Progressive Property & Construction Daily

8 April 2021: WINK, BKG, MGNS, SGRO, BLND | Housing market rebounds strongly in March - RICS | UK construction shows strongest growth since 2014 while Eurozone decline pauses | UK materials shortages warnings increase

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

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Company news

M Winkworth (WINK, 153p, £19m mkt cap) – *PERL provides research services to Shore Capital on this stock*

Franchised estate and lettings agency, focused on London and SE. FY (Dec) results. Group rev -0.2%, £6.4m; PBT -5.9%, £1.5m; EPS, -9.2%, 9.1p; div -14%, 6.7%; net cash, £4.7m (YE 19, £3.6m). *Performance:* PBT fell 20% Y/Y in H1 and rose 1.6% Y/Y in H2. There was a "considerable backlog" of transactions at the YE, due to the rush to beat the now-extended Stamp Duty deadline. The "logjam" gives significant support leading into the current financial year. Now number two estate agent in London with a 4.5% market share and intention to bring on more branches, either through new franchises or acquisitions. *Market:* Pandemic has brought forward sales transactions that were otherwise "up to five years away", with buyers looking for increased space. Lettings market is more subdued, particularly in central London. *Outlook:* "We expect the sales market to continue to show healthy momentum". Split of sales vs lettings & management to tip back from 50:50 more to sales. "In Q1 we have seen a strong uptick in sales agreed and a very encouraging increase in applications for both sales and rentals". Market share expected to grow further in a consolidating sector for agents. Expect to restore the group's progressive dividend policy. **Viewpoint:** The RNS is worth a read for its interesting vignettes on the London residential market.

The Berkeley Group Holdings (BKG, 4,582p, £5,573m)

London-focused residential developer and urban regeneration group. Appointment of Sarah Sands as non-executive director. She was Editor of the BBC Radio 4 Today programme from 2017 to 2020 and, prior to this, Editor of London Evening Standard and The Sunday Telegraph. **Viewpoint:** I don't usually comment on non-exec appointments, but this is an interesting and probably highly astute move by Berkeley, which has a reputation for being one step ahead of most of its rivals. Listeners to Today (including me from when I was in short trousers) will attest to its 'liberal' tendencies - very useful potentially in today's ESG environment. She is also hugely connected in the world of politics and media - both of which regularly love to give housebuilders a kicking.

Morgan Sindall Group (MGNS, 1,846p, £856m)

Construction, regeneration and fit-out group. Appointment of Kathy Quashie as a non-executive director, with effect from 1 June 2021. She is Director, Enterprise Indirect Partnerships at Vodafone and has "extensive strategic, commercial and digital transformation experience developed through her career at Vodafone and in roles with BT and The Carphone Warehouse/TalkTalk Group. She has been recognised by Cranfield University in its Spotlight on BAME Board Future Talent 2019 and on the Empower Ethnic Minority Executive Role Model 2020 list. **Viewpoint:** Similar themes to the above.

Segro (SGRO, 960p, £11,437m)

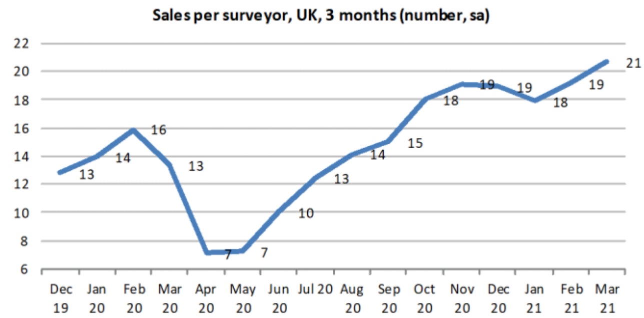
UK's leading owner and developer of warehouses and industrial space, also active in Europe. Update on rent collection. 95% of Q2 rent collected or deferred; 98% for Q1. **Viewpoint:** strong collection data emphasising the relative fortunes of industrial/logistics vs the more challenged pattern in retail/commercial.

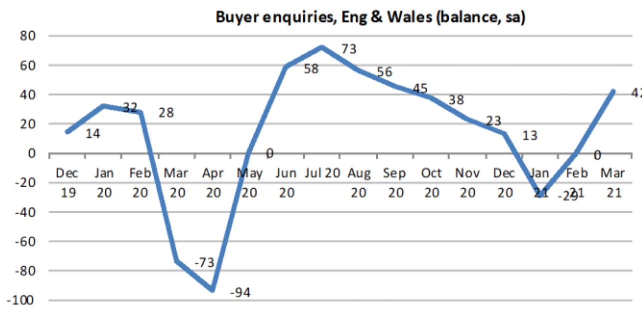
British Land Company (BLND, 518p, £4,802m)

Leading UK commercial property investment, development and services group. Pre-let of 134,000 sq ft for new UK flagship HQ to global real estate services group JLL at 1 Broadgate. JLL has signed a 15 year lease for nearly 30% of the office space in the highly energy efficient 546,000 sq ft building, claimed to contain the most sustainable mixed-use space in the capital, including 498,000 sq ft workspace, 47,000 sq ft of roof terraces and 48,000 sq ft of retail and leisure space. Enabling works are already underway with demolition due to start May 2021. **Viewpoint:** Despite home working, there still appears to be life left in the London office market, but probably in an increasingly divergent market, with sustainability being a key 'USP'.

