

Progressive Property & Construction Daily



25 May 2023: BOOT, LSL | London housing rents overtaking the rest of the UK for first time since 2017

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

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Company news

Henry Boot (BOOT, 235p, £314m mkt cap)

Land Promotion, property investment & development and construction group. AGM. *Guidance:* “Henry Boot has started the year well, trading in line with expectations, whilst making continued progress against its medium-term strategic objectives. The group’s three key markets, industrial & logistics (I&L), residential and urban development are showing signs of recovery. The I&L market remains resilient, supported by rental growth, and housebuilders are selectively buying land, with the group recently selling, and receiving offers for a number of sites. House buyers are returning to the market after a downturn in demand from Q4 22, although the selling season through Spring and Summer remains important”. *Trading:* “Hallam Land Management has begun the year well, selling 1,900 plots. Following a pause from buying land at the end of 2022, there are signs of housebuilders returning to the market, with selective acquisitions and encouraging levels of interest in HLM's portfolio of prime plots”. Key disposals so far in the year include to Taylor Wimpey, Barratt, Countryside Partnerships and Cala Homes. In addition to plots sold, HLM have various sites under offer, which are likely to contribute towards both sales targets and profit in 2023 and 2024. “Anticipating slower markets in the spring of 2022, Henry Boot Developments reduced development activity. However, there has continued to be occupier demand in the I&L market, coupled with stabilising yields and investors returning to the market. The build-to-rent market remains strong in terms of customer demand and investors are again looking to fund development”. Stonebridge Homes has already secured 71% of its 2023 delivery

target of 250 homes, a sales rate of 0.52 houses per week per outlet in the first 18 weeks of the year. “Cost inflation remains a challenge but is beginning to moderate. Against a backdrop of economic uncertainty and increased mortgage costs, house prices have remained resilient. There continues to be customer interest and this, along with improved mortgage rate affordability and product availability, leaves SH encouraged by the start of the year. However, SH will rely on achieving marginally higher sales rates in the important Spring and Summer selling season. SH will also look to take advantage of current market conditions by selectively securing sites that will grow its land bank and further support its medium-term growth target of delivering 600 homes per annum”. Henry Boot Construction has secured 72% of its 2023 order book and remains focused on securing the remainder of the targeted budget. *Outlook:* “There are encouraging signs within our three key markets, particularly within the I&L and residential markets, where signs of early momentum are building. The Group remains cautious in light of the current economic environment and expects that activity in 2023 will continue to improve, which will contribute towards 2024 performance and beyond. Looking ahead, the group is well placed, supported by a solid balance sheet and a store of opportunities, placing the business in a strong position to achieve its medium-term strategic objectives and growth targets”.

LSL Property Services (LSL, 278p, £289m)

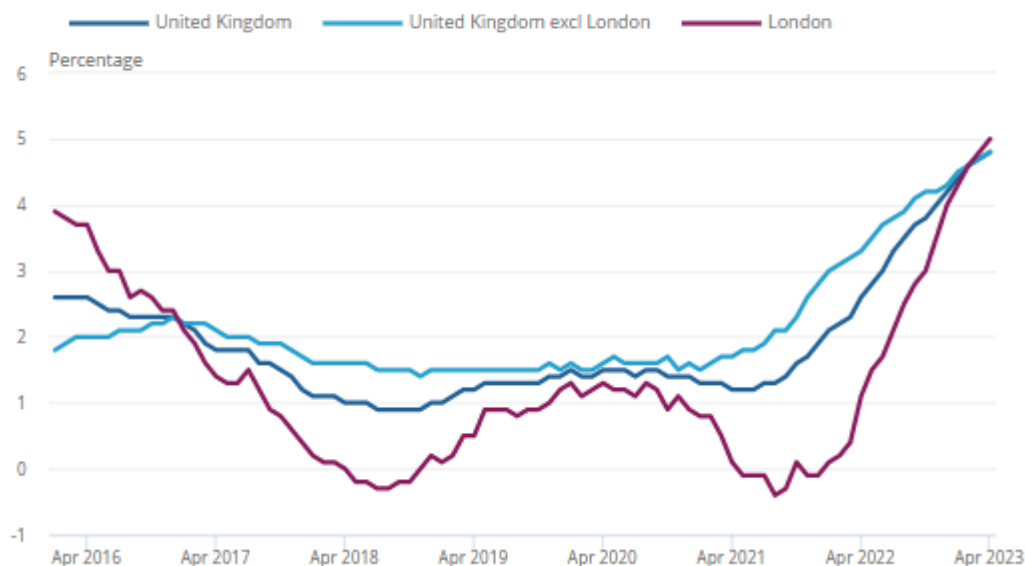
Estate, lettings and property/financial services agent. AGM. *Guidance:* “As we set out on 13 April in our FY results, market conditions remain challenging as expected in H1, albeit there have been some early signs of improved trading since then and we continue to expect an improvement in H2, supported by the remortgage market and increasing consumer confidence. The Board's expectations for the full year remain unchanged, with a more pronounced weighting of results towards H2 than would typically be the case”. *Trading:* “The period since our last AGM has been both busy and productive, with significant progress made in re-structuring and re-focusing the group against the backdrop of very challenging market conditions. This includes consistent and strong financial performance in our Financial Services Network and Surveying & Valuations businesses, the transfer of our direct-to-consumer brokerages to Pivotal Growth, our joint venture with Pollen Street Capital, and the disposal of Marsh & Parsons at an attractive valuation. Most recently, we announced on 4 May that our entire owned Estate Agency Network will convert to become franchises, in doing so transforming the group into a business-to-business services provider, with a much smaller cost base and significantly less exposure to housing market cycles. Our focus in Estate Agency will be to finish the re-structuring required to realise the cost savings that will result from the transition to franchising and position the business to deliver improved returns in 2024”.

Economic data

Residential lettings market. Rental growth in London has overtaken the rest of the UK for the second consecutive month, having lagged since January 2017, according to the latest private rental index from the ONS ([link](#)). Private rents in the UK rose by 4.8% in the 12 months to April 2023, from +4.7% in the year to March: England (+4.7%); Wales (+4.8%); Scotland (+5.2%). Within England, the highest annual percentage change in private rental prices in the 12 months to April 2023 was in London and Yorkshire and The Humber, at 5.0%, while the North East saw the lowest (4.2%). London's annual percentage change in private rental prices was 5.0%, its highest annual rate since November 2012. London rents were hit by oversupply of

apartments and increases in landlords' taxation introduced in the 2015 Budget by then-Chancellor George Osborne.

Index of Private Housing Rental Prices percentage change over 12 months, UK and London, January 2016 to April 2023



Prices are as at the previous day's close. Where quoted, net debt is pre-IFRS16 (excluding leases) unless otherwise stated.

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