

5 February 2015

Grainger plc

Trading update

GRAINGER REPORTS POSITIVE TRADING CONDITIONS

Grainger plc ("Grainger", the "Company" or the "Group"), the UK's largest listed residential property owner and manager, today provides a trading update covering its activities for the four months to 31 January 2015.

Sales – Average sales prices achieved at c.3.9% above September 2014 vacant possession value (31 Jan 2014: prices achieved 7.1% above September 2013 vacant possession value).

Sales pipeline – £102.3m of sales completed, exchanged or in solicitors' hands (31 Jan 2014: £104.0m, excluding the disposal of the £88m home reversion portfolio, which is noted below).

Rents – Continued strong levels of rental demand on Grainger managed UK market rented properties. Year to date increases averaged 6.3% on a like-for-like basis on new lets, excluding the impact from refurbishments, and 2.6% on renewals.

Acquisitions – We have acquired, or exchanged contracts on c.£85m of residential assets (c.1,000 units) since the start of the year, comprising predominantly market rented assets, located outside of London. £58m of this relates to the portfolio acquisition announced on 2 February 2015. On an annualised basis these acquisitions should deliver around £6m of gross rental income.

PRS Fund valuation – The valuation of our private rented sector (PRS) Fund with APG, GRIP Unit Trust, saw a 6.7% like for like increase in the six month period to December 2014 (the second half of the venture's financial year).

Derivative movements – In the four months to the end of January, there has been an adverse movement in the mark to market valuation of derivatives of approximately £14m (2014: a credit of £1m).

Chairman appointment – As announced previously, Ian Coull was to be appointed Chairman of the Company at yesterday's Annual General Meeting. Mr Coull, however, has recently received medical advice which will prevent him from taking on the full responsibilities of the Chairmanship role at this time. Therefore, the Company has appointed Senior Independent Director, Baroness Margaret Ford, as Interim Chairman for a period of three months, when it is anticipated that Mr Coull will be able to take on the full role of Company Chairman.

2014 Home reversions portfolio sale – As was announced on 10 January 2014, Grainger sold Equity Release (Increments) Limited ("ERIL"), which owns a home reversions portfolio, to Clifden Holdings Limited ("Clifden") on terms which included a deferred consideration ("Deferred Consideration") of £35m (being 40% of the total consideration).

The Deferred Consideration was to be paid from the proceeds of a proposed securitisation of ERIL, with a final payment date of 9 January 2015. Although work has continued to try and complete a securitisation, Clifden has not completed the securitisation to date and has not paid the Deferred Consideration.

Grainger has the benefit of certain security and other rights over assets of ERIL and Clifden which includes security over the entire issued share capital of ERIL which is wholly owned by Clifden, and also the right to apply the monetary value of certain interest rate caps owned by Clifden towards the Deferred Consideration.

We estimate the net asset value of ERIL to be in the region of £20m. The value of the expected recovery from Clifden's interest rate caps is currently uncertain.

Grainger continues to review the most appropriate course of action to take in relation to the non-payment of the Deferred Consideration. A further announcement in this regard will be made when appropriate.

Andrew Cunningham, Chief Executive of Grainger, said:

"We have seen positive trading conditions in the new financial year, with robust sales, good rent increases achieved and fee levels in line with expectations. While home buyers have become more sensitive to pricing in recent months, the price points of our properties continue to generate strong interest and sell at levels above their vacant possession value in London and the South East, as well as the other UK regions where we operate. Rental demand for new lets and renewals remains strong.

"As we indicated previously, we anticipate that the UK General Election and the uncertainty surrounding it will likely lead to a softer transactional market for home sales during the election period. In addition, we note recent global economic concerns spurred by various factors including the continued uncertainty in the Eurozone. Nonetheless, there are a number of factors that continue to provide positive upward pressure over the medium term for the UK housing market, including the low interest rate environment, improving real wages, changes to the stamp duty regime and the continued supply-demand imbalance.

"We continue to actively pursue a number of investment opportunities, particularly focused on market rented assets and build to rent."

-ENDS-

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