Progressive Property & Construction Daily

26 May 2021: BLND, UAI, LSL, SUR, HICL | Fastest selling regions see highest house price rises | News - more delays

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

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Company news

British Land Company (BLND, 520p, £4,815m mkt cap)

Leading UK commercial property investment, development and services group. FY (Mar) results. U-lying profit -34%, £306m; u-lying EPS -42%, 32.7p; div +6.2%, 16.0p; EPRA TNAV -16%, 773p; LTV, 34.0% (FY 21, 32.0%). Portfolio valuation, -10.8%, £11,157m (Offices -3.8%, -0.8% in H2; Retail -24.7% with the rate of decline slowing in Retail Parks and Developments broadly flat). Decline in operating profit primarily reflects an increase in provisions for rent receivables; 83% of FY 21 rent collected (99% Offices, 71% Retail). Active recycling of capital, with £556m retail assets sold since April 2020, 7.0% ahead of book value; £643m of standalone offices sold, 5.2% ahead of book value. *Outlook:* "We have been further encouraged by how strongly footfall and sales have rebounded in recent weeks. In urban logistics, our experience delivering complex developments in Central London means we are well placed to deliver innovative solutions to meet the accelerating occupational demand. Although it is early days, economic indicators are positive, and we are hopeful that we are starting to emerge from the pandemic. As we do so, British Land is well placed to benefit given our clear strategy, the diversity and expertise of our people across the business and our opportunities to drive growth and value. However, we are very mindful that the trajectory for this pandemic is highly uncertain with risk from future variants, so we take comfort from the strength of the balance sheet and our resilient performance over the last 12 months".

U and I Group (UAI, 91p, £114m)

Mixed use regeneration developer and investor, focusing on London, Manchester and Dublin. FY (Mar results). Development and trading loss, -£39.1m (FY 20, +£11.0m); loss before tax -£86.7m (-£58.6m); NAV -30%, 163p; net debt -44%, £72.1m; gearing 35.5% (44.9%). New strategy on target to generate proceeds of £130m by FY 22 from monetisation programme, of which £54.5m has already been completed. Gross recurring overheads cut by 26% towards targeted £12m by FY 23 and gearing reducing towards targeted level of 25-35% by the end of FY 22. No final dividend proposed for FY 21 and no interim dividend was paid (H1 20, 2.4p). The company "recognise the importance of the dividend for our shareholders and intend to resume payments at the earliest opportunity. An update on dividend payments will be given at H1 22". *Outlook:* "Major growth opportunities post-lockdown with supportive trends in mixed-use regeneration and close alignment with the UK government's "Build, Build, Build" and levelling up agendas".

LSL Property Services (LSL, 456p, £480m)

Estate, lettings and property/financial services agent. Disposal of 49.6% holding in LMS, a provider of conveyancing panel management services, to a UK Private Equity firm, for a cash consideration of £12m. The sale simplifies the Group structure, providing further capital for deployment into opportunities to accelerate the Group's growth strategy, in particular Financial Services. The carrying value of the investment at 31 December 2020 was £9.1m. In the 12 months to 31 December 2020, the LSL share of LMS profit after tax was £0.3m. This follows significant progress in LSL's Financial Services-led growth strategy, including during 2021 two technology acquisitions, a major financial services distribution agreement with The Property Franchise Group and a £200m joint venture with Pollen Street Capital to create a major mortgage broker.

Sureserve Group (SUR, 80p, £126m) *– PERL provides research services to Shore Capital on this stock*

Gas and utilities safety compliance and energy efficiency provider, primarily to social housing. Appointment of new Chairman. Nick Winks will join the Board as independent Non-Executive Chairman of the Group with immediate effect. He is currently Chairman of Virtua Group, a Non-Executive Director at Rainham Industrial Services and Executive Chairman and CEO at John Charcol Group. Interim Chairman Robert Legget will resume his role as Senior Independent Director of the group.

