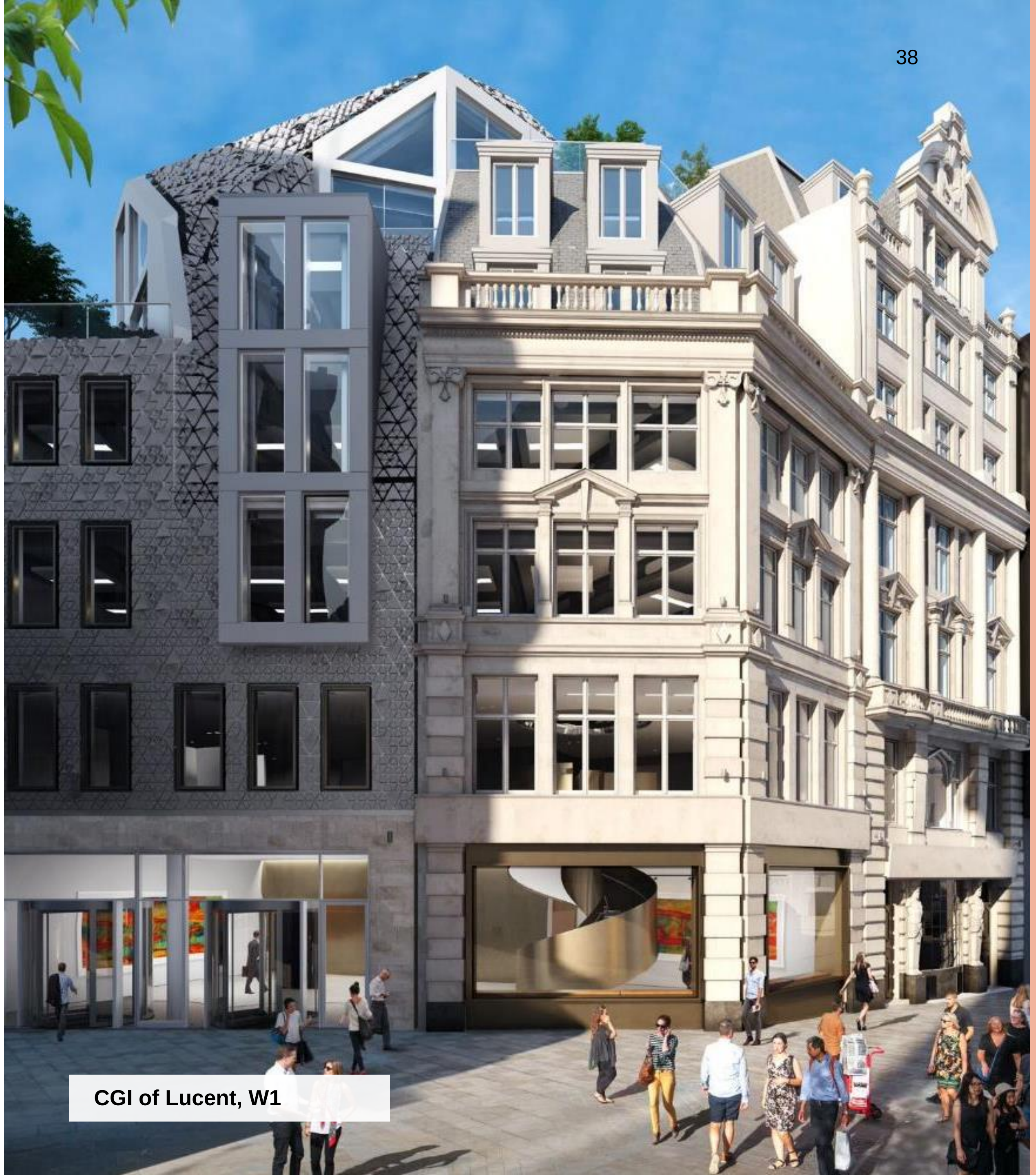
— Alternative uses for retail space



# Lucent

## One of the most iconic views in the world

- 144,000 sq ft
- Floorplates range from 3,000 sq ft to 25,000 sq ft with flexibility to be divided
- Landsec Lounge, event and collaboration space
- 20 balconies and terraces
- Completed significant parts of basement and piling, ahead of schedule
- Delivery December 2022
- £241m TDC, 5.6% yield

