Investor Day 2018
Friday 23 February 2018

Scott Parsons
Managing Director Retail Portfolio

Slide 2 – Title slide

Good morning, we are delighted and proud to welcome you to Westgate Oxford for our Investor Conference. You are sitting in a brand new state of the art cinema within a spectacular new shopping centre built in a city that was number one on the list of retailer requirements.

Slide 3 - Agenda

Now I will start off this morning with some updates on our portfolio and views on the market. Now in past presentations I spent a lot of time on our regional shopping centres as well as our drivers for investing in leisure. So, to shake things up today Ailish, our Head of Property will give you a deeper look into our outlets before Andrew, our Head of Development, will talk all things Westgate. And as we are in a cinema we thought we would show you a short film before we open for some Q&A. We will then show you around this fantastic centre and we will finish up with some lunch on the amazing roof space.

Slide 4 – Repositioned Retail Portfolio

So, to kick off let me remind you what we have been doing. We repositioned our portfolio with a firm strategy to focus on resilient assets that attract occupiers, even when times are tough where we can add value and where we can provide our customers and their customers with a great experience. As you can see we have allocated our capital to focus on a balance of resilient income and brand appeal from destination shopping centres, hotels that are essentially income producing development sites because of their underlying vacant possession values, retail and leisure parks that are full and dominate their catchments and a great growth story in our outlets portfolio.

Slide 5 – Retail Portfolio strategy

So repositioning is serving us well in the current environment, but that is only part of the story for our portfolio. It is also about constantly reinventing our destinations to keep our offer fresh, interesting and relevant. And it is about careful and disciplined reinvesting. Now the polarisation between strong trading destinations and weaker centres is getting bigger and bigger and will continue to do so. And where a retailer's property portfolio sits is having a big impact on their performance.

Slide 6 – Retail space UK vs US

Let's first take a look at the big space users: the department stores.

Now compared to the US where investors and retailers are only just waking up to the realities of multi-channel retail, it is important to note that here in the UK we are way ahead on the multi-channel curve and have far less retail floor space per capita. And within that floor space a far smaller proportion is devoted to department stores. But we do know that some UK department stores are struggling and have too much space in too many locations. The physical stores are still important though even with growing online sales. And this is because all of them report that a physical store within a catchment is a key driver not just for physical sales, but for capturing online and click & collect.

Slide 7 – Internet penetration

In fact, our department store customers tell us that about 80% of online sales incorporate a visit to a physical store.

So, for the most part, department stores want and need their physical stores as an essential part of the distribution chain and customer fulfilment. They just need some of their stores to be smaller and to cost less. Here we come back to the polarisation point. If that department store is in a strong destination centre, chances are that that store is a positive contributor to the retailer's bottom line. It's profitable. And if it isn't, let's say it has too much space, there are options which may even work to our advantage.

Slide 8 – Department store rents are relatively low

Take department store rents. Within our portfolio for example, average rents on department store space are well below £6 per square foot. Now while our department stores are in strong centres and are performing comparatively well, let's say we did get back some space, we'd have a range of options because in a strong destination centre chances are another retailer would fill it or one of our leisure operators who typically pay between £7 and £20 per square foot, could slot in. So we may even get a rental uplift out of the equation. The only trouble is that getting this space back in a strong centre rarely happens.

BHS going bust is a good example of this. Their stores in strong locations were scooped up by operators like Next, as happened at White Rose, or were converted to leisure and F&B.

Slide 9 – Repositioning retail space

Moving onto other retailers. With MSUs, it is a similar story. Their rents are relatively low compared to smaller shop units, averaging around £30 per square foot and again the stronger destinations performed better and contributed more to the retailers' bottom line than the more secondary locations.

But perhaps the best demonstration of the polarisation between the best destinations and the rest is with shop units. Lifestyle brands like Ted Baker, Superdry and Joules who feature strongly in our centres and in the best destinations, actually had a pretty decent Christmas.

Slide 10 – Repositioning the offer

And the momentum of new brands taking space in our centres remains healthy. The likes of Colette, Kikki.K, Typo, House, Lovisa and Alex and Ani have entered the UK. And global retailers are introducing some of their other brands to the UK market like H&M rolling out Arket, &otherStories, Weekday and Cheap Monday.

Or how companies like Estee Lauder are increasingly taking stores for their individual brands like Aveda, Origins, MAC and Bobbi Brown rather than just selling through concessions in department stores.

Not to mention some new players not normally associated with bricks and mortar now taking physical space. Direct selling will become more and more prevalent, so brands can engage and get data on their customers. Think Hyundai and Tesla or T2 or Dyson and now even Microsoft.

Slide 11 – Potential pure-play online retailers taking physical space

Looking ahead, the best performers in the retail arena will be those with a selective number of strong physical locations and a good multi-channel offer. And I will go out on a limb here, but expect to see all successful pure play online retailers eventually venture into physical stores. Think Amazon, Missguided, Boden, Warby Parker or Bonobos.

