

# 2018 Review



## 飯食樓

NEIGHBOURHOOD KITCHEN



GROSVENOR

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View our 2018 Financial Statements:  
[grosvenor.com/2018financialstatements](https://www.grosvenor.com/2018financialstatements)

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The financial information set out on page 29 does not constitute the Group's statutory financial statements for the years ended 31 December 2018 and 2017, but is derived from those accounts. Statutory financial statements for 2018 and 2017 have been delivered to the Registrar of Companies and are available online.

The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.



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# Lasting commercial and social benefit

**Our purpose at Grosvenor is to improve properties and places to deliver lasting commercial and social benefit.**

**How we go about achieving this is what we call our Living Cities approach.**

Our track record and experience of over 340 years in property informs our decisions and gives us a far-sighted perspective in the face of significant socio-economic, demographic, technological and environmental change.

We believe in working with local communities to deliver innovative solutions to local issues. While utilising our local expertise, we also bring an international perspective, encouraging approaches and innovations we have successfully developed elsewhere.

In this document, we review our financial performance during the past year and illustrate the impact we have made in our communities with examples from around our businesses.

I hope you will find this summary interesting and that you will follow our progress as we continue challenging ourselves to achieve our purpose.

**Mark Preston**  
Group Chief Executive

21 March 2019

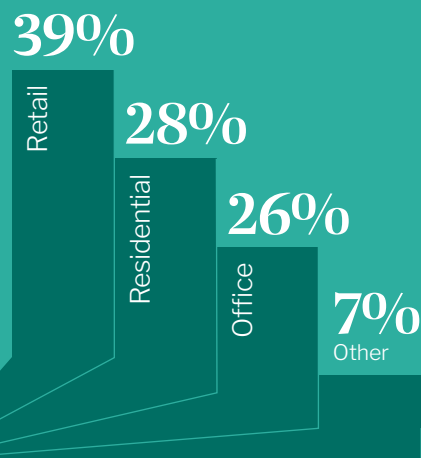
# Who we are

Grosvenor Group is one of the world's largest privately-owned property businesses. We develop, manage and invest in property in more than 60 cities around the world.

Four regional Operating Companies (Grosvenor Britain & Ireland, Grosvenor Americas, Grosvenor Asia Pacific and Grosvenor Europe) are responsible for their own property strategies. Together, they enable the Group to diversify by geography, sector, activity, currency and management team. Last year, their combined activities accounted for 87% of the Group's capital as they developed, managed and invested in assets in principally the retail, residential and office sectors.

Our Indirect Investment business further diversifies the Group's property interests by backing specialist third-party management teams. By last year end, it had invested 13% of Grosvenor Group's capital in Africa, Australia, Europe and North and South America.

The purpose of the Group is to improve properties and places to deliver lasting commercial and social benefit. This is achieved by adopting a far-sighted approach, being locally engaged and sharing and benefitting from our international experience – we call this Living Cities.



Investment  
Development  
Asset management

# We are part of the Grosvenor Estate

Grosvenor Group is one of three constituent parts of the Grosvenor Estate which encompasses all the activities of the Grosvenor family. Sharing the same values and a common purpose of delivering lasting commercial and social benefit, each has a distinct focus:



## Family Office

The Family Office manages the Grosvenor family's rural estates in the UK and Spain, with the aim of bringing a sustainable approach to the stewardship of land, property and the environment.

It also manages Realty Insurances, financial investment portfolios, a fine art collection and the Westminster Foundation.



More on [page 15](#)

↑ Abbeystead is an Area of Outstanding Natural Beauty and home to some of the UK's rarest birds. As responsible stewards of this estate, the Grosvenor Estate works to enhance this precious designated habitat, its renowned grouse moor and pheasant shoot and support its agricultural tenants who principally farm beef, sheep and dairy.

The Estate, which in common with the rest of the Family Office only uses energy from sustainable sources, invests in scientific research to improve understanding of the health of the environment and to support farming. A significant programme of peat restoration aims to reduce the land's CO<sub>2</sub> impact as well as absorb more surface water to reduce flooding downstream. Skilled foresters are responsible for the ongoing care and management of woodland and the sustainable production of high-quality timber and renewable fuels.





## Wheatsheaf Group

Founded in 1912, Wheatsheaf directly operates, invests in and helps to develop businesses in the food and agriculture sectors. Through the activities of over 2,500 people across 34 countries and the development of innovative technologies, it aims to contribute enduring solutions to improve efficiency in the production of healthy and nutritious food to meet the food requirements borne out of the increasing demands of a changing global population.

Along with pursuing commercial returns, Wheatsheaf strives to provide a lasting social benefit by helping agricultural business be more efficient and adaptable; reduce reliance on antibiotics, harsh chemicals, fossil fuels and unsustainable resource use; and reduce waste, using raw materials efficiently.



Find out more about the impact of Wheatsheaf Group's activities at [wheatsheafgroup.com](https://www.wheatsheafgroup.com)



↖ Through a combination of award-winning animal husbandry and state-of-the-art systems, at Grosvenor Farms we have reduced our use of antibiotics by 60% (treble the Department for Environment Food & Rural Affairs' 19% target by 2018), cutting mastitis cases (an inflammation of the breast or udder tissue in cattle) from 35% to 6% (far below the industry average of 55%) and metritis (an inflammation of the wall of the uterus) from 9% to 2%.

Producing 70,000 litres of milk daily, Grosvenor Farms is an industry leading commercial farm in Cheshire. The farms grow 2,100 hectares of crops to feed to our livestock, choosing to manage approximately 12% of our land to support greater biodiversity and improve natural habitats.

↑ Through Ostara, we recover phosphorous, a finite global resource concentrated in few territories, from wastewater. We then transform it into high-value fertiliser activated on contact by the plant, enabling it to be less polluting than mainstream phosphorus alternatives.

# Living Cities

Living Cities is Grosvenor Group's approach to improving properties and places to deliver lasting commercial and social benefit. It inspires and encourages us to be far-sighted, locally engaged and to share and benefit from our international experience.

Throughout our 340-year history, Grosvenor has taken a long-term approach to business. Never has this been more necessary than it is today.

Our business demands that we have a deep understanding of the cities and local communities in which we operate. And yet we also need to respond to global trends that affect every city and which are driving change at an unprecedented rate.

To deliver our purpose successfully, we combine a far-sighted, international perspective, with an intimate local knowledge of markets and communities.

We call this our Living Cities approach.

## Far-sighted

We believe in learning from the past, in acting upon evidence-based research and in adopting a far-sighted perspective that responds to socio-economic and demographic change, environmental risk and technological disruption that pose significant urban challenges.

## Locally engaged

We promote local expertise, fostering a deep appreciation and understanding of local markets and the needs of local communities, working with them to implement bespoke and innovative solutions to local issues that are commercially successful and better respond to their unique circumstances.

## Internationally experienced

In implementing our activities, directly or in partnership with like-minded co-investment partners, we capture, distil and share knowledge, investing in our people to bring an international perspective which encourages innovation we have successfully developed elsewhere.

Whether developing or managing a single asset, operating at a larger neighbourhood scale, or actively engaging with government, industry bodies and other institutions to put forward informed and considered policy contributions at a city level, we aim to have a positive impact on today's communities while being alive and responsive to the needs of future generations.



CGI

# Improving properties and places

## ↑ Nanjing, China

We have entered into a new partnership with Forte Land in Nanjing, China, to invest in the residential portion of a mixed-use development in the university district of the city, creating a whole new community with further scope for development.



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## ↓ Eccleston Yards, London, UK

Through our management of Eccleston Yards, we have created a new hub for independent businesses, entrepreneurs and creative talent in a disused part of Belgravia. After opening in late 2017, we welcomed new tenants during 2018, increasing the hub's commercial success and providing premises to several small businesses that might not otherwise be able to operate in central London.



More on **page 34**





→ **Grosvenor Ambleside,  
Vancouver, Canada**

2018 saw the completion of the first phase of Grosvenor Ambleside, our landmark mixed-use development that has revitalised a beloved but underused neighbourhood in West Vancouver. As well as high-quality residences, we have created a vibrant public plaza with restaurants, shops and public art.

 More on [page 39](#)







# Enhancing the well-being of communities

## ← The Neighbourhood Kitchen, Hong Kong

In Hong Kong, where low-income families live in cramped sub-divided flats, we worked with a local charity in Shek Tong Tsui to open our first Neighbourhood Kitchen. The facility provides a safe space for local residents to cook and bond over food with their families and neighbours.



More on [page 45](#)







#### ← **Liverpool ONE, Liverpool, UK**

To mark the 10-year anniversary of Liverpool ONE, we published the social and economic benefits of arguably the UK's most ambitious city centre regeneration project in an independent impact assessment report. The unique retail and leisure scheme has become the region's go-to destination, delivering financial success and acting as a catalyst for the wider regeneration of the city.



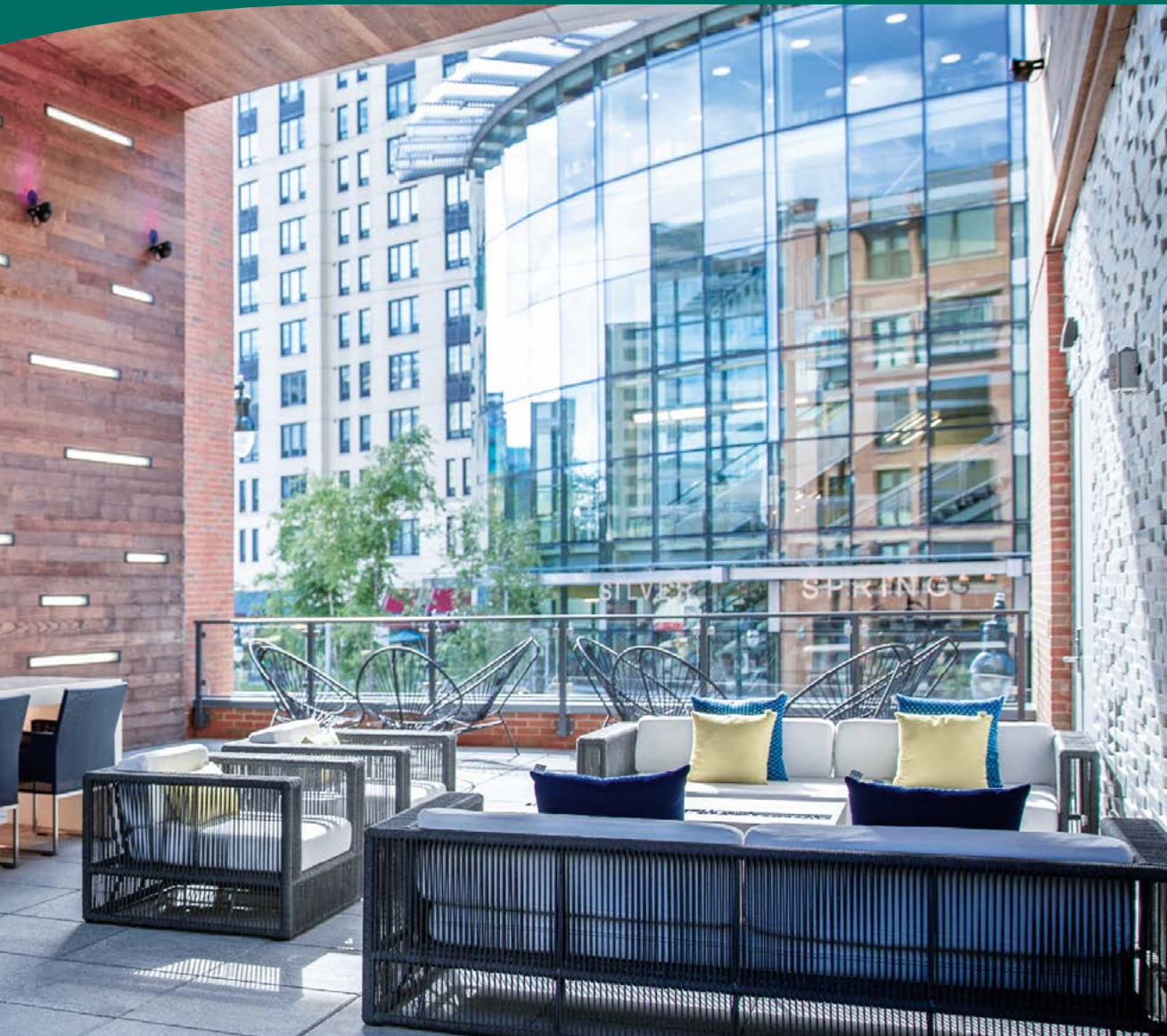
[More on page 53](#)

#### ← **Central, Silver Spring, Maryland, USA**

As part of our award-winning mixed-use development in Silver Spring, Maryland, near Washington, D.C., we rebuilt a church which had stood on the site for over 50 years. The development includes a brand new public playground for children that will be used by the church for their daycare services.



[More on page 41](#)





# Investing with a far-sighted perspective



## ↑ South-East England

To help address the housing shortage in the UK, we announced plans to triple the size of our large-scale residential development pipeline in our UK Strategic Land business. Acting as a master-developer, we want to create a portfolio of 30,000 homes in new neighbourhoods across the south east of England.



More on **page 32**

## ↗ Bridge Investment Group, USA

We committed US\$25m to Bridge Investment Group's Workforce & Affordable Housing Fund, a major provider of affordable housing in the US. Our investment will help provide funding for additional projects while delivering good financial returns.



More on **page 58**





→ **Sonae Sierra, Europe, South America and Africa**

In 2018, we sold a portion of our interest (representing a 20% share) of international retail real estate specialist Sonae Sierra in a strategic move that released capital to rebalance our diversified portfolio.



More on **page 55**





# Building a sustainable business

Highlighted in these pages are several environmental, financial, and other metrics against which we benchmark our Group performance and which support our approach to sustainability.