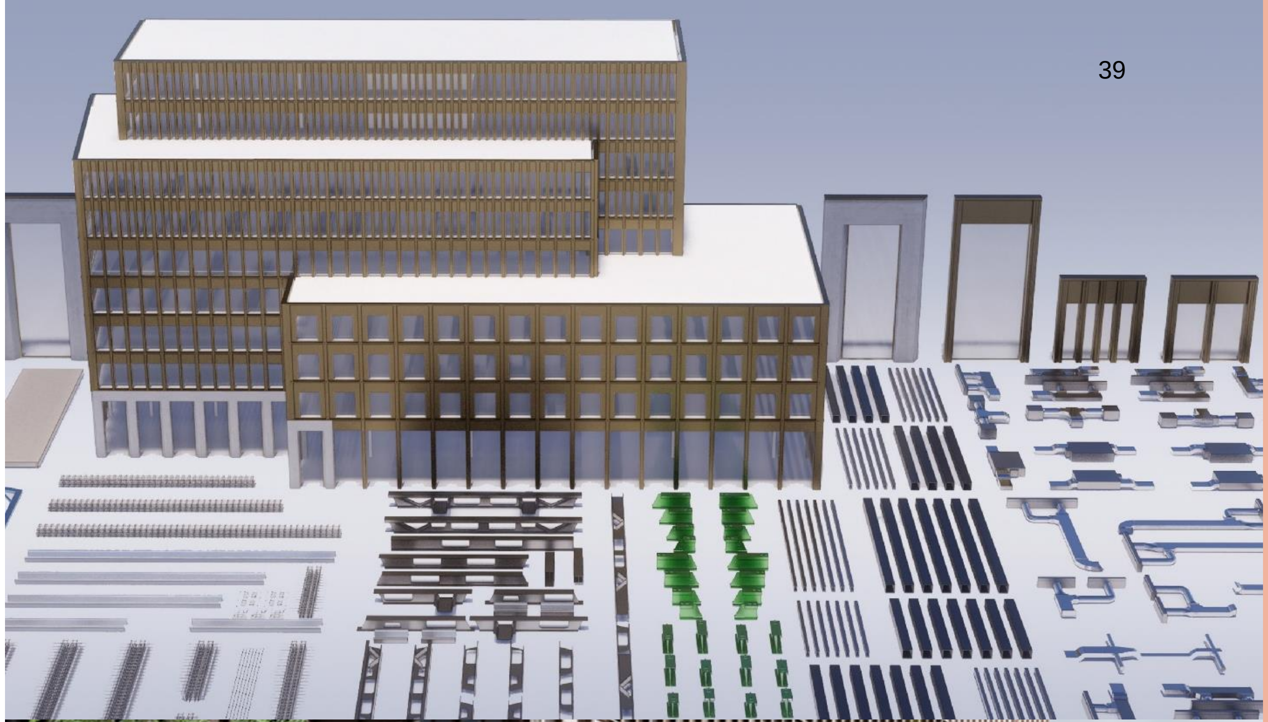


CGI of Lucent, W1

# The Forge

## Unique product for its location

- 140,000 sq ft
- Floor plate 3,000 sq ft to 15,000 sq ft
- Sub-structure works complete by December
- New ‘kit of parts’ approach
- Delivery June 2022
- £140m TDC, 6.8% yield



