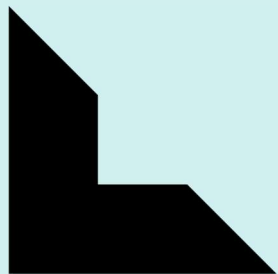


Capital Markets event



Landsec

**Welcome to
Southwark**

THE TATE MODERN
21 September 2022

Itinerary

PRESENTATION

Introduction
MARK ALLAN

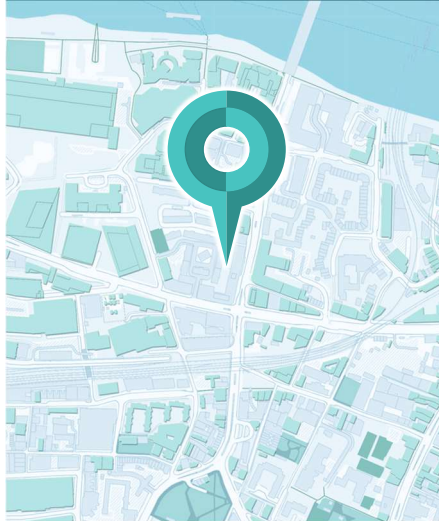
Central London
operational update
MARCUS GEDDES

Delivering net zero carbon
buildings in Southwark
ALEXIA LAIRD

External view of the
Southwark market
MARK FISHER

The Southwark office market
OLIVER KNIGHT

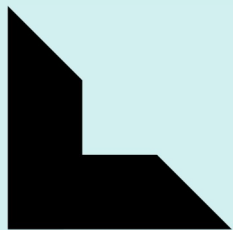
TOUR OF SOUTHWARK



INFORMAL DRINKS



Introduction



Landsec

MARK ALLAN
CHIEF EXECUTIVE OFFICER

Resilience and optionality – well positioned for future growth

OUR PURPOSE: SUSTAINABLE PLACES. CONNECTING COMMUNITIES. REALISING POTENTIAL

High-quality portfolio



Nova, SW1

- › Modern London office portfolio, already 44% EPC 'B' or higher, three times the overall market
- › Major retail destinations seeing return to growth post pandemic
- › Attractive pipeline of mixed-use urban opportunities

Recycling capital



21 Moorfields, EC2

- › Sold £1.8bn of mature London office assets since late 2020
- › Divest further c. £2bn of mature and subscale assets over time
- › Grow mixed-use urban assets to 20-25% of portfolio

Growth potential



Mayfield, Manchester

- › 2.8m sq ft London office pipeline to cater for strong demand for modern, sustainable space
- › 9.0m sq ft mixed-use pipeline, with first start on site this year
- › c. £3bn potential capex over five years, with c. 20% target profit

Driving returns



MediaCity, Greater Manchester

- › Potential to grow income by c. £120m by recycling capital into pipeline whilst keeping LTV stable
- › Recycling of capital to deliver improvement in ROE over time
- › Expect EPS to grow low to mid single digit percent in FY22/23

Continued strong operational momentum

CENTRAL LONDON



Nova, SW1

- › Increasing focus from customers on quality of space and location
- › £20.8m of lettings signed or in solicitors' hands, 4% ahead of ERV
- › £1.2bn pipeline, 63% pre-let or in solicitors' hands

RETAIL



Gunwharf Quays, Portsmouth

- › Continued improvement in operational performance
- › Footfall and sales recovering, despite challenging backdrop
- › Flight to prime continues, as online reverts back to trend

MIXED-USE URBAN



MediaCity, Greater Manchester

- › Integration of U+I team set to complete this month
- › Aim to start on site with first office at Mayfield in Q1 2023
- › Submitted revised plans for a 350,000 sq ft office at MediaCity

Operational update Central London



MARCUS GEDDES
MANAGING DIRECTOR
CENTRAL LONDON

Central London portfolio

Operational momentum remains strong

- › Continued strong interest in high-quality space
- › £20.8m of lettings signed or in solicitors' hands across investment portfolio YTD, on average 4% ahead of ERV
 - £16.0m in offices, 1% ahead of ERV
 - £4.8m in retail, 11% ahead of ERV
- › Office occupancy up to 95.5% (March 2022: 95.3%)
- › Growing demand for Myo flexible space
- › Committed pipeline now 63% pre-let or in solicitors' hands (May 2022: 56%)
 - £5.9m of deals in solicitors' hands on average 10% ahead of ERV



n2, SW1

Committed developments showing strong letting evidence

Current pipeline 63% pre-let or in solicitors' hands

21 Moorfields, EC2



- > 564,000 sq ft offices
- > Completion January 2023
- > 100% pre-let
- > Crystallised mid-20% profit on cost

The Forge, SE1



- > 140,000 sq ft offices and retail
- > Completion December 2022
- > £10m ERV (March-22), reflecting 6.4% gross yield on cost

Lucent, W1



- > 144,000 sq ft offices, retail and residential
- > Completion March 2023
- > £14m ERV (March-22), reflecting 5.5% gross yield on cost
- > 15% ISH, 18% ahead of ERV

