Progressive Property & Construction Daily

3 November 2020: CRST, WHR, RGL, IWG

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

NOTE: This marketing communication has been produced by Progressive Equity Research Limited (PERL) and is a Minor Non-monetary Benefit. It does not contain investment recommendations. The views expressed are those of the research department of PERL. To view the Progressive Property & Construction Daily archive click here. For Progressive research on Property & Construction companies click here.

Company news

Crest Nicholson Holdings (CRST, 218p, £559m mkt cap)

South East focused mixed tenure housebuilder. YE (Oct) trading statement. *Guidance:* Adj PBT expected to be significantly ahead of consensus of £37.9m and at the upper end of the previously guided range of £35m - £45m. YE 20 net cash in excess of £135m (YE 19, £37.2m). Forward sales as at 31 October +14% Y/Y, 2,289 units at a gross development value and +27%, £480.5m. Reinstatement of dividend on 2.5x cover, effective from interim results 2021. *Market:* H2 sales rates "slightly ahead of the pre-spring lockdown level". "Covid-19 has driven a structural change to the balance of office and home working and has featured strongly in customers' reasons for considering a Crest Nicholson home. Our land portfolio and developments are concentrated in Southern England and the commuter belt to major towns and cities, especially London". *Strategy:* Group reorganisation will result in an overhead base more than £15m lower pa and in a more effective operating platform. The operational efficiency programme has identified £30m of specification savings. identified approximately £40m of gross margin improvements to be delivered in our existing and future schemes through re-plotting the layout and types of units on those schemes. The hurdle rate on new site acquisitions has been raised. Finally, the introduction of a new standard house type range will drive further benefits by way of significantly lower build costs, shorter build times and reduction in complexity. The group currently has over 5,500 future units planned with this range and we expect over 80% of our open market houses will be delivered using this range in 2022. *Outlook:* “The board is confident in the outlook for the business, underpinned by the strong progress implementing the updated strategy, current trading and excellent cash generation in the year”.

Warehouse REIT (WHR, 111p, £419m)

Specialist warehouse investor. HY (Sep) results. Rev +15%, £15.7m; IFRS PBT, £40.4m (HY 19, £2.8m); EPRA EPS -13%, 2.6p; div +3.3%, 3.1p. EPRA TNAV +8.1%; portfolio valuation +25%, £563m; LTV 20.2% (40.2%). September ‘quarter’ rent collection, 97%. Outlook: “Our strategy is well founded and supported by secular change, in the way people acquire goods and their suppliers' need to be close to end consumers. We see only further growth potential and a landscape where investors are actively seeking exposure to the type of assets we own. We expect to complete the investment of the July equity raise during the remainder of the year, which will be accretive and support continued attractive returns to shareholders”.

Regional REIT (RGL, 64p, £274m)

Real estate investment trust (REIT) specialising in income generating regional UK office and industrial assets. Acquisition and rent collection update. Acquisition completed of a modern Grade A flagship office building in Cardiff for £8.4m. It is fully let with a rent of £803,000 (£13.02 psf) pa, reflecting a net initial yield of 8.9%, and a weighted average unexpired lease term of 5.0 years to expiry, and 2.6 years to the first break. Rent collection across the portfolio has continued to increase with Q3 collections further increasing to 93.5% from 90.8% as previously announced on 14 October.

IWG (IWG, 255p, £2,563m)

Global operator of workspace brands, including Regus. Q3 (Sep) trading statement. Open centre revenue -9.8% (-5.5%, constant currency), £574m; group rev -14.3% (cc -10.2%), £583m; net cash, £10.9m (Q3 19, net debt, £301m). Market: “We have experienced good demand for our products supporting home and remote working, driving strong double-digit growth, with September being our best ever sales month. These products represent approximately 8% of group revenue. Also reflective of the increased hybrid working, we are experiencing a strong pick-up in demand for space in our suburban locations, in contrast to lower demand in major cities, particularly those reliant on public transportation. For example, office deals in downtown New York are down approximately 30% compared to pre-COVID-19 activity, whereas Southern Connecticut is up over 40%. *Outlook:* “Whilst market conditions remain very challenging, the future of flexible working looks very positive. There is clear evidence of increasing interest in flexible working as companies address how their employees will work in the future”.

Prices are as at the previous day’s close.

publication. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This communication is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This communication has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this email. However, PERL's directors, officers, employees and contractors may have a position in any or related securities mentioned in this email. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this email.

The value of securities mentioned in this communication can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this communication may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this email. Past performance is not necessarily a guide to future performance.