GRAINGER

REAL ESTATE INVESTMENT & SERVICES

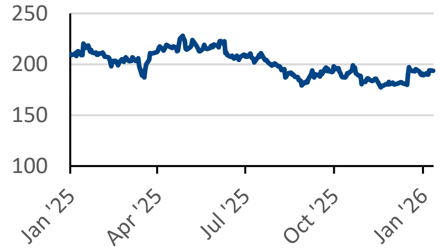
4 February 2026

GRI.L

194p

Market Cap: £1435.7m

SHARE PRICE (p)



12m high/low	228p/177p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(1,504.3)m *(at 30/09/25)*
Enterprise value	£2940m
Index/market	LSE
Next news	HY results, 14 May
Shares in issue (m)	741.6
Chairman	Simon Fraser
Chief Executive	Helen Gordon
CFO	Robert Hudson

COMPANY DESCRIPTION

UK's largest listed residential landlord, owning 11,000 private rental and regulated tenancy homes. Became REIT in 2025

https://www.graingerplc.co.uk

GRAINGER IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

Alastair Stewart

+44 (0) 20 7781 5308

astewart@progressive-research.com

Place making and myth busting

Grainger's 20 November FY results and today's AGM trading update, in our view, showed the UK's largest listed residential landlord in strong form to continue executing its long-term growth strategy, now as a real estate investment trust (REIT). The group's advantage to deliver and grow through the cycle has been further highlighted by its earnings guidance of 50% growth over five years to FY29 against a backdrop of slowing housing supply more widely. Meanwhile, the group's Sheffield development, which we recently visited, exemplifies its distinct approach.

- **Results strong, yet underappreciated by the market.** The FY25 results demonstrated net income up 12%, occupancy at 98% and FY29E guidance reiterated at EPRA earnings of £72m. In this note, we address possible investor concerns, finding that they appear misplaced.
- **Rental growth likely to continue.** Headline rental growth across the *wider* market *has* slowed, levels as wider inflation has reduced (page 3). Moreover, we concur with Grainger's view that its purpose-built BTR should encourage modestly higher growth, while still firmly targeted at the middle market in the UK's most attractive cities.
- **New data highlights Grainger's funding advantage.** Recent data shows BTR construction has fallen 15% Y/Y, partly reflecting funding constraints for rivals. This strengthens our previous argument that Grainger's pipeline is currently supported by disposals from its portfolio of old, low-yielding reversionary properties, an accretive funding source (page 4).
- **'Place making' approach highlighted in Sheffield.** We recently visited the group's 237-apartment development at Brook Place, near Sheffield city centre. As well as featuring standard amenities for Grainger, we were taken by the sense of community created in the design and management (page 6).
- **Continuing momentum confirmed.** Today's AGM trading update demonstrates strong operational performance, with rental growth in line with prior guidance and strong visibility on future earnings growth. We are not changing any of our previous headline estimates (page 8).
- **Overview: investment attractions include 'BTL-to-BTR'.** We believe Grainger offers a route for buy-to let investors, with inflation tracking rental income, with the benefits of the group's scale minus the 'hassle' of owning smaller-scale portfolios (page 12).

FYE SEP (£M)	2023	2024	2025	2026E	2027E
Net rental income	96.5	110.1	123.6	137.4	146.4
EPRA earnings before tax	39.5	48.0	53.7	60.9	65.2
EPRA EPS, before tax* (p)	5.3	6.5	7.2	8.2	8.8
Dividend per share (p)	6.7	7.6	8.3	9.1	9.5
PER (x)	36.4x	29.9x	26.7x	23.6x	22.0x
EPRA PTNAV (x)	0.63x	0.65x	0.60x	0.62x	0.59x
Dividend yield	3.4%	3.9%	4.3%	4.7%	4.9%

Source: Company Information and Progressive Equity Research estimates.

Myth busting: growth unconstrained by sector worries

Grainger's FY25 results (to 30 September), released on 20 November, included EPRA pre-tax earnings up 12% Y/Y and reaffirmed its long-term growth strategy, outlined in our previous notes. Yet the market appears not to have given the company credit for delivering on its targets and solid trading, possibly partly reflecting concerns that we argue are largely misplaced, presenting a potentially attractive opportunity for investors.