View our 2018 Non-Financial Data Report: [grosvenor.com/2018nonfinancialdata](https://www.grosvenor.com/2018nonfinancialdata)  
View our 2018 Financial Statements: [grosvenor.com/2018financialstatements](https://www.grosvenor.com/2018financialstatements)

## Charitable donations

# £4.8m

Total paid to charitable causes by the Westminster Foundation £2.6m

Amount donated to the Westminster Foundation from Grosvenor Group £2.7m

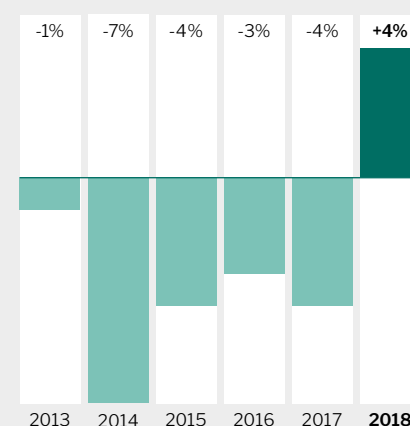
Other charitable contributions by Grosvenor Group £2.2m



## Energy consumption

# +4%

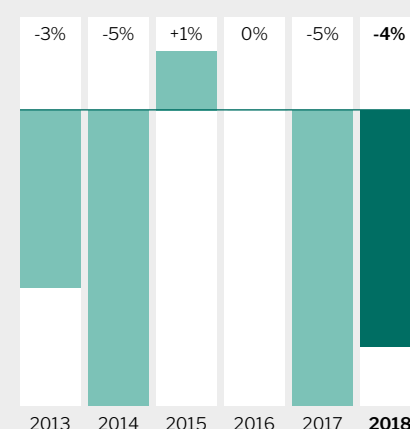
After five consecutive years of decreases, our like-for-like energy consumption increased by 4%. The increase was driven primarily by higher demand for energy during the unusually cold winter and hotter summer in certain regions. These figures mask good energy-efficiency initiatives implemented across all our Operating Companies, some of which are highlighted on pages 30-59.



## Water consumption

# -4%

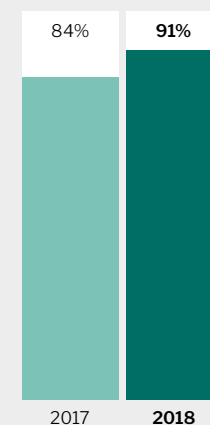
Our like-for-like water consumption decreased by 4% as a result of numerous water-saving initiatives. Liverpool ONE achieved a 5% decrease in water usage by using water-efficient cleaning machines. The Weathertrak irrigation system and a low-flush kit project at Parklands Northcreek, Washington, have led to a 16% decrease at that property. An upgrade to the flushing system in our London office has also led to a 16% decrease at that location.



## Waste diverted from landfill

# 91%

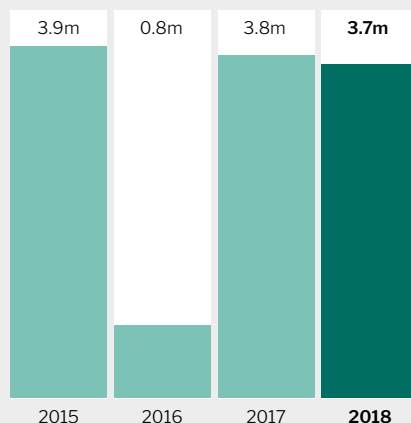
Our percentage of waste diverted from landfill increased in 2018, largely as a result of an increase in newly acquired properties contributing to our data in Grosvenor Europe where diversion rates are generally superior compared with other regions in which we operate.



## Public realm improvements exceeding requirements

# £3.7m

During 2018, we improved the quality of public realm, spending £3.7m over and above planning requirements (£31m since 2010).



## Connectivity

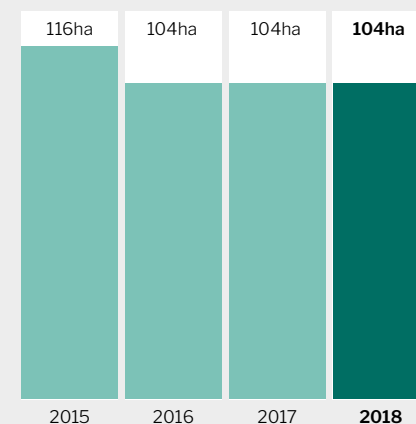
# 100%

All our properties are within a 15-minute walk of public transport connections, promoting walkability and more vibrant places.

## Green space

# 104ha

The number of hectares of green space we look after in our international portfolio remained constant in 2018 and is equivalent to 3,983 tennis courts.



## Community events supported



# 368

community events supported, including 336 organised by us:

- 345 events open to the public, promoting vibrancy and inclusivity;
- 21 events that sought to encourage a deeper sense of community spirit amongst local residents; and
- 2 events arranged to inform and gain feedback from the community on draft development masterplans.





**£7.0bn**

**Property assets**  
(2017: £6.8bn)

**£131.0m**

**Revenue profit**  
(2017: £143.5m)

**£12.3bn**

**Assets under management**  
(2017: £12.6bn)

**5.5%**

**Total return**  
(2017: 2.7%)

**95.2%**

**Occupancy**  
(2017: 94.6%)

**£5.0bn**

**Shareholders' funds**  
(2017: £4.9bn)

**62**

**cities in which we are active**  
(2017: 62)

**£196.6m**

**Profit before tax**  
(2017: £233.1m)

**10**

**currencies in which we operate**  
(2017: 10)

**20.4%**

**Economic gearing**  
(2017: 23.8%)

**10**

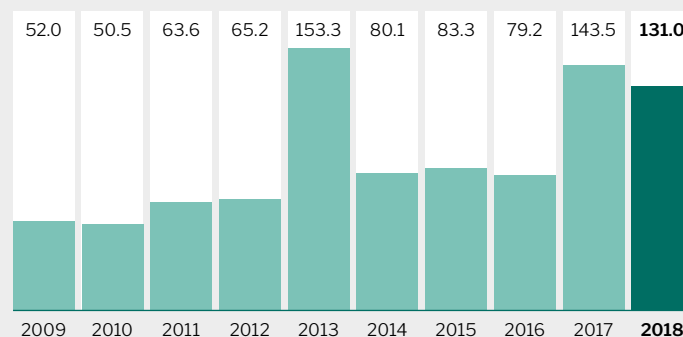
**countries from which we operate**  
(2017: 10)

**£1.7bn**

**Financial capacity**  
(2017: £1.4bn)

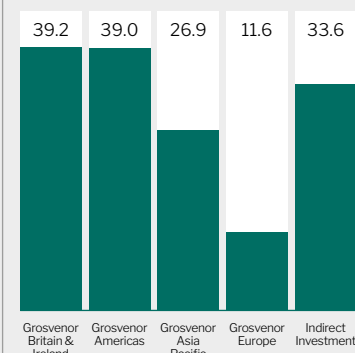
### Revenue profit

£m



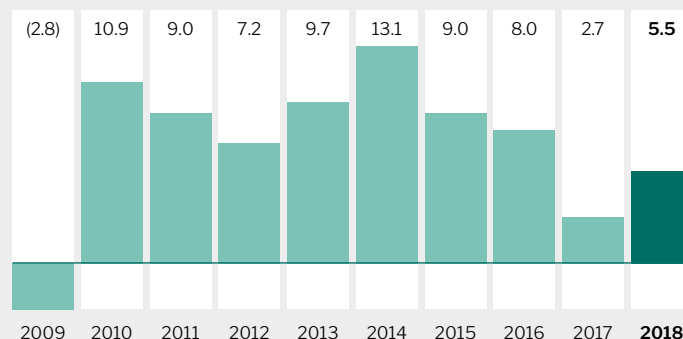
### 2018 Operating Company revenue profit

£m



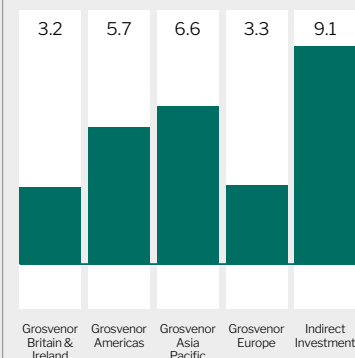
### Total return

%



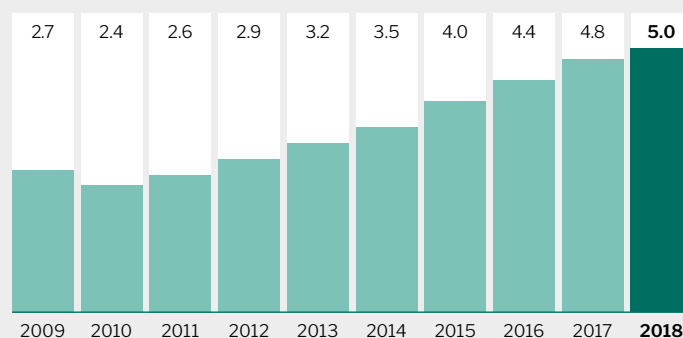
### 2018 Operating Company total returns

%



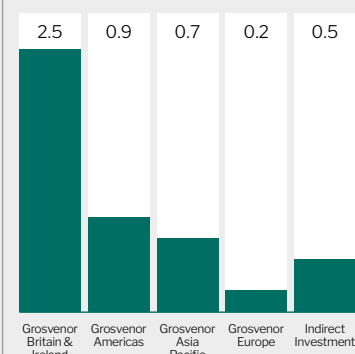
### Shareholders' funds

£bn



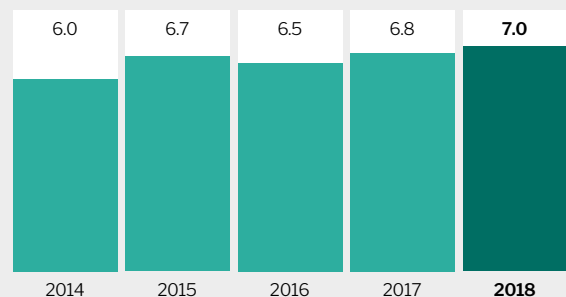
### 2018 Operating Company Shareholders' funds

£bn



## Property assets £bn

# £7.0bn



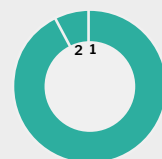
### By Operating Company

1	Britain & Ireland	£3,429m	49.0%
2	Americas	£1,401m	20.1%
4	Indirect Investment	£935m	13.4%
3	Asia Pacific	£838m	12.0%
5	Europe	£382m	5.5%



### By sector

1	Retail	£2,691m	38.5%
2	Residential	£1,972m	28.2%
3	Office	£1,834m	26.3%
4	Industrial	£253m	3.6%
5	Hotel	£61m	0.9%
6	Other	£174m	2.5%

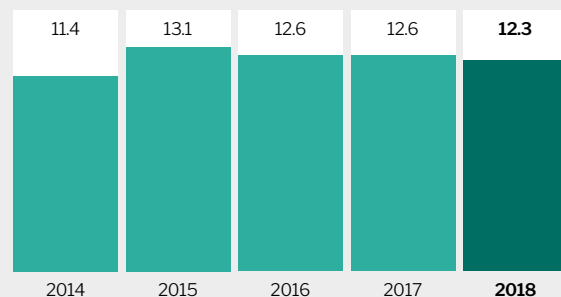


### By activity

1	Investment	£6,463m	92.5%
2	Development	£522m	7.5%

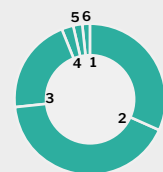
## Assets under management £bn

# £12.3bn



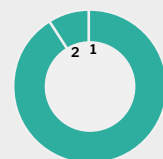
### By Operating Company

1	Britain & Ireland	£5,340m	43.6%
2	Americas	£2,976m	24.3%
3	Europe	£2,007m	16.4%
4	Asia Pacific	£996m	8.1%
5	Indirect Investment	£935m	7.6%



### By sector

1	Retail	£5,158m	42.0%
2	Residential	£3,662m	29.9%
3	Office	£2,715m	22.2%
4	Hotel	£292m	2.4%
5	Industrial	£253m	2.1%
6	Other	£174m	1.4%

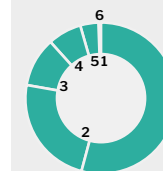
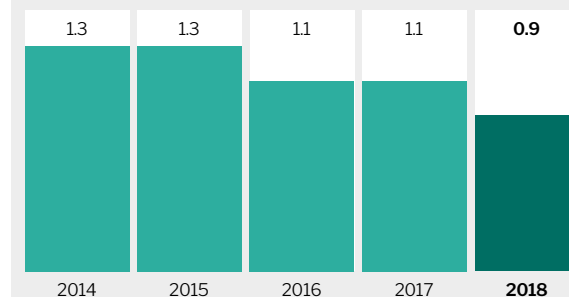


### By activity

1	Investment	£11,151m	91.0%
2	Development	£1,103m	9.0%

## Indirect Investment – property assets £bn

# £0.9bn



### By geography

1	Continental Europe	£506m	54.1%
2	USA	£221m	23.6%
3	Brazil	£98m	10.5%
4	Australia	£69m	7.4%
5	United Kingdom	£38m	4.1%
6	Africa	£3m	0.3%



### By sector


1	Retail	£594m	63.6%
2	Industrial	£105m	11.2%
3	Office	£62m	6.6%
4	Other	£174m	18.6%



# Chairman's statement

Michael McLintock outlines the importance of balancing financial sustainability and delivering a positive and lasting contribution to society; and also explains how we support local communities through philanthropic initiatives.





Grosvenor is a business driven by the pursuit of long-term value creation rather than the short-term maximisation of profit.

Our activities are undertaken both to deliver strong commercial returns and to invest in, and contribute to, wider society, thereby providing a social benefit whose impact is 'lasting'. As an organisation with more than 340 years of history, we believe we understand the importance of balancing current needs with those of future generations.

As a Trustee of the Grosvenor Estate and a member of Grosvenor's Group Board since 2012, taking over as Chairman from Lesley Knox in September 2018, I have found the long-term approach that so characterises this business to be of great importance, more now perhaps than ever. Lesley deserves our wholehearted gratitude for her important contribution over eight years, chairing Board meetings sensitively and championing our ambition to make a positive impact through our property activities. We miss her.

Finding the right balance between financial return and delivering a positive and lasting contribution to society can sometimes be a tricky combination to achieve, but they go hand in hand.

Our property business is tangible and the fruits of its labour are visible to all. We have a track record of creating and maintaining thriving urban spaces that people can enjoy, operating in a way that is alive and responsive to the needs of our communities.

Crucially, this approach also enables us to attract the right talent – people who want to work for a business with a sense of purpose that goes beyond the purely financial.

Adopting a far-sighted perspective is the key to navigating the rapidly changing social, environmental and economic landscape we face. Like all businesses, we have short-term challenges to overcome and immediate priorities to address, but we believe that a strategy of international diversification, prudent financial management and an objective of using our property expertise to make a positive contribution to society is the best route to success.

**Michael McLintock**  
Chairman

21 March 2019

## Supporting our local communities through targeted philanthropic initiatives

At Grosvenor, we strive to make a positive difference to the communities in which we work.

One way that we do this is through our philanthropic activities, fundraising and volunteering efforts to support local charities, organisations and causes to bring about sustainable change.

We primarily contribute to the Westminster Foundation, which manages the philanthropic activities of the Grosvenor family and the Grosvenor Estate in the UK.

With activities aimed at building resilience or at crisis intervention, the Foundation primarily supports people and families coping with economic and social disadvantage, including those who are homeless or at risk of becoming so, and isolated people, in both urban and rural settings.

In addition, through our international network, we also provide direct financial support to other charities selected by our offices and in locations where we commit to third-party managed investments.

