

Progressive Property & Construction Daily



1 December 2023: VANL | Economic data – House prices rebound for third month; Mortgage rates continue four month slide | News – UAE development giant acquires London Square | Fortnight ahead

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

NOTE: This marketing communication has been produced by Progressive Equity Research Limited (PERL) and is a Minor Non-monetary Benefit. It does not contain investment recommendations. The views expressed are those of the research department of PERL. To view the Progressive Property & Construction Daily archive click [here](#).

Company news

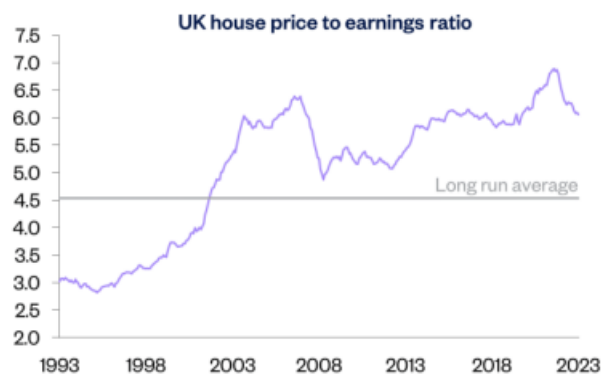
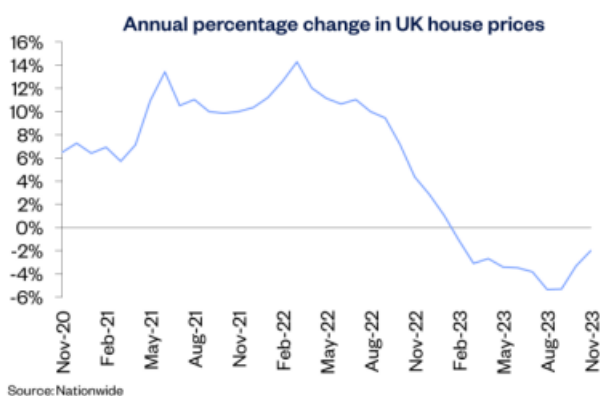
Van Elle Holdings (VANL, 37p, £39m mkt cap)

Specialist ground engineering contractor. HY (Oct) trading update. *Guidance:* “The Board continues to expect results in line with market expectations for the current financial year [£5.0m] and is confident in the group’s outlook over the medium term across all of its core markets”. *Trading:* “Results for the [HY] period are in line with the Board’s expectations. This reflects a resilient operational performance despite challenging market conditions, continuing inflationary pressures and delayed project starts”. Expected HY rev -16%, £68m; op profit margins consistent with the prior year (FY23, 3.9%). Orders +6.2%, £32.7m, providing a strong platform entering the second half. Net cash, Oct, £8.9m (Apr, £7.5m) plus undrawn funding facility of up to £11m. The costs of establishing the Group’s new Canadian rail subsidiary have been absorbed in the Period and initial projects commenced in the second quarter. *Outlook:* “There continues to be uncertainty and subdued activity levels in some of the group’s end markets, particularly the housebuilding sector, which is expected to continue into the second half of the financial year. However, further progress has been made on several substantial growth opportunities in the energy sector”. *Acquisition update:* On 26 October, the group reached an agreement with Galliford Try Holdings to acquire Rock and Alluvium and enter into a five-year trading agreement. The acquisition completed on 30 November. “There are early signs of a recovery in commercial and residential opportunities in London and the South East which Rock and Alluvium is well placed to benefit

from. Accordingly, the Board expects the acquisition to be accretive to underlying earnings in the first full year of ownership. HY results, 24 January. **Viewpoint:** The comments on an apparent uptick in housebuilding in the South East echo those recently from Persimmon and Bellway, referring specifically to Kent and identifying the wider region as being more sensitive to mortgage rate trends (see below).

