

Progressive Property & Construction Daily



21 October 2022: WIX, RMV, IHR | Economics – Housing transactions down Y/Y, steady M/M; London surge underpins rental growth; Architects turn gloomier | Fortnight ahead

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

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Company news

Wickes Group (WIX, 125p, £323m mkt cap)

UK DIY retail chain. Q3 (Sep) trading update. *Guidance:* “Stable trading in Q3; FY profit guidance unchanged; PBT to be in the range of £72-82m”. *Trading:* Y/Y LFL sales growth: Q1, -4.0%; Q2, +5.4%; Q3, +2.6% (Core business, Q1, -11.0%; Q2, -0.2%; Q3, 0.0%). Core business: “Sales have strengthened since the beginning of September, following the impact of extreme heat seen in July and August. Local Trade sales performed strongly. DIY sales remain below last year although with no signs of further softening since our July trading update. Aided by reductions in the cost of timber, there has been some moderation in the rate of retail price inflation.” Do-it-for-me (DIFM): “Orders in the third quarter are down versus last year; in line with our July update, customers are taking longer to commit to big ticket projects.” *Outlook:* “uncertainties remain regarding consumer confidence and operating cost inflation. In particular, our costs will be impacted by rising energy prices once our energy contract ends in March 2023. If energy costs were to remain at the current price cap for businesses, then our FY2023 energy costs would be c£7.5m higher than FY2022”.

Rightmove (RMV, 473p, £3,921m)

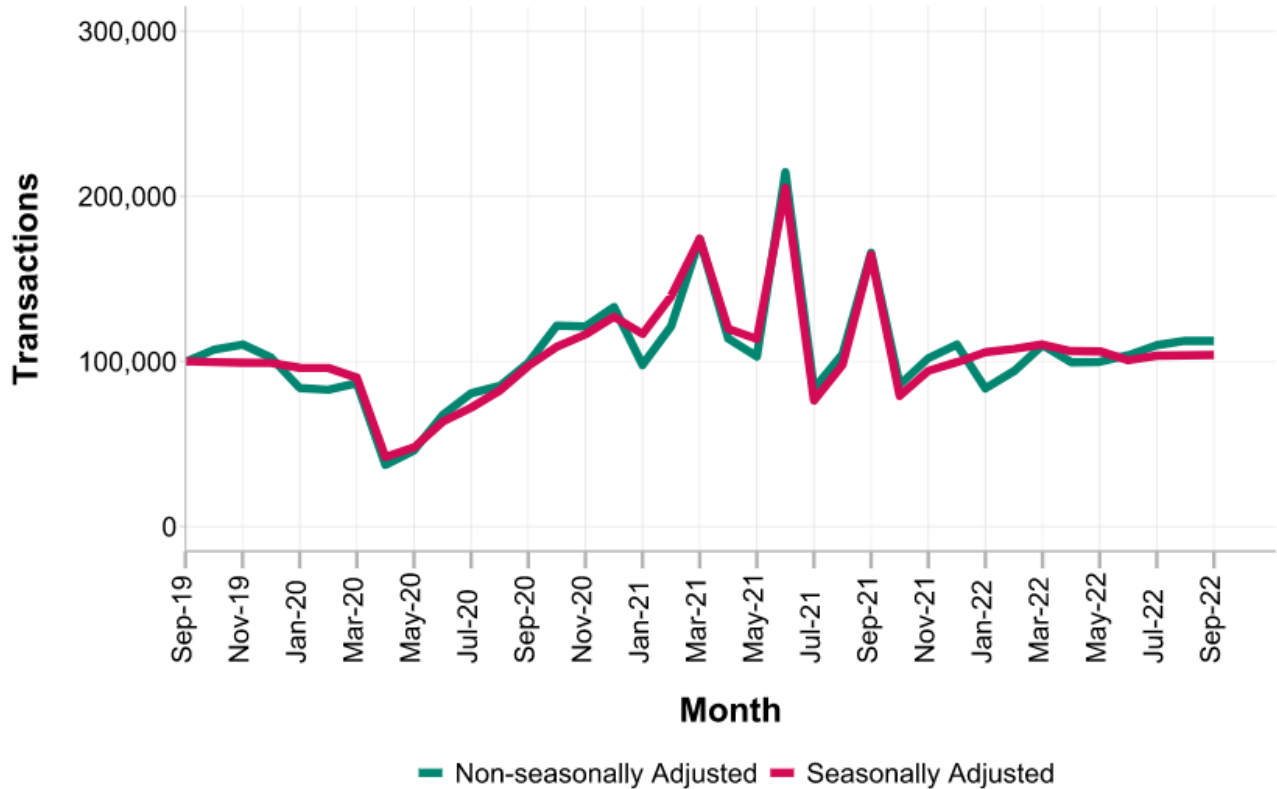
UK's leading residential property portal. Directorate change and trading update. Johan Svanström will be appointed CEO and succeed Peter Brooks-Johnson, who will retire after the full year results. Following his appointment as Global President of Hotels.com and Expedia Affiliate Network brands in 2013, Svanström served on the Expedia Group global leadership team and over five years grew revenues to over \$3bn. He will join on 20 February as Executive Director and CEO designate and will be appointed CEO on 6 March 2023
Trading update: "The company continues to make good progress with the implementation of its strategy and trading in the year to date has been as expected. The Board's expectations for the full year remain unchanged".

