Progressive Property & Construction Daily

9 March 2021: FORT, KLR, CAPC, STP | Savills ups house price forecasts, with North leading the way

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

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Company research

Forterra (FORT, 269p, £614m mkt cap) *– FORT is a client of PERL*

UK's second largest brick producer and leading building materials producer. FY (Dec) results. Rev -37%, £292m; EBITDA -54%, £37.9m; adj PBT -72%; adj EPS -74%, 6.6p; div 2.8p (FY 19, 4.0p); net cash £6.6m (net debt, £57.3m). Link to Progressive Equity Research note, "Sustained" recovery. "Sustainable" vision:

> *Brick and concrete products group Forterra's FY2020 results nudged ahead of its previous guidance, which had been raised twice, with a strong rebound in revenue and profit in the second half partially offsetting the impact of the lockdown in H1. The "much improved" market has continued into the current year and, despite short-term uncertainty, the Group points to a "sustained recovery". It is also extending its sustainability drive with a target of cutting carbon by a third. We are maintaining our FY2021 E profit forecasts for now, but believe there may be scope to upgrade them later.*

Company news

Keller Group (KLR, 846p, £612m)

World's largest ground engineering group, with 60% exposure to North America. Rev -10%, £2,063m; u-lying PBT +19%, £96.9m; u-lying EPS +18%, 96.3p; div unch, 35.9p; net debt, £193m (YE19, £290m). *Outlook:* "As previously indicated, we saw a softening in the order intake during the second half of 2020 and into 2021 with overall trading in the early part of the year relatively subdued. We remain suitably cautious about the year ahead. We therefore anticipate 2021 to be a more challenging year than 2020, particularly in the first half which was especially strong last year".

Capital & Counties Properties (CAPC, 172p, £`1,465m)

"Capco", owner of Covent Garden retail property portfolio and Earls Court residential property redevelopment site, now disposed. FY (Dec) results. EPRA NTAV -28%, 212p; total property value -26%, £1.9b; group net debt to gross assets, 28% (YE19, 15%); u-lying EPS -0.7p (FY19, +1.0p). Property value fall due to: 22% LFL decline in ERV (£81m); expansion in the equivalent yield of 28 basis points to 3.91% and the valuer's assumption on loss of near-term income (£27m). *Trading:* "The leasing market has been disrupted with some occupiers seeking more flexible arrangements rather than committing to longer term leases until there is better visibility". *Outlook:* "We are optimistic that the enduring appeal of Covent Garden will drive a recovery of footfall and trade over the course of this year and next. Operating conditions will remain difficult for our customers, which is anticipated to lead to enhanced levels of vacancy and further adjustments in valuation and rental levels. The upcoming easing of restrictions and the reopening of hospitality, retail and leisure activities will lead to a gradual return of domestic footfall. We are confident in the future of the West End and the long-term value of our unique portfolio of investments".

Stenprop (STP, 140p, £398m)

Real estate investment trust (REIT) investing in UK multi-let industrial properties. Acquisition of three multi-let estates, in Newcastle, Bromborough and Bradford, in separate transactions for a total consideration of £18.4m, reflecting a net initial yield of 6.7% and a capital value of £99 per sq ft. It brings the total number of MLI acquisitions since 30 September 2020 to eight for an aggregate value of £44.2m. The group remains on target to be a fully focused MLI REIT by the end of the next financial year.

Economic data

House prices. Savills Research has upgraded its forecast for UK house prices in 2021 to +4% in 2021, from 0% previously, with +21.1% total growth from 2021-2025 (link). It also predicted housing transactions will hit 1.4 million in 2021, from 1.05 million in 2020, before falling back to a norm of 1.2m by 2023. It predicts markets furthest from London to see the strongest five-year growth: North West +28.8% and Yorkshire & The Humber +28.2% leading the way, with London and South East+12.6% and +17.0% respectively. The research department has also today published a comprehensive round-up on the likely impact of last week's Budget on the housing market (link).

Prices are as at the previous day's close.