Landsec

Press Release

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LANDSEC HOSTS CAPITAL MARKETS EVENT IN LIVERPOOL

Landsec ("the Company") will host a capital markets events at Liverpool ONE today, where it will provide an update on current trading and share further insight into how the attractive growth across its major retail platform is expected to contribute to the Company's EPS growth, both in the short and for the longer term.

Continued strength in operational performance
Since its FY results in May, Landsec has seen good momentum on its primary financial objective of delivering sustainable income and EPS growth. This is underpinned by the ongoing strength in occupational demand across its high-quality central London and major retail portfolios, as the focus from customers on the best quality space remains unabated.

This has been particularly pronounced in major retail, where leases signed and in solicitor's hands for the year to date are on average 12% above ERV. Rental uplifts on relettings/renewals continue to grow relative to previous passing rent, up to 13% for the year to date, compared to 7% for FY25 and 1% for FY24. This is underpinned by strong growth in retail sales, which at 8.3% over the five months to August was materially ahead of the national average of 2.0%, and strong growth in footfall, which at 4.9% was also well ahead of the UK average of 1.0%.

In central London, leasing remains robust as well, with leases signed and in solicitor's hand 9% above ERV and relettings/renewals 6% above previous passing rent. As such, Landsec is firmly on track vs its guidance of c. 3-4% growth in like-for-like net rental income and c. 2-4% growth in EPRA EPS this year, before the 0.9 pence impact on this year's EPS from the disposal of QAM.

Significant income growth potential in major retail
With a continued focus from brands on the best destinations which deliver the highest sales and its market-leading platform, Landsec today will share further insight into how it targets to deliver 4.5-7% CAGR in net rental income from its existing major retail portfolio by FY30.

This includes 3-4% growth p.a. from capturing the growing reversionary potential across its high-quality portfolio and growth in turnover income. Growth in commercialisation income, such as digital media, events, brand activations and EV charging, is expected to add 0.5-1% p.a. In addition, the investment in up to c. £200m of smaller, high-yielding capex projects is expected to add on average 1-2% of growth p.a.

Taking into account interest cost on future capex, this means that at the low end of the target CAGR above, Landsec's existing major retail platform would add c. 4-5p to EPS by FY30, which is what is reflected in the c. 60p potential FY30 EPS the Company has pointed to.

Capital allocation
Focusing on sustainable income and EPS growth, and maintaining a strong capital base, Landsec has made good progress in capital recycling, with £644m of low-returning assets sold or in legals since March, principally comprising:

- The sale of the QAM offices for £245m, which generated a total return of c. 0%, as the valuation depreciates in line with the income received until the 2026/28 lease expiries;
- The sale of a small £50m City office, which generated a net income yield of 5.1%;
- The disposal of four retail parks for £261m, one of which is in legals, which generated a slightly higher income return of 6.4% but delivered little LFL income growth;
- The sale of two pre-development assets for £72m, one of which is in legals, which generated a -0.4% net income yield.

Combined, these disposals will release £644m of capital from assets which generated limited or no return at a cost to overall NTA of 1.0%. Aside from the aforementioned impact of turning the residual QAM finance lease income into a capital receipt on selling the asset, the aggregate impact of these disposals is effectively neutral in terms of EPS.

Investment activity in London offices is gradually recovering from a low base as ERVs continue to grow. Having sold £295m of offices well ahead of schedule, Landsec intends to accelerate further capital recycling over the next 12-18 months, to reinvest in major retail. Given the superior income returns and attractive growth in income, this remains Landsec's highest conviction call, so in prioritising its capital allocation, the Company does not plan to commit any meaningful capital to new development projects in the near term. As a result, its committed development pipeline is expected to reduce to c. £0.2bn by mid-2026.

The presentation of today's capital markets event will be made available on the Company's website later today.

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ABOUT LANDSEC

We identify and shape places that create opportunity, enhance quality of life, and bring joy to the people connected to them.

This is how we've created the UK's leading portfolio of urban places and one of the largest real estate companies in Europe.

Our £10 billion portfolio is built around premium workplaces, the country's pre-eminent retail platform, and a residential pipeline that will redefine urban life.

We've honed this ability over 80 years. Spotting the opportunities, building the partnerships, and continually adapting to shape the places that meet the needs of a changing world.

Places where life happens. Where businesses grow. And where cities are defined.

Find out more at Landsec.com

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