Figure 1: Investor concerns and responses

Assertions	Our responses
'Rental growth slowing'	
Rental growth has been slowing across the *wider* market, after some three years of strong growth.	We believe BTR will grow at a slightly stronger pace, with Grainger guiding to 3%-3.5%, in line with average earnings. This is supported by better locations, facilities and earnings profiles of target groups (page 6).
'Portfolio growing slowly'	
Grainger currently has an advantage over many peers in that steadily disposing of its stock of old reversionary properties (page 12) allows it to invest in its pipeline of higher-return new BTR developments when rivals are financially constrained.	The funding advantage in the medium term of the reversionary stock comes as sector-wide BTR activity has fallen (page 4). However, falling debt (page 8) and funding flexibility (page 5) underpin longer-term growth. The committed pipeline supports 50% EPRA earnings growth, with a further £400m identified.
Renters Rights Act	
The approach of the RRA and fears of future Labour regulation and taxation have concerned some investors, due to (unfounded) fears of rent controls, the abolition of 'no fault evictions' and other controls.	Grainger: 'Certain regulatory outlook with no rent controls … will raise rental standards, consistent with our business model' (FY25 results statement). Powers will remain to evict tenants on non-payment of rent and anti-social behaviour; annual reviews are based on open market rents; open-ended periodic tenancies align with the business model.
Comparisons with student housing	
Some investors have drawn parallels with the student housing market, which has seen demand reduce recently.	The student housing market is much smaller than the private rented sector and has more fragile supply and demand characteristics. Student rents are typically at premium rent levels on a psf basis compared to BTR.
'Low yields'	
BTR yields are viewed by some as being lower than in other REIT sectors, such as logistics.	Lower yields generally reflect lower risk: Grainger's demand and rental growth prospects are underpinned by falling housing supply and its customer demographics (page 3).

Source: Progressive Equity Research

Market: rental growth normalising, supply constrained

Rental growth slowing, but still positive due to low supply

Overall growth in asking rents – based mainly on the much wider market, including the buy-to-let (BTL) sector – has slowed from its post-Covid highs of over 10% Y/Y in 2022, with higher levels in London, according to Rightmove. The run-rate for the UK ex-London has fallen to +2.2% Y/Y and even further for London (Figure 2).

Recent Residential Market Surveys from the RICS indicate several factors at play:

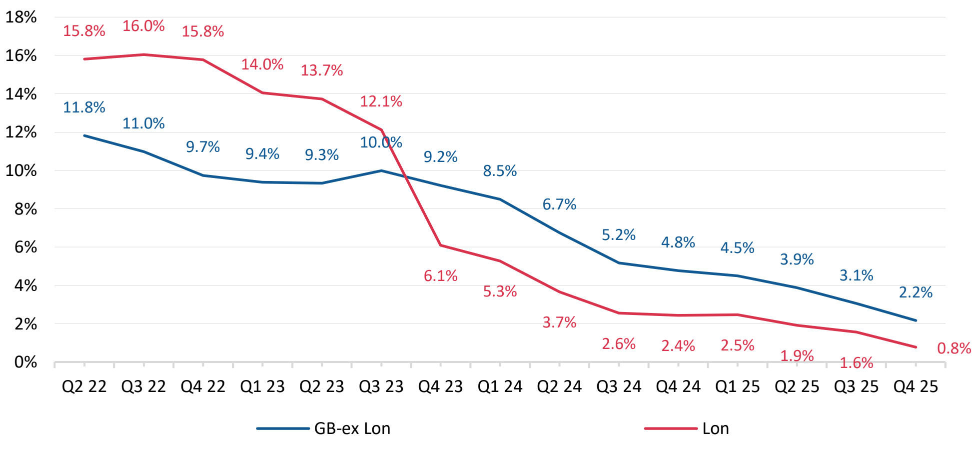
- Growth in overall tenant demand has been slowing since 2022. We see this partly as a result of a proportion of tenants agreeing with landlords to continue their tenancies, albeit agreeing lower rent increases to remove void periods at a point of stretched affordability. There has also been evidence of tenants becoming first-time buyers as falling mortgage rates reduces the differential between buying and selling.
- However, the number of landlord instructions has been falling faster and for longer, stretching back to around 2015. This has been attributed to a stream of landlords selling parts or all of their portfolios after Chancellor George Osborne and subsequent governments introduced a range of punitive taxes on BTL earnings for individual rather than corporate owners of investment properties.
- This has meant that rent expectations in the survey have consistently remained positive, albeit at a less pronounced rate. Letting agents in the December 2025 survey predict 3% rental growth for 2026.

Further modest growth expected next year by major industry observers

This appears to be in line with forecasts – *for the wider market* – from the largest property portals and research departments of residential and commercial agent Savills:

- Rightmove: +2.0%, Rental Trend Tracker Q4 25.
- Zoopla: +2.5%, Rental Market Review, December 25.
- Savills: +2.0% (followed by +2.0% in 2027 and +2.5% pa for the following three years) Residential Property Market Forecasts, November 2025.

Figure 2: Asking rents, Y/Y change (%)



Source: Rightmove, Progressive Equity Research

BTR vs BTL: why rents could grow faster

Slightly higher growth rate – in line with earnings supported by attractions of purpose-built new rental properties

In its latest results meeting, Grainger predicted a slightly higher growth rate: 3%-3.5% for FY26E, in line with its mid-term assumptions that rental growth in its portfolio would trend in line with average earnings.

We believe this slightly higher growth rate is supported by several clear differentiators between the purpose-built BTR sector and the far wider BTL market. The first point to bear in mind is that, despite a decade or so of growth, BTR still represents only 146,700 homes, according to the British Property Federation, c.2.3% of the overall private rental market.