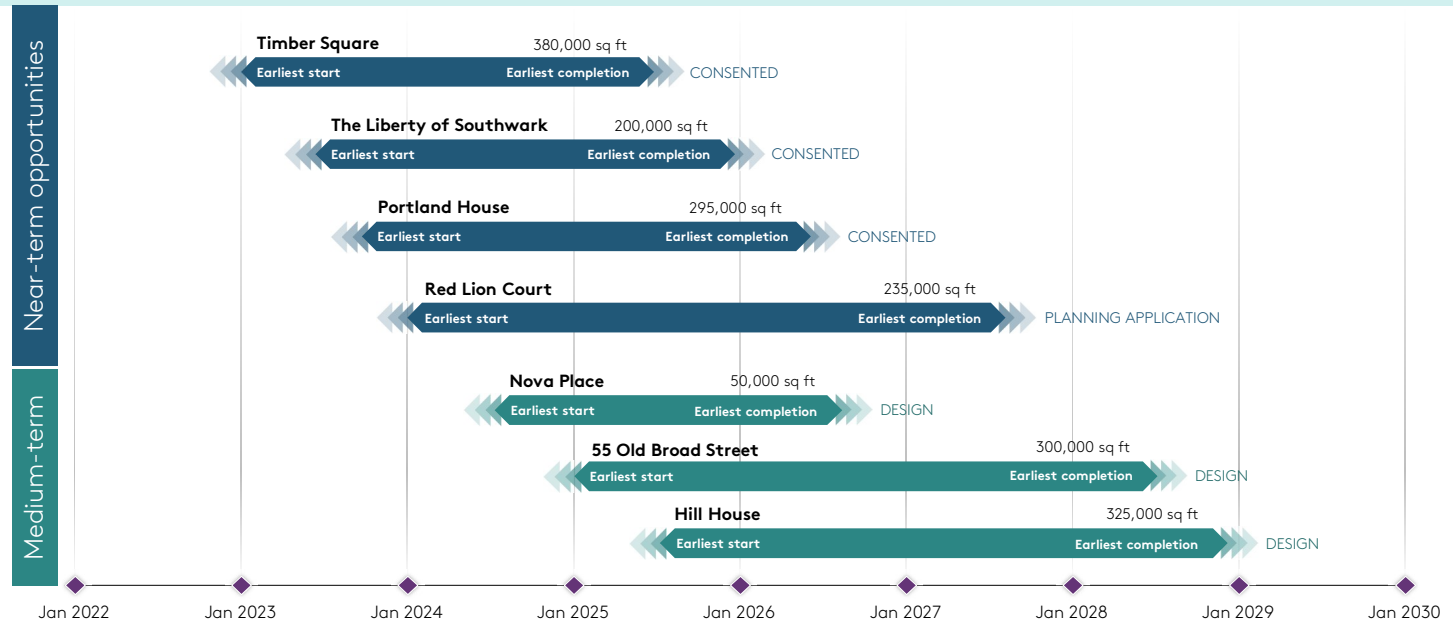
n2, SW1



- > 167,000 sq ft offices
- > Completion June 2023
- > £14m ERV (March-22), reflecting 6.6% gross yield on cost
- > 27% pre-let. With a further 25% ISH, 6% ahead of ERV

Pipeline of development opportunities

1.8m sq ft of opportunities



Central London portfolio – operational summary

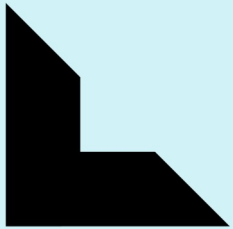
High-quality portfolio and pipeline continues to attract strong demand

- › £20.8m of lettings completed or in solicitors' hands year to date
- › Vacancy close to half of overall London office market, reflecting high portfolio quality
- › Encouraging occupier interest in developments, setting record rents for Victoria
- › Four developments completing over the next nine months
- › Pipeline of 1.8m sq ft in attractive locations with virtually no grade-A vacancy



Cardinal Place and 123 Victoria Street, SW1

Delivering net zero carbon buildings in Southwark



Landsec

ALEXIA LAIRD

SENIOR SUSTAINABILITY MANAGER

What is a net zero carbon development?

A credible net zero claim **must** address both upfront embodied carbon and operational carbon. All of our new developments align with the definition below

UPFRONT EMBODIED CARBON

Set embodied carbon target

Reduce embodied carbon intensity without compromising operational carbon

Offset remaining carbon at completion through credible offset scheme



OPERATIONAL CARBON

No reliance on fossil fuels

Reduce energy demand in line with industry guidance
(e.g. NABERS UK)

Provide onsite renewable power
(e.g. solar PV) **and/or credible source of renewable energy**
(e.g. additional Power Purchase Agreement)

