# **Progressive** Property & Construction Daily

12 May 2022:  BBY, MBH, ECEL, GRI | London leads UK in homebuyer demand - RICS

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

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## Company news

**Balfour Beatty** (BBY, 241p, £1,497m mkt cap)

UK, US and Hong Kong construction and infrastructure group. AGM. *Guidance:* "Overall trading has been in line with expectations, including continued strong cash performance. The Board continues to have confidence the group will deliver managed growth in profits in 2022". *Trading:* Construction Services - "Operational performance is in line with expectations despite some continuing Covid-19 related restrictions in Hong Kong; UK Construction remains on track to deliver industry standard margins of 2-3% for the full year; US Construction is anticipated to deliver a 1-2% margin for the 2022 full year. Support Services - "The power, road and rail maintenance businesses continue to perform well and in line with the margin target of 6-8%, albeit on a slightly lower revenue base following the strategic withdrawal from the gas and water sector". Infrastructure Investments - "Several attractive asset investment opportunities are in the pipeline. Disposals are expected to commence towards the end of the first half and continue throughout the second half". Ave monthly net cash, Jan - Apr, c. £800m(FY 21, £671m); FY 22 expected to be "moderately lower".

**Michelmersh Brick Holdings** (MBH, 117p, £113m)

UK's fourth largest brick manufacturer by volume; Belgian operation acquired in February 2019. AGM. *Guidance:* "Despite the current macroeconomic uncertainty … the group has made an encouraging start to 2022, and combined with our strong forward order book, we remain on track to meet full year expectations".

*Trading:* "The strong and well-balanced order book and positive order intake momentum reported in our FY21 results in March has continued to date, with stable demand, whilst production volumes have continued in line with expectations. We continue to operate in a more challenging environment due to such factors as the ongoing elevated inflation rate. To protect our margins, we remain focused on mitigating risks to our input costs as well as maintaining appropriate portfolio pricing". As announced at FY 21 results in March, there will be a standard timetabled price increase in July 2022; over 90% of energy requirement secured for 2022 with further contracts into both 2023 and 2024.

**Eurocell** (ECEL, 197p, £217m)

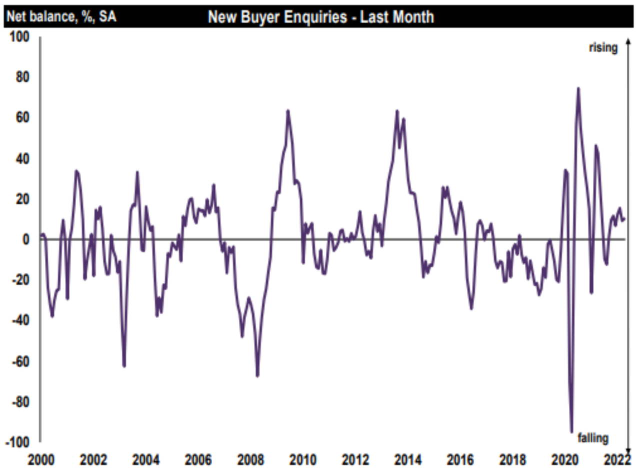
UK retailer and manufacturer, recycler of PVC windows and doors. AGM and Board update. *Guidance:* "Notwithstanding uncertainty over how the macroeconomic backdrop may impact future demand, we continue to trade in line with expectations". *Trading:* "Positive start to the year"; sales growth, Jan - Apr, +13% (Profiles +18%; Building Plastics +10%). "TheRMI market remains robust and we have kept pace with an exceptionally strong comparative period. We believe we are continuing to take market share and have made substantial progress compared to the equivalent period of 2019. We continue to take effective action to offset ongoing input cost inflation with a dynamic approach to selling price increases and surcharges. Price therefore remains a key driver of sales growth, but we believe resin costs have now plateaued. Derek Mapp appointed non-exec Chair Designate, from 1 July. He is currently the non-exec Chair of Mitie Group; previously, he was Chair of Informa until June 2021.

