

Progressive Property & Construction Daily



26 April 2021: LOK | Land price warning | Stamp Duty receipts soar in March despite 'holiday'

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

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Company news

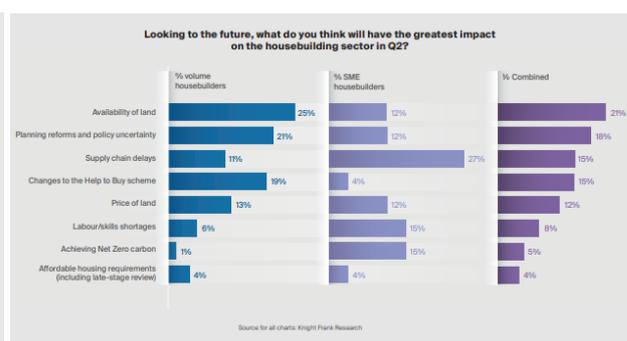
Lok'n'Store Group (LOK, 593p, £175m mkt cap)

UK self-storage group. HY (Jan) results. Rev +14%, adj EBITDA +17%, £5.5m; £10.2m; stat PBT +27%, £2.9m; EPS +37%, 7.9p; interim div +8.3%, 4.33p; adj NAV +6.8%, 568p; LTV, 20.4% (FY 20, 19.3%). *Trading:* Occupied space +25% Y/Y; occupancy 82% (67%); store pipeline of 13 sites will add 38% of new space over coming years. *Outlook:* "Our first half results are very good and trading since the period end has remained very strong. The excellent occupancy gains give us significant embedded pricing and margin opportunities over the second half and beyond".

Economic data

Housing land prices started to tick up in Q1 21 having drifted downward during the pandemic but competition from housebuilders to secure sites is expected to put more upwards pressure in the coming months, according to the latest Residential Development Land Index from agents Knight Frank ([link](#)). Urban brownfield and

greenfield land values rose by 0.2% and 0.9%, respectively, but fell by 2.2% and 4.8% Y/Y (below, left). In London and across the South East, a survey of agents report that some housebuilders are reducing profit margins to compete for land. “Well-located sites close to transport links and amenities are in strong demand from the build to rent and build-to-sell markets”. In the survey of nearly 50 SME and volume housebuilders, 55% of respondents expect an increase in land values while only 7% anticipate a decrease. Availability of land is the greatest concern for volume housebuilders (25%), while it is supply chain delays (27%) for smaller developers (below, right). Only 3% of large housebuilders and none of the smaller companies reported “abundant” availability. On the customer demand side, the greatest requirement outside London is for traditional family housing (60%), while in the capital it is for urban as well as suburban flats (33% each).



Viewpoint: This all supports gathering anecdotal evidence that small to large housebuilders have been scrambling for sites, having previously concentrated on finishing existing ones to maximise cashflow after the first lockdown. I suspect the price of land could rise faster than the Q1 figures in the KF report, adding to inflation pressure from a scattered but growing range of materials. Expect discussion of “increased hurdle rates” (traditional code for forthcoming margin pressure) in housebuilders’ statements over the coming months.

In other news ...

Stamp Duty receipts rose to £1.2bn in March despite Chancellor Rishi Sunak’s ‘holiday’, according to the latest HMRC, reported in Property Industry Eye ([link](#)). The data reveals that March was the fifth biggest month since the tax was introduced 18 years. Receipts were 22% higher compared to £928m in March 2020. The number of residential properties sold in the UK hit a record high last month as buyers and sellers attempted to complete deals before the end of the stamp duty holiday. According to HMRC, there were a record-high 180,690 transactions recorded during the month, which is double the total in March last year.

The Hill Group, the UK’s third largest privately-owned house builder delivered a 12% increase in revenue to a record £651m in the year to December 2020 with PBT up 4% to £44m, Premier Construction ([link](#)). Completions rose by around 9% to 1,960 homes. Chief executive Andy Hill said that, despite the pandemic, the

South East-based firm was on track with its five-year strategy of doubling turnover and profitability in the period up to 2025. Net cash rose from £61m to £138m and net assets increased by 14% to £138m.

Prices are as at the previous day's close.

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