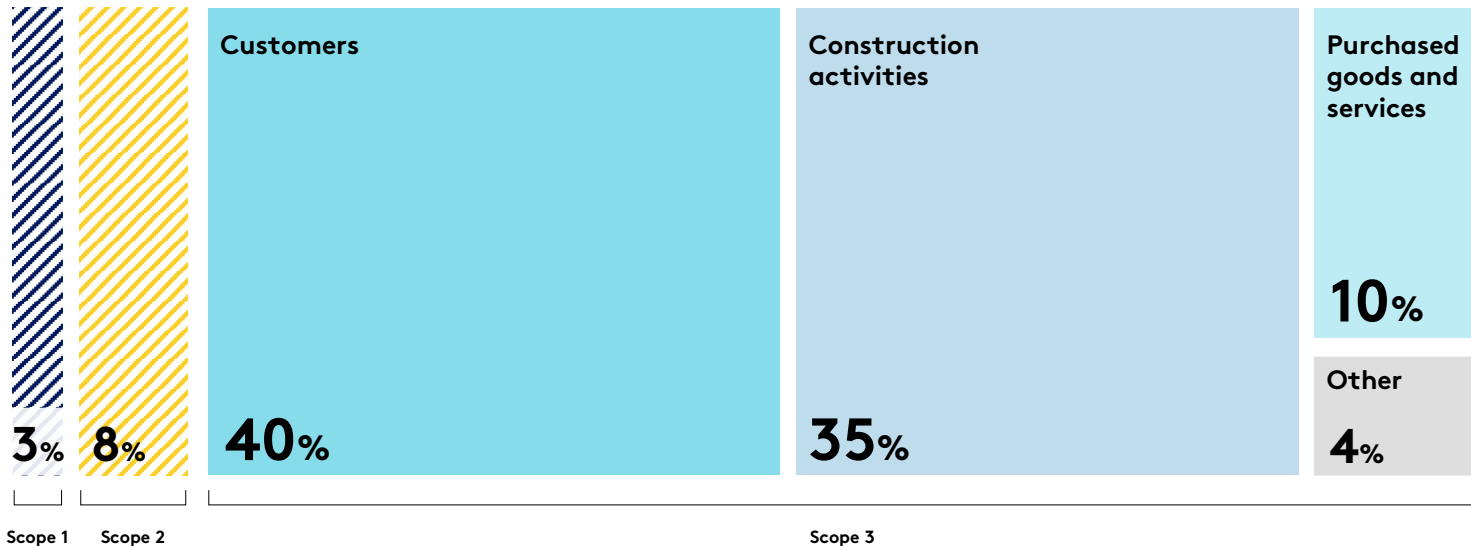


UKGBC's
framework definition
of a net zero carbon
building

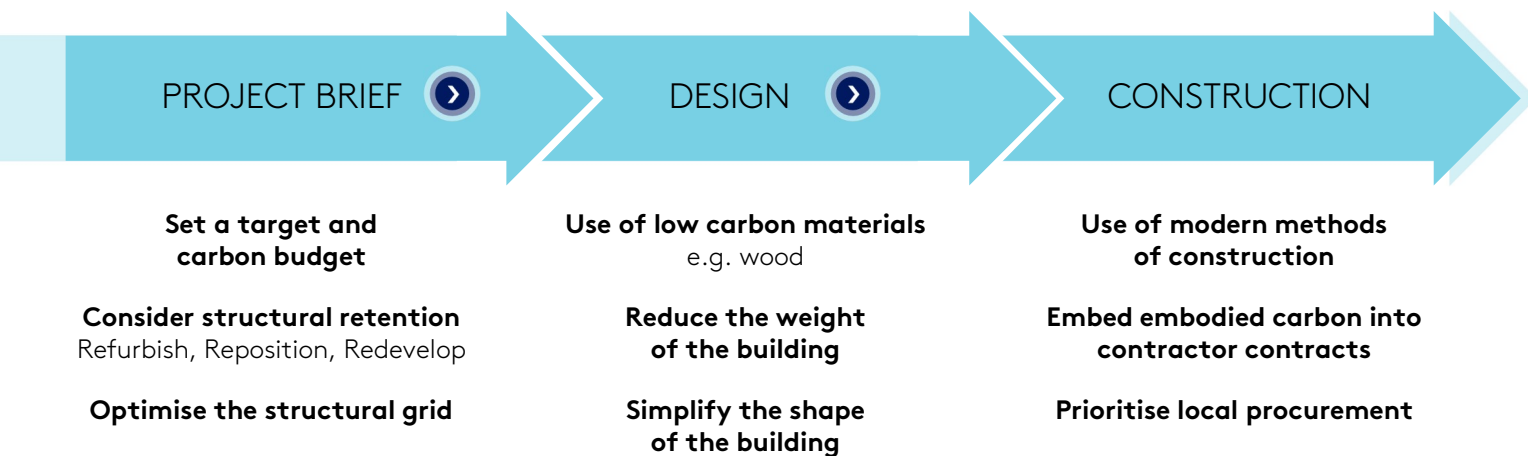
UK Net Zero Carbon Buildings Standard is being developed – setting a single, agreed methodology and performance targets.