CGIs of The Forge, SE1

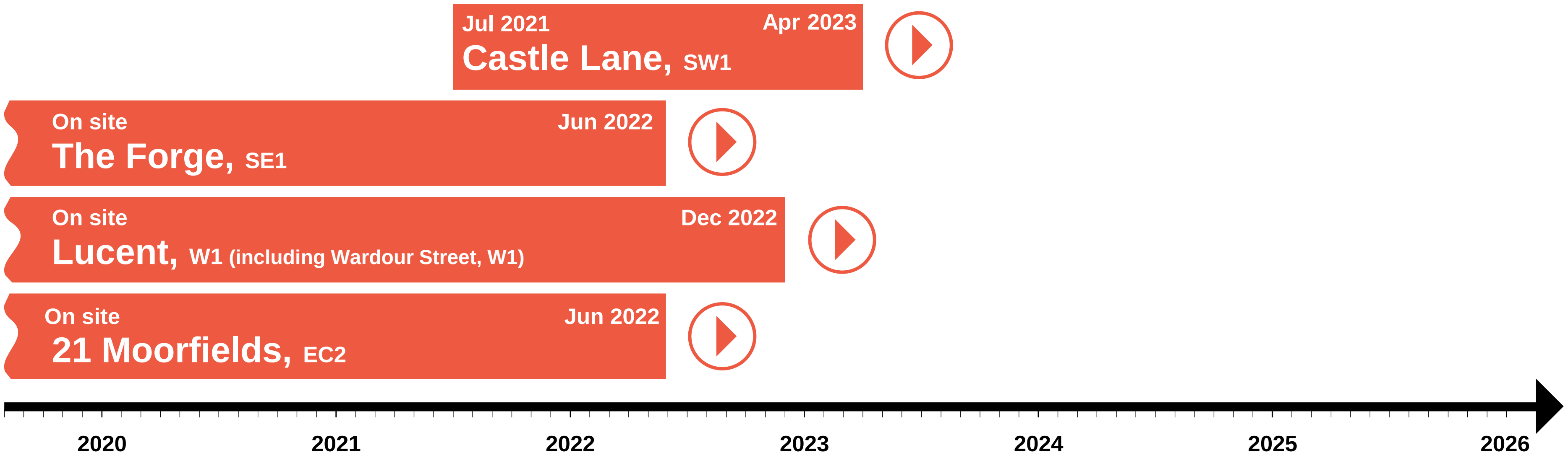
# Castle Lane

## De-risked and progressing

- Scheme will provide 88 residential units of affordable housing
- Pre-sold to Notting Hill Genesis and de-risked
- Delivery April 2023
- £46m TDC

Castle Lane, SW1

# Development pipeline

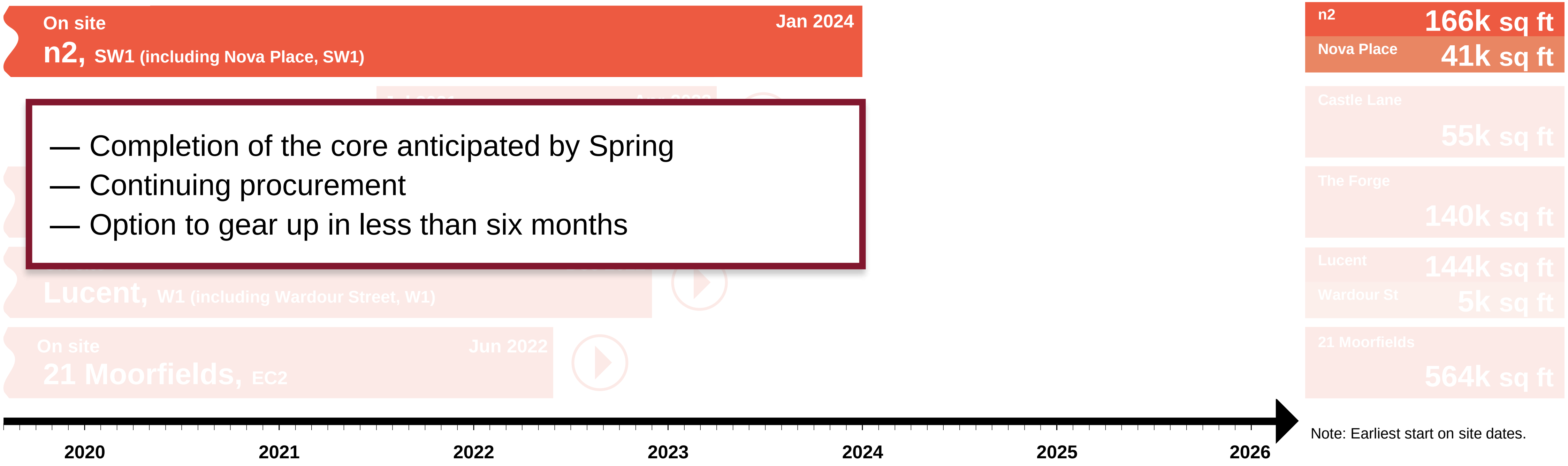



| | |
|---|---|
| Castle Lane | 55k sq ft |
| The Forge | 140k sq ft |
| Lucent | 144k sq ft |
| Wardour St | 5k sq ft |
| 21 Moorfields | 564k sq ft |

Note: Earliest start on site dates.

