

# Capital Markets Day

**Leeds**  
5 July 2022



Investing in homes since 1912  
**grainger plc**

# Agenda

Originate

Invest

Operate

Accelerate

## 1. Introduction

**Helen Gordon**  
*Chief Executive*

## 2. Insight driven investing

**Steven Clark**  
*Director of Investment – Acquisitions*

**Eliza Pattinson**  
*Director of Investment – Asset Management*

## 3. Knowing our customers drives financial performance

**Thomas Grounds**  
*Head of Research*

**Leesa Ingham**  
*Head of Marketing*

## 4. Market-leading leasing capability

**Jonathan Pitt**  
*Director of Lettings and Residential Marketing*

## 5. Driving returns

**Rob Hudson**  
*Chief Financial Officer*

# 1. Introduction



Helen Gordon  
CEO



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## 2. Insight driven investing



Steven Clark  
Director of Investment – Acquisitions



Greg Cornish  
Associate Director – Development



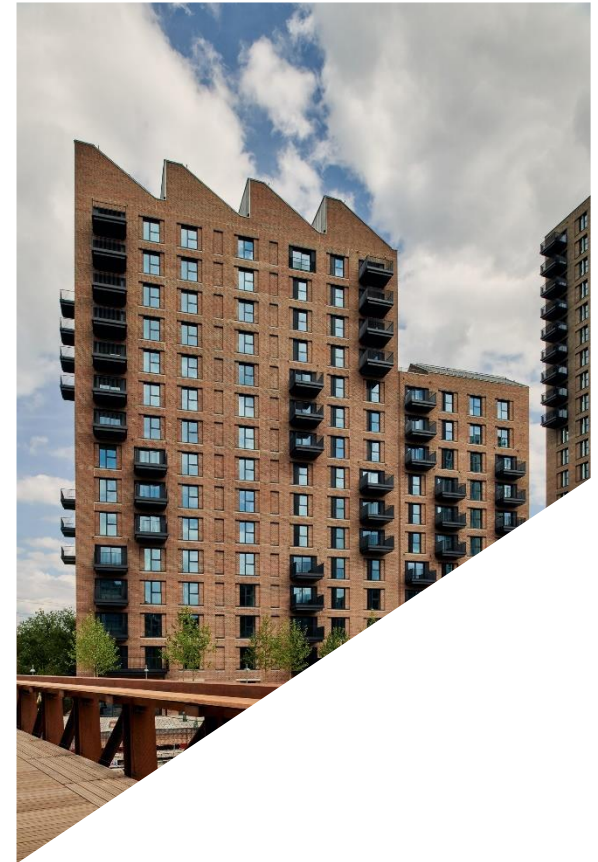
John Wood  
Associate Director – Acquisitions



Eliza Pattinson  
Director of Investment – Asset Management



Sarah Norstrom  
Director of Asset Management



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# Our geographical strategy

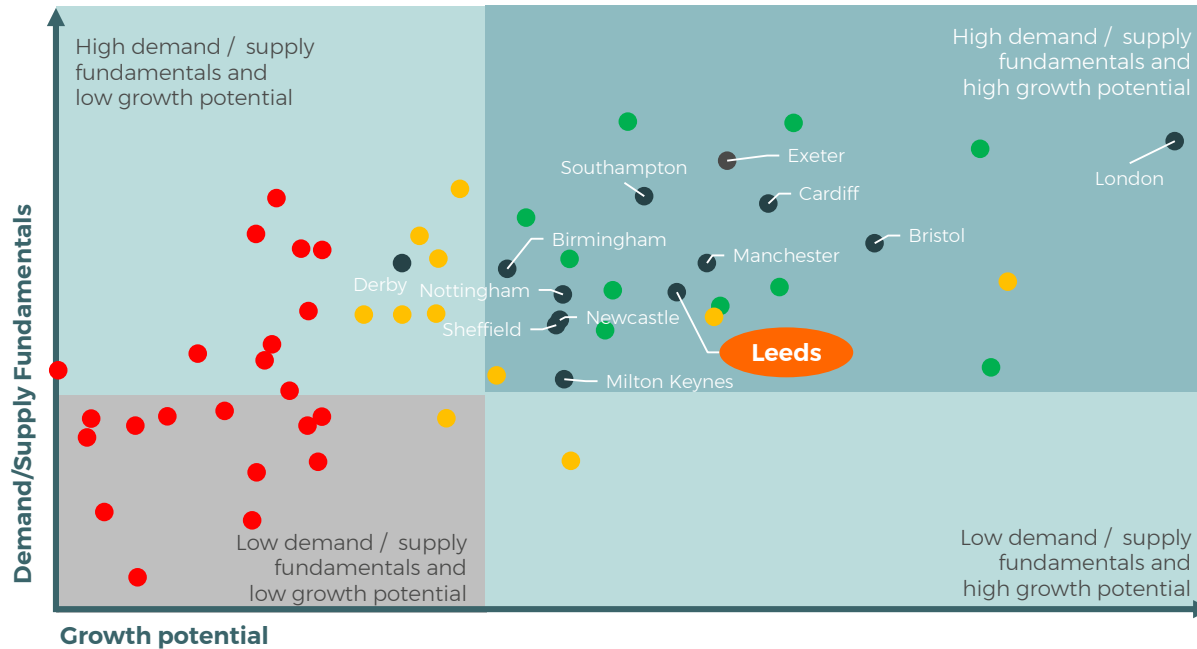
## Cities with robust fundamentals and strong growth potential

Originate

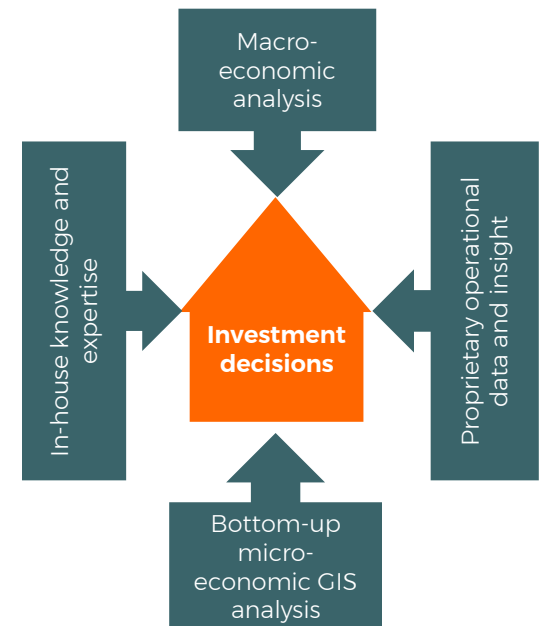
Invest

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- Schemes secured
- Target locations
- Under review
- Not under consideration



Analysed 378 local authorities

Ranked on six success factors

Analysed 62 cities

Underpinned by 18 economic datasets

Targeting top ranking cities

Detailed demographic and rental market analysis

# Cities will endure

Young professionals prize access to amenities, leisure and lifestyle opportunities

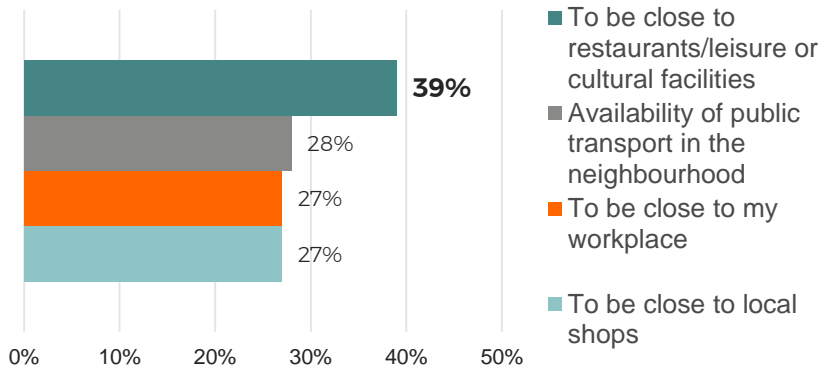
Originate

Invest

Operate

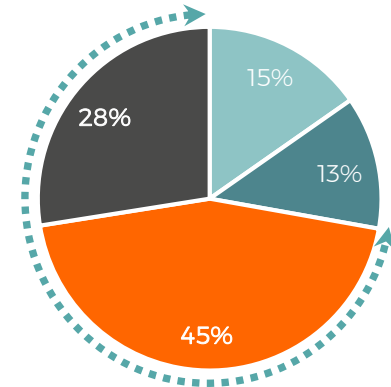
Accelerate

## Reason for city living



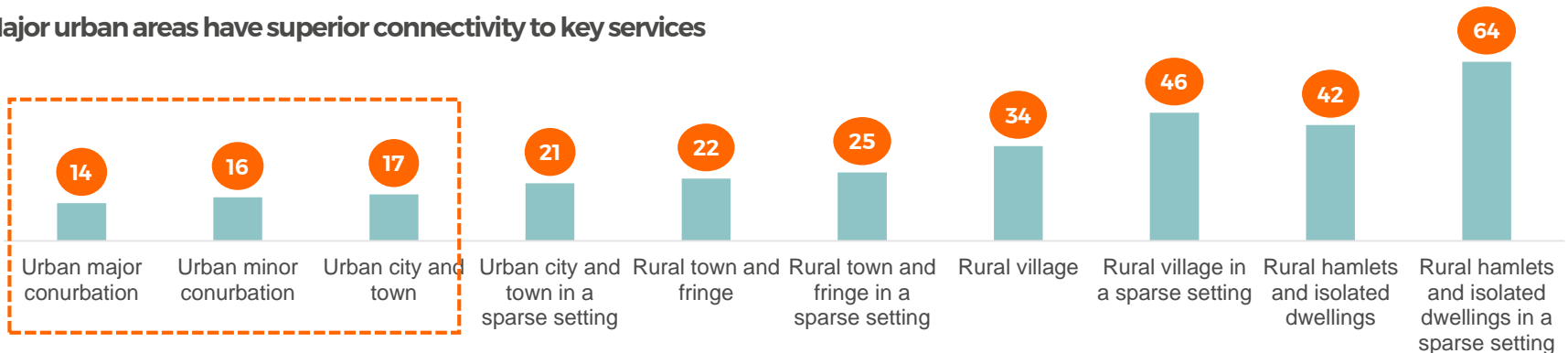
## Proportion of England's Gross Value Added

- Predominantly Rural
- Urban with Significant Rural
- Predominantly Urban (excl. London)
- London



## Travel time to reach local services by public transport/walking (minutes)

Major urban areas have superior connectivity to key services



Average minimum travel time to reach the nearest 8 key services by public transport/walking, rural and urban areas, England, 2019  
Sources: Centre for Cities (top-left), ONS Rural Productivity and GVA Statistics 2019 (top-right), ONS Journey Time Statistics (bottom)

# Strong potential for growth

Dense, urban areas are hubs of innovation and networking

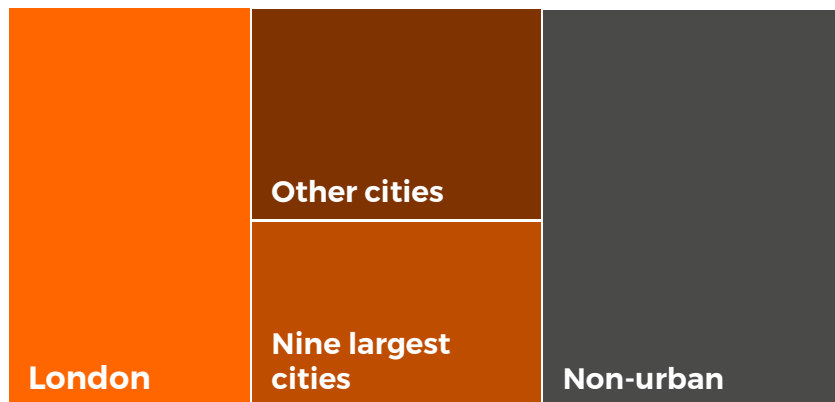
Originate

Invest

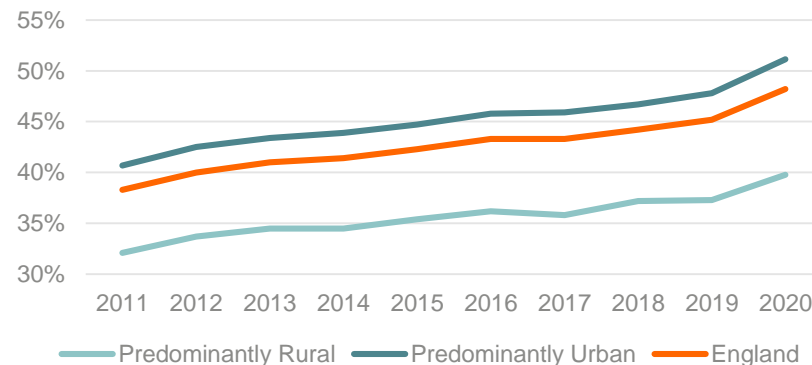
Operate

Accelerate

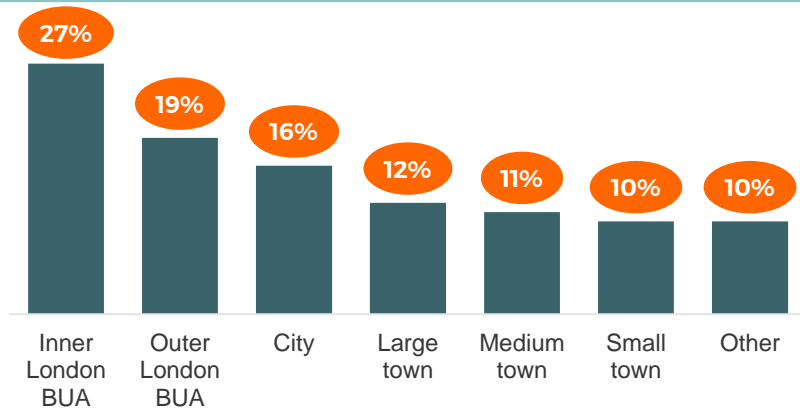
## Share of job creation\*, 2013 to 2019



