

# An outstanding year of record delivery with an excellent outlook

**AGM**

7 February 2024

Covering FY23 Financial Year



grainger plc

# Strong performance and outlook

Originate

Invest

Operate

## Excellent operational performance

**+12%**

Net rental income

**+43**

NPS (+26%)

**+8.0%**

PRS L4L rental growth

**63.2%**

Retention

**98.6%**

PRS Occupancy

**25.5%**

Stabilised GtN

## Strong balance sheet

**305 pps**

NTA (-4%)

**36.8%**

LTV

**Mid 3%**

fixed finance cost for next 5 yrs

## Confident outlook

**1,640**

New homes in 2023,  
£17m net rent once stabilised

**£43m**

Future income growth from committed pipeline and remaining lease up

**2X EPRA earnings**

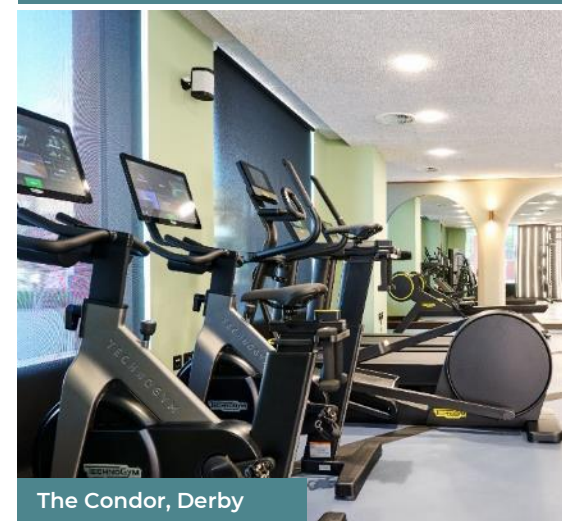
Post tax compared to FY22 from our Committed and Secured Pipelines



The Mint, Guildford



The Tilt Works, Sheffield



The Condor, Derby

# Proven track record of successful execution

## Grainger continues to deliver year in and year out

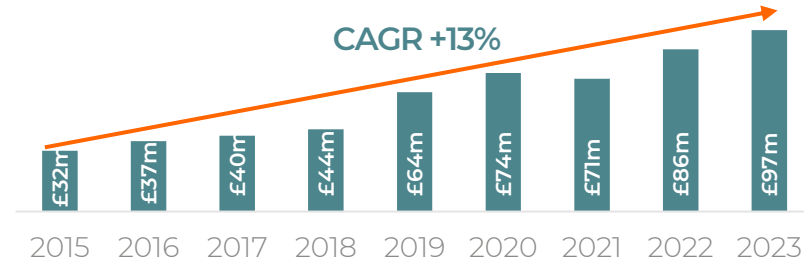
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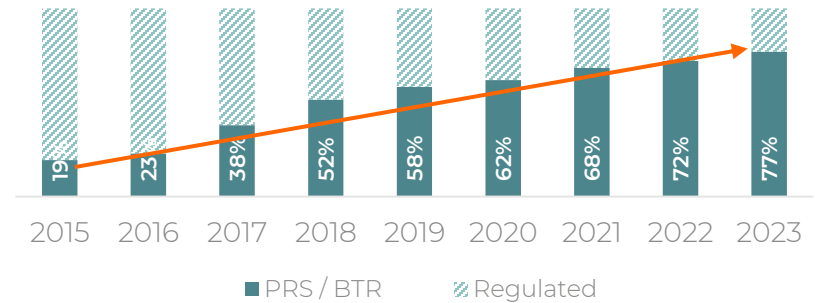
### Strong and consistent growth in recurring net rent