Economic data

Prices, volumes and expectations for both improved in March after a lull in January according to the latest RICS Residential Market Survey (link). The headline price balance (% of agents reporting rise over the past three months, seasonally-adjusted, minus those seeing a fall) rose from 53.8 in February to 58.6. The NW was the strongest, +77.8, and London the weakest +24.6 (but, still implying an increase). Sales achieved per office over a rolling three month period (actual number, not a ‘balance’) rose from 19.2 in the period to February to 20.6 up to March (below, left). The more forward-looking indicator of buyer enquiries showed a sharper turnaround, hitting a positive balance of +41.8, after - 28.7 in January, when there was a view that new buyers would fail to meet what was then a 31 March deadline for the Stamp Duty holiday. Vendor instructions have also improved, potentially supporting an increase in volumes over the coming months (possibly with the new Mortgage Guarantee Scheme to support 95% home loans, announced in the Budget, offsetting the eventual tapering and ending of the duty holiday at the end of September). Price expectations were also higher for the next 3 and 12 months, at balances of +42.4 and +60.3 respectively.

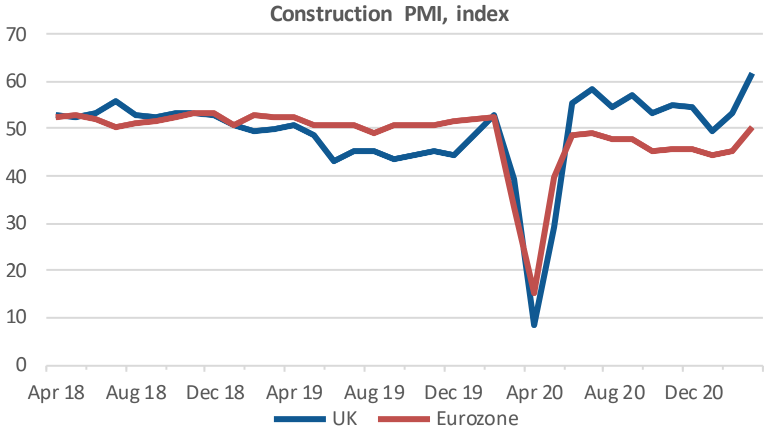




Source: RICS, FactSet

There were more mixed indicators on the lettings market, on a quarterly basis. The balance for tenant demand declined from +20.4 to +11.6, indicating growth but at a lower rate, while landlord instructions continued to fall, possibly indicating a lot of landlords had been selling out of the market (perhaps reflected in the rising sales instructions). Rent expectations were steady between Q4 20 and Q1 21, at +11.8, with London the only negative region in England, albeit at -43.5 compared to -59.6 in Q2 20.

UK and Eurozone construction. Output in the British construction jumped sharply in March while the level of activity in the Eurozone moved only fractionally into expansion according to the latest Purchasing Managers Index reports for the UK (link) and EU (link) from IHS Markit (see below). The UK total activity index jumped from 53.1 (50 = no change) in February to 61.7 in March, the strongest reading since September 2014 supported by “robust rises” in all three categories of house building (64.0), commercial work (62.7) and civil engineering (58.0). In the Continent, the index rose from 45.0 in February to 50.1 in March, the first rise in activity since February 2020, prior to the downturn caused by the coronavirus. Italy was the strongest of the three main indices, while France and Germany registered smaller declines than in previous months.



Source: Markit Economics

In other news …

Building materials. Merchants and building materials producers have warned of growing lead times for delivery of cement, aggregates and plastic drainage products, joining a growing list of materials reportedly in short supply, ConstructionEnquirer.com (link). These include timber, steel, roof tiles, bricks and imported products such as screws, fixings, plumbing items, sanitaryware, shower enclosures, electrical products and appliances. In a joint statement the Builders Merchants Federation and Construction Products Association, warned: "Demand for construction products remains high both in the UK and globally and is set to continue throughout 2021 in every sector. Unfortunately, this means the availability issues we are currently experiencing are likely to worsen before they improve. Not enough timber is being produced to meet world demand. Added to this, other countries are prepared to pay more to secure their supply, pushing the UK lower down the pecking order. Steel is also experiencing strong global demand. While supply and demand are likely to rebalance within the next few months, global dynamics will continue to drive prices up. Raw material shortages constraining polymer supplies are causing production problems for plastics, particularly lower ground drainage".

Prices are as at the previous day's close.

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