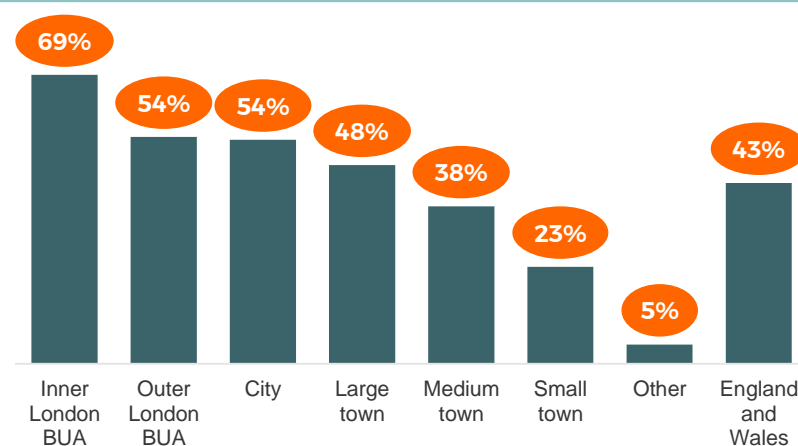
## Working-age population with NVQ level 4+ qualifications\*



## Population growth, England and Wales, 2001 to 2019



## 25-64-year-old's share of population growth, 2001 to 2019



Sources: Centre for Cities (top-left), ONS (top-right), ONS (bottom) \*private sector \*\*workplace-based

# Disciplined investment criteria

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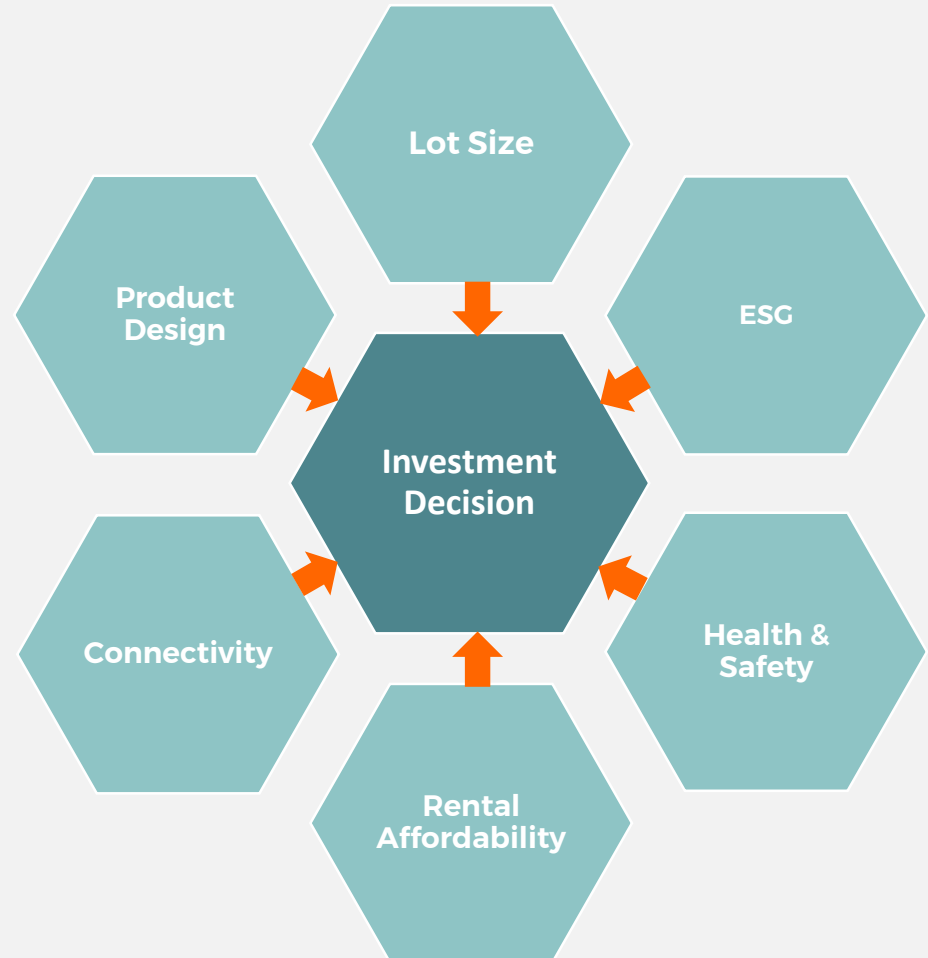
Invest

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Ensuring we progress the most compelling investment opportunities

- Suite of screening filters to ensure that we only progress high quality opportunities
- Alignment to our strategy and overall product vision
- Offering a sustainable risk-adjusted return profile
- Applicable to all investment routes: direct development, forward funding, tenanted acquisitions (or a mix of all three)
- Will always consider how the product caters for demand and aligns with our operating capability





# Structured investment process

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## Optimising our transaction capability and market reputation



- Well-established approach to the full transaction life-cycle
- Physical presence in the regions as well as London
- New Business Co – strategic themes, relationships & locations
- Sourcing Co – initial capture and screening of opportunities
- Investment Co – transaction gateway approvals
- Pipeline Co – deal progression
- Standardised documents and methods, highly efficient

# Our regional clustering strategy

## Building scale with management efficiencies

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MANCHESTER	1,612 homes
Clippers Quay, Manchester	510
The Filaments, Manchester	376
The Rock, Manchester	233
Other	493

MIDLANDS	1,540 homes
Solstice Apartments, Milton Keynes	139
Pipeline	1,401

WEST & WALES	1,513 homes
Hawkins and George, Bristol	194
Other	313
Pipeline*	1,006

NEWCASTLE	380 homes
The Forge	283
Other	97

LEEDS & SHEFFIELD	1,087 homes
The Headline, Leeds	242
Pin Yard, Leeds	216
Indigo Blu	46
Brook Place, Sheffield	237
Other	62
Pipeline	284

SOUTH	827 homes
Weavers Yard, Newbury	232
Gatehouse Apartments Southampton	132
Berewood, Hampshire	104
Other	261
Pipeline	98

LONDON	6,370 homes
PRS - London	1,488
Abbeville Apartments	100
Argo Apartments	134
Apex Gardens	163
Millet Place	159
Windlass Apartments	108
Pipeline	1,218
TfL Partnership	+3,000

\*HY22 Pipeline plus Redcliffe Quarter, Bristol

# Why invest in Birmingham?

Originate

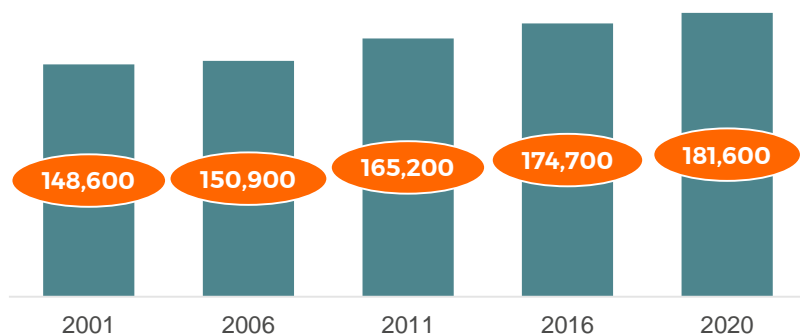
Invest

Operate

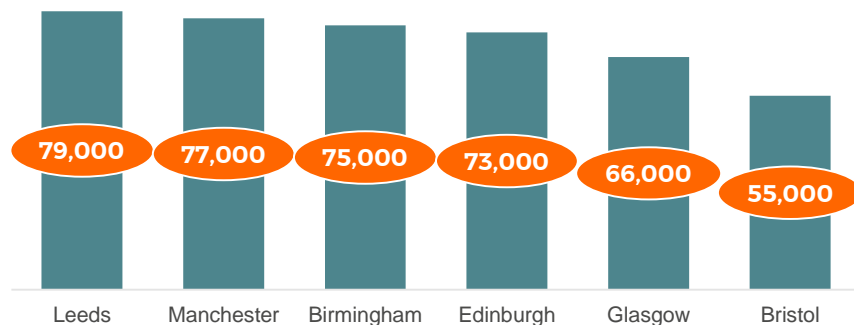
Accelerate

## UK's centre of manufacturing excellence and growing services hub

### Birmingham population growth – 25-34 years



### Full time employment in Finance, Technology and Science\* (excluding London)



### Birmingham – overview

- Population of **2.56m people** (primary urban area)
- Key part of **UK manufacturing** and logistics industry
- Strong financial services, with HSBC, Deutsche Bank and Goldman Sachs corporate offices
- High Speed 2** phase 1 rail link, with two new stations: Curzon Street in the city centre and Birmingham Interchange near the city's airport
- Journey time to London reduced to **under 1 hour**
- Home to the 2022 **Commonwealth Games**
- Home to **five universities** with a graduate retention rate of 46% - up from 40% in 2020
- Housing supply-demand imbalance

Sources: ONS (data is for Birmingham local authority). \*Financial & Insurance, Information & Communication, Professional, scientific & technical

# Our Birmingham cluster

Originate

Invest

Operate

Accelerate



# Our Birmingham cluster

## Two high quality assets delivering 533 new rental homes

Originate

Invest

Operate

Accelerate

### Gilders Yard



- 158 BTR homes
- Located in the historic Jewellery Quarter
- Former home of jeweller J Ashford & Sons
- Mix of new build & restored industrial buildings
- Residents lounge, gym and co-working space

### Silver Yard



- 375 BTR homes
- Completing September 2023
- Short walk to new High Speed 2 terminal and core business districts
- Residents lounge, gym, co-working space and dining room



# Clippers Quay, Manchester

510 homes | Forward Fund | Salford Quays

Originate

Invest

Operate

Accelerate





# The Condor, Derby

259 homes | Forward Fund | City Centre

Originate

Invest

Operate

Accelerate



# Our Midlands and Northern clusters

## Building scale and efficiencies in our target locations

Originate

Invest

Operate

Accelerate

MANCHESTER	1,612 homes
Clippers Quay	510
The Filaments	376
The Rock	233
Other	493

EAST & WEST MIDLANDS	1,140 homes
Gilders Yard, Birmingham	158
Silver Yard, Birmingham	375
The Condor, Derby	259
The Barnum, Nottingham	348

LEEDS & SHEFFIELD	1,087 homes
The Headline, Leeds	242
Pin Yard, Leeds	216
Indigo Blu, Leeds	46
Brook Place, Sheffield	237
Other	62
The Tilt Works, Sheffield	284