Now the press tends to focus on the brands who are retrenching or even disappearing from the UK market. American brands like Forever 21 and American Eagle packed up and went home. And older brands such as Austin Reed are no longer part of the mix. Overall however our centres are seeing more brands arriving than brands departing, and this is because these brands are being incredibly selective. They want a small number of stores in only the best destinations so they are pushing polarisation even further. That is why we repositioned our portfolio anticipating these changes and focusing on great destinations for our customers and their customers.

Slide 12 – Retail Portfolio strategy

But as I said in the beginning it is not just about having the best assets, it is about ensuring that they remain the best by continually reinventing them so that they remain exciting and relevant for the consumer.

Slide 13 - Cinemas

Take our cinemas for example. We are sitting in a fantastic boutique offering that was missing in Oxford until now. It provides another reason for consumers to visit the centre, it increases dwell time and boosts the turnover of the centre's restaurants. The Everyman at Trinity Leeds and the new IMAX at White Rose do the same for those centres. We recently worked with Cine, our largest cinema operator, to ensure that within each of our city catchments our cinemas remain dominant and attractive to consumers. This means ensuring that each cinema is regularly refurbished and has either an IMAX or super sizing 4DX screen.

Slide 14 – Food and beverage

On the F&B front, reinventing means not just filling our spaces with the usual operators, but providing an interesting mix in a brilliant environment.

The market is seeing mid-market operators battling saturation and a consumer who is constantly seeking variety. St David's, Trinity and Bluewater have all attracted new and different London operators out to the regions, not just the same old names. The street food at Trinity Kitchen was a UK first and its offer changes on a monthly basis. And here at Westgate the eclectic mix on offer at Westgate Social along with the fantastic food and views available on the roof, which you will be seeing first hand, gives the Oxford consumer something they can't get anywhere else.

So, we know that great destinations attract the brands.

Slide 15 – Curating the brand mix

But if you have got low voids, like we have, it can sometimes be difficult and costly to accommodate them. And to continually reinvent our centres we need to be able to bring in the brands that consumers want and thus remove the brands that aren't adding anything to the consumer experience. At Bluewater and here at Westgate, at our outlets and increasingly across our portfolio we are agreeing leases outside the Landlord and Tenant Act so tenants don't have the automatic right to renew. Market leases are getting shorter too, increasingly down to five or seven years term certain. But if you've got strong destinations this is actually a strength. It is in neither the landlord's nor the tenant's interest to have an underperforming brand in a centre.

So, we look at leasing not just as filling space, but as curating a relevant mix of brands. Shorter leases that are outside the Act give us far more control and ability to actively manage the brand mix and many are linked to RPI to provide us with stable growth. And Ailish will tell you more about how active we are with brand mix at our outlets when she speaks in a few moments.

Slide 16 – Keeping the offer fresh

A recent Forbes article said, “physical retail isn’t dead, boring retail is”. And that is why we are far more demanding these days in terms of retailer fit outs. As we walk through Westgate shortly you will see some of the country’s most engaging and design led shop fronts and fit outs, ensuring that our consumers get the best experience whether in a shop or strolling the mall. For example, in the Schuh unit downstairs, customers can pay from a handheld device while sitting down and taking off their shoes. Or in Cardiff where Virgin Holiday customers can don virtual reality headsets to immerse themselves in a range of destinations before choosing one. Or Bluewater where Missguided illuminated video fit out was nominated for Retail Week’s best shop in 2017 and where Hugo Boss’ new digital concept includes “smart mirrors” that suggest other items to match what a customer is trying on.

Slide 17 – Evolving leisure offer

And that curator philosophy applies to our leisure offer too. Gone are the nightclubs and the bingo halls replaced by occupiers that appeal to a broad audience and, like the cinemas, increase dwell time and boost F&B turnover. Adventure golf, climbing walls, escape rooms, studio fitness, trampolines, giant playgrounds and even skiing mean that our centres are no longer just shopping centres, they are day out destinations where shopping just happens to be one of the activities on offer.

Expect to see continued evolution with virtual reality and gaming driving a host of innovation that our leisure experts are exploring.

Reinventing also means adding a little bit of magic to make the customer journey a little bit more pleasant and more memorable.

Slide 18 - Innovation

Now that magic can come in the form of technology with innovations like smart digital screens that select their adverts based on contextual stimuli. So if it starts to rain, for example, the screens will instantly switch to advertising a travel agent’s sunny holiday destinations. Or smart parking, like we have here at Westgate, that directs you straight to a free spot, knows your number plate and if you have paid and automatically raises the barrier to let you leave when it’s time to go home. Or the shopping portal at Bluewater complementing our customers’ existing omni-channel offering with the strength of the Bluewater brand and generating additional sales of over £4 million since it was launched just a few months ago.

Slide 19 – Everything is experience

And that magic comes from special events and surprises to delight our customers. Remember, we invented the shopping centre student night that generates millions in sales across our centres in just a couple of hours. Or our Narnia experience at Gunwharf that was completely sold out and delighted more than 20,000 children this Christmas. Or the personalised videos that engaged Westgate’s consumer database just before we opened. Or our experiential launch of the Early Man film by Aardman Animations: exclusive to us as the UK’s biggest cinema landlord.

