

# Progressive Property & Construction Daily



24 June 2024: SHI, AUK, WHR | Economics – ‘First time buyer mortgage costs up 61% since last election’, Rightmove | Fortnight ahead

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

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## Company news

**SIG** (SHI, 27p, £323m mkt cap)

Supplier of energy efficiency and specialist building materials to trade customers across Europe. Trading update. *Guidance:* “Market conditions have remained challenging, with LFL sales decline vs prior year in May and June to date at c 7%, which is similar to that seen in the first four months of the year, but behind expectations. Given the weaker than expected trading in recent weeks and a consequently more cautious view of the timing of any potential market improvements during H2, the Board now expects our FY [Dec] 24 underlying operating profit to be in the range £20 - £30m, which is below the current analyst range [£36.7 - 43.0m]”. *Trading:* “Subdued demand ... has been most notable in the French and German markets, and in the end markets of our UK Interiors business. Whilst we continue to see more robust demand in our Poland, Ireland and UK Exteriors businesses, sales overall were weaker than expected in May and June to date. Despite the difficult market backdrop, the group continues to make good progress on its strategic and operational initiatives. These have included permanent cost restructuring to lower central and operating company overheads, modernisation implementations and more robust commercial execution, which has seen a continuation of the market share growth achieved over the last three years. Cash performance to date remains in line with expectations. The group also continues to prioritise and demonstrate effective working capital and cash flow management, with year to date cash performance also reflecting normal seasonal trends

and the lower profit, and our RCF remaining undrawn”. *Outlook*: “The increasing benefit from productivity and cost initiatives underpins our continued expectation of a stronger second half. The extent of this improvement is subject to the evolution of demand conditions, particularly given market uncertainties in France and Germany, and recognising the sensitivity of operating profit to relatively small movements in sales. Whilst market conditions remaining challenging in a majority of areas, the Board continues to expect its strategic and commercial initiatives to benefit medium term margin and profit growth, also supported by meaningful operating leverage when market volumes recover”. HY results, 6 August.

### **Aukett Swanke Group** (AUK, 1.4p, £4.8m)

UK’s only quoted architect, active in UK, Middle East and Europe, providing smart Buildings, architectural and design services. Property disposal. The group’s subsidiary Torpedo Factory Group has exchanged contracts, conditional upon a satisfactory valuation, for the sale of The Old Torpedo Factory in west London at a price of £2.5m, with the buyer having paid a 10% refundable deposit. Exchange is expected to become unconditional by 5 July. Contract completion is due to occur in September 2024. The net proceeds will be used to repay the mortgage that is due to expire in February 2025, to redeem a portion of TFG’s CBILS-backed loan, and to provide funds for general working capital. The property was most recently valued in the group’s accounts at £3.1m less a provision for deferred tax. The sale will therefore result in an accounting loss, which will be treated as an adjusting post balance sheet event in the interim results for the six months to 31 March, expected to be announced on 28 June.

### **Warehouse REIT** (WHR, 79p, £335m)

Specialist warehouse investor. Property sales. Disposal completed on the sale of £58m of single-let assets in three separate transactions Chesterfield, Plymouth and Newport. The combined sales price is in line with the 31 March valuation and represents a net yield on passing rent of 5.8%. This brings total sales since the deleveraging plan was announced in November 2022 to £165m. Following the sales, the portfolio's multi-let weighting increases from c. 70% as at 30 September to c. 77% on a pro forma basis. “This is in line with our strategic focus on the multi-let warehouse asset class, which can accommodate a broader range of occupier at every stage of its life cycle, and provides faster access to rental reversion, given the frequency of lease events”. *Outlook*: “Rebuilding dividend coverage is our key priority, and by reducing our debt and our finance costs, the sale of these single-let assets is an important milestone in that respect. At the same time, we continue to reshape our portfolio to focus on the highly attractive multi-let subsector of UK real estate, which plays to our strengths and is where we can drive income and capital growth over the long term”. FY (Mar) results, 25 June.

## **Economic data**

**Mortgage costs.** The average first-time buyer mortgage payment has risen by 61% since the last election year of 2019, from £667 to £1,075 per month as rates remain elevated, according to Rightmove’s latest FTB study. This is due increased interest rates on top of rising house prices. The average rate for a five-year fixed, 80%

LTV mortgage is 5.09%, up from 2.24% in 2019. Average asking prices for homes have risen by 19% across Great Britain, with the largest increase in the North West and lowest in London (below). Costs for FTBs have significantly outpaced wage growth, which is up by 27% over the same five-year period, according to the leading property portal, which advises: “If mortgage rates reduce, this will help first-time buyers in the short term more so than election housing promises. We hope that the next government can support first-time buyers with well-thought out policies, which address the difficulties of saving up a large enough deposit and being able to borrow enough from a lender”.

Region	Ave FTB asking price (£k)	Increase vs 2019
East Midlands	192.5	24%
East of England	272.5	14%
London	507.0	6%
North East	131.8	22%
North West	177.6	33%
Scotland	139.2	22%
South East	296.2	15%
South West	256.7	24%
Wales	180.5	28%
West Midlands	194.0	24%
Yorkshire & Humber	178.9	30%
<b>Great Britain</b>	<b>227.8</b>	<b>19%</b>

## Fortnight ahead

### Construction & property: company and economic news

#### June

25	Warehouse REIT (WHR)	FY results
26	First Property Group (FPO)	FY results
	HSS Hire Group (HSS)	AGM
28	Aukett Swanke Group (AUK)	HY results
	ONS	GDP

#### July

1	Nationwide	House prices
4	Great Portland Estates (GPE)	AGM
	S&P Global	Construction PMI (09:30)
	General Election	
5	Halifax	House prices

Sources: Public announcements, 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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