Impact Healthcare REIT (IHR, 96p, £390m)

Real estate investment trust with a diversified portfolio of UK healthcare real estate assets, led by care homes. NAV, portfolio and finance update. 30 Sep NAV 116.2p (30 Jun, 116.6p). Portfolio valuation, £543m (£530m) after acquisition of three homes, +0.8% LFL; no material movement in underlying valuation yields. Net debt, £107m (£116m). Gross LTV, 21.4% (23.1%). Interim dividend of 1.635p declared, in line with the company's annual dividend target of 6.54p for FY (Dec) 22, a 2.0% increase over the 6.41p in FY 21. *Trading:* Occupancy, 87.3% (85.4%). Average weekly fees for providing care have been increasing in line with inflation; staff costs have been rising, but have remained stable as a percentage of tenant revenues at 64%.

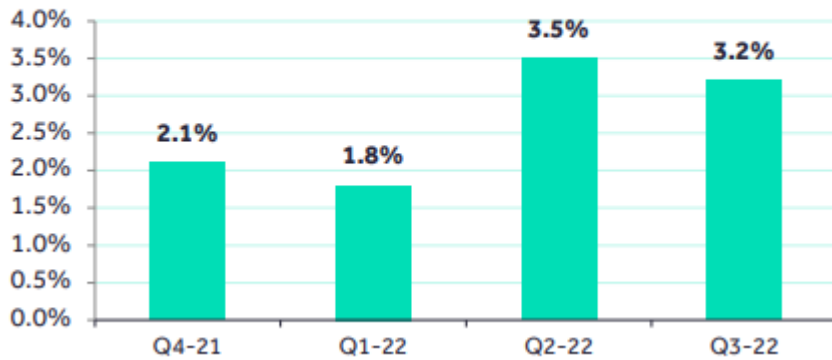
Economic data

Housing market. Completed housing transactions totalled 112,370 in September, down 32% Y/Y, non-seasonally adjusted, compared with the same month in 2021, at the end of the Stamp Duty holiday, and were unchanged on a seasonally adjusted basis vs August, according to the HMRC ([link](#)). September was unchanged vs September 2019, before the pandemic.



