Progressive Property & Construction Daily

7 July 2020: PLP, HLCL, PCA; Government support for home insulation and affordable housing

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

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Company comments

Polypipe Group (PLP, 449p, £1,024m mkt cap)

Provider of water and climate management components. Covid-19 update. *Trading:* June revenue c. 30% below 2019 levels compared to 66% below in April. Revenue for six months to June, c. 24% lower Y/Y. The Commercial and Infrastructure Systems segment has remained relatively resilient, with many contractors returning to operations. Recovery in the Residential Systems segment has been “somewhat more subdued”, reflecting the shutdown housebuilding for much of April and May, followed by a more measured return to work. Currently, 25% of staff furloughed, compared to a peak of 61%. Restructuring will lead to loss of 8% of workforce. *Outlook:* “We are encouraged by the Group's performance in May and June and by reports of better than expected activity in the housing market after its reopening on 13 May 2020. However, at this stage we remain cautious as to whether this performance will be sustained into the autumn and winter”.

Helical (HLCL, 313p, £380m)

Commercial real estate investor, focused on London and Manchester offices. Rent collection update. 76.2% of the June quarter rents collected, with a further 14.6% agreed to be paid in instalments. 94.2% of the

March quarter rents collected, with a further 2.3% remaining to be paid in agreed instalments and 2.3% granted rent free periods. “We continue to seek engagement on the remaining 1.2%”.

Palace Capital (PCA, 173p, £80m)

Diversified UK regional commercial property REIT. FY (Mar) results. EPRA earnings +42%, £10.8m (FY 19, £7.6m), including one-off surrender premium of £2.9m; IFRS net assets -7.8%, £166m; EPRA NAV per share 364p; final dividend proposed 2.5p (4.75p), following cancellation of Q3 interim dividend; total dividends, 12.0p (19.0p). Dividend policy: “we would expect the final dividend to be the minimum level of dividend to be paid each quarter for the year ending 31 March 2021”. Portfolio valuation -5.7% LFL, £278m, “reflecting the impact of Covid-19 on independent valuations, resulting in inclusion of 'material uncertainty' clause”. Net debt £106m (£97m); NAV gearing 63% (52%). Each debt facility in SPVs; post-YE, two facilities have breached interest cover covenants as part of the quarterly April test due to the non-payment of rent specifically at our two leisure assets. Both banks have provided covenant waivers and they are expected to return to compliance once the leisure schemes reopen. Occupancy unchg, 87%. 84% of June quarter rents collected to date.

In other news …

Insulation. Hundreds of thousands of homeowners will receive vouchers of up to £5,000 for energy-saving home improvements, Chancellor Rishi Sunak will announce in his summer statement tomorrow, BBC (link). He is due to set out a £2bn grant scheme in England for projects such as insulation as part of a wider £3bn plan to cut carbon emissions, which will involve improving insulation in public buildings such as schools and hospitals and retro-fitting low-carbon heating technology to social housing. The Treasury said the grants could help to support more than 100,000 jobs. Under the Green Homes Grant, to be launched in September, the Government will pay at least two-thirds of the cost of home improvements that save energy, the Treasury said.

Affordable housing. Housing secretary Robert Jenrick has extended the £9bn affordable housing support scheme by a year due to the coronavirus, Property Week (link, paywall). Homes to be built under the scheme originally needed construction to start by March 2022, but housing associations and councils now have a year longer to begin building. The government said that the construction of an estimated 53,000 affordable homes has stalled due to the construction slowdown caused by the pandemic.

Residential rental market. London’s rental market is continuing to bounce back from the lockdown, stoked by fears of a potential ‘second wave’ of Covid-19 according to Chestertons, but that rents continue to slide, Property Industry Eye (link). According to the agent, the number of new tenants registering to look for a new property was up 43% compared to May, while property viewings, offers and agreed tenancies were all up 36%, 52% and 59% respectively. However, the number of available rental properties was also up by 68% due in part to a lack of corporate relocations and international students, causing rents to drop by an average of 10%.

Prices are as at the previous day's close.