

**TRADING UPDATE: DELIVERING ON FOCUSSED STRATEGY**

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St. Modwen Properties PLC  
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**ST. MODWEN PROPERTIES PLC**  
**("St. Modwen" or the "Company")**

**TRADING UPDATE**  
**DELIVERING ON FOCUSSED STRATEGY**

St. Modwen Properties PLC (LSE: SMP), today provides a trading update for the period to 30<sup>th</sup> November 2017.

Mark Allan, Chief Executive, said:

"We have continued to advance our new strategic objectives since announcing them in June 2017 and have made solid progress in terms of accelerating delivery and focusing activity towards the higher performing industrial and logistics sector and our St. Modwen Homes business, both of which are experiencing excellent growth.

"At the same time, St. Modwen's diverse portfolio and broader business has continued to perform well, demonstrating resilience and growth, and signalling that the full year results will be in line with expectations."

**Overview**

We have previously highlighted the significant opportunity to build on existing strengths and the scale of potential within the Group's asset base which in turn, led to the formation of four clear strategic objectives against which future performance and direction are now being reported:

- i. accelerating commercial development activity;
- ii. growing our residential and housebuilding business;
- iii. cementing and growing our regeneration reputation; and
- iv. portfolio focus and capital discipline.

**Commercial development activity - around 1 million sq ft delivered this year**

In line with our strategic plans, in the second half of the year, we have continued to make good progress with our pipeline of high quality development opportunities; focussing predominantly on our A1 industrial and logistics portfolio where, this year, we have completed approximately 1 million sq ft of speculative, pre-let and pre-sold development.

Also, over the past six months, we have seen continued occupier demand for our product, with the proportion of our committed industrial and logistics pipeline being speculatively developed now 59% (May 2017: 73%). We expect our commercial development profits for the year to be in line with plan.

**Residential activity - St. Modwen Homes expects sales to rise**

The UK housebuilding market has remained resilient throughout 2017, particularly in the regions.

St. Modwen Homes is currently active on 16 sites across the UK and has experienced robust demand for new homes with sales volumes for the year expected to be in line with expectations, growing by approximately 43% over the previous year to 694. In line with our intentions, the associated growth in profits is expected to at least offset the lower profits from the Persimmon JV as its activity levels reduce.

During the year, the appetite for land from third party housebuilders has remained steady and we have sold or agreed for sale 47 acres of land, representing 1,160 units, for proceeds of £58 million (Group share). In line with our strategic plans, we have also been preparing land ready for sale in preparation for an anticipated acceleration in 2018.

#### **Cementing and growing our regeneration reputation - new large-scale schemes secured**

Throughout the year, we have also continued to pursue high-quality acquisition opportunities that complement our skills in delivering infrastructure and new communities, whilst also reflecting the Government agenda for developing more housing and employment spaces.

Earlier in the year, we secured two new large mixed-use residential-led developments, the first being Kingsgrove, Wantage, where we have signed a development agreement to deliver a mixed-use community of 1,500 homes. We have also very recently signed a development agreement to deliver Buckover Garden Village, a new community of up to 3,000 homes in Gloucestershire. Together with our development partner, the Tortworth Estate, we anticipate submitting a planning application during the first half of 2018.

At the Bay Campus, Swansea University, construction of the next phase of student accommodation and academic facilities is advancing in line with plan and the sale of the first phases of student accommodation is well progressed. We expect to secure a disposal in the first half of 2018.

#### **Portfolio focus and capital discipline - delivering strategic sales and reducing gearing**

In line with our strategic focus, we completed the disposal of Nine Elms Square, in 50/50 joint venture with VINCI plc, in the summer for £470 million which was in line with book value. We are now continuing to progress with the rest of this landmark multi-phased project which, in addition to the construction of the new 500,000 sq ft market facilities, over a 10-year period, will also comprise three distinct character areas featuring a mix of residential, commercial, retail and leisure units.

Our share of the deferred tax relating to the site sold was £18.5 million, which will therefore no longer be added back to EPRA NAV per share and represents a reduction of approximately 8 pence.

The proceeds from the transaction will be used to reduce Group borrowings as well as fund ongoing development activity across the Group.

We continue to recycle and rationalise our portfolio, evaluating which of our assets to prepare for sale in the first half of 2018 and, at the same time, identify for retention a significant proportion of our commercial development pipeline.

At the half year, we identified a smaller asset portfolio of approximately £100 million, representing £4 million of associated net rental income, and our intention to dispose of this within the next few years. Our newly established asset management team has made good progress on the disposal of these assets with over £20 million of this portfolio now sold, representing approximately £0.5 million rental income. We are now evaluating the remainder of the portfolio to establish the optimum approach to disposing of the remaining properties.

In addition, we are actively progressing discussions on the refinancing of our existing £488 million of secured bank bilaterals, replacing them with a similar quantum of unsecured bank finance to give us greater operational flexibility.

The Company intends to announce its results for the Full Year on 6<sup>th</sup> February 2018.

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**-ENDS-**

#### **ENQUIRIES:**

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