- The location of Grainger's developments is planned with significant research into local demographics, amenities and competing stock levels. Grainger targets top-ranking cities according to six criteria, including rental supply vs demand as well as the economic, population and employment outlook.
- Many feature modern designs that are targeted to mainly young professionals, who have good income growth prospects. 89% of Grainger residents are aged 20-40.
- It has been the norm with BTR that component specifications have been better than competing new-build developments for sale – often for individual BTL investors. For instance, more robust kitchen worktops and fittings are regularly specified; 'zero impact' flooring is easier to clean. These may increase upfront capital costs, but improve longevity. It is arguable that this means BTL landlords' properties will suffer from wear-and-tear sooner than investment-grade BTR unless they pay hefty repair costs.
- Affordability for future tenants is a key consideration for Grainger setting its planned rental levels in its viability appraisals ahead of site purchase. The group targets rents that are typically no more than 30% of local average earnings and rental growth since FY18 has closely tracked UK wage inflation.
- Affordability is further enhanced in its properties with wi-fi, gyms and energy-efficient modern construction, which are provided at no extra charge (page 6).
- We believe Grainger and other leading BTR operators have more powerful rental pricing models, often employing sophisticated 'proptech'. Grainger's fully integrated investor-operator model, in our view, gives it greater insight and data on occupants to allow it to optimise sustainable rental growth.

Solid BTR pipeline as rival new supply faces mid-term squeeze

Grainger's funding advantage relative to peers highlighted starkly in new BPF data showing fall in construction as funding shortages bite

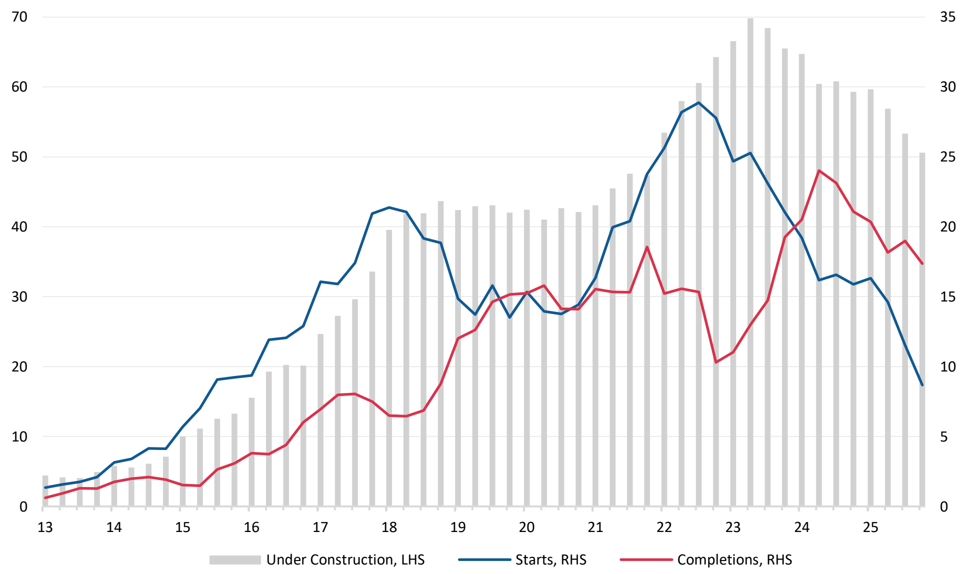
We argued in our 23 June 2025 note, One step beyond …, that Grainger has a unique advantage relative to much of the peer group: sales of its stock of reversionary properties to support its current expansion plans, whereas rivals are more dependent on expensive debt and a depressed forward-funding market, despite huge demand for rental homes. Grainger's partnerships with institutional investors and public sector landowners, including with TFL (page 5), offer it further development options.

This advantage versus rival developers was demonstrated in the latest BTR report from the British Property Federation. The number of completed BTR homes rose by 13% Y/Y to 14,728 in Q4, but the number under construction fell by 15%, particularly in London, squeezing future supply into the sector, according to data in the BPF's Q4 2025 Build-to-Rent report. This indicates a widening gulf between starts and completions (Figure 3).

Homes under construction fell by 32% to 12,802 in London, and by 7% to 37,795 in the regions. There were 613 starts in London during 2025 as a whole, down 80% Y/Y. The regions delivered 8,063 starts in 2025, down 37%. The number of units in planning rose 2% Y/Y to 101,462.

In our view, the data starkly highlights the current barriers to entry for rivals to Grainger, including financial pressures among developers, as well as viability constraints and backlogs in planning and at the Building Safety regulator, especially in London. Constrained supply from rivals should support rental growth.

Figure 3: BTR starts, completions and units under construction (000)



Source: BPF, Savills, Molior

TFL/Barratt Redrow deal demonstrates flexible approach to expanding pipeline

First collaboration with major housebuilder demonstrates flexible approach to development

As well as benefiting from the funding potential in its reversionary portfolio, Grainger announced on 26 January that its partnership with Places for London, the property arm of Transport for London, has agreed to forward fund and acquire a 195-home BTR scheme at Chiswick Reach, Bollo Lane, West London. It will be developed in partnership by Barratt Redrow, Grainger's first BTR collaboration with a major UK housebuilder. The scheme, which is a new addition to the JV's pipeline, has detailed planning consent and Gateway 2 approval from the Building Safety Regulator to commence construction. It will deliver 195 new BTR homes, including 95 discounted market rent homes.