#### Net rental income



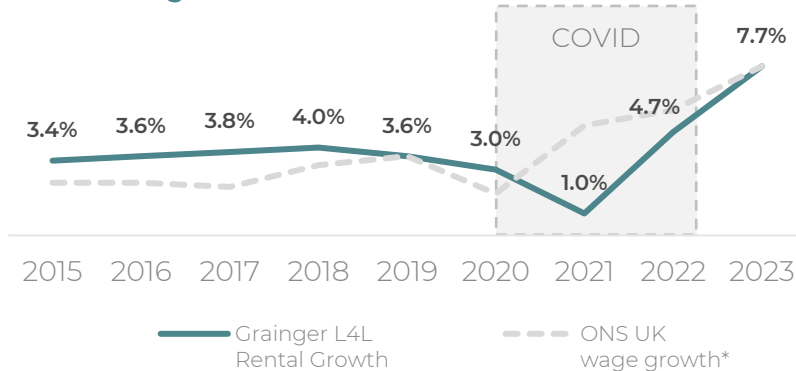
### Delivery of 2016 strategy to focus on PRS

#### Portfolio composition



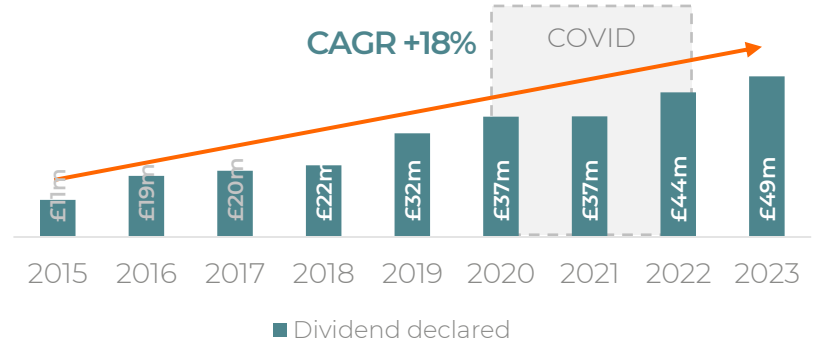
### Resilient and growing Lfl rental growth

Lfl rental growth remained positive throughout covid lockdowns and accelerating thereafter



### Growing dividend in line with net rent

#### Dividend Growth



Source: Grainger and ONS

\*Growth in average regular pay on an annual basis to July-September period in each year

# A year of record delivery

## EPRA earnings growth accelerating as pipeline converts

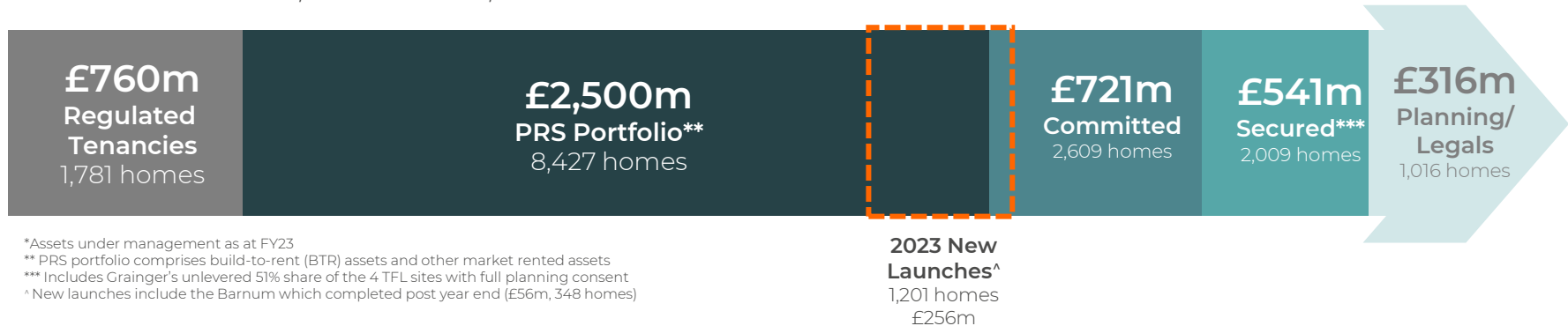
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**OPERATIONAL PORTFOLIO\***  
10,208 homes, **£3.3bn**

