

Progressive Property & Construction Daily



28 February 2024: TW., GLV, DLN | News – Wealth check as Freddie Mercury's Kensington home on offer for £30m

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

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Company news

Taylor Wimpey (TW., 141p, £4,970m)

Top five UK housebuilder by volume. FY (Dec) results. Completions (exc JVs) -23%, 10,766; rev -20% £3,415m; op margin, 13.4% (FY 22, 20.9%); adj PBT -48%, £474m; stat PBT -43%, £474m; adj EPS -50%, 9.9%; div +1.9%, 9.6p; TNAV +0.5%, 127p; net cash, £678m (£864m). *Trading:* Private sales rate, FY 23, 0.62 per site per week (0.68); outlets, 237 (259). Private sales prices +5.1%, £370k. New timberframe factory launched. "2023 saw UK housing transactions reduce substantially due to higher mortgage costs, cost of living pressures and lower consumer confidence. Trading in the first quarter of 2023 was encouraging as mortgage rates eased back from the peak of 2022. However, higher than expected inflation in the second quarter led to rate increases well above initial market expectations". *Outlook:* YTD private sales rate, 0.67 (0.62); cancellation rate, 12% (17%) and level of down valuations remains low. Order book -8.4%, 7,402 homes. "Appointments and overall customer interest in our homes remain at good levels. However, conversions from enquiry to reservation continue to take longer when compared to pre Q2 2023. As previously noted, we came into 2024 with a lower order book against a strong comparator. Accordingly, and given prevailing market conditions, we remain focused on optimising value and currently expect 2024 UK completions (excluding JVs) to be in the range of 9.5k to 10k homes, with completions weighted 45 / 55% in favour of the second half of the year". First half operating margin will reflect slightly lower pricing in the order book, build cost inflation embedded in work in

progress of around 4% and investment in IT and timber frame. Prevailing underlying annualised build cost inflation on new tenders, c. 1% and reduces to zero when taking into account the savings arising from value improvement programme. Despite “significantly reduced” land approvals over the last 18 months, landbank as at 31 December 2023, c. 80k plots (c. 83k plots). “We will remain selective in our approach to land but will be active where we see opportunities that balance risk, reward and returns to create shareholder value”. Ordinary Dividend Policy to return 7.5% of net assets per annum, or at least £250m annually, throughout the cycle. “Looking ahead, Taylor Wimpey is a strong and resilient business with a strategy to manage the cycle over the longer term. We operate in an attractive market, with a significant underlying demand for the quality homes we build. We have a clear strategy focused on driving value and operational excellence while investing in the long term success and sustainability of the business”. *CMA response*: “Taylor Wimpey welcomes the CMA’s final report, published on 26 February, from its housebuilding market study with its focus on improving the planning system, adoption of amenities and outcomes for house buyers. Taylor Wimpey notes the new investigation opened by the CMA under the Competition Act 1998, and we will cooperate fully in relation to this”.

Glenveagh (GLV, €1.15, £569m)

Irish housebuilder and partnership housing provider. FY (Dec) results. Rev -6%, €608m; gross margin, 18.5% (FY 22, 16.8%); PBT -13%, €55.1m; EPS +5% 8.0c; net debt (inc leases), €48.7m (€13.8m); net assets, €678m (€693m). *Trading*: Suburban housing – completions -1.9%, 1,328 (of which 52% social, cost rental and affordable housing); prices +1.8%, €336k. “Underlying market demand for new homes continued to be very strong during the year, driven by a robust economic environment, ongoing increases in population and a range of demand-side initiatives from the Government. During FY 23 the scope of the First Home Scheme was significantly extended to an additional cohort of buyers by increasing the price ceilings that apply in Ireland”. Urban – rev -37%, €120m (FY 22 inc c. €63m from East Road site disposal. Partnerships – First revenue reported, €17m. y Construction expected to start on almost 1,300 homes under our partnership schemes by the end of FY 24. *Outlook*: Order book +70%, €805m. “The long-term demand outlook for the Irish residential housing market remains very positive. We expect to generate strong revenue and profit growth across each of our Suburban, Urban and Partnerships business segments in FY 24. This growth is underpinned by our healthy land portfolio and forward order book, continued planning momentum and strong operational and manufacturing capability. We have increased confidence with current consensus EPS expectations for FY 24 of approximately 17c”.

Derwent London (DLN, 1,915p, £2,150m)

Real estate investment trust owning commercial portfolio predominantly in central London. FY (Dec) results. Gross rental income +2.8%, £213m; IFRS loss before tax, £476m (FY 22, £280m); EPRA EPS, -4.6%, 102p; div +1.3%, 79.5p; EPRA TNAV, 3,129p (3,632p); net debt, £1,357m (£1,257m). Portfolio valuation -11%, £4.9 *Trading*: Lettings, £28.4m (£9.8m), 8.0% above Dec ERV; FY 24 lettings to date, £ 1.8m, with a further £2.7m under offer. Vacancy rate, 4.0% (6.4%). Portfolio valuation ERV growth of 2.1%, towards the top end of guidance. True equivalent yield, 5.55% (4.88%). *Outlook*: “2024 guidance upgraded for average ERVs across portfolio to increase by 2% to 5%. High quality space to remain in demand, with better buildings to outperform. Inflation significantly reduced and expected to fall further; yields to respond”.

In other news ...

Prime London property. Freddie Mercury's former west London house has been put on the market for offers in excess of £30m, [Property Week](#) (paywall), quoting Bloomberg. Knight Frank is marketing the Kensington property, known as Garden Lodge, but will not be disclosing its layout or square footage due to privacy reasons. It also said potential buyers would be vetted to ensure they had the required £30m, to stop Mercury's fans posing as buyers. The famous late singer bought the neo-Georgian style mansion, built in 1907, for £500,000 in 1980 and lived there until his death in 1991, calling it his "country house in central London".



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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