MILTON KEYNES	400 homes
Solstice Apartments	139
Enigma Square	261

Operational schemes

Secured pipeline schemes



# Why invest in Leeds?

UK's 2<sup>nd</sup> largest financial services hub, and growing urban centre

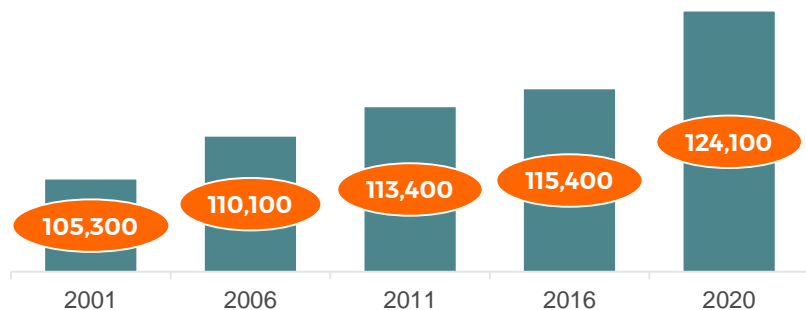
Originate

Invest

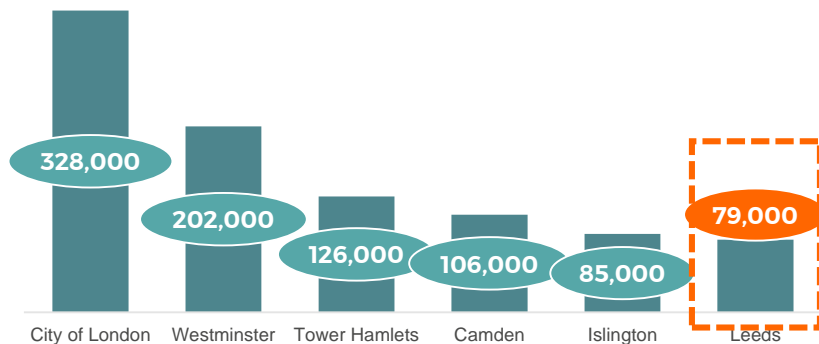
Operate

Accelerate

## Leeds population growth (25-34 years)



## Full time employment in Finance, Technology and Science\*



## Leeds – overview

- **+12%** population growth since 2001
- **Largest legal and financial centre** outside of London
- New **Channel 4** HQ
- **Bank of England** seeking 100,000 sq ft office in the city for its new northern hub
- HQ for the new **UK Infrastructure Bank**
- Leeds has **five universities**, two business schools and Europe's largest teaching hospital trust
- The University of Leeds is a Russell Group university and ranked 86th in the QS World University Rankings 2023, placing it in the top 6% of institutions globally
- Leeds has the 3rd highest population of technology and high-growth companies outside of London\*\*

Sources: ONS (all). \*Financial & Insurance, Information & Communication, Professional, scientific & technical. \*\*Barclays/Beauhurst - Unlocking Growth (by local authority)

# Our Leeds cluster

Three high quality assets delivering 504 rental homes

Originate

Invest

Operate

Accelerate



# Enhancing returns through proactive Asset Management

Originate

Invest

Operate

Accelerate

## Optimising our Investment

- Customer demographic
- Net rental assumptions
- Unit mix and layouts review
- Agree furniture and space planning
- Amenity design and offering
- Create commercial strategy

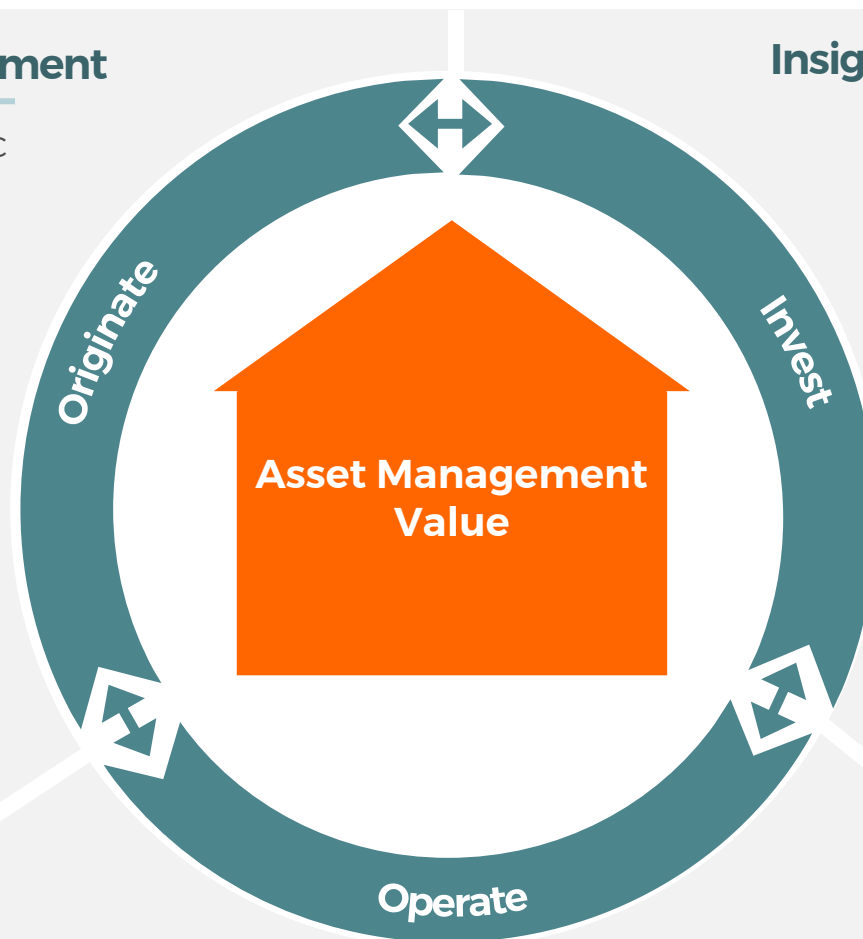
## Insight Driven Investment Decisions

- Design impact ongoing investment management
- Efficiencies delivering net rent
- Dynamic pricing and data delivering rental growth
- Repositioning older assets
- Valuation growth

- Manage churn
- Budget control

## Monitoring and Driving Performance

- Customer experience
- Retention



# Insight driven investment decisions

Originate

Invest

Operate

Accelerate

## Asset dashboards informing decision making and driving performance

Asset Dashboard: [REDACTED]

May 2022

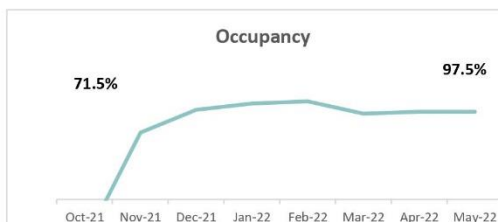
Property [REDACTED]  
Portfolio BTR Regions

Homes [REDACTED]  
Valuation (EMs) [REDACTED]

ERV (£k) [REDACTED]  
Net Valuation Yield [REDACTED]

Asset Manager Sarah [REDACTED]  
Resident Services Manager George [REDACTED]

### Operational Performance



### Financial Performance

Property P&L	GTN %	Tracked against Budget
<b>Potential Rental Income</b>		
Rent lost through void		
<b>Gross rental income</b>	100%	●
<b>Property Costs</b>		
Repairs & Maintenance (Unit)		●
Facilities Management (Common)		●
Service Charge & Ground Rent (Payable)		●
Void Costs		●
Lettings costs		●
Insurance costs		●
Bad Debts		●
H&S costs		●
Management Cost / PM Fee		●
Year 1 Set up costs		●
Other costs		●
	27.6%	●
<b>Net Rent</b>	72.4%	●

### Average Rents per Unit

	Annual		Monthly	
	Achieved	ERV	Achieved	ERV
1 Bed				
2 Bed				

### Asset Management Commentary

GtN stabilising. AM reviewing expenditure. Monitor retention and ensure renewal growth does not track far below new lets. AM working closely with lettings on future churn and pricing. All FV have offers pending / lets already agreed.

[REDACTED] Redacted for commercial sensitivity

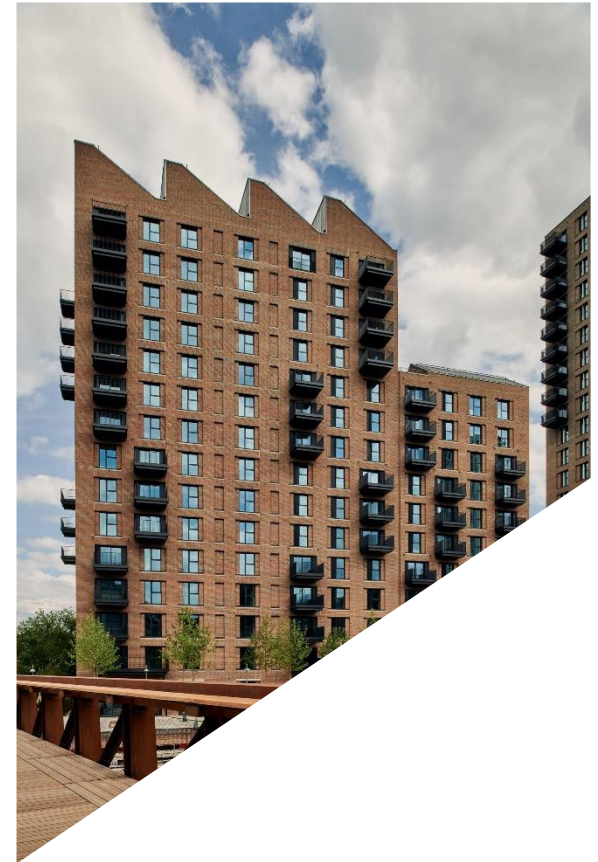
# 3. Knowing our customers drives financial performance



Thomas Grounds  
Head of Research



Leesa Ingham  
Head of Marketing



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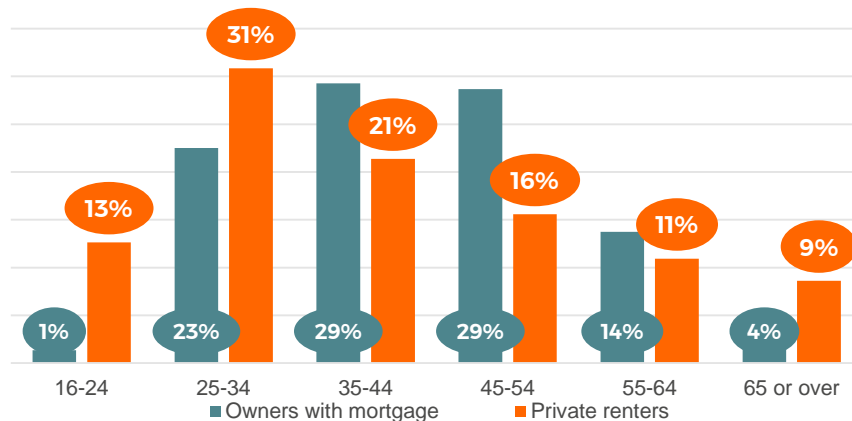


