

## Written evidence submitted by Grainger plc (PEG0230)

### Introduction to Grainger

Grainger is the UK's largest listed landlord and a market leader in the build to rent space. We operate a full-service business model where we design, build, own and operate our rental homes. Our focus is on delivering mid-market homes into undersupplied areas with a strong focus on regional markets. Through our excellent product and strong customer service focus we look to build communities for the long term. Our homes provide a vital component in facilitating growth and increasing productivity in the areas we invest.

### (1) Before the pandemic, what were the constraints on growth that affected your business?

Grainger's business strategy is to delivering high-quality mid-market rental homes into a structurally undersupplied UK housing market. Prior to the pandemic, the main constraints on business growth were access to land and the speed and efficiency of the planning system.

The ability to purchase a viable land site is a challenge with relatively low volumes available on the market and strong competition, particularly from house builders looking to take advantage of the strong appetite for the Help to Buy scheme.

With inconsistent approaches across local authorities creating inefficiencies for businesses looking to develop nationally, the speed at which planning can be achieved and the significant burden of work required to achieve planning permission also hinders our growth.

In recent years, we have accessed equity markets to fund our growth a number of times, experiencing a very strong appetite from our investors, but owing to the guidelines around the amount of equity that we can raise pre-emptively, we raise less than we might like to and less than shareholder demand.

Furthermore, recent discussions around the potential for rent controls were also viewed negatively by potential investors in the sector, risking high levels of capital investment into the delivery of much needed new homes.

### (2) Thinking more specifically, what restraints prevented your business from increasing:

#### a. Investment in the net zero transition;

As a business we have made a large investment in our transition towards net zero and have put in place a roadmap that will enable us to achieve this target. The biggest challenge when making this investment has been the uncertainty around what future regulation and tax policy in this area will look like. The net zero transition is a long-term investment without the certainty of long-term policy.

#### b. Investment in digitisation and technology to improve productivity;

Grainger has made a significant investment in our technology platform over recent years. We are building a best in class operating platform with technology at its heart. Whilst we have continued with this investment an improvement to the tax credits available for technology investment would have made this easier.

One of the other challenges is the requirement to run the day today business at the same time as building for the future, as being a 24/7 business, there isn't the option of having any 'downtime' in our service provision.

#### c. Investment in other regions of the United Kingdom;

Investment in the regions is a key focus area for Grainger and we raised equity at the start of the year specifically to invest in our regional pipeline. We see a very attractive investment opportunity to bring our Build to Rent offering to many regional cities in need of good quality housing supply.

We have found that there is an education and awareness piece required with some regional councils to increase understanding of the benefits that we deliver. Specifically, it is the access to land and the process of securing planning consents that restrict our growth. We see the delivery of high quality, mid-market homes in these regional areas as critical to increasing their attractiveness and supporting mobility and driving better UK productivity.

**d. Sales and, where applicable, exports;**

The Help to Buy scheme causes a distortion in the price of new property which is unhelpful for the proper functioning of the overall housing market. In addition, prior to the freeze, high stamp duty levels have slowed the volume of housing transactions. The impact on demand from the increased uncertainty around the Brexit outlook has also negatively affected the sales market.

We are a domestic business so don't export.

**e. Investment in the production of new goods/service lines here in the United Kingdom**

We are focused solely on the UK home rental market and while we continuously develop and improve our product offering, this does not constitute a new product or service line.

**(3) What Government policies and/or institutional support has worked well for your business and what would you like to be retained?**

The Build to Rent sector plays a significant role in delivering much needed new quality housing supply and our investment goes way beyond construction. We are committed to our developments, which are all managed by our inhouse team, for the long-term and to ensure their success, we build long-term sustainable communities.

The current government stance on rent controls is vital to the growth and success of our industry. In terms of current government policies, we see the furlough scheme as very beneficial in helping people bridge the gap in income they may be experiencing.

The current relaxation of the PEG equity raising guidelines is also a policy that we would like to see made permanent. This enables businesses with strong growth potential to grow at a faster pace in an equity raising environment more akin to that of our US or European peers.

**(4) How has the pandemic changed these constraints on growth and have you identified any particular opportunities from the Government's response to the pandemic which might support your business to grow?**

We are a very resilient business and throughout the pandemic we have been able to service our customers to the same high standards.

