Progressive Property & Construction Daily

8 June 2020: SDY, COST, SGRO; PM to signal hospital and infrastructure drive; buyers and renters yearn for gardens post-Covid

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

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Company comments

Speedy Hire (SDY, 60p, £316m mkt cap)

UK tool, equipment and plant hire services provider. Trading update and directorate change. *Trading:* Revenues in April were ahead of the expectations, albeit 35% lower than the prior year due to reduced activity levels. Activity has steadily improved during May as customers have returned to work. Hire revenue for the week ended 5 June was c.17% lower than the prior year. The group had furloughed c.50% of its UK and Ireland workforce in April; as at 5 June c.33% remained on furlough. *Finances:* Cash collections "have remained strong" throughout the lockdown. Net debt, pre-IFRS 16, reduced from £79m at the year end to c.£68m at 31 May. The maximum committed facilities amount to £180m, which expire in October 2022. Based on various revenue downturn scenarios, the board "remains confident that the Group can operate within its existing debt facilities and covenant tests during a prolonged period of reduced trading activity". Outlook: Guidance remains suspended. The group's training business, Geason, acquired for £9m in December 2018 and accounts for c.2% of group revenue, has not performed in line with management's expectations. *Other:* The carrying value of goodwill and any contingent consideration payable will be written down to nil in the year end accounts. In addition, Geason received a claim from a funding agency in late April 2020 alleging poor financial controls and overpayments of up to £2.6m for the three-year period commencing August 2017, which the Company is investigating. *Directorate change:* Chris Morgan will step down as Group Finance Director with effect from 31 July by mutual agreement and leave the business after a short handover period. The board has commenced a formal process to appoint a new Group Finance Director. YE (Mar) 2020 results due 23 June.

Costain Group (COST, 80p, £219m)

UK construction and infrastructure services group. Member of an alliance appointed onto Anglian Water's £350m+ Strategic Pipeline Alliance. Under the eight-year contract, Costain will provide a range of integrated services including strategic programme management, digital technology expertise and complex programme delivery for the supply strategy of AW's Water Resources Management Plan. Costain says its expertise in digital technology and complex programme delivery will enable the efficient delivery of assets, including up to 500km of interconnecting pipelines and associated infrastructure to move water from areas of surplus in Lincolnshire down to the drier south and east of the region. The alliance is formed of Costain, Jacobs, Mott McDonald Bentley and Farrans.

Segro (SGRO, 893p, £9,891m)

UK's leading owner and developer of warehouses and industrial space, also active in Europe. Acquisition of Perivale Park, a 34 acre urban warehouse estate in Perivale, West London, from Federated Hermes for £203m. The estate is located in the group's core west London cluster alongside the A40 main road into Central London and within 2 miles of the the North Circular Road. The estate provides 55,100 sq m of lettable space, which is currently leased as a vehicle compound but has medium term development potential. It is fully let with a weighted average unexpired lease term of 3.4 years to break and 5.5 years to expiry. It generates a topped-up passing rent of £6.8 million, reflecting a low average in-place rent of approximately £10 per square foot with an ERV of £12.50 psf, excluding the rent for the land. The group says this compares to current market rents in the region of £15 to £20 in its £1.5bn portfolio in Park Royal and Greenford. Reflecting these low current rental levels, the topped-up net initial yield, excluding the land, is 3.5% and the equivalent yield, 4.3%.

In other news …

Boris Johnson has ordered ministers to speed up the construction of **new hospitals**, as he prepares to set out a blueprint for how he will "rebuild Britain" in the wake of the coronavirus pandemic, The Sunday Telegraph discloses (link). In a major speech expected within weeks, the PM will set out plans to accelerate the Conservatives' major infrastructure plans, including his manifesto pledges to build 40 new hospitals, and fund major upgrades to the country's roads. **Viewpoint:** Hospital construction, infrastructure and housebuilding were cornerstones of the Conservative manifesto. Even ahead of the PM's predicted speech, it was clear, with the green light for HS2 and the Government's early re-opening of the housing market, that it is likely to be given added urgency due to the wider economic stimulus.

Around 35% of construction firms are reporting less than three months of cash reserves after the pandemic lockdown, according to The Business Impact of Coronavirus Survey undertaken by the ONS, reported in ConstructionEnquirer.com (link).

The most sought after property types being enquired about on **Rightmove** are now all houses and bungalows, with all types of flat dropping out of the top five since the pandemic, according to the leading property portfolio (link). 49% of renters and 39% of buyers currently in the market say the lockdown has impacted what they're looking for in their next home. The biggest change for both groups is wanting a bigger garden or access to a garden. Searches for homes with gardens is up 84% for renters and 42% for buyers in May compared to the same month last year. Meanwhile, 30% of buyers say they want to live in a rural area. An additional Covid-related change is that 36% of buyers and 26% of renters want a better home workspace, and good internet and a spare room are now higher up on wish-lists, commuting times and transport links are less important.

Prices are as at the previous day's close.