Landsec's carbon emissions

Our new target is to halve embodied carbon intensity ($\text{kgCO}_2\text{e/m}^2$) by 2030 compared to a typical building

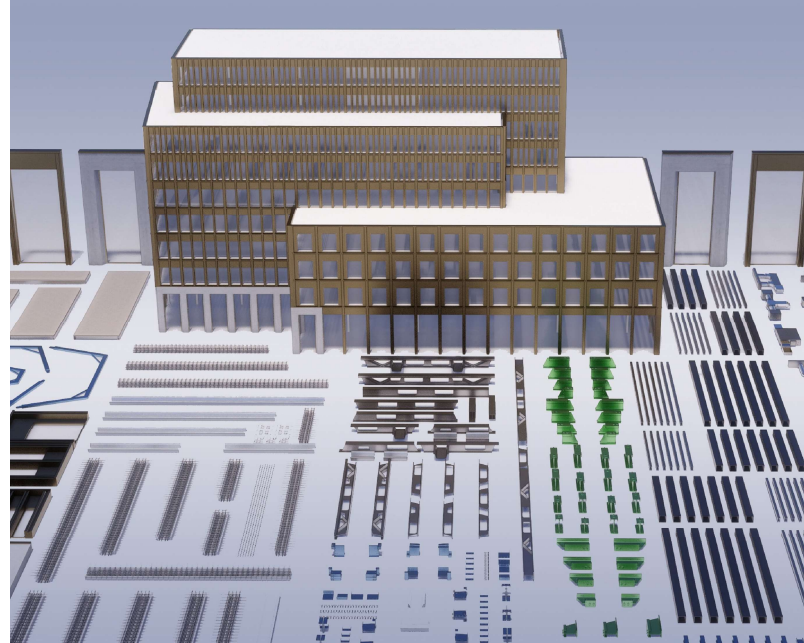


Reducing embodied carbon on new developments



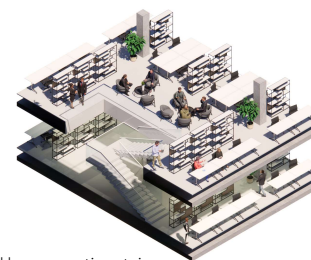
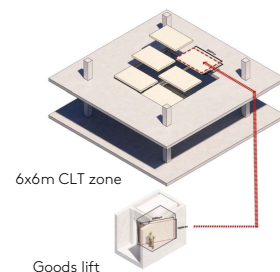
The Forge – innovating construction

- › 80% standardisation in superstructure, facade and M&E resulting in 19.4% reduction in embodied carbon
 - 18.4% less steel in the frame
 - Ribbed slab results in 13% less concrete
- › Early engagement with supply chain was key
 - Testing of high levels of cement replacement
 - 65% recycled content in the aluminium façade
- › The Forge is currently tracking an embodied carbon intensity of **c. 1,000kgCO₂e/m²**



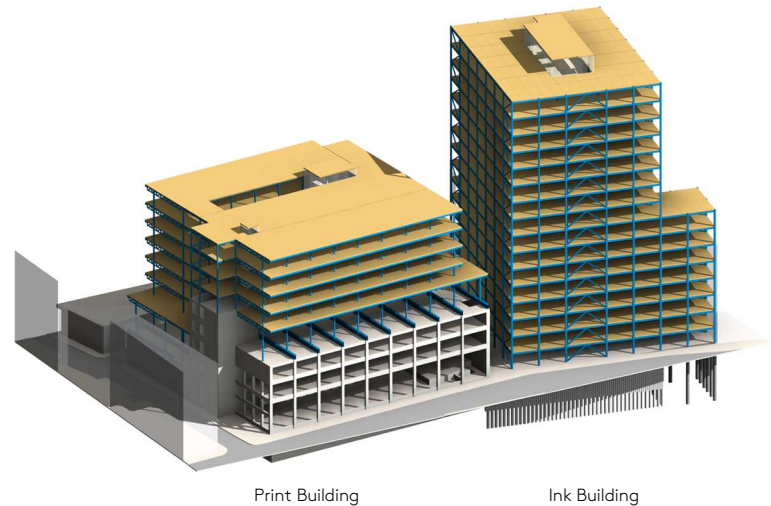
Red Lion Court – embedding flexibility and adaptability

- › Expected embodied carbon of **600kgCO₂e/m²**
- › Retaining 35-40% of the existing basement and piles
- › Post-tensioned concrete structure with high cement replacement and Cross Laminated Timber (CLT) infills
 - These provide flexibility and adaptability to meet our customers' evolving needs
- › Timber is inherently low carbon

