

Progressive Property & Construction Daily



28 November 2022: BRCK, HOME | Home sales down 28% but prices still rising – Zoopla | Government adds £1bn to home energy upgrade scheme

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

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Company news

Brickability Group (BRCK, 71p, £211m mkt cap)

Construction materials distributor. H1 (Sep) results. Rev +58%, £353m (+9.3% LFL); gross margin 15.6% (H1 22, 17.8%); adj PBT +43%, £22.4m; stat PBT +72%, £15.3m; adj EPS +23%, 6.0p; interim div +5.2%, 1.01p; net debt, £27.4m (net cash, £2.8m). *Trading:* Rev, Brick & Building Materials +4.3% LFL, £270m; Importing +51%, £54m; Distribution +36%, £31m; Contracting +18%, £20m. LFL increase in revenue largely reflects the general increase in prices; Bricks and Building Materials division rise was at a lower level due to the volatility in the timber market which has seen an expected fall in prices. Decline in gross margin “driven primarily by the acquisition of the Taylor Maxwell business during the prior year, which has traditionally operated on lower margins than the original group, together with the normalisation of timber margins and inflationary pricing pressures in the market”. *Outlook:* “The Board remains vigilant of wider macroeconomic challenges but is confident in the group’s ability to deliver performance in line with market expectations for the full year”.

Home REIT (HOME, 60p, £m)

Real estate investment trust funding the acquisition and creation of properties providing accommodation to the homeless. FY results due today delayed. The company stated on Friday evening: “It is standard practice

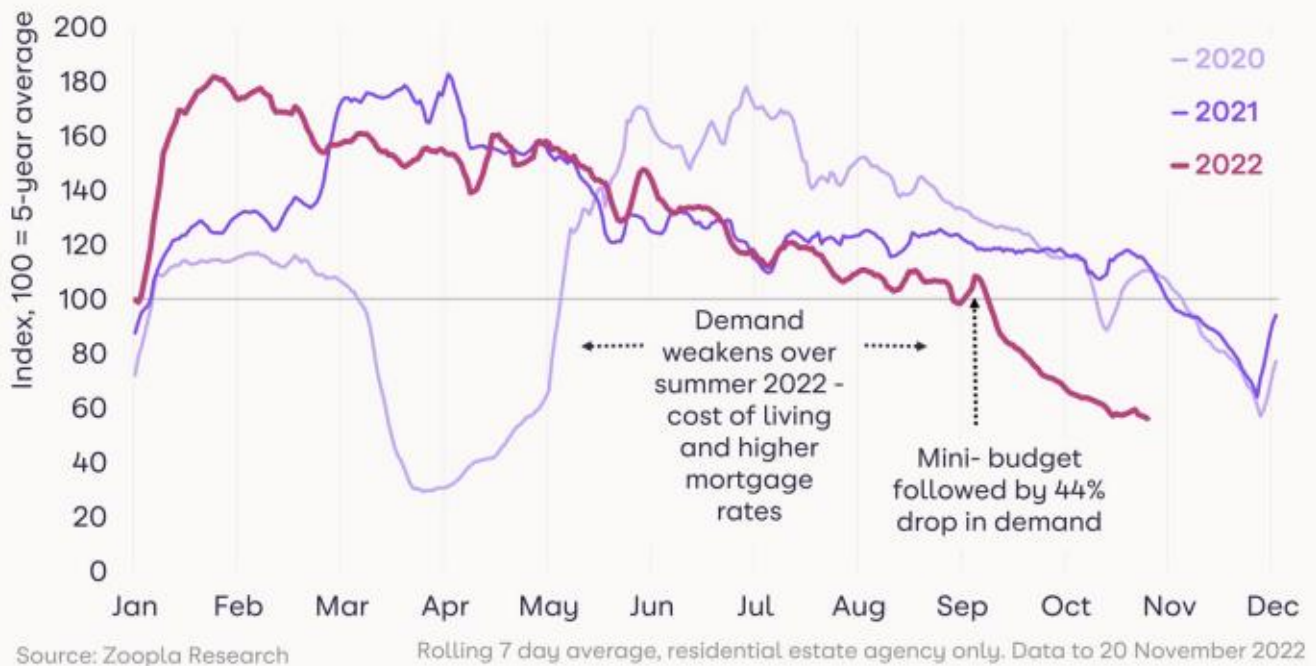
that, should material allegations be made against a company undergoing an audit, then such company is subjected to an enhanced set of audit procedures. Given the publication of the report on the company published by Viceroy Research, as announced on 23 November, the company is therefore required to delay publication of its results while [auditor] BDO completes this verification exercise. In addition, the company intends to publish its full response to Viceroy's claims in the coming days".

Economic data

Housing market. Sales volumes have fallen 28% Y/Y during November, largely due to the mini-budget, while buyer demand is down 44%, but prices are still growing, according to the latest Zoopla UK House Price Index ([link](#)). Sales volumes remain on a par with pre-pandemic levels, according to the report, but supply remains restricted, albeit less so than in late 2021, limiting downside for pricing. Prices in November, +7.8% Y/Y, £261.6k (Oct, +8.1% Y/Y); M/M +1.0% (Oct, +0.4% M/M). A quarter of all sales have seen asking prices being reduced, however, with the total average price being cut by 3%. The decline in sales volumes has been smaller in more affordable markets such as Scotland and the North East. Sales in London are also holding up better than the national average but the capital's housing market has been far more subdued, lagging behind the rest of the UK. One in 15 homes formerly sold is returning to the market after the original sale has fallen through. Looking forward, the research predicts an easing in mortgage pressures next year to well below the current level on fixed rate deals (which account for c. 60% of mortgaged buyers) of over 6%; with swap rates subsiding, the rates should fall to 4.5 - 5.0%. The portal expects prices to fall by up to 5% in 2023, but "we do not see any evidence of forced sales or the need for a large, double digit reset in UK house prices in 2023".

Viewpoint: One reading of the chart below is that the traditional Christmas housing market slowdown has come earlier than usual, but at similar reductions in buyer demand than the past two years. Zoopla's outlook for next year could be summed up as 'less good than last year but less bad than feared'.

Buyer demand down 44% since mini budget



In other news ...

Energy improvement. The Government has announced an extra £1bn BBC to insulate the UK's least energy efficient homes ([link](#)). Business Secretary Grant Shapps said the new funding would improve the UK's energy independent and save upgraded home occupant around £310 pa. The addition to the existing ECO+ scheme will start in the spring and target homes that have a low energy efficiency rating across social and private rented as well as privately owned homes and in the lower council tax bands. Previously private home owners could only access the support if they were on forms of income support.

Prices are as at the previous day's close.

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