# UK PRS – who rents?

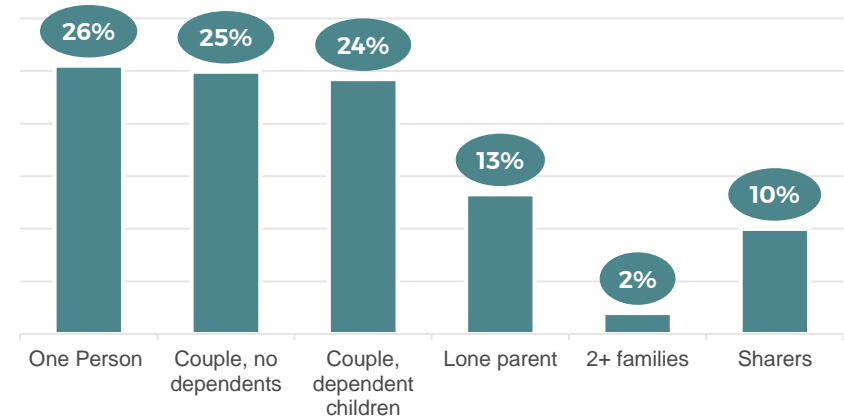
## Renter demographics are diverse



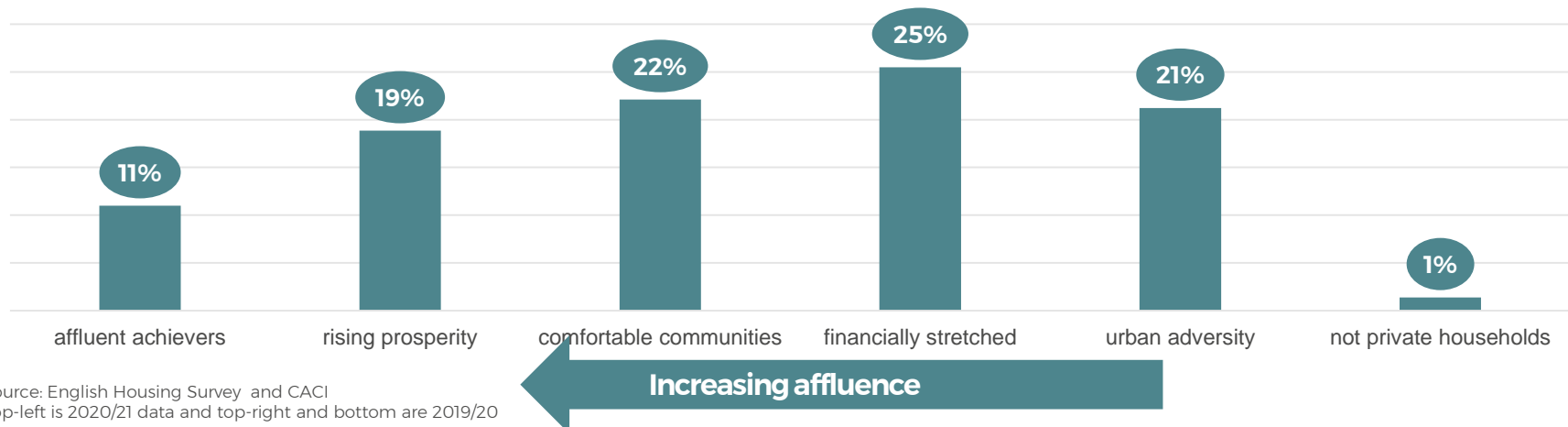
Age of HRP – private rent vs mortgaged homeowners



Household type – private renters



ACORN categories – private renting households - %



Source: English Housing Survey and CACI  
 Top-left is 2020/21 data and top-right and bottom are 2019/20

# Renters in a cost-of-living crisis

## Grainger's customers find renting more affordable

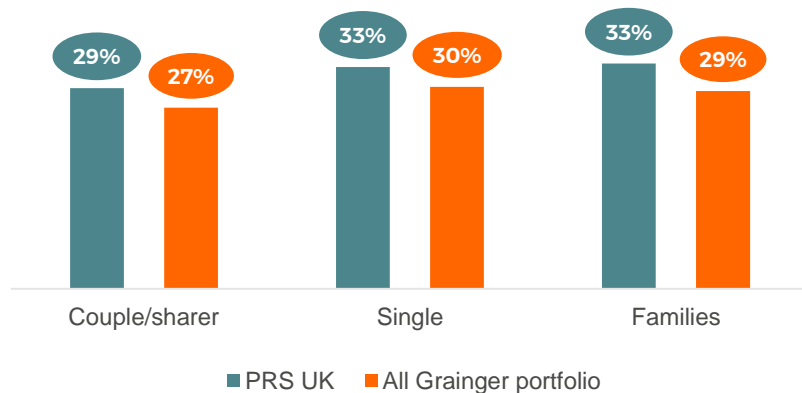
Originate

Invest

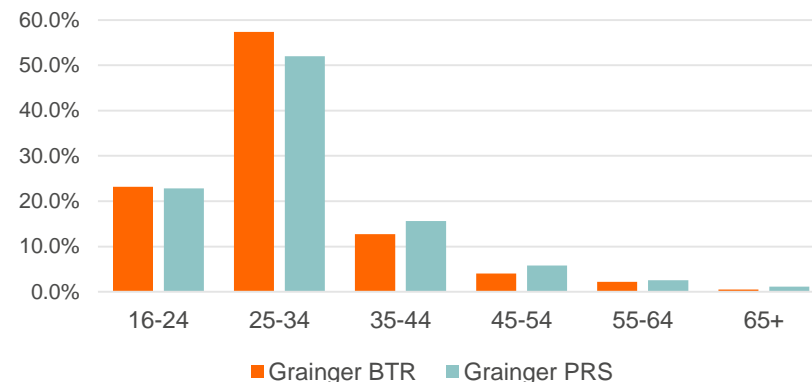
Operate

Accelerate

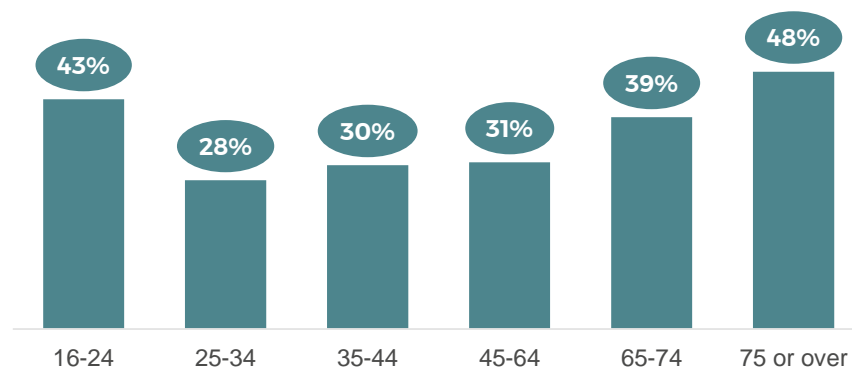
### Average proportion of household income spent on rent



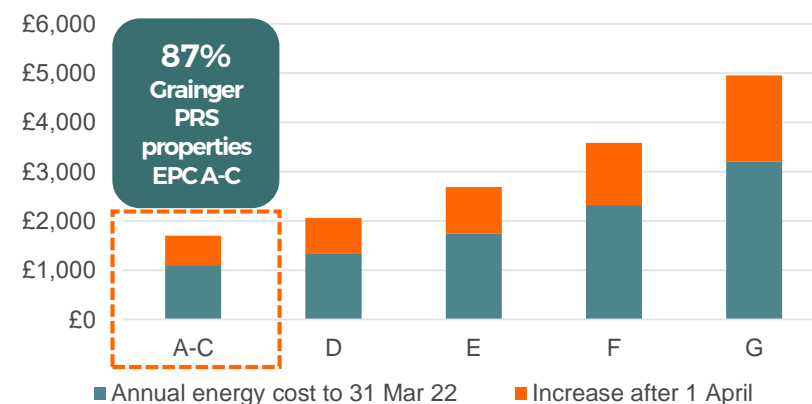
### Age profile of customers



### Proportion of income spent on rent, 2019/20



### Average energy bills by EPC band



Sources: (clockwise) Dataloft analysis of applicant data, JLL, English Housing Survey 2019/20

# Central Leeds PRS market

## Young professionals renting flats

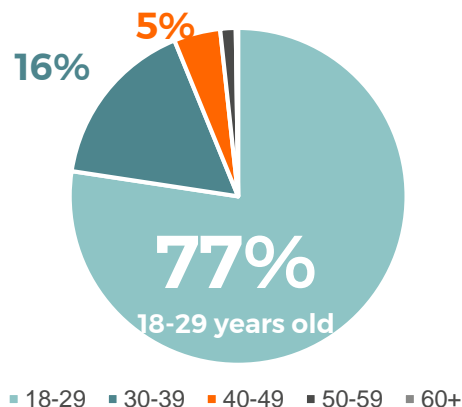
Originate

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Accelerate

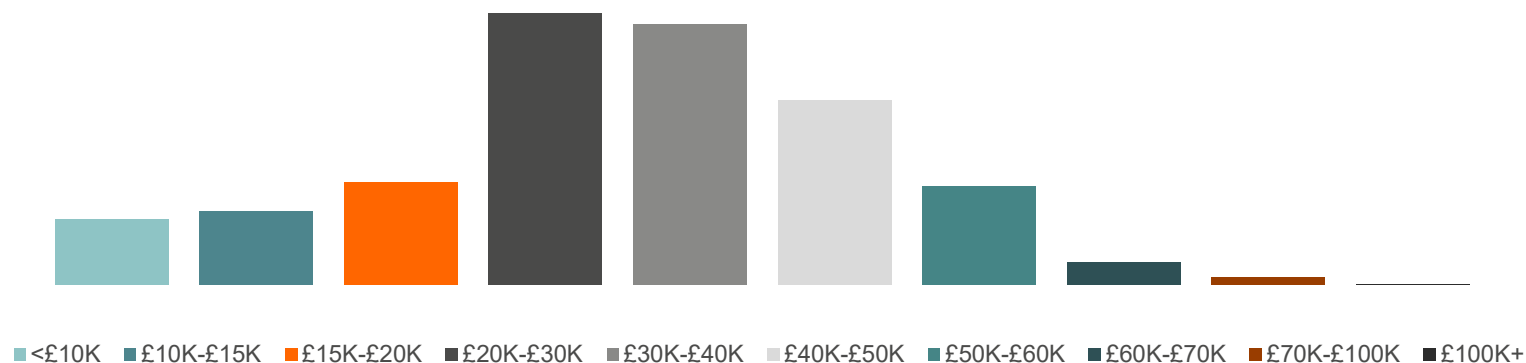
### Central Leeds – age profile – last 12 months



### Central Leeds – property types - last 12 months



### Central Leeds – renter incomes distribution



Source: Dataloft (top), Experian (bottom)



# Customer Insight Programme

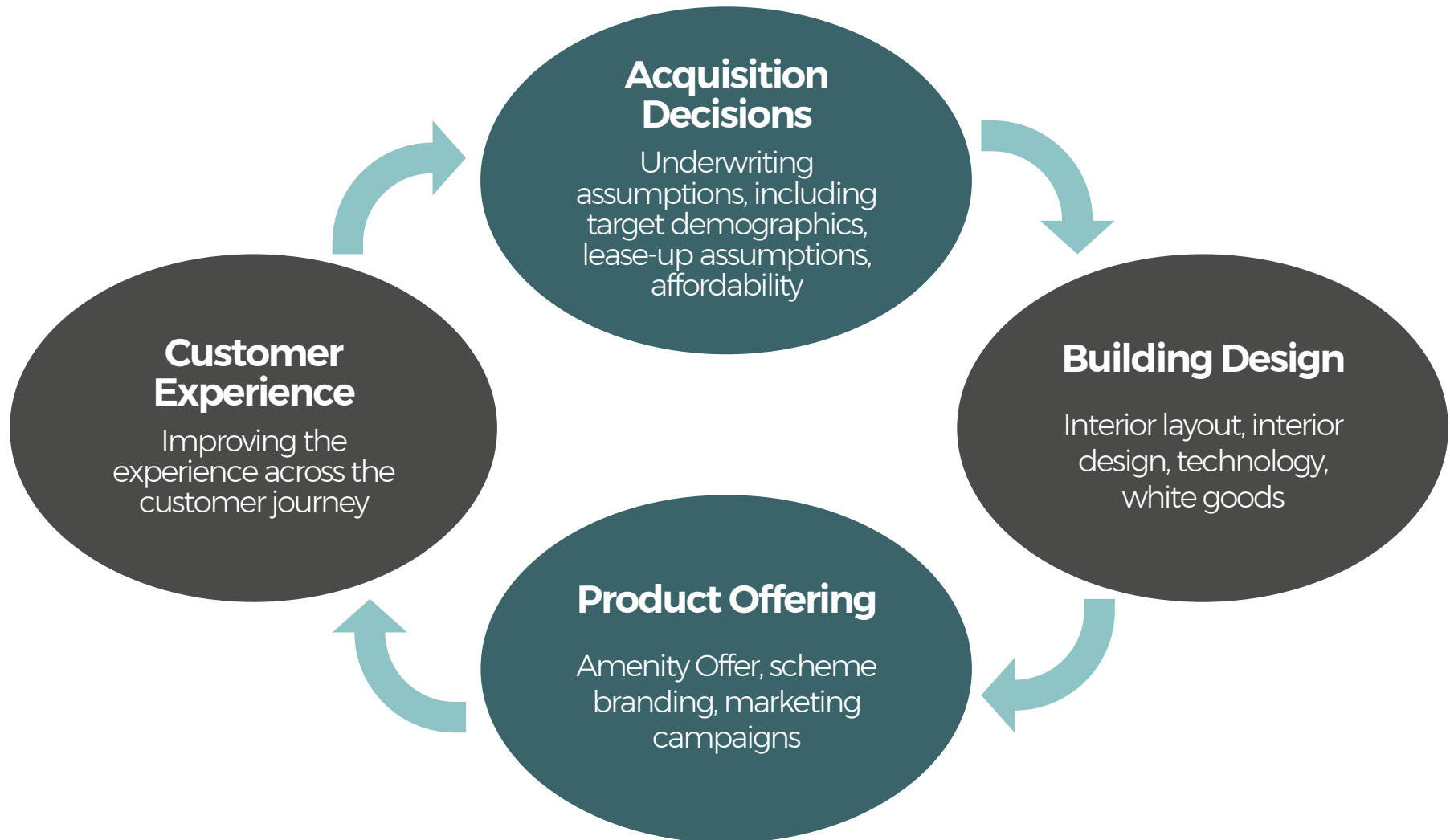
Our Customer Insight Programme delivers meaningful insight across the business