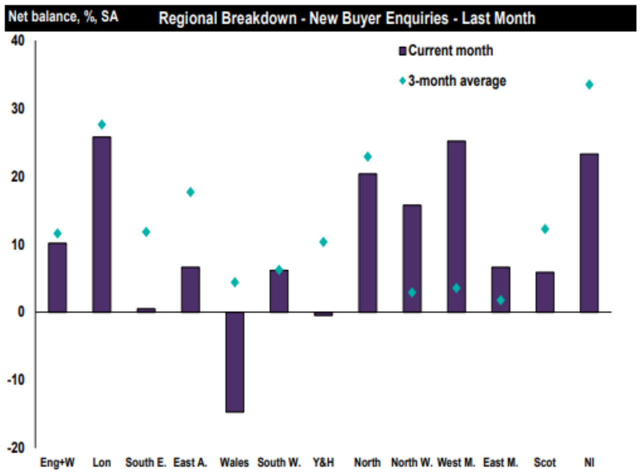
**Grainger** (GRI, 281p, £2,096m)

UK's largest listed residential landlord. HY (Mar) results. Net rental income +23%, £42.8m (LFL, +3.5%, o/w PRS +3.5%, regulated tenancies +3.7%); PBT +122%, £98.8m; adj EPS +11%, 5.0p; interim div +14%, 2.1p; EPRA TNAV +3%, 305p; net debt, £1,131m (HY 21, £1,042m); LTV, 31.4% (30.4%). *Outlook:* "As we near 10,000 operational rental homes, we are in a strong position to continue to grow and capitalise on the market opportunity in the UK private rented sector and build-to-rent sector and remain UK market leader. Our fully-funded secured pipeline, strong balance sheet and robust debt capital structure underpins our future growth. The business has proven its resilience and market leadership over the past six years and will continue to do so as we deliver on our strategic growth strategy".

# Economic data

**Housing market.** Prices continued to rise across the UK in April, with buyer demand remaining positive, with the strongest rise now in London, according to the RICS UK Residential Survey (link). The headline price index (% of surveyors seeing rise minus those reporting fall) rose to a near recent record high of +80%, from +74% in March. A net balance of +10% of survey participants reported an increase in new buyer enquiries during April, after +9% in March (below, left), the eighth successive positive reading. London, previously a laggard, was the strongest region (below, right). For agreed sales, the latest net balance of -2% is indicative of a more or less steady picture during April, following a slight pick-up in sales over each of the previous two months. Looking ahead, near-term sales expectations remain modestly positive, as a net balance of +12% of respondents anticipate a rise in transaction volumes in the coming three months. In the lettings market, a headline net balance of +52% of survey participants reported a pick-up in tenant demand in the three months to April; landlord instructions indicator remains stuck in negative territory at -7%, although this is not quite as downbeat as the average reading of -17% seen over the past twelve months; a net balance of +63% of respondents now expect rents to rise in the coming three months, a fresh record high. All regions/countries of the UK are expected to see elevated rental growth pressures remaining in place over the near-term.




# In other news …

**Affordable housing.** Real estate lender and investor Octopus Real Estate is to start offering finance to the affordable housing market, Property Week (link, paywall). Octopus, which has more than £3.4bn in real estate assets and secured lending, said it planned to work in conjunction with housing associations and local authorities to help deliver more affordable homes.It will work with HAs to help alleviate pressures presented by adopting net zero targets and complying with enhanced building safety regulations. It plans to "provide long-term, patient capital" to affordable housing providers.

**UK housebuilders.** Latest trading statements from leading housebuilders belie the macro-economic headwinds. My latest Property Week column (link, paywall):

> *Cost-of-living crisis, rising interest rates, Covid, Brexit and a grinding war in Ukraine. Cue carnage for the housing market? For housebuilders, so far, it's still a case of 'crisis, what crisis?'*

*Prices are as at the previous day's close.*

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