

Press release

Title Landsec sells its share of 20 Fenchurch Street, EC3M for £641m and proposes to return £475 million to shareholders

From Land Securities Group PLC (“Landsec”)

Date 27 July 2017

This announcement contains inside information.

Landsec has exchanged contracts to sell its 50% stake in 20 Fenchurch Street, EC3M to LKK Health Products Group Limited (“LKKHPG”) for a headline price of £641.3 million. LKKHPG will also acquire Canary Wharf Group’s 50% stake in the building, bringing the total headline price to £1,282.5 million, reflecting a net initial yield to the purchaser of 3.4%. Completion is expected to take place at the end of August and is unconditional.

20 Fenchurch Street was developed by a joint venture between Landsec and Canary Wharf Group in 2010, completed in 2014 and comprises 671,000 sq ft of office space on 34 floors in the City of London’s insurance district. Its innovative and efficient design makes it an attractive location for insurance companies and brokers alike, and it was fully let just a few months after completion to customers including Markel, RSA and Liberty Mutual. It’s also home to 17,000 sq ft of retail space on the ground floor and within the three-storey Sky Garden, which has spectacular views across London.

After costs of sale, the top up of unexpired rent free periods and other commitments, Landsec expects to receive £634.5 million in net proceeds. Landsec intends to return approximately £475 million to shareholders in the form of a payment of 60 pence per share, which would be accompanied by a share consolidation. The payment and share consolidation is subject to shareholder approval, which is expected to be sought in late September 2017. The balance of the proceeds will initially be used to repay short term debt, pending redeployment. As a result, Landsec’s current gearing is expected to remain unchanged. Landsec’s 50% share in 20 Fenchurch Street was last valued on 31 March 2017 at £567.5m. The annualised net rental income (on an accounting basis) attributable to Landsec’s 50% share is currently £18.8 million.

Robert Noel, Chief Executive of Landsec, said: “Our decision to sell 20 Fenchurch Street at an exceptional price and return cash to shareholders reflects our disciplined approach to the use of capital. The building has been an immensely successful project for Landsec and our partners. Its development in 2010 was part of Landsec’s major speculative development programme in the capital, which has seen the completion of 3.1 million sq ft of office and retail space, thousands of jobs sustained in the construction industry, and considerable improvements to public spaces. This sale crystallises the significant value we have created at 20 Fenchurch Street.

“While we will be returning cash to shareholders as a result of the sale, our gearing will remain unchanged from current levels, ensuring we retain our significant firepower. This will allow us to move quickly to capitalise on opportunities whenever they might arise.”

Ends



About Landsec

At Landsec, we believe great places are for people to experience and are made with the experience of great people. As the UK's largest listed commercial property company, with 23.2 million sq ft of real estate and a portfolio valued at £14.4 billion, we own and manage some of the most successful and recognisable assets in the country.

In London, our portfolio totals more than £8.3 billion, and consists of 6.5 million sq ft of real estate. From the world famous Piccadilly Lights to the transformation of Victoria, SW1, we deliver exceptional experiences for the businesses and people that live and work in, and visit, the capital.

In Retail, across our 16.7 million sq ft of assets, we create outstanding experiences for customers and guests alike. Combined with the strength and resilience of our portfolio, this means we regularly outperform industry benchmarks for footfall and sales. We offer more than convenience and choice, recognising that memorable destinations are key to attracting the shoppers and retailers of today, and tomorrow.

We also aim to lead our industry in critical long-term issues – from diversity and community employment, to carbon and climate resilience. Everything we do is grounded in experience and begins with people. We deliver value for our shareholders, great experiences for our customers and positive change for our communities. At Landsec, everything is experience.

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