Slide 20 – Retail Portfolio strategy

Finally, in order to keep evolving our portfolio of destinations, we are selectively reinvesting in opportunities. For the most part we are reinvesting in our existing portfolio and putting accretive capex to work to create value and make our great destinations even better.

Slide 21 – Making our great destinations even better

The new Primark unit at Bluewater will deliver a brand our consumers have been asking for, and a profit on cost of around 13%. The White Rose leisure extension was fully pre-let and its six new restaurants and IMAX cinema have delighted a loyal catchment and achieved an 11%

profit on cost and a development yield of over 6.5%. And also at White Rose we have invested in the future and the environment with the UK's largest retail solar PV installation reducing the centre's energy demand by an amazing 30% since we completed it last summer.

At two of our suburban London centres, O2 Finchley Road and the W12 centre in Shepherd's Bush, we are investing in feasibility to explore redeveloping these large low-density sites to create two fantastic new mixed-use destinations. And, of course, when we see a great opportunity for reinvesting, we can do things on a bigger scale, but we will remain disciplined and remain firm in our belief that for retail, today more than ever it's about quality not quantity.

Slide 22 - Summary

So what does all this mean for our performance? Well, successful retail real estate companies need to be constantly reviewing their portfolio, trends in the market, retailers and consumers' changing needs and have a clear view on the future and that is what we do. And you can see the effects of this activity on our operational performance. Our footfall and sales consistently outperform the benchmarks. Average dwell time in our centres is typically over 90 minutes as consumers increasingly treat a trip to a destination centre as a day out. So much more than just a shopping trip. And our voids are low, currently around 2.6% and that compares to IPD shopping centre vacancy rates of around 6.5%.

And when it comes to rental income, well activity like the opening of Westgate, the White Rose leisure extension and the new Primark at Bluewater reinforce our strategy to invest in dominant retail destinations with resilient income and brand appeal. Remember our hotels are essentially income-producing future development sites underpinned by their vacant possession values. Our retail parks and leisure destinations are fully let and dominant in their catchments and in a market where cyclical headwinds mean that rental growth in the short term will be hard to come by, our outlets have great potential to grow income as you will hear from Ailish.

Looking ahead, we will continue to relentlessly focus on smart and accretive capital expenditure, resilience by maintaining income and low voids, attracting the brands and providing a great experience for our visitors.

In a few minutes Andrew will take you through the Westgate Oxford story, but first let me hand you over to Ailish who will run through why we are so pleased with the outlets we acquired last year. Thanks very much.

Ailish Christian-West
Head of Property

Slide 23 – Title slide

Thanks Scott, morning folks. We've been in the outlet sector for more than a decade and we know how to drive success. Our flagship asset is Gunwharf Quays where we have demonstrated great results.

Slide 24 – Landsec outlet update

Over the past five years at Gunwharf we have grown retail sales by 37%. During this time we shifted from a scheme dominated by high street brands to an established premium retail outlet delivering 15.4% per annum property returns, creating over £200 million of value.

Slide 25 – Our locations

As with all the markets we operate in, we constantly keep our eye out for opportunities. We had known for a while that Hermes Investment Management would be selling their interest in Clark's Village, Braintree and Junction 32. And when they put them to the market we were ready and we did not hesitate to act. Our capital structure and banking facilities enabled us to buy quickly and convince the vendor to deal with us at a lower price than others were offering.

We secured these assets with clear business plans. To improve the physical environment and rental income through focused leasing and a commercial approach to operations. Our team are well placed to deliver this given our experience and knowledge of the demands from retail brands for well managed centres in the right location.

There is strong appetite for physical outlet shopping and it is proving resilient even to online competition. People like outlets, it is a niche sector with only 45 centres in the UK. Our focus is on the top 15.

Slide 26 – Landsec view of outlet categorisation in the UK

We own and operate five outlets with a portfolio value approaching £1 billion. We measure productivity by sales densities as you can see in our pyramid and this is the annual sales turnover per square foot. Of course, the rental income at outlets is typically linked to these sales. For example, the annual rent at Gunwharf would be around 10% of the annual sales from each store. Part of our opportunity is to shift these high street assets up the pyramid into the premium category which is what we have done at Gunwharf but more on that later.

First let me remind you why retailers like outlets.

Slide 27 – Why retailers like outlets

As I am sure you know, retailers use end of season sales in store and online to clear stock. But if you think of your own experience of shopping in sales these rarely show stores or brands at their best. On the other hand, operating an outlet store means better margins and a better customer experience. And that is not all. Some brands are using outlets to test the water for new products and are also creating “for outlet only” lines. In fact, premium retailers tell us there is very little overlap of customers who are shopping at their full price and their outlet stores.

Slide 28 – Why we like outlets

So why do we like outlets? Well as Scott has mentioned, we ensure a relevant mix of tenants to keep attracting customers. And we do this by using a different lease structure to the rest of the retail portfolio. You will have noticed that outlets tend to be smaller than retail shopping centres, typically fewer than 100 shops which gives us stronger demand tension. This along with having greater control through shorter leases outside the Landlord and Tenant Act give us the ability and the agility to keep bringing in the popular brands that drive sales growth.

