

Progressive Property & Construction Daily



22 September 2023: HOME, MER | Viewpoint: Was housing really trussed by Liz? | Fortnight ahead

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

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Company news

Home REIT (HOME, shares suspended)

Real estate investment trust funding the acquisition and creation of properties providing accommodation to the homeless. Surrender of leases and transfer of sub-leases. “Further to its announcement on 2 August regarding Redemption Project CIC entering into creditors voluntary liquidation, [Home REIT (‘The Company’)] now announces that Redemption has agreed to surrender its leases on 146 properties equating to c. 6% of the Company’s portfolio by number of properties. Redemption has not paid rent to the Company for 2023. Mears Limited, guaranteed by Mears Group [MER] has been occupying 77 of the properties on sub-leases from Redemption. These sub-leases will now transfer to Home REIT, with Mears Limited becoming a direct tenant for the remaining lease term of 8 years with an initial contracted rental income of £732,720 pa. The annual contracted rent due from Redemption for these 77 properties was £1,139,151 as at 31 August 2023. The surrender agreement allows the Company to receive a sustainable income stream from a strong tenant covenant and is expected to generate higher rent collection than has previously been received from Redemption in relation to the properties. Following the transaction, the Company’s direct exposure to Mears Limited increases to 177 properties and £1,623,875 million pa of contracted rent. For the remaining 69 properties, the Company has agreed flexible leases with the Community Accommodation Group, a Charitable Incorporated Organisation and a provider of social housing and care, for a term for 5 years and appointed Myshon Limited, a specialist intensive housing manager with a specific focus on specialist supported housing,

supported housing and affordable housing, to manage the properties, also on a flexible agreement. Myshon was previously providing management services in relation to the properties and thus retaining continuity of service will limit any disruption to existing occupants and support services. This transaction completely removes the Company's exposure to Redemption, which accounted for 11% of the Company's annual contracted rent as at 31 August 2023. The transaction is in line with AEW's strategy as Investment Manager to stabilise the Company's portfolio and allows AEW to carry out further asset management initiatives as soon as possible with the aim of improving rent collection".

In other news ...

Tomorrow will be the anniversary of Liz Truss and Kwasi Kwarteng's ill-fated mini Budget. The housing market has endured a roller coaster ride since then, but can all the blame be laid at feet of the star-crossed Leavers? My latest Property Week (paywall) column (which went to press shortly after Wednesday's good inflation data but before yesterday's Bank of England rates pause), [Was housing really trussed by Liz?](#):

"Blink and you'd have missed them, but a year on from Liz Truss and Kwasi Kwarteng's widely derided clanger of a 'mini Budget, housebuilders and estate agents are still reporting the aftermath. Imagine if the former Prime Minister and Chancellor had unleashed a 'maxi Budget'?"

Fortnight ahead

Construction & property: company and economic news

September

27	First Property Group (FPO)	AGM
	Safestyle UK (SFE)	HY results
28	Nationwide	House prices
29	Bank of England	Mortgage approvals

October

4	Department for Business and Trade	Building materials stats
5	Volusion Group (FAN)	FY results
	S&P Global	Construction PMI

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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