The purchase is c.£68.4m, split 51:49 between Grainger and Places for London as per the CLL structure, with the development 'expected to generate returns in line with Grainger's target range for London schemes with Grainger also receiving asset management fees'.

Place making: prime example in Sheffield

Distinctive development fosters a strong sense of community

Grainger's aim is to target tenants in growth cities across the UK with a combination of modern amenities and 'lifestyle' offerings at mid-market rents. A prime example, in our view, is Brook Place in Sheffield, one of two Grainger developments in the city.

Early generation BTR developers generally delivered single tower blocks; the 237-Brook Place apartment development, opened in 2019, is more 'horizontal', over a maximum of eight storeys around different lift cores. This allows a distinctive feature of the site, close to the city centre: three resident terraces, which differ in character. Walking around with the development's manager, we noticed he knew many of the residents by name – indicating to us a strong sense of community.

Rents range from £840 per calendar month for a studio, £1,010 for a one-bed apartment and £1,240 for two beds.

The development's website offers a 3-D tour. It features a number of common characteristics shared with most of Grainger's developments (see Figure 4):

- (a) Reception area and concierge desk.
- Residents' lounges. These comprise three distinct areas – main lounge with co-working area (b, c), a games room and a TV room – and a separate kitchen/dining room with TV, which can be booked by residents, ether for parties or watching sport or films on a large screen.
- (e) A spacious and well-equipped gym.
- A more distinctive feature, three terraces, with differing characters: (f) top terrace, overlooking cityscape; a 'dog-friendly' lower area; and mid-terrace, including a 'communal garden', which residents can plant and tend.

Figure 4: Brook Place, Sheffield

Source: Company information

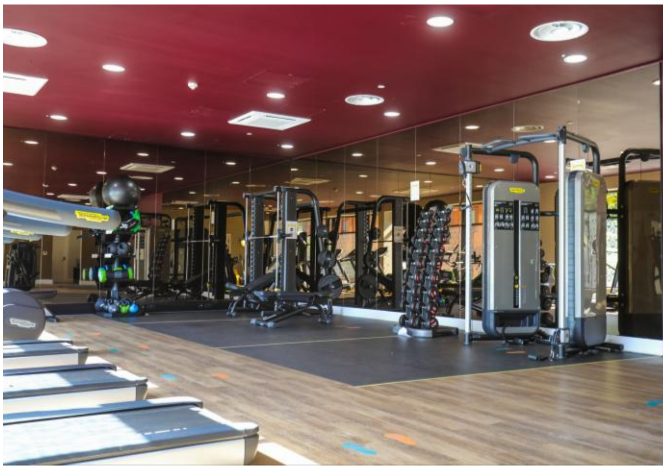
Figure 5: A walk through Brook Place

(a) Concierge desk

(b) Residents' lounge

(c) Co-working area

(d) Games and viewing area



(e) Gym

(f) Top terrace, one of three

Source: Company information

Finances: Trading update further demonstrates growth

Rental growth in line with guidance; occupancy high

Today's AGM trading update demonstrates strong operational performance, with rental growth in line with prior guidance and strong visibility on future earnings growth. Highlights included:

- Rental growth of 3.1% in line with prior guidance.
- Occupancy (at 31 January 2026) remaining high at 96%.
- 'Strong visibility on future earnings growth'.

Rental growth metrics, in our view, underpinned the outlook – all LFL, YTD:

- Total rental growth: 3.1%
- PRS rental growth: 2.8%
- Regulated tenancy rental growth: 6.2%

Trading supported by strong demand in latest London scheme and new developments

On trading: 'We continue to see strong demand for our product, with our latest London BTR scheme, Seraphina [the third and final phase of Grainger's Fortunes Dock, E17 cluster], being fully let in less than four months. We commenced construction at our second scheme in Guildford with Network Rail. We were also pleased to announce the new acquisition of a 195-home BTR scheme in Chiswick through Connected Living London, our JV with TFL's property arm, Places for London, an addition to our committed pipeline. This will be the first scheme to commence construction through the JV'.

Outlook: Market structurally supported by undersupply of rental housing in UK – underpinning sustainable long-term growth and attractive returns

Outlook: 'Our market is structurally supported, as demand continues to grow and the undersupply of rental housing worsens as small, private landlords face increasing headwinds and new competitor supply slows. The delivery of our committed pipeline will deliver significant earnings growth, and we have the potential to further increase earnings from our outer pipeline opportunities, funded through divestment of our non-core, low yielding portfolio which provides us c.£0.5bn surplus capital to redeploy over coming years.

'Grainger operates in a unique property asset class, providing strong sustainable long term rental growth and attractive, risk-adjusted returns for shareholders, whilst providing an attractive solution to the homes shortage in the UK'.

