Progressive Property & Construction Daily

1 December 2022: RESI | Economic data – House prices decline for second month, Nationwide | Comment – 'It's beginning to look a lot like Christmas'

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

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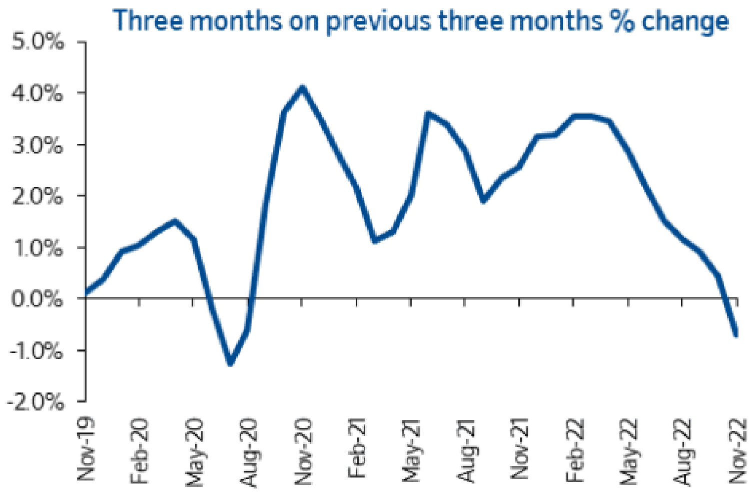
Company news

Residential Secure Income Fund (RESI, 86p, £160m)

Real estate investment trust investing in affordable shared ownership, retirement and local authority housing. FY (Sep) results. EPRA TNAV -1.7%, 106p; div +3.2%, 5.16p; net debt, £205m (FY 21, £191m); LTV, 0.47x (0.46x). *Trading:* LFL rental growth +4.5% (+1.5%), (H1 22, +3.7%; H2 22, +5.1%). Retirement occupancy, 94% (FY 21, 93%). *Outlook:* "Our 97% inflation linked rents provides strong basis for future growth. Accelerating tenanted shared ownership opportunities as housing associations look to fund increasing costs of investing in their existing stock whilst maintaining development programmes. Headwinds in FY 23 from increasing interest rates on 10% of debt that is floating and energy costs in our retirement communal areas. Near-term downwards pressure on tangible net assets from rising risk-free rates used in discounted cash flow valuations".

Economic data

House prices. Average prices declined M/M by 1.4% in November, following a 0.9% fall in October, bringing down the Y/Y rate down from +7.2% to +4.4%, according to the Nationwide (link). The seasonally adjusted monthly figure was the biggest fall since June 2020. Nationwide's outlook is: "The market looks set to remain subdued in the coming quarters. The outlook is uncertain, and much will depend on how the broader economy performs, but a relatively soft landing is still possible. Longer term borrowing costs have fallen back in recent weeks and may moderate further. Given the weak growth outlook, labour market conditions are likely to soften, but they are starting from a robust position with unemployment still near 50-year lows. Stretched housing affordability is also a reflection of underlying supply constraints, which should provide some support for prices".



In other news …

Comment. Is the recent sharp contraction in the housing market the start of an entrenched decline or an earlier than normal example of the traditional seasonal slowdown? My latest Property Week column, It's beginning to look like Christmas:

> *"Christmas arrived early for the housing market this year. Not from a bedazzled child's aspect; more, at least it would seem from early evidence, from a turkey's."*

Prices are as at the previous day's close.

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