Landsec

Press release

Title	Results for the year ended 31 March 2024
From	LAND SECURITIES GROUP PLC ("Landsec")
Date	17 May 2024

Continued operational strength, as values for best assets begin to stabilise

Mark Allan, Chief Executive of Landsec, commented:

"Our continued operational outperformance, with rising occupancy and positive rental uplifts in retail and London, is driving robust like-for-like rental income growth and demonstrates the importance of owning and operating the best-in-class real estate. Around 80% of our portfolio is now invested in twelve places with significant scarcity value, where our competitive advantages in shaping and curating these places mean we expect like-for-like rents to continue to grow.

"Following a reset of values over the past two years driven by rising interest rates, the stabilisation in rates and evidence of continued rental growth is starting to attract increased investor interest for the best assets. Around 60% of our portfolio already showed stable values in the second half and overall yields were largely stable in the final quarter, pointing to a positive outlook for our overall return on equity.

"The quality and return prospects of our portfolio are further bolstered by our strong balance sheet. After a period of proactive capital recycling, most recently with over £600m of non-core assets sold in the past seven months, we have meaningful capacity to invest in high quality assets that add to our best-in-class portfolio at what we believe to be an attractive point in the cycle."

Financial highlights

	2024	2023		2024	2023
EPRA earnings (£m)[1][2]	371	393[3]	Loss before tax (£m)	(341)	(622)
EPRA EPS (pence)[1][2]	50.1	53.1[3]	Basic EPS (pence)	(43.0)	(83.6)
EPRA NTA per share (pence)[1][2]	859	936	Net assets per share (pence)	863	945
Total return on equity (%)[1][2]	(4.0)	(8.3)	Dividend per share (pence)	39.6	38.6
Group LTV ratio (%)[1][2]	35.0	31.7	Net debt (£m)	3,517	3,348

- EPRA EPS[1][2] stable vs prior year's underlying level[3] of 50.1p, in line with guidance, as occupancy growth and 2.8% LFL income growth offset rise in interest costs and impact of asset disposals
- Total dividend up 2.6% to 39.6p per share, in line with guidance of low single digit percentage growth
- Loss before tax moderated to £341m, reflecting a £625m or -6.0% adjustment in portfolio valuation weighted to first half of the year, as c. 60% of portfolio was effectively stable in value in second half
- Total return on equity improved to -4.0%, with 8.2% reduction in EPRA NTA per share[1] [2] to 859p, as outlook for return on equity turns more positive as values begin to stabilise

- Maintained strong balance sheet with, pro-forma for disposals post year-end, 7.0x net debt/EBITDA and a 32.3% Group LTV(1)(2) – down 2.1ppt over past two years despite adjustment in values
- FY25 EPRA EPS, post £572m net sales since H1, expected to be slightly below 50.1 pence in FY24 before any reinvestment of sales proceeds; FY26 currently expected to be slightly ahead of FY24

Operational highlights: high quality of portfolio underpins positive outlook for returns

Delivered continued outperformance in a market increasingly focused on best-in-class space, reflected in 8% uplifts on relettings/renewals and 130bps occupancy growth across London and major retail, driving 2.8% like-for-like net rental income growth. Values for best assets starting to stabilise, as interest rate outlook is more balanced and investor interest starts to return, which with c. 5.7% income return plus expectation of continued rental growth supports positive outlook for overall return on equity.

Central London: further growth in occupancy as property values begin to stabilise

- Delivered 1.4% LFL net income growth in offices, with overall occupancy +140bps to 97.3%, £35m of lettings signed or in solicitors' hands 6% above ERV and relettings/renewals 15% above previous rent
- Registered consistent upwards trend in office utilisation throughout the year, with unique daily entries across our buildings up 18% vs prior year, and 81% of lettings in year resulting in customers taking more or same space, as demand remains firmly focused on high-quality space in the best locations
- West End values (72% of our London portfolio, up from 48% three years ago) virtually stable in second half, with overall change in Central London values moderating to -2.4% vs -4.5% in first half. Yields remain stable in final quarter, as successful leasing drives 5.0% ERV growth, in line with top end of guidance, with further low to mid single digit percentage growth expected for current year
- Started two net zero carbon developments in Victoria and Southbank, with expected 7.2% gross yield on total cost and c. 12% yield on capex, as recently completed schemes are now 89% let or in solicitors' hands, with rents 12% ahead of initial assumptions

Major retail: strong income growth, as rental reversions reach inflection point and turn positive

- Delivered 6.9% LFL net income growth, with occupancy + 130bps to 95.4%, and £37m of lettings signed or in solicitors' hands 6% above ERV and 2% ahead of previous rent for relettings/renewals, marking inflection point in rental reversions
- Further focusing investment in best-in-class destinations, with the sale of our two smallest outlets and accretive investment of c. £100m in existing destinations over next c. 3 years
- Capitalised on clear focus from brands on fewer, bigger, better stores, with the attraction our locations offer reflected in 4.1% YoY sales growth, resulting in growing competition for space
- Attraction of high and growing cashflow reflected in 0.2% increase in asset values in second half (FY-1.1%), even though valuers' assumed 1.4% ERV growth continues to trail operational performance, with low to mid single digit percentage growth in ERVs expected for current year

Mixed-use: starting first on-site preparations in London whilst optimising rest of pipeline

- Secured planning consent for 1,800-homes Finchley Road scheme and detailed consent for first phase, with site enabling works starting later this year, ahead of potential start of main project in 2025
- Progressing optimisation of plans for Mayfield and rest of portfolio to enhance risk/return profile

Underpinning our strategy: strong capital base following pro-active capital recycling

- Sold £625m of subscale and non-core assets since March 2023 including £400m post year-end, on average in line with March 2023 book value, materially exceeding acquisitions of £136m
- Maintained strong capital base, with long 9.5-year average debt maturity, £1.9bn cash and undrawn facilities, and pro-forma for disposals since year-end, a low 7.0x net debt/EBITDA and low 32.3% LTV, creating significant balance sheet capacity to become net investor at attractive point in time
- Capitalised on sector-leading access to credit, with AA/AA- ratings, via £300m bond issue at 4.75%

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 14 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review. The condensed consolidated preliminary financial information is prepared under UK adopted international accounting standards (IFRSs and IFRICs) where the Group's interests in joint ventures are shown collectively in the income statement and balance sheet, and all subsidiaries are consolidated at 100%. Internally, management reviews the Group's results on a basis that adjusts for these forms of ownership to present a proportionate share. These metrics, including the Combined Portfolio, are examples of this approach, reflecting our economic interest in our properties regardless of our ownership structure. For further details, see table 14 in the Business analysis section.
3. Including the benefit of £22m year-on-year increase in surrender premiums; adjusted for this, underlying EPRA earnings and EPS were £371m and 50.1 pence respectively.

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 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

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