Originate

Invest

Operate

Accelerate



# Customer Insight Programme

## Ongoing feedback from quantitative research and surveys

Originate

Invest

Operate

Accelerate

- Annual Satisfaction Survey
- Regular 'pulse surveys' – at different stages of the tenancy period
- Automated surveys – repairs and events
- Customer reviews – monitor feedback and trends in sentiment



# Customer Insight Programme

Qualitative research 2020-2022

Originate

Invest

Operate

Foundation Research	Customer Research Phase 1	Customer Research Phase 2
Getting to know our customers in detail	Assessing the scope and impact of our customer experience	Exploring communication styles and what customers look for
Specifically... <ul style="list-style-type: none"> <li>■ BTR customers</li> <li>■ Their attitudes to renting</li> <li>■ Reasons for choosing BTR</li> <li>■ Perceptions of Grainger</li> <li>■ Where value to customers exists / what Grainger can control</li> </ul>	Specifically... <ul style="list-style-type: none"> <li>■ Wants and needs of BTR and PRS customers</li> <li>■ What Grainger is good at, what it needs to improve</li> <li>■ Responses to planned initiatives including the app</li> <li>■ How findings aligned with our annual customer satisfaction survey (quant)</li> </ul>	Specifically... <ul style="list-style-type: none"> <li>■ Grainger's existing communication approach</li> <li>■ Competitors analysis</li> <li>■ Which messages cut through</li> <li>■ Overall "take-outs" about the Grainger proposition</li> </ul>
Outputs <ul style="list-style-type: none"> <li>■ Customer typologies</li> <li>■ How they approach their rental journey</li> <li>■ Golden thread of what they value</li> </ul>	Outputs <ul style="list-style-type: none"> <li>■ Customer journey map</li> <li>■ Analyse satisfaction at key interactions</li> <li>■ Create a Customer Experience Programme</li> </ul>	Outputs <ul style="list-style-type: none"> <li>■ Brand enhancement</li> <li>■ Customer-facing Grainger</li> </ul>

# Customer Experience Programme

Insight led - areas to amplify and improve

Originate

Invest

Operate

Accelerate

## 3 key stages of the customer journey

1. Letting to Settling
2. Every Day Life
3. Moving On

- Frictionless 5\* Letting Process
- Living a Greener Life
- The Grainger Service Style enhances my everyday
- Digitising the Customer Experience



Cloud-based security platform



Ultrafast, resilient internet connectivity



Certified for building digital connectivity



Training Handbook



Resident App

# Customer insights driving value

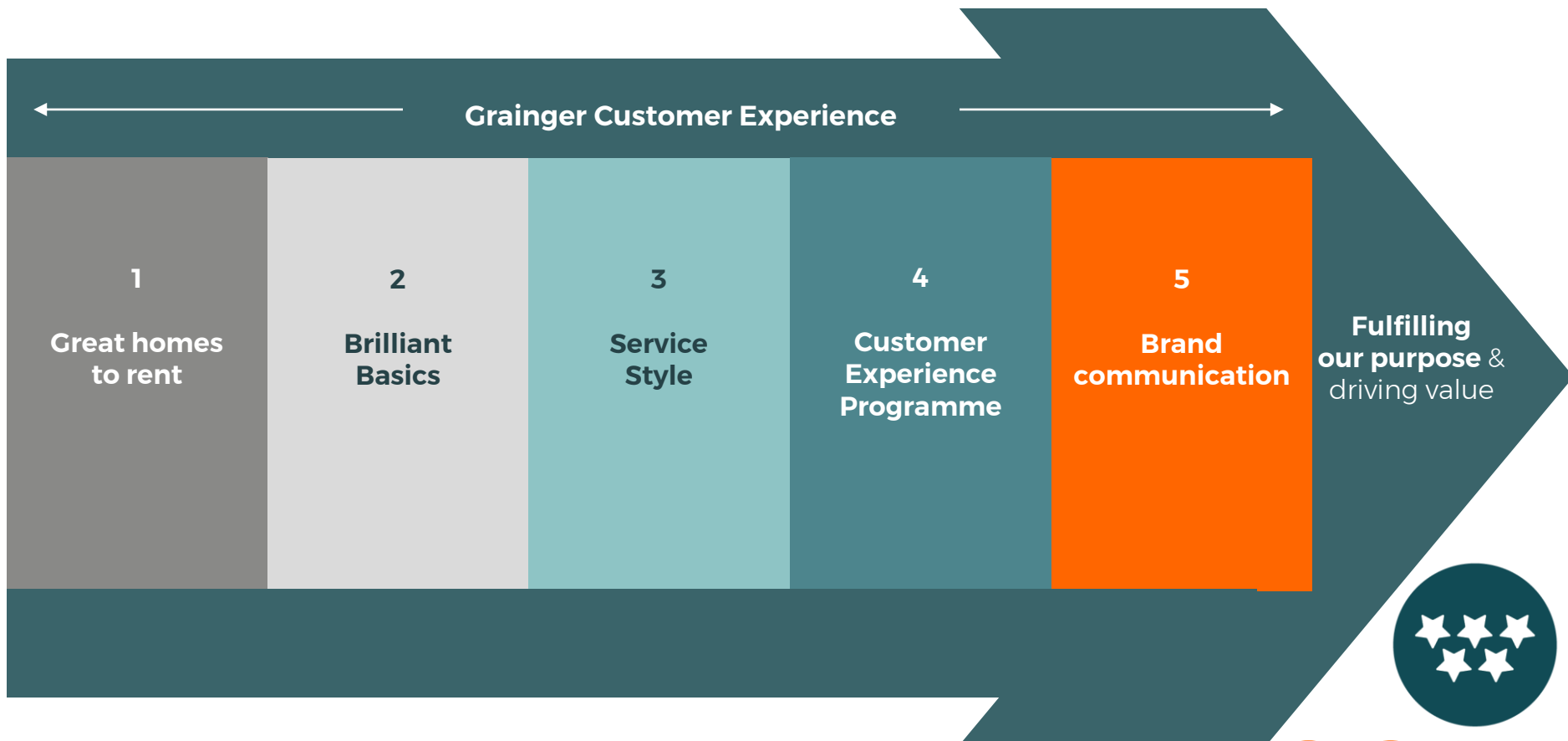
## Informing the whole Customer Experience

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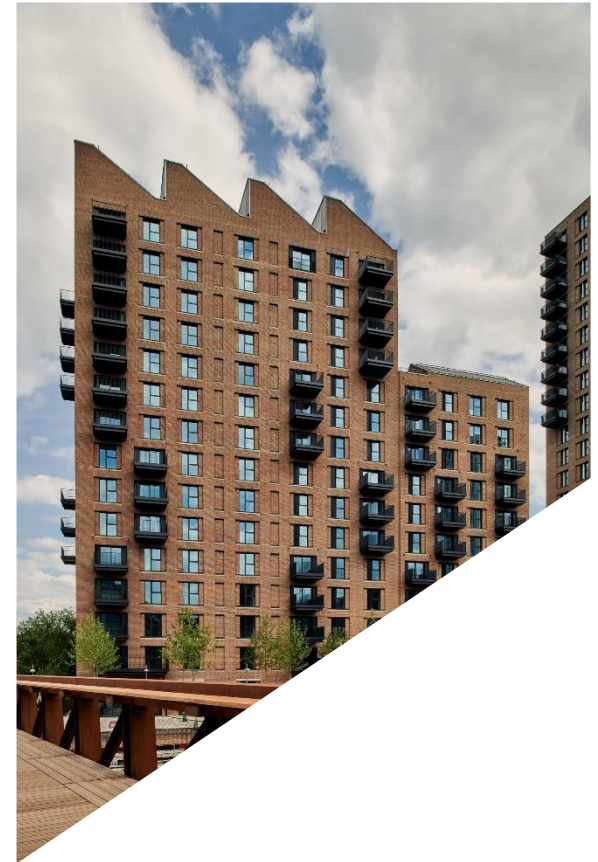
# 82%

of online reviews by PRS customers were 5 out of 5 stars (FY21)

# 4. Market-leading leasing capability



Jonathan Pitt  
Director of Lettings and  
Residential Marketing



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# The Customer

Our focus on the customer journey and experience

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“The process of finding an apartment at the Headline was seamless from start to finish. Having registered my interest, Jack contacted me within minutes and provided floorplans/videos of a selection of flats.

I hadn't been very excited to move to Leeds beforehand, but a good friendly chat with Jack about the local area and building amenities quickly changed my mind.

Signing for the flat couldn't have been easier given the online platform. From seeing a video to signing on the flat the whole process took no more than 2 days!

Since arriving at the Headline it's been great to meet the team onsite, especially as I'll certainly be looking to stay on at the Headline. Thank you!”



