

Progressive Property & Construction Daily



10 July 2020: ABBY, GPE, SPR, NMCN; 'English water crisis looming'; Scottish 'stamp duty' to be reduced; Surge in housing activity since English cut announced

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

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Company updates

Abbey (ABBY, 1,240p, £259m mkt cap)

Anglo-Irish-Czech housebuilder. FY (Apr) results. Completions -15%, 490 (UK -21%, 405; Ireland +58%, 57; CZK -13%, 28); rev -21%, €182m; PBT -38%, €33.0m; EPS -38%, 126 c; no proposed div (2019, 11 c). Net assets +3%, €379m; cash (no debt) €70.8m (€97.1m). *Current trading:* "In the UK, production and sales activity resumed at reduced levels in May. Sales have held up well supported by Help to Buy. Margins overall are reasonable and forward orders are normal". Production is steady but constrained by Covid and some material supply interruptions. The UK land bank closed the year at just short of 1,800 plots (2,000). All new projects placed on hold are planned to start before the end of October. *Outlook:* "Budgeting this year is more than usually difficult and the delayed start to new projects will result in lower than previously planned completions. In Ireland completions will rise significantly this year.

Great Portland Estates (GPE, 609p, £1,546m)

London office and retail property group. Trading update Q1 (Jun). "Whilst the lockdown has started to ease and our office pre-letting momentum remains healthy, COVID-19 is disrupting the activities of many of our existing occupiers, which in some instances is impacting their ability to meet their rental payments". 69% of

June rent collected to date including amounts covered by rent deposits; 58% excluding deposits (74% from offices; 28% from retail/hospitality/leisure sectors). 82% of March rent now collected including drawn deposits; 70% excluding deposits. *Outlook:* "Despite challenging conditions, we are well positioned. Our leverage is low providing strength in these difficult markets with significant capacity for growth should opportunities emerge". *Finances:* net debt, 31 June, £368.2m (31 March 2020, £349.4m); net asset gearing 16.9% (16.2%); LTV 15.0% (14.2%)

In other news ...

Scottish 'stamp duty'. Scottish Finance Secretary Kate Forbes has announced a temporary cut to the land and buildings transaction tax (LBTT), the equivalent of England's Stamp Duty, on house sales and extra support for first-time buyers, BBC ([link](#)). The starting point for is to rise from £145,000 to £250,000. This will mean eight out of 10 house sales in Scotland would be exempt from the tax. The move follows this week's nine month stamp duty holiday in England and Northern Ireland, up to a threshold of £500,000, announced by Chancellor Rishi Sunak. The change will not come into force immediately for "administrative reasons", although Ms Forbes said it would be implemented "as soon as possible". The government is also to spend an extra £50m on the "first home fund" scheme which helps first-time buyers with their purchases. **Viewpoint:** it is important to enact this rapidly, since a lengthy delay could disrupt transactions nearing completion. However, it could be viewed as a positive for Scotland's only quoted housebuilder **Springfield Properties** (SPR, 96p, £94m). *SPR is a client of PERL, [link](#) to research section on Progressive website.*

English Stamp Duty impact. Property portal **Rightmove** has reported a yesterday's activity levels hit as series of new records since the site launched 20 years ago for yesterday, following Wednesday's announcement of Rishi Sunak's Stamp Duty holiday. Visits to the site rose 10% to 8.5 million; enquiries about new-build homes also hit a record, up 21% on the previous record set back on 11 June. Request from potential sellers to have their home valued also hit a record high, up 35% on the previous record set back on 22 June and up 89% on the same day in 2019. **Viewpoint:** One of a series of announcements on the market from Rightmove – some observers might suggest prompted by recent controversy about the portal's relatively high charges for agents – but nonetheless an interesting snapshot of the impact of Government attempts to re-energise the housing market.

Water. Some parts of England will run out of water within the next 20 years unless "urgent action" is taken, according to the Public Accounts Committee (PAC) in a report on the state of water supplies, BBC ([link](#)). The committee is calling on the government to establish a league table for water companies to pressure them into dealing with leaks. The PAC is accusing ministers and regulators of taking "too ponderous" an approach to improving infrastructure. The government responded by saying it had already initiated a programme to improve performance in the water industry. **Viewpoint:** This could increase pressure for the Government to take water infrastructure further the priority list in its flagship infrastructure drive. One possible beneficiary is **nmcn** (NMCN, 365p, £38m), which derives 70% of group revenue from its Water segment. *NMCN is a client of PERL, [link](#) to research section on Progressive website.*

Prices are as at the previous day's close.

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