No material changes to estimates since our January 2025 initiation

We have not changed any of our headline numbers since our 20 January 2025 initiation note, Switched onto Generation Rent. This includes detailed definitions of rental income, costs, and EPRA profit & loss and balance sheet adjustments, to improve comparability with other REITs.

Figure 6: Revenue and earnings

YE September (£m)	2020	2021	2022	2023	2024	2025	2026E	2027E
Gross rental income	99.3	97.4	121.4	133.7	154.8	170.2	184.0	193.2
Change (%)		*-1.9%*	*24.6%*	*10.1%*	*15.8%*	*9.9%*	*8.1%*	*5.0%*
Gross proceeds from disposal of trading properties	107.2	146.4	153.4	128.4	127.2	86.4	114.8	109.1
Fees and other income	7.5	5.1	4.4	5.0	8.1	6.1	4.0	2.0
Group revenue	**214.0**	**248.9**	**279.2**	**267.1**	**290.1**	**262.7**	**302.8**	**304.3**
Less: disposal proceeds, fees and other	(110.7)	(151.5)	(157.8)	(133.4)	(135.3)	(92.5)	(118.8)	(111.1)
Gross rental income	**99.3**	**97.4**	**121.4**	**133.7**	**154.8**	**170.2**	**184.0**	**193.2**
Property operating expenses	(25.7)	(26.8)	(35.1)	(37.2)	(44.7)	(46.6)	(46.6)	(46.8)
Net rental income	**73.6**	**70.6**	**86.3**	**96.5**	**110.1**	**123.6**	**137.4**	**146.4**
Of which, PRS	53.8	51.9	70.8	82.2	97.6	111.6	128.8	138.5
Change (%)		*-3.5%*	*36.4%*	*16.1%*	*18.7%*	*14.3%*	*15.4%*	*7.5%*
Of which, Reversionary	19.6	18.4	15.2	13.4	11.5	10.9	8.5	7.9
Other	0.2	0.3	0.3	0.9	1.0	1.1	-	-
Profit on disposal of development properties	61.3	67.8	63.6	54.8	49.4	38.9	40.0	35.0
Profit on disposal of investment properties	2.3	1.5	1.7	3.3	(5.8)	(1.6)	-	-
Administrative expenses	(28.7)	(30.2)	(31.8)	(33.5)	(35.3)	(36.7)	(37.4)	(38.2)
Other[1]	(1.8)	4.1	2.4	7.3	0.7	3.8	7.0	5.0
Operating profit, group only	**106.7**	**113.8**	**122.2**	**128.4**	**119.1**	**128.0**	**146.9**	**148.2**
Share in net income of associates, JVs	(1.5)	0.5	(0.5)	(0.4)	(0.6)	(3.7)	-	-
Net valuation gains/(losses)	28.4	73.0	210.2	(68.8)	(39.1)	21.0	-	-
Net finance costs	(34.5)	(35.2)	(33.3)	(31.8)	(38.8)	(42.7)	(46.0)	(48.0)
PBT, reported	**99.1**	**152.1**	**298.6**	**27.4**	**40.6**	**102.6**	**100.9**	**100.2**
Add back net valuation gains/(losses)	(28.4)	(73.0)	(210.2)	68.8	39.1	(21.0)	-	-
Additional adjustments	11.1	4.4	5.1	1.4	11.9	9.4	-	-
Adjusted earnings	**81.8**	**83.5**	**93.5**	**97.6**	**91.6**	**91.0**	**100.9**	**100.2**
EPRA adjustments [2]	(63.6)	(69.3)	(65.3)	(58.1)	(43.6)	(37.3)	(40.0)	(35.0)
EPRA earnings	**18.2**	**14.2**	**28.2**	**39.5**	**48.0**	**53.7**	**60.9**	**65.2**
EPRA EPS, diluted, pre-tax[3] (p)	**2.8**	**2.1**	**3.8**	**5.3**	**6.5**	**7.2**	**8.2**	**8.8**

Source: Company data, Progressive Equity Research estimates [1] Includes LADs; [2] Mainly disposal profits [3] For comparison with other REITs.

