

Progressive Property & Construction Daily



7 December 2022: MTO, FPO, CREI | Economic data – house price falls gather pace, Halifax | News – Help to Buy deadline ‘extended’ by month; offsite housing manufacturer raises £100m; contractor offers staff cost-of-living loans

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

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Company news

Mitie Group (MTO, 74p, £1,010m)

UK facilities management group. Provisional closure of CMA investigation. “On 4 March, Mitie Group announced that the Competition and Markets Authority had launched an investigation (the "Investigation") into the participation by Mitie, Mitie Care and Custody and PAE Incorporated, in the on-going procurement processes run by the UK Government (Home Office) for the contracts to supply certain services at Heathrow and Derwentside Immigration Removal Centres in the UK. The CMA has today announced that it has provisionally decided to close the investigation on the basis that there are no grounds for action. The parties and Home Office will now have the opportunity to consider the CMA's provisional decision and to respond to it. The CMA will announce its final decision on closure of the Investigation in due course”.

First Property Group (FPO, 24p, £26m)

Property fund manager and investor with operations in the United Kingdom and Central Europe. Sale of two supermarkets in Poland for €6.2m on behalf of funds managed by the group and in which it has an 88.5% interest. The sales price represents a gain of 16% against their aggregate book value and a gain of c. 2.1% against their aggregate market valuation as at 31 March. The pre-tax profit after deducting sales costs, amounts to c. €780,000 (£670,000). The cash released following the repayment of the bank loan secured against them amounts to c. £2.2m and will be held for reinvestment.

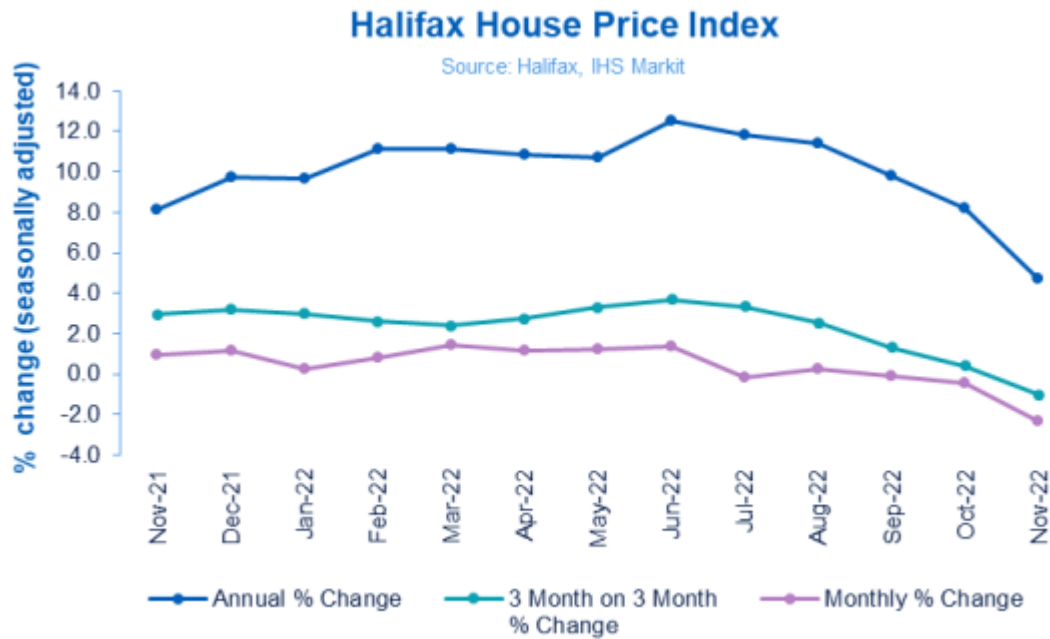
Custodian Property Income REIT (CREI, 93p, £408m)

UK commercial real estate investment trust. Name changed with immediate effect from 'Custodian REIT'.

Viewpoint: In an example of doing 'exactly what it says on the tin', the group sounds less like a prison group and more like a, well, property income REIT.

Economic data

House prices. Average house price fell by -2.3% to £285,579 in November, following declines of 0.1% and then 0.4% in the previous two months, and bringing down the Y/Y rate to +4.7% from +8.2% in October, according to the latest Halifax House Price Index ([link](#)). The rate of annual growth slowed in all but one region, the North East, during November. According to the UK's largest mortgage lender, "While a market slowdown was expected given the known economic headwinds – and following such extensive house price inflation over the last few years (+19% since March 2020) – this month's fall reflects the worst of the market volatility over recent months. Some potential home moves have been paused as homebuyers feel increased pressure on affordability and industry data continues to suggest that many buyers and sellers are taking stock while the market continues to stabilise. The market may now be going through a process of normalisation. While some important factors like the limited supply of properties for sale will remain, the trajectory of mortgage rates, the robustness of household finances, and how the economy – and more specifically the labour market – performs will be key in determining house prices changes in 2023".



In other news ...

Help to Buy. Homes England says it will not enforce December 31 practical completion deadline for the 20% Help to Buy equity loans scheme but the March end date remains, Housing Today ([link](#), paywall). The Government has extended the time that housebuilders have to get homes built under the existing Help to Buy programme amid fears that hundreds of would-be buyers might miss out due on the loans due to construction delays. The Department for Levelling Up, Housing and Communities said housebuilders could have another month to finish construction of homes purchased under the scheme, as long as they notified Homes England of the fact by December 20. The decision comes after housebuilder lobby groups had been asking Homes England for additional leeway on the 'longstop date', amid concerns that hundreds of would-be buyers could lose out on their homes, with many sites affected by build delays over the last year given widespread materials shortages.

Modern methods of construction. Modular housing specialist ilke Homes has raised a record £100m from new and existing shareholders, ConstructionEnquirer.com ([link](#)). US-based investor Fortress led the equity investment fundraise, with existing shareholders TDR Capital and Sun Capital also subscribed. The new funding will help ilke scale-up its operations and open a new factory that will increase output capacity to 4,000 homes a year. The company will also invest heavily in automating more of its manufacturing processes to further drive productivity. CEO Giles Carter said: "Having pioneered a zero-carbon, zero energy bills solution in partnership with Octopus Energy and Gresham House, the new monies will allow us to roll out our proven concept across the country".

Cost of living. The UK arm of Swedish construction group Skanska has teamed up with a finance firm to offer affordable loans to its staff, ConstructionEnquirer.com ([link](#)). The initiative with Salary Finance will offer a range of financial benefits to all employees including loans with a fixed APR of 7.9%. Staff can also access advances on earned pay to avoid relying on overdrafts or credit cards plus savings schemes and free financial education. The move follows Skanska's recent £1m in cost-of-living support with one-off payments of £750 to around 1,300 employees.

Prices are as at the previous day's close.

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