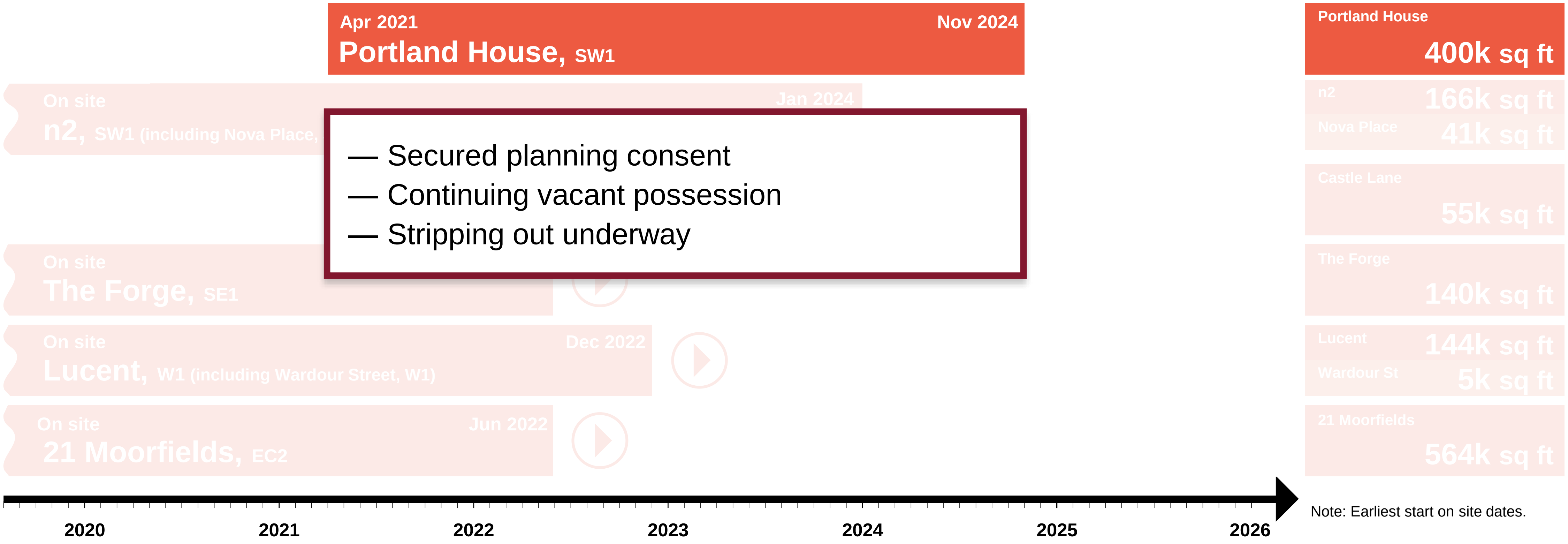
# Development pipeline

- Completion of the core anticipated by Spring
- Continuing procurement
- Option to gear up in less than six months




Note: Earliest start on site dates.

# Development pipeline



# Development pipeline

Mar 2021 Nov 2023
**Timber Square,** SE1

Apr 2021 Nov 2024

— Currently occupied
— Planning application submitted
— Target consent date December

On site
**n2,** SW1 (including Nova Place

24

**Castle Lane,** SW1

On site Jun 2022
**The Forge,** SE1

On site Dec 2022
**Lucent,** W1 (including Wardour Street, W1)

On site Jun 2022
**21 Moorfields,** EC2

2020 2021 2022 2023 2024 2025 2026

| | |
|---|---|
| Timber Square | 380k sq ft |
| Portland House | 400k sq ft |
| n2 | 166k sq ft |
| Nova Place | 41k sq ft |
| Castle Lane | 55k sq ft |
| The Forge | 140k sq ft |
| Lucent | 144k sq ft |
| Wardour St | 5k sq ft |
| 21 Moorfields | 564k sq ft |

Note: Earliest start on site dates.

# Development pipeline

Oct 2021 – Sept 2024
**Red Lion Court, SE1**

- Currently occupied
- Planning application to be submitted Q1 2021

Mar 2021
Timber

Apr 2021
Portla

On site
n2, SW1 (including Nova Place, SW1)

Jul 2021 – Apr 2023
Castle Lane, SW1

On site – Jun 2022
The Forge, SE1

On site – Dec 2022
Lucent, W1 (including Wardour Street, W1)

On site – Jun 2022
21 Moorfields, EC2

2020 2021 2022 2023 2024 2025 2026

| | |
|---|---|
| Red Lion Court | 237k sq ft |
| Timber Square | 380k sq ft |
| Portland House | 400k sq ft |
| n2 | 166k sq ft |
| Nova Place | 41k sq ft |
| Castle Lane | 55k sq ft |
| The Forge | 140k sq ft |
| Lucent | 144k sq ft |
| Wardour St | 5k sq ft |
| 21 Moorfields | 564k sq ft |

Note: Earliest start on site dates.
Nova Place & Red Lion Court remain within the pre-development category

