

# Progressive Property & Construction Daily



7 September 2022: BDEV, WINK, HLCL | UK house prices continue to rise with a six year high for London | Construction activity nearly flat in UK, declining faster in EU | News – latest Housing Secretary “positive”

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

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## Company news

### **Barratt Developments** (BDEV, 422p, £4,277m mkt cap)

UK's biggest housebuilder by volume. FY (Jun) results. Completions, +3.9%, 17,908; rev +9.5%, £5,268m; adj gross margin, 24.8% (FY 21, 23.2%); adj PBT +15%, £1,055m; stat PBT -21%, £642m (exceptionals mainly cladding remediation); adj EPS +12.9%, 83.0p; div +26%, 36.9p; TNAV, £4,572m (£4545m); net cash, £1,139m (£1,317m). *Trading:* Completions recovered to pre-pandemic levels. Medium-term gross margin target achieved, “reflecting strong customer demand, house price inflation ahead of build cost inflation and improved site based productivity”. *Outlook:* Total home completions to grow in FY 23 to 18,400 - 800 homes (+3 - 5%); these are expected to reflect the phasing out and timing of legal completions under the Help to Buy scheme, which must be completed by 31 March 2023. Beyond FY 23, “we will continue to target disciplined volume growth at between 3% and 5% annually towards our new target of 21,500 total home completions. “We will continue to buy land at a minimum 23% gross margin hurdle rate. In FY 23, on the assumption that house price growth moderates over the coming months, and build cost inflation continues at between 9% and 10%, we would anticipate that our gross margin will move towards our minimum medium-term gross margin hurdle rate of 23%”. ROCE target remains at a minimum 25%.

### **M Winkworth** (WINK, 183p, £23m) – *PERL provides research services to Shore Capital on this stock*

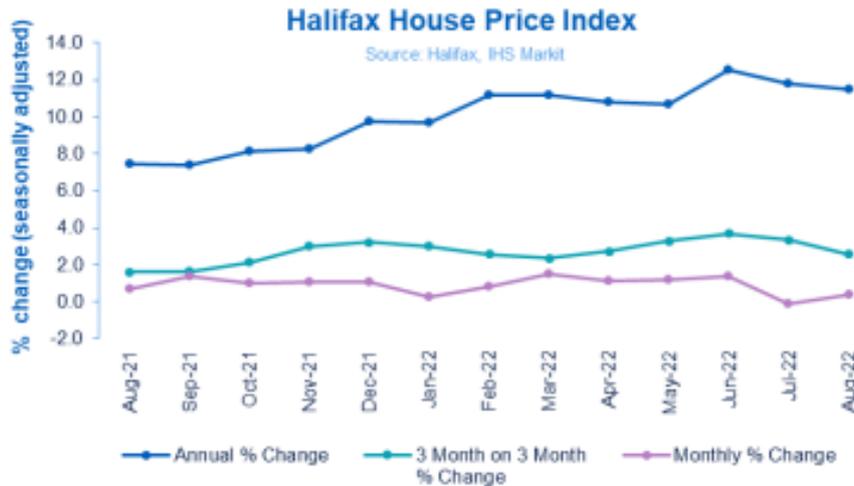
Franchised estate and lettings agency, focused on London and SE. HY (Jun) results. Franchisee rev -24%, £27.7m (Sales -39%, £15.0m; Lettings +8%, £12.7m); group rev -18%, £4.3m; PBT -46%, £1.1m; EPS -47%, 6.3p; interim divs +23%, 5.4p; net cash, £4.1m (H1 21, £4.6m). *Trading:* decline in Sales revenue reflected comparisons with the “extraordinarily strong” H1 21, as buyers raced to complete ahead of the Stamp Duty holiday deadline. *Outlook:* “Despite a backdrop of increasing interest rates, our sales applicants remain high. Sales applicants in July 2022 were 4% ahead of July 2021 and 26% ahead of July 2019. Lettings demand continues to be strong, with applicants up 7% versus July 2021. We do expect the increased cost of borrowing to have an impact on property, softening demand and slowing the price increases seen of late. With strong levels of employment, however, as well as the significant pent-up demand to relocate post-Covid, and as the cost of renting increases, we expect sales demand to remain strong for the remainder of the year, with prices in positive territory”.

