8 October 2008

Grainger plc

Trading Update

Grainger plc ("Grainger" or the "Company"), the UK's largest quoted residential property owner, today provides a trading update in advance of its preliminary results announcement for the year to 30 September 2008, which will be issued on 27 November 2008.

For the twelve month period to 30 September 2008 we expect total sales from our core and retirement solutions portfolio to amount to approximately £168m, an increase of 17.5% over the equivalent figure of £143m in 2007. We have completed circa £92m of sales in the period between 1 April and 30 September 2008. Although margins have decreased because of house price falls and a greater proportion of investment sales (sales with a tenant in place rather than with vacant possession), the volume increase will produce trading profits from these portfolios (before valuation movements) much in line with 2007.

The level of sales will ensure that we comfortably meet our interest cover covenant at 30 September 2008. The next testing date for this covenant is 31 March 2009 and is based upon the previous 12 months cashflows. We have already sold sufficient properties in the first six months of the period to be confident that, in the absence of unforeseen circumstances, the covenant requirements will be met at that date also.

As noted in our Interim Management Statement in August we have substantially reduced acquisitions in our core and retirement solutions portfolios in the latter part of the year. For the whole of the year ended 30 September 2008 our acquisitions in both portfolios will amount to circa £122m compared with £403m in 2007.

The Nationwide Price Index showed a fall in UK house prices in the twelve months to end September 2008 of 12.4%. We anticipate that the overall decrease in the vacant possession value of our UK residential portfolio in the same period will be approximately 8%. We also anticipate that there will be an increase in the discount applied to vacant possession values to calculate the market value of our properties of between 5% and 7.5%. Together these will result in a decrease in property values for this portfolio of approximately 15%.

We are making good progress on our stated intention to reduce the annual running rate of our overheads by ten per cent.

Although the market remains challenging, profitable sales continue to be made and management is focussed on improving liquidity.

The Company will comment in more detail on its progress at the time of its preliminary results announcement.

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