Progressive Property & Construction Daily

21 September 2022: GFRD, UTG, LAND | Property transactions still rising | Truss to pull Stamp Duty 'rabbit' out of hat in mini-budget

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

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Company news

Galliford Try Holdings (GFRD, 157p, £181m mkt cap)

UK construction and infrastructure services group. FY (Jun) results. Rev +10%, £1,237m; adj op margin, 2.4% (FY 21, 2.0%); adj PBT +68%, £19.1m; stat PBT -53%, £5.4m (previously announced exceptional cover costs of nmcn water business acquisition, £7.7m, and new IT systems); adj EPS +6.8%, 5.8p; div +70%, 8.0p; ave net cash +6.1%, £174m); orders +3.0%, £3.4bn, 90% of FY 23 rev secured. *Building:* Rev unch, £789m; margin 2.4% (2.0%); "Revenue in line with the prior year as a result of some new contract starts moving into the current financial year in response to rising inflation. The improved profit reflects the continuing improving performance of projects that were added to the order book in recent periods". *Infrastructure:* Rev +34%, £442m; margin, 2.4% (1.8%); "As expected, revenue increased due to higher activity from the AMP7 programme in the water sector. Additionally, the acquired water operations of nmcn plc (in administration) contributed £74.1m revenue in the year. The improved profit [margin] is in line with our expectations and includes the benefit of new contract frameworks". *PPP Investments:* Directors' valuation, £47.5m (£49.1m). *Outlook:* "We continue to see good demand across our core markets and anticipate continued progress in the new financial year, in line with our targets. We have successfully managed and mitigated the challenges of supply shortages and inflation without any overall impact on trading or margin. We are encouraged by the pipeline of new opportunities across our chosen sectors in the public, regulated and private markets. The

Group's strong balance sheet and quality order book mean we are well placed to meet our growth objectives for the new financial year". £15m share buyback announced.

We will continue to maintain our disciplined approach to risk management and careful contract selection whilst operating sustainably. Notwithstanding the continued pressures around inflation and labour availability the Group is confident in the future as we look to continue to deliver controlled growth, increase operating margins and enhance shareholder value".

Unite Group (UTG, 955p, £3,841m)

Owner, manager and developer of UK student accommodation. Disposal. Portfolio of six properties in Aberdeen, comprising 1,050 beds for £33m (Unite share, £20m) to Clearbell Property Partners. The disposal is priced in line with prevailing book value, which reflects a passing NOI yield of 6.0% for the 2022/23 academic year. "This disposal sees the Group exit several smaller and less operationally efficient assets whilst retaining 911 beds across two properties in close proximity to each other in Aberdeen. The group has now completed the sale of a total £339m (Unite, £256m) of properties in 2022, completing its planned disposal activity for the year".

Land Securities Group (LAND, 591p, £4,435m)

Leading UK commercial property investment, development and management group. Capital markets day commentary. The will host a tour of its development opportunities in Southwark, at which it will provide the an operational and development update on its Central London portfolio: £20.8m of rent signed or with solicitors since 1 April 2022, on average 4% ahead of March 2022 ERV; office occupancy now 95.5% compared with 95.3% at 31 March 2022; further leasing progress made, with £5.9m of lettings with solicitors, 10% ahead of ERV; four committed development schemes now 63% pre-let or with solicitors (May 22, 56%). *Outlook:* "Operational momentum within our Central London portfolio and healthy interest in our committed developments support our confidence in the outlook for the central London office market, even in the face of what is a challenging economic and geopolitical environment. Southwark is an area of London with strong growth potential and will be a great home for the 1 million square foot green office cluster that we're developing".

Economic data

Housing volumes. Residential property transactions rose by 9.7% Y/Y to 114,440 (non-seasonally adjusted) in August, a seasonally adjusted 1.1% higher than July, according to the HMRC (link). **Viewpoint:** this indicated that demand has been stable, at about long-term levels after the extremes of Covid and the Stamp Duty ended. However, Liz Truss appears to have other ideas …

In other news …

Stamp Duty. PM Liz Truss will announce plans to cut Stamp Duty in the mini-budget in an attempt to drive economic growth, The Times has been told (link, paywall). The PM and Chancellor Kwasi Kwarteng have been working on the plans for more than a month and will announce them on Friday. According to The Times, Truss believes that cutting the duty will encourage economic growth by allowing more people to move and enabling first-time buyers to get on the property ladder. Whitehall insiders have touted the plan as the traditional “rabbit” in the budget ‘hat’. The fiscal statement will also include plans to reverse the national insurance rise and freeze corporation tax, two measures that will cost £30bn pa in total. **Viewpoint:** She’s definitely going for it, staking everything on growth. The housebuilders’ shares are all up today after a year of (mainly downwards) roller-coasting. House prices look set to go up further; the question is what happens to inflation and the pound …

Prices are as at the previous day’s close.

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