**See examples of our philanthropic activities in 2018 in the following pages.**

### → Contributing more than £100m to the delivery of the Defence and National Rehabilitation Centre (DNRC) Programme

In June 2018, The Duke of Westminster formally handed over the gift of the Defence element of the DNRC Programme to the Prime Minister, who accepted it on behalf of the nation.

The Defence clinical rehabilitation facility on the Stanford Hall Rehabilitation Estate near Loughborough (the 'D' in the DNRC) is for the treatment of serving members of the armed forces injured on operations or training. It is now up and running, providing a bespoke 21st century version of the former Defence rehabilitation establishment at Headley Court in Surrey.

We are proud, as Grosvenor Group, to have contributed both financially, and in terms of knowledge and expertise, to the successful development of this Programme.

Initiated by the 6th Duke of Westminster, the DNRC Programme was made possible by his leading the fundraising campaign for the £300m cost of its achievement, to which he made a founding gift of £50m. That gift has been increased to more than £100m by the Grosvenor family following his death, and the total size of the family's gift will be determined this year as the formal fundraising campaign draws to a close.

As envisaged from the outset, the DNRC Programme has included the opportunity to create, on the same site, a National rehabilitation centre for civilians (the 'N' in the DNRC), sharing expertise and facilities with the nearby Defence establishment.

Part of the Programme work has been to 'enable' the creation of the 'N'. With £70m now pledged by the UK Government towards the patient care element of the 'N' construction, the UK's National Health Service (NHS) is this year conducting the full business case to determine the operating cost model so that construction can begin.

The Programme continues its enabling activity and this year has ensured that the detailed planning permission for construction of the 'N' is in place.





### ↓ Partnering with community projects worldwide

In Sydney, Australia, our investment partner Propertylink introduced us to Bear Cottage, a children's hospice dedicated to providing paediatric palliative care for children with life-limiting conditions and supporting their families. Created by the Children's hospital at Westmead, Bear Cottage provides care in a way that is as far removed from a hospital environment as possible.

In 2018, we committed an initial donation of £40,000 which will enable six families to benefit from the care that the hospice provides.



### ↓ Engaging young people in Stockholm

Our support enables Swedish social enterprise Mitt 127 to make positive changes to young people's lives in Skärholmen, a suburb of Stockholm, through event participation and active placemaking in the community.

Mitt 127 works within schools and with local authorities, co-operations and institutions to tackle issues such as bullying and mental health. Our Stockholm office works closely with Mitt 127, providing them with space to host their summer event and run the 'SKHLM Stars' programme, which gives 20 Mitt 127 ambassadors the chance to work within our Skärholmen Centrum shopping centre during the event.



## Grosvenor Group Limited – Board of Directors

as at 21 March 2019

The Group Board is responsible for setting and monitoring strategy, ensuring adequate funding, formulating policy on key issues, reviewing performance and reporting to the Shareholders.

### Michael McLintock

Chairman  
Non-Executive Director  
Trustee, Grosvenor Estate

### Matthew Barzun

Non-Executive Director

### Sir Philip Dilley

Non-Executive Director

### Christopher Pratt

Non-Executive Director

### Dame Fiona Reynolds

Non-Executive Director  
Trustee, Grosvenor Estate

### Domenico Siniscalco PhD

Non-Executive Director

### Mark Preston FRICS

Executive Trustee, Grosvenor Estate  
Group Chief Executive

### Nicholas Scarles FCA, Attorney at Law

Chief Financial Officer, Grosvenor Estate  
Group Finance Director

### Peter Vernon FRICS


Group Executive Director

# Group Chief Executive's review

Mark Preston explains how our internationally diversified Group has performed in 2018 and offers his outlook on how it is well placed to take advantage of new opportunities.







Against a backdrop of moderate global growth, our 2018 financial performance proved rather better than we had expected.

Grosvenor Group is a business with an established and well-diversified international footprint, with just under half of our property interests outside the UK. As a result, our overall financial performance is 'hedged' against extreme results from any one market – and resulted in a 2018 total return of 5.5% – double last year's result. Revenue profit was £131m – in line with a growing trend over the last 10 years.

Behind these numbers, there was strong performance from Indirect Investment and our Asia business; solid results in North America; and improved total returns in both the UK and Continental Europe.

One of our most significant transactions last year was our sale of 20% of Sonae Sierra – the international retail real estate specialist with a strong presence in Iberia and Brazil. This led to a reduction in our stake to 30%. Since our first investment in 1996, our association with Sonae Sierra has produced some excellent returns, helped establish a Continental European presence and allowed us to share knowledge and expertise.

While this strong relationship continues, the transaction provides us with significant capital to further diversify and rebalance our international portfolio.

Our strategic objectives are: to deliver growing revenue profit and total returns above our cost of capital long term; to diversify our portfolio by geography, sector, activity, currency and management team; and to protect and enhance our reputation for social responsibility.

## Looking ahead

After a remarkable near 10-year run of strong property returns, global property markets have reached a mature stage in the cycle. Expectations of a slowdown in world economic growth this year, trade tensions, Brexit, China's slowing growth and jittery equities markets are making the outlook weaker. Monetary tightening will probably be gradual, but the interest rate cycle has turned and, with it, property yields will rise. It is particularly difficult to judge the gradient of any adjustment. One consequence of unprecedented monetary easing since the Global Financial Crisis of 2008 is that there is a surfeit of capital in the global system – much of it finding a home in property.

However, it is clear that we will have to work harder and cleverer to deliver returns anywhere near those we have seen in recent years.

It is with these uncertainties in mind that we have currently such a low-gear balance sheet and our development exposure is relatively limited. Property companies get into financial trouble for all sorts of reasons, but more often than not from having either too much debt or too much (speculative) development, and quite often both. The industry as a whole is much better positioned in both respects as this cycle turns, and Grosvenor is well prepared.

Notwithstanding that caution, as a long-term investor with diversification as one of our objectives, we will continue to pursue investing in those cities we believe will outperform financially and where we are already engaged and can make a difference to local communities.

Our financial capacity is considerable and we are therefore well placed to take advantage of market corrections and the opportunities which may follow.

Our objectives respond to our purpose which is to improve properties and places to deliver lasting commercial and social benefit. We see these as complementary goals and our strategic challenge is to identify and implement investment, development and asset management activity which enhances the well-being of the communities in which we work and, by doing so, delivers commercial success. We aim to achieve this via our UK, European, Asian and North American Operating Companies along with our Indirect Investment business. Each of them embrace this challenge, adopting our Living Cities approach.

This review outlines several examples of our activities which demonstrate the pursuit of this purpose. We are conscious of the responsibility that Grosvenor has and has always had, and want to live up to the standards that previous generations have set. I am full of admiration for what our 565 people have delivered in 2018 and confident that we can do even better as we learn and innovate, inspired by our Living Cities approach.

**Mark Preston**  
Group Chief Executive  
21 March 2019

## 2018 activity highlights from our businesses

### Grosvenor Britain & Ireland



More on  
page 30

In London, we announced plans to invest £1bn in commercial property and new public spaces to improve the West End's appeal. We unveiled plans to triple the size of our Strategic Land business, targeting a portfolio of at least 30,000 homes, and opened a public conversation on our proposals for new offices, shops and improved public realm in an important corner of our Mayfair estate – the 'South Molton Triangle'.

### Grosvenor Americas



More on  
page 36

Grosvenor Americas completed phase one of our landmark residential development Grosvenor Ambleside, in Vancouver. We acquired new sites in San Francisco, Washington, D.C. and Seattle, and made four sales. Meanwhile, the Structured Development Finance team increased its programme size and closed its largest loan to date.

### Grosvenor Asia Pacific



More on  
page 42

In Nanjing, China, Grosvenor Asia Pacific entered a new partnership to invest in the residential portion of a mixed-use development. In Hong Kong, we completed our residential development in Jardine's Lookout and opened a Neighbourhood Kitchen to provide residents of sub-divided flats in Shek Tong Tsui a safe place to cook and bond over food with family and neighbours.

### Grosvenor Europe



More on  
page 48

As well as celebrating the 10th anniversary of Liverpool ONE, Grosvenor's visionary regeneration project at the heart of the city, Grosvenor Europe acquired its first wholly-owned properties, sold two retail properties, embarked on two residential projects in Madrid and agreed a new Paris office refurbishment joint venture.

### Indirect Investment



More on  
page 54

As well as managing the strategic sale of a 20% share in Sonae Sierra, an international retail real estate specialist with a strong presence in Europe and South America, to release capital to fuel our continued diversification strategy, the team also broke into two new sectors – US affordable housing and Australian healthcare.



## ↑ Brexit preparations

Despite the uncertainty of Brexit, we are as well prepared as possible, having assessed risk through working groups within Grosvenor Britain & Ireland, Grosvenor Europe and the Group Holding Company and benefitting from the input of researchers at the University of Cambridge to map several scenarios.

We have low levels of on-site construction activity which may be impacted by potential disruption, our financing lines are secure and financial capacity stands at £1.7bn. More broadly, our internationally diversified make-up provides resilience against the potential economic implications stemming from Brexit.





## Global economy and property market outlook

The outlook for the global economy has weakened noticeably over the past six months, with a broad-based softening in momentum across most regions. The synchronised slowdown has been driven by a combination of factors, but most notably a weakening in global manufacturing and trade activity. With recession risks increasing, central banks are wary of increasing interest rates too quickly.

There are a number of issues that weigh on business sentiment including global trade tensions, the UK's future relationship with Europe, high corporate debt levels and political uncertainty. These downside risks pose a threat to the global economy and could trigger the next downturn.

While the uncertain economic outlook presents immediate risks, longer-term structural change is further complicating real estate investment decisions. New technology and the growth of e-commerce will continue to dampen property values in all sectors, but will provide opportunities in the retail sector and elsewhere. We continue to explore the changing nature of work, such as flexible working and co-working, and its potential impact on the office sector, and have plans to benefit from the possibilities presented by the digital revolution. In the residential sector, house price growth has reversed in London, Hong Kong, Sydney, San Francisco, Stockholm and Vancouver, making us more cautious about new business.

For some time, there have been signs that values in an increasing number of global cities are moving into overpriced territory. Throughout 2018, yields reduced in many global cities. However, we think a dramatic downturn in values remains unlikely while dovish central banks continue to support asset prices through accommodative policy settings and alternative asset classes offer no less risk.

## Improving fire safety

We have always taken the management of health and safety very seriously and, following the tragic Grenfell Tower fire in London, we have been actively involved alongside the British Property Federation in responding to the UK Government's consultations on fire safety improvement and the resulting review by Dame Judith Hackitt.

We welcome the majority of the recommendations made and believe that a systematic risk-based approach that considers the specific needs of buildings and people is appropriate.

As an international property company, we are also working with international fire experts to improve fire safety management in the regions in which we operate.

As industry and regulatory improvement in this area continues, we are committed to playing our part including identifying, working to and sharing best practice.



### ↑ Investing with like-minded partners in pursuit of long-term value creation

Grosvenor's Co-investment Management team works to forge long-lasting relationships with investment partners who are like-minded in pursuing long-term value creation.

In November, the team held its annual conference in Hong Kong, inviting investment partners to discuss global strategies to find value late in the investment cycle. The session was informed with insights from Grosvenor's global research team.

Our co-investment activity through our proprietary Operating Companies is significant. In 2018, we managed or were active in 40 joint ventures and 25 Structured Development Finance arrangements with a combined value of £4.7bn. These included new development projects (12 on a co-investment basis and 14 structured development transactions) in Vancouver, Nanjing, Madrid, Stockholm and London. We sold interests in seven long-standing co-investment assets and eight Structured Development Finance arrangements; these included assets in London, Tokyo and Vancouver.

### Senior appointments

Dame Fiona Reynolds, former Director-General of the National Trust, joined the Group Board as a Non-Executive Director after being appointed as a Trustee of the Grosvenor Estate in the middle of the year. In September 2018, Lesley Knox retired as a Trustee and as Chairman of the Group, handing over to Michael McLintock. In March 2019, former US Ambassador to the United Kingdom Matthew Barzun was appointed as Non-Executive Director.

Robert Davis, Grosvenor Europe's Chief Financial Officer, was announced as the new Group Finance Director at the end of the year and will succeed Nicholas Scarles on 1 June 2019. Nicholas became Chief Financial Officer of the Grosvenor Estate in October 2018. Our thanks go to Nicholas for the outstanding contribution he has made to Grosvenor Group over the last fourteen years.

After 35 years with Grosvenor, 10 of which as CEO of Grosvenor Americas, Andrew Bibby retired at the end of 2018. He was succeeded by Steve O'Connell, who joined Grosvenor Americas in 2011 and has been Managing Director, Investment since 2015, overseeing investment and co-investment activities throughout the US and Canada.

*"For over 20 years, Grosvenor's knowledge, expertise and unique 340-year track record in investment and development has helped us deliver exceptional long-term returns for our pension fund investors."*

**Ian Cameron**

Senior Portfolio Manager, Real Estate  
Civil Service Superannuation Board of Manitoba

### Grosvenor Group Limited – Executive Committee

as at 21 March 2019

The Group Executive Committee assists with the implementation of Group strategy.

**Peter Vernon FRICS**

Chairman, Executive Committee  
Group Executive Director

**Mark Preston FRICS**

Group Chief Executive

**Nicholas Scarles FCA, Attorney at Law**

Group Finance Director

**Benjamin Cha**

Chief Executive, Grosvenor Asia Pacific

**Craig McWilliam FRICS**

Chief Executive, Grosvenor Britain & Ireland

**Steve O'Connell**

Chief Executive, Grosvenor Americas

**James Raynor**

Chief Executive, Grosvenor Europe







# Group Executive Director's perspective

Peter Vernon discusses how the Group is creating a capability-building programme to drive its strategy.

In my role as Group Executive Director, I chair our Group Executive Committee which brings together the CEOs of each of our regional operating businesses and the Group's leadership team to develop a progressive programme of Group-wide capability building that drives our strategy.

Designed to make the Group stronger than the sum of its parts, our collective focus over the past year has been to refine our efforts to deliver the Group's purpose – to improve properties and places to deliver lasting commercial and social benefit. Evolving our Living Cities approach, which is outlined on page 3 of this Review, and refining how we assess our performance in delivering social benefit is at the core of this work.

In 2018, we also identified five common priorities to pursue:

## Research

Our global research programme informs and challenges our strategy. Its focus is being sharpened to develop an ever deeper understanding of how cities, neighbourhoods and buildings need to adapt to demographic change, technological disruption and environmental risk, each posing very significant urban challenges. Our evidence-based points of view improve our knowledge and foresight, enabling each Operating Company to operate in a far-sighted way.

