Progressive Property & Construction Daily

26 May 2022: BOOT, FOXT, BLV, WIX | News - commercial rents boosted along Crossrail route

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

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Company news

Henry Boot (BOOT, 327p, £436m mkt cap)

Land Promotion, property investment & development and construction group. AGM. *Guidance:* "Henry Boot has made a strong start to the year and continue to trade in line with market expectations [PBT £47.8m]. Due to a number of significant transactions, 2022 performance is expected to be weighted to the first half of the year and it is anticipated that whilst levels of activity will be high in the second half, this will primarily be contributing to performance for 2023 and beyond". *Trading:* The group's performance has been supported by land disposals and property development completions, with all three key markets, Industrial & Logistics, Residential and Urban Development performing well. Hallam Land Management has had a strong start to the year selling 3,477 plots, with "continuing buoyant demand and competitive bidding from housebuilders". The total plot sales will be higher this year due to a major disposal at Didcot of 2,170 plots to Taylor Wimpey and Persimmon Homes. HLM has replenished its land bank and despite achieving high sales, the number of plots has remained stable at 92,569 plots. HLM "not only expects to achieve its annual target for plot sales this year but is on track to deliver against its strategic objective of an average of 3,500 plots sales per annum over the medium term". Henry Boot Developments' committed programme remains on budget and on time and is currently 73% pre-let or pre-sold with "continued high demand from industrial occupiers". Within the £126m investment portfolio, a number of properties have been identified for potential sale. While these might reduce the size of the portfolio in the short term if they are progressed, there are a number of opportunities to replenish and grow the level of standing assets by retaining completed developments which meet the group's investment criteria. Stonebridge Homes has now secured 93% of its 2022 delivery target of 200 units. "The housing market continues to experience high demand, which has resulted in sales values offsetting cost inflation". Henry Boot Construction is trading in line with expectations; Banner Plant and Road Link (A69) are now trading ahead of budget. *Outlook:* "The Group continues to make good strategic progress towards the medium-term targets previously identified, leaving the business well placed to achieve its growth aspirations..

Foxtons Group (FOXT, 36p, £114m)

High profile London estate and lettings agent. Acquisition of two estate agents, funded through existing cash resources. IMM Properties, trading under the name Gordon & Co in South London, (consideration, £8.35m) generated revenue and op profit for the 12 months ending 31 March 2022 at £4.0m and £0.1m respectively. "Post-completion profitability will be significantly enhanced from historical levels through the delivery of synergies". Stones Residential (Stanmore) Holdings, based in Stanmore, North London (£2.2m) had revenue for the 12 months ending 31 December 2021 of £1.3m. The businesses together generate over 80% of their total combined revenues from lettings services across 2,500 tenancies. "The acquisitions represent another significant step forward in our strategy to deliver attractive total returns on invested capital, improve the resilience of our revenues and reinforce our position as London's largest lettings agent." Since 2019, Foxtons has increased the size of its lettings portfolio by 40% and now stands at over 27,500 tenancies, achieved both through acquisition and organic growth. *Outlook:* "In 2022, we expect lettings and financial services revenues, which are both resilient and recurring in nature, to represent around 70% of group turnover. Previous acquisitions continue to deliver returns in line with expectations. In particular, the Douglas & Gordon lettings business which has now been fully integrated is expected to deliver operating profit in excess of £4m in 2022".

Belvoir Group (BLV, 257p, £96m)

Franchised lettings agency group. AGM. *Guidance:* "Trading during the four months to 30 April 2022 is in line with management's expectations". *Trading:* Revenue, +14% Y/Y, with the property division +8% and the financial services division +20%. "As the sales market normalised after exceptionally buoyant trading in 2021, the number of UK residential property transactions fell by 24%. Meanwhile, the UK rental index rose to 2.7%, the largest annual growth since January 2016". Management service fees from lettings increased by 4% mitigating the 11% lower level of MSF from sales, and Belvoir's lettings to sales ratio in the first four months of the year was 78:22 (FY 21, 74:26). *Outlook:* "The Board remains confident that its business model and growth strategy present a strong investment case for shareholders and deliver enhanced value for all our stakeholders".

Wickes Group (WIX, 193p, £502m)

UK DIY retail chain. Trading update, 20 weeks to 21 May. *Guidance:* The group "is trading in line with expectations and reaffirms full year guidance". Group LFL sales for the first 20 weeks, -0.6% versus the prior year. Core (local trade and DIY) sales -7.2%, with delivered DIFM +30.9%. Core sales "reflect continued buoyant demand in Local Trade with trade customer order books remaining at record levels. We have seen inflation continue during the period, and we are managing this responsibly while maintaining our leading price position. DIFM delivered sales growth was excellent, resulting from the successful conversion of the elevated pipeline of orders at year end and a strong Winter sale. Installation lead times have returned closer to more normal levels, and we continue to expect delivered sales for the full year to be ahead of 2019".

In other news …

Commercial property. London centres close to Crossrail stations are set to see office rents continue to soar, outperforming traditional hubs such as the West End and the City, according to Cushman & Wakefield, reported by Property Week (link, paywall). C&W data shows rents in both Shoreditch and Clerkenwell have shot up by 123% since Crossrail proposals were first given Royal Assent in 2008, while rents in Paddington have grown by 45%. Comparatively, rents in the City have risen by 21% and in the West End core by just 2% – areas that have traditionally been London's strongest-performing markets.

Prices are as at the previous day's close.

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