Progressive Property & Construction Daily

14 January 2021: TW., SVS, BBOX, SAFE, GPE, HLCL | RICS survey points to stabilising housing market as Stamp Duty deadline looms | Bid to ban former Carillion directors

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

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Company news

Taylor Wimpey (TW., 161p, £5,869m mkt cap)

UK number two housebuilder by volume. FY (Dec) trading update. *Guidance:* Results will be in line with market expectations. *Trading:* Total UK completions -39%, c. 9,609; private prices +6%, £323k. YE orders +23%, £2,684m. From 16 December, 650 reservations taken under the new, more restricted phase of Help to Buy for completions from Q2 21. Spanish sales impacted by travel restrictions; completions -41%, 190; prices -13%, €375k. YE net cash c.£719m (YE 19: £546m). The group increased investment in land in H2 as “high quality land became available at attractive margins”; net cash is expected to reduce through 2021 as land acquisitions are progressed over the next 18 months. *Dividends:* As previously stated, ordinary dividends are expected to recommence in 2021, starting with the payment of the 2020 final dividend. The group will review the special dividend in 2021, for payment in 2022. *Outlook:* “Whilst there remains some economic uncertainty, the outlook for the UK housing market remains robust. We start 2021 in an excellent financial position, with a strong order book and a clear focus on cost and efficiency. We remain confident of achieving our medium term operating margin target of 21-22% and are well placed to deliver strong and reliable returns for our stakeholders”. FY results, 2 March.

Savills (SVS, 984p, £1,408m)

International real estate services group. FY (Dec) results. *Guidance:* “The Group anticipates that underlying results for the year will be at the upper end of the Board's expectations … thanks largely to excellent performances in the UK, Asia Pacific and Savills Investment Management, reflecting the strength of our less transactional service lines”. *Trading:* The UK “performed well across all business lines with notably strong performances from our Consultancy and Property Management businesses”. Commercial transaction activities, particularly leasing, were significantly affected by the pandemic. Commercial investment activities benefited from involvement in some of the largest transactions seen in the UK. UK prime residential business, which effectively missed the spring selling season during the first lockdown, “showed an extraordinary rebound in activity from the end of May, predominantly in the regional markets outside London where the volume of activity in prime residential markets for the year as a whole was the strongest since before the global financial crisis”. Asia Pacific business as a whole performed ahead of original expectations. Continental Europe and the Middle East, performed broadly in line with expectations in the context of a decline in the transaction volumes in some of the major markets. In North America, the pandemic, had a significant effect on our business, with market leasing volumes declining by c. 40% Y/Y and by c.50%-70% in the largest metro markets of New York, San Francisco, Chicago and Los Angeles. *Outlook*: “It is too early to predict the direction of market activity in the short term. That said, global investor demand for secure income, restricted supply and expectations of continued low interest rates suggest that the medium and long term attraction of real estate as an asset class remains highly positive. The pace and efficacy of mass vaccination programmes and consequent reductions in lockdown and travel restrictions will dictate the rate at which transactional markets recover from here to reflect underlying demand. With the operating environment currently restricted in most markets, the board considers it inappropriate to resume guidance at this stage. However, in general terms, we expect transactional activity to remain suppressed in the first half of 2021 with improvement commencing in some individual markets in the second quarter followed by progressive recovery through the second half of the year”. FY results, 11 March.

Tritax Big Box REIT (BBOX, 168p, £2,893m)

Real estate investment trust investing in ‘big box’ logistics properties. Valuation update. The independent valuation of assets at the Dec YE indicates a LFL increase of c. 8% since the HY. As a result, the YE EPRA NTA per share is expected to have increased “materially” since the HY (30 June, 154.9p) and “to exceed the upper end” of current analysts' estimates. “The second half of 2020 saw a significant increase in the value of prime, larger scale, UK logistics real estate assets let to high calibre occupiers on long leases. The supply of these prime assets remains constrained and occupier demand for larger scale logistics buildings continues to strengthen. When combined with a buoyant investment market, this is driving tighter pricing in transactions, accelerating yield compression and increasing valuations for prime assets both in the broader logistics real estate market and in our own high-quality investment and development portfolio”. Q4 trading update, 28 January.

Safestore Holdings (SAFE, 816p, £1,721m)

UK-focused self-storage group, with stores in Paris, Barcelona and Netherlands. FY (Dec) results. U-lying results: rev +6.9%, £162m; EBITDA +7.3%, £93.9m; EPRA NAV +18%, 532p. Stat PBT +34%, £198m; dil EPS +34%, 84.0p; div +6.3%, 18.6p. Net debt (including lease liabilities), £512m (YE 19, £443m. Closing occupancy, 80.8% (YE 19, 77.6%); storage rate +2.0%, £26.61 psf. *Outlook:* "The strong performance of the final quarter has continued into the new financial year with LFL revenue up 6.4% for the first two months. Although current Covid restrictions have the potential for disruption, the inherent resilience of our business model, combined with encouraging current trading, means that we look forward to the financial year with confidence".

