



OUR STRATEGY

Landsec focuses on three areas of the UK real estate market where we can apply our unique competitive advantages and can maximise the value from our portfolio and our talent in shaping and sustaining places: Central London offices; Major retail destinations; and Mixed-use urban neighbourhoods.

What binds these three areas together is the importance of a sense of place to their enduring success, and to that of their surrounding areas. We strive to create, curate, and activate places that inspire people, generating value for all our stakeholders.

The environment we operate in has changed markedly since we launched our strategy over three years ago, yet our strategy remains the right one. That strategy is underpinned by two key principles of sustainable value creation: focusing our resources on where we have genuine competitive advantage and preserving a strong balance sheet. To achieve this strategy, we need a clear sense of purpose and a culture that supports, respects, and motivates our people. The three – strategy, purpose, culture – are inextricably linked.

In executing our strategy, we continue to be led by three things: working sustainably, meeting the needs of our customers, and being disciplined with our capital. It is vital we make healthy, sustainable returns to enable our business to grow over time.

We are a total-return business, and we continue to target a return on equity of 8-10% p.a. over time, comprising a mix of income and capital returns, driven by rental growth and selective development upside. Inevitably, short-term valuation movements,

that are outside of our control, may adversely affect our returns in the short term, but our current income return on NTA of c.5.7% and the prospect of stabilising yields means the outlook is encouraging.

LANDSEC STRATEGY

Two key principles of sustainable value creation.

- 1 **FOCUS ON COMPETITIVE ADVANTAGE**
 - HIGH-QUALITY PORTFOLIO
 - STRONG CUSTOMER RELATIONSHIPS
 - UNLOCKING COMPLEX OPPORTUNITIES
- 2 **PRESERVING BALANCE SHEET STRENGTH**
 - DISCIPLINED CAPITAL RECYCLING
 - MANAGING LTV
 - PRESERVING OPTIONALITY



CENTRAL LONDON

We create workplaces designed for life – not just the 9 to 5 – from a net zero office space in Southwark to a 2.5m sq ft cluster of high-quality buildings in Victoria.



RETAIL

We own and operate some of the UK's most renowned retail and hospitality destinations that connect brands with people and partners to create brilliant experiences for customers.



MIXED-USE URBAN

Working closely with communities and local authorities around the UK, we regenerate urban spaces into thriving places to live, work and play.



Creating value for people through places

The surge in inflation and interest rates since early 2022 has had a material impact on asset values globally, be it for real estate, equities or bonds. Positively, inflation has come down markedly from its highs in 2023, but interest rates are likely to fall more slowly.

Importantly, the strategy we set out in late 2020 was not based on a continuing low-rate environment, and we have delivered on this strategy. We have now sold £3.1bn of the c. £4bn assets we identified for sale. This enables us to focus this year on investing in higher-return acquisition opportunities in major retail and selective development opportunities within our business.

In London, we will likely balance any potential opportunities to invest more in our key clusters with recycling capital out of mature or standalone assets. We will always apply our judgement and expertise in assessing the timing and nature of developments to ensure we maximise the value from our capital investments.

Our strategic focus is on sustainable value creation in three key areas, central London offices, major retail destinations and mixed-use urban neighbourhoods. Customer demand in each area remains resilient, underpinned by the strength of our customer relationships and high-quality portfolio.

The built environment accounts for 40% of carbon emissions globally, so everything we do needs to have sustainability at its heart. This year, in line with our updated carbon reduction targets, we have continued to execute on our Net Zero Transition Investment Plan reducing operational emissions alongside driving down upfront embodied carbon from our development pipeline ensuring our actions align with the latest climate science. To recognise real estate's role in, and respond to, the growing biodiversity crisis and to maintain our position as a leading sustainable business, we also launched our first nature strategy. We also launched our principal community investment programme, Landsec Futures, committing to invest £20m over the next decade to enhance social mobility in our workplace and wider industry.

At the heart of our philosophy is a belief that we can only be successful if our customers are successful. We look to build positive and lasting relationships with them, to understand their businesses better, and determine what we can do better or differently to help them succeed.

We think constantly and very carefully about where to invest, focusing in particular on projected returns and the associated risks. With visibility and expertise across three distinct focus areas, we have a unique perspective on relative risk and returns, which enables us to be clear and decisive in our capital allocation decisions.

It has never been more important to own the very best assets in the right locations that cater for customers' future needs. Our portfolio is built on high-quality places with real scarcity value. Through the careful curation and stewardship of these places, they can deliver positive like-for-like income growth. In addition, the best quality assets with rental growth look attractive in a higher cost of capital world, and we are already seeing increasing investor interest for assets with these characteristics. In contrast, secondary asset values will almost certainly have further to fall.