

Progressive Property & Construction Daily



7 July 2022: PSN, MBH | House prices rising fastest since 2004 – Halifax; Construction activity growth slowest in UK, falls faster in EU | News – shortest-lived housing minister walks

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

NOTE: This marketing communication has been produced by Progressive Equity Research Limited (PERL) and is a Minor Non-monetary Benefit. It does not contain investment recommendations. The views expressed are those of the research department of PERL. To view the Progressive Property & Construction Daily archive click [here](#).

Company news

Persimmon (PSN, 1,865p, £5,783m mkt cap)

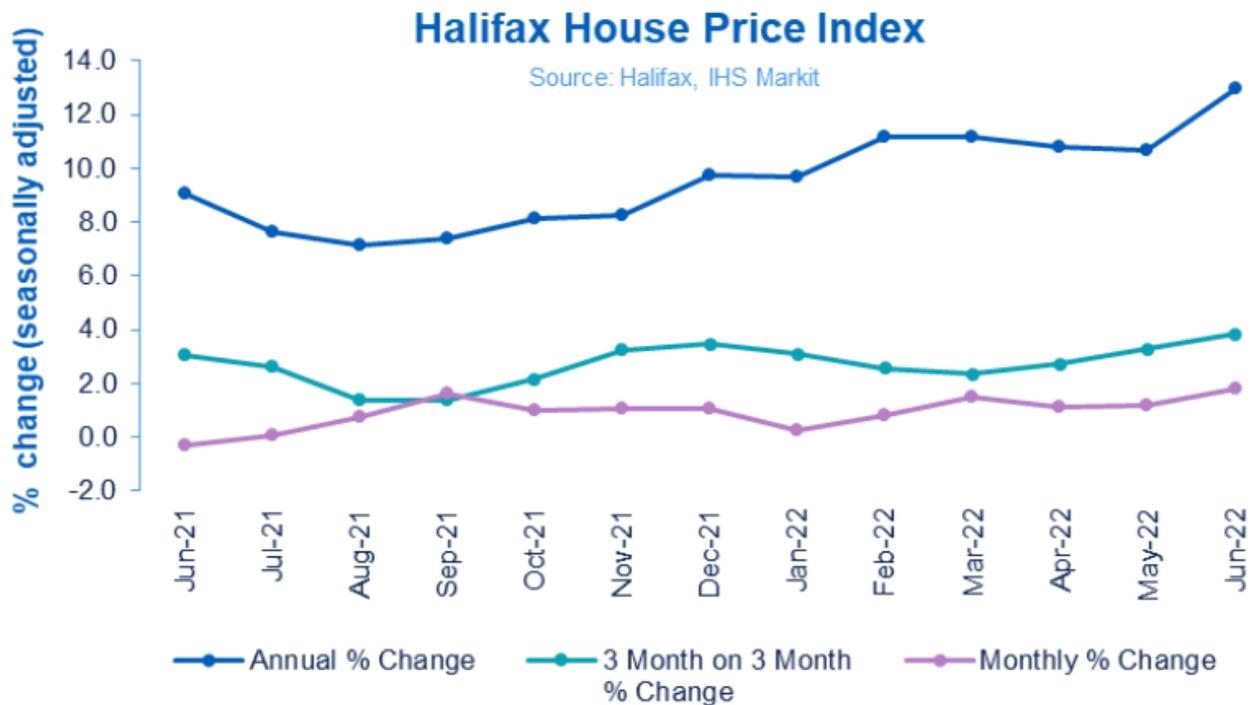
UK number three housebuilder by volume, top by market cap. HY (Jun) trading update. *Guidance:* “We anticipate, however, profit at the half year to be modestly above our expectations reflecting strong demand and positive pricing conditions”. Net cash, £0.78bn (HY 21, £1.32bn). Five-star builder rating maintained with improving current customer satisfaction score of 92.2%. *Trading:* Completions -10%, 6,652; prices +4%, £246k, “reflecting strong demand and a reduction in the proportion of homes sold to housing associations”; rev -8.2%, £1.7bn. Forward sales: -7.9%, 8,800 homes (private, -5.5%, 4,680); +2.7%, £1.9bn. “Rising energy prices, supply constraints on certain materials and increased labour costs are driving upward pressure on total build costs. Currently, house price inflation is continuing to offset these increases. As a result, we expect to deliver a housing gross margin that is slightly ahead year on year, although, the lower number of completions will result in a slight fall in operating margin reflecting reduced overhead recovery. HY results, 17 August.

Michelmersh Brick Holdings (MBH, 92p, £88m)