Figure 7: P&L and per share data

YE March (£m)	2020	2021	2022	2023	2024	2025	2026E	2027E
Group revenue	214.0	248.9	279.2	267.1	290.1	262.7	302.8	304.3
Net rental income	**73.6**	**70.6**	**86.3**	**96.5**	**110.1**	**123.6**	**137.4**	**146.4**
Operating and other expenses	33.1	43.2	35.9	31.9	9.0	4.4	9.6	1.8
Group operating profit	**106.7**	**113.8**	**122.2**	**128.4**	**119.1**	**128.0**	**146.9**	**148.2**
Share in net income of associates	(1.5)	0.5	(0.5)	(0.4)	(0.6)	(3.7)	-	-
Valuation movements etc	28.4	73.0	210.2	(68.8)	(39.1)	21.0	-	-
Net interest	(34.5)	(35.2)	(33.3)	(31.8)	(38.8)	(42.7)	(46.0)	(48.0)
PBT, reported	**99.1**	**152.1**	**298.6**	**27.4**	**40.6**	**102.6**	**100.9**	**100.2**
Underlying tax, on EPRA earnings (%)	*Na*	*Na*	*na*	*4.5%*	*19.6%*	*43.9%*	*2.0%*	*2.0%*
Reported tax	(16.3)	(42.6)	(69.2)	(1.8)	(9.4)	100.0	(1.2)	(1.3)
Net attrib. profit	**82.8**	**109.5**	**229.4**	**25.6**	**31.2**	**202.6**	**99.7**	**98.9**
EPRA earnings	**18.2**	**14.2**	**28.2**	**39.5**	**48.0**	**53.7**	**60.9**	**65.2**
Period end shares (million)	675.3	742.8	742.9	743.0	743.1	743.1	743.1	743.1
Wtd. ave. shares (million)	649.1	677.7	740.5	739.9	738.2	738.2	738.2	738.2
Diluted shares (million)	651.7	680.4	743.1	742.4	741.5	741.7	741.7	741.7
IFRS EPS, basic (p)	12.8	16.2	31.0	3.5	4.2	27.4	13.5	13.4
EPS, EPRA, pre-tax, diluted (p)	**2.8**	**2.1**	**3.8**	**5.3**	**6.5**	**7.2**	**8.2**	**8.8**
DPS - declared (p)	**5.5**	**5.2**	**6.0**	**6.7**	**7.6**	**8.31**	**9.10**	**9.50**
Dividend cover, EPRA (x)	0.51	0.40	0.63	0.80	0.86	0.87	0.90	0.93
NAV (p)	213.7	234.1	264.7	259.6	254.8	274.5	279.4	283.5
EPRA NAV (p)	**326.8**	**297.2**	**317.5**	**305.2**	**298.5**	**321.2**	**309.9**	**330.1**
FCFPS (p)	(10.7)	(24.3)	(21.7)	(7.1)	(4.0)	9.3	19.2	20.9

Source: Company information and Progressive Equity Research estimates

Figure 8: Adjusted cash flow and summary balance sheet

YE September (£m)	2020	2021	2022	2023	2024	2025	2026E	2027E
Adjusted cash flow statement								
Group operating profit	106.7	113.8	122.2	128.4	119.1	128.0	146.9	148.2
Depreciation	1.2	1.2	0.9	1.1	1.5	7.7	1.5	1.5
Intangible amortisation	-	-	-	0.1	-	-	-	-
Other, non-cash	(6.4)	(7.0)	(6.0)	28.4	(24.0)	63.6	-	-
Changes in working capital	42.9	103.1	39.8	71.2	105.1	(11.8)	189.9	213.6
Operating cash flow	**144.4**	**211.1**	**156.9**	**229.2**	**201.7**	**187.5**	**338.3**	**363.2**
Dividends from associates	-	-	-	0.8	0.5	0.3	0.5	0.5
Capex, net	(151.1)	(313.5)	(263.4)	(237.9)	(166.8)	(57.1)	(150.0)	(160.0)
Net interest	(37.4)	(45.6)	(42.0)	(47.2)	(52.6)	(50.6)	(46.0)	(48.0)
Tax	(25.4)	(16.9)	(12.3)	2.7	(12.5)	(11.4)	(1.2)	(1.3)
Free cashflow	**(69.5)**	**(164.9)**	**(160.8)**	**(52.4)**	**(29.7)**	**68.7**	**141.6**	**154.4**
JV investments	(10.2)	(2.4)	(10.8)	(37.0)	(1.4)	(5.4)	-	-
Dividends - paid	(33.5)	(36.8)	(40.0)	(45.7)	(51.0)	(58.1)	(63.7)	(68.6)
Share (purchase)/proceeds	182.4	203.8	(3.3)	-	-	-	-	-
Other financing	110.6	(51.2)	(6.8)	160.2	54.3	(12.6)	-	-
Change in net cash/(debt)	**179.8**	**(51.5)**	**(221.7)**	**25.1**	**(27.8)**	**(7.4)**	**77.9**	**85.8**
Summary balance sheet								
Intangible fixed assets	0.8	0.5	0.5	1.0	1.8	2.9	2.9	2.9
Property, tangible fixed assets	1,854.2	2,252.3	2,849.2	3,024.5	3,064.8	3,117.2	3,265.7	3,424.3
Investments, other TA	50.9	52.1	66.2	104.3	103.9	103.5	103.0	102.5
Working capital	615.4	523.9	388.4	305.5	339.9	327.4	137.5	(76.1)
Provisions, others	(55.5)	(59.9)	(75.8)	(94.2)	(117.0)	(6.9)	(6.9)	(6.9)
Retirement benefit liabilities	-	-	-	-	-	-	-	-
Net cash/(debt)	(1,022.8)	(1,029.9)	(1,261.7)	(1,412.5)	(1,499.7)	(1,504.3)	(1,426.4)	(1,340.6)
Net assets (IFRS)	**1,443.0**	**1,739.0**	**1,966.8**	**1,928.6**	**1,893.7**	**2,039.8**	**2,075.8**	**2,106.1**
IFRS NTA	1,964.8	1,965.8	1,966.8	1,928.6	1,893.7	2,036.9	1,953.0	2,103.2
Adjustments	242.0	242.0	392.2	338.9	324.4	350.0	350.0	350.0
EPRA NTA	**2,206.8**	**2,207.8**	**2,359.0**	**2,267.5**	**2,218.1**	**2,386.9**	**2,303.0**	**2,453.2**