**PRS (BTR) PIPELINE**  
5,634 homes, **£1.6bn**



### ■ PRS portfolio now 77% by value

### ■ 1,201 homes launched

- Weavers Yard (Ph2), Newbury (66 homes)
- The Mint, Guildford (98 homes)
- Nautilus Apts, Fortunes Dock, London (146 homes)
- The Condor, Derby (259 homes)
- The Tilt Works, Sheffield (284 homes)
- The Barnum, Nottingham (348 homes)^

### ■ Further 439 homes launching by end of '23

- Weavers Yard (Ph3+), Newbury (132 homes)
- The Copper Works, Cardiff (307 homes)

### ■ New acquisitions and TFL JV land secured

- Hale Wharf 2, London (65 homes, forward commit)
- Kennington, Lambeth (139 homes, TFL JV)
- Arnos Grove, Enfield (162 homes, TFL JV)
- Southall, Ealing (460 homes, , TFL JV)
- Nine Elms, Lambeth (479 homes, , TFL JV)

### ■ New collaboration agreement with Network Rail and their development partner bloc group

### ■ FY24 launches

- Millwrights Place, Bristol (231 homes)
- The Silver Yard, Birmingham (375 homes)
- Hale Wharf 2, London (65 homes)

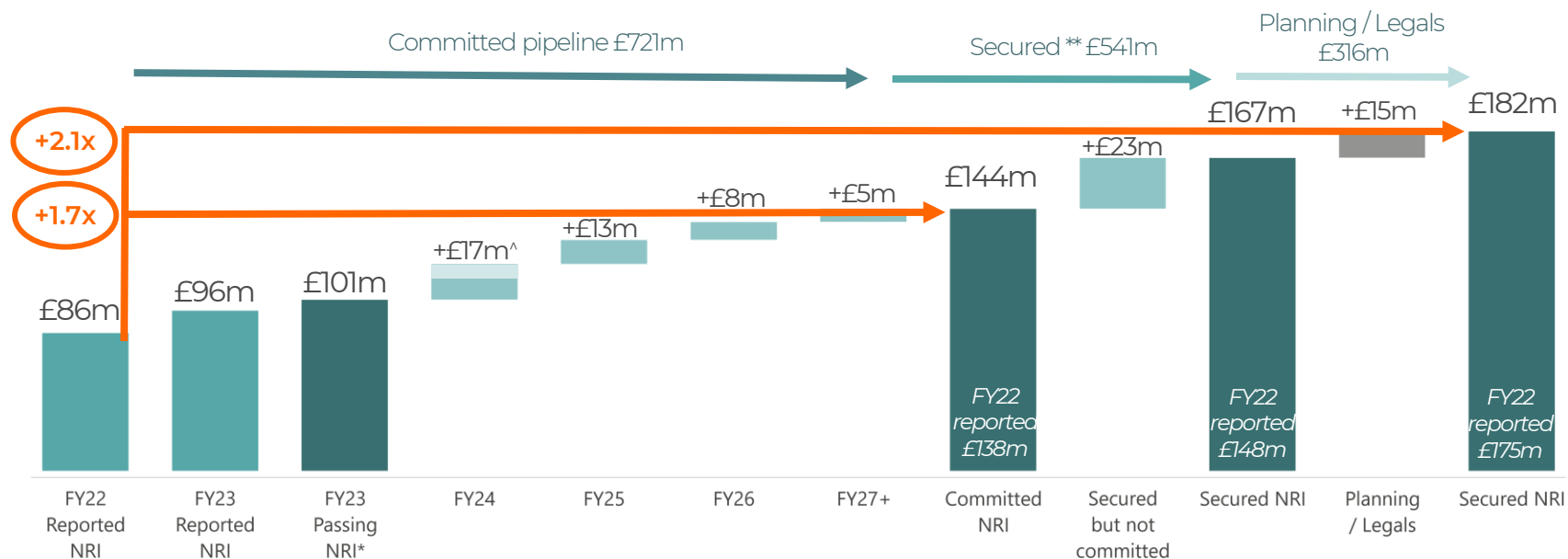
# Passing net rent and earnings progression

