

Progressive Property & Construction Daily



12 January 2023: PSN, SVS, GPE, BYG, LORD | Private housing leads overall construction into decline - RICS

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

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Company news

Persimmon (PSN, 1,297p, £4,140m mkt cap)

UK number three housebuilder by volume, top by market cap. FY (Dec) trading update. *Guidance:* “We delivered 14,868 new homes to customers in the year, towards the top end of our guidance, whilst maintaining five-star quality. House price inflation along with our focus on build efficiency helped offset cost inflation during 2022 with our industry-leading operating margins broadly maintained”. *Trading:* Completions +2%, 14,868; prices +5%, c. £249k (private +5%, c. £272k, “mix and inflation”; housing associations +8%, c. £142k); fwd sales -36%, £1.0bn (private -56%, £0.5bn); landbank, c. 87,200 plots (FY 21, 88,043). YE cash, £0.86bn (YE 21, £1.25bn). Private sales rate per site per week: FY 22, 0.69 (FY 21, 0.83, -17%); Q4, 0.30 (0.77, -61%); last 7 weeks, 0.19 (0.61, -69%). “The trading performance weakened across all geographies with the biggest impact on sales seen in our Southern regions. We saw a particularly sharp fall in demand on those sites where Help to Buy was more widely used [and particularly the closer to London, according to the conference call] once the scheme in England closed for new applications from 31 October”. Land: “we have already taken action to either renegotiate or pause the start of around 30 sites. We expect land spend in 2023 to predominantly relate to the settlement of land creditors, and we will take a highly selective approach to any new land purchases, investing only where we see the very best opportunities”. *Outlook:* “Higher mortgage rates, inflation, heightened market uncertainty and the end of reservations under Help to Buy in England, had

a sharp impact on the Group's private sales rates in the fourth quarter and will have an adverse impact on the outlook for 2023. We currently anticipate average outlets will remain broadly similar during 2023 at 250-260 open selling outlets, although we have opportunities to increase this if demand improves as we progress through the year". FY results, 1 March. **Viewpoint:** The figure that most jumped out was the 0.19 sales rate for the past seven weeks (not quite like-for-like, but Barratt's for the last 12 weeks was 0.30). This could largely be explained by Persimmon's focus on much lower price points (£272k vs Barratt's £372k), with first time buyers most hammered by the post-mini budget mortgage crisis. Persimmon in its conference call, however, was much more open about January trading: there was a three-fold increase in enquiries on Boxing Day versus the previous weeks and the improvement had "continued into the new year". This will probably been encouraged by its 26 December offer running until the end of December to pay mortgage payments for up to 10 months ([link](#)), an effective incentive of 4 - 5% of selling prices.

Savills (SVS, 870p, £1,256m)

International real estate services group. FY (Dec) results. *Guidance:* "Since the end of Q1 2022, real estate markets across the globe have been increasingly challenged by geopolitical events, macro-economic issues and policy responses. Despite this, the group performed ahead of its previous expectations for the year and substantially ahead of the 2019 pre-Covid period". *Trading:* "One highlight in the year has been the relative strength of the prime residential market, which undoubtedly continued stronger for longer than we originally anticipated and helped mitigate the effect of volume declines in commercial transaction activity. During the year, the Consultancy and Property Management businesses performed well. In the Transactional businesses, the rapid rise in debt costs has been a significant issue with which commercial investment markets have had to come to terms. This, together with inflationary pressures globally, has also reduced the volume of leasing transactions, although in a number of markets the drive for sustainability has ensured that Grade A office activity, in particular, has remained robust". *Outlook:* "Predictions for the full year are characterised by a wide range of possible outcomes; we believe that H1 2023 will be more challenging than its 2022 comparative; however, we expect progressive improvement through the second half. The speed with which investment markets are recalibrating to the current cost of capital varies; however, we anticipate the challenges to commercial transaction volumes will remain significant through at least the first half of 2023. Other markets such as Central and Eastern Europe (including Germany) have also been affected by the economic impact of the war in Ukraine. In the Asia Pacific region, until very recently, activity within and to /from Greater China also remained severely hampered by Covid-related restrictions. We anticipate that the abnormally high UK transaction volumes of the post-lockdown market will reverse in 2023 as the market normalises to the prevailing economic environment. This is likely to be particularly notable in markets outside London. The international nature of the Prime London market, lower dependence upon mortgage financing and attractive valuations in a global context, should partially mitigate the effect of volume reductions in the residential market overall. FY results, 16 March.