Source: Company information and Progressive Equity Research estimates

Grainger in brief: UK's largest quoted landlord

At the forefront of Britain's private rental revolution

Grainger, founded in Newcastle upon Tyne in 1912, is the UK's largest listed residential landlord and property manager, operating c.11,000 rental homes. Its portfolio comprises 9,689 PRS/BTR apartments across the UK and 1,340 historical regulated tenancy 'reversionary' homes, together valued at £3.5bn at HY25. It is in the process of steadily disposing the reversionary portfolio to fund growth in new PRS homes, either buying from developers or, increasingly, its own purpose-built build-to-rent (BTR) pipeline. The pipeline of BTR apartments totals 4,565 with a value of £1.3bn. The group intends to convert into a tax-efficient real estate investment trust (REIT) in October 2025. See Progressive Equity Research initiation report, Switched onto income surge from Generation Rent.

BTR developments: attractive city centre rental apartment developments, aimed at middle earners

The BTR developments typically comprise one or more blocks with 150-500 apartments mainly in 'clusters' in regional city centres, aimed at middle earners (the median customer income is £36,000 pa). Facilities often include gyms and superfast broadband, and Grainger offers a full range of property management services. On average, a Grainger customer stays for a little less than three years.

Regulated tenancies portfolio offers predictable, inflation-hedged income, with sales offering 'reversionary surplus' – to recycle into BTR investment

The number of regulated tenancies has reduced steadily from 8,234 in 2015 to 1,340. Although the rents are sub-market and set externally, the benefits are a long-term, predictable and generally inflation-hedged income with strong cashflow characteristics, with the ultimate proceeds from disposal generating capital that is recycled into BTR.

We believe Grainger's key investment attractions include:

- **Huge need for homes and BTR development a solution, with attractive returns.** This is a result of the high prices of for-sale homes and relative lack of purpose-build rental housing. Rental demand is forecast by Savills to grow 20% for the 10 years to 2031. This undersupply has been exacerbated by many buy-to-let landlords exiting the market due to growing taxation and regulation. Grainger invests in assets with net yields of 4.5%+.
- **For private investors, 'BTL-to-BTR'.** Many private buy-to-let lenders have been exiting the sector due to several years of rising property taxes and regulatory demands. We have previously argued that shares in Grainger could offer them exposure to largely inflation-tracking rental income, with the benefits of the group's scale in BTR but without the 'hassle' of owning smaller scale portfolios…and soon, tax benefits.
- **Tax benefits from conversion to REIT status.** Grainger remains on track to convert to a REIT structure in October 2025, with FY26E to be the first year. This will have no impact on the business. The move should enhance returns, with a tax saving of 25% on BTR profits post-conversion, which Grainger estimates will enhance total returns by 50bps. There will be a minimum payout of 80% of EPRA earnings. The group's expectation is that dividends will be fully covered by EPRA earnings within around two years of conversion, with a top-up from regulated tenancy sales in the interim.
- **Pipeline to deliver 50% earnings growth.** The group aims to increase EPRA earnings by at least 50% from FY24 to FY29, from only the committed portion of the pipeline completing and being leased, and assumes LFL rental growth of c.3.5% pa and efficiencies offsetting higher interest costs.
- **Steady deleveraging planned.** Grainger has a record of generating operating cashflow of c.£200m+, funding the future pipeline. Around 97% of debt is hedged, with a maturity of c.3.5 years; net debt s projected to fall from 38% in FY25 to c.30%-35% by FY29.
- **First collaboration with housebuilder.** A recent example of Grainger's flexible approach is its partnership with Places for London, including a collaboration with Barratt Redrow.

Financial Summary: Grainger

Year end: September (£m unless shown)

