

Progressive Property & Construction Daily



7 July 2023: GLE, LOK | Economic data – House prices slip but new homes rise, Halifax
| Fortnight ahead

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

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Company news

MJ Gleeson (GLE, 385p, £225m mkt cap)

Low-cost housebuilder, focused on north of England, and strategic land enabler, focused on south. FY (Jun) trading update, capital markets day. *Guidance:* “The Board expects [group] results for FY 23 to be in line with market expectations. YE net cash, £5.2m (FY 22, £33.8m), “This was a pleasing outcome given the significant investment during the period in bringing forward a higher proportion of new homes starts”. *Trading:* Gleeson Homes – Completions -14%, 1,732 (including 115 in portfolio sales); prices +11%, £186,200. “There was a significant shift in buyer demographics in the second half, with first-time buyers accounting for c. 50% of open-market reservations (71%), whilst over 20% were to purchasers over 55 years old (10%). Restructuring completed from nine regional management teams to six, under a standardised operating structure. The process resulted in annualised administrative overhead cost savings of £3.2m, to be realised from FY 24 onwards, at a one-off cost of £1.0m. Reservation rates over the last six months improved to 0.64 net reservations per site per week against 0.62 over the comparable period last year. Excluding the four multi-unit sale agreements, the reservation rate was 0.44 per site per week net of 19% cancellations. “Looking ahead, whilst the Board believes that demand from first-time buyers will continue at the levels seen through the last few months, it anticipates that interest from other value-driven buyers”. Gleeson Land – Three sites sold during the year, representing 413 homes. The total portfolio of 70 sites, for 17,831 potential homes, included six with either planning permission or resolution to grant and which have the potential to deliver 1,400 plots.

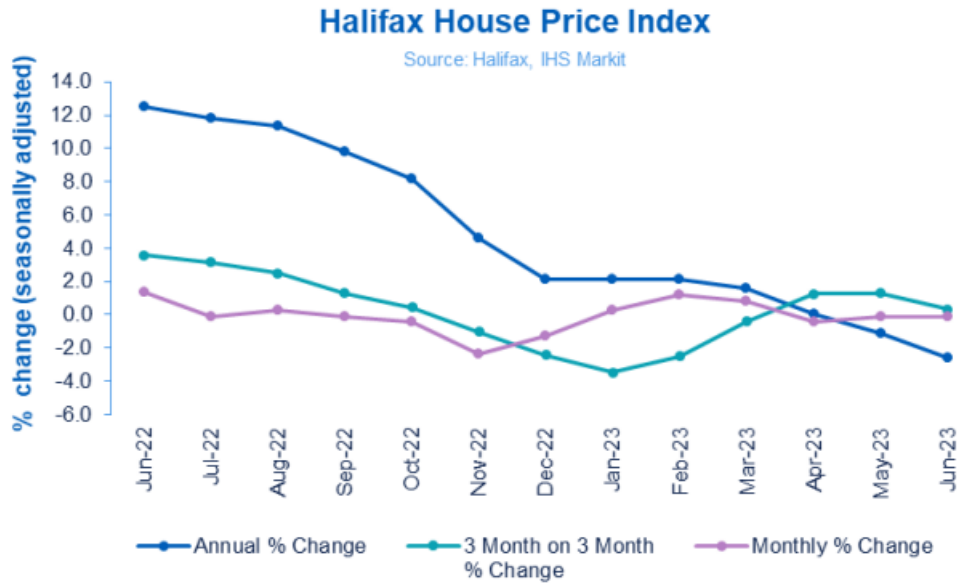
The company is today hosting a Capital Markets Day at its Petersmiths Park development in Nottinghamshire which, when completed, will comprise 305 homes. Management will set out a roadmap to significantly scale the company's operations over the long term. This will focus in particular on broadening out Gleeson Homes' model, including exploring opportunities in partnerships, and expanding Gleeson Land's footprint. FY results, 14 September.

Lok'n'Store Group (LOK, 848p, £255m)

UK self-storage group. Placing. The company has raised total gross proceeds of approximately £20.5m through an over-subscribed issue of 2,679,739 new ordinary shares at 765p per share. The shares represent c. 8.9% of the current issued share capital. "This funding will support the growth of the company in the structurally under-supplied UK self-storage market. Our pipeline will, when fully operational, add 38% to available space, which, as those new stores fill up, will generate more cash flow for future growth investment and increased distributions to shareholders".

Economic data

House prices slipped by 0.1% M/M in June, the lowest monthly fall for three months, but the Y/Y rate declined to -2.6%, from -1.1% in May, according to the Halifax House Price Index ([link](#)). June's decline follows seasonally-adjusted falls of -0.4% in April and -0.2% in May. Prices, at £285,932, are now 2.7% below the peak of £293,992 in August, benefiting from the Stamp Duty holiday and immediately prior to September's mini-budget, which triggered a series of rates rises. According to the UK's largest mortgage lender, "These latest figures do suggest a degree of stability in the face of economic uncertainty, and the volume of mortgage applications held up well throughout June, particularly from first-time buyers". Its analysis finds that new build prices (+1.9% Y/Y) than existing properties (-3.5%, "which were instrumental in driving prices up during the pandemic related housing rush. Prices fell on an annual basis in June across all property types led by flats (-3.1%) and terraced homes (-2.5%). The declines for semi-detached and detached homes were lower, at -1.9% and -1.3% respectively. Average house prices have fallen on an annual basis in most parts of the UK, with the only exceptions being the West Midlands (+1.5%, to £251,139), along with marginal gains in Yorkshire & Humberside (+0.2%, £203,674) and Northern Ireland (+0.2%, £186,856). The South East (-3.0%, £384,106) saw the biggest fall; London declined (-2.6%, £533,057). Wales (-1.8%, £215,183); Scotland (-0.1%, £201,774).



Fortnight ahead

Construction & property: company and economic news

July

11	Galliford Try Holdings (GFRD)	Trading update
	Grafton Group (GFTU)	Trading update
	British Land Company (BLND)	AGM
	ONS	Employment data
12	LondonMetric Property (LMP)	AGM
13	Barratt Developments (BDEV)	Trading update
	TClarke (CTO)	HY results
	Helical (HLCL)	AGM
	ONS	GDP
	ONS	Construction output
17	Rightmove	House prices
19	HICL Infrastructure (HICL)	AGM
	ONS	Inflation data
	ONS	House prices
20	Howden Joinery Group (HWDN)	HY results

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

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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