Others in brief

Great Portland Estates (GPE, 541p, £1,372m) London office and retail property group. Quarterly (Dec) leasing update. 29 new leases and renewals signed in the quarter generating annual rent of £34.3m, with market lettings on average 2.1% ahead of March 22 ERV, with "strong leasing momentum in our retail space".

Big Yellow Group (BYG, 1,174p, £2,163m) Self-storage REIT. Q4 trading update. Total rev, Q4 +6% Y/Y; occupancy, 80.4% (85.5%) "impacted by the Russian invasion of Ukraine leading to weaker occupancy growth

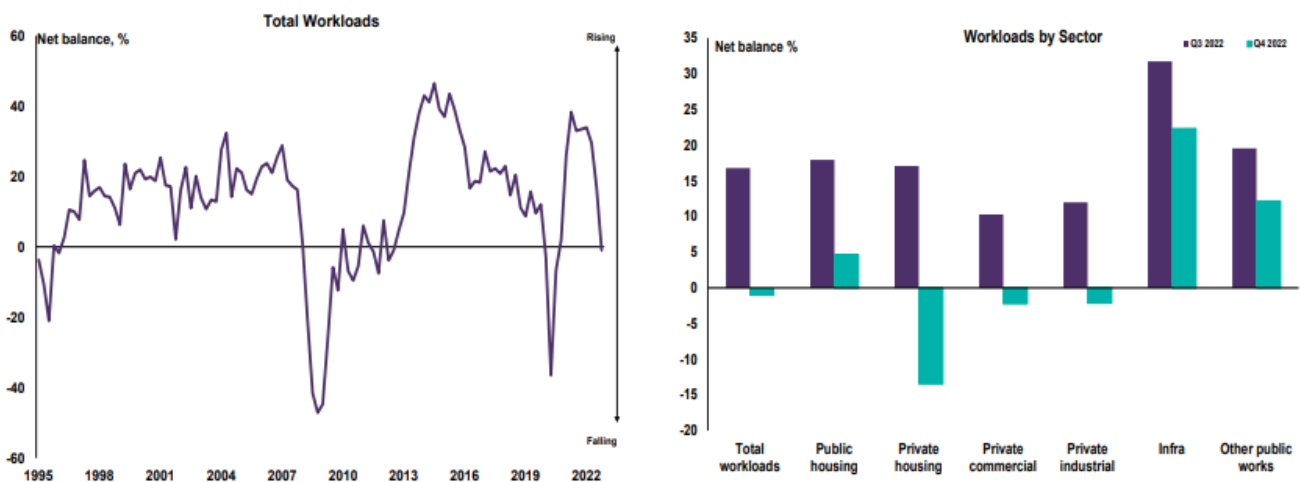
than we would have expected. We are seeing a return to growth in net reservations and occupancy. We now move into our seasonally stronger spring and summer trading period”.

Lords Group Trading (LORD, 79p, £128m)

Building materials distributor. Purchase of freehold property from which the Heathrow branch of the group’s wholly owned subsidiary George Lines Civils & Landscaping Merchants operates from the original vendor of George Lines. The 1.52 acres site close to Heathrow airport includes 5,570 sq ft of covered storage. “George Lines has been trading from this location for over 40 years and the purchase of the freehold will secure future trading from this site. The purchase also re-enforces the commitment of the group to growing the George Lines brand with management actively looking for new branch locations”.

Economic data

UK construction activity dipped into decline in Q4, with private housing leading overall workloads down despite still robust levels in infrastructure, according to the latest UK Construction Monitor from the RICS ([link](#)). The headline net balance, capturing workloads across the industry, slipped to -1% (% of respondents registering an increase minus seeing an increase), down from +17% in Q3. Despite this, hiring of workforce is still viewed as challenging. A net balance of +35% of respondents reported having recruited employees over the past three months with +15% indicating they intend to do so over the next twelve months.



Prices are as at the previous day’s close.

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