Slide 29 – How we operate outlets

Brands which do not meet their sales targets can then be swapped out for more current or premium brands and this works well for everyone: we maximise rental income; retailers get a vibrant environment and an opportunity to optimise sales. And of course our shoppers get to enjoy a constantly evolving mix of brands. New brands are now also seeing the advantages of outlets. Pearl Izumi, Mint Velvet and Oliver Sweeney have all successfully opened their first stores in our portfolio.

So we stay close to our key outlet customers. The success enjoyed by our brand partners at Gunwharf has strengthened these relationships because they appreciate the difference a savvy operator can have on their performance.

As well has having the right line-up we also deliver a great physical environment. Everything is experience. As you would expect, our operational teams are responsible for day to day smooth running of each centre. But we are doing much more than that. At each site we have commercial managers working hand in hand with our retailers, driving sales store by store with advice and guidance on promotions, merchandising and marketing.

Slide 30 – Insights and intelligence

We base all our decisions on insights and intelligence. Some of the tools that we use are mentioned here. We have got daily and sometimes hourly monitoring of a host of data points. From car parking capacity, sales by brand and category to the footfall around our centres. We even have cameras on our bins to make sure they are emptied at the right time.

We are collecting feedback from over 1,200 customers every month. It is this insight that ensures that we are proactively improving shopper experience and importantly retailer performance. For example, our research tells us that shoppers who engage with a customer service host will spend more money. So, we make sure that our customer service people are highly visible and accessible around our destinations.

Slide 31 – Landsec outlet assets

Now let me give you an update on our outlet assets. Gunwharf, located in Portsmouth Harbour, a unique retailer leisure destination. As I mentioned earlier, we have delivered property returns of 15.4% per annum over the last five years. During that period, we invested £9 million making the scheme a more appealing place to be. This helped us attract 34 exciting new brands including Armani, Coach and Furla. We also worked with seven existing brands including Adidas and Estee Lauder to refit their stores. And the results are clear. In the last two years their combined sales grew by 16%. And there is more. Over the same period, we relocated 17 brands such as Ralph Lauren, Hobbs and Superdry which drove sales by 30% compared to the previous brand in that same space. And throughout this transformation we retained a void rate of less than 1% at Gunwharf Quays.

Now the Galleria. Well if you have ever driven down the A1 it is impossible to miss the Galleria, it is literally built over the road. The scheme is a hybrid of outlets and full price shopping with a popular leisure offer. The Galleria has a great catchment. It is in an affluent part of the country with several thousand new homes planned for the surrounding area and we are active here too. We are currently talking to one of our key outlet anchors, Nike, about upsizing their store. And we have recently introduced Billabong to the scheme. We have upsized Mountain Warehouse and we have agreed a new 15-year lease with Odeon Cinema.

Now moving on to our three newest assets. Starting with Braintree and Clark's. Both of these assets are well anchored and established high street retail outlet destinations. Clark's is probably the best know. It was the first outlet village in the UK. Braintree is well positioned with an affluent target audience and some key anchors including the UK's only Hollister outlet store. Both schemes currently sit at the top end of the high street band on our pyramid and we believe we can elevate them to premium destinations by improving the environment and the customer experience. And this in turn will attract more aspirational brands which will in turn drive higher turnover rent. Our customers are keen on this approach. At Braintree we have already signed deals with Bill's and Reiss and at Clark's we have signed Barbour, Hotel Chocolat and Original Penguin. And, of course, there is more to come particularly in the lifestyle, leisure and accessories categories where we see most headroom for growth.

Now finally, onto Junction 32. Junction 32 which you may know sits next door to one of our flagship leisure destinations, Xscape Yorkshire. What is different here is that we are not targeting the premium segment given the catchment and proximity to an established outlet in York. But we are confident that sales growth can be achieved. Nike trades extraordinarily well here. It is one of their top performing stores in Europe. We have recently completed lettings to HMV and Ann Summers. We are delivering stronger performance than the brands they replaced.

Now we plan to invest around £20 million in these three assets over the next 36 months to upgrade the appeal of each centre. And this work will include updating the appearance of each centre, creating some smaller, higher value shops, accommodating key anchor requirements and improving the food and beverage offer. And this will support our plan to bring in the new brands and drive rental income.

So to sum up.

Slide 32 - Summary

Following our acquisition last year, we are now the leading owner/manager of outlets in the UK. It is early days on our three new assets, but we are pleased that we have purchased at an attractive price giving us a net initial yield of 6.5 % which we are confident of growing. We are already showing the positive impact we can have in only a matter of months. Sales growth across these three assets has grown by 3% in the first six months of our ownership.

And we believe there are three drivers of success for outlets: the right environment which attracts the best brands; that great line up of brands which is key to growing retail sales and rental income; and finally, delivering this with our specialist outlet team.

So, with over a decade of experience of managing outlets, we are very confident about the future performance of our investment in the sector. Thank you and I am now going to hand you over to Andrew who will talk to you about our newest shopping centre.