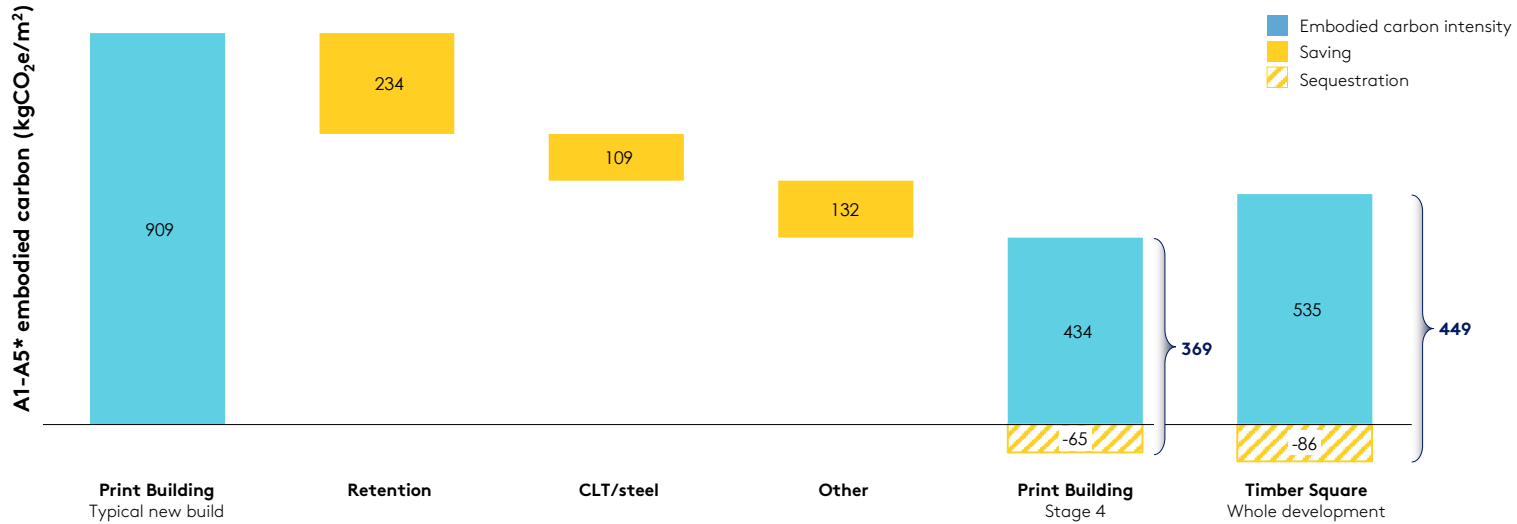


Timber Square – retention and sustainable materials

- › Print Building embodied carbon intensity: $434\text{kgCO}_2\text{e/m}^2$ – already beating our 2030 target of $500\text{kgCO}_2\text{e/m}^2$
- › Retaining 85% of the existing structure of the Print Building thanks to its legacy as a printworks
- › Hybrid steel and CLT – overall development is c. 20-25% lighter than if built using regular materials
- › New Ink Building designed to maximise modern methods of construction
- › Overall development is **$535\text{kgCO}_2\text{e/m}^2$**



Timber Square



*RICS Modules A1-A5 (embodied carbon up to practical completion)

Landsec's approach to sustainability in developments

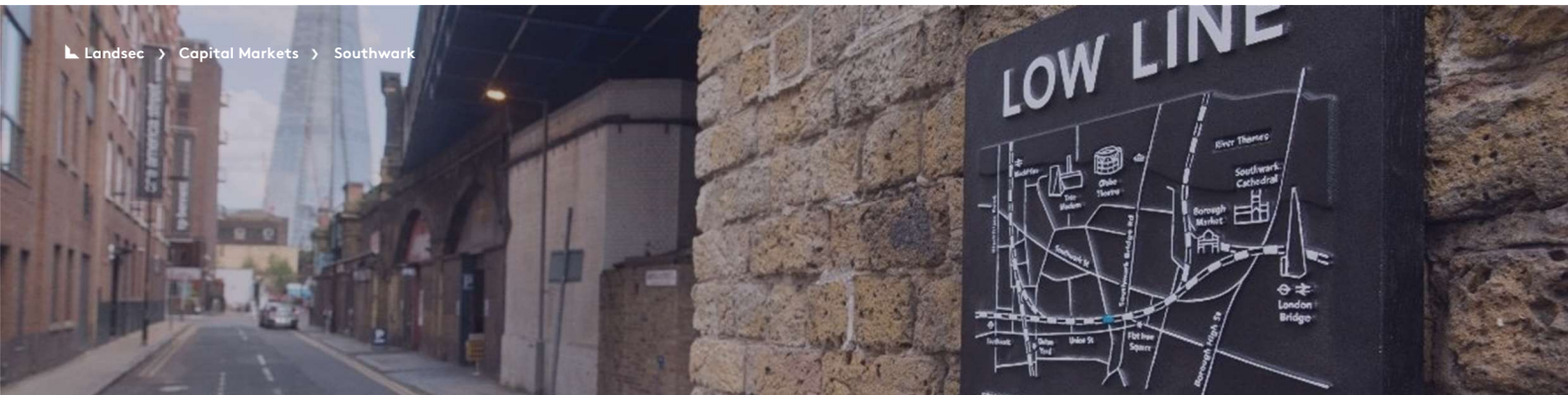
Meeting the needs of our customers, the community and the planet

- › Maintaining our sector-leading position in ESG
 - Delivering exemplar net zero carbon developments
 - Halving our embodied carbon by 2030 compared to a typical building
 - Growing pipeline of refurbishments as we decarbonise and modernise our office assets
- › Underpinning our newly refreshed sustainability strategy