## Co-investment

Since the 1950s, Grosvenor has developed a stand out track record in managing third-party capital – a co-investment approach which gives us greater scale and reach in each city, enhancing our diversification strategy and allowing us to learn from the best practices of like-minded investors. As a Group, our efforts in this area (which are summarised on page 22) are co-ordinated through a recently formed international group which facilitates our ability to better leverage opportunities with existing relationships and establish productive new ones.

## Digital

In 2018, we also launched a Group-wide initiative to assess the disruption that new digital technologies and business models may cause in urban real estate, and the potential opportunities to use new technologies to improve our commercial performance and social impact.

## Knowledge sharing

Our business thrives thanks to strong local teams applying deep knowledge and local know-how. It is a combination that is many times more effective when we successfully share international knowledge and experience.

In 2018, we sponsored seven Group-wide Knowledge Sharing Networks, including Property CleanTech, Retail and Sustainability. These networks increase our competitive edge by sharing knowledge of solutions to common project challenges, addressing technical issues with cross-industry expertise, cultivating best practice through case studies, and identifying and understanding key property trends.

## Talent

For any people-based organisation to thrive, new opportunities and challenges must be constantly made available. These can be broadened by applying an international lens to talent development. We work on a Group-wide basis to do this, facilitating international secondments to enable our people to apply their talents and learn new skills across our international markets.

### Peter Vernon

Group Executive Director

21 March 2019



# Group Finance Director's report

Nicholas Scarles reviews the financial performance of the Group and discusses the importance of its long-term investment approach.



## Our strategy in action

For my thirteenth, and last, year as Group Finance Director, I am pleased to report results which again demonstrate the resilience of the Group and the merits of our international diversification strategy.

Revenue profit (the main metric by which we measure ourselves) was on longer-term trend at £131.0m (2017, an exceptional year: £143.5m). Total return was 5.5% (2017: 2.7%). This incorporated underlying property returns of 4.7% and was enhanced this year by Sterling's depreciation, which contributed 0.8% (2017: negative 1.5%). Shareholders' funds increased by £0.1bn to £5.0bn (2017: £4.9bn).

Our property-related activities have only a modest impact on short-term valuation movements and none over foreign exchange rates, hence our main focus on revenue profit – a better metric to assess the commercial impact of our efforts.

All of our Operating Companies delivered encouraging results.

**Grosvenor Britain & Ireland's** recurring income stream has again been bolstered by trading profits, largely arising from the Campden Hill residential development, resulting in revenue profits for the year of £39.2m (2017: £48.4m). Total return was 3.2% (2017: 1.3%), reflecting low but positive valuation movements.

As anticipated, following exceptional trading profits in 2017, **Grosvenor Americas** delivered on long-term trend revenue profit of £39.0m (2017: £71.6m). Highlights for the year include trading gains realised on two mixed-used residential developments: the sale of units at 288 Pacific in San Francisco and at Grosvenor Ambleside in West Vancouver; and from the disposal of development land in Calgary. Total return was 5.7% (2017: 8.9%) reflecting lower positive revaluation gains.

**Grosvenor Asia Pacific** generated revenue profits of £26.9m (2017: £6.9m), driven by trading profits on the disposal of our residential development Opus Arisugawa in Tokyo. Total return was 6.6% (2017: 7.2%), with marginally lower positive revaluation gains offsetting the improved revenue profits.

Following the planned expansion of the business, including the acquisitions of their first wholly-owned properties and assisted by performance fees, **Grosvenor Europe** delivered revenue profits of £11.6m (2017: £0.6m loss). Total return was 3.3% (2017: 1.1%), once again impacted by weak revaluations.

**Indirect Investment's** revenue profit remained broadly stable at £33.6m (2017: £35.9m), reflecting an improved performance by Sonae Sierra (see page 55), which largely negated the impact of the reduction of our interest in the company. Total return was 9.1% (2017: 8.5%), with marginally lower revaluation gains in Sonae Sierra being offset by improved gains in our other third-party investments.

## Positioning Grosvenor for the future

As a long-term investor, we have an evolutionary approach when it comes to repositioning the Group for the future – since it is best to be neither a forced seller nor a hurried buyer of real estate. Yet at the same time, our Operating Companies remain nimble to respond quickly to the markets in which they operate.

In July, we agreed with Sonae SGPS, our partner shareholder in Sonae Sierra, to sell to them a 20% stake (of our 50% stake) in Sonae Sierra for €255.9m. This delivered Sonae's objective of increasing their international profile, while freeing up capital for us to deploy elsewhere outside the UK. The sales price was at a modest premium to IFRS net asset value, giving rise to a profit on sale. Our investment in Sonae Sierra, which commenced in 1996, has not only delivered good full-cycle returns but also set the standard for real estate related partnerships. We are grateful to both Sonae and Sonae Sierra.

Our 'relationship' approach to treasury continues. Grosvenor Britain & Ireland completed its third private placement in November, raising £250m of debt with seven UK and US institutions, the new senior notes due to mature in 10, 15 and 22 years at a blended interest rate of 2.89%. We thank Karen Toh, Treasurer, who left us after six years, for her contribution and welcome Ian Chisholm who will join as her successor with the remit to continue the evolutionary path we started with the establishment of a co-ordinated approach to treasury in 2006.

As the potential impact of digital disruption on real estate becomes more apparent, we have progressed our 'Digital: Over the Horizon' project to assess how we can take advantage of the opportunities (and protect our business against the risks) which technological innovation present. We expect to be implementing a blend of local and Group-wide initiatives in 2019.

## Finance function

Our thanks go to Ian Mair, Grosvenor Asia Pacific's Finance Director, who steps down in June after five years in the role, and to Edmundo Figueiredo, Chief Financial Officer, Sonae Sierra, who stepped down in 2018 after 29 years.

I am especially pleased that Robert Davis will succeed me as Group Finance Director in June. He successfully succeeded me in 2006 as Finance Director of Grosvenor Fund Management, and has accumulated a diverse experience in the 13 years since then (in both that role and as Grosvenor Europe's Chief Financial Officer). He is the ideal candidate to succeed me once more; a demonstration of our ability to develop talent from within, further evidenced through the choice of Sébastien Hyst, Grosvenor Europe's Managing Director, Finance, being appointed as Robert's successor in the Grosvenor Europe Chief Financial Officer role.

I would also like to thank the members of the Grosvenor Group Holding Company team who, throughout my tenure, have made a huge contribution through their wise counsel and enthusiastic challenge.

## A final observation

It has been a privilege to work over the years with so many talented individuals: our people, Non-Executive Directors, lenders and partners. Perhaps most of all, it is Grosvenor's ability to combine adapting for a changing market and society, while retaining an enduring set of values and a clear sense of purpose; which, in my view, makes Grosvenor the ideal place to be.

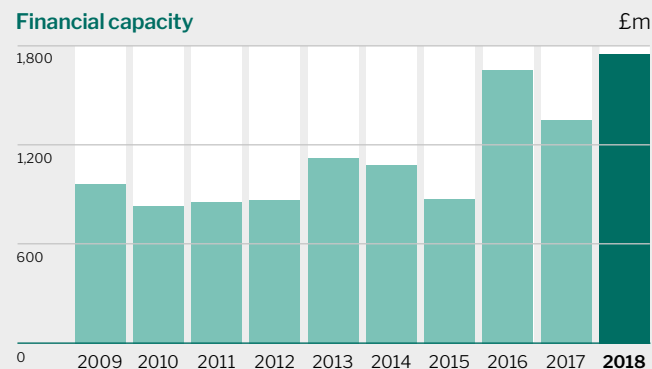
I am therefore fortunate to be continuing my association with Grosvenor, as Chief Financial Officer of the Grosvenor Estate.

**Nicholas Scarles**  
Group Finance Director

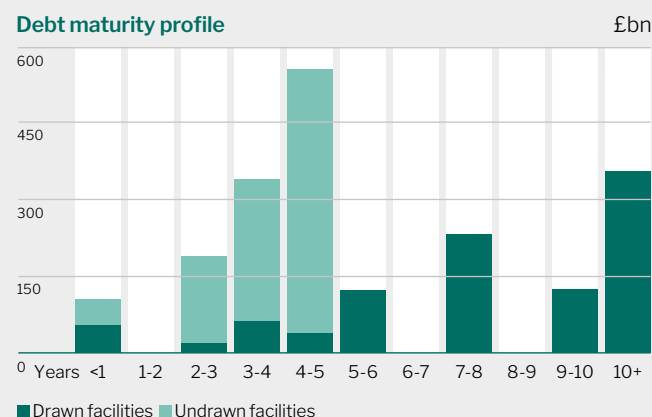
21 March 2019

## Our financial capacity and liquidity

### Financial capacity

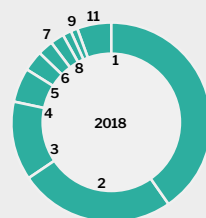


### Debt maturity profile



We manage our financial capacity and liquidity with the dual aim of: first, ensuring sufficient liquidity for periods of significant global economic stress; and, second, ensuring that we are positioned to take advantage of opportunities at times when others are unable to access finance. This is achieved by securing sufficient financial capacity, i.e. available cash and undrawn, committed, general use facilities which are immediately available. At 31 December 2018, financial capacity was high at £1.7bn (see top chart), largely as a result of the cash generated from strategic disposals including the reduction of our interest in Sonae Sierra and a successful private placement in Grosvenor Britain & Ireland. The second chart shows the spread of maturities of our wholly-owned debt facilities, split between those which are drawn and undrawn. The weighted average life of these facilities is 6.8 years.

## Tax contribution



### Taxes borne

	2018	Three years to 2018	
1 Corporate income tax paid in the year	£49.8m 51%	£192.9m	59%
2 Annual property taxes	£17.7m 18%	£44.2m	14%
3 Property transaction taxes paid in the year	£12.7m 13%	£38.8m	12%
4 Employer taxes and social security costs	£10.3m 11%	£29.6m	9%
5 Irrecoverable VAT (UK only)	£7.2m 7%	£20.9m	6%

### Taxes borne by country

	2018	Three years to 2018	
1 United Kingdom	£40.8m 42%	£135.2m	41%
2 United States of America	£23.2m 24%	£56.8m	17%
3 Canada	£12.2m 13%	£27.0m	8%
4 Portugal	£5.5m 6%	£16.5m	5%
5 Spain	£3.2m 3%	£5.6m	2%
6 Japan	£2.4m 2%	£8.7m	3%
7 Australia	£2.3m 2%	£9.9m	3%
8 Hong Kong	£1.3m 1%	£12.6m	4%
9 Brazil	£1.2m 1%	£4.8m	2%
10 Ireland	– 0%	£37.4m	12%
11 Other	£5.6m 6%	£11.9m	3%

Our approach to taxation aims to be consistent with our reputation for quality, integrity and social responsibility. We respect not only the letter of the law but also its underlying intention. We achieve this through our Tax Policy compliance which is reviewed annually by the Group Board. In the case of real estate, the underlying premise is simple – property should be taxed in the jurisdiction in which it is located. We pay taxes on realised economic gains and profits, in accordance with applicable laws.

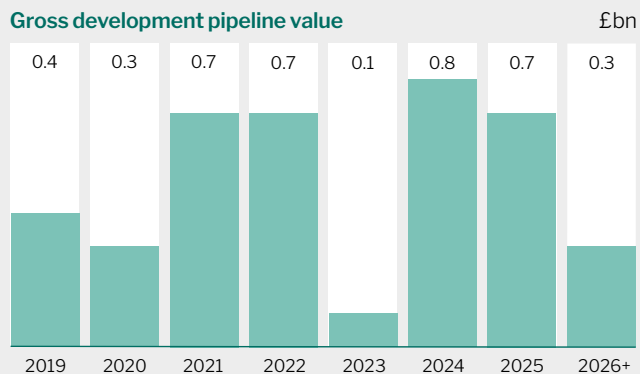
In the spirit of transparency, we analyse and report on tax contribution by type of tax borne and by country (see charts above).

In 2018, our economic share of tax payments totalled £97.7m. Over the last three years, our economic tax contribution totalled £326.4m.



## Our development pipeline

### Gross development pipeline value



Our development pipeline is the result of many years of planning and pre-construction activity, and is one of the key demonstrations of our commitment to delivering returns over the long term.

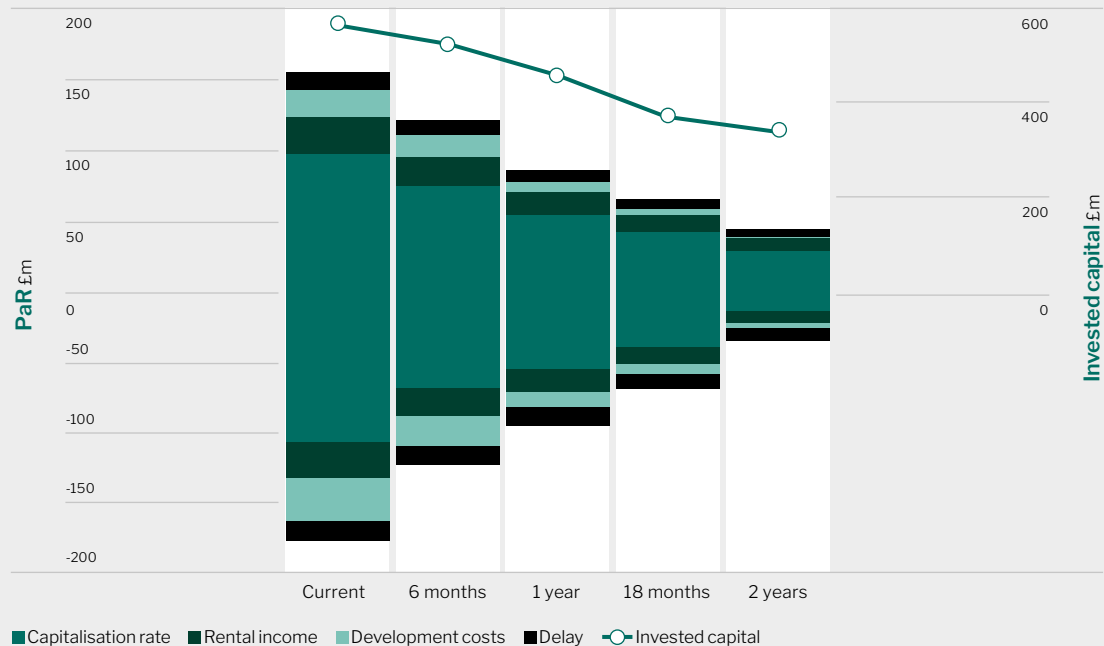
The chart above shows the expected gross development value of the development pipeline projects under our management (£4bn) by potential completion dates.

# £4.0bn

The expected gross development value of the development pipeline projects under our management is £4bn.

