RNS Number : 9208G
Grainger PLC
10 February 2010

10 February 2009

Grainger plc
Interim Management Statement

Grainger plc ("Grainger", the "Company" or the "Group"), the UK's largest quoted residential property owner, today presents its interim management statement covering its activities for the four months to 31 January 2010.

Highlights

- Trading pipeline of residential sales of £83.9m (31 January 2009: £58.9m)
- Completion of 2 for 1 rights issue, successfully raising net proceeds of £237m, significantly improving the Group's gearing levels and available headroom
- Gradual re-entry into residential acquisition market with £8.6m in our acquisitions pipeline since the capital raise.

Commenting on the results for the four months to the end of January, Andrew Cunningham, Chief Executive of Grainger, said:-

"The housing market has shown encouraging signs of stability. We continue to sell well at prices above the last reported valuation, while our improved financial position arising from the recent refinancing and rights issue has enabled us to recommence our acquisition programme."

Market Review
Conditions in the general residential market have improved over the last few months. Mortgage lending approvals, a key lead indicator for transaction volumes, have increased steadily since the November 2008 low point, although they are still some 40% lower than the pre 2007 long-run average.

Average values have also shown steady increases. The monthly Halifax Index of House Prices January 2010 rose for the seventh successive month with a year on year increase of 3.6%. As well as the improving economic outlook, the stabilisation of the market has been supported by a shortage of property for sale as well as the current regime of low interest rates.

Notwithstanding this clear progress, the recovering market could still be affected by wider economic factors such as higher levels of unemployment or a fiscal squeeze and these may produce price volatility for at least the remainder of this year. Consequently, we will continue to focus on those opportunities only where we see the prospect for creating good value over the medium to long term and will remain cautious in our approach to acquisitions, particularly where we feel that price expectations are unrealistically high.

Residential Trading (Core portfolio and home reversions)
In the four months to 31 January 2010, we sold a total of 321 units for a gross consideration of £54.5m at an estimated trading margin on sales of vacant properties of 42.4%. (31 January 2009 - 173 units sold for £25.8m with vacant sales at a margin of 38.5%). Sales volumes are higher because of the healthy sales pipeline at 30 September 2009 which has now worked through to completed sales. The improvement in margins reflects the higher sales values being achieved this year.

The overall sales pipeline is healthy and reflects the cash generative nature of our portfolio. The total value of completed sales, contracts exchanged and in solicitors' hands at 31 January 2010 at £83.9m is 42% higher than the equivalent 2009 figure of £58.9m and are at values approximately 5.3% above the 30 September 2009 valuation.

We have seen an increase in the number of acquisition opportunities in the latter part of 2009 and the stabilisation of the market together with our strengthened post rights issue balance sheet has encouraged us to recommence buying in our core and home reversion portfolios. In the four months to the end of January 2010, we had completed, exchanged or placed in solicitors' hands some £8.6m of property acquisitions, compared with £12m for the whole of the financial year 2009.

Investment in G:res1
The G:res1 portfolio was valued at 31 December 2009. Vacant possession values have increased by 3.4% in the twelve month period to that date and investment values by 10.9% reflecting a narrowing of the discount between vacant possession and investment values. The overall net asset value per share of the fund increased by 34%.

Home Reversion
Our Bridgewater division was named Best Home Reversion Provider for the fourth year in succession at the Equity Release awards in December 2009. Although the division had a quiet acquisition period in 2008-09, we are now looking at a number of initiatives to stimulate the market.

Development Division
Activity in this division remains focussed on moving the planning forward on various schemes. In addition, we have successfully sold a further 20 units for £6.2m out of 27 available for sale in the second phase of our Hornsey Road scheme in North London. This scheme recently received a Gold Award from the Building for Life Awards.

Debt and Capital Structure
The Group completed a 2 for 1 rights issue in December 2009, raising net proceeds of £237m and significantly improving gearing levels and available headroom. Some £105m of the issue has already been used to pay down and cancel debt; net debt stood at £1,282m across the Group at 31 January 2010 (30 September 2009: £1,561m). The estimated loan to value ratio on our core borrowing (based on September 2009 valuations) at 31 January 2010 stood at 53.5% (30 September 2009 - 66.2%).

Available headroom (committed facilities and cash) amounted to £315m.

Personnel
As noted at the time of our year end results announcement, it is our intention to strengthen our executive team with the addition of a Finance Director and a Property Director. The recruitment process is at an advanced stage and we will update shareholders on these appointments in due course.

Outlook
Economic conditions, although still challenging, are improving and the housing market is showing signs of stability. The recent refinancing and rights issue have provided us with the balance sheet capability to take advantage of acquisition opportunities as well providing us with the firepower to recommence our normal purchasing programme. To this end, we are currently actively evaluating a number of potential acquisitions, ranging from single assets to several larger scale portfolios.

For further information:

Grainger plc
Andrew Cunningham/Dave Butler
Tel: +44 (0) 20 7795 4700
Te: +44 (0) 191 261 1819

Financial Dynamics
Stephanie Highett/Dido Laurimore/Jamie Robertson
Tel: +44 (0) 20 7831 3113