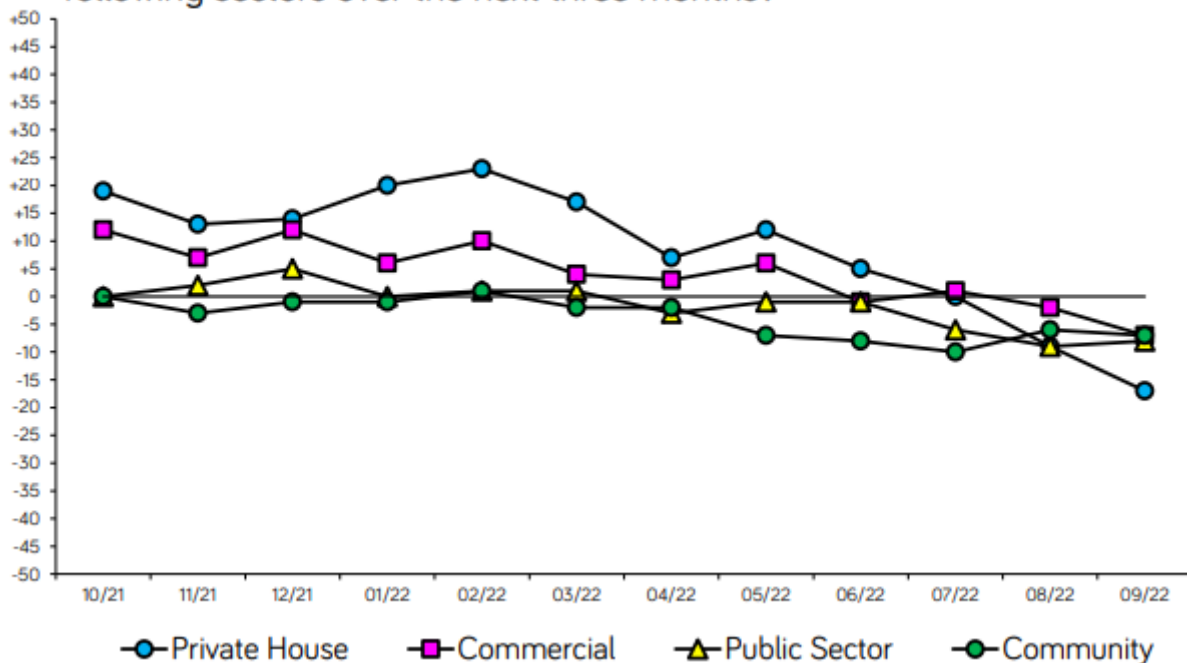
Lettings market. Average rents asked for by landlords rose by 3.2% to £1,162 per month in Q3, following a 3.5% rise in the previous quarter, slowing the Y/Y increase from +11.8% to +11.0%, according to the latest Rightmove Rental Trends Tracker ([link](#)). In London the pattern accelerated: +3.8% to £2,343, from +2.9% in Q2; Y/Y, +16.1% from +15.8% (with Inner London +19.3%, £2,800; Outer London, +12.9%, £2,007). More new rental properties are available in every region except London, according to the UK’s largest property portal, “easing some of the pressure on supply in some areas, however demand still greatly outweighs the number of homes available to rent”. Tenant demand is up 20% compared with last year, and available properties to rent is down 9%. Competition among tenants to secure a property is at a record high. “The jump in mortgage rates for new first-time buyers could mean some aspiring buyers stay renting for longer, which will place further strain on the number of available homes”. Studio flats have overtaken one-beds as the most in-demand flat type for renters, with agents suggesting stretched budgets and the returning popularity of city centres are contributing to the shift: there are now four times as many tenants looking for a studio flat as there are studio flats available, a 71% increase on a year ago.

National quarterly change in average asking rents



Architectural workload. Architectural workloads, a lead indicator of forthcoming construction trends continued to fall in September to the lowest level, apart from during lockdown, since 2009, according to the latest RIBA Future Trends survey ([link](#)). The headline Workload Index, on expectations for the next three months, declined to -17% (16% of responses seeing an increase minus 32%, decrease), from -8 in August. The immediate outlook for private housing was the most pessimistic, while Public, Commercial and Community were showed similar modest declines (see below). Permanent staffing intentions turned negative (-6%) for the first time in two years.

How do you expect your architectural workload to change in each of the following sectors over the next three months?



Fortnight ahead

Construction & property: company and economic news

October

| | | |
|----|------------------------------|--------------------|
| 27 | Foxtons (FOXT) | Trading update |
| 28 | Nationwide | House prices |
| 31 | Bank of England | Mortgage approvals |
| | Springfield Properties (SPR) | AGM |

November

| | | |
|---|--------------------------------|------------------|
| 1 | Countryside Partnerships (CSP) | EGM |
| 2 | Morgan Sindall Group (MGNS) | Trading update |
| 3 | Bank of England | Official Rate |
| | Howden Joinery Group (HWDN) | Trading update |
| | Derwent London (DLN) | Trading update |
| 4 | S&P Global | Construction PMI |

Sources: Companies, Factset, ShareCast.com, Progressive Equity Research

Prices are as at the previous day's close.

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