# The Headline, Leeds

## Leasing highlights

Originate

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# Leasing Performance

Exceptional leasing performance, stabilising in 6 months

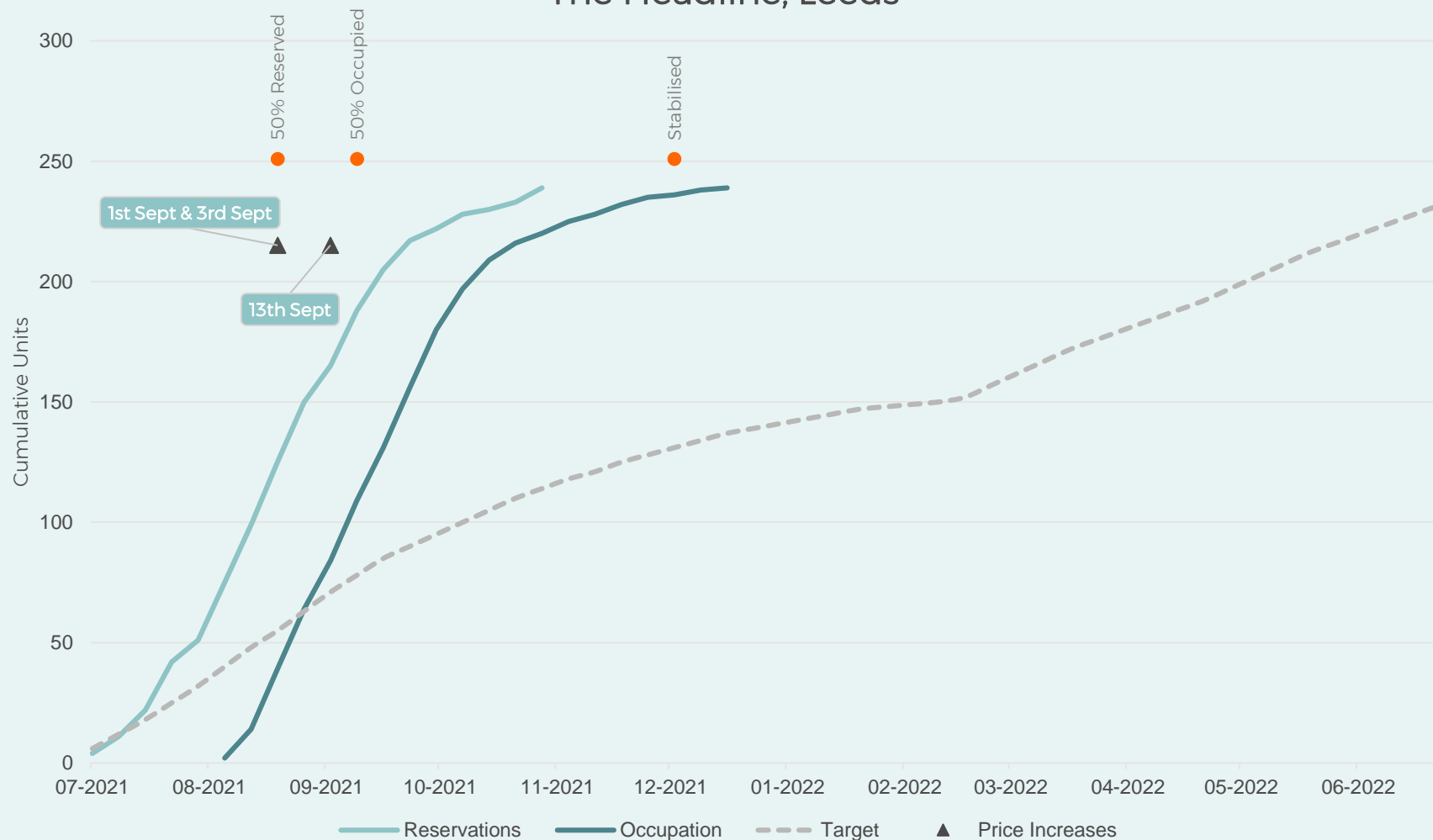
Originate

Invest

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Accelerate

## The Headline, Leeds



# Pin Yard, Leeds

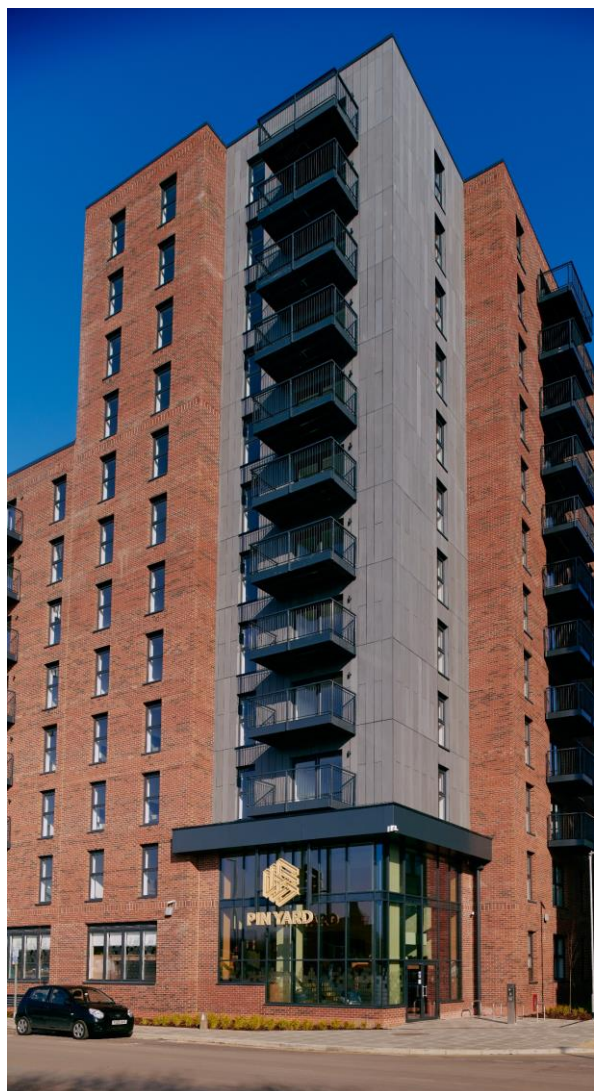
## Leasing highlights

Originate

Invest

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Accelerate



**216**

PRS Homes

**90%**

Let

**1,835**

Leads

**364**

Viewings

**27<sup>th</sup> Feb-22**

Launch Date

**7<sup>th</sup> Mar-22**

First Tenancy

**Jul-22**

Forecast Stabilisation



As of 14 June 2022

# Leasing performance

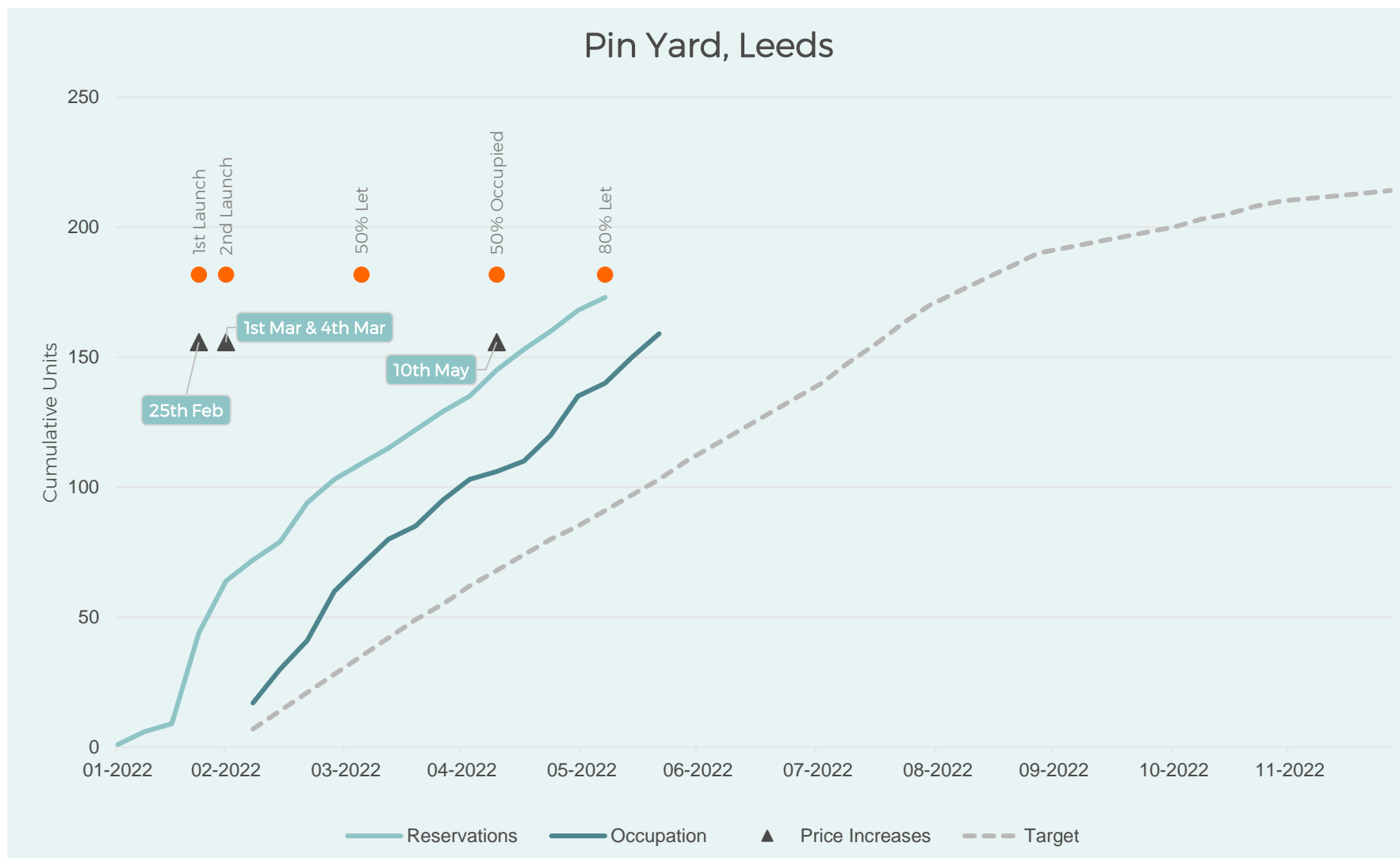
## Exceptional leasing performance, now 90% let

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# Integrating Salesforce & CONNECT

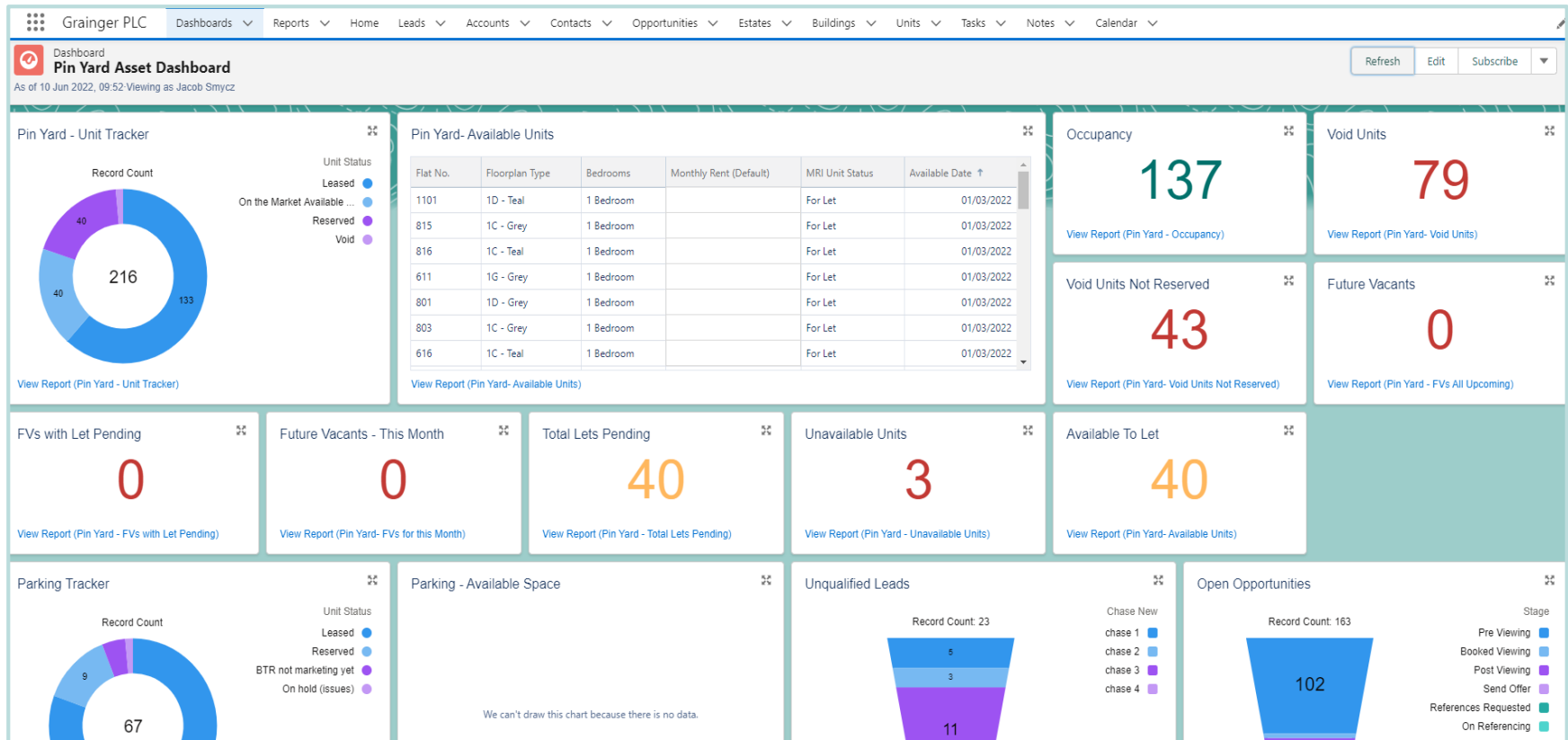
## Our market leading CRM and leasing platform

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Invest

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# Salesforce leasing platform