## Group development risk dashboard

### Aggregate projection of Profit at Risk (PaR) and invested capital

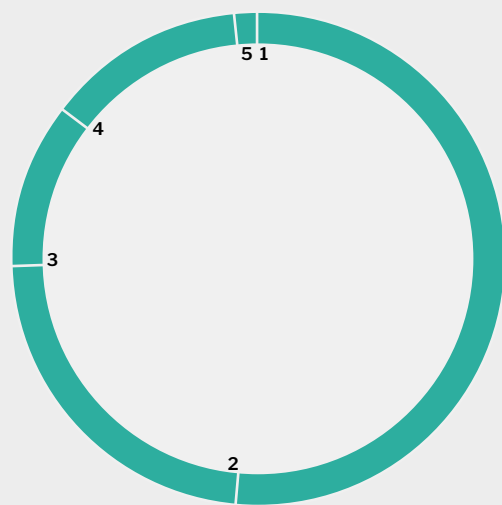


Our development risk profile for committed projects and those expected to be committed within the next six months is similar to last year, with the majority of risk concentrated in the near term. 2019/2020 will see risk and invested capital reduce as a number of projects reach completion.

The level of current risk has increased slightly compared with last year's projection, principally due to the higher level of invested capital, reflecting the increase in development activity compared to this time last year. It should also be noted that, due to the long timescale of our project in Bermondsey and the phasing of commitments, only part of the total potential development risk is currently included in the chart above; further tranches of risk will be included as future commitments are made.

## Our economic property interests by location

We develop, manage and invest in property in more than 60 cities around the world. This chart shows our economic property interests by location.



	2017	2018
1 United Kingdom	50.6%	<b>51.2%</b>
2 North America	21.4%	<b>23.2%</b>
3 Continental Europe	12.9%	<b>11.1%</b>
4 Asia Pacific/Australia	12.6%	<b>13.0%</b>
5 South America	2.5%	<b>1.5%</b>
6 Africa	<0.1%	<b>&lt;0.1%</b>

United Kingdom	2017	2018
🇬🇧 West End, London	46.0%	<b>44.8%</b>
🇬🇧 Liverpool	1.4%	<b>1.3%</b>
🇬🇧 Other London	2.2%	<b>4.2%</b>
🇬🇧 Other UK	1.0%	<b>0.9%</b>
<b>Total</b>	50.6%	<b>51.2%</b>

North America	2017	2018
🇺🇸 Washington, D.C.	5.8%	<b>5.7%</b>
🇨🇦 Vancouver	4.3%	<b>4.4%</b>
🇺🇸 San Francisco	3.5%	<b>3.7%</b>
🇺🇸 Seattle	2.1%	<b>1.8%</b>
🇨🇦 Calgary	1.1%	<b>0.7%</b>
🇺🇸 Other USA	3.6%	<b>5.7%</b>
🇨🇦 Other Canada	1.0%	<b>1.2%</b>
<b>Total</b>	21.4%	<b>23.2%</b>

Continental Europe	2017	2018
🇪🇸 Spain	2.2%	<b>2.6%</b>
🇸🇪 Sweden	1.2%	<b>2.3%</b>
🇵🇹 Lisbon	2.6%	<b>1.6%</b>
🇵🇹 Porto	1.7%	<b>1.1%</b>
🇮🇹 Italy	1.0%	<b>0.4%</b>
🇩🇪 Germany	0.9%	<b>0.4%</b>
🇵🇹 Other Portugal	2.3%	<b>1.6%</b>
Other Europe	1.0%	<b>1.1%</b>
<b>Total</b>	12.9%	<b>11.1%</b>

Asia Pacific/Australia	2017	2018
🇭🇰 Hong Kong	6.3%	<b>6.7%</b>
🇯🇵 Tokyo	5.5%	<b>4.7%</b>
🇦🇺 Australia	0.8%	<b>1.0%</b>
🇨🇳 Nanjing	0.0%	<b>0.6%</b>
<b>Total</b>	12.6%	<b>13.0%</b>

South America	2017	2018
🇧🇷 São Paulo	1.6%	<b>1.0%</b>
Other South America	0.9%	<b>0.5%</b>
<b>Total</b>	2.5%	<b>1.5%</b>



## Our performance over 10 years

### Financial statements (£m)

<b>Income statement – proportional*</b>	2009	2010	2011	2012	2013	2014	2015	2016	2017	<b>2018</b>
Net property income	282.9	256.5	258.8	258.9	350.4	269.9	273.1	268.5	338.7	<b>336.0</b>
Administrative and other expenses	(123.8)	(123.8)	(120.5)	(118.8)	(128.6)	(127.3)	(134.2)	(139.0)	(147.8)	<b>(153.8)</b>
Net financing costs	(96.9)	(82.2)	(74.7)	(74.9)	(68.5)	(62.5)	(55.6)	(50.3)	(47.4)	<b>(51.2)</b>
<b>Group revenue profit</b>	<b>62.2</b>	<b>50.5</b>	<b>63.6</b>	<b>65.2</b>	<b>153.3</b>	<b>80.1</b>	<b>83.3</b>	<b>79.2</b>	<b>143.5</b>	<b>131.0</b>
Net gains/(losses) on revaluation and sale of investment properties	(307.9)	386.6	329.5	320.1	380.9	638.0	478.9	85.0	119.0	<b>117.5</b>
Other	(23.6)	(16.4)	(67.4)	(11.9)	(20.9)	(15.8)	(18.5)	(0.2)	(6.1)	<b>(34.0)</b>
Tax and non-controlling interests in joint ventures	33.5	(25.9)	(10.7)	(5.6)	(6.4)	(20.5)	(17.1)	(27.2)	(23.3)	<b>(17.9)</b>
<b>Profit/(loss) before tax</b>	<b>(235.8)</b>	<b>394.8</b>	<b>315.0</b>	<b>367.8</b>	<b>506.9</b>	<b>681.8</b>	<b>526.6</b>	<b>136.8</b>	<b>233.1</b>	<b>196.6</b>
<b>Balance sheet – proportional*</b>	2009	2010	2011	2012	2013	2014	2015	2016	2017	<b>2018</b>
Total property assets including share of joint ventures	5,221.9	5,031.0	5,358.9	5,440.7	5,491.4	6,001.2	6,674.6	6,509.5	6,843.2	<b>6,985.3</b>
Net debt	(1,762.3)	(1,567.8)	(1,606.4)	(1,454.0)	(1,140.6)	(1,031.4)	(1,298.8)	(834.0)	(1,205.1)	<b>(1,066.6)</b>
Deferred tax	(559.7)	(382.1)	(593.5)	(491.1)	(665.0)	(739.3)	(764.0)	(716.0)	(726.7)	<b>(673.5)</b>
Other assets and liabilities	(356.6)	(305.2)	(195.9)	(217.0)	(144.9)	(175.6)	(150.4)	(182.8)	(25.1)	<b>(218.2)</b>
Net assets	2,543.3	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	4,886.3	<b>5,027.0</b>
Minority interests	156.5	126.6	107.8	86.4	85.8	88.3	87.2	(1.6)	(2.1)	<b>(0.3)</b>
<b>Shareholders' funds</b>	<b>2,386.8</b>	<b>2,649.3</b>	<b>2,855.3</b>	<b>3,192.2</b>	<b>3,455.1</b>	<b>3,966.6</b>	<b>4,374.2</b>	<b>4,778.3</b>	<b>4,888.4</b>	<b>5,027.3</b>

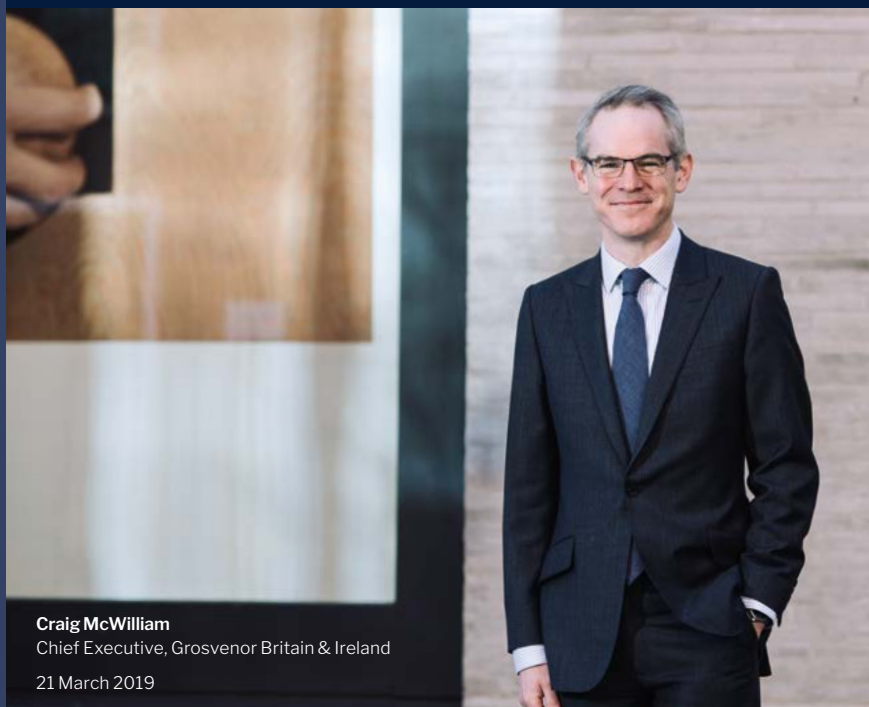
\* Non-statutory basis. Incorporates both wholly-owned Grosvenor entities and share of joint ventures and associates.





# Grosvenor Britain & Ireland





**Craig McWilliam**  
Chief Executive, Grosvenor Britain & Ireland  
21 March 2019

## ← New investment in London's West End – The 'South Molton Triangle'

We opened a public conversation on our proposals for new offices, shops and improved public realm in an important corner of our Mayfair estate bounded by Davies Street, Brook Street and South Molton Street – the 'South Molton Triangle'. The West End is ill-equipped to cope with the arrival of thousands of extra visitors expected from the Elizabeth Line.

Over a block covering one and a half acres near Bond Street, we hope to create a more welcoming and safer setting for pedestrians, greater life and a better mix of retail, food and offices, underlining our commitment to the success of the West End.

**£39.2m**

Revenue profit  
(2017: £48.4m)

**£5.3bn**

Assets under management  
(2017: £5.2bn)

**3.2%**

Total return  
(2017: 1.3%)

**-8%**

Like-for-like energy consumption  
(2017: -4%)

**1,397**

Total number of assets  
(2017: 1,457)

**-5%**

Like-for-like water consumption  
(2017: -6%)

The UK faces some unprecedented circumstances. Its appeal, resilience and capacity to evolve for everyone's benefit will be tested in the next few years. As long-term investors, we are committed to playing our part in a successful outcome.

In that context, we saw demand hold up in the capital, signed over 30 new retail and office tenants to our London estate, announced that we will invest £1bn in commercial stock and new public spaces to improve the West End's appeal and took substantial steps to deliver our development pipeline for much-needed new homes in the capital and across the South East. Our business achieved higher total return, higher like-for-like occupancy rates and higher net rental income compared to the previous two years.

Nonetheless, the external challenges are clear. First, the capital's population is expanding and we see the pressures on our communities, infrastructure and quality of life growing as a result. So we will invest in the West End – London's cultural and economic powerhouse – to ease those pressures. We are transforming our estate in Mayfair and Belgravia so that it works harder for Londoners and visitors in the West End by being more relevant, more integrated and greener – making a greater contribution to society.

Second, the housing shortage threatens our cities' ability to attract talent and investment. Across the South East of England we want to help ease that shortage, which is felt by too many. We have proposals for a new neighbourhood in Bermondsey, inner London, hosting rental and discounted rental homes accessible to those locked out of the housing market.

And we have plans for a pipeline of 30,000 homes in new neighbourhoods outside the capital.

All our ambitions come with the imperative to grow public trust in the planning system and the intentions of developers. We face a poor quality debate about growth that too often creates a stand-off between communities, councils and developers. The truth is, we have historically failed to describe development that is valuable in terms of the environment and society.

At the same time, we can no longer turn our backs on the accelerating depletion of the planet's resources. So we committed to new green goals, fixed in a charter with all our suppliers as a starting point. Across all our operations, we will be carbon neutral in the next 11 years, carbon positive longer term, and we will eradicate waste, cut air pollution and substantially grow biodiversity. In 2019, we will continue to integrate these ambitions into our business planning and delivery.

In parallel, we will expand a better quality conversation about our social value by challenging ourselves to be more inclusive, seeking new ideas from all in the business. We strengthened those efforts with training for all managers on unconscious bias as well as a new, industry-leading 26-week shared parental leave policy.

And we opened one of the largest canvassing of public views of trust in the planning system and developers. We tested appetite for a better discussion of the choices and trade-offs facing civic leaders, local people and the private sector. We will continue to open ourselves up to public opinion and grow understanding in all that we do.

### Share of property assets – By sector

Retail	£1,198m	34.9%
Residential	£1,138m	33.2%
Office	£1,044m	30.5%
Hotel	£49m	1.4%

### Share of property assets – By region

West End, London	£3,126m	91.2%
Other London	£275m	8.0%
Outside London	£28m	0.8%

### Share of property assets – By activity

Investment	£3,209m	93.6%
Development	£220m	6.4%



### ← Expansion plans for new homes across the south east of England

We announced plans to grow our development pipeline outside of London in the coming years. Acting as a master-developer, and in partnership with landowners, local authorities and housebuilders, we want to create a portfolio of as many as 30,000 homes in new neighbourhoods across the south east of England. We will focus on progressive, high-quality urban design and partner with public and private sector landowners in doing so.

We have a joint venture with Oxford City Council to deliver 900 new homes with infrastructure and amenities in the new neighbourhood of Barton Park in Oxfordshire. We promoted a 2,220-home neighbourhood in Oxfordshire – the Cotswolds Garden Village – and saw West Oxfordshire District Council adopt it in its local plan. And our award-winning partnership with the Universities Superannuation Scheme, is creating a distinctive community south west of Cambridge with over 1,200 homes.

### → Our bid to create a burgeoning new neighbourhood in Bermondsey

Community contact and investment has underpinned our bid to create a new neighbourhood in Bermondsey.

After six years of close engagement with the community, we are bringing through the planning system our proposals for an active, mixed-use neighbourhood that is woven into the fabric of the surrounding area and hosts at least 1,300 new rental homes, a new school, new offices and shops and better public realm.

In response to London's housing shortage, we want to invest in homes accessible to the increasingly overlooked majority of Londoners who cannot afford to buy, do not qualify for social housing and want the benefits of a secure, professionally-managed home to rent. These homes will be accessible to many in Southwark, including health workers at local hospitals and the 5,500 education and 2,700 public order and fire service workers who live within 2km of the site.







### ← Opening up North Mayfair with food market Mercato Metropolitano

We completed the £5m restoration of the Grade I listed St. Mark's church in Mayfair and reopened it to the public after decades in private use. We announced that Mercato Metropolitano, the first sustainable community market for conscientious food lovers, will launch there.

