

Progressive Property & Construction Daily



18 March 2022: ECEL, EBOX | Architects' outlook improves; Cost inflation still looms large | Fortnight ahead

A round-up of market statements, news, economics and views from the property and construction sectors

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Company news

Eurocell (ECEL, 218p, £244m mkt cap)

UK retailer and manufacturer, recycler of PVC windows and doors. FY (Dec) results. Rev +33%, £343m; PBT, £27.0m (£1.5m loss); EPS, 18.9p (-2.0p); div, 9.6p (0p); net debt, pre-IFRS 16, £11.0m (£9.9m). *Trading:* "strong underlying demand in our end markets". Profiles rev +22%, with "good contribution from trade and new build fabricators, as well as a very strong performance from Vista doors"; Building Plastics +24%, "excellent performance across full range of manufactured products and traded goods". Revenue increase included c. +8% from selling price increases and surcharge implemented to recover raw material price inflation; this recovered higher raw material costs, but dilutive to gross margin. Fit-out of new warehouse and the next phase of capacity expansion completed, to deliver future improvements in operating efficiencies and margins. 12 new branches opened in 2021, resulting in a total estate of 219 sites. Mid-term ambitions: outperform markets in revenue growth; 33% of raw material from recycled material; 150 bp improvement in operating margins. *Outlook:* "We expect supply chain constraints to ease over the coming months, and the actions we took last year have ensured we have the resources necessary to operate efficiently and support our growth aspirations for revenue and margins. The RMI sector remains robust, new build continues to grow and customer demand levels are good. The year has started well, with sales volumes to the end of February up 6% on 2021. We therefore continue to see good potential to outperform our markets and deliver further progress".

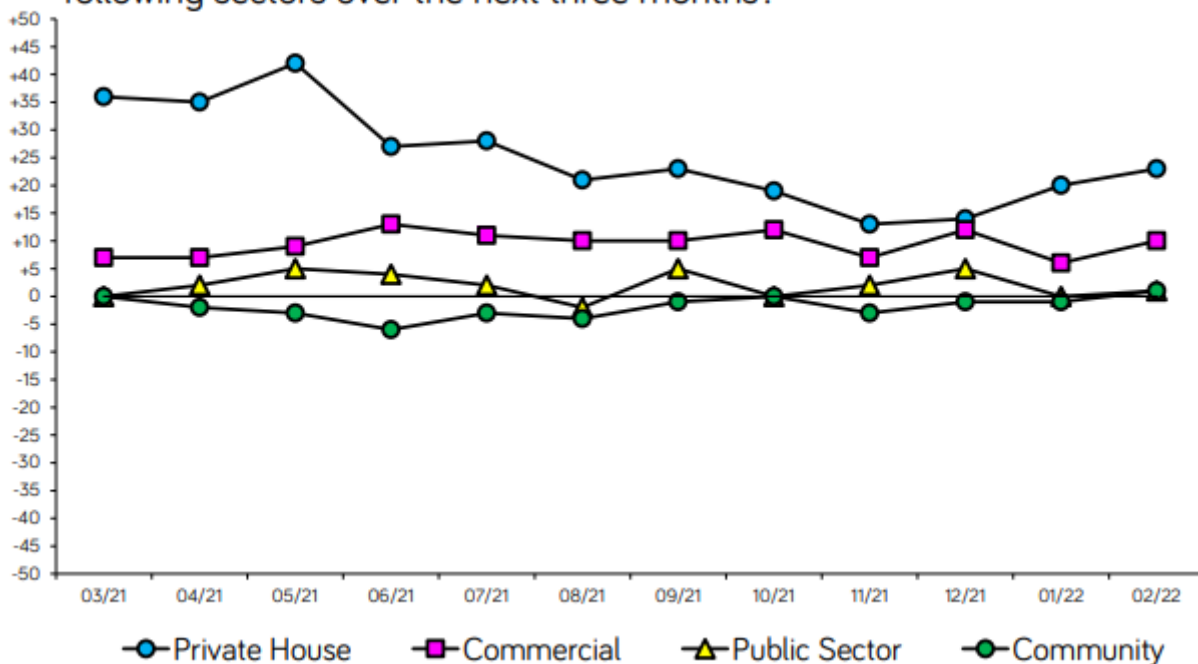
Tritax EuroBox (EBOX, 104p, £842m)

Investor and manager of Continental European logistics real estate assets. Conditional agreement agreed with a subsidiary of Dietz for the speculative forward funding acquisition of a €76.4m logistics asset in the Düsseldorf region of Germany. It comprises three adjacent units with a total gross area of approximately 36,437 sqm. The price reflects a net initial yield of 3.3% based on the rental guarantee income.

