Progressive Property & Construction Daily

8 February 2023: BDEV, SDY, GRI, CREI, CSH

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

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Company news

Barratt Developments (BDEV, 460p, £4,584m mkt cap)

UK's biggest housebuilder by volume. H1 (Dec) results. Completions +6.9%, 8,626; rev +24%, £2,784m; adj op margin, 18.4% (H1 22, 20.0%); adj PBT +16%, £522m; stat PBT +16%, £502m; adj EPS, +9.2%, 39.2p; interim div -8.9%, 10.2p; TNAV, 462p (458p); net cash, £969m (£1,132m). *Trading:* "A strong operating performance … was possible because of our significant forward order book at 30 June. However, the economic backdrop has clearly been challenging and consumer confidence weakened significantly during the half, which meant we saw lower reservation rates for future sales - particularly in the second quarter. Whilst we have seen some early signs of improvement in current trading during January, we will need to see continued momentum over the coming months before we can be confident that these challenging trading conditions are easing". Private reservation rate in January, 0.49 per site per week, 46% below the 0.90 in the equivalent period in 2022, but a "pleasing uplift" on the 0.30 from the AGM announcement to 31 December. *Guidance:* Dependent on how the Spring selling season evolves, 16,500 - 17,000. (In the 11 January trading update, this was 16,000 – 16,500 – similarly caveated). **Viewpoint:** A slightly more upbeat (or less downbeat) tone was evident at the meeting compared with the conference call following January's trading update. "Relatively little reduction in headline prices" although incentives, worth about 5 - 6% of selling prices are at the limit that lenders' valuers will accept before pushing for reductions in list prices. Prices would have to fall by significantly more to trigger any meaningful land impairment charts. The shares ticked up following the meeting.

Speedy Hire (SDY, 42p, £197m)

UK and Ireland tool, equipment and plant hire services provider. Financial and trading update. "Following recommendations made at the end of the audit for the year ended 31 March 2022 and as part of the subsequent work being undertaken by management to review controls around hire equipment", the group has recently carried out a comprehensive count of all hire equipment in preparation for the upcoming 2023 audit. As at 31 March 2022, the reported net book value of the hire equipment assets was £227m, categorised into two groups: those that are individually identifiable by a unique serial number to the asset register, representing 78%, or £177m, of the total reported net book value, and other equipment such as scaffolding towers, fencing and non-mechanical plant which does not have a unique serial identifier, representing 22%, or £50m, of the total reported net book value. "Whilst this count validated the previously disclosed net book value of itemised assets, it identified a deficiency in the value of non-itemised assets of c.£20m. The Board has instigated an external investigation into the issue". *Trading update:* "The Group continues to perform well in the second half, with its revenue (excluding disposals) for the four months to 31 January 2023 up c.16% against the corresponding period in the prior year and apart from any effects of the asset loss described above, the Board continues to be confident in delivering underlying profit in line with its expectations for the full year".

Grainger (GRI, 257p, £1,909m)

UK's largest listed residential landlord. Trading update. LFL rental growth, +6.1%; PRS LFL rental growth +6.1% (new lets +7.8%; renewals, +5.0%); PRS occupancy, 98.7%. *Guidance:* "Based on our continuing strong rental growth, underpinned by demand for private rented housing, and our significant progress in investing in and delivering new rental homes, we are confident of continuing our strong operational performance. Whilst not immune to upward pressures on yields, the long-term fundamentals for our sector remain strong. Investor interest in the sector remains high, as strong rental growth offers support to valuations". HY (Mar) results, 11 May.

Custodian Property Income REIT (CREI, 91p, £399m)

UK commercial real estate investment trust. Trading update. 1.375p dividend per share approved for Q3 (Dec) 23, "in line with a target dividend of no less than 5.5p for the current financial year". Lettings momentum has continued into the final quarter of the financial year with a further four new leases completing since the quarter end, adding £0.8m of annual rental income for a weighted average 12 years to first break.

Civitas Social Housing (CSH, 60p, £364m)

Care-based social housing REIT, providing homes for working age adults with long-term care needs. In the period to 31 December 2022 the unaudited NAV per share declined by 3.4% to 110.9p. "This reflected both a slight widening of the average net initial yield from 5.27% at 30 September 2022 to 5.45% at 31 December 2022, as a result of the broader macro-economic environment, and the effects of the mark-to-market valuations of the Company's financial swaps and caps."

Prices are as at the previous day's close.