

Progressive Property & Construction Daily



5 March 2021: UTG | House prices stabilise - Halifax | Fortnight ahead

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

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Company news

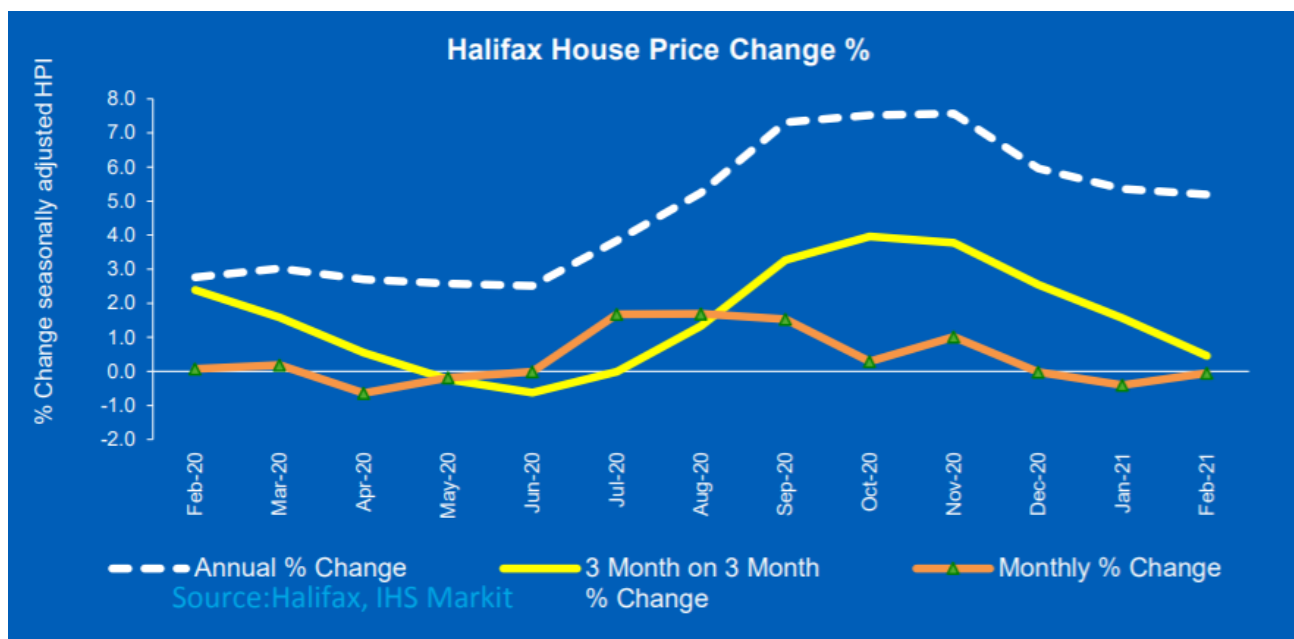
The Unite Group (UTG, 990p, £3,942m mkt cap)

Owner, manager and developer of UK student accommodation. Additional rent discount and cash collection update. Additional three-week extension announced to its 50% rent discount for students, originally announced on 11 January. This takes the total discount period to 10 weeks, up to the end of the Government's stay at home rule on 29 March. The ten-week rental discount and four-week complimentary tenancy extension will be available to students not living in their accommodation between 18 January and 28 March 2021. Approximately 60% of checked-in students have now returned. The decision has been taken following publication of the Government's roadmap out of lockdown, set out on 22 February, which includes an end to the stay at home rule on 29 March. Subject to no further major changes in Government guidelines, this will be the Group's final rent discount relating to Covid-19. The total 10-week rental discount and tenancy extension is expected to reduce Unite's share of rental income by up to £10m, equivalent to 2.5p of EPRA EPS for the 2021 financial year. This represents a lower impact than previously anticipated, despite the three-week extension to the discount, reflecting the high number of students now in occupation in our buildings. *Update on cash collection and debt covenants:* The group has now collected 95% of rent due to date for the 2020/21 academic year. Given the strength of cash collection, scheduled payments by Universities and physical occupancy in our buildings, "we are confident in retaining headroom under all our

[interest cover ratio] covenants across the Group and its funds and joint ventures. Headroom under our ICR covenants is expected to increase materially from Q2 2021 as the impact of tenancy cancellations in Q2 2020 are removed from the 12-month historical ICR calculation”.

Economic data

House prices continued to stabilise last month (ahead of the Budget announcement that the Stamp Duty holiday would be extended and the introduction of a new mortgage guarantee scheme), according to the latest Halifax price index ([link](#)). The M/M change was -0.1%, after a 0.4% fall in January and no change in December. The annualised change declined for the third consecutive month, to +5.2%, from a peak of +7.6% in November. Halifax’s latest view is ““Though there is the likelihood of an economic ‘bounceback’ from lockdown, with households not unduly impacted by the pandemic deploying the significant reserves of savings that they have built-up, higher unemployment is likely to limit new buyer demand. Therefore, we would not expect the level of growth seen in house prices over the past year to be sustained throughout 2021”. **Viewpoint:** I suspect the forthcoming mortgage guarantee scheme - proposed for the full market, not just newbuild as in the previous government flagship policy of Help to Buy - is likely to stoke further inflation (based on the eternal housing maxim that the more lending goes into the market, the more prices go up). However, it should further stretch the gap between housing’s ‘haves’ and ‘have nots’, alluded to in the Halifax report, with “households not unduly impacted by the pandemic [office-based staff able to work from home more cheaply] deploying the significant reserves of savings that they have built-up”; and less well-paid ‘front line’ workers or furloughed staff further than ever from even raising Rishi Sunak’s newly proposed 5% deposit.



Fortnight ahead

Construction & property: company and economic news

9 Mar	Forterra (FORT)	FY results
	Keller Group (KLR)	FY results
	LSL Property Services (LSL)	FY results
	Capital & Counties Properties (CAPC)	FY results
10	Balfour Beatty (BBY)	FY results
	Ibstock (IBST)	FY results
	Tritax Big Box REIT (BBOX)	FY results
	Foxtons Group (FOXT)	FY results
11	Eurocell (ECEL)	FY results
	Savills (SVS)	FY results
	Marshalls (MSLH)	FY results
	Derwent London (DLN)	FY results
12	Eurocell (ECEL)	FY results
	ONS	Construction output
12	Berkeley Group Holdings (BKG)	Trading update
15	Rightmove	House prices
16	Polypipe (PLP)	FY results
16	Costain Group (COST)	FY results
16	Haworth Group (HWG)	FY results
16	Ferguson (FERG)	HY results
16	The Unite Group (UTG)	FY results
17	Empiric Student Property (ESP)	FY results
18	Bank of England	Official Bank Rate

Sources: Companies, Sharecast, Factset, Progressive Equity Research

Prices are as at the previous day's close.

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