

27 September 2017

Grainger plc

Pre-Close Statement & Capital Markets Day

Good end to the year and positive strategic progress

Grainger plc, the UK's largest listed residential landlord, today provides an update on trading for the year ending 30 September 2017 ahead of its full year results announcement on 30 November 2017.

Helen Gordon, Chief Executive, said:

"It has been a year of significant strategic progress. We have secured substantial private rented sector ("PRS") investments and improved our operational platform. We expect to deliver another period of strong financial performance at our full year results in November, and our in-house capability to originate, invest in and operate UK rental homes provides a strong platform for future growth.

"Our transition to a business focused on the PRS with improved income returns continues at pace. Our secured PRS pipeline stands at £517m, and has been achieved within 20 months of announcing our new strategy and £850m investment target. It will be supplemented by our recently announced £80m investment at Gore Street in Salford, and we have a number of other exciting opportunities in advanced stages."

Financial performance

Trading performance and outturn

We have delivered a strong trading performance in the second half of the year, with good results from sales and tightly controlled operational and finance costs. We expect to report Adjusted Earnings of approaching £70m (FY16: £53.1m).

Sales of vacant properties have been achieved at c.2% ahead of the September 2016 year end vacant possession value, and robust residential sales have been supported by development activity and as we work through our strategic land sites.

Our year end valuation process is currently underway. We saw 2.1% growth in capital values in the first half of the year and anticipate a modest further improvement in the second half, in line with the Board's expectations.

Continued rental growth

We have seen like-for-like rental growth across our portfolio of 3.7% for the eleven months to the end of August. Our PRS portfolio has seen 3.2% growth and we have seen 4.4% annualised rental growth in our regulated tenancy portfolio.

Reducing costs

Our focus on managing costs and operating efficiency has continued and we expect to report a gross to net property operating cost for the full year of around 26%. We are also on track to achieve our £27.5m overheads target.

Grainger's income return is also benefiting from improved finance costs and we expect our cost of debt at the period end to have reduced to 3.5%.

Continued investment in PRS

Our transition to a business focused on the UK private rented sector ("PRS") continues at pace and our secured investment pipeline now stands at £517m, around 60% of our £850m target, achieved within 20 months of announcing our new strategy. Once our £80m acquisition on Gore Street in Salford goes unconditional following completion of a building contract, we will reach 70% of our target.

In total we have £341m of schemes in the planning or legal stages, which if secured will enable us to achieve our £850m target. A further £469m of potential schemes are under consideration.

Capital markets day

We are hosting a capital markets day today, followed by a site visit to Argo Apartments, a £33m, 134 unit PRS scheme in Canning Town, London. It is due to complete by the end of 2017 and is being acquired by GRIP REIT plc, our London-focused PRS co-investment vehicle with APG.

Our update will focus on Grainger's market leading position and its in-house capability to originate, invest in and operate UK rental homes.

A presentation will be made available at 14:00 GMT on Grainger plc's corporate website – www.graingerplc.co.uk. No webcast or conference call facilities will be available.

No further information will be provided on current trading.

-ENDS-

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