Andrew Dudley
Head of Development

Slide 33 – Title slide

Thanks Ailish and good morning everyone. I am here to tell you about Westgate.

Slide 34 – Creating Westgate Oxford – Westgate story

I am going to start with, why Oxford. I am going to then tell you how we went about it before describing in a little detail what it is we have delivered and what sets Westgate apart, before finally updating you on how Westgate is performing.

Slide 35 – Creating Westgate Oxford – Why Oxford?

So why Oxford, or more specifically, why did we choose to deliver an 800,000 square foot shopping, dining and leisure destination in the middle of this beautiful and historic city? Actually, the reasons were pretty straightforward. The retailer demand was very strong. We have a great catchment and, as you have already seen, the supply was very constrained.

Slide 36 – Why Oxford – Retailer demand

As has already been mentioned the retailer demand story was compelling. For a number of years Oxford had been the PROMIS number one location for retailer requirements or very simply put, more retailers wanted a new shop in Oxford than in any other town or city in the UK. Our own gap analysis identified requirements of around a million square feet and this was supported directly by our own conversations with retailers. And, as those of us who got to work here for the last three or four years will tell you, the dining offer pre-Westgate was dismal.

Slide 37 – Why Oxford – Great catchment

And why did the retailers want to be here? Again, very simply it was the strength of the catchment. It is younger than average with, amongst others, Career Climbers over represented and it is considerably more affluent than average with almost double the top Acorn Group's Lavish Lifestyles, Executive Wealth and Mature Money visiting the scheme.

And as well as an extremely strong core catchment there were other compelling factors too. There are 7 million visitors to the city each year, comfortably ahead of the other place (Cambridge). Plus, according to The Times, it is home to the number one ranked university in the world. The 32,000 students bring in an additional £750 million of spend each year as well as acting as a year-round worldwide magnet as a conference destination.

Slide 38 – Why Oxford – Constrained supply

Tying it all together is the constrained supply. We all saw on the walk over from Balliol just how poor the existing retail offer was. The very nature of the city centre meant that the existing shop units were poorly configured and undersized. Brands that wanted to be here could not find the right space.

Westgate is already home to 67 brands new to Oxford. Before Westgate the lack of alternatives meant that people were going to Milton Keynes, Reading and the West End to do their shopping. So, when the previous owners stopped their development plans we saw an opportunity. We started with research into retailer requirements and the strength and depth of the catchment and realised we could develop a scheme that would work for everyone.

Slide 39 – How we did it - History

The original Westgate was opened by the Queen in 1971 and was home to, amongst others, Selfridges.

Slide 40 – How we did it - History

By the time we had the chance to acquire it in 2010 it looked like this. The best you can say is 'of its time' I think. Having bought it we continued with the research spending considerable time getting under the skin of Oxford to gain a deeper understanding of our catchment and what the catchment wanted and needed. Then in late 2010 we started work on our concept designs and our leasing strategy. Despite the awfulness of what existed we were determined to deliver a stunning scheme for Westgate.

Slide 41 – How we did it – Quality of design

Given such a sensitive location, Oxford City Council had strong views on the quality of the architecture they expected to see. But we actually made sure navigating planning was straightforward.

Early on we chose to break the scheme into distinct city blocks to better integrate it with the city and make it properly permeable. To successfully achieve this as well as to convince the planners we chose to work with five different signature architects - retaining one as the master planner.

The site itself presented many challenges which we worked hard to turn into virtues.

Slide 42 – How we did it – Approach to design

For example, an Oxford height limit of 18.2 metres to preserve the protected views meant we put parking in the basement to achieve our 800,000 square foot of lettable space.

Slide 43 – How we did it – Approach to design

The fall in levels across the site means there is a natural flow to two level retailing and also provided the opportunity for our unique roof terrace with stunning views of both the city spires and the Oxfordshire hills as well as the space for this boutique cinema.

And the need to retain Oxford's City Library as part of the existing Westgate gave us the opportunity to deliver the beautiful new Bonn Square arcade you will walk through on the tour.

In developing the design, we worked closely with the council and consulted widely. To help build confidence we showed council members around other schemes including Trinity Leeds where, having barely started our tour, their Head of Property turned to us and simply said "wow give us one of these". And whilst this was a great confidence booster, we knew we could do better with Westgate.

Slide 44 – What we delivered - Sustainability

Which leads me on to what we have achieved from a sustainability point of view.

Alongside the quality of design our approach to sustainability was the key tool in winning over the planners. We set ourselves a goal of, and achieved, the lowest carbon retail destination in the country. The scheme features one of the largest examples of centralised air source heating in the UK delivering heating and cooling to shops and restaurants without using natural gas and helping keep costs down for retailers. We specified low-carbon concrete and recycled steel to further reduce our carbon footprint.

Slide 45 – What we delivered - Impact

And as with Trinity we measured our Total Economic Impact showing the social and economic value of the scheme. Delivering Westgate has added £738 million of value to the economy.