# Development pipeline

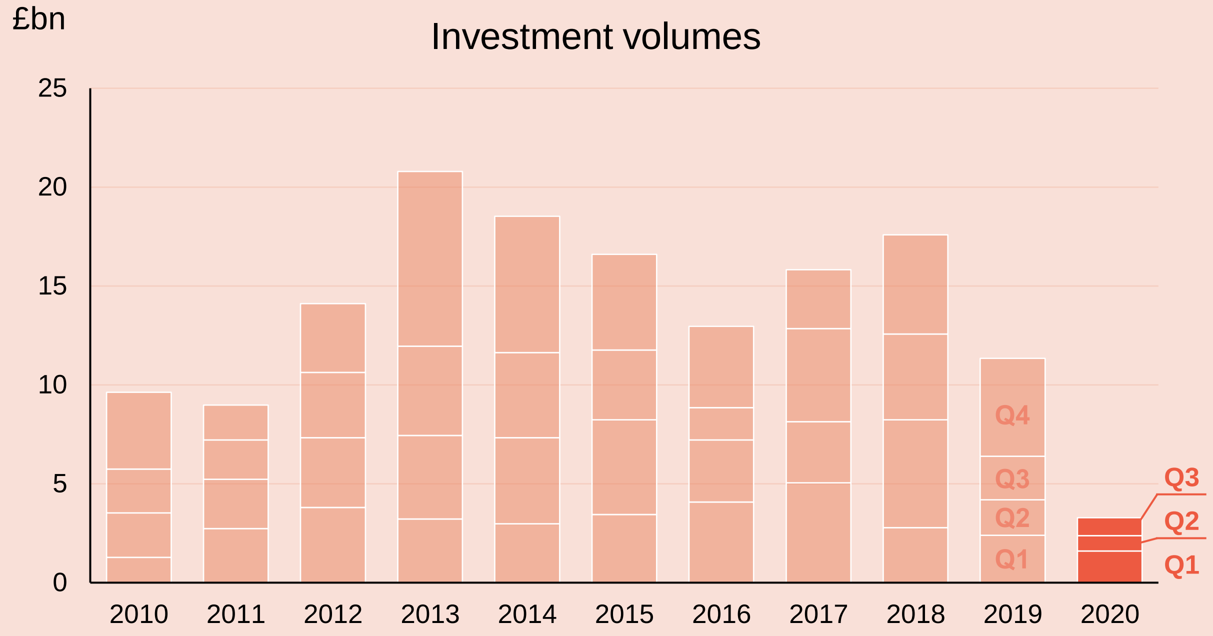
- 21 Moorfields and Castle Lane **progressing** and **de-risked**
- Committing **£381m** of TDC across 284,000 sq ft
- Delivering between **June and December in 2022**

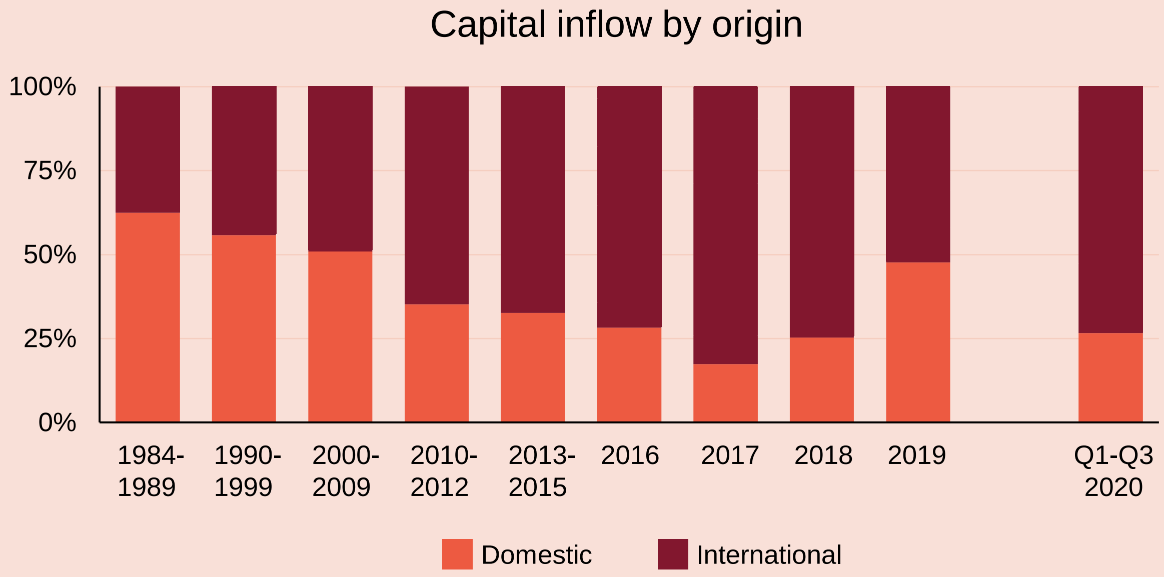

Note: Earliest start on site dates.
Nova Place & Red Lion Court remain within the pre-development category