Build well **Live well** **Act well**



Landsec > Capital Markets > Southwark

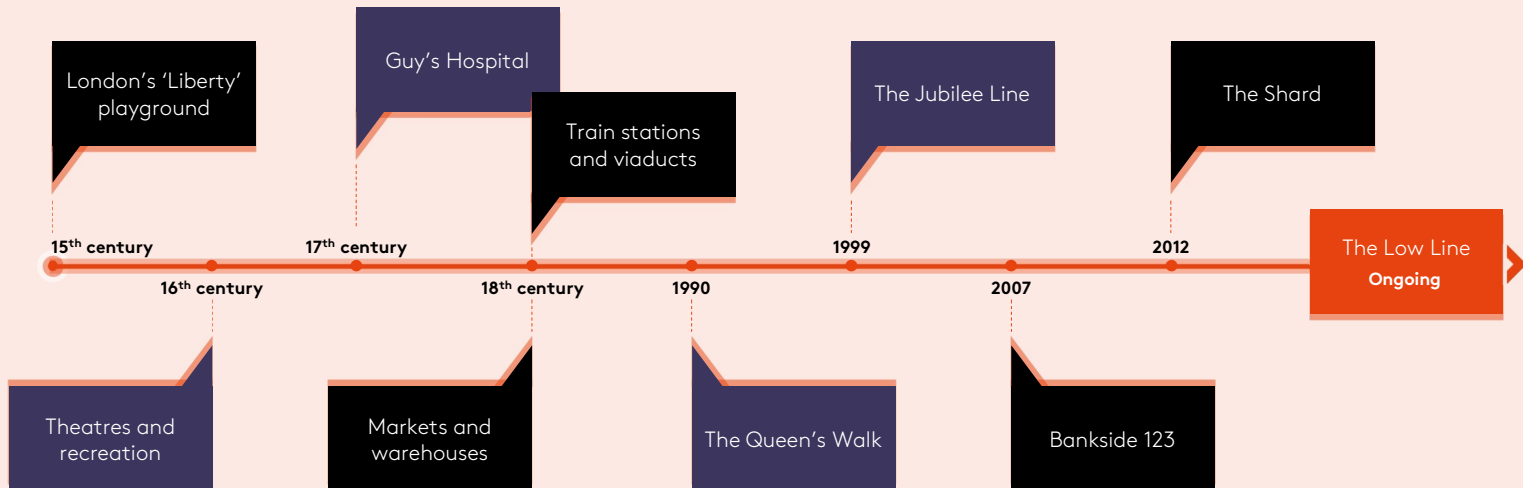


Southwark

The agent's view

MARK FISHER
UNION STREET PARTNERS

A brief history of Southwark



What do tenants like about the area?

CONNECTIVITY



AMENITY



LIFESTYLE



TALENT POOL



VARIETY OF BUILDING TYPE



QUALITY OF SPACE



VIEWS & ACCESS TO THE RIVER



Amenity offer

Cultural spaces

Galleries

Theatres

Cinemas

Independent amenity

Markets

Meanwhile spaces



Unique appeal to staff

- › Easy walk from mainline stations with no onward tube journey
- › Cycle routes
- › Cool factor
- › Independent thinking
- › An area where they would **choose** to go out after work
- › Quality buildings but in a mixed-use area
- › An area that retains both a business and local community feel



Vinegar Yard, SE1

Who is located here?

Design and architecture

Early adopters seeking character warehouse space

tp bennett

Allies and Morrison

 Robert Bird Group

Media

Large companies seeking buildings of scale, in a cool location

Omnicom Group

WPP

News UK

Legal and professional

Wanting alternatives to traditional locations

Winckworth
Sherwood

 LEWIS SILKIN

Boodle
Hatfield.

Life sciences

Proximity to hospitals

SYNLAB 


Guy's and St Thomas'
NHS Foundation Trust

KING'S
College
LONDON

Tech, finance and corporate

Younger decision-makers untethered by West End and City traditions

ZOPA

SEGA

IBM


kubrick

Importance of sustainability and wellness

- › The 'flight to quality' continues
- › Companies of scale ask for ESG credentials as a pre-requisite
- › Staff retention relies on ESG provision
- › The WFH revolution
- › The area is a target location for large companies seeking quality space



What are the prospects for Southwark?



Excellent transport infrastructure

Large scale development opportunities underway

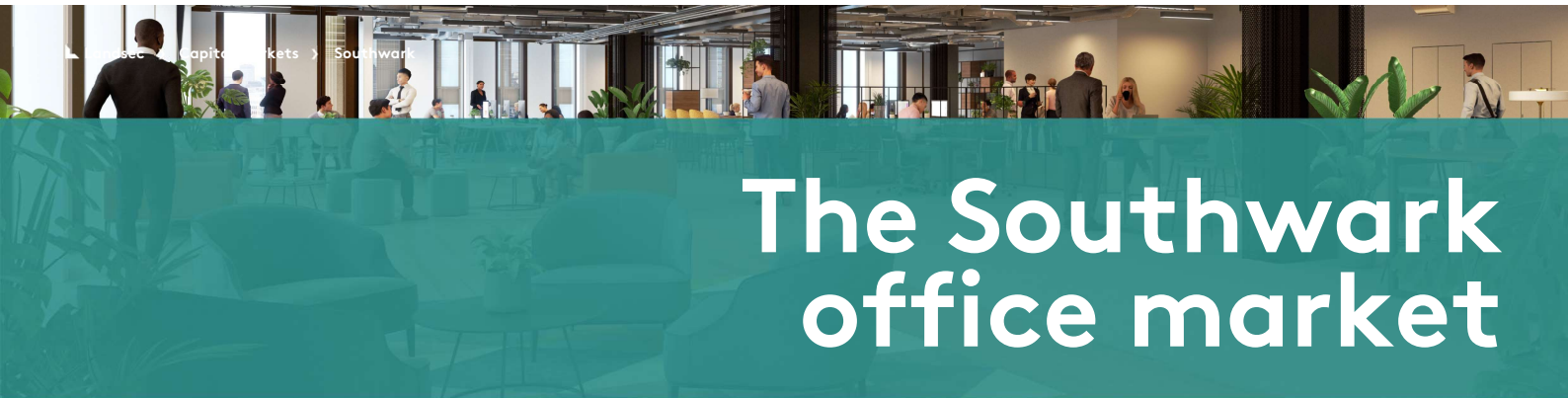
Life sciences is a significant new sector