In addition, Westgate has created 3,500 full time equivalent retail jobs with a further 580 jobs created during construction. All the while using our community employment programme which targets those furthest from the job market locally. And as with our approach to design this helped build trust with the local authority and in then a first for Oxford, they agreed we could submit an outline planning application.

Naturally enough you need to do enough design before you can start leasing space and as I mentioned the strategy was developed early. The days of landing one anchor - and the other retailers queuing up - are long gone. Our strategy was to provide an anchor plus a series of mini anchors. For some customers Primark or Superdry may be more of an anchor than John Lewis or for others the cinema or food offer.

Slide 46 – What we delivered – Creating Westgate Oxford

So if I may I will walk you through what we have delivered and how the scheme has been zoned. As I mentioned the scheme is made up of five blocks with 800,000 square feet of space spread across three levels along with a 1,000 space basement car park, the largest by far in Oxford. We have 100 shops across two levels. From the Bonn Square arcade you passed as we walked here...

Slide 47 – What we delivered – Best of the high street

…right through to the south of the site at upper ground level we have housed the best of the high street, including River Island, H&M and Uniqlo.

Slide 48 – What we delivered – Affordable luxury

And at the lower ground level we have affordable luxury with Gant, Hugo Boss and Ted Baker amongst others. And ofcourse you will have seen 140,000 square foot John Lewis department store as we came up here to Curzon.

Slide 49 – What we delivered – Creating Westgate Oxford

You will already have seen a few of these, but we have 25 food and leisure operators spread between our roof terrace which houses both our fine and casual dining offers. And at lower ground level, Westgate Social. This is our updated and Oxford-specific version of Trinity Kitchen, our hugely innovative street food offer at Trinity Leeds. Westgate Social is home to six pod dining offers including Tommi's Burgers and Rola Wala as well as Junkyard Golf.

The retail food and leisure zoning along with our phased approach you will hear more about on the tour, has resulted in a fantastic tenant line-up.

Slide 50 – What we delivered – Creating Westgate Oxford

We have also created great public spaces. South Square or the newly named Leiden Square and a small events 'quad' on the roof terrace.

Our events spaces are hugely important. There are lots of beautiful spaces in Oxford but almost all of them are private. Westgate is becoming the place for public events and a new community hub for Oxford. We launched the Christmas Light Festival here. Next month we will launch the city-wide Spring Festival and later in the year the Dance Festival.

Slide 51 – What we delivered - Residential

One block I haven't mentioned yet is our residential block, included in the scheme to satisfy a planning requirement. It has 59 private for sale apartments of which 53 are already sold or reserved, all at asking price achieving record values for Oxford.

Slide 52 – What we delivered – Customer journey

A key part of improving the experience of shopping in Oxford is the work we did in getting people in and out. Around 60% of our visitors come by bus or use the Park and Ride. So we engaged with the City and County Councils and bus companies very early to fundamentally change the way access and signage worked. Park and Ride now has a single tariff for parking and travel. It sounds like a "first world" problem, but this was actually one of the biggest issues to come out of our research. New bold branding was developed and is now visible throughout the city. Journey planning was improved through the website and better signage plus new buses and services were added.

As well as the journey planning, events management and sustainability, Westgate has led in several other ways. We collect more data about shoppers than ever before to be more consumer centric and share the information back with our brand partners. We have already collected customer feedback from over 800 visitors to help us shape our operations and we have provided customer training for almost 200 bus drivers and the five local taxi companies to help them become Westgate and City ambassadors. And it is all tied together by the highest quality opening day retail, dining and leisure offer outside of London in the most beautifully designed and best integrated shopping centre yet delivered.

Slide 53 – What we delivered - Milestones

Before updating you on Westgate's performance I would like to touch on just how successful delivery of the scheme was. Over the seven-year development programme we hit every milestone set. We signed a development agreement with the Council, exchanged with John Lewis and achieved planning. And in early 2015 we started on site with a 32 month build programme. Complexity was added by the scale of the demolition, the biggest archaeological dig in Oxford's history, a bus route through the scheme and having to maintain access for our retailers. Yet despite a few hairy weeks at the end, we opened on time on 24 October.

Slide 54 - Performance

Right to let you know how it is all going. As of this week we are 94% let or in solicitors' hands.

To date, footfall has reached 6.3 million which in just under four months indicates that we are well ahead of our annual projected figure of 15 million even accounting for the obvious spike at Christmas. Our share of the income is £14 million and our share of the costs £217 million. This is an increase of £5 million since we reported in November and has in the main been driven by increased costs of doing recent deals in the current market. Even with such a strong scheme it only gives a development yield in the low 6's showing just how difficult retail development is. That said, we continue to look and explore the market for new opportunities.

As Scott and Ailish have described, we are also investing in our current portfolio looking not only at the outlets, but we are having constructive discussions with local planners about our proposals to significantly increase densities and change the mix of uses at our suburban London assets: O2 Finchley Road, W12 and at Lewisham.

