

Trading Update

Released : 05.02.2020 07:00

RNS Number : 9653B
Grainger PLC
05 February 2020

05 February 2020

Grainger plc

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

TRADING UPDATE

Leveraging our leading position in a strong market

Grainger plc, the UK's largest listed provider of private rental housing, today provides an update on trading for the first four months of its financial year to the end of January 2020. The Company will announce its half year financial results on 14 May 2020.

Helen Gordon, Chief Executive, said:

"I am pleased to report a period of continued momentum in our PRS growth strategy, as the UK's leading provider of private rental homes. We have made good progress on a number of schemes in our pipeline, including those in the planning process and new acquisitions. Lettings on our recently launched schemes are progressing well and ahead of underwriting, a testament to the quality of the design of our buildings and customer service offering. We are seeing a growing customer demand for our rental homes across the portfolio with 97.5% occupancy and 3.5% like-for-like rental growth. Supporting our new build investment, sales from our regulated tenancy portfolio are transacting well, reflecting positive market sentiment.

"Since our last financial year end, we have secured two further schemes in line with our targeted investment strategy: Capital Quarter (307 PRS homes) in Cardiff for c.£57m, and our third scheme in Canning Town (132 PRS homes) for c.£55.5m. In addition, we have received planning consent for the redevelopment of one of our regulated tenancy assets in Waterloo, London.

"Investment in our CONNECT technology led platform, which provides a leading differentiated experience for our customers and enhances our operational capability, is delivering early results on our new schemes, with wider roll out of the platform anticipated later this year.

"The outlook for Grainger in 2020 is positive. Grainger is in a strong position to benefit from the market opportunities following the clear result of the General Election which is already driving improved housing market sentiment. The business is ready and equipped to deliver on our PRS growth strategy, which in turn will deliver attractive, sustainable returns to shareholders and, importantly, enable us to provide great homes and great service to our growing customer base."

Highlights

Trading performance update - strong rental growth and sales performance

- Strong overall rental growth of +3.5% year to date, demonstrating continued demand and the resilience of our net rental income stream:
 - +3.0% like-for-like rental growth on our PRS homes; and
 - Annualised rental growth of +4.5% on regulated tenancy rental reviews.
- Our PRS portfolio continues to perform well. We have delivered high occupancy at 97.5% and an efficient gross to net across our stabilised portfolio at 25.2%.
- Sales income from our regulated tenancy portfolio remains robust and we are seeing early indications of positive market tailwinds, providing strong support for our reinvestment into our PRS pipeline:
 - Residential sales are performing in line with expectations and a H1:H2, 40:60 weighting
 - Strong sales performance with pricing achieved 0.8% ahead of valuations (vacant possession value) and velocity (keys to cash) at 113 days (HY19: 112 days).

PRS pipeline delivering and growing

Our total PRS development pipeline now stands at 24 schemes (including TfL), representing 9,104 homes and c.£2.0bn of investment. £845m of this relates to investment in the secured element of our pipeline, a further £600m from our JV with TfL and a further £570m of opportunities in the planning and legal stages.

At the end of our last financial year (FY19), our passing net rent totalled £70m. Our secured PRS pipeline is expected to deliver an additional c. £48m passing net rent upon stabilisation.

We have made good progress in the planning process across the seven seed sites in our PRS partnership with TfL, and we expect to submit planning applications for the first schemes later this year.

Since announcing our FY19 results in November 2019, we have announced two further acquisitions:

- Cardiff - a forward funding acquisition of a 307 home, PRS scheme at Capital Quarter in Cardiff for c.£57m;
- Canning Town - a forward funding acquisition of a 132 home, PRS development at Hallsville Quarter in Canning Town, London for c. £55.5m, Grainger's third in Canning Town, providing economies of scale and operational efficiencies.

Strong lettings performance on new schemes & four new schemes planned for 2020

- We have made good progress on our schemes in the planning process, including Exchange Square in Birmingham (375 PRS homes, c. £77m), and the redevelopment of one of our regulated tenancy assets in Waterloo, London, where we secured planning consent to increase the site from 69 homes to 215 PRS homes.
- Our PRS partnership with TfL is progressing at pace, with planning applications on the first schemes expected to be submitted soon.
- Clippers Quay, a 614-home PRS scheme in Manchester, is leasing at rents in line with expectations, and ahead of underwriting.
- Eccy Village ('Brook Place') in Sheffield, a 237-home PRS scheme, and Gunhill, a 104-home PRS scheme, in Wellesley in Hampshire, are both leasing, ahead of expectations and underwriting
- We look forward to launching four new schemes over the remainder of the year: Solstice Apartments in Milton Keynes; Millet Place (a partnership with the Local Pensions Partnership) in Pontoon Dock, London; Apex Gardens in Seven Sisters, London; and The Filaments on Gore Street in Greater Manchester. These, along with Brook Place which launched earlier this year, will see Grainger deliver over 1,000 new homes in 2020.

-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

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lse.com or visit www.rns.com.

END

TSTBLGDDXUGDGGS