Mercato Metropolitano, which opened its first London market in a former paper factory in Elephant & Castle in 2016, will be a playground for food lovers and artisan food producers to meet, eat, buy, learn and share, offering cuisines from Britain and around the world.

The market promotes a healthy and sustainable approach to food by focusing on artisans and local producers, and by raising awareness of sustainability through its on-site urban farm, cookery lessons and cultural programmes of films, exhibitions and events.

### → A new service to support small retailers opening in London's West End

We launched a new Retail Concierge Service to ease the passage of independent retailers and start-ups taking physical space in the capital's retail heartland. We developed the service after research highlighted common frustrations felt by growing brands that are often time poor and on a budget. We offer pre-opening and ongoing support covering, amongst other things, store fit-out, utilities set-up, facilities management and marketing. Approximately two thirds of our retailers are independent brands and, for many, their first physical store is on our London estate.







### ↑ Eccleston Yards, a growing hub for independent businesses, entrepreneurs and creative talent

Through our management, we expanded the appeal of Eccleston Yards, and previously underused land on the boundaries of Victoria and Belgravia has been transformed into a hub for creative enterprise and co-working, with new tenants. Adding to occupiers already established there, we welcomed, amongst others, 50M, a fashion concept by Something & Son, which provides a world-first affordable retail space to rent by the metre, day or month; TailorMade, affordable high-quality bespoke tailors offering cutting edge 3D body scanning technology; and Jones Family Kitchen, a new restaurant from the team behind Jones Family Project in Shoreditch.

Eccleston Yards hosted three pop ups – Bella Buchanan, Duke & Dexter and Ana Heart – as well as a public ‘outdoor spa’ conceived and designed by the visionary designers Bompas & Parr. The installation showcased some of the latest scientifically-proven wellness trends and attracted over 2,000 visitors.

*“The West End attracts millions of people who want to sample its unbeatable mix of shops, theatres and major tourist attractions. I hope soon that these same people will be able to add Grosvenor Square to the long list of West End attractions.”*

**Jules Pipe**

London's Deputy Mayor for Planning, Skills and Regeneration



## ← An international call for ideas to transform Grosvenor Square

We opened an international call for ideas to make Grosvenor Square, London's second largest garden square, the city's leading public space for the 21st century.

Having taken back day-to-day management of the square, and following public polling last year, we invited designers, urban experts, architects, horticulturalists and creative thinkers from across the world to submit their ideas.

The call received positive commentary and media coverage and inspired young and experienced practitioners across disciplines to submit ideas. We received over 160 ideas from 19 countries. We gathered an independent panel of experts led by Yana Peel, CEO of the Serpentine Galleries, to examine these ideas, challenge our thinking and help shape our plans for delivery.

## → Our partnership with V&A and Belgravia in Bloom

We created a cultural partnership with the Victoria & Albert Museum to sponsor its highly anticipated exhibition, 'Frida Kahlo: Making Her Self Up'. The exhibition, one of the museum's most visited, honoured one of the most recognised and significant female artists of the 20th century with her personal items and clothing.

In turn, Belgravia in Bloom, Belgravia's floral festival, took its inspiration from the exhibition and included an interactive installation called Frida's Parlour on Elizabeth Street, as well as Frida-inspired products in shops.

### Live in the Square

In partnership with some of London's best-known cultural institutions, we produced 'Live in the Square', a series of music, theatre and dance events in Grosvenor Square open to the public. Audiences welcomed performances from the English National Ballet, Sister Sledge, St Germain and Ronnie Scott's Big Band.



## Grosvenor Britain & Ireland Board of Directors

as at 21 March 2019

**Graham Pimlott CBE**  
Chairman  
Non-Executive Director

**Dawn Airey**  
Non-Executive Director

**Stephen Lovegrove**  
Non-Executive Director

**Heather Rabbatts DBE**  
Non-Executive Director

**Nicholas Scarles FCA, Attorney at Law**  
Non-Executive Director  
Group Finance Director

**Peter Vernon FRICS**  
Non-Executive Director  
Group Executive Director

**Craig McWilliam FRICS**  
Executive Director  
Chief Executive

**Roger Blundell FCA**  
Executive Director  
Finance Director

**Simon Harding-Roots**  
Executive Director, Major Projects

**Jorge Mendonça**  
Executive Director, Grosvenor Developments









**Steve O'Connell**  
Chief Executive, Grosvenor Americas  
21 March 2019

## ← New life in an historic square

Sales at 288 Pacific commenced in late February 2018 and received an overwhelming response from the market with 19 homes sold in under three months. This 33-unit boutique mixed-use development, located in historic Jackson Square, provides buyers a rare opportunity to own a home in a neighbourhood that has seen no new development in the last 30 years.

2018 was another highly successful year for all aspects of our business in North America. While our domestic economies remain strong going into 2019, volatility in international trade and rising interest rates are contributing to a cautious sentiment among investors and concern about the duration of this recovery.

As a long-term urban investor, we manage cyclical risk by maintaining a diversified core portfolio of highly desirable assets that act as a foundation for our entrepreneurial activities. The stability that this approach provides enables us to continuously prioritise the quality of our work while striving to make a positive contribution to the communities in which we invest.

In 2018, our Investment team sold four properties and acquired two in high-quality locations in Seattle and San Francisco. By year end, we increased the occupancy of our North American Investment portfolio to over 95%. Our Investment team continues to find creative and entrepreneurial investment opportunities in vibrant locations that allow us to use our significant refurbishment and improvement skills to enhance neighbourhoods and generate value for Grosvenor and our partners.

Our development teams continue to deliver at the highest levels of quality; as we complete our existing collection of properties in rarely available locations, we are planning for the next cycle by actively advancing a C\$3bn pipeline of future projects.

Construction is progressing at Grosvenor Ambleside and The Pacific in Vancouver; as well as at Crescent, our residential development on top of Nob Hill in San Francisco. We are now looking to the future with the redevelopment of three city blocks in San Francisco's Presidio Heights neighbourhood, a transformative high-rise apartment project in downtown Berkeley, California, and large-scale residential projects in the vibrant Union Market district of Washington, D.C. and in Vancouver.

Our Structured Development Finance programme continues to deliver superior results by strategically investing in development opportunities that fall outside of our direct development activities. In 2018, the team closed its largest loan to-date in Orange County, California, among several other loans. Through this programme, we lend to our peers in the industry and in doing so, help add to the housing supply.

In 2019, we will continue to actively improve the quality of our Investment portfolio while we look to the future with our Development and Structured Development Finance programmes. Our people, and the quality of our work, will ensure that our activities make a positive contribution to the vibrant neighbourhoods in which we invest. This, together with our long-term approach, ensures that we are well positioned for cyclical change and to continue to strengthen our reputation as a pre-eminent, long-term urban investor and developer.

**C\$67.4m**

Revenue profit  
(2017: C\$120.7m)

**C\$5.2bn**

Assets under management  
(2017: C\$5.0bn)

**5.7%**

Total return  
(2017: 8.9%)

**7%**

Like-for-like energy consumption  
(2017: -6%)

**54**

Total number of assets  
(2017: 49)

**3%**

Like-for-like water consumption  
(2017: -4%)

### Share of property assets – By sector

Residential	C\$961m	39.5%
Retail	C\$753m	31.0%
Office	C\$441m	18.1%
Industrial	C\$257m	10.6%
Hotel	C\$21m	0.8%

### Share of property assets – By region

USA	C\$1,704m	70%
Canada	C\$729m	30%

### Share of property assets – By activity

Investment	C\$2,170m	89.2%
Development	C\$263m	10.8%

### ↓ Connaught set to revive a much-loved restaurant

Connaught, our mixed-use development in North Vancouver's Edgemont Village, will complete in Spring 2019. The development of 82 homes will provide residents and the local community with public art, generous public space for social interaction, and new retailers, including a full-service grocery store.

It will also bring older establishments back to life. Later in 2019, Café Norte, a much-loved Mexican restaurant which closed its doors in 1998 despite local efforts to keep it running, will reopen at Connaught as Cantina Norte.



### ↑ Improving community spaces for residents

Our residential programme focuses on creating opportunities for our residents to interact with their neighbours. With this in mind, our 2018 renovations programme converted the seldom-used tennis court at our 648-unit community at Gaithersburg, Maryland, into a multi-purpose outdoor complex featuring BBQ pits, TVs and fireplaces. We also improved the dog park, built an outdoor and indoor gym and installed a new complimentary coffee bar, business centre and public lounge. Similar facilities were installed or upgraded to cater to our residents at The Row Townhouses in Bellevue, Washington, and at Juanita Village in Kirkland, Washington. All three projects received industry awards for renovation excellence.

In Seattle, Washington, we acquired a new apartment building – Union Park – and our renovation plans include installing bike sharing facilities and revitalising the park to create a unique sense of place and community.





### Revitalising West Vancouver's waterfront community

During the year, the first phase of Grosvenor Ambleside, our mixed-use West Vancouver development, was completed. The project has set a new standard for high-quality, mixed-use residential development in the region. Importantly, it has also helped to revitalise West Vancouver's beloved waterfront neighbourhood. In 2018, three popular local restaurateurs and a high-quality grocer opened in the new development and all are performing well. Following last year's unveiling of an iconic art installation by Douglas Coupland, OBC, which we gifted to the community, we have commissioned three additional public art pieces by the artist, which will be installed upon completion of Phase II.





### ↓ New life on a hospital site

In late 2018, we announced our partnership with TMG Partners to develop the five-acre California Pacific Medical Center site in San Francisco's prestigious Presidio Heights neighbourhood.

The redevelopment will transform the campus from a large-scale hospital to a residential development comprising up to 273 units over 37 new buildings.

The design of the project, envisioned by Robert A.M. Stern Architects (RAMSA), one of the world's leading residential architecture firms, will be firmly embedded in the history and character of the neighbourhood.

### → Financing the creation of new homes

As part of our Structured Development Finance programme, our co-investment team works with best-in-class local developers to provide debt financing on residential projects. The team benefits from our in-house development and construction expertise when working with our developer partners.

During the year, the team closed a deal with local developer Mosaic on their Emery Village in North Vancouver. The redevelopment will provide much needed additional housing and rental stock in a district which has a current rental vacancy rate of just 0.3%.



*"We are delighted to be partnering with Grosvenor, a world-class investment and development company with a proven track record in creating extraordinary developments locally in San Francisco and across the world."*

**Matt Field**  
Chief Investment Officer, TMG Partners







### ↑ Sharing perspectives on demographic change

Following publication of the Group's megatrends report, 'Silver cities', we hosted the second in our series of speaker events in Washington, D.C. On this occasion, we focused on the impact of an ageing population on our cities. The discussion was wide-ranging, reflecting the breadth of the speaker panel and the invited audience.

However, there was no doubt about the need for more inclusive and affordable housing for seniors, and in particular for developers and technology firms to work together to design and implement new solutions to this challenge.

### ↓ Restoring a church in the heart of a community

Central, an award-winning mixed-use rental community located in Silver Spring, Maryland, opened its doors to residents in Autumn 2017.

As part of the development, we worked with the local planning authority and architect to rebuild a church which had stood on the site for over 50 years. We also built a brand new public playground used by the church's children's daycare. The church opened in Spring 2018.



### Grosvenor Americas Board of Directors

as at 21 March 2019

**Sarah Morgan-Silvester** oBc  
Chairman  
Non-Executive Director

**Gordon Campbell** oBc  
Non-Executive Director

**Ellen Hall**  
Non-Executive Director

**Nicholas Scarles** FCA, Attorney at Law  
Non-Executive Director  
Group Finance Director

**Peter Vernon** FRICS  
Non-Executive Director  
Group Executive Director

**Steve O'Connell**  
Executive Director  
Chief Executive

**Graham Drexel** CPA, CA  
Executive Director  
Chief Financial Officer

**James Patillo**  
Executive Director  
Chief Development Officer



# Grosvenor Asia Pacific







**Benjamin Cha**  
Chief Executive, Grosvenor Asia Pacific  
21 March 2019

## ← Namikikan Ginza broadens retail mix

Leasing activity at Namikikan Ginza, our retail asset in Ginza, Tokyo, was strong with occupancy doubling from 40% to 80% throughout the year. The building succeeded in attracting a dynamic mix of lifestyle-oriented brands including Favy, a restaurant incubator; Mittness, a women's kick-boxing gym; LOIVE, a projection mapping yoga studio and a showroom for Kering Eyewear.

**HK\$280.4m**

Revenue profit  
(2017: HK\$69.8m)

**HK\$9.9bn**

Assets under management  
(2017: HK\$9.4bn)

**6.6%**

Total return  
(2017: 7.2 %)

**-6%**

Like-for-like energy consumption  
(2017: +0%)

**9**

Total number of assets  
(2017: 9)

**-7%**

Like-for-like water consumption  
(2017: -1%)

## 2018 performance

Our 2018 results exceeded expectations – focus markets were generally underpinned by healthy fundamentals and robust capital demand. The first half of the year was characterised by above-trend economic performance, rental growth and intense capital market competition. This led to beneficial valuation increases – in our PCCW Tower office investment in Hong Kong, for example.

We accelerated the disposal of one of our non-core assets, Opus Arisugawa, a high-end apartment building located in a prime residential area in Tokyo, achieving a strong result. In addition, we had good leasing traction in Namikikan Ginza, a prime retail asset in Tokyo, and positive rental results across the portfolio.

Our Board endorsed a modification of our strategy as it relates to mainland China, where we will prioritise working through strategic joint ventures. The basis for this change was an acknowledgement of the relative scale and nature of our business against a competitive environment which has changed dramatically since Grosvenor first invested in the China market 11 years ago.

We executed against this new direction by forging a strategic joint venture with Chinese developer Forte Land for the residential component of a mixed-use development project now underway in Nanjing.

We aim to have a positive impact on the communities in which we are active.

In September 2018, we opened the Neighbourhood Kitchen with Caritas Mok Cheung Sui Kun Community Centre, Hong Kong. This project is located in Kennedy Town – a sub-market in which we have invested and continue to have a positive view.

In November 2018, we welcomed Sing Cheong Liu, founder of Evergreen Real Estate Consultants Ltd, to our Board. He formally took on the role of Chairman in March 2019, and succeeds Keith Kerr who served on Grosvenor Asia Pacific's Board since 2013. We thank Keith for his wise counsel over the years.

## Looking ahead

At present, investor sentiment towards the China market is mixed, and significant new areas of risk have emerged as a consequence of the US-China trade war and what appears to potentially be a new era of adversarial US-China relations. Nevertheless, we believe that transition in the Chinese economy has been taking place for several years now and prospects in many spheres, such as technology, remain very positive.