## Data and insight driven leasing strategy

Originate

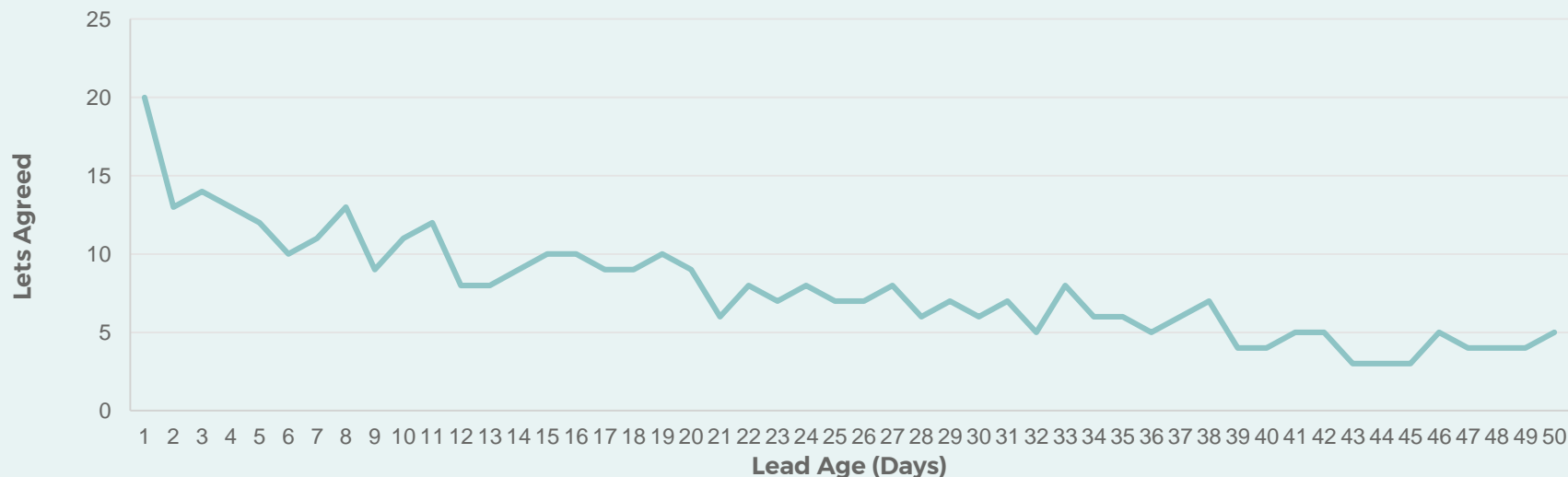
Invest

Operate

Accelerate

- Dashboard visibility of all assets
- Live data and reporting
- Automated lead to lease customer journey
- Integration with Adode, Rightmove, Asperato and others
- Data and insight across whole of market
- A let can be completed in <10 minutes

**Volume of Lets vs. Lead Age\***



\*Illustrative example

# Lettings Insight and KPIs

National View: Jun-2021 → May-2022

Originate

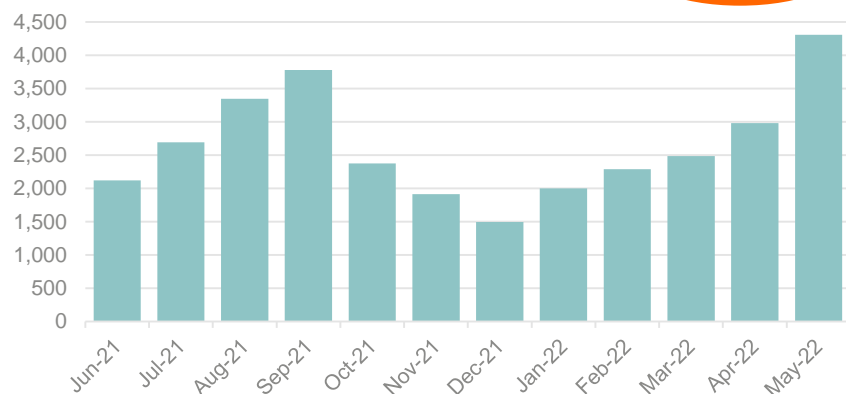
Invest

Operate

Accelerate

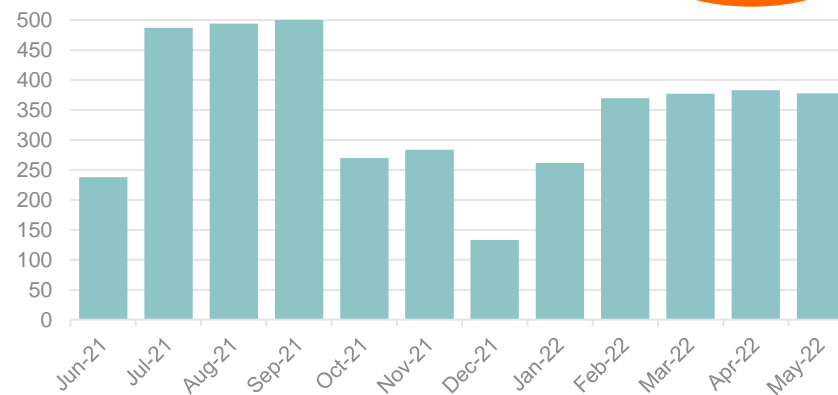
## Leads

33,203



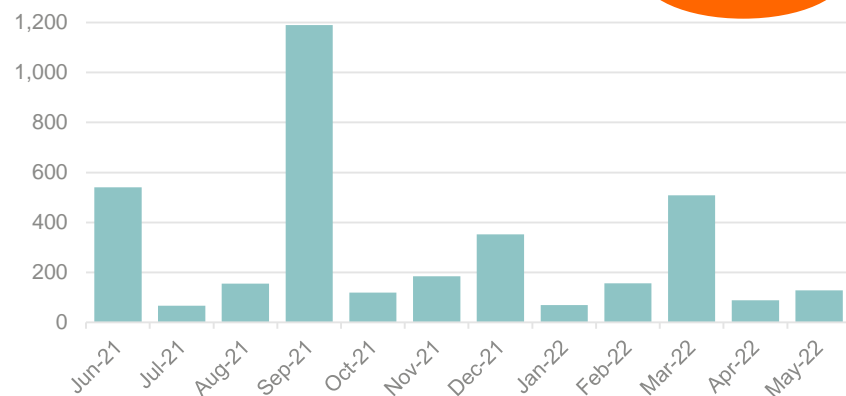
## Viewings

4,200



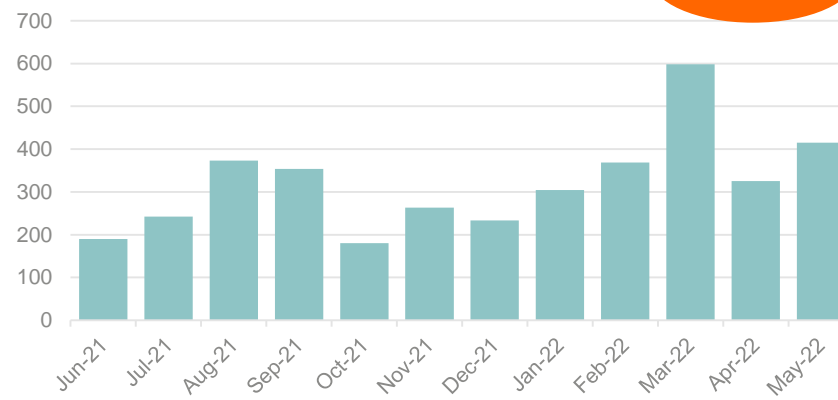
## New Lets

3,878



## Renewals

4,170



As at 2<sup>nd</sup> June 2022

# Lettings and Marketing

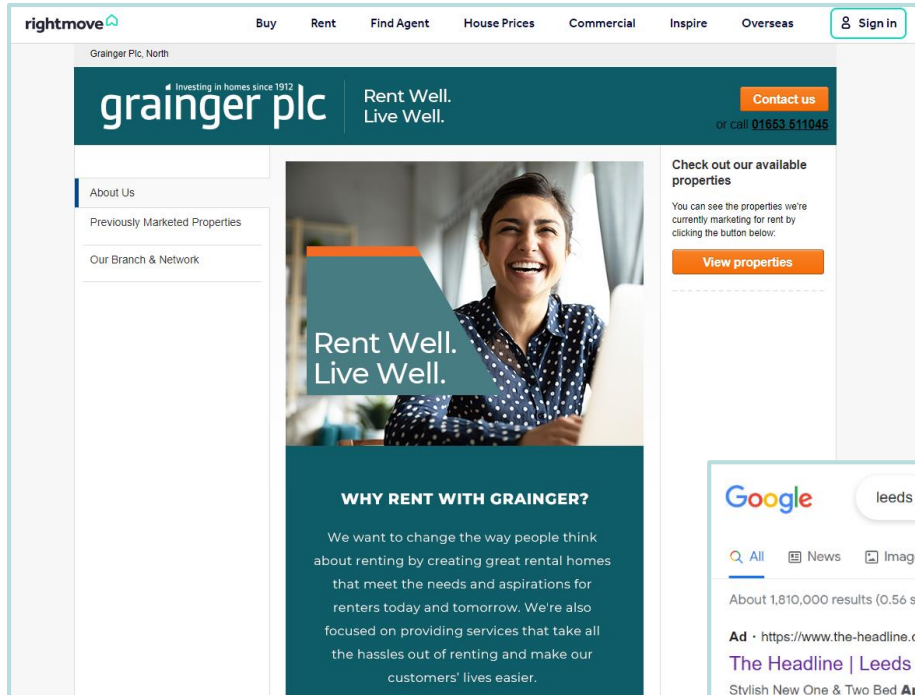
## Capturing new customers through digital marketing