# Investment activity

## Good demand for quality assets

- 7 Soho Square sold for £78m at a yield of 4%, 4.3% above March book value
- Investment volumes
  - Q1 £1.6bn
  - Q2 £0.8bn
  - Q3 £0.9bn
  - Q4 £1.4bn exchanged or completed
  - A further £3bn under offer



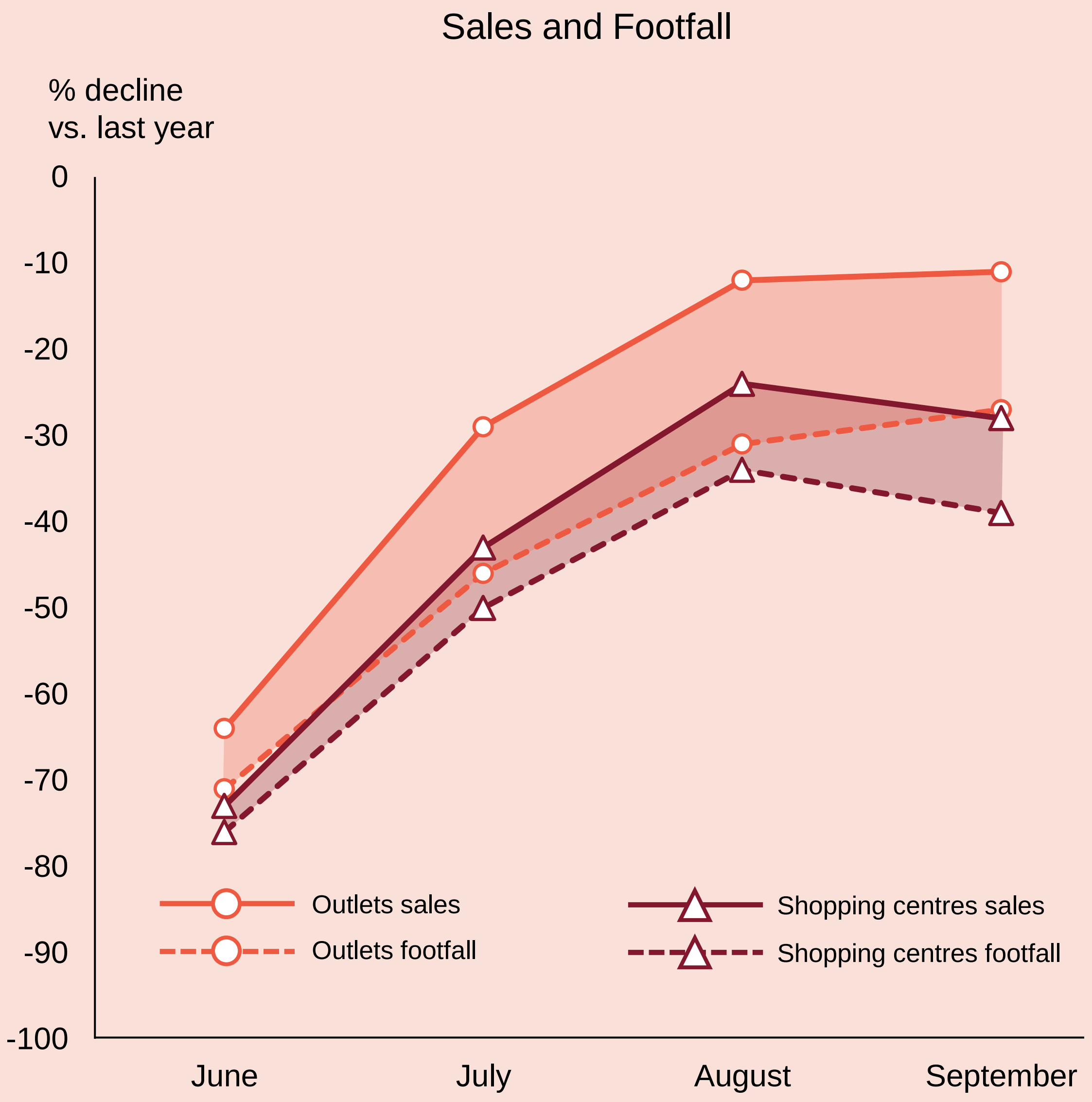

Source: CBRE; shows calendar years

# Regional retail portfolio

## Varied performance

- Footfall in line with benchmark at -39% year-on-year
- Same centre sales (excluding automotive) -26.3%, compared to the benchmark of -12.3%
- Outlets
  - Footfall -33.8%
  - Sales -16.6%
  - Demonstrates larger basket size
- Shopping centres
  - Footfall -40.8%
  - Sales -31.8%
  - Significant variations between assets

