



Landsec

Press release

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Landsec continues to build on strong operational and strategic momentum

Since its half year results, Landsec has continued to build on its operational and strategic momentum. It has capitalised further on the ongoing customer demand for prime space across Central London offices and major retail destinations, while also recycling capital out of mature assets into new opportunities offering significantly higher future returns. At the same time, the business has further strengthened its strong capital base.

Unlocking complex opportunities at attractive returns

Landsec has secured 100% ownership of St David's shopping centre, Cardiff, following its purchase of the debt secured against the 50% share of the asset previously owned by intu plc. Comprising separate transactions with two debt holders, the overall purchase price represents a meaningful discount to the £113m September 2022 book value of Landsec's existing 50% share of the centre, a net initial yield of 9.7% and an equivalent yield of 9.7%.

Leasing momentum in St David's has been strong, as the centre benefits from brands' ongoing "flight to prime". Since March 2022, 36 leases have been signed or are in solicitors hands, on average 11% ahead of ERV. In the last 18 months, several brands have relocated to St David's from elsewhere in the city, agreed to open new stores, or upsized their existing stores, including Zara, Ivy Asia, Gaucho and Footasylum. As a result, occupancy increased from 88.1% in March 2021 to 93.1% at the start of this year, with retail sales for the financial year to date 15% above the prior year and in-line with pre-pandemic levels.

Via a separate transaction, Landsec has also acquired the adjacent vacant Debenhams store for a minimal sum. Combined, this unlocks the opportunity to deliver its future vision for the centre, further enhancing its attraction for brands and visitors. This will introduce new public spaces, elevated F&B/leisure concepts and a refreshed brand mix, and is expected to deliver a high single digit income return on incremental capex.

Recycling capital out of mature assets

Aside from the £350m disposal of the fully-let One New Street Square office in the City in January, Landsec has also sold a fully-let leisure asset in north London and a small non-core residential asset. The combined consideration of £49m represents an average yield of 2.9% and a 26% premium vs the March 2022 book value. With a further reduction in net debt since September and an increase in average debt maturity to over 10 years via its recent bond issue, Landsec retains one of the strongest balance sheets in the sector.



Capitalising on continued demand for best in class space

Operational momentum has remained positive across Landsec's Central London portfolio and major retail destinations, as customer demand continues to focus on best-in-class space.

In Central London, the strong demand for sustainable, modern space means that Landsec's two largest on-site development schemes, n2 and Lucent, are now 66% and 67% pre-let or in solicitors hands respectively. As a result, its overall current pipeline is now 53% pre-let or in solicitors hands, ahead of its completion by the summer, up from 38% in November, with rents agreed since the half year well ahead of ERV. Demand across the company's existing office portfolio remains strong as well, with further lettings ahead of ERV since the half year. In the West End, where two-thirds of Landsec's London assets are located, the company's office portfolio is currently more than 99% let or in solicitors hands.

Across Landsec's major retail destinations, like-for-like sales were 3% ahead of pre-Covid levels for the eleven months to February. Leasing activity has remained strong since the half year, with rents ahead of ERV and a strong pipeline of lettings in solicitors hands of £14m, on average well ahead of ERV.

Mark Allan, Chief Executive, commented:

"Over the past year we have been decisive in positioning Landsec for a 'higher for longer' interest rate environment. We have realised capital out of mature assets through well-timed disposals; reduced net debt to preserve a strong balance sheet; extended debt maturities while preserving a low cost of debt; invested selectively in new opportunities that offer a materially higher return and responded proactively to the continued high demand amongst occupiers for prime space.

"We continue to believe that interesting opportunities will emerge as the economy transitions to a higher interest rate environment and have positioned the business to be able to respond accordingly."

Ends

About Landsec

At Landsec, we build and invest in buildings, spaces and partnerships to create sustainable places, connect communities and realise potential. We are one of the largest real estate companies in Europe, with a £10.9 billion portfolio of retail, leisure, workspace and residential hubs. Landsec is shaping a better future by leading our industry on environmental and social sustainability while delivering value for our shareholders, great experiences for our guests and positive change for our communities.

Find out more at [landsec.com](https://www.landsec.com)



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