## Transformative growth in NRI and doubling of earnings

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- Passing rent surpasses the £100m milestone
- Committed pipeline fully funded and driving further NRI growth
- Optionality over the remaining projects
- c.1.7x growth in NRI from delivery of committed pipeline
- Strong operating leverage from committed pipeline significantly grows the income return and CONNECT platform efficiencies drive further margin improvement
- Post tax EPRA Earnings to double in the next 3 years from FY22 levels based on the committed pipeline with delivery and finance costs fixed
- Medium term total return outlook of 8% unchanged (at constant yields) post delivery of both the committed & secured pipelines
- Dividend linked to 50% of net rent, growing in line

\*Passing net rent is the annualised rent roll of units let at the reported date

\*\*Includes our unlevered 51% share of the four secured TFL partnership projects  
Excludes rental growth from operational portfolio and disposals & asset recycling.

^ FY24 net rent comprises £8m from the remaining lease up of FY23 launches as well as £9m from FY24 launches.

Net rent from pipeline delivery



# ESG reporting and financial integration

## Data-driven approach to ESG

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### Enhanced measurement and reporting

- Scope 3 baseline measured and independently verified
- Long term action plans developed for our Scope 3 emissions
- Implemented customer emissions measurement strategy

### Integration into business strategy

- Updated net zero carbon pathway published
- Award winning 'Living a Greener Life' programme influencing customer behaviour
- Conducted pilot net zero audits to inform long term asset management strategy
- Roadmap set for achieving a 40% reduction in embodied carbon, excluding offsetting, for direct developments in design by 2030

### Highlights from the year

91%

PRS portfolio with EPC ratings A-C

90%

Renewable electricity purchased

-4%

Reduction in Grainger obtained like-for-like energy use across our portfolio

8 developments

with baseline embodied carbon assessments completed

-5%

Reduction in scope 1-3 emissions per m<sup>2</sup>



FTSE4Good

Listed in FTSE4Good since 2010



EPRA Outstanding Contribution to Society Award – Living a Greener Life



EPRA Sustainability Gold Award for 10<sup>th</sup> consecutive year

# Positive market outlook

Strong demand continues with supply constrained

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## Growing demand



- **Growing number of renters**
  - Economic migration
  - Delayed housing purchases
- **Strong rental growth**, matching wage inflation
- **High occupancy** and low rent arrears

**Fast lease up of new homes and strong lettings market**

## Reducing supply



- **PRS undersupply worsening** with small private landlords exiting and the number of HMO's reducing
- **Declining planning approvals** and continued **decline of rental stock**
- Sharp **decline in housebuilding**

**Residential rents and valuations more resilient than commercial**

# Strong structural fundamentals

# Focused customer affordability

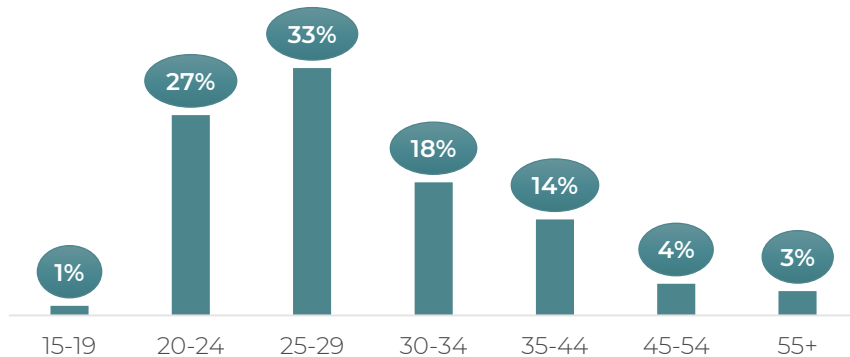
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## Grainger focused on young professional demographic