More footloose tenants, seeking alternatives to the City

Appeal to more corporate sectors

Becoming mainstream but without losing it's character

Loyal local tenants need best-in-class space



The Southwark office market

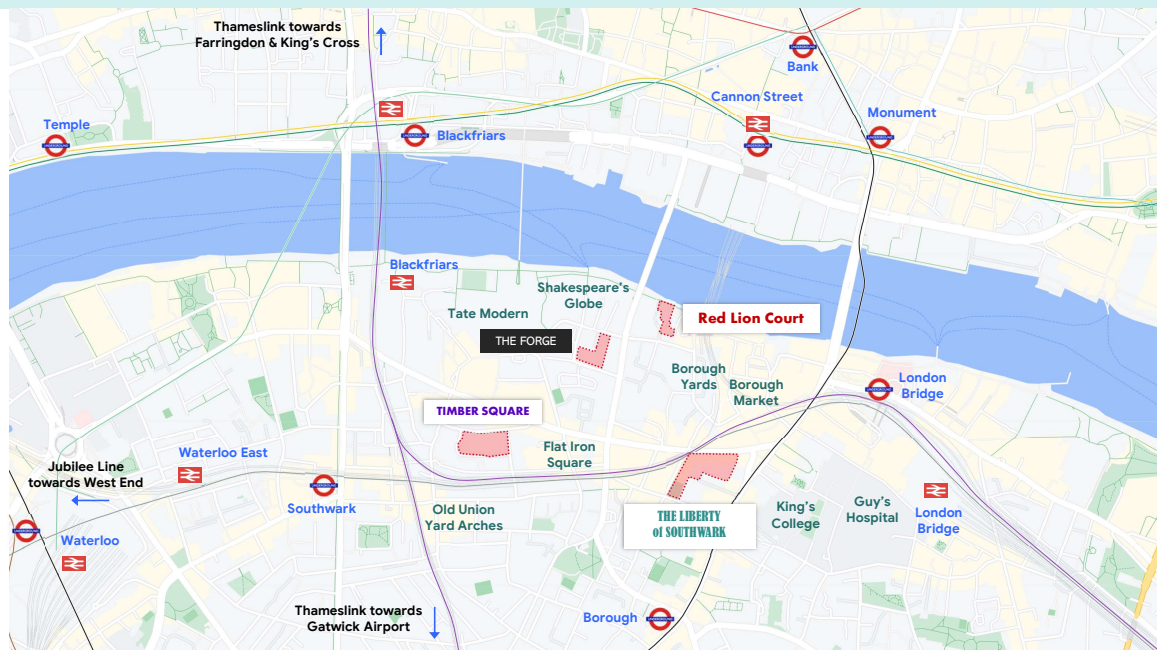


OLIVER KNIGHT
HEAD OF OFFICES

Creating a 1m sq ft Southwark green office cluster

Four schemes with great transport links in a vibrant location

- › Unique blend of culture, heritage, leisure and F&B destinations
- › 150 million passengers p.a. through Waterloo and London Bridge
- › Jubilee and Northern lines connecting to City and West End
- › 24 Thameslink trains per hour connecting to Farringdon, King's Cross stations and Gatwick airport

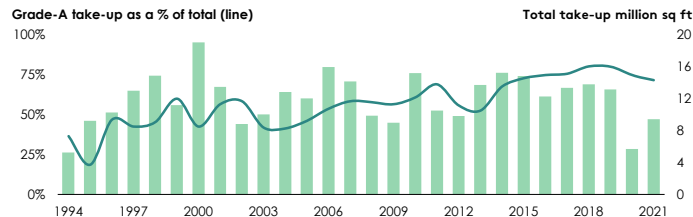


Central London grade-A office supply likely to tighten

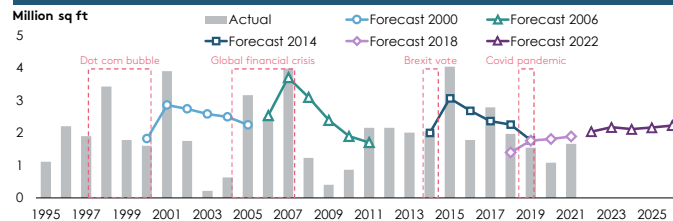
Some construction starts are likely to be deferred

