

Progressive Property & Construction Daily



8 December 2023: BKG, GFTU, OTMP | Economics – Material costs deflation accelerates | 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, 4,940p, £5,241m mkt cap)

London-focused residential developer and urban regeneration group. HY (Oct) 24 results. Completions -14%, 1,785; price +11%, £624k; rev -0.7%, £1,192m; PBT +4.6%, £298m; net assets, 3,219p (H1 23, 3,101p); net cash, £422m (£410m); divs, £65m, 59p (£111m, 21p); share buybacks, £63.1m (£23.3m). *Trading:* “The value of underlying private sales reservations for the first half is running around one third lower than the levels secured throughout the FY 23, reflecting the sharp increase in interest rates from September last year and the ongoing elevated political and macro volatility. Pricing has been above our business plan levels, reflecting the systemic under-supply in our core markets, and cancellation rates have been in the normal range. Build cost inflation is at negligible levels apart from some isolated trades where demand is high. For the early trades and those most impacted by the decline in orders we are already seeing some reductions in current tender pricing. We expect these market-led dynamics to continue placing downward pressure on build costs, but this is balanced by the costs associated with ongoing regulatory change. The challenges to new development are complex, but we are encouraged by the level of engagement that Berkeley and other urban regeneration specialists are now receiving to address the specific barriers to brownfield development. We also fully support the Mayor’s ambition for good and fair outcomes for Londoners, including high levels of affordable housing. This requires an increase in density, higher levels of grant funding and a reduction in other tariffs, such as the Community Infrastructure Levy, if it is to translate into a sustainable increase in delivery”. *Outlook:* “Berkeley

has demonstrated the resilience of its uniquely long-term business model with today's strong results and is extending its guidance a further year to cover the period to 30 April 2026. Over the current and the next two financial years, Berkeley is targeting the delivery of at least £1.5bn of pre-tax profit and the maintenance of net cash above £400m. Operating margins are expected to be within the long-term historical range (17.5% to 19%). While the sales market remains subdued, cash due on forward sales will moderate from the current position of £2bn and Berkeley will carry higher completed stock levels than in recent years. Pre-tax ROE will be above 15% for the period as a whole, but is likely to fall slightly below this for FY 26".

Grafton Group (GFTU, 845p, £1,740m)

UK, Irish, Dutch builders' merchant and products group. Extension of share buyback programme. Grafton's existing share buyback programme, originally due to expire on 31 January 2024, is to be extended for a further five months to 31 May, and the maximum aggregate consideration is to be increased by £50m to a maximum £100m.

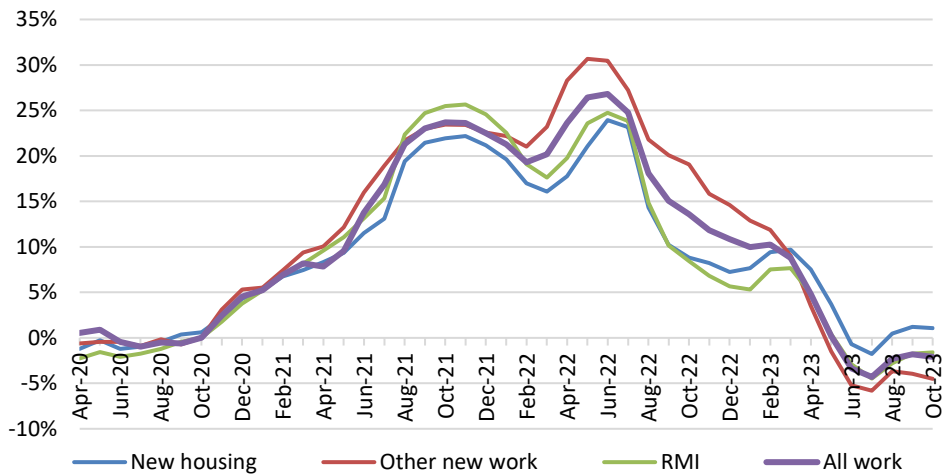
OnTheMarket (OTMP, 109p, £87m)

Agent-backed residential property portal. Court Sanctions and suspension of trading. The Acquisition of OTMP by US group CoStar is being effected by means of a Court-sanctioned scheme of arrangement. On 7 December 2023, the High Court of Justice in England and Wales made an order sanctioning the scheme, which is expected to occur on 12 December. The last day of dealings in, and for registrations of transfers of, OnTheMarket shares will be 11 December with the scheme record time 18:00. Dealings in OnTheMarket shares on AIM will be suspended from 07:30 a.m. on 12 December.

Economic data

Building costs. The overall costs of building materials fell on an annualised basis for the fifth consecutive month in October, declining by 2.1% Y/Y, following a 1.8% decline in September, according to the latest monthly [Building Materials & Components](#) statistics from the Department for Business & Trade. On a M/M basis, costs fell by 0.8%. The cumulative decline for materials since the 12-month peak (in April) is now 3.0%; possibly surprisingly, given the slowdown in housebuilding activity, it is only a fall of 1.4% for the New housing category since May, although there were M/M falls of 0.7% then 0.5% in September and August (but the Y/Y rate is still +1.1%, the only subsector with a positive reading, see below). The biggest cumulative reduction was for Other new work, 4.6% (-4.5% Y/Y), while RMI directed materials are down 1.8% (-1.6% Y/Y).

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



Source: BEIS

Fortnight ahead

Construction & property: company and economic news

December

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
20	ONS	House prices
	ONS	Inflation data
22	ONS	GDP

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.

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