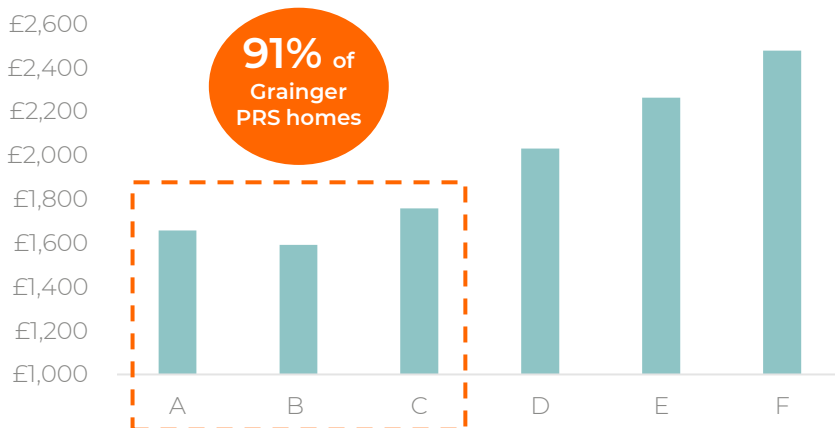
Proportion of residents by age in Grainger's PRS portfolio



Source: Grainger plc

## Our homes are energy efficient vs the competition

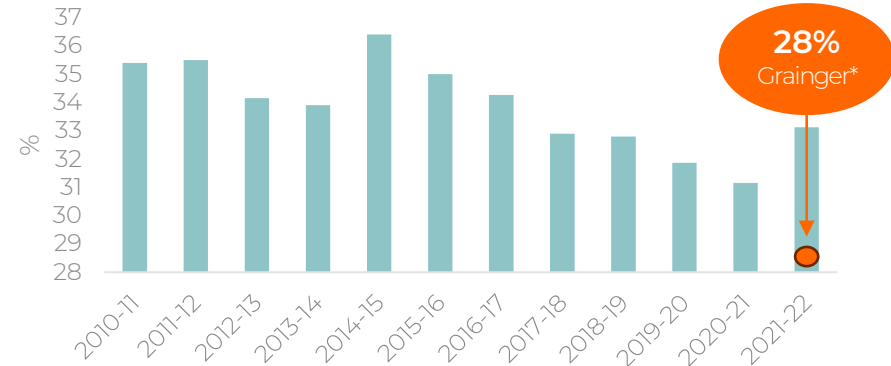
Annual energy bill from October 2023 by EPC band



Source: Energy & Climate Intelligence Unit, Grainger plc

## Grainger's customers are paying affordable rents

Proportion of household income spent on rent (%), England

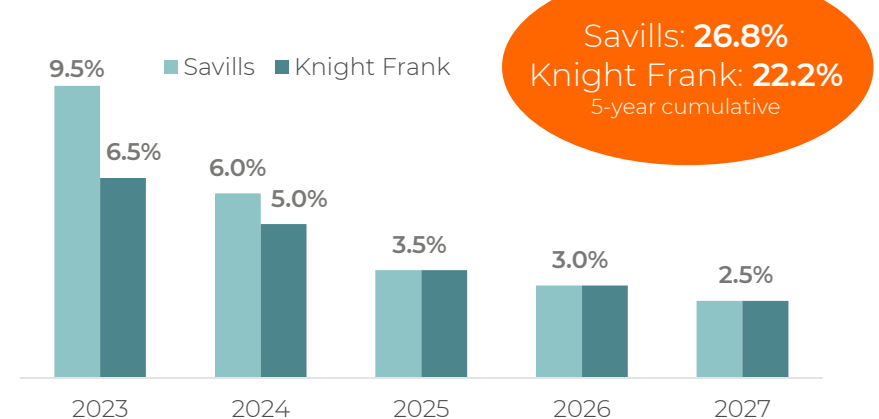


Source: English Housing Survey, 2021/22

\*Grainger plc. BTR and PRS only, analysis based on earning households only, guarantor income excluded

## Rents to grow strongly

UK rental growth forecasts



Source: Knight Frank, Savills



# Supportive political landscape

## Rent controls ruled out by both parties

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**“I want to be clear: This Government does not support rent controls.”**