- Growing demand from occupiers for grade-A space with strong sustainability credentials
- Expect to see delayed construction starts in the market, resulting in lower future supply
- Rental values supported by limited grade-A supply

Share of grade-A space has grown to c. 75% of overall take-up

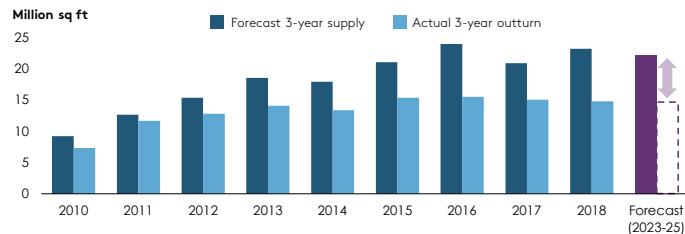


Actual construction starts in the City have reduced sharply compared to original forecasts in previous periods of economic uncertainty



Source: PMA

Forecasted supply is on average 34% higher than actual London office completions, and the difference is expected to be even higher in next 3 years

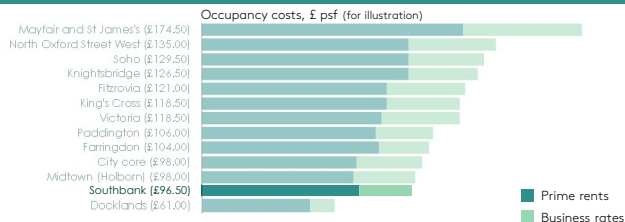


Source: CBRE

Why Southwark?

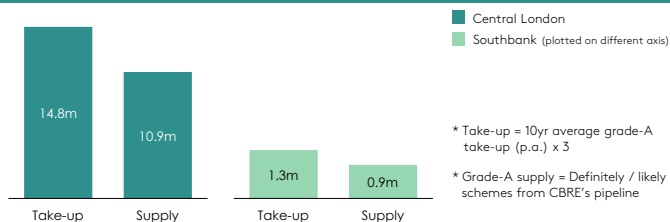
A growing market with compelling characteristics

Southbank occupancy cost is at a significant discount to competing sub markets



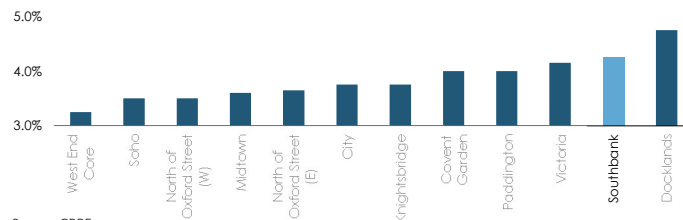
Source: CBRE, Knight Frank

Southbank is under-supplied 2022-24 compared with average take-up



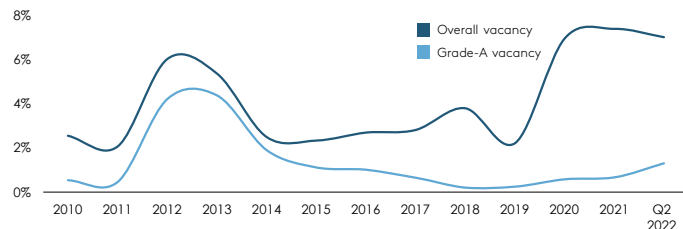
Source: CBRE, Knight Frank

Prime yields are above other sub markets – Q2 2022



Source: CBRE

Low levels of grade-A vacancy in Southbank



Source: CBRE

Creating a 1m sq ft Southwark green office cluster

Four complementary schemes with c. £1.1bn TDC and anticipated yield on cost of c. 7%

THE FORGE – 140,000 sq ft



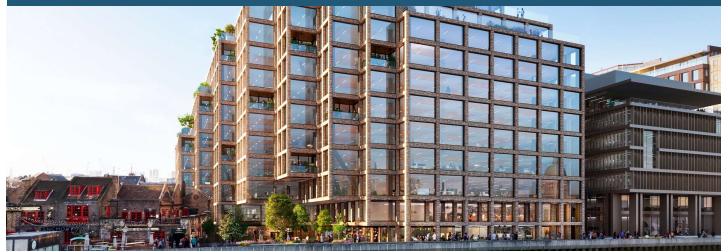
TIMBER SQUARE – 380,000 sq ft



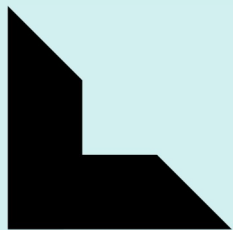
THE LIBERTY OF SOUTHWARK – 200,000 sq ft



RED LION COURT – 235,000 sq ft



Summary



Landsec

MARK ALLAN
CHIEF EXECUTIVE OFFICER

Well positioned for future growth

Strong financial base and flexibility in pipeline provide optionality

- › Strong operational performance across business
- › Customers increasingly focused on high-quality space
- › Macro challenges impacting investment markets
- › Repricing of assets with lowest yields
- › Sold £1.8bn of mature London offices over the last two years
- › Optionality in significant pipeline
- › Low 30% pro-forma LTV provides solid base for future growth





Q&A