Progressive Property & Construction Daily

20 June 2024: HWG, LSL, LORD, SHED | News – 'green collar' workers earn up to £130k | Viewpoint – The case against rent controls

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

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Company news

Harworth Group (HWG, 143p, £463m mkt cap)

Land regeneration group, including in former coalfields. Residential land sale. Sale completed of a serviced land parcel at Benthall Grange, the group's major mixed-use development on the site of the former Ironbridge Power Station in Shropshire, to Taylor Wimpeyfor £19.6m. The 16-acre land parcel represents the second phase of Harworth's regeneration of the mixed-use site, and following the sale of a nine-acre land parcel to Barratt and David Wilson Homes Mercia in December 2022, nearly a third of the total plots available have now been sold. Taylor Wimpey plans to develop 200 homes in addition to the 110 homes already planned for development by Barratt and David Wilson Homes. The sale price reflects a premium to the 31 December book value. Harworth secured planning for the regeneration of the site in September 2021, having acquired the 350-acre site in June 2018. In addition to over 1,000 new homes, plans for the development include a retirement village, up to 200,000 sq ft of employment space and local services and community amenities. The scheme is expected to be delivered by 2030. **Viewpoint:** Yet another example of the land market opening again, and strongly.

LSL Property Services (LSL, 316p, £328m)

Estate, lettings and property/financial services agent. AGM. *Guidance:* “In our recent preliminary results, we reported that following the positive update we issued on 6 March, trading remained ahead of expectations. We are pleased to confirm the group has continued to trade well, with the outlook for the full year in line and potentially slightly better than our updated expectations reported at the time of the Preliminary results announcement. Our focus is on taking advantage of the improved market conditions and optimising the performance of our businesses, whilst keeping our eyes firmly on the need to deliver value to shareholders”.

Lords Group Trading (LORD, 43p, £71m)

Building materials distributor. AGM. *Guidance:* “Since our trading update issued on 15 May, revenue has been in line with management expectations. Demand for RMI-focused product offering has been similar to the first quarter of FY24 and due to our customer service culture, gross margins have been maintained. The Clean Heat Market Mechanism (CHMM), which we reported had caused challenges in the first quarter of FY [Dec] 24, has had less impact on trading in April and May. Alloway Timber, which we acquired in September, has now been fully integrated and rebranded as Lords Builders Merchants. Whilst challenging macroeconomic conditions have impacted trading at the start of FY 24, the group is well positioned in a highly fragmented and essential RMI sector. Our strong customer service culture combined with a proven track record in selective acquisitions, gives the Board confidence that this will lead to a sustainable increase in shareholder value over the medium term”.

Urban Logistics REIT (SHED, 122p, £578m)

Specialist UK ‘last mile’ logistics real estate investment trust. FY (Mar) results. Net rental income +8.4%, £57.4m; IFRS PBT, £24.7m (FY 23, loss £82.7m); adj EPS -0.6%, 6.89p; total div unch, 7.60p; IFRS net assets £759m (£770m); EPRA TNAVPS 160.3p (162.4p); portfolio valuation, £1,100m (£1,107m); LTV, 29.3% (29.0%). *Trading:* “In the first half, uncertainty levels remained high with a lack of clarity on the likely trajectory for both interest rates and inflation. Towards the end of the second half of the year, confidence improved thanks to strengthening macro-economic conditions. Throughout the period, there were a stable portfolio valuation, increasing rents and low vacancy levels. The robust performance, both operationally and financially, positions the business well, as we expect investment flow levels into logistics to pick up in the coming twelve months. *Outlook:* “The key priority for the company is to drive earnings growth and build dividend cover. We are focussed on reducing vacancy and capturing upside at rent reviews to drive the significant revisionary potential within the portfolio, with one new letting over a vacant asset in the final stages of legals, which will provide £1.0m of annual rental income, and reduce vacancy to 4.5%. As market conditions continue to improve, the investment adviser believes that now is the right time to deploy additional capital, aiming to enhance earnings per share and rebalance the portfolio from core assets to asset management opportunities. With inflation falling and interest rates very likely to reduce through the current year, opportunities for Urban Logistics should emerge once again, and we are well placed to take advantage of them. We are considering increasing our LTV towards the lower end of our stated range in order to acquire properties with suitable asset management opportunities”.

In other news …

Labour costs. Shortage of skilled workers sends pay packets in green trades to over £130k a year, Building (paywall). A lack of so-called 'green collar' construction workers such as insulation specialists and heat pump installers mean those trades in London are earning more than £130,000 a year. A new report from Turner & Townsend said workers with these skills were likely to be earning £70 an hour. The figure is more than twice the amount general construction labourers pick up in the capital, which is currently around £28 per hour. **Viewpoint:** A possibly inevitable outcome of the rush to green retrofit, without the breadth of skills in place in this growing industry sub-sector.

Viewpoint

Rent controls. The Labour manifesto (briefly) raises the prospect of rent controls. It sounds well-meaning, but such policies invariably end in tears (most recently in Scotland). My latest column for Property Week, The case against rent controls:

> *"Housing is now falling in line with most of the political jousting in the dreariest general election campaign in years. In the battle of the bores, Labour's main tactic had been appropriating Conservative pro-business doctrine; in housing, the Tories have been nicking some back or reheating old favourites. But one potential bombshell, afforded a mere seven words in the Labour manifesto, is the threat of rent controls."*

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