Progressive Property & Construction Daily

23 November 2023: MTO, MBH, FPO | Economic data – Further stepdown in mortgage rates, Rightmove | News – Autumn statement to boost housing 'feel good factor'?

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

Company news

Mitie Group (MTO, 106p, £1,418m mkt cap)

UK facilities management group. HY (Sep) results. Rev +11%, £2,132m; adj PBT +32%, £80,1m; stat PBT +21%, £52.3m; adj EPS +39%, 5.0p; interim div +43%, 1.0p; net debt, £113m (HY 22, £64m); ave net debt, £156m (£62m); net debt/EBITDA, 0.6x (0.1x). *Trading:* Orders +3.1%, £9.9bn. Five acquisitions completed for a net cash consideration of £46m. Our strategy of focusing on key accounts growth and projects upsell, combined with contract re-pricing and infill M&A, drove the increase in revenue. The operating margin before other items increased by 50bps to 4.0%, as a result of the ongoing delivery of margin enhancement initiatives and careful management of inflation. Our divisions are performing well, particularly Technical Services and Central Government & Defence". *Outlook:* "The Group remains on track to deliver recently raised guidance for operating profit before other items of at least £190m in FY 24, the final year of our current three year plan".

Michelmersh Brick Holdings (MBH, 81p, £76m)

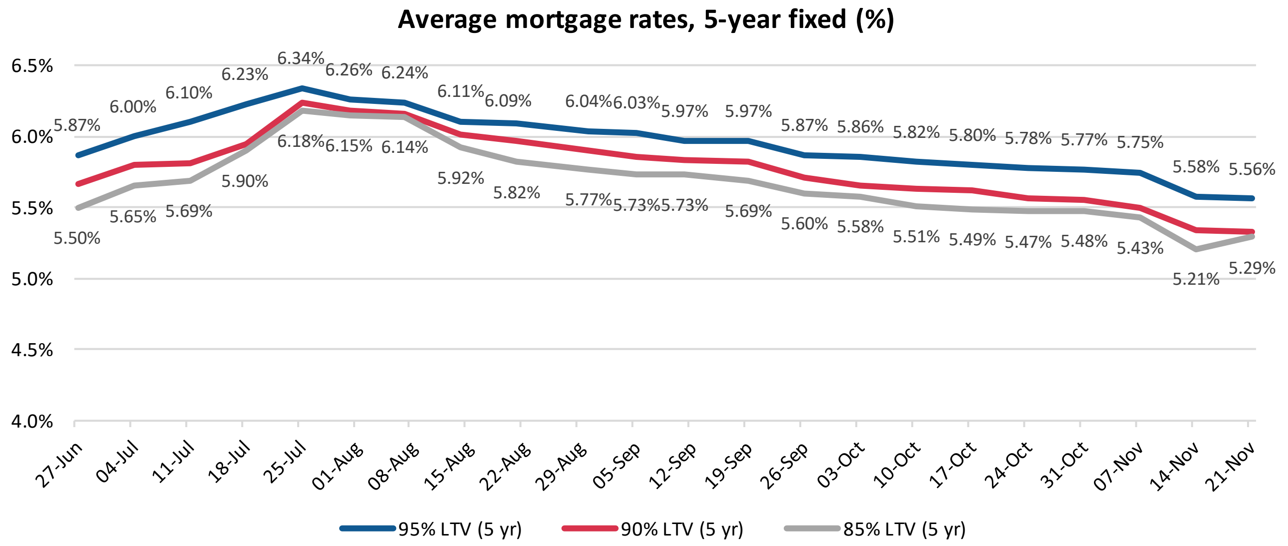
UK's fourth largest brick manufacturer by volume; Belgian operation acquired in February 2019. Trading update. *Guidance:* "The Board expects revenue, profit and cash to be in-line with market expectations for the 12 months ending 31 December". *Trading:* "Following the half year results announcement on 5 September, trading performance has been resilient in the final quarter as we have continued to operate at full manufacturing capacity to deliver our diverse forward order book. The contraction in the construction industry has continued into the second half with the challenging fundamentals of the broader economy weighing on our end markets. We continue to focus on controlling our input costs and the efficiency of our facilities. The diversity of our customer base and broad product channels remains a core strength of the group and, alongside the benefits of our quality opening order book at the start of this second half, these have been important factors in supporting the resilience of our trading performance to date". FY results, 26 March.

First Property Group (FPO, 17p, £18m)

Property fund manager and investor with operations in the UK and Central Europe. HY (Sep) results. Stat loss before tax: £0.65m (HY 22 PBT, £2.4m); net debt, £22.2m (31 March, £22.0m); total assets under management, £358m (31 Mar, £454m). *Outlook:* "Markets have been as challenging over the last year as I have ever known them. So, whilst it is disappointing to report a loss, this was created by a mark down in property values and not as a result of a deterioration in trading. Inflation is now reducing, and interest rates are likely to be close to their peak. They have already been reduced in Poland. Markets are steadying and we are seeing an uptick in investment demand, though it is too early to be certain. We also have occupational demand for the vacant space in the office blocks we own in Warsaw and Gdynia, with particular demand for the former. As we lease up this space, we will start again to generate good levels of cash, as we have historically done. We are also seeing some interesting lending propositions for our new debt division. We have yet to make a loan but our market knowhow and the number of deals we are considering has considerably increased. I am once again beginning to be excited about the future".

Economic data

Mortgage rates. Average fixed mortgage rates have taken a further significant step down in the past two weeks, on the back of better than expected inflation data, according to Rightmove's weekly Mortgage Rate Tracker. The average five year rates on 21 Nov were: 5.56% (95% LTV); 5.33% (90%); and 5.29% (85%), but the lowest available costs have fallen below 5% for 90% and below: 4.92% for 90% LTVs and 4.77% for 85% loans.



In other news …

Autumn Statement - viewpoint. Yesterday's statement from the Chancellor (link to BBC summary) provided little directly for the housing market, including the perennial favourite in journalistic speculation, Stamp Duty cuts. However, the 'feel good factor' provided by the unexpectedly generous 2% cut in National Insurance contributions on top of the ongoing slide in mortgage rates (above) and falling inflation. Improved corporate tax allowances and the £4.3bn small business rates support package could boost investment and economic growth, notwithstanding the OBR's latest take on the outlook. Markets were reasonably relaxed about the affordability of Jeremy Hunt's measures – unlike those of his predecessor – with 10-year Gilts nudging up only slightly, from 4.11% to 4.16%. There were two specific measures aimed at improving construction and housebuilding output: improving resources to speed up planning decision-making for infrastructure projects and a £110m nutrient mitigation fund to "unlock 40,000 homes".

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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