

# Progressive Property & Construction Daily



8 September 2023: BKG | Economy – Build cost inflation falls sharply | Fortnight ahead

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

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## Company news

**The Berkeley Group Holdings** (BKG, 3,972p, £4,219m mkt cap)

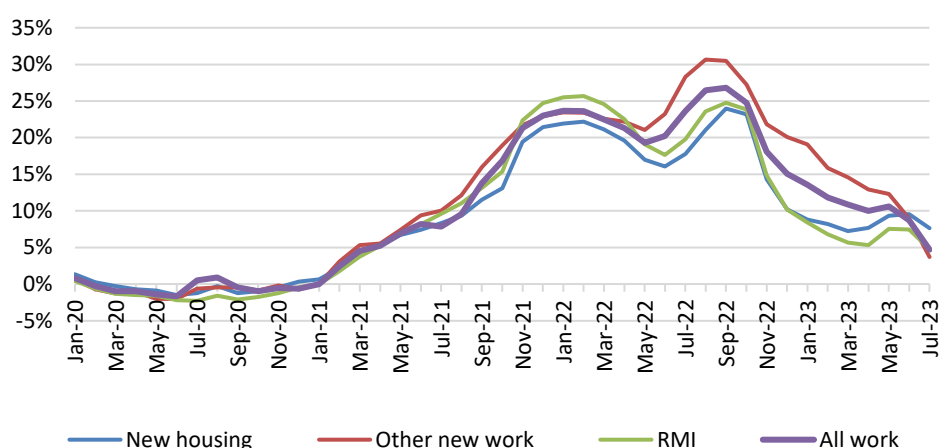
London-focused residential developer and urban regeneration group. AGM. *Guidance:* “Berkeley re-affirms its earnings guidance to deliver pre-tax profits of at least £1.05bnn across the current and next financial years; likely to be weighted slightly to FY[Apr]24. Supported by a strong opening forward sales position, we have over 90% of FY24 revenue exchanged and anticipate cash due on forward sales to be around £2bn at 31 October 2023 (30 April 2023: £2.14bn). We remain on track to be working capital neutral over the course of this and the next financial year”. Profits for the current year are expected to be split broadly evenly between the first and second half. Net cash at 31 October 2023 will be around £325m (30 April 2023: £410m), reflecting the relative phasing of joint venture and group delivery over the course of the year, with the former concentrated in the first half. *Trading:* “Enquiries have stayed at similar levels over the last four months, but the value of underlying private sales reservations is some 35% below last year’s rate, reflecting the elevated macro-economic and political volatility. Pricing remains resilient and above our business plan levels, due to the constrained supply of both new-build and second-hand homes to the market, while cancellation rates are stable. Build cost inflation is at negligible levels when measured across our portfolio and we are working with our supply chain to ensure delivery programmes are met. The complexity and protracted nature of the current planning system and lack of clarity surrounding

certain regulatory changes affecting our sector, at a time of considerable uncertainty for the UK economy, continues to deter investment into brownfield regeneration and the wider housebuilding sector. Consequently, Berkeley has not acquired any land in the period and will only invest very selectively in new opportunities. We remain focused on securing and delivering the value inherent in the Group's existing land holdings and pipeline in a disciplined manner that will support a sustained pre-tax return on equity of 15% through the cycle". The group is on track to deliver the next annual shareholder return of £282.7m (currently £2.66 per share) by 30 September 2024 through a combination of dividends and share buy-backs, with at least £0.66 per share of the annual return made via dividends.

## Economic data

**Building materials statistics.** Price inflation fell to 4.7% Y/Y in July, from 8.7% in June, according to the monthly [Building materials and components statistics](#), from the Department of Business and Trade (released on Wednesday). This is a sharp fall from the peak of 26.8% in September 2022. The rate of growth in July was highest for New Housing, +7.6%, while the rate was +3.7% for Other New Work and +4.8% for RMI. Among the wide range of other statistics, brick stock levels continued to rise, to 490 million in July, 85% higher Y/Y and 24% above the 10-year average. Deliveries in July were down 26% Y/Y, while production was 9% lower, reflecting selective mothballing across the industry. **Viewpoint:** The data probably ignores discounting, but there is some difference in viewpoints among large housebuilders: Barratt this week predicted overall build cost inflation 5% for the year ahead (more to do with "stick" labour rates; Berkeley, above, referred to "negligible" cost increases.

Building materials price indices, Y/Y change (%)



Source: BEIS

# Fortnight ahead

## Construction & property: company and economic news

### September

11	Vistry Group (VTY)	HY results
12	Harworth Group (HWG)	HY results
	ONS	Employment data
	The Property Franchise Group (TPFG)	HY results
13	Redrow (RDW)	FY results
	Marlowe (MRL)	AGM
	ONS	GDP
	ONS	Construction output
14	MJ Gleeson (GLE)	FY results
	Kier Group (KIE)	FY results
	Glenveagh Properties (GLV)	HY results
18	Rightmove	House prices
20	Galliford Try Holdings (GFRD)	FY results
	Epwin Group (EPWN)	HY results
	ONS	Inflation data
	ONS	House prices
21	Van Elle Holdings (VANL)	AGM
	Bank of England	Official Bank Rate

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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