Great Portland Estates (GPE, 639p, £1,621m)

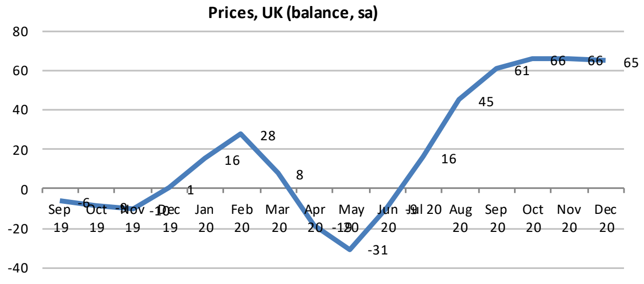
London office and retail property group. Trading update. "The surge of optimism following the UK approval and roll-out of the Covid-19 vaccines has been overshadowed by the return to more stringent lockdown measures across London. Whilst rental collection rates for the December quarter are ahead of September levels, building utilisation rates have greatly reduced once more and some sectors remain challenged. As expected, a number of our occupiers have been unable to meet their rental obligations. We expect the near-term trajectory of the pandemic to remain unpredictable, but, as the vaccination programme progresses, we anticipate that confidence will return and London's magnetism as a global cultural and business centre will endure, supported by the recent UK-EU trade deal". *Rental collection:* 77% of December rent collected; 69% excluding deposits (84% from office units; 35% from retail/hospitality/leisure sectors; 85% all other sectors). Finances: Property LTV, 18.2%; weighted ave interest rate of 2.5%; weighted ave debt maturity, 8.3 years; cash and undrawn facilities, £441m; "substantial headroom above debt covenants".

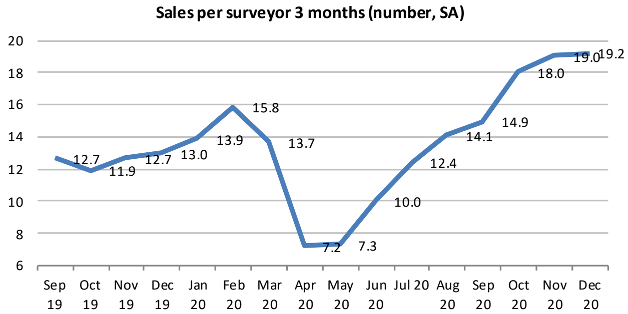
Helical (HLCL, 384p, £465m)

Commercial real estate investor, focused on London and Manchester offices. Rent collection update. 81.8% of all rent contracted and payable on the December quarter day has been collected with a further 10.6% to be collected under payment plans by the March quarter day. Of the balance, rent holidays have been granted on 3.5%, mainly to food & beverage occupiers, leaving 4.1% subject to ongoing discussions with tenants. "This quarter's proportion of rent collection is slightly down on the corresponding date for the September quarter following the sale of three buildings in Manchester in November 2020 and the impact of a tenant who, following the expiry of a rent-free period in October 2020, has yet to pay its rent".

Economic data

Housing market. Price growth and sales activity levels appeared to be stabilising in December after a strong run as the end of the Stamp Duty holiday on 31 March approaches, according to today's RICS Residential Market Survey (link). The headline seasonally adjusted price index (% of surveyors seeing a rise minus those seeing a fall) for price changes over the latest three months, slipped from +66 to +65, indicating still strong but slightly slowing growth (below, left). Most regions registered positive 60 - 80, with NW at +86 and London at +7, down from +13, for the three months to November. Price expectations on a three-month horizon dipped into the negative (-13 from +10 in November); but on a 12-month basis, they increased from +20 to +24 - apparently indicating a mid-term recovery after a correction post-deadline. Sales per surveyor (below, right), an actual number rather than index, stabilised at 19.2 per office over the latest rolling three months. The longer lead indicator of buyer enquiries for England & Wales continued to slide steadily, to +15, from +26 reported the previous month and the recent peak in July, of +75.





Source: RICS, FactSet

In the lettings market, a headline net balance of +15 of contributors saw tenant demand pick up during December, while landlord instructions continued to dwindle, -12. As a result, rental growth expectations for the coming three months strengthened slightly, as contributors across virtually all parts of the UK envisage rents rising over the near term. As has been the case for a number of months now, London remains a clear exception, where a net balance of -47 of participants anticipate rents declining in the three months ahead.

In other news …

Carillion collapse. The Government has launched a legal bid to ban former Carillion directors from holding senior boardroom positions in the UK, BBC (link) and other media sources. Action brought by the new business secretary Kwasi Kwarteng could see eight ex-directors banned from taking up senior management roles for up to 15 years. Carillion was wound up in January 2018, and the Official Receiver submitted a report about the conduct of each director, while the collapse was the subject of Government and other inquiries.

Prices are as at the previous day's close.

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