Originate

Invest

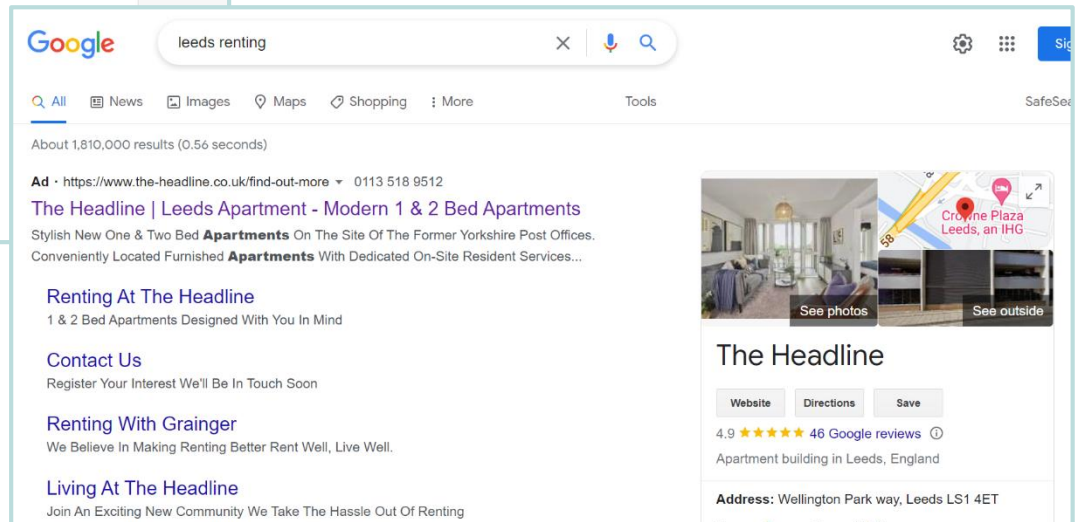
Operate

Accelerate



### Marketing channels:

- Partnership with Rightmove
- Multi channel lead generation





# Scalable Lettings Platform

Originate

Invest

Operate

Accelerate

## Grainger Lettings Platform

### Systems

Salesforce

Rightmove

### Process

#### Marketing

Launch

Re-Let

Pricing Strategy

Dynamic Pricing

Market Insight

Lease-Up Strategy

Customer Demand

Direct Letting

#### Customer

Enquiry

Rightmove Leads

Lead to Lease

Customer Data

Customer Portal

In-system referencing

Multi-channel viewings

Lead to Lease

#### Insight

Reporting

KPIs and Forecasting

Feedback Loop

Insight and Trends

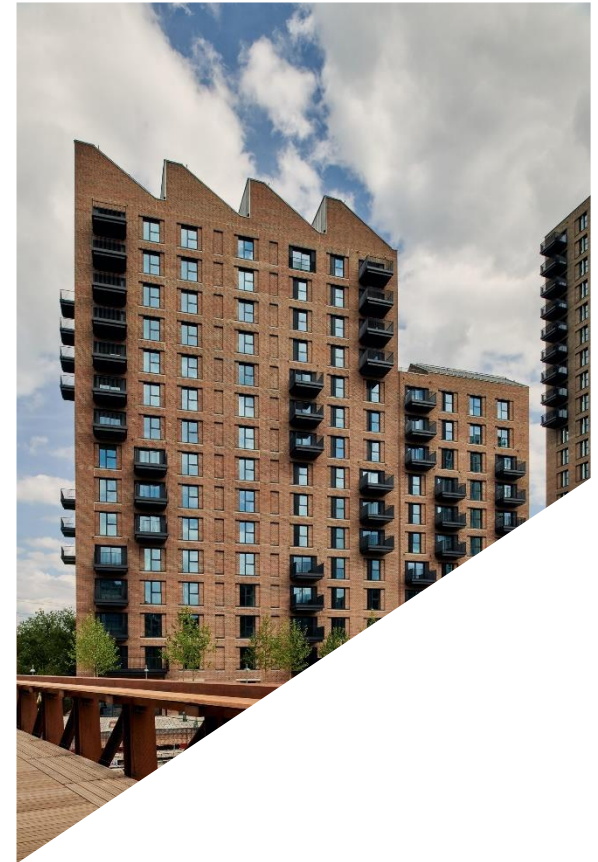
Optimise Occupancy and Rental Growth



# 5. Driving returns



Rob Hudson  
CFO



Investing in homes since 1912  
**grainger plc**

# The Headline: Key financial impact

## 242 homes | Forward Acquisition | Financial District

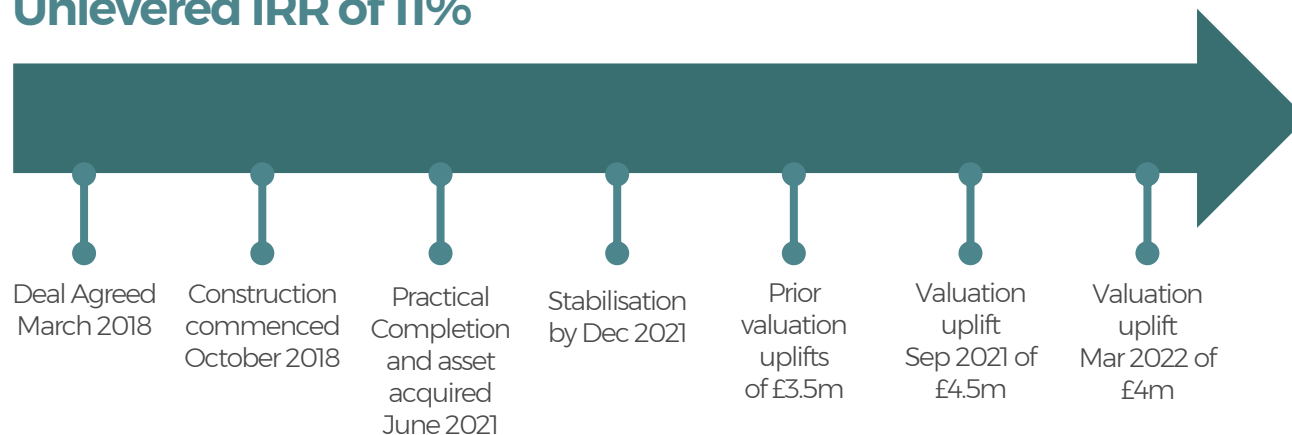
Originate

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### Unlevered IRR of 11%



#### Income highlights

- £3.2m rent roll
- Achieved rents 7% ahead of underwriting
- 100% let
- Lease up in 6mths vs 12mths underwritten

#### Capital highlights

- Forward acquisition, investment of £41m
- £12m dev profit (27% NAV uplift)
- Net Yield on cost of c.5%
- Valuation c.£60m

# Pin Yard: Key financial impact

## 216 homes | Forward Fund | Holbeck Urban Village, Leeds

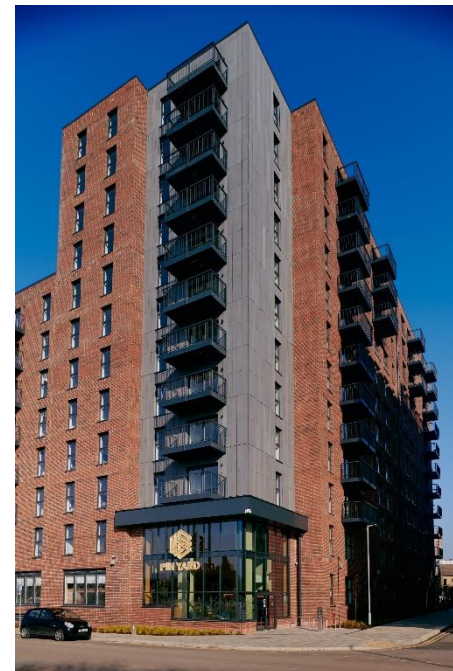
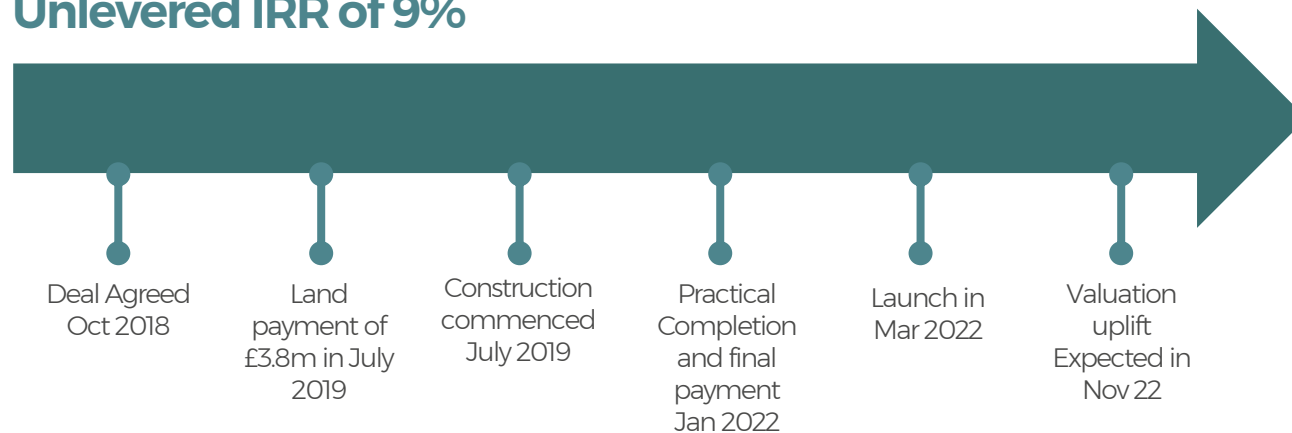
Originate

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### Unlevered IRR of 9%



### Income highlights

- £2.6m rent roll targeted
- Launched March 2022
- 90% let as at 24 June
- Achieved rents ahead of underwriting

### Capital highlights

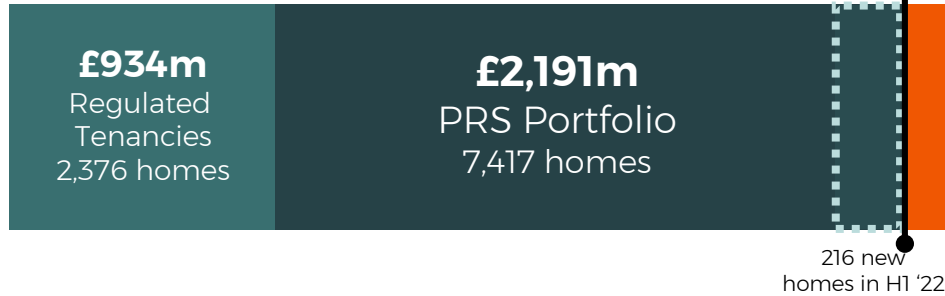
- £8m development profit to date (22% NAV uplift)
- Net Yield on cost of c.5%
- Valuation c.£46m (Mar 22, pre stabilisation)

# Delivering NRI growth



## OPERATIONAL PORTFOLIO

9,793 homes, £3.1bn

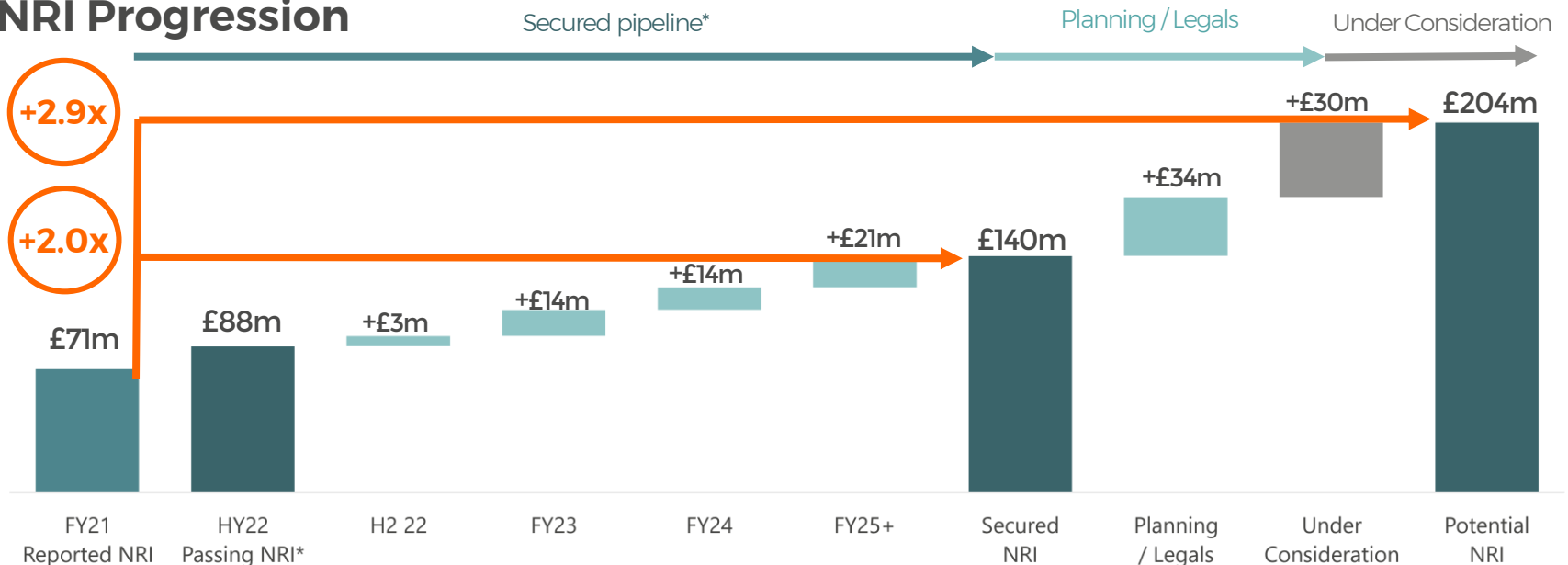


## PRS (Build to Rent) PIPELINE

9,962 homes, £2.4bn



## NRI Progression



\*Secured pipeline excludes Redcliffe Quarter, Bristol which was within Planning / Legals as at HY22, acquisition was subsequently announced and secured on 23 June 2022.

# Secured pipeline: Earnings and returns impact

Originate

Invest

Operate

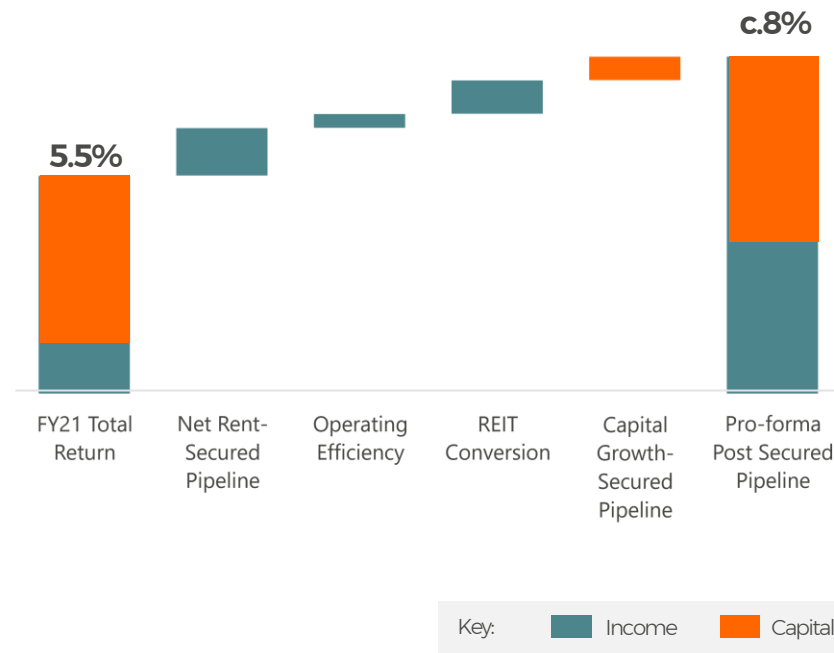
Accelerate

## Fully funded secured pipeline drives growth in earnings and accelerates total returns

- Strong operating leverage potential, supported by our **CONNECT** technology platform
- Secured pipeline significantly grows income return as rent doubles and efficiencies drive earnings
- Secured pipeline delivery enables REIT conversion, saving 25% corporation tax
- Further potential upside from planning and legals and outer pipeline opportunities

### Pro-forma Total Returns progression post secured pipeline delivery

(excludes further pipeline additions)





# Thank you

## Q&A



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