Slide 55 - Summary

I hope I have shown you the unique appeal of Oxford and demonstrated what led us to develop Westgate. This great location gave us an unparalleled opportunity albeit with a unique set of challenges. As you do the tour I hope you will agree we have delivered a stunning scheme with a brilliant retail and leisure line-up. Adding another dimension to Oxford as well as adding a new gem to the Landsec portfolio.

Right before Q&A and the tour, as Scott said, time for a film. Many thanks.

[Film insert]

Scott Parsons
Okay a little bit of blatant marketing for you. We will open it up for Q&A.

Question and Answer Session

Question 1
Michael Burt, Exane BNP Paribas
Morning, Michael Burt, Exane BNP Paribas. Just interested to hear your comments about wanting to sign more leases outside the Landlord and Tenants Act going for slightly shorter term leases. I understand how that gives you more flexibility to manage the tenant mix, how are your valuers thinking about that? I guess if we think about let's say outlets where you tended to have shorter leases there tends to be a bit of yield premium there. Are you seeing any impact on valuation from this leasing strategy?

Answer: Scott
Thanks Michael, it is an interesting question and one that we had to consider really carefully when we decided with Westgate, the latest centre, to pursue a leasing strategy that was pretty much entirely outside the Act. So, you have got John Lewis, Next and Primark are pretty much the only three inside the Act. What we found is that the valuers are recognising the fact that churning brand mix and curating a brand experience for the consumers actually is an additive thing to the value of a centre. So, we haven't seen any penalisation on the valuation front.

Further question
And the other question I had, was just, I think there was a comment at the end of the Westgate section just talking about increased costs of leasing in the current retail environment and if you could just refer to that, does that mean more rent free, does it mean more capex contribution? What is that really? Thank you.

Answer: Scott
A Westgate question so I will hand it over to you Andrew.

Answer: Andrew
What we have seen is, so the increased cost is quite a cautious number. Some of the cost in there is around creating space. What we have seen on the remaining leasing is small changes to incentive levels. The rents are remaining steady, in line with the targets and there is one deal in particular which will bring us effectively a new anchor to the scheme, we have decided for the benefit of the scheme, and that is a fair chunk of that increased cost.

Question 2
Hemant Kotak, Green Street Advisors
Good morning, Hemant Kotak from Green Street. First of all, just a fantastic centre so congratulations on that. I guess you know in terms of the economics of the centre, can you help us understand bearing in mind it is early days, what sort of sales densities the centre

could achieve? And then what does that imply for an occupancy cost ratio? And I ask because obviously it is a new centre, I think it is an interesting data point and then obviously the comparisons are to existing centres and what that might mean for rental growth ultimately?

Answer : Ailish
Okay so you mean Westgate?

Hemant Kotak
Yes just Westgate to start with please and then occupancy costs ratios related to that?

Answer : Ailish
Okay, well occupancy cost ratios to clarify that, it is in line to date, obviously it is early days because it has only been open for a few months, but it is absolutely in line with the rest of our portfolio and what we'd expected in terms of the opening sales. And so it is sitting where we expected it towards the top end of our portfolio.

The economics generally, the sales across our portfolio, the sales densities, I don't think we are sharing at the moment as it is probably a bit early for us to really pull that out in terms of we haven't got a full year's results etc. But the occupancy, where it is heading, is in line with our portfolio and our expectations for the centre. So slightly ahead I think of our average.

Further question
Okay and just to clarify on occupancy cost issues, it is early days so I just want to be fair with the question. When you say it is at the top end of where your numbers are, is that around the 20% or are we talking a bit more than that?

Answer: Ailish
It is below 20%, sorry, to be clear. So total occupancy with the rent, and rates and service charge is a couple of points below 20% across all of our portfolio the average. And for outlets it comes in slightly lower actually.

Further question
Okay great. And then maybe one question. So Scott, this is 800,000 square feet, Oxford is clearly under retailed I guess in many respects still despite this opening. So, the likelihood of this centre being a strong performer I think is pretty high in my opinion. Do you see it that way as well and can you talk about that with respect to the challenges in the other part of the portfolio where some of the centres, which are really good in your portfolio, such as Bluewater and St David's, but they are clearly much larger and the tension I think that was mentioned earlier in the presentation, how is it different for this centre versus some of your other holdings?

Answer: Scott
Well you know I think it is pretty similar. We have got a few units left to let, as you saw with Andrew's stats at Westgate. But you are right Hemant, it is all about rental tension. That is why keeping the brands coming in to our destinations, keeping the void rates low is absolutely critical because the moment your void rate starts creeping up that is when you lose that tension.

Question 3
Mike Bessell, Bank of America
Thanks guys, Mike Bessell from Bank of America. Just a quick one for Scott. Great job done here, long time in the planning. What is next in terms of Landsec's retail development? Where are we going? What is in the pipeline? What should we expect and how are you thinking about that sort of thing looking forwards please?

