Progressive Property & Construction Daily

22 September 2020: SGM, CSP, BILN, BBOX, STP, KGF; Construction furloughing falls faster than any sector

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

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Company news

Sigma Capital Group (SGM, 98p, £88m)

Private rented sector (PRS) and urban regeneration specialist and investment adviser to **The PRS REIT** (PRSR).

Countryside Properties (CSP, 319p, £1,672m)

Leading mixed-tenure housebuilder.

Launch of JV with EQT Real Estate, the real estate platform of global investment firm EQT, to develop c. 3,000 homes for private rental in Greater London worth more than £1bn over at least five years. They will comprise apartment blocks and houses predominantly located in transport Zones 3-6 and in close proximity to transport links. Homes are expected to be built and completed over a period of at least five years. The first phase will be delivered by Countryside Properties, an established partner of Sigma. The JV will acquire five sites from Countryside Properties, expected to deliver 361 homes for a total gross development cost of £102m and include locations in Ealing, Enfield and Havering. In addition, two further sites currently under development by Sigma, at Fresh Wharf, Barking, and Beam Park, Havering, will be acquired by the JV on completion. It will receive direct support from Homes England, the UK Government's housing body responsible for increasing the number of new homes in England, with an initial loan facility of £50m to assist with the delivery of the initial acquisitions.

Billington Holdings (BILN, 315p, £41m)

UK structural steel fabrication and construction group. HY (Jun) results. Rev -31%, £32.8m; EBITDA -55%, £1.6m; PBT -77%, £0.6m; EPS-77%, 4.1p; no interim dividend, consistent with prior years; net cash, £16.1m (HY 19, £8.4m). *Trading in period:* Many projects were subject to delays and restrictions to site access. The reduction in revenue also reflected two significant projects being completed in the prior period. *Current trading:* Anticipated output for H2 indicates that all facilities will operate at near full capacity and with only a minor need to subcontract excess production requirements. *Outlook:* "Whereas margin pressure remains evident across the industry, we anticipate an improved performance in H2 whilst mindful of the continuing disruption caused by the Covid-19 pandemic and consequential ongoing project delays". The 2021 order book continues to grow, comprising of both delayed and new projects. The group is seeing opportunities in all sectors, particularly large retail distribution warehouses, data centres, food processing developments, public sector works and rail infrastructure. More financially robust developers are also continuing with commercial office development projects where significant pre-lets can be secured.

Tritax Big Box REIT (BBOX, 152p, £2,589m)

Trust investing in 'big box' logistics properties. Sale of three assets to two separate purchasers for £77m, representing a blended initial yield of 5.6%, compared to the purchase price of £65m (NIY, 6.6%). The sales were achieved at or above their current book value and in excess of the group's 9% pa target.

Stenprop (STP, 119p, £339m)

REIT investing in UK multi-let industrial properties. Acquisition of two properties, comprising 18 units, in Glasgow and Stoke-on-Trent, for £11.1 million, a blended NYI of 6.5%. Following these acquisitions, Stenprop's MLI portfolio now totals in excess of five million sq ft across 1,343 units on 75 estates, and represents 61% of Stenprop's total portfolio, based on asset values at 31 March 2020. The Excelsior Industrial Estate on the south west side of Glasgow was acquired for £5.2m from CBRE GI, and is located in a market characterised by a shortage of stock which is underpinning vacancy rates below 5%. Tunstall Trade Park, outside Stoke-on-Trent, a high quality, modern property of eight units totalling 56,500 sq ft, for £5.9 million, from Clowes Developments. The estate is 100% occupied by a diverse tenant base.

Kingfisher (KGF, 265p, £5,586m)

Owner of home improvement stores across France and Europe, including B&Q in UK. FY (Jul) results. Rev -1.1% LFL, £5,921m; adj PBT +23%, £415m; stat PBT +85%, £317m; adj EPS +28%, 15.1p; HY div 0p (HY 20, 3.33p); net debt £1,377m (£2,384m). *Trading in period:* sales growth in B&Q, Poland and Romania offset by France, Screwfix, Russia and Iberia. *Outlook:* "While we are entering the second half against a favourable trading backdrop, continued uncertainty and concerns over Covid-19 and the wider economic environment limit our visibility. As such, we are not able to provide specific sales outlook commentary. We are however providing financial guidance for FY 20/21 where it is possible to do so". *UK & Ireland*: Sales increased 3.7% (LFL +2.4%) to £2,753m, with a strong recovery in demand in Q2 (LFL +19.6%) following temporary store closures and disruption in Q1 (LFL -16.0%); percentage gross margin % was up 100 basis points mainly reflecting higher full-price sales and lower clearance in B&Q, partly offset by higher supply & logistics costs in Screwfix.

In other news …

Employment. The construction industry has experienced the biggest drop in furloughed workers out of all sectors, with a 62% fall since the April peak, Building (link, paywall). New data from HMRC reveals that 277,000 construction employees remained furloughed as of 31 July, down from 721,000 employees at the sector's peak use of the furlough scheme on 14 April.

Prices are as at the previous day's close.