PROFIT & LOSS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Net rental income	96.5	110.1	123.6	137.4	146.4
Revenue	267.1	290.1	262.7	302.8	304.3
Adj EBITDA	71.2	89.3	89.9	106.9	111.7
Reported PBT	27.4	40.6	102.6	100.9	100.2
EPRA earnings before tax	39.5	48.0	53.7	60.9	65.2
NOPAT	122.5	95.8	71.7	144.0	145.2
Reported EPS (p)	3.5	4.2	27.4	13.5	13.4
EPRA EPS, before tax* (p)	5.3	6.5	7.2	8.2	8.8
Dividend per share (p)	6.7	7.6	8.3	9.1	9.5
CASH FLOW & BALANCE SHEET	**2023**	**2024**	**2025**	**2026E**	**2027E**
Operating cash flow	229.2	198.7	187.5	338.3	363.2
Free Cash flow	(52.4)	(29.7)	68.7	141.6	154.4
FCF per share (p)	(7.1)	(4.0)	9.3	19.2	20.9
Acquisitions	(37.0)	(1.4)	(5.4)	0.0	0.0
Disposals	N/A	N/A	N/A	N/A	N/A
Shares issued					
Net cash flow	25.1	(27.8)	(7.4)	77.9	85.8
Overdrafts / borrowings	1,533.5	1,592.9	1,590.1	1,525.3	1,440.0
Cash & equivalents	121.0	93.2	85.8	98.9	99.4
Net (Debt)/Cash, pre-IFRS 16	(1,412.5)	(1,499.7)	(1,504.3)	(1,426.4)	(1,340.6)
NAV AND RETURNS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Net asset value	1,928.6	1,893.7	2,039.8	2,076.4	2,106.7
NAV/share (p)	259.6	254.8	274.5	279.4	283.5
EPRA NTAV	2,267.5	2,218.1	2,386.9	2,303.0	2,453.2
NTAV/share (p)	305.2	298.5	321.2	309.9	330.1
Average equity	1,947.7	1,911.2	1,966.8	2,058.1	2,091.5
Post-tax ROE (%)	1.3%	1.6%	10.3%	4.8%	4.7%
METRICS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Net rental income growth	11.8%	14.1%	12.3%	11.1%	6.6%
Adj EBITDA growth	15.6%	25.4%	0.7%	18.9%	4.5%
Adjusted earnings growth	4.4%	(6.1%)	(0.7%)	10.9%	(0.7%)
EPRA earnings growth	40.1%	21.5%	11.9%	13.5%	7.0%
EPRA EPS growth	40.2%	21.7%	11.8%	13.5%	7.0%
Dividend growth	10.8%	13.5%	10.1%	9.5%	4.4%
EBITDA margin	53.3%	57.7%	52.8%	58.1%	57.8%
VALUATION	**2023**	**2024**	**2025**	**2026E**	**2027E**
EV/Sales (x)	11.0	10.1	11.2	9.7	9.7
EV/EBITDA (x)	41.3	32.9	32.7	27.5	26.3
EV/NOPAT (x)	24.0	30.7	41.0	20.4	20.2
PER (x)	36.4	29.9	26.7	23.6	22.0
Dividend yield	3.4%	3.9%	4.3%	4.7%	4.9%
FCF yield	(3.7%)	(2.1%)	4.8%	9.9%	10.8%

Source: Company information and Progressive Equity Research estimates

4 February 2026

Disclaimers and Disclosures

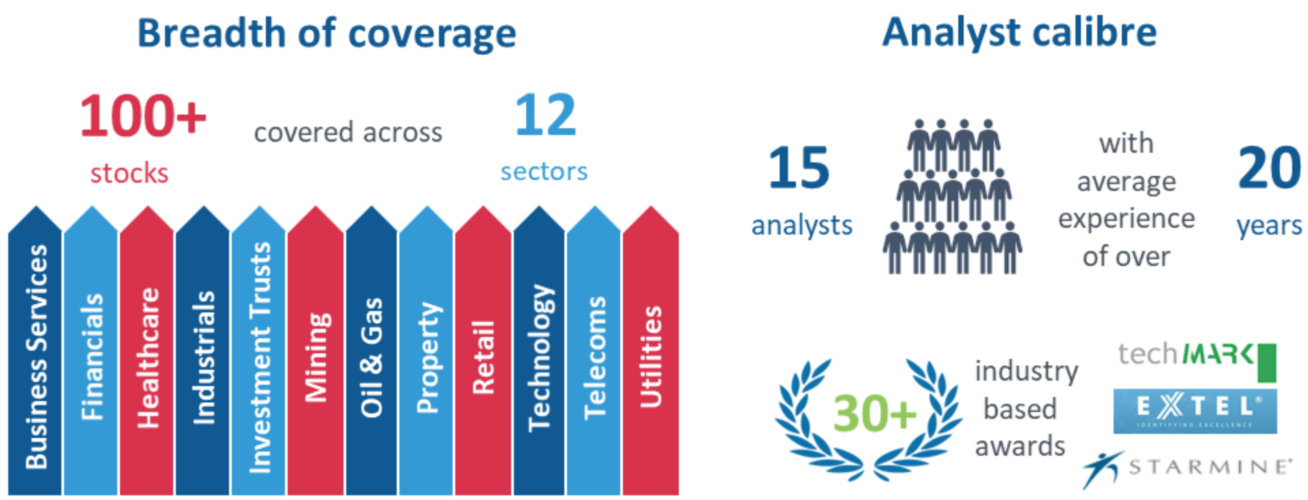
 Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.



To arrange a meeting with the management team, or for further information about Progressive, please contact us at:
+44 (0) 20 7781 5300
info@progressive-research.com