Note: All data relates to July-September



# Five Reimagine retail objectives

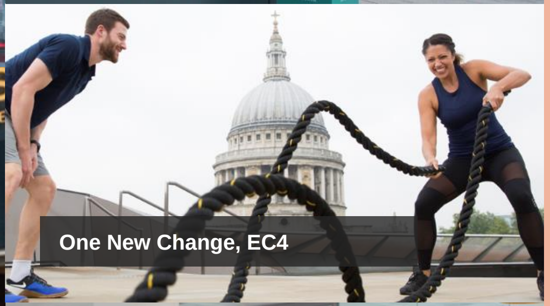
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| Determine sustainable rents | Elevate the consumer experience | Create operational excellence and efficiency and new leasing models | Maximise our vibrant outlets | Repurpose space to reduce the retail footprint and enhance the mix |
| Completed work assessing sustainable rents, c.15% below September ERV. Represents declines of 35-40% peak to trough<br><br>Provides new foundation for investment and leasing decisions | Define the push and the pull. Push is about collaboration, pull is the right mix for the catchment<br><br>Customer segmentation work progressing and on target to complete in December | Service charge on track to achieve a 4% saving this year, in addition to the 8% saving already due to Covid-19<br><br>Continuing to look at efficiencies to reduce occupational costs | £0.7m of lettings to new brands<br><br>£2.5m of enhancement works continues through lockdown | Working towards masterplans for each shopping centre by March 2021<br><br>Opportunity to create competitive tension and introduce new uses |

# Summary

- Extraordinary times impacted our like-for-like performance
- Central London office portfolio is full, ground floors will change
- Adjusted development pipeline to manage committed costs and delivery
- Making progress on five Reimagine retail objectives
- We will be ready to help our customers reopen on 3rd December when lockdown lifts
- We understand the challenges and have a plan to make the most of the opportunities

Piccadilly Lights, W1

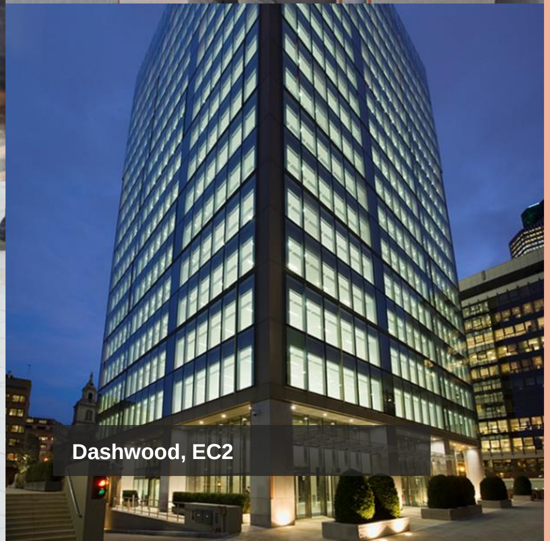

Gunwharf Quays, Portsmouth


One New Change, EC4


Nova, SW1


123 Victoria Street, SW1


Gunwharf Quays, Portsmouth


Dashwood, EC2

# Summary and outlook

Landsec

# Our new strategy positions Landsec for growth

## Focus on total return and value creation

Four strategic priorities:

| OPTIMISE | REIMAGINE | REALISE | GROW |
|---|---|---|---|
| **Our central London business** | **Our retail business (shopping centres and outlets)** | **Capital from subscale sectors** | **Through urban opportunities** |
| High-quality, resilient portfolio<br><br>Align to growth sectors and geographies through targeted recycling and development | An understanding of sustainable rents, appropriate leasing models and a customer-centric approach are key<br><br>Working with our customers to create a sustainable future for our centres, re-evaluating the type and volume of space | Our retail parks, leisure and hotels lack scale and competitive advantage<br><br>Over the medium-term, we will exit these sectors and invest the proceeds into higher growth areas | Apply our proven skillset to deliver urban mixed-use schemes<br><br>Existing opportunities and a number of approaches to expand and accelerate progress |

