

27 September 2019

Grainger plc

("Grainger", the "Group", or the "Company")

TRADING UPDATE

Disciplined investments delivering strong performance and sustainable growth

Grainger plc, the UK's largest listed provider of private rental housing, today provides an update on trading to the end of August, ahead of its financial year end on 30 September 2019. The company will announce its full year financial results on 27 November 2019. The company is hosting an investor and analyst event today at its development at Hawkins & George, Finzels Reach, Bristol. A copy of the presentation will be made available on the Company's website later today. *Further details below.*

Helen Gordon, Chief Executive, said:

"I am pleased to report a period of continued strong performance for Grainger. Our disciplined investment decisions and clear focus on operational excellence is delivering sustainable growth for shareholders, customers and communities alike. Since the start of our strategy in 2016 we have committed investment of £1,555m into new private rental housing.

"During the year, we have completed 912 new private rental homes, with a further 1,150 to come in FY20. Our most recently launched schemes in Bristol, Manchester and Hampshire are leasing well and ahead of expectations. In particular, Hawkins & George in Bristol, which comprises 194 apartments, is now fully let in 3.5 months since launch, well ahead of expectations and our initial underwriting.

"I am also pleased to announce we have agreed to acquire our second scheme in Bristol, Millwrights Place, which is adjacent to our Hawkins & George scheme at Finzels Reach. The scheme will be acquired from Cubex Land, who also developed Hawkins & George. The 231 private rental homes at Millwrights Place will perfectly complement Hawkins & George, creating a cluster of assets in Bristol city centre, enabling us to efficiently manage both sites together.

"Today we also announce the roll out of our new market-leading PRS technology platform, CONNECT. This platform will support Grainger's major growth plans as we set out to double the size of our rental property portfolio. CONNECT enables our customers to undertake nearly every interaction regarding renting and living in their homes from their mobile or computer, linking seamlessly with Grainger's back-end management systems. CONNECT will enable Grainger to minimise costs and driving gross-to-net operational efficiency and further differentiate our already market leading position."

Key updates:

Hawkins & George at Finzels Reach, Bristol – fully let

- Hawkins & George has been successfully let in 3.5 months since launch, with rents ahead of underwriting, demonstrating the excellent location and positioning of the product in the Bristol rental market. *Further details below.*

New acquisition agreed in Bristol

- We have agreed Head of Terms with Cubex Land to acquire (through a forward funding arrangement) a build to rent scheme in Bristol, Millwrights Place, comprising 231 PRS homes. This scheme is now included within our Planning/Legal pipeline.

PRS Partnership with Transport for London (TfL) progressing at pace

- The 49:51 Joint Venture between TfL and Grainger was formally established in July, in under 100 days from our selection as preferred partner to deliver over 3,000 homes across seven seed sites in London. Pre-planning application consultation has commenced with local communities and local planning authorities. Construction is targeted to commence on all sites by 2021.

GRIP integration completed

- In July, we refinanced £275m of debt for the GRIP portfolio at lower rates and longer maturities with Rothesay Life at a blended rate of 2.3%.
- The refinancing marks the conclusion of the integration of the GRIP portfolio following our acquisition in December. This includes the successful restructuring of the vehicle, delivering operational improvements including an immediate improvement in operating costs ("gross to net") from 32% to 26%, achieving overheads savings of £4m and continuing to add value to the portfolio through our refurbishment programme and PRS development schemes.

Launch of CONNECT, Grainger's market-leading PRS technology platform

- Grainger is starting to roll out its new technology platform, CONNECT, designed to improve both the rental experience for customers and also underpin Grainger's growth plans to double its 8,500 rental portfolio.
- CONNECT enables Grainger's customers to undertake the entire rental process online in one-single-location, including viewings, application and lease agreements. As a resident, the MyGrainger customer portal provides a fully integrated platform for all the customers' needs including repair requests, amenity bookings, account queries and connecting with neighbours. CONNECT will enable Grainger to minimise costs and drive gross-to-net operational efficiency and further differentiate our already market leading position.
- The company has produced two short videos to demonstrate the CONNECT platform. The videos will be accessible from the investor day presentation which will be published on the company website later today.