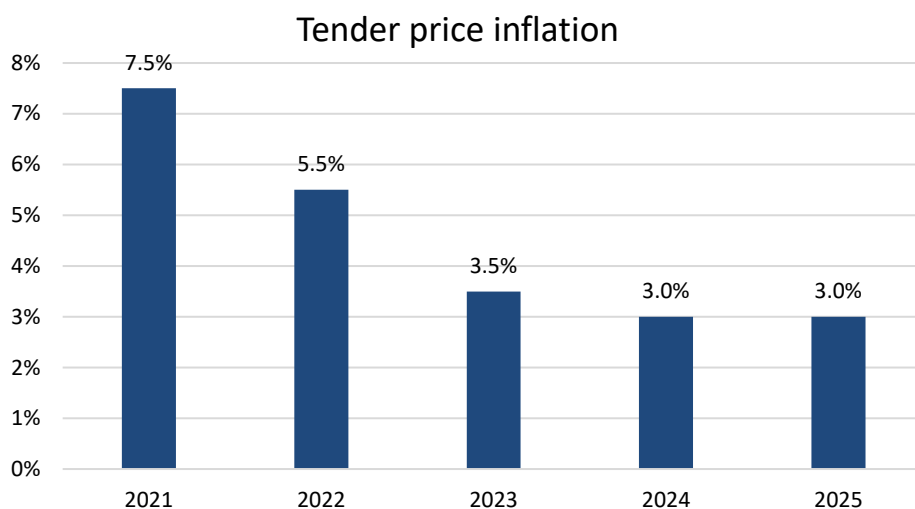
Economic data

Architects' workload. Architects reported growing confidence in outlook in February, according to the RIBA Future Trends ([link](#)), a useful long lead indicator of forthcoming construction volumes. The headline Future Workload index (% expecting a rise minus forecasting a fall) rose from +18 in January to +23 in February. Thirty-two per cent of practices expect workloads to grow in the coming three months, whilst fifty-eight per cent expect them to remain the same. Ten per cent of practices expect workloads to decrease. Private housing continued to lead growth with posted a balance figure of +23, up 3 points from last month's figure of +20, the third consecutive rise after six months of decline (see below). The commercial sector rose in February, with a balance figure of +10, a 4 point increase on last month. The public sector edged into positive territory this month, with a balance figure of +1, up from zero last month. The community sector ended a 23 month run of zero or negative balance figures with a balance score of +1. The report made the caveat that this was before the Ukrainian invasion, but that "early indications suggest confidence may soften somewhat, but not fall dramatically".

How do you expect your architectural workload to change in each of the following sectors over the next three months?



Input costs. Construction tender prices will rise by an average 5.5% in 2022 after a record jump of 7.5% in 2021, with inflation fuelled further by energy costs in the wake of the Ukraine invasion, according to the latest report from Mace Cost Consultancy ([link](#)). Its Market View Q1 2022 indicates the rate of increase will further decline to 3.5% in 2023 before settling at 3.0% pa for the following two years. This is a sharp turnaround on its previous views. Nine months ago it reversed a previous projection of a fall of 2.5% for 2021, due to its assessment of the pandemic impact to a rise of 1.5% for the year, followed by +2.0% for 2022. Higher energy costs have the potential to impose higher prices on energy intensive products such as bricks, plasterboard and glass, putting supply chains under pressure, the report concludes.



Source: Mace

In other news ...

Infrastructure. HS2 Minister Andrew Stephenson has admitted he is concerned about the rate of cost rises on the £40bn phase one project, ConstructionEnquirer.com ([link](#)). He revealed that the Government and HS2 were currently working to assess and mitigate the impact of “short-term” global inflationary pressure on materials and labour supply on the programme. Stephenson said £800m of the extra cost pressures arose from additional main works civils costs due to further design costs and slower than expected progress in some areas. An extra £400m will be needed for the Euston station HS2 terminus, although he hoped a smaller, less complex delivery strategy would reduce this identified extra spend. An extra £200m will be needed for changes to Network Rail infrastructure at Euston and Old Oak Common, while an extra £300m is needed for other parts of the overall programme. The likely financial impact of the pandemic remains between £400m and £700m.

Ukraine impact. My latest monthly column for Property Week explores the potential impact of Russia’s invasion of Ukraine on housing demand, mortgage availability and building costs ([link](#), [paywall](#)):

“Everybody has a plan until they get punched in the mouth.” Mike Tyson’s famous quip has a chilling resonance for a world plotting a recovery from a global pandemic – but now facing off an infinitely nastier brute ...

Fortnight ahead

Construction & property: company and economic news

March

21	Inland Homes (INL)	AGM
	Rightmove	House prices
22	Crest Nicholson Holdings (CRST)	AGM
23	Henry Boot (BOOT)	FY results
	ONS	House prices
29	Bellway (BWY)	HY results
	Bank of England	Mortgage approvals
30	Michelmersh Brick Holdings (MBH)	FY results
	Nationwide	House prices

Sources: Companies, Factset, Progressive Equity Research

Prices are as at the previous day’s close.

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