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

**TRADING UPDATE
STRATEGIC REVIEW HIGHLIGHTS GROWTH AREAS FOR ST. MODWEN
AS BUSINESS CONTINUES TO DEMONSTRATE RESILIENCE**

St. Modwen Properties PLC (LSE: SMP), the UK's leading regeneration specialist, today provides a trading update for the six months to 31st May 2017.

Overview

Since the start of the financial year, St. Modwen's diverse portfolio and wider business has continued to perform in line with the Board's expectations, demonstrating resilience in the face of broader market uncertainties.

Additionally, following a six month strategic and portfolio review, initiated by Chief Executive Mark Allan, the Company is today hosting a Capital Markets Day for investors and analysts in London that will include presentations on Group strategy. The review has highlighted the significant opportunity to build on existing strengths and the scale of potential within the Group's asset base. It has established four strategic objectives against which future performance and direction will be 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.

A copy of the presentation accompanying the Capital Markets Day will be available on the Company's website later today.

Commercial development activity

Commercial development activity is proceeding in line with expectations, with good ongoing levels of occupier demand across the UK for both new and existing commercial space, particularly in the industrial and logistics sector where rents have remained robust. Various development completions and sales and lettings mean that development profits for the first half are likely to be in line with expectations and ongoing positive demand means that the outlook for the full year is similar.

In the medium term, our commercial development pipeline is concentrated on the industrial and logistics sector, which accounts for approximately 70% of opportunity by value. In addition to progressing existing developments on site, our focus has been and will remain on, bringing forward these further opportunities in a timely manner.

Residential activity

The UK housebuilding market has remained resilient to date in 2017, particularly in the regions, with continued robust demand for

new homes delivered by the Group's housebuilding business, St. Modwen Homes, together with good levels of ongoing demand from third party housebuilders for 'oven ready' land for development.

St. Modwen Homes is currently active on 16 sites across the UK, three of which were launched this year including a scheme of 85 homes at the Group's St. Andrew's Park development in Uxbridge, Greater London. Sales volumes in the first half are expected to increase by approximately 15% over the same period last year, with the associated growth in profits at least offsetting the lower profits from the Persimmon JV as its activity levels reduce, in line with plan. We have also continued to build on our brand and reputation, recently being awarded with a 5* customer service and quality award from the Homebuilders Federation (HBF).

In response to ongoing appetite from third party housebuilders we have continued to agree and complete sales of residential land for prices at or above book value. Over the last six months, including our share of joint ventures, we sold or agreed for sale 35 acres of land representing 500 units for proceeds of £17m.

We continue to pursue selectively high quality acquisition opportunities and have recently signed a development agreement to deliver a new 227-acre community including 1,500 homes in Wantage, South Oxfordshire. St. Modwen Homes will deliver up to half of the homes, with the remaining development plots awarded in tranches and sold to other housebuilders. The entire site benefits from outline planning consent and St. Modwen Homes has now submitted a detailed planning application for the first phase of 150 homes for which, subject to planning, we anticipate starting on site in the summer 2017.

Internal value creation

We continue to drive ongoing value creation by both progressing our sites through planning and continuous asset management. Highlights include securing planning permission for a 677,000 sq ft industrial development at a 35-acre site in Tamworth, Staffordshire for which we anticipate the first phase of works to start on site in the second half of the year.

We have also renegotiated a number of leases across our industrial portfolio, achieving good levels of rental growth, including new leases at two major sites in the Midlands.

Investment portfolio and net debt

We anticipate continued resilience throughout the first half in both our industrial and logistics income generating portfolio and our student accommodation assets, reflecting robust yields and modest rental growth as a result of the strength of ongoing occupier demand in both sectors. Conversely and as previously flagged, we expect to see some valuation weakness in our retail portfolio across 2017 as inflation puts pressure on consumer spending. The residential land market remains healthy, evidenced by our ongoing sales activity at or above book value.

During the first half of the year our investment activities, comprising both ongoing development capital expenditure as well as site acquisitions, exceeded proceeds from asset sales and as a result net debt is expected to increase by approximately £85m over the six months. Debt levels in the second half are anticipated to fall as a result of ongoing sales activity. In particular, we are continuing to progress the sale of the Nine Elms square site at New Covent Garden Market and have also now taken the decision to pursue the disposal of our student accommodation assets at the Bay Campus, Swansea University to take advantage of the strong investment demand for student housing.

Mark Allan, Chief Executive, said:

"Over the last six months we have undertaken a detailed review of the current portfolio and the existing opportunities within our extensive asset base. The outcome of this review has been positive, highlighting the strength and depth of opportunity within the business and portfolio to create value through our regeneration, commercial and residential expertise.

"Having experienced a positive start to the year that reflects management expectations, we will now continue to refine the strategy further and concentrate on those areas of our deep and diverse portfolio that present genuine opportunities for value generation and further business growth which will ultimately lead to enhanced shareholder returns".

The Company intends to announce its half year results on 4th July 2017.
For further details on today's Capital Markets Day, please contact FTI Consulting.

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