

Progressive Property & Construction Daily



15 February 2021: EBOX, HOME | Economics - unexpected rise in house prices, surge in London investment predicted | News - 'six week Stamp Duty extension', Northern Irish tunnel vision

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

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Company news

Tritax EuroBox (EBOX, 106p, £446m mkt cap)

Investor and manager of Continental European logistics real estate assets. Sale agreed for logistics property in Lodz, Poland for €66m, 15% above its most recent valuation at 30 September 2020 and, based on the company's target gearing of 45%, delivering an attractive geared IRR of 16.5% to shareholders, above the long term target of 9% total return pa. The asset was originally acquired by the Company in April 2019 and included a forward funding pre-let development opportunity to expand the existing site by a further 52,000sqm, which was completed in May 2019. The sale, to clients of Savills Investment Management, represents a 4.95% gross initial yield, compared to a purchase cost of €55m, which reflected a gross initial yield of 5.80%.

Home REIT (HOME, 108p, £259m)

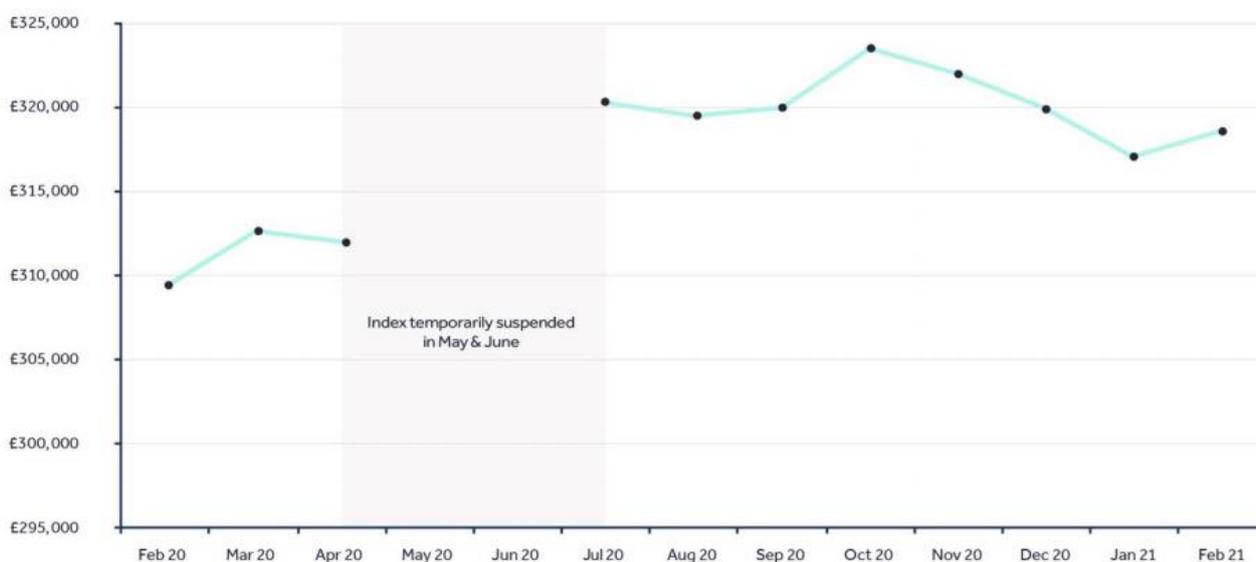
Real estate investment trust (REIT) funding the acquisition and creation of properties providing accommodation to the homeless. Dividend declaration. Maiden interim dividend of 0.83p declared. The company is targeting a minimum total dividend of 2.5p for the financial period ending 31 August 2021, in line with its stated target at launch. From 1 September 2021, it is targeting an annual dividend of 5.5p, payable quarterly, with the potential to grow through inflation-protected long-term lease agreements, in line with the company's stated target at launch.