*Conservative Housing Minister,  
Rachel Maclean, July 2023*

**“I don’t think under Keir’s leadership, rent control has ever been our policy.”**

*Labour’s Shadow Chancellor,  
Rachel Reeves, July 2023*

**“A rent freeze..., has the effect...of reducing the supply of rented homes....”**

*Secretary of State,  
Michael Gove, March 2023*

**“Evidence suggest that [rent controls] would discourage investment in the sector.”**

*Housing Minister,  
Rachel Maclean, May 2023*

**“Labour rejects rent controls as sticking plaster solution...”**

*Sky News, June 2023*

**“Labour to reject Sadiq Khan’s demand for London rent controls”**

*FT, May 2023*

# Established scale in key cities

## £721m committed pipeline

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### Cluster Strategy

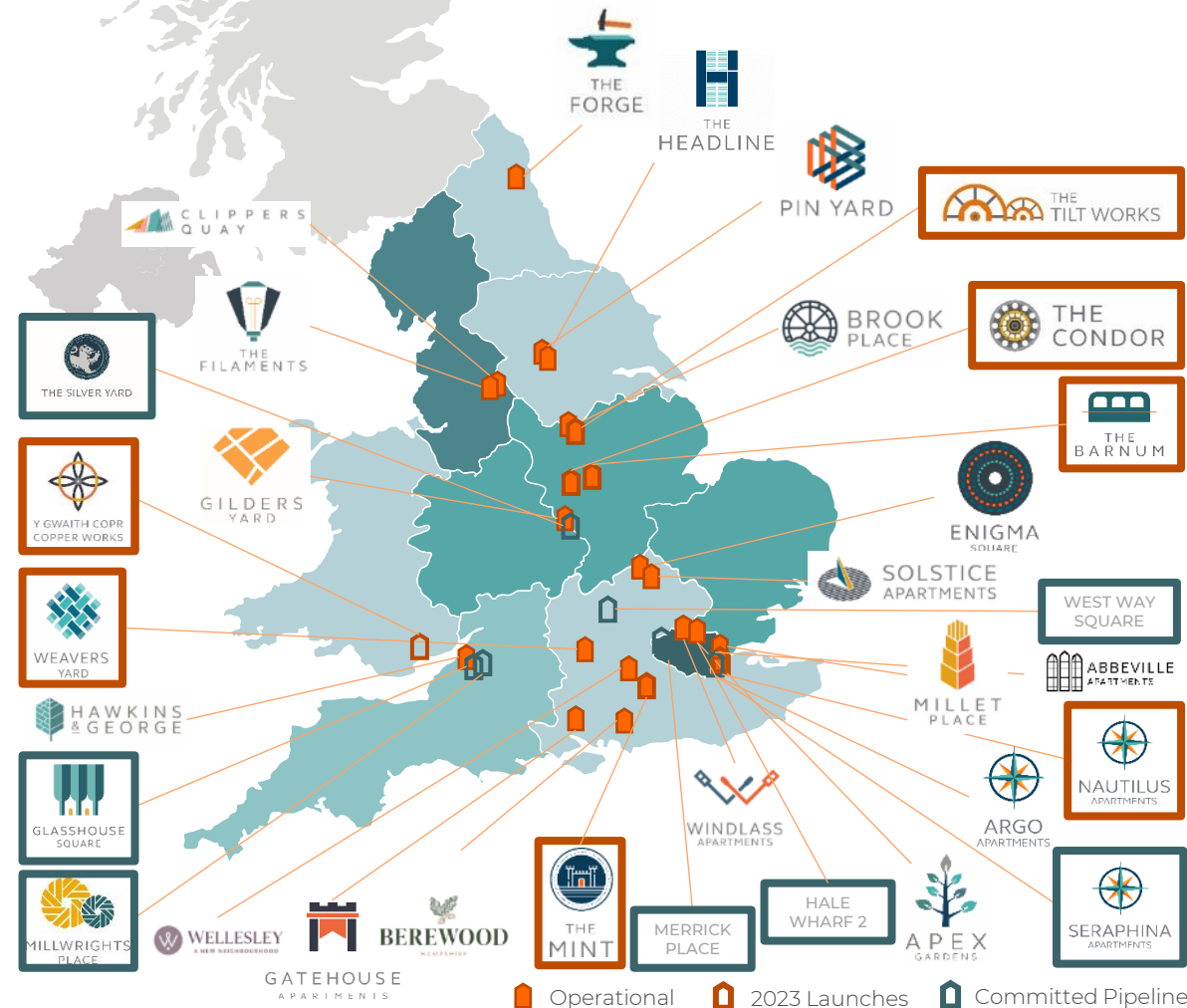
- Drives operational efficiencies and enables leveraging our brand nationally