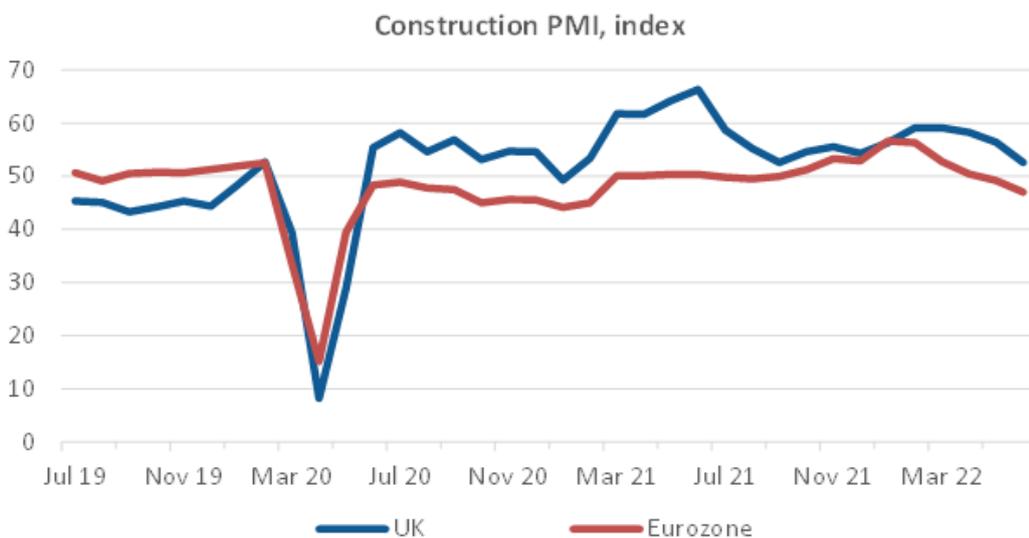
UK's fourth largest brick manufacturer by volume; Belgian operation acquired in February 2019. HY (Jun) trading update. *Guidance*: "We remain on track to meet full year expectations". Trading: "The performance of the group has continued to be positive in the second quarter of the year". Revenue increased by over 10% to at least £33m. *Outlook*: "As we highlighted in May, we continue to operate in a more challenging environment due to the ongoing elevated inflation rate and unpredictable energy cost environment. To protect our margins, we have remained focused on mitigating risks to our input costs as well as maintaining appropriate portfolio pricing, and in collaboration with our customers we have introduced our standard timetabled price increase at the start of July. The group's considerable financial resilience and the flexibility to pursue strategic investments and acquisition opportunities in the future where they meet our commercial and financial criteria and complement the existing portfolio". HY results, 6 September.

Economic data

Housing market. House prices increased by 1.8% in June, to £294,845, the twelfth consecutive monthly rise, and the higher monthly increase in over a year, according to the Halifax ([link](#)). This pushed up the Y/Y rate from +10.7% to +13.0%, the highest since late 2004. Northern Ireland once again topped the table for annual house price inflation, up by 15.2%, to £187,833. London continues to lag behind other regions in terms of annual house price inflation (+7.1%), though with an average property price of £547,031 it remains by far the most expensive place in the UK to buy a home.



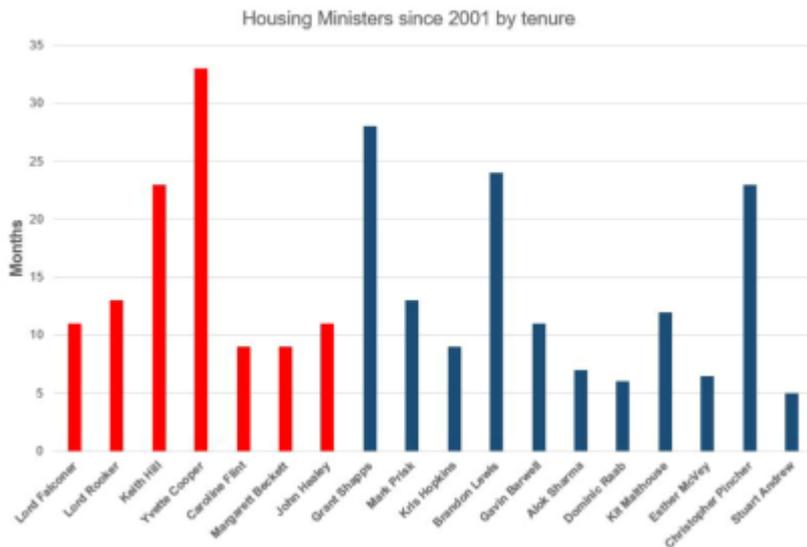
UK and Eurozone construction activity. UK construction activity continued to increase in June, albeit at a lower rate of growth, according to the latest Construction PMI release from S&P Global, from yesterday (link). The index slipped to 52.6 in June, down from 56.4 in May, above the 50.0 no-change mark for the seventeenth consecutive month, but the slowest rate of expansion since September 2021. Civil engineering was the most resilient sub-sector (index at 54.3, from 55.5 in May). Commercial's rate of growth slipped to 54.3, down from 59.8. House building was weakest for the fourth month running in June, with the index of 49.3 signalling a downturn in residential work for the first time since May 2020. Meanwhile, the Eurozone (link) fell from 49.2 in May to 47.0 in June, the biggest fall in construction activity since February 2021.



Source: S&P Global

In other news ...

Politics. Quiet old couple of days ... Amid the dozens of ministerial resignations (and one a more senior departure), another landmark emerged, the shortest tenure of any housing minister, Stuart Andrews, in what has probably been the fastest revolving door in Whitehall history.



Housing outlook: My latest monthly Property Week column presents 10 reasons I don't think there will be a housing crash ([link](#), paywall). (Those with long memories might recall I adopted a somewhat different stance at a similar point in the last cycle):

"It'll be different this time. No, I'm not being ironic. The way this housing cycle unwinds is likely to be very different to the last two – despite the headlines. Rising interest rates and inflation are already prompting a surge in the word 'crash' across the broadsheets. I've worked through a couple, starting in the late 1980s and early noughties, and not only were they both very different from each other but conditions were radically different from today's. Here are a few key differences ..."

Prices are as at the previous day's close.

Copyright 2022 Progressive Equity Research Limited ("PERL"). All rights reserved. PERL provides professional equity research services. All information used in the publication of this communication has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee their accuracy or completeness. Opinions contained in this communication represent those of the research department of PERL at the time of publication. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This communication is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This communication has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this email. However, PERL's directors, officers, employees and contractors may have a position in any or related securities mentioned in this email. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this email.

The value of securities mentioned in this communication can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this communication may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this email. Past performance is not necessarily a guide to future performance.