Economic data

House prices. Asking prices have increased “surprisingly” by 0.5% to £318,580, during February after three consecutive monthly falls in the average price of property coming to market, according to the latest Rightmove House Price Index ([link](#)). This is a 3.0% Y/Y increase, down from +3.3% in January. One in five buyers who agreed a purchase in July last year have still not completed more than six months later, with an estimated 100,000 buyers in total still likely to miss out on the scheduled Stamp Duty saving (see below). Additionally, the number of new buyers continues to grow despite it now being too late for most to beat stamp duty deadline: in the first week in February there was a 45% Y/Y increase in visits to the Rightmove portal, with prospective home-hunters sending 18% more enquiries, and the number of purchases agreed up by 7%. The number of days to secure a buyer fell by 14% Y/Y in January to 65 days.

Average asking price trend

rightmove 



London offices. London’s economy, and by extension, its office and other property markets, could be boosted by increased international capital inflows due to its ‘safe haven’ status, according to research from Knight Frank ([link](#)). £61.3bn of cross-border capital could flow into London’s commercial market between 2021 and 2025, up 13% from £55bn in 2016 - 2020. On this basis, Central London’s cross-border office

investment activity could reach £10.2bn in 2021, up 31% from £7.8bn last year. The agent has used a bespoke 'capital gravity' model, combined with its own investment data, to forecast the likely source of flows of capital into London. The US is expected to be the single biggest source of investment over the next five years, accounting for £13.4bn, while Spain and South Korea could be set to increase their investment into London, with up to £1bn pa on average forecast through to 2025. The UK, of which London is the major market, is forecast to be the second largest destination for cross-border real estate capital globally during 2021, after the US. London gains from being perceived as a safe haven and a global player on the world stage, according to KF, benefiting from relative liquidity, transparency and market familiarity for many investors, as well as time zone and language benefits.

In other news ...

Stamp Duty. Chancellor Rishi Sunak is considering extending the Stamp Duty holiday by six weeks to prevent tens of thousands of home buyers being caught in a "completion trap", according to a report in Saturday's Daily Telegraph ([link](#)). He is looking at a limited extension through to mid-May which would help to alleviate fears that sales risk falling through after the March 31 deadline expires. But he is said to oppose calls for a longer six month extension due to the "gratuitous" impact this would have on tax receipts, with the Exchequer desperate to recuperate revenues depleted by various tax breaks announced during the pandemic.

Build-to-rent. London build-to-rent (BTR) group Avanton has launched a £500m fund to increase its landbank in the capital, according to Property Week ([link](#), paywall). The fund will be invested over the next three years and will target the acquisition of sites across London boroughs, including Islington, Southwark, Wandsworth, Wimbledon, Hammersmith, Lambeth, Camden and Brent. The group will acquire sites with land values of £20m to £100m, providing for between 300 to 1,000 units per BTR development. In total Avanton is targeting up to 5,000 build-to-rent units between 2021 and 2023.

"Tunnel to N Ireland". An undersea tunnel between Great Britain and Northern Ireland, dubbed the 'Boris Burrow', could get the green light as early next month and help unblock trade which has been hit by Brexit tensions by creating the first ever fixed link between all four nations of the United Kingdom, according to the Daily Telegraph ([link](#), paywall) and numerous other national media. A study by Sir Peter Hendy, the chairman of Network Rail, will say whether a link between Stranraer in Scotland and Larne in Northern Ireland is workable. It would be the same length as the tunnel under the Channel between England and France. Other reports put the cost at £10bn - half the cost of the PM's previously vaunted 'Boris Bridge'. **Viewpoint:** A hippopotamus is more likely to swim across the North Channel than a tunnel dug beneath it. In terms of cost-benefit, the combined population of the Island of Ireland is 6.6 million; as to the supposed cost of £10bn, that is likely to go the same way as any other mega-project. This is overwhelmingly likely to meet the fate of the PM's other *grands projets*: the 'Boris Island' Thames estuary airport and Garden Bridge further upriver. (PS, on a purely technical basis, surely 'Boris Burrow' suggests the 'cut and cover' tunneling technique; a more appropriate moniker for the more suitable deep tunneling approach would be 'Boris Bore'?)



Prices are as at the previous day's close.

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