Progressive Property & Construction Daily

10 January 2023: UTG, SHI | Fortnight ahead

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

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Company news

Unite Group (UTG, 940p, £3,761m mkt cap)

Owner, manager and developer of UK student accommodation. Trading update and Q4 fund valuations. *Guidance:* "Adjusted EPS reiterated at the top end of 40-41p range for FY2022, and a total accounting return of around 8%. Strong start to the 2023/24 sales cycle with 70% of beds sold (FY 23, 60%). Targeting rental growth of at least 5% for 2023/24 (previously 4.5 - 5.0%). *Outlook:* "Despite the challenging economic environment, the business remains well positioned thanks to increasing student numbers and growing demand for high-quality, purpose-built student accommodation across our markets. Our alignment to the strongest universities and the capabilities of our best-in-class operating platform mean we remain confident of continuing to deliver strong operational results". *Q4 valuations:* Unite UK Student Accommodation Fund's property portfolio was independently valued at £2,888m, a 1.4% LFL decrease during the quarter; Y/Y, 4.6%. The valuation decrease in the quarter was driven by an increase in property yields of 13bps to a weighted average of 5.0%, which more than offset the positive impact of rental growth. London Student Accommodation Joint Venture, £1,921m, Q/Q -2.8% LFL; Y/Y +5.6%; valuation during the quarter driven by an increase in property yields of 18bps to a weighted average of 4.1%.

SIG (SHI, 31p, £369m)

Supplier of energy efficiency and specialist building materials to trade customers across Europe. FY (Dec) trading update. *Guidance:* "Substantial increase in underlying operating profit; expected to be at c. £80m, in line with market expectations, up from £41m in 2021". *Trading:* LFL rev +17%, £2.74bn; UK, +15% (H1 +19% Y/Y; H2, +12%); EU, +18% (+23%; +14%). Positive free cashflow for the year; YE net debt, c. £440m (YE 21, £365m). "FY 22 results reflect the continuing successful delivery of the Return to Growth strategy [initiated in 2020] and the resilience of the Group's diversified business model … despite a one-off loss of c. £5m in H2 resulting from the administration of Avonside, a major UK roofing contractor and one of the group's largest customers. As anticipated, market demand softened in most geographies in H2, but we continued to benefit from solid execution of our commercial strategy, strengthening our positions in the markets in which we operate. Input price inflation eased in H2, as expected, but remained a strong tailwind to year-on-year revenue growth". In the UK, the Interiors business continued to drive the business's return towards its previous performance; Exteriors volumes were down, more notably in H2, in line with weaker market conditions and against particularly strong 2021 comparators. Recent UK acquisitions, including Miers Construction Products acquired in July 2022, "are performing well". New CEO Gavin Slark (formerly CEO of Grafton Group) will join the Group on 1 February. FY results, 8 March.

Post-Christmas catch-up

Back after a Christmas break. Very little corporate news other than, on 30 December, the proposed disposal by Nexus Infrastructure (NEXS) of its TriConnex and eSmart Networks subsidiaries to FitzWalter Capital for £77.7m in cash. If approved, c. £65m of the net proceeds from the disposal will be returned to shareholders in early 2023 by way of a tender offer. On completion of the Disposal, Tamdown will be the principal trading business of Nexus.

Among economic data, the key releases were December house price data from leading mortgage lenders, showing continued drifting off in house prices since the mini-Budget, albeit at lower rates of M/M decline: Halifax, 6 January (link), -1.5% M/M seasonally adjusted, following -2.4% in November; Nationwide (link) -0.1%, after -1.4% in November. Official indicators for the period for activity levels – arguably more at risk than prices – have still not been issued yet, but a slew of trading updates from housebuilders, starting tomorrow (see below), should give an indication.

Fortnight ahead

Construction & property: company and economic news

Starting from tomorrow, a swathe of insights from most of the top housebuilders, led by Barratt, the UK's biggest by volume, providing the first glimpse into whether would-be buyers have been tempted back into the market. Enquiries fell off a cliff following the surge in borrowing costs in the wake of late September's mini-Budget. This was not surprising given the confluence of economic and political turmoil, but it could be an *earlier than usual pre-Christmas slowdown; the first couple of weeks of January are typically a key pointer to the direction of the spring selling season. The next few days could shed some light.*

January

11	Barratt Developments (BDEV)	Trading update
	Grafton Group (GFTU)	Trading update
	Marlowe (MRL)	Capital markets event
12	Persimmon (PSN)	Trading update
13	Taylor Wimpey (TW.)	Trading update
	MJ Gleeson (GLE)	Trading update
	ONS	Construction output
	ONS	GDP
16	Hercules Site Services (HERC)	FY results
	Rightmove	House prices
17	Crest Nicholson Holdings (CRST)	FY results
	ONS	Employment Data
18	Vistry Group (VTY)	Trading update
	Galliford Try Holdings (GFRD)	Trading update
	ONS	House prices
	ONS	Inflation data
19	RICS	Residential Mkt Survey
24	Sureserve Group (SUR)	FY results
25	Watkin Jones Group (WJG)	FY results

Sources: Public announcements, Factset, ShareCast.com, Progressive Equity Research

Prices are as at the previous day's close.