

Progressive Property & Construction Daily



14 October 2020: BDEV, WINK, GFRD, RGL | Sharp bounce-back in construction vacancies | Commercial rent payments recovering | Asbestos adds to cost over-runs on HS2

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

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Company news

Barratt Developments (BDEV, 550p, £5,538m mkt cap)

UK's biggest housebuilder by volume. AGM statement. Since 1 July (Jun YE), sales rate +21% to 0.87 net private reservations per outlet per week; operating from an average of 340 (equivalent period in FY 20, 374) active outlets, with 33 launched developments (2020: 26); completions +24%, 4,032; total forward sales at 11 October 2020 +17%, 15,135 homes, value +19%, £3,648m. In the period 51% of private reservations (2020, 45%) used Help to Buy, of which 74% were first time buyers (70%). Those purchasers who will not qualify for the new Help to Buy scheme can access other mortgage products and use Barratt's part exchange schemes to assist in buying a new home, according to the company. *Finances:* At 9 October 2020, c. £570m of net cash and an undrawn committed RCF of £700m; "We continue to target minimal year end total indebtedness (net cash and land creditors) in the medium term". *Outlook:* Construction activity remains in line with FY21 planned output. Expect to grow wholly owned completions to 14,500 - 15,000 homes in FY 21, plus c. 650 from JVs. Medium term target is to rebuild volumes to medium term target and capacity of 20,000 homes.

Galliford Try Holdings (GFRD, 80p, £88m)

UK construction and infrastructure services group. Contract wins. Appointed to two new lots for the Thames Water 'AMP7' clean and waste water improvement frameworks. Lots 3 and 6 represent a total pipeline value of £590m over a four-year period. Of that total, Galliford Try anticipates its place on the lots to be jointly worth up to £60m per annum to the business. In Lot 3, it will be undertaking works throughout London to above ground facilities, including clean and wastewater treatment works, pumping stations and reservoirs, while Lot 6 includes below ground infrastructure including the clean water and sewerage networks across the South London region. The appointment follows Galliford Try's recent awards for Lots 1 and 2 of the wider Thames-wide AMP7 Capital Programme Geographic Frameworks, giving the group, which has a strong presence in water, places on four of the seven lots awarded to date. The frameworks are extendable into AMP8 and could see the utility award up to £4bn of investment to undertake work on all types of above and below ground assets, according to [constructionenquirer.com](https://www.constructionenquirer.com) ([link](#)).

M Winkworth (WINK, 127p, £16m) – *PERL provides research services to Shore Capital on this stock*

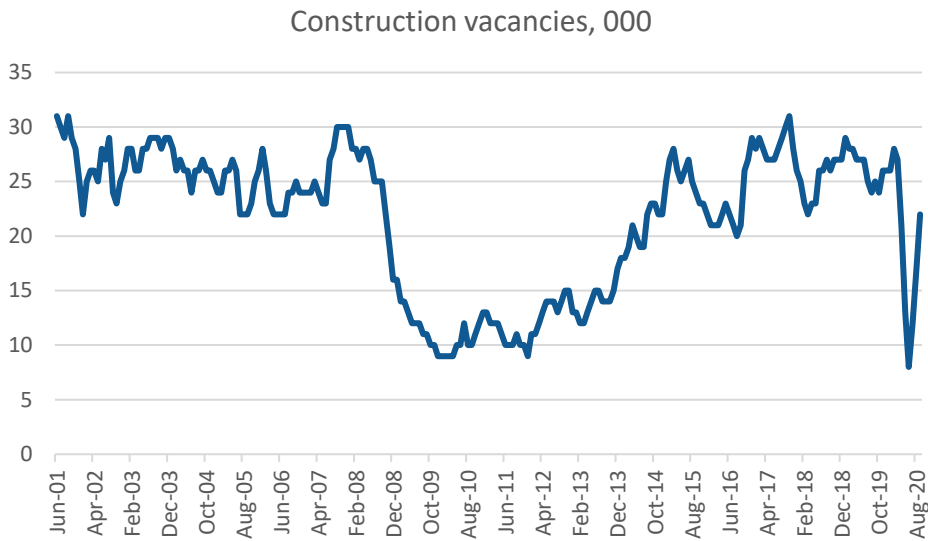
Franchised estate and lettings agency, focused on London and SE. Dividend declaration. Interim dividend of 1.8p declared for Q3 (Sep) 2020, following pay-outs of 1.68p and 1.4p for Q1 and Q2 respectively.

Regional REIT (RGL, 65p, £280m)

Real estate investment trust specialising in income generating regional UK office and industrial assets. Rent collection update. Currently, 82.1% of Q3 rent has been paid, while 6.0 a further 6.0% applies to monthly rent and 2.7% is due on agreed collection plans. The total of 90.8% is higher than at the equivalent date in 2019, when 87.8% had been collected. Total collections so far for Q1 and Q2 are 99.2% and 96.9% respectively.

Economic data

Construction employment. Unfilled vacancies in the construction sector during July to September rose to 22,000, a seasonally adjusted increase of 29% compared to the three-month rolling average of 17,000 to August, according to yesterday's ONS Vacancy Survey ([link](#)). The latest figure is 175% higher than at the nadir of 8,000 in the three months to June, during lockdown, but 12% down Y/Y. Construction held up more than most industries. Total vacancies fell by 41% Y/Y, with some of the worst hit sectors including: retail, -55%; accommodation & food services, -66%; arts, -75%.



In other news ...

Commercial real estate. On average 62% of commercial rents in the UK have been collected by landlords since September's quarter day, according to data from real estate consultancy Remit Consulting, Property Week ([link](#), paywall). The figures, published in Remit's latest REMark Report, reveal that overall rent collection at the seven day-mark was almost 12% higher than the figure recorded in June and just over 5% higher than the figure recorded at the same point in the March quarter. Rents paid by leisure occupiers are worst performing, with just 38.1% of rents recorded a week after quarter day. Meanwhile, on average the amount of retail rents collected have climbed from the initial 47.3% collected on the quarter day to 54.7% at the seven day mark. Of all sectors, offices have performed the best – with landlords collecting 77.4% of rents a week after September's quarter day, a jump from the 65% collected on the day.

High Speed 2. HS2 is already £800m over running cost target is reporting mounting cost pressure from overrunning enabling works and higher building cost estimates for the London terminus at Euston, [constructionenquirer.com](#) ([link](#)). Rising cost pressures on the £40.3bn first phase were revealed in the first report to Government by HS2 Minister Andrew Stephenson. While the latest projections have risen at an early stage, the forecast is still within the Government's extended funding envelope of £44.6bn but HS2 has still to factor in the cost impact of Covid-19, which will be detailed within the next six months. So far £9.6bn has been spent already, a further £11.5bn is contracted, and £13.9bn is yet to be contracted and remains an estimate. The target cost also includes a £5.3bn contingency for managing the risk and uncertainty that are an inherent part of delivering major projects. Of the £800m cost pressure identified so far, around £400m is attributed to enabling works overruns, such as the need to safely remove more asbestos than expected.

Prices are as at the previous day's close.

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