**c.£4bn of asset recycling over the next few years**

# What you can expect from Landsec over the next 12 months

- Preserving our financial strength: low leverage and portfolio liquidity
- Capital recycling in central London portfolio to realise significant value creation
- Balanced progress on central London developments
  - Progressing the projects that offer best risk adjusted returns
- Increasing range of office propositions
- Clear progress towards a new retail operating model
- Planning progress across our Urban opportunities portfolio and potential growth in that portfolio
- Steps to put in place the right culture and organisation to support the strategy


Cardinal Place, SW1

# An extraordinary six months but… reasons to be positive

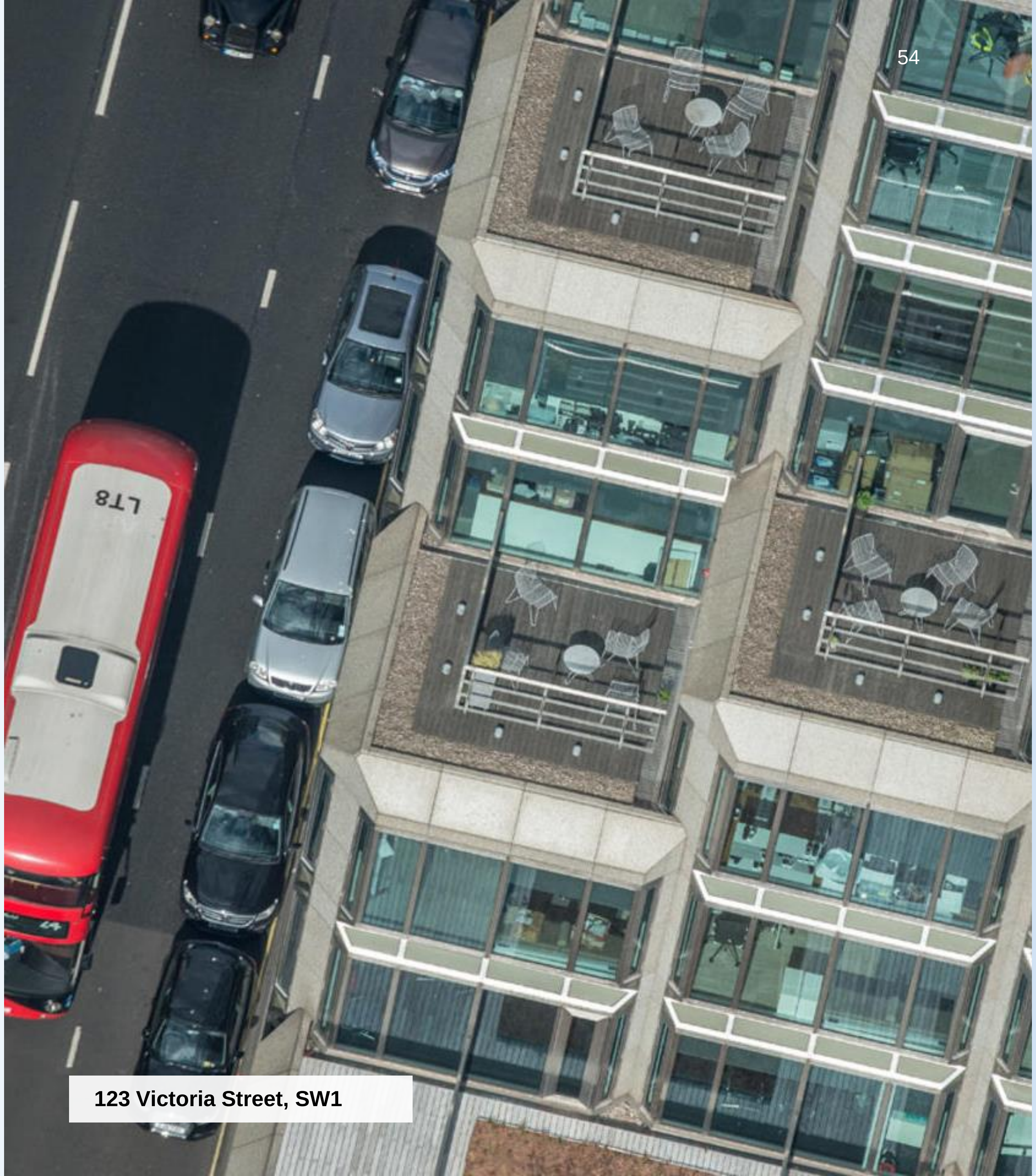
— Managing the impact of Covid-19 proactively and responsibly

— Business fundamentals remain strong

— London remains attractive

— Looking beyond Covid-19 to medium and longer-term opportunities

— New strategy positions Landsec for growth

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