

## Trading Update

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St. Modwen Properties PLC

03 December 2012

**Date:** 3 December 2012

### **ST. MODWEN PROPERTIES PLC**

("St. Modwen" or "the Company")

#### **TRADING UPDATE**

#### **RESULTS TO BE IN LINE WITH MANAGEMENT'S EXPECTATIONS**

St. Modwen Properties PLC (LSE: SMP), the UK's leading regeneration specialist, today provides a trading update for the financial year ended 30 November 2012.

Since the interim management statement issued on 1 October, the Company can confirm continued good performance of the business, driven by its robust business model and ability to add value to its portfolio via planning gains and intensive asset management. As a result, St. Modwen's expectations for the full year remain unchanged, building on the strong results produced in the previous financial year.

#### **Residential - continued positive momentum**

Our residential business is moving from strength to strength, with good sales rates and ongoing demand for our land. To support this growth, we have made a series of new appointments over the last few months to ensure that we are well resourced to build on the success achieved so far.

We continue to secure planning permissions across the UK, one of the most recent being East Staffordshire Borough Council's approval of plans to create a 30 acre development on disused parts of the Pirelli Factory Site in Burton upon Trent, comprising up to 300 homes, a hotel, restaurants, public house, offices and commercial units.

We are experiencing good levels of demand for the land we sell, achieving price levels at or above book value.

Our first full year of housebuilding activity has proven very successful across the UK, both for St. Modwen Homes and our Persimmon joint venture. We are now active on six of the eight sites within the joint venture agreement, the most recent at the former Vulcan Works site in St. Helens, where we have detailed planning for an 18,000 sq ft food store and 282 homes, of which Persimmon is building 208. St. Modwen Homes is now live on four sites and is shortly to commence works on a further four, including the next phases of homes at Park View, Longbridge and at Locking Parklands, Weston-super-Mare, following the success of each of the first phases where we are now almost completely sold out.

In the financial year we have achieved 276 house sale completions (St. Modwen Homes - 175 and Persimmon joint venture - 101) and currently have a further 60 properties reserved or under contract (St. Modwen Homes - 23 and Persimmon joint venture - 37).

#### **Commercial Land and Development**

Our commercial schemes across the UK have progressed well. Highlights include:

- Teal Park, Lincoln - the construction of the 135,000 sq ft office and production facility for Siemens has now achieved practical completion. The subsequent investment sale to a Middle Eastern purchaser, represented by 90 North Real Estate Partners LLP and the payment received from Siemens in respect of their fit out has generated cash receipts of £18.5 million for our KPI joint venture. In recognition of its sustainable design, the servicing facility has recently been awarded a 'BREEAM Outstanding' rating.
- Hednesford, Cannock - this £50 million transformation of Hednesford Town Centre comprises two development phases known as 'Chase Gateway' and 'Victoria Shopping Park'. At the latter, the sale of the 85,000 sq ft Tesco foodstore has now completed and opened for business last week with the associated retail opening in time for Christmas trading. At Chase Gateway, Aldi has recently agreed to purchase a 15,650 sq ft store which will open in late spring 2013.
- Wembley Central, London - interest for the retail space at this major town centre scheme is gaining momentum and we have recently announced four further lettings, totalling 53,000 sq ft, to Tesco Metro, Sports Direct, The Gym and an undisclosed national retailer. The national retailer will take 16,000 sq ft to anchor the final development phase for which construction has now started and which will also comprise 26,000 sq ft of retail, an 86 bedroom hotel pre-let to Travelodge and 38 private apartments.

We expect to deliver property development profits for the year ended 30 November 2012 ahead of those in 2011. Our focus on generating development profits remains unchanged to ensure the future growth of the Group in 2013 and beyond.

#### **Major Project Opportunities**

- Elephant & Castle - having now agreed terms with the London Borough of Southwark ("LBS"), we expect to conclude shortly our legal agreement which will commence the regeneration of the shopping centre and to agree the Co-operation Agreement between St. Modwen, LBS and Lend Lease before the end of 2012. We have recently instructed Colliers International to identify a joint venture development partner to bring forward the scheme which, on completion, is expected to provide up to 350,000 sq ft of retail and leisure space and 1,000 new homes. We are currently working up the plans with a view to submitting a planning application in late 2013, with the intention of starting the development in late 2015.
- Swansea University, New Science and Innovation Campus - further to the submission of a reserved matters planning application in August, we anticipate securing approval and concluding the Development Agreement by early 2013, with construction of phase one to start later in the year.
- New Covent Garden Market - as preferred development partner in joint venture with VINCI plc for this project, our negotiations with the Market Authority continue to progress well and our target remains to achieve contract award before the end of 2012.
- Longbridge, Birmingham - construction is well advanced on the first phase of the £70 million Town Centre which includes an 80,000 sq ft food store pre-sold to Sainsbury's, a 75-bedroom Premier Inn, including a Beefeater Grill, 24 shops, a number of restaurants and circa 35,000 sq ft of offices. Of this total space, 75 per cent is now either pre-sold, pre-let or under offer.

#### **Resilient Rental Income**

We expect any negative valuation movements occurring at the year end, on those schemes impacted by the challenges of the secondary property market, to be more than offset by the value created across our portfolio through our active asset management programme and our continued success in planning gains. Our net rental income for the year is predicted to be ahead of the good results achieved in 2011.

#### **Financing**

The success of our retail bond issue in October, which raised £80 million on seven year terms, demonstrates the strength of the business and its recurring income streams. The issue diversifies our sources of funding and provides longer term debt as the cornerstone of our financing. The funds raised have been used to reduce our drawings under our existing bank revolving credit facilities. Finally, our year end debt levels are expected to be in line with levels of 31 May 2012.

#### **Bill Oliver, Chief Executive of St. Modwen, commented:**

"Our robust business model and our practical, hands-on approach to development and asset management have enabled us to perform consistently well throughout the year and build on the strong results produced in 2011. We view

the positive reaction to the retail bond as a clear endorsement of the attractions of our track record, our ability to generate development gains and our income producing portfolio, and are confident that we are well placed to continue our strong performance to the benefit of all our investors."

**ENQUIRIES:**

**St. Modwen Properties PLC**

Bill Oliver, Chief Executive  
Michael Dunn, Group Finance Director  
Charlotte McCarthy, Corporate PR Manager  
Tel: 0121 222 9400

**FTI Consulting**

Stephanie Highett  
Dido Laurimore  
Faye Walters  
Tel: 020 7831 3113

Ref: STM1156

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