### **Helical** (HLCL, 361p, £461m)

Commercial real estate investor, focused on London and Manchester offices. Disposal. Contracts exchanged on the sale of its long leasehold interest in Kaleidoscope, Lindsey Street, EC1 to Chinachem Group at a disposal price of £158.5m reflecting a capital value of £1,789 psf and a marginal premium to book value. The 150 year lease from Transport for London was granted in 2018 and has a head rent geared to 10% of contracted rents. Completion is due to take place in ten days.

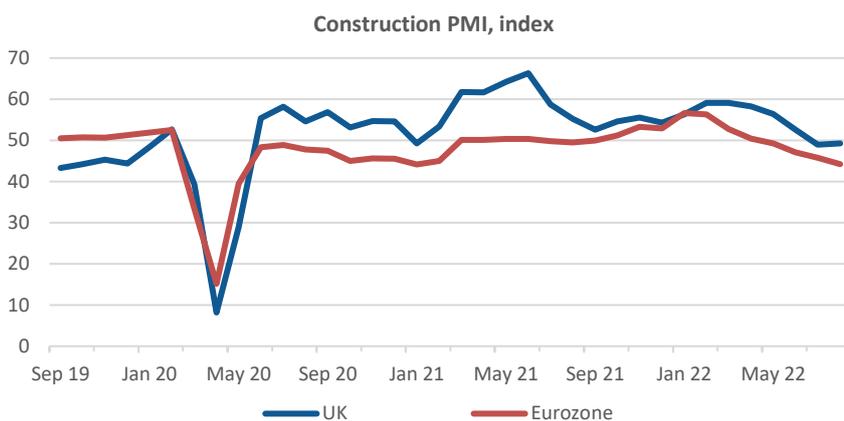
## Economic data

**House prices** continued to rise in August, by +0.4% to £294,260, Y/Y +11.5%, from +11.8% in July according to the Halifax ([link](#)). Wales still showing the strongest regional annual growth (+16.1% to £224,858) according to the UK’s largest mortgage lender; meanwhile London recorded its highest annual house price inflation in six years (+8.8%, £554,718).



**Construction activity** in the UK dipped for the second successive month in August, albeit at a lower rate of decline, according to the S&P Global / CIPS UK Construction Purchasing Managers' Index ([link](#)). The total industry activity was at 49.2 in August, up fractionally from 48.9 in July but still below the 50 no-change mark. As was the case in July, civil engineering posted the sharpest decline in activity of the three monitored categories, seeing output fall markedly over the month. Commercial activity also declined, thereby ending a period of growth stretching back for a year-and-a-half. However, activity on housing projects increased for the first time in three months, albeit fractionally. Construction firms scaled back their input buying for the first time since the initial wave of the pandemic. There were also some reports that less pronounced price and supply pressures reduced the need to build inventories.

Meanwhile, Eurozone declines accelerated ([link](#)). The Eurozone construction total activity index was below 50 for the fourth successive month, falling to 44.2 from 45.7 in July, the fastest decline in activity in the building sector since January 2021. The three largest euro economies all posted steeper contractions with Italy (41.2) seeing the fastest overall decline, followed by Germany (42.6) and France (48.2) respectively.



Source: S&P Global

In other news ...

**Politics.** New PM Liz Truss promised “spades in the ground” to get Britain growing again in her maiden speech yesterday, Building ([link](#), [paywall](#)). She promised: “We will get spades in the ground to make sure people are not facing unaffordable energy bills and we will also make sure that we are building hospitals, schools, roads and broadband”. Meanwhile, the revolving door of Housing (or ‘Levelling up’) Secretaries continued to rival that of Chelsea FC managers. The latest incumbent – the fourth in just under a year – is Simon Clarke, who served as Chief Secretary to the Treasury from 2021 to 2022. He will replace Greg Clark, who served just two months in the role after Michael Gove was sacked. The normally left-leaning Inside Housing ([link](#), [paywall](#)) viewed the Teeside MP’s move positively “in terms of building new homes and achieving net zero”. He has publicly supported regeneration projects, particularly in the North. He is an outspoken advocate of tackling climate change. In September 2018, he organised a letter to the government – which was signed by more than 130 cross-party MPs – in support of delivering net zero carbon emissions by 2050. The government amended the Climate Change Act 2008 in June 2019 to introduce a target to achieve that and has also spoken out against claims from fellow Conservatives that net zero aims should be curtailed because of the cost of living crisis and soaring energy bills.

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

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