Answer: Scott
Yeah, really good question. I think with the current sort of headwinds out there, growing net rental income is really going to be driven by active management plays so if you look at some of the projects we have got underway that are a hell of a lot smaller and less risky than the

Westgates of this world, things like the reconfiguration of Bluewater to accommodate Primark and the White Rose leisure extension, I think it is active management plays on existing assets which is where Andrew's team will probably largely be concentrating on the one hand. And on the other hand, as we both briefly alluded to, we have got our suburban London portfolio and we look at those similar to how we look at the hotels. They are income producing future development sites. They have got low density and potential for higher density mixed-use outcomes which we are exploring now.

Question 4
Sam Warwood, Bank of America
Hi Sam Warwood, I normally say Merrill Lynch but I will say Bank of America to be consistent with Mike! Retail has changed so much in recent years so it's kind of advantageous I guess to start from a blank slate like you have here at Westgate. I wonder if you can talk a bit about maybe what you have done differently here compared to what you would have done in the scheme 5-10 years ago and I guess really any elements you think have sort of future-proofed it from the continued wave of structural change?

Answer: Scott
It's a good question. I mean the obvious one we have touched upon already: pursuing a leasing strategy of lettings that are outside the Act to get control. So, if a brand is failing we can get them out and get a more relevant brand in. I think with Westgate we really focused hard on the mix of leisure to retail and how we positioned the retail zones.

And then I guess on the tech front, it is constantly evolving and it is evolving so quickly. So, I think the key with Westgate and its design was to make it change-enabled rather than trying to anticipate everything that the shopping centre is going to need in the future.

Question 5
Max Nimmo, Kempen
Hi, just touching on a little point that was made earlier about the tighter development yields that you guys talked about there, more capex spend on innovative things like smart mirrors and that kind of stuff? And then on the other hand the shorter-term leases. How do you think of that going forward in terms of amortising that over the length of the lease? Who is taking that on? How is that working?

Answer: Scott
I guess you have got two separate things there. Capex, the way we would look at capex is we would sort of throw it into two buckets: accretive capex and defensive capex. We are pretty lucky that the average age of our assets is relatively young and so the defensive capex element of our spend is actually pretty low, it is usually around about £10m per annum for the whole portfolio. On the accretive side, it varies as to whether we have got a big project like Westgate on the books.

The leasing, the shorter length leases. Actually, that is more a sort of a cash flow/P&L type issue and valuation issue. The capex we look at differently. So I don't necessarily see the correlation.

Further question
In terms of the retailers, they can make it work over a five year lease in terms of what they need in the stores and this kind of stuff, that still works whereas before they had to be longer leases?

Answer: Scott
Sorry. Yeah they are managing to make the amortisation of their fit-out work over a shorter period of time. In my view, the way the retailers are looking at it is they are putting their eggs in the destination basket, so to speak, and they are spending a lot more on fit-out for their top destinations. And they are making it work over a shorter period of time, but again it is because those top destinations are the ones that are going to contribute most to their bottom line.

Question 6
Rob Jones, Deutsche Bank
The British love talking about the weather, so I thought I wouldn't make this an exception. I really like the design, it is quite interesting that you have gone for a slightly more open centre rather than closed design to the building and have split it up into those four or five separate units. The question was, I did a bit of very rudimental market research last night looking at Trip Advisor reviews for Westgate since it has reopened. What was interesting was that 36% of all the reviews talked about it being either cold or windy. Now I appreciate, at the moment, it is cold and windy and those same people will be probably saying it is sunny and breezy in six months' time. But just wondering the rationale behind choosing a slightly more open design?

And I guess with that, do you expect greater weather-related dwell time or shopper number volatility in a centre like this rather than say one that might be closed or maybe you have got lower associated costs in a physical structure like this because you haven't got great air conditioning expenses etc. and that potentially works for retailers? And back to Hemant's point around OCRs, maybe that is a benefit for them as well going forward in terms of driving rental growth. But just kind of give your thoughts around that?

Answer: Scott
Yeah it is a good question. I will touch on dwell time first from what we have seen so far and obviously we have only got a few months of data to assess and give context. But dwell is exactly in line with our other centres.

The very short and easy answer about the covered but not enclosed design of the scheme is the simple reality that there was no way we could have achieved the BREEAM rating we needed to achieve to get planning permission. So it was a black and white design question. We would not have got planning for an enclosed scheme on this site.

Further answer
It's not environmentally friendly and politically correct these days.

Question 7
Robbie Duncan, Numis
Morning Robbie at Numis. Just one from me relating to the shorter leases and increased churn. Can you just comment on the potential impact on returns because obviously if you are churning more that means potentially granting more incentives and has there been a switch? It is two questions really. Has there also been a switch away from rent frees perhaps towards capital contributions or are you not seeing that? I appreciate it is early doors, but I was just thinking how you then factored that in to your future investment returns planning basically?

Answer: Scott
We are having to budget for more letting fees within our 5 year forecast because obviously if you are churning your tenant mix a bit more often you will have the letting fees. But that is pretty much the only impact.

Further question
No real impact on incentives then?

Answer: Scott
Incentives pretty much in line, we are not seeing a big change.

Further question
But has there been a shift though from rent frees towards capital?

Answer: Scott
It is still dominated by rent free.

Scott Parsons

Any others? Well I guess we can don our headsets again and head off on the tour. Thanks very much.

End