ESG achievements

- Achieved a top 'Prime Rating' from ISS ESG.
- Green Star rated and ranked #2 in the Global Real Estate Sustainability Benchmark (GRESB) in our peer group of European listed residential property companies, with an overall score of 70/100 compared to the peer average of 54/100. We achieved one of the highest scores in our Social impact score with a 97/100.
- Achieved a Gold Award in EPRA's Sustainability Best Practice Reporting (sBPR) achieved for the sixth consecutive year. This year was the first year that EPRA included Social and Governance criteria in the assessment.
- Maintained our FTSE4Good accreditation for the tenth consecutive year with an improved score, ranking in the 89th percentile among real estate companies.

Trading performance updates – resilient income and strong rental growth

- Strong overall rental growth of +3.4% year to date, demonstrating continued demand and the resilience of our net rental income stream:
 - 3.1% like-for-like rental growth on our PRS homes; and
 - Annualised rental growth of 4.2% on regulated tenancy rental reviews.
- Quality PRS portfolio delivering strong occupancy, excellent retention rates and an efficient gross to net:
 - Occupancy within the PRS portfolio of 97.5%.
 - Retention rates amongst our PRS residents remains strong, with an average stay of 32 months.
 - Gross to net on our stabilised PRS portfolio remains below our 26% target.
- Income from our residential sales remained robust, providing strong support for our reinvestment into our PRS pipeline:
 - Residential sales for the period performed in line with our expected H1:H2, 40:60 split, albeit this year as a whole has seen lower levels of vacant stock available for sale.
 - Sales performance remains resilient with robust pricing that is in-line with valuation (at vacant possession value) and marginally improved velocity (i.e keys to cash) at 111 days (HY19: 112 days).

PRS Pipeline delivering at pace

Our PRS development pipeline now stands at 25 schemes (including TfL), representing 8,608 homes, 15 of which are on site and under construction, and represents £734m of investment in our secured pipeline, £600m from our JV with TFL and a further £603m of opportunities in the planning and legal stages.

At our half year results (HY19), our passing net rent totalled £67m, and our pipeline is expected to deliver a c.13% increase in passing net rents by FY20, with a c.6 month lag for the full impact to be realised in the income statement due to timing of leasing.

Strong lettings performance on recent launches

- Finzels Reach ('Hawkins & George') in Bristol, a 194-home PRS scheme, launched in June and was fully let in 3.5 months, ahead of underwriting and at rents 4.4% above March ERV. The total annual net rental income of c.£2.3m represents an attractive gross yield on cost of c.7%.
- Clippers Quay, a 614-home PRS scheme in Manchester, and Gunhill, a 104-home PRS scheme, in Wellesley in Hampshire, are both letting up in-line with underwriting at rents ahead of ERV.
- Eccy Village ('Brook Place') in Sheffield, a 237-home PRS scheme, is due to launch next month, with successful pre-letting underway ahead of launch, and a strong list of prospective customer leads. When fully let, Brook Place is expected to generate a total annual net rental income of c.£1.6m.

Forecast completions on track

- We are on track to see our five scheduled schemes complete in FY20, including Eccy Village (as above), Pontoon Dock in London (236 homes), Silbury Blvd in Milton Keynes (139 homes), Gore Street in Manchester (375 homes) and Apex House in London (163 homes).

Construction underway on 15 schemes

- Construction is progressing well across 15 schemes within our pipeline, 11 of which are via forward-funding arrangements where we have offset development risk through fixed price contracts.

New disciplined acquisitions

- We have agreed to forward fund and acquire a 231-home scheme in Bristol (Millwrights Place) across the street from our Finzels Reach scheme with Cubex Land, demonstrating successful repeat business, significantly accelerating the transaction process. The scheme is now in our Planning/Legal pipeline. Further details will be announced in due course when the scheme is fully secured.
- A further 17 schemes in the planning and legal stages, now totaling 5,381 units, representing an investment value of £1,203m, including seven within our TfL partnership.

Investor and analyst event

Grainger is hosting an investor and analyst event today which will include a site visit and a series of presentations at its development at Hawkins & George, Finzels Reach, Bristol. A copy of the presentation will be made available on the Company's website later today (<https://corporate.graingerplc.co.uk/investors/downloads.aspx>). The presentations will not contain any material, non-public information and access to the event will not be possible without pre-registration.

-ENDS-

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