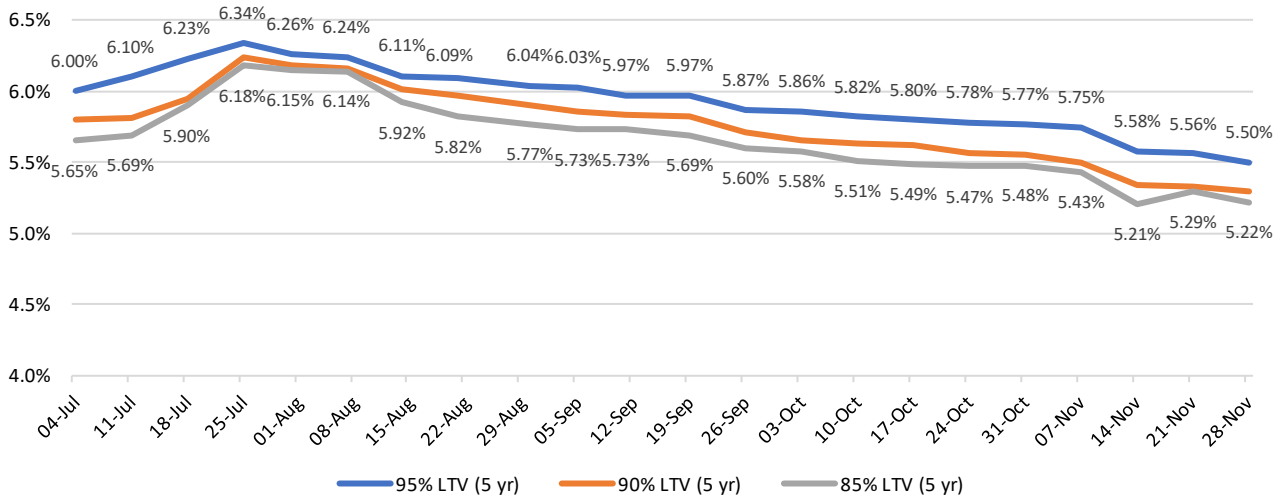
Economic data

House prices. Mortgage lender [Nationwide](#) has reported the third consecutive monthly rise in prices in November. Prices rose 0.2% M/M, seasonally-adjusted, to £259k, following increases of 0.1% and 0.9% in September and October respectively; the Y/Y decline in November slipped to -2.0% from -3.3% in October – up from a low point of -5.3% in September and the least negative annual rate for nine months (below, left). According to the building society, “Modestly lower borrowing costs together with solid rates of income growth and weak/negative house price growth [demonstrated in the reduction in the house price to earning ratio, below, right], should help underpin a modest rise in activity in the quarters ahead. Nevertheless, a rapid rebound still appears unlikely”.



Mortgage rates. Average fixed mortgage rates have continued their consistently downwards trend, which started in late July according to Rightmove’s weekly [Mortgage Rate Tracker](#). The average five-year rates on 28 Nov were: 5.50% (95% LTV); 5.29% (90%); and 5.22% (85%), but the lowest available costs have fallen below 5% for 90% and below: 4.89% for 90% LTVs and 4.71% for 85% loans.

Average mortgage rates, 5-year fixed (%)



Economic data

Abu Dhabi development giant Aldar Properties has acquired residential developer London Square for £230m in a “vote of confidence for the London market”, [ConstructionEnquirer.com](https://www.constructionenquirer.com). The deal represents Aldar’s first acquisition beyond the Middle East region with London identified as a “key and mature international market”. Aldar said it “intends to leverage its expertise and balance sheet to support London Square’s land acquisition strategy to enable it to develop larger and prime central London sites.” Since its establishment in 2010, privately-owned London Square has created a development pipeline worth over £2bn and completed over 3,500 homes, with a pipeline of 930 homes under construction worth £425m.

Fortnight ahead

Construction & property: company and economic news

December

4	The PRS REIT (PRSR)	AGM
5	Ferguson (FERG)	Q1 results
	Ashtead Group (AHT)	Q2 results
	Tritax Eurobox (EBOX)	FY results
6	S&P Global	Construction PMI
7	Balfour Beatty (BBY)	Trading update
	Halifax	House prices

8	Berkeley Group Holdings (BKG)	HY results
11	Rightmove	House prices
12	ONS	Employment data
13	Volusion Group (FAN)	AGM
	ONS	GDP data
	ONS	Construction output
14	RICS	Residential Market Survey (00:01)
	Bank of England	Official Bank Rate (12:00)
15	Bellway (BWY)	AGM

Sources: Public announcements, Factset, ShareCast.com, Progressive Equity Research. Most are released at 07:00 unless otherwise stated.

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

Copyright 2023 Progressive Equity Research Limited ("PERL"). All rights reserved. PERL provides professional equity research services. All information used in the publication of this communication has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee their accuracy or completeness. Opinions contained in this communication represent those of the research department of PERL at the time of publication. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This communication is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This communication has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this email. However, PERL's directors, officers, employees and contractors may have a position in any or related securities mentioned in this email. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this email.

The value of securities mentioned in this communication can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this communication may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this email. Past performance is not necessarily a guide to future performance.