In Hong Kong, our portfolio continues to be weighted towards PCCW Tower. We remain positive about the market's medium-term prospects given the increasing integration of Hong Kong with Shenzhen and Guangzhou.

In Tokyo, we continue to diversify beyond the high-end residential sector and remain positive about the retail sector, while our interest in establishing a development capability in the market endures.

### Share of property assets – By sector

Office	HK\$3,935m	47.0%
Residential	HK\$2,324m	27.8%
Retail	HK\$2,109m	25.2%

### Share of property assets – By region

Hong Kong	HK\$4,681m	55.9%
Japan	HK\$3,252m	38.9%
China	HK\$435m	5.2%

### Share of property assets – By activity

Investment	HK\$7,331m	87.6%
Development	HK\$1,037m	12.4%





### ↑ Successful sale of Opus Arisugawa Terrace and Residence

In November 2018, we completed the en-bloc sale of our holdings in our luxury residential property, Opus Arisugawa Terrace and Residence, located near Arisugawa Park in Tokyo's Minami Azabu neighbourhood. We acquired 77% of the units in 2013 and undertook a renovation programme to further enhance the high standards enjoyed by residents. An extensive global sales process, with dozens of potential bidders expressing interest, was successful in ensuring a strong commercial return on our initial investment.

This photograph has been edited and is for reference only





### ← Jardine's Lookout residential development completes

Only a 15-minute drive to the city centre and surrounded by some of Hong Kong's most scenic hills – Mount Nicholson, Violet Hill and Mount Butler – our latest Hong Kong residences offer spacious apartments with expansive mountain views.

The show suites feature the work of international designers and incorporate premium Italian stone in a glass curtain wall, with metallic detailing to accentuate the building's curves. Apartments range in size from 260m<sup>2</sup> to 630m<sup>2</sup>. The residences were developed by Couture Homes Properties with investment from Asia Standard International Group Limited and Grosvenor Asia Pacific.

*"The benefits of home cooking at our facility go beyond access to nutritious meals – the space encourages kitchen users to develop a stronger sense of community through the planning and preparation of food."*

**Benjamin Sin**

Social Work Supervisor, Caritas Mok Cheung Sui Kun Community Centre, Hong Kong



### ← Neighbourhood Kitchen for low-income families opens in Hong Kong

Together with Caritas Mok Cheung Sui Kun Community Centre, we opened our first Neighbourhood Kitchen in Shek Tong Tsui in September 2018. Aimed at residents living in sub-divided flats, the purpose of the Kitchen is to improve the living standards of low-income families.

The Kitchen is furnished with professional food storage facilities and all the equipment needed to cook and bond over meals with family and friends. Supported by charity partners, local restaurants and businesses, fresh ingredients are provided to the Kitchen every day.

Since opening, we have welcomed approximately 50 registered members and received almost 900 drop-in visitors. In April 2019, members will share their favourite stories and recipes by creating a Neighbourhood Cookbook. All profits from the sale of the books will be donated to Caritas.



### ↓ Forging a partnership to develop a residential community in Nanjing's university district

In 2018, we entered a strategic partnership with Forte Land in Nanjing, China. The project will consist of 168 residences, serviced apartments, and a hotel built across a 99,300m<sup>2</sup> site.

The project calls for the development of a low-density community set in a natural environment in the university district in the eastern suburb of Nanjing city, in addition to the conversion of the surrounding hillside area for recreational use. Construction is set to start in mid-2019.



CGI



### ↑ New app to foster community engagement

At the Grosvenor Place Kamizono-cho (GPK) Christmas party in Tokyo in December 2018, we unveiled the first community app for residents of the property. Not only does the app provide useful information for residents, it also allows us to communicate directly with them. The app features building announcements, photos from resident events, PDF versions of all appliance manuals, and a library for parents to exchange toys, books and clothes.

*“The app allows us to interact directly with our residents and provide real-time information and assistance. It is designed to be used alongside other great ‘live’ amenities already provided, such as our concierge service, and also allows residents to interact with each other, furthering the sense of community at GPK.”*

**Kevin Kincaid**

Director of Digital & IT Programme and Development, Grosvenor Group

### ↓ Encouraging more walking and talking in Hong Kong

In 2018, we sponsored the Walk DVRC International Design Competition. Des Voeux Road Central (or 'DVRC') is a high-traffic street in the heart of the city centre, located a stone's throw from our Hong Kong office. The purpose of the competition was to encourage people to generate ideas on how to pedestrianise a 1.4km stretch of the road.

The winners – MLA+ (team lead), Mobility in Chain (transport), and dmau (design) – spoke at the Business of Design Week conference in Hong Kong, officiated by Hong Kong's Chief Executive, Carrie Lam. Their idea was to redesign DVRC by organising it around a community square, with five iconic tram stops and elevated parks above each of them.



## Grosvenor Asia Pacific Board of Directors

as at 21 March 2019

### Sing Cheong Liu

Chairman  
Non-Executive Director

### John Harrison

Non-Executive Director

### Yoshikazu Kato

Non-Executive Director

### Nicholas Scarles FCA, Attorney at Law

Non-Executive Director  
Group Finance Director

### Peter Vernon FRICS

Non-Executive Director  
Group Executive Director

### Benjamin Cha

Executive Director  
Chief Executive

### Ian Mair

Executive Director  
Chief Operating Officer and  
Regional Finance Director







## ← Implementing an acquisitive strategy

In 2018, we continued to diversify our portfolio geographically and by sector. We made a series of strategic acquisitions in Stockholm and Madrid, including our first wholly-owned properties as an Operating Company.

The year was bookended by deals in Madrid; our first acquisition was Garcia de Paredes, a residential scheme that we will redevelop into sought after apartments for sale. In December, we acquired our first office building in the city.

In Stockholm, we purchased Lidingö Centrum, a 19,900m<sup>2</sup> mixed-use scheme that serves as the dominant convenience destination in the local area. It will secure an ongoing rental income from 42 tenants, provide opportunities to add value and further strengthen our market position.



**James Raynor**  
Chief Executive, Grosvenor Europe  
21 March 2019

Geopolitical risk was a dominant factor across our European markets in 2018 causing varying degrees of uncertainty. In addition, market pricing remains high in many locations, resulting in a more competitive investment environment where innovation is required to find value.

The retail sector continued to be put under pressure, yet the overarching apocalyptic narrative remains overhyped and we should remain mindful that the retail landscape is different from one country to another. Yes, we must address the increasing difficulties the industry faces, however opportunities remain to secure lasting success.

In Sweden, our dedication to driving value saw our assets buck declining trends and, in the UK, we are extremely proud of the accomplishments of Liverpool ONE; its underlying performance remains strong. We will continue to push ourselves to retain our position as a leader in retail; deepening knowledge of customers' evolving demands, preparing occupiers to adapt, and investing in technology and our properties to make them more attractive.

Elsewhere, we made significant progress with our planned residential developments in Madrid, and in Paris we established a new joint venture that focuses on developing office assets. We were also delighted to appoint Sébastien Hyst as Chief Financial Officer, following Robert Davis's appointment as the new Group Finance Director.

## 2018 performance

Total revenues in 2018 increased to £45.9m (2017: £29.0m) and revenue profit was

£11.6m (2017: £0.6m loss), following the acquisition of our first wholly-owned properties, which increased our net rental income. Our profitability was further enhanced by the crystallisation of performance fees. Our total return was 3.3% (2017: 1.1%), while assets under management stand at £2.0bn (2017: £2.4bn) following some tactical sales as we continued to adjust our portfolio.

## A long-term outlook

Delivering lasting social benefit, as well as a strong commercial performance, sits at the heart of what we do. We want our assets to contribute to the success of the communities we work in, as is already the case in Liverpool and Stockholm, and we will work continuously to improve our sustainability performance, trying to address climatic challenges.

We will continue to progress our residential development projects in Madrid. With several projects now under construction, we anticipate a significant growth in unit sales, enabling capital to be recycled to further our pipeline and market position. We are also confident we will capitalise on the progress we have made in Paris and make investments in our joint venture.

As some European markets move towards the top of their cycles, we will be disciplined in our underwriting, but will take opportunities, since our long-term outlook allows us to accept some initial volatility. We will consider strong income producing assets or properties where we see a legitimate path to delivering improvements and adding value. Overall, we will continue to adapt to market challenges as we grow our capabilities to deliver lasting value.

**£11.6m**  
Revenue profit  
(2017: £(0.6)m)

**£2.0bn**  
Assets under management  
(2017: £2.4bn)

**3.3%**  
Total return  
(2017: 1.1%)

**+5%**  
Like-for-like energy consumption  
(2017: -2%)

**15**  
Total number of assets  
(2017: 13)

**-22%**  
Like-for-like water consumption  
(2017: -5%)

### Share of property assets – By sector

Retail	£253m	66.4%
Office	£81m	21.1%
Residential	£48m	12.5%

### Share of property assets – By region

Sweden	£161m	42.1%
Spain	£112m	29.3%
UK	£109m	28.6%

### Share of property assets – By activity

Investment	£364m	95.4%
Development	£18m	4.6%



### ↓ Active management of Skärholmen drives performance turnaround

Skärholmen Centrum in southern Stockholm celebrated its 50th anniversary in 2018 with a community celebration. Grosvenor may have only acquired the asset in 2015, but, through active management, we have delivered a sizeable impact to ensure the centre remains the heart of the community long into the future.

Our strategy has focused on diversifying uses within the centre, increasing the share of food and beverage and welcoming large leisure providers such as Pitches, a leading leisure and dining venue.

The second element of our strategy was to attract international retail brands, and, in 2018, we welcomed Afound and JD Sports. Combined with an additional 35 new leases signed in the centre during 2018, it led to increased turnover and 5t footfall.

Our active management was also recognised at Väsby Centrum in northern Stockholm, which was named the shopping centre with the most improved satisfied customer index in the annual Evimetrix shopping centre survey.



*“We have respected the architectural quality of the neighbourhood without cutting back on contemporary comforts. The mix of traditional and modern elements has made it possible for history and innovation to blend together most magnificently.”*

Joaquin Sainz de Vicuña  
Founding Partner, BSV Architects



### ← Reviving heritage in Madrid

We are driven by a desire to make buildings and places better, but also to retain the important heritage of the neighbourhoods in which we operate.

In Madrid, we began the refurbishment of two residential schemes, La Esquina de General Arrando and Garcia de Paredes. Working closely with prestigious architectural practices, we are preserving the classic architecture of the Chamberí neighbourhood, while offering new modern homes and amenities, including terraces, a gym and bicycle storage, to suit the growing demand for more sustainable transport options in the city.

### → Recognition for our responsible and sustainable investment

Our commitment to sustainability continued in 2018 with Grosvenor Europe again achieving five Green Stars in the annual Global Real Estate Sustainability Benchmark (GRESB).

Our Grosvenor European Retail Partnership Fund, which owns a portfolio of Swedish shopping centres, including Väsby Centrum, was recognised for its ambitious new sustainability targets. It secured four Green Stars and ranked 20 points ahead of the GRESB average, following the BREEAM certification of three centres and a reduction in energy consumption by 1.5% and water usage by 16.2%.

Liverpool ONE retained five Green Stars, achieving a 14% reduction in electricity consumption due to an increased contribution from solar power generated energy.









### ← Liverpool ONE: a lasting legacy for the people of Liverpool

Liverpool ONE, a transformative mixed-use scheme in the heart of Liverpool, has enjoyed phenomenal success over the past decade, and has contributed greatly to the growth of the wider Liverpool City Region.

To mark its 10th anniversary, we commissioned an impact assessment report to consider the wide-reaching impact the scheme has had on the wider Liverpool City Region.

Liverpool ONE has helped the city:

- attract over £8.6bn of investment;
- deliver £3.3bn in total Gross Value Added (GVA) to the Liverpool City Region;
- create just under 5,000 jobs for residents in the region; and
- welcome over 286 million visitors since opening in 2008.

As well as contributing to the local economy, we have donated £2m to the community via the Liverpool ONE Foundation, an enterprise set up before Liverpool ONE opened to provide support to community projects across the city region.

The Foundation has directly assisted 339 community and voluntary projects, reached an estimated 380,000 people, the equivalent of one in six of the Liverpool City Region's population. This is in addition to a £2m endowment that has built up since Liverpool ONE opened.

### ↓ Deepening partner relationships

In 2018, we continued to develop our relationships with partners to create additional investment opportunities and to move more swiftly in competitive markets.

We expanded our Spanish joint venture with Malaysian publicly listed company Amcorp Properties Berhad (Amprop). The development capacity of the joint venture now stands at over €200m, reflecting a mutual appreciation of the current success of the partnership.

In Paris, we agreed a €160m joint venture with PartnerRE, the reinsurance business owned by Exor, the holding company representing the Agnelli family's business interests. The joint venture will invest in a portfolio of office value-add refurbishment projects in Paris, where we have been active for over 20 years.



CGI

### Grosvenor Europe Board of Directors

as at 21 March 2019

**Jonathan Lane**  
Chairman  
Non-Executive Director

**Patricia Abril**  
Non-Executive Director

**Olivier Piani**  
Non-Executive Director

**Mark Preston FRICS**  
Non-Executive Director  
Group Chief Executive

**Nicholas Scarles FCA, Attorney at Law**  
Non-Executive Director  
Group Finance Director

**James Raynor**  
Executive Director  
Chief Executive

**Robert Davis**  
Executive Director  
Chief Financial Officer

**Sara Lucas**  
Executive Director, Portfolio Management





# Indirect Investment







**Chris Taite**  
Managing Director, Indirect Investment  
21 March 2019

## ← Rebalancing our portfolio by selling shares in Sonae Sierra

In September, our team sold a 20% share of Sonae Sierra, in a strategic move that released €255.9m of capital to reinvest into new projects that will help us deliver lasting commercial and social benefit. Sonae Sierra is an international retail real estate specialist, active in investment, development and management, providing professional services in all three areas. Overall, it manages 100 owned and third-parties' shopping centres and retail real estate assets, and is present in 15 countries across Europe, South America and Africa. Grosvenor's involvement with Sonae Sierra began with a minority investment of 18.75% in 1996, which we have increased gradually over 20 years. In 2016, we increased our share to 50% and became joint owner alongside Sonae SGPS, the Portuguese-based retail, telecommunications and financial services group.

The decision to reduce our shareholding in Sonae Sierra is an important step in the rebalancing of our property portfolio in the continued pursuit of the Group's established international diversification strategy. Sonae Sierra remains a significant investment and we look forward to continuing our strong relationship with them. In 2018, the company delivered strong financial results, supported by robust rental growth and the continued growth of its services business. It also expanded several shopping centres in Europe and opened its first in Colombia.

