

# Land Securities – QuickView

23 July 2012

Event

Q1 IMS

## Investment summary: Developing well

Land Securities continues to see the benefits of its early decision to recommence the development of previously postponed schemes. These developments have the benefit of lower construction costs and are being delivered into constrained markets that should give rise to increased valuations and create new value for shareholders.

### Lettings progressing despite slower markets

Land Securities continues to secure new lettings despite slower recent activity in the market. It has agreed £9.3m of pre-lets during Q1 at new developments and also £7.3m of new lettings at existing rental properties. The like-for-like vacancy rate edged up to 3.2% (3.0%), albeit due to space take-back on a lease extension.

### Long-term undersupply for London market

The central London office and retail market remains undersupplied with 50m sq ft of lease expiries over the next 10 years (Knight Frank), with many such buildings ripe for subsequent demolition and redevelopment. Many tenants will therefore have to relocate as leases expire and the shortage of new space coming onto the market implies both rents and capital values are likely to rise.

### Value-added development pipeline

Land Securities remains highly active with developments, having several London office schemes in train, along with retail projects in Leeds and Glasgow. The decision to restart these early in the cycle suggests an ability to create value from lower build costs and valuation uplifts in a constrained market. The company has a pro-forma LTV of 34% and could secure further acquisitions funded from disposals.

### Valuation looks fair after recent good performance

The shares currently trade on a 13% discount to forecast NAV, similar to that of British Land and close to the observed average long-term discount of 15%. However with greater exposure to central London development, Land Securities should enjoy slightly better three-year NAV growth than British Land (4.2% v 3.8%), offering some compensation for a lower dividend yield (3.8% v 5.0%).

## Consensus estimates

Year End	PBT (£m)	EPS (p)	DPS (p)	NAV* (p)	P/NAV (x)	Yield (%)
03/12	299	38.5	29.0	863	0.90	3.7
03/13e	271	35.9	30.0	891	0.87	3.9
03/14e	293	38.3	31.2	938	0.83	4.0
03/15e	324	42.5	32.8	976	0.80	4.2

Source; Thomson/Reuters consensus estimates (\* Adjusted, diluted NAV)

Price 779p  
Market Cap £5,964m

### Share price graph



### Share details

Code LAND  
Listing LSE  
Sector Real Estate  
Shares in issue 765.6m

### Business

Land Securities is the UK's largest REIT and is the owner of 24 shopping centres and 19 retail parks covering 20.6m sq ft of retail space. It is also a leading central London landlord with 9.5m sq ft of prime office and retail space. The company also has 5,000 acres of strategic land for development and regeneration.

### Bull

- London portfolio position.
- Development opportunities.
- Rising occupancy and rents.

### Bear

- Short-term development voids
- Development execution risk.
- Possible retail administrations

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