### Investment (since 2016)

- Investment now delivering
- 22 operational BTR assets
- 11 cities & 3 towns
- 7 schemes delivering 1,640 homes this year

### De-risked committed pipeline

- Fully funded pipeline
- Further 8 schemes and 2,129 homes for the future



# New openings

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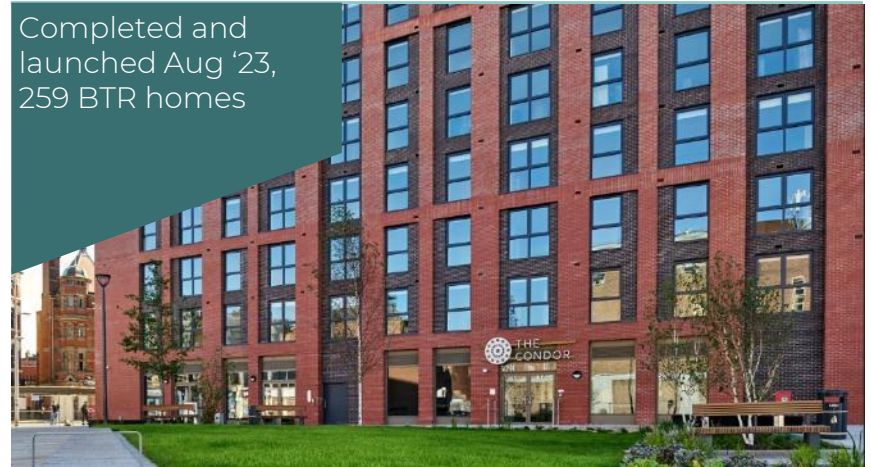
## The Mint, Guildford

Completed and  
launched Jul '23,  
98 BTR homes



## The Condor, Derby

Completed and  
launched Aug '23,  
259 BTR homes



Completed

## Nautilus Apartments, London

Completed and  
launched Sep '23,  
146 BTR homes



## Weavers Yard, Newbury (additional phases)

Phased completions,  
232 BTR homes in  
total





# New openings continued

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## The Tilt Works, Sheffield

Completed and  
launched Sep '23,  
284 BTR homes



## The Barnum, Nottingham

Completed and  
launched Oct '23,  
348 BTR homes



Launched

Completing '23

## Copper Works, Cardiff

Completing late '23  
307 BTR homes



7 new assets

1,640 new BTR homes

£17m net rent



1

## Doubling earnings in the next 3 years

Post tax EPRA earnings to double from FY22  
£43m of net rent growth from the fully-funded, committed pipeline locked-in



2

## Strong balance sheet

Finance costs fixed in the mid 3% for the next 5 years



3

## Resilient valuations

Strong leasing and rental growth offsetting yield expansion and supporting valuations



4

## Strong inflation link

Strong rental growth of 7.7% closely aligned to wage inflation



5

## Strong demand-side characteristics

Defensive and resilient demand at our mid-market price point



6

## Healthy customer affordability

Our customers pay c.28% of income on rent with strong correlation between rent and wage growth



7

## Politically supportive landscape

Rent controls ruled out by Conservatives and Labour



8

## Vast market opportunity

Opportunity to increase market share as PRS undersupply worsening as small landlords exit

# Thank you

## Q&A



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