

Progressive Property & Construction Daily



26 March 2021: RNWH, SHED | Construction furlough data | Fortnight ahead

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

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Company news

Renew Holdings (RNWH, 532p, £419m mkt cap)

Engineering services group supporting UK infrastructure. Acquisition and HY (Mar) trading update. Acquisition of J Browne Group Holdings for a cash consideration of £29.5m. J Browne is a water focused engineering services business operating throughout the South of England for Thames Water, Southern Water, Affinity Water and South East Water. It delivers multi-disciplinary infrastructure and non-infrastructure services through a number of longstanding framework agreements, across all disciplines in the water sector as well as providing utility connections and infrastructure services to the developer market in London and the Home Counties. In the year ended 31 March 2020, J Browne reported PBT of £5.5m on revenue of £79.2m. In its current financial year to 31 March 2021, the business has seen a reduction in activity due to the transition from AMP6 to AMP7 water industry investment cycles and is expected to report turnover of £63.3m, but this has now increased back to historic run-rate levels as activity has normalised in AMP7, which runs to 2025. The acquisition is expected to be immediately earnings enhancing and to deliver high single digit earnings accretion on a full year basis. There is no deferred consideration payable. Post-acquisition, Renew will continue to have net debt/EBITDA of significantly less than 1x. According to Renew, the acquisition “represents an excellent strategic fit, adding material scale to Renew's water business and brings new water clients into the group”. *Trading update:* HY results are expected to be ahead of the previous financial year and in-line with management's expectations. As previously stated, the latest national lockdown has not had any

material impact on trading and the group continues to experience continuity in demand for its services across all markets. As a result, the Board remains confident in delivering consensus expectations for the full year. Net debt and cash generation are also in line with expectations. The order book continues to be underpinned by long-term framework positions, including new awards during the first half of the year, and is expected to be in-line with that reported at the 27 January AGM. Interim results due 18 May.

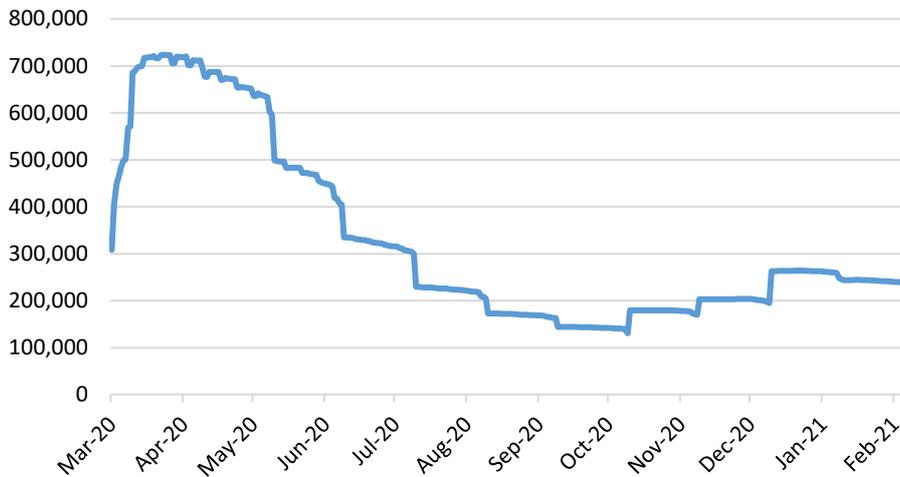
Urban Logistics REIT (SHED, 147p, £375m)

Specialist UK logistics real estate investment trust. Contracts exchanged to sell five assets as part of a portfolio for £30.0m at a 4.8% exit yield, realising a total property return of 79%. The sale is in line with the stated strategy of active portfolio management and value optimisation where appropriate. Completion is expected to take place on 21 April. The average purchase price was at a 7.0% net initial yield and the company has undertaken extensive asset management with new rents and lease terms agreed across all sites. The sale represents a 35.4% uplift on 30 September 2020 book values. The proceeds will be reinvested into other pipeline opportunities. The five assets are located in Bedford, Northampton, Leicester and Chesterfield and are let with an average weighted average unexpired lease term of 7.4 years.

Economic data

Employment. The latest number of construction workers under furlough is 229,200, a fall of 68% since the peak of 723,600 in April 2020 but still above the low of 130,700 in October, according to data from HMRC ([link](#)). This is despite rising vacancy rates in the sector and widespread reports from stock market listed companies that most or all furloughed staff have been brought back into full employment (and in many cases funds repaid to the Government). The figures show that 91,100 firms continued to use the Government Covid Job Retention scheme from November to the end of February, claiming a total of £824m. Breakdowns suggest the firms still using furlough to support office workers tend to be at the smaller employer end with an industry average of 15% of staff receiving some kind of wage support. Just over half the companies were in the electrical, plumbing and finishing trades, typically involving smaller firms.

Construction workers furloughed (number)



In other news ...

Extended construction working times. Rules allowing longer working hours on construction sites during the Covid pandemic have been extended to the end of September at least, ConstructionEnquirer.com ([link](#)). Sites will be able to stay open until nine at night to allow start times to be staggered so workers can avoid rush hour on public transport. Housing secretary Robert Jenrick said: “Temporary extensions to working hours were introduced over the last year on some sites to facilitate safer working and allow tasks to be completed where social distancing can be challenging. These changes have also helped to protect and support jobs in the construction industry and reduced pressures on public transport at peak hours throughout the pandemic. This continued flexibility is necessary due to the continued impact of Covid-19 and to support the construction industry to recover and operate safely as we emerge from the pandemic. This date will be kept under review”.

Fortnight ahead

Construction & property: company and economic news

29	Aukett Swanke Group (AUK)	AGM
	Bank of England	Mortgage approvals
30	Michelmersh Brick Hdgs (MBH)	FY results
31	Nationwide	House prices
1 Apr	St Modwen Properties (SMP)	AGM
8	RICS	Residential Market Survey

	IHS Markit	UK/UK Construction PMI
9	Halifax	House Prices

Sources: Companies, Sharecast, Factset, Progressive Equity Research

Prices are as at the previous day's close.

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