

Progressive Property & Construction Daily



7 May 2021: SMP, BOOT | UK construction recovery broadens | News - London office market 'sparks back to life'; buy-to-rent investors look beyond capital | Fortnight ahead

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

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Company news

St Modwen Properties (SMP, 448p, £996m mkt cap)

Urban regeneration developer operating in housing, logistics and land promotion. Possible offer. Non-binding conditional proposal received from affiliates of private equity group The Blackstone Group regarding a possible cash offer of 542p per share. The possible offer follows a series of unsolicited proposals received from the Blackstone Funds and represents a premium of approximately: 21% to yesterday's closing price of 448p; 34% to the 90 day average of 405p; and 24% to St. Modwen's reported 2020 EPRA TNAV of 438p. St. Modwen has indicated to Blackstone that the possible offer is at a value the Board would be willing to recommend unanimously, should a firm intention to make an offer pursuant to the Takeovers Code. The possible offer is subject to a number of pre-conditions, including the satisfactory completion of due diligence which is currently underway by Blackstone and which both parties are "working closely together to complete as soon as practicable".

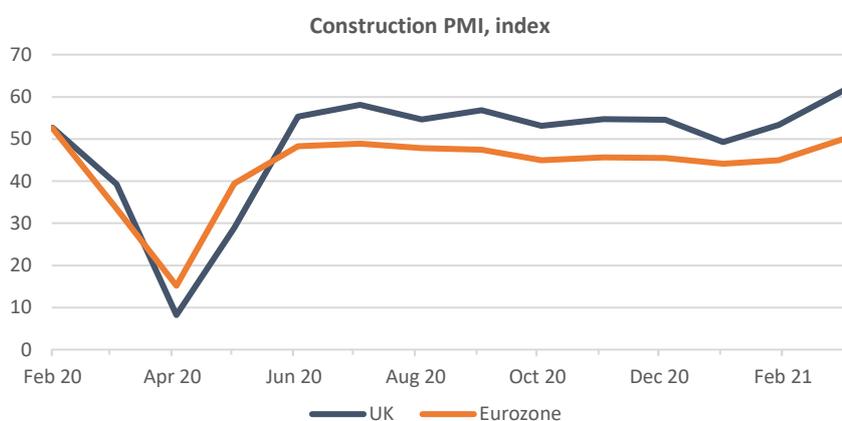
Henry Boot (BOOT, 278p, £370m)

Land Promotion, property investment & development and construction group. Purchased announced of 26,900 sq ft multi-let industrial estate on the edge of Manchester city centre for £5.8m, representing a net initial yield of 4.1%. The property development division, HBD, has acquired City Court on Poland Street in the city's Ancoats neighbourhood, from vendors Urban Splash and Pears Group. The property is fully let to eight tenants, including Ticketmaster UK and Sky Telecommunications Services. The estate has a low average rent of under £10 psf and is believed to offer good rental growth and asset management opportunities. In the medium term the Group will also explore the opportunities for a significant urban residential development.

Economic data

Construction activity. Recovery in UK construction continued at the same rate in April, but on broader base, according to the latest purchasing managers' index (PMI) from HIS Markit ([link](#)). The Total Activity Index registered 61.6 in April, down only fractionally from March's six-and-a-half year peak of 61.7. Any figure above 50.0 indicates an overall expansion of construction output. Commercial work (62.2) was the best performing category, although the rate of expansion eased slightly since March. Civil engineering (61.5) attained its fastest speed of recovery since September 2014. Housebuilding, which had consistently been the strongest sector since the easing of the first lockdown, saw a softer rate of growth, slipping to 61.2 from March's recent peak of 64.0. A rapid rise in demand for construction products and materials continued to stretch supply chains in April. The latest lengthening of suppliers' delivery times was the third-greatest since the survey began in 1997, exceeded only by those seen during the lockdown in April and May last year. Higher prices paid for a wide range of construction items contributed to the fastest overall rate of cost inflation since the survey began in April 1997 (index at 84.6, up from 77.8 in March). Steel, timber and transportation were among the most commonly reported items up in price.

Meanwhile, Eurozone PMI remained at 50.1 for the second consecutive month, representing another marginal uplift during the month ([link](#)). Of the three main countries tracked, Italy was the only one to see growth, expanding further during the month to 58, while France tipped back from fractionally over 50 to just below the no-change threshold. The rate of decline accelerated in Germany.



Source: Markit Economics

In other news ...

Rental market. Buy-to-let landlords spread their bets away from London: Investors look elsewhere for lower prices and improved rental yields - in-depth feature in the FT ([link](#), [paywall](#)).

London offices. New lettings spark London's office market back into life: Developers report recovery in interest as companies make tentative return to work, FT ([link](#), [paywall](#)).

Urban development. High profile Manchester-based developer **Urban Splash** is in talks to enter the London market by buying up Croydon council's troubled in-house developer Brick By Brick, according to Housing Today ([link](#)). Last November the magazine revealed that Brick By Brick was in talks with parties regarding a sale of the business given the financial difficulties being experienced by the London borough, which set up Brick By Brick in 2016 and lent it more than £200m. However, the subsequent collapse of Croydon into insolvency and appointment of inspectors to oversee its operations saw the council embark on plans to wind up the firm by October this year, unless a quick sale could be achieved.

Fortnight ahead

Construction & property: company and economic news

May

10	Halifax	House prices
11	M Winkworth (WINK)	AGM
12	Savills (SVS)	AGM
	Marshalls (MSLH)	AGM
	Impact Healthcare REIT (IHR)	AGM
	Mears Group (MER)	FY results
	ONS	Construction output
13	Balfour Beatty (BBY)	AGM
	Grainger (GRI)	HY results
	SIG (SHI)	AGM
	Impact Healthcare REIT	AGM
	Eurocell (ECEL)	AGM

The Unite Group (UTG)	AGM
RICS	Residential Market Survey
14 Derwent London (DLN)	AGM
18 Forterra (FORT)	Trading statement
Land Securities Group (LAND)	FY results
Watkin Jones Group (WJG)	HY results
Homeserve (HSV)	FY results
Sureserve (SUR)	HY results
19 Keller Group (KLR)	AGM
Great Portland Estates (GPE)	FY results
Regional REIT (RGL)	AGM
20 Henry Boot (BOOT)	AGM

Sources: Companies, Sharecast, Factset, Progressive Equity Research

Prices are as at the previous day's close.

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