The Indirect Investment business enjoyed another productive year in 2018: committing £102m of additional capital to both new and existing specialist partners; securing a partial exit from its investment in Sonae Sierra; and overseeing and helping to manage the business plans of its 11 global partners across four continents. Financial performance was strong, with both Sonae Sierra and other third-party managed investments delivering increases in revenue profit, although the partial sale of Sonae Sierra with the consequent loss of income had the effect of reducing overall profit year-on-year. Indirect Investment diversifies the Group's property portfolio by backing specialist third-party managers with strong investment propositions, in sectors or countries which Grosvenor could not otherwise access directly through its Operating Companies.

In 2017, we stated our intention to continue to capitalise on growth trends that are less dependent on the economic cycle. Consistent with this theme, in 2018, we committed new capital to: US Student Accommodation with Alden Street Capital (US\$71m); Australian Healthcare investments with Heathley (AUS\$48m); and US Affordable Workforce Housing, with a private US-based Fund Manager (US\$25m). Each of these investments provides strong resilient income with defensive qualities that will continue to deliver through an economic cycle.

Grosvenor has been a substantial shareholder in Sonae Sierra, the European and Brazilian retail real estate specialist, for over 20 years. In September 2018, Grosvenor sold a 20% shareholding to Sonae SGPS, resulting in Grosvenor's interest in Sonae Sierra falling to 30% and Sonae SGPS now holding 70% (see story to the left).

Within the existing investments, we began full portfolio exits for two industrial portfolios in the UK and Spain (IO group and Kefren Capital, respectively) which have both exceeded their business plans. Similarly, in Australia, the sale of the office investment portfolio managed by Propertylink completed in February 2019 at pricing well in excess of the business plan. A significant milestone was achieved in Kilbride's proposed West Midlands Interchange – a rail-served logistics planning project in the UK, in which Grosvenor is a significant shareholder – when, in August, the planning application was formally accepted by the Planning Inspectorate.

With planned investment exits at the start of 2019, the challenge will be to continue to find and execute new opportunities to deliver strong risk-adjusted returns, while managing the existing portfolio. As well as a continued focus on counter-cyclical investments, we are beginning to see signs of pricing correction in some mature markets which will bring opportunity. With an expanded team, we are now well-positioned to deliver an ambitious investment programme.

**£33.6m**  
Revenue profit  
(2017: £35.9m)

**£531.7m**  
Equity invested  
(2017: £628.1m)

**9.1%**  
Total return  
(2017: 8.5%)

**14**  
Total number of investments  
(2017: 12)

### Share of property assets – By sector

Retail	£594m	63.6%
Industrial	£105m	11.2%
Office	£62m	6.6%
Other	£174m	18.6%

### Share of property assets – By region

Continental Europe	£506m	54.1%
USA	£221m	23.6%
Brazil	£98m	10.5%
Australia	£69m	7.4%
UK	£38m	4.1%
Africa	£3m	0.3%

### Share of property assets – By activity

Investment	£905m	96.8%
Development	£30m	3.2%





### ↑ Investing in sustainable building technologies

CarbonCure is leading a global movement to transform CO<sub>2</sub> into a valuable commodity – concrete. The company's aim is to work with partners to save up to 700 megatonnes of CO<sub>2</sub> emissions every year by injecting recycled CO<sub>2</sub> into fresh concrete, in turn reducing the amount of cement content needed. The CarbonCure technology means that concrete producers benefit from improved operations, while designers and developers have the ability to reduce the carbon footprint of their building projects.

Through our investment in the GreenSoil Building Innovation Fund, which backed CarbonCure in May 2018, the business is able to reach more customers internationally; helping more construction projects reduce their environmental impact by storing CO<sub>2</sub> in the built environment that would otherwise end up in the atmosphere, while also reducing the CO<sub>2</sub> footprint of their product with lower cement volumes.







### ← Our first move into the healthcare sector

In 2018, we closed our first investment in the healthcare sector when we partnered with Heathley to invest in high-quality strategic healthcare property in Australia. The investment demonstrates our continued commitment both to diversifying the Group's property portfolio and to the Australian market.

The joint venture's first investments are the Mater Women's and Children's Hospital, Townsville, and the Westside Private Hospital, Brisbane. Both hospitals provide much-needed healthcare facilities for their local communities and respond to a growing trend for major healthcare service providers, such as specialist cancer care facilities, to co-locate with strong hospital operators.

We are looking to grow our exposure to the healthcare sector and, in addition to working closely with Heathley to expand the portfolio with them, we are actively seeking further specialist partners with whom to invest globally.

### ↓ Providing high-quality facilities to businesses

We have had a partnership with IO Asset Management since 2012 and our current investment vehicle, IO2, has provided us with exposure to high-yielding, multi-let industrial properties. Through acquiring and improving industrial units, we are able to support 263 businesses across the UK by providing high-quality, professionally managed premises.





### Building social housing communities in the US

In 2018, we committed US\$25m to Bridge Investment Group's (Bridge) Workforce & Affordable Housing Fund. The Fund was established to address the considerable imbalance between affordable housing demand and supply in the US; preserving affordable housing communities while delivering commercial results for investors.

At each property, Bridge sponsors community programmes to advance social mobility and meet the most pressing needs of residents. Initiatives include providing functional amenities such as educational services, tutoring, career counselling, safe and engaging play areas for children, exercise facilities and vibrant social programmes.

A market leader in the preservation and rehabilitation of workforce and affordable housing in the US, Bridge has owned and sustainably operated over 60,000 multifamily units across the country over the past 27 years.

*"We are excited to be working with a partner that supports our mission to provide affordable housing communities that promote social mobility."*

Inna Khidekel  
Partner, Capital Markets, Bridge Investment Group



### ↑ Expanding our student housing portfolio

In 2017, we formed a joint venture with Alden Street Capital (Alden) to invest in student accommodation across the US. The vehicle has delivered strong results to date and, in 2018, we increased our commitment to the joint venture to enable them to expand the portfolio.

Alden acquires assets in need of repositioning and invests in improving both the physical and the social management of the buildings to create higher quality, better managed product and living environments where students can thrive. The portfolio currently contains four properties in Florida, Texas, Louisiana and Arizona, providing around 2,500 beds for students.





### ◀ Delivering socio-economic benefits locally and nationally

Four Ashes Ltd is a three-way partnership led by Kilbride Holdings, backed by both the Grosvenor Indirect Investment team and Piers Monkton, the majority landowner.

In response to UK Government policy that identifies a need to improve rail freight provision and to create faster, more reliable transport links in the UK, Four Ashes Ltd is bringing forward a new strategic rail freight interchange in the West Midlands – the West Midlands Interchange (WMI). The WMI aims to ensure the UK's manufacturing and exporting businesses stay competitive at home and abroad.

A Development Consent Order submitted for the WMI to the national Planning Inspectorate was accepted for Examination earlier this year. If the scheme is approved, the WMI will have the capacity to deliver socio-economic benefits to both the local and the national economies including:

- the creation of approximately 8,550 direct jobs;
- the generation of approximately £427m of local economic activity and £912m of national economic activity annually through the supply chain; and
- helping to reduce emissions by facilitating and encouraging the shift of goods from road to rail: rail freight produces 70% less carbon dioxide, up to 15 times lower nitrogen oxide emissions and nearly 90% lower particulate emissions than road freight tonne-for-tonne.

## Group Investment Committee

as at 21 March 2019

**Mark Preston FRICS**  
Group Chief Executive

**Nicholas Scarles FCA, Attorney at Law**  
Group Finance Director

**Graham Parry**  
Group Research Director



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## Follow us on social media



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### LinkedIn

Grosvenor Group



### Instagram

@grosvenor\_asia  
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@grosvenor\_europe

\* from 1 June 2019.

\*\* from 24 June 2019.

# Glossary

## Assets under management

The total investment in property assets managed by the Group, including the future costs of committed developments.

## Building Research Establishment Environmental Assessment Method (BREEAM)

A method of assessing, rating and certifying the sustainability of buildings. Originated in the UK, but used in over 70 countries.

## Capitalisation rate

The rate of return on a real estate investment property based on the income that the property is expected to generate. It is calculated by dividing the net operating income by the property asset value.

## CGI

Computer-generated image.

## Co-investment

Where Grosvenor invests equity in joint ventures or fund vehicles alongside third parties.

## Currency

Financial information is presented in Sterling, with the exception of the Operating Company-specific sections on pages 36-47, where it is presented in the principal currency of the respective Operating Company.

## Development pipeline

The development programme, including proposed projects that are not yet committed but are likely to proceed.

## Development property

A property that is being developed for future use as an investment property.

## Economic interest

Grosvenor's equity interest in properties (or debt) after deducting the share attributable to minority investors.

## Financial capacity

Wholly-owned unrestricted cash and undrawn committed facilities.

## Gearing

Total short- and long-term borrowings, including bank overdrafts, less cash and cash deposits, as a percentage of Shareholders' funds.

## Global Real Estate Sustainability Benchmark (GRESB)

A real estate industry-driven organisation committed to assessing the Environmental, Social, Governance (ESG) performance of real assets globally, including real estate portfolios and infrastructure assets.

## Group

Grosvenor Group Limited and its subsidiary undertakings.

## Gross Value Added (GVA)

An economic productivity metric that measures the value of goods and services produced in an area, industry or sector of an economy.

## IFRS

International Financial Reporting Standard(s).

## Indirect investment

Grosvenor capital invested with third-party specialists who are responsible for the day-to-day management and business plan delivery of the opportunity.

## Investment property

A property that is held for the purposes of earning rental income or for capital appreciation or both.

## Joint venture

An entity in which the Group invests and which it controls jointly with the other investors.

## Like-for-like

A portfolio of assets that has been in our management control for two years or more, also known as the 'static' portfolio.

## London estate

Grosvenor's portfolio of properties in the Mayfair and Belgravia areas of London's West End.

## Occupancy rate

The average occupancy by floor area for the relevant year.

## Operating Companies

Grosvenor's regional investment and development businesses.

## Property assets

Investments in property and property-related instruments: comprises investment properties, development properties, trading properties, mezzanine loans and equity investments in property companies.

## Proportional

The total of the Group's wholly-owned and its share of jointly-owned property assets or net debt as accounted for on an IFRS basis.

## Revenue profit

Profit before tax, excluding profits on the sale of investment properties, gains or losses on other non-current investments, revaluation movements, major refurbishment costs and derivative fair value adjustments.

## Shareholders' funds

The balance sheet value of the Shareholders' interest in the Group.

## Structured development finance

Lending to property developers that is subordinated to senior lending in return for a profit share in the completed development.

## Total return

Revenue profit before financial expenses but after major refurbishments, plus the net gain on revaluation and sale of investment properties and other investments and including fair value adjustments and exchange movements recognised in reserves, as a percentage of average property assets (before current year revaluations) and cash. Joint ventures and associates are treated proportionally for the purposes of this calculation.

## Trading property

Property held as a current asset in the balance sheet that is being developed with a view to subsequent resale.

## Value-add

Above-market increase in value as a result of active management (i.e. change of use or refurbishment).

## Westminster Foundation

The Westminster Foundation directs the charitable giving of the Grosvenor family and the Grosvenor Estate.



# Our history

The Grosvenor family ancestry can be traced back almost 1,000 years, while its association with London property began over 340 years ago – in 1677 – when land to the west of the City of London came into the family following the marriage of Sir Thomas Grosvenor to Mary Davies.

Developing what were once pastures, swamps and orchards into London's fashionable Mayfair in the 1720s, elegant Belgravia a hundred years later, and expanding the business internationally from the 1950s onwards, the Grosvenor name has since been associated with world-class real estate.

Today, it represents one of the world's largest privately-owned international property companies.

Common to our activities through the centuries are high standards and an emphasis on ambition and innovation.

We adopt a far-sighted perspective to help create, manage and evolve properties and places with an aspiration to leave them better than we found them, judging success on the basis of how we positively impact today's communities while being alive and responsive to the needs of future generations.

## 1720s

Relative political stability and the desire of many to move away from disease in the more crowded parts of the capital sees new districts created beyond traditional city limits in the largely rural 'West End'. Grosvenor begins one such development in Mayfair.



## 1066

The Grosvenor family's ancestry can be traced back almost 1,000 years to the time of William the Conqueror.



## 1066 – 1677

Over 600 years the family grows its landholdings, status and finances until these are drained in the English Civil War.

## 1677



Meadow, marsh and pasture lands to the west of the City of London come into the family following the marriage of Sir Thomas Grosvenor to Mary Davies.





# 1820s

Following the end of the Napoleonic wars and in the midst of London's growing expansion, Sir Robert Grosvenor instructs the creation of Belgravia, a fashionable new quarter of houses, garden squares, streets and crescents in the Regency style.

At the southern edge of the area, marshy lands are reclaimed to create Pimlico – a new district of Regency style terraces attracting largely middle classes.



# 1880s

Under the patronage of the first Duke of Westminster, the area around Brown Hart Gardens and Grosvenor Hill in Mayfair and the Pimlico Road in Belgravia is developed as part of efforts to house dwellings for nearly 4,000 working-class Londoners.

# 1900 – 1950

Grosvenor continues to evolve its London estate, the revolution of steel framed construction unleashing a new scale of design and the development of several purpose-built mansion blocks, offices and other commercial buildings.

The effects of World War I become a catalyst for many of Mayfair's grandest houses being converted to embassies and diplomatic residences.

In 1924, Grosvenor leases land in Pimlico at a peppercorn rent to enable the construction of homes for around 300 people.



As severe flooding destroys many working class homes in Millbank and elsewhere in 1928, the 2nd Duke, gives five acres of land to the City and helps fund the construction of new homes.

Grosvenor's holdings in Pimlico are sold in 1952 in preparation for expected death duties due upon the passing of the 2nd Duke of Westminster. The approach also allows for the proceeds to fund the organisation's international expansion.

# 1952

Grosvenor embarks on its first international investment in 1952 with the acquisition of Annacis Island in Vancouver, which opened in 1955 as Canada's first industrial park.

# 1950s – 2000

While managing and evolving its London estate, Grosvenor worked in partnership to complete one of the UK's first covered shopping centres in Chester's city centre in 1965. It was to be the first of a further 16 we would later develop in town centres throughout the country – culminating with the opening of the transformative Liverpool ONE.

Grosvenor's international expansion, much of it undertaken in partnership with other investors, gathers pace with new investments elsewhere in North America including Hawaii; Australia (from the 1960s), Asia Pacific (1994) and Continental Europe (1996).

To further diversify our international portfolio and gain exposure to new markets including Brazil, Grosvenor invests in Sonae Sierra, an international retail real estate specialist.







Photograph: The Chester Chronicle

# Today

Our four regional Operating Companies and our Indirect Investment business strive to fulfil our purpose of improving properties and places to deliver lasting commercial and social benefit.

We aim to do so by enhancing the well-being of today's communities while being alive and responsive to the needs of future generations.

# 2000

We adopt a new corporate structure to better support our growing international footprint, one anchored around a devolved structure and the highest standards of corporate governance.