The key things that the Government could do to support our business are to encourage the release of development land and ensure the viability of schemes isn't restricted by local planning departments. As a business we are a long-term investor committed to the communities in which we develop, and we don't take any of our capital 'off the table' upon completion of construction. We are constrained by similar planning requirements as the developers who look to maximise returns and exit swiftly upon completion of a development. This makes it challenging for us to grow as we struggle to compete for land against developers with more profitable short-term development goals.

**(5) Thinking about the Government's 2018 Industrial Strategy please can you confirm whether:**

**a. The strategy had any direct relevance to your business and, if so, what?**

Grainger is building the homes, places and infrastructure that are the foundation of improving UK productivity.

Whilst the 2018 Industrial strategy is relevant for our business we see our role as facilitating the implementation and delivery of this strategy rather than growing as a result of it.

**b. It's relationship with local industrial strategies and their respective owners (such as Local Enterprise Partnerships and Growth Hubs) ultimately persuaded your business to take any specific decisions that it might not have done, but for the Industrial Strategy/Local Industrial Strategy**

We look at Local Enterprise Zones and growth hubs as key areas of investment, building the homes and communities that helps to support the investment and employment in these areas. We are a business that is very well aligned with these strategies.

However, we have found that Local Enterprise Partnerships are not always particularly accessible as they tend to be dominated by a small number of local business.

**c. You consider the Industrial Strategy, as defined, to be fit for the new future we now face?**

We would still view the strategy as fit for purpose.

**(6) Turning to think about your people, in-work training and the skills agenda:**

**a. Is your workforce equipped with the skills your business needs for the future?**

Overall, our workforce is well equipped to meet our business needs. As a business we have invested heavily in training our employees.

We have developed the 'Grainger academy' our bespoke internal learning and development hub, which provides a comprehensive pool of materials and courses that are available to all employees.

Any downtime that has arisen during the Covid-19 crisis has been utilised with further employee training and development.

The specific needs of our business are quite unique, combining elements of customer service, hospitality and property management. We believe that we are leading the way in building attractive career opportunities in our sector.

**b. For instance, do your managers have the necessary managerial skills and your workers the required levels of digital literacy?**

We have completed extensive managerial training across our business in order to ensure our employees are not just good at their job but are also good people managers and can get the best out of their team. Our significant investment in technology has been combined with a wide-ranging IT training program to ensure appropriate levels of literacy. We expect to grow the number of employees within the business significantly over the next five years and this training program will be a key component for all new joiners.

**c. If not, how do you invest in their training in-work? How could this be improved?**

N/A – discussed in the above section

**d. Have you accessed Government funding or support to help train your staff and, if so, how effective has this been?**

We have not accessed any government support prior to or during the Covid-19 period.

**e. Have you used local business networks or partnerships with local education institutions to train your staff.? Has this been useful and could it be improved?**

Whilst our business is national in scale our operations are local and community led. We are always looking to integrate into local business networks and where possible training opportunities have been utilised.

**f. Are you able to effectively use your Apprenticeship Levy (if applicable)? If not, why not? What would you like to use it for?**

We have employed apprentices, but we have not utilised the apprenticeship levy. The reason for not using it was due to the highly complex nature of the scheme and the additional admin burden that this represents given the low volume of staff for which it would apply to.

**g. Do you have concerns about the skills capacity of your supply chain? Is there anything your business could do to help? The construction industry is our most critical supply chain partner. There is potential for a significant skills gap in this sector, particularly in London. Immigration controls could see the loss of much needed capacity in the construction labour market that could see costs rise and the viability of some developments challenged.**

**(7) How do you envisage improving the productivity of your business and your people in the coming years? What has stopped you from doing this in the past?**

We are a growth business and have made significant investments in our business to drive increased productivity. The two key areas of investment have been in technology and employee training and we envisage that this continuing investment will keep driving increased productivity. As a growth business there is a natural progression of productivity as we progress towards a mature business.

**(8) How are you measuring your productivity and are you aware of help available to do this and to plan improvements?**

We measure productivity in different ways across the different parts of our business. For the more process focused areas we are increasing the amount of data we capture in terms of volumes processed to track productivity. For less process focused areas, we tend to measure results against our KPI's (e.g returns, customer satisfaction or health and safety incidents)

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