

Trading Update

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Grainger PLC

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Grainger plc

Trading Update

Strong rental performance, continued investment success and resilient residential sales

Grainger plc, the UK's largest listed residential landlord, is holding its AGM today and provides an update on trading for the four months ended 31 January 2018.

Helen Gordon, Chief Executive, said:

"The start to our financial year has been a positive one. We have seen good demand for our rental homes and strong rental growth, ahead of last year. We launched our newest private rented sector "PRS" development in mid-January, Argo Apartments in Canning Town, London, and in three weeks we have successfully let nearly forty percent of the 134 apartments at c.3% above our forecast rental levels. Our focus on providing high quality, mid-market homes where there is deep and growing demand, is proving successful as evidenced by the initial lease-up at Argo Apartments.

"Since announcing our FY17 results in November, we have secured an exciting new PRS build to rent development in Sheffield, one of our target cities, that will deliver 237 new homes. Our total secured investment pipeline has increased to c.£690m for 4,300 high-quality rental homes, relative to our £850m target.

"We constantly monitor housing market indicators. Selling prices of our properties are proving resilient and our residential sales performance is in line with last year, although we have seen a small increase in the length of time to complete sales.

"We have good visibility on a robust sales pipeline and attractive investment opportunities. We are well positioned for future success."

Highlights

Good lettings and further rental growth

- 4.1% overall like-for-like rental growth year to date (January 2017: 3.4%).
- 3.0% like-for-like rental growth year to date on our PRS homes, where we have seen continued strong demand for our rental offering (January 2017: 2.8%).
- Annualised rental growth of 5.4% on regulated tenancy rental reviews (January 2017: 4.2%).

Argo Apartments, 134 homes in Canning Town, London - Our latest PRS development, which is held within our GRIP REIT co-investment vehicle, opened in mid-January 2018. The lettings performance has been ahead of expectations and market sentiment. In three weeks since launch, we have let nearly forty percent of the apartments, at on average c.3% above our forecast rental levels, with the majority of customers taking three-year tenancies. We estimate that the development will generate a gross yield of c.7.5% once fully stabilised.

Further information: www.argoapartments.co.uk. Video tour: <https://vimeo.com/252346885>.

Sales performance

- Completed residential sales for the four months ended January 2018 was in line with the prior year at £29m (January 2017: £29m). Following a strong end to FY17, we have seen a greater contribution from tenanted and other sales relative to sales on vacancy.

- Overall completed sales totalled £39m for the four months ended January 2018, £10m lower than the prior year due to the timing of development land sales (January 2017: £49m). Overall sales profit totalled £15m (January 2017: £15m).
- We have continued to sell properties on vacancy ahead of the last valuation, with a 1.7% increase in prices relative to September 2017 values (January 2017: 1.5%), although we have seen a small increase in 'keys to cash' to 105 days (January 2017: 98 days).
- The residential sales pipeline totalled £55m (January 2017: £55m)*.

Strong PRS investment pipeline

Since the beginning of the financial year, we have secured four sizeable deals totalling £166m, bringing our secured pipeline to c.£690m. These acquisitions are expected to deliver gross yields of around 7%. We have also been selected as preferred bidder on a PRS scheme in London.

New schemes since FY17 results

- Sheffield, Eccy Village - £32m forward funding acquisition secured which will deliver 237 new PRS homes. Completion is anticipated by the end of 2019.
- London - We have been chosen as preferred bidder by Lewisham Borough Council to develop 232 PRS homes at Besson Street. The partnership is expected to be finalised later this year.

Updates on schemes secured this financial year

- Central Manchester - Construction has begun at our scheme on Gore Street, near Spinningfields, an £80m forward funding acquisition in an excellent location which will deliver 375 PRS homes (completion expected in 2020).
- Greater Manchester - £26m Tribe portfolio, an acquisition of three tenanted residential blocks, comprising 192 PRS homes, which has been brought onto our platform providing immediate income and further developing our Manchester cluster.
- Birmingham, Gilder's Yard - Construction has started on our £28m forward funding acquisition in Birmingham. This is a key target city for Grainger, and will deliver 156 new PRS homes, with completion expected in FY19.

We also have a number of other exciting schemes at the planning/legal, or under consideration stages. This underpins our confidence in the future and further growth of our PRS offering, and we are continuing to be selective in our investment approach to optimise yields and long-term returns.

* Sales pipeline includes transactions completed, exchanged and with solicitors.

-ENDS-

For further information:

Grainger plc

Kurt Mueller
London Office Tel: +44 (0) 20 7940 9500

Camarco (Financial PR adviser)

Ginny Pulbrook / Geoffrey Pelham-Lane
+44 (0) 20 3757 4992/4985

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