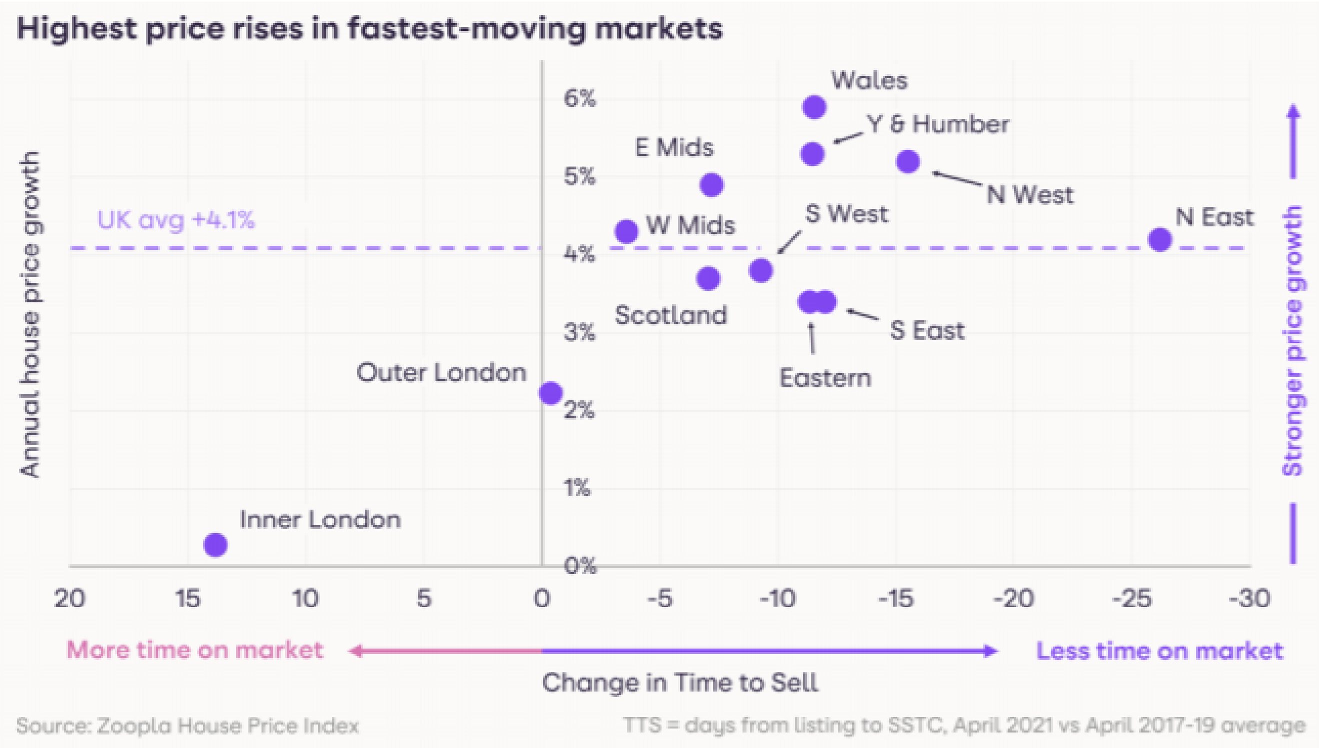
HICL Infrastructure (HICL, 170p, £3,293m)

Listed infrastructure investment group with diversified portfolio of 117 investments in UK, Europe and N America. FY (Mar) results. Income +118% £189m; PBT +204%, £152m; EPS +193%, 7.9p; target div unch, 8.25p; NAV unch, 152p. *Outlook:* "The Board is highly encouraged by the momentum building behind future infrastructure procurement. Notably, in the UK, the Government's 'Build Back Better' policy paper, the National Infrastructure Strategy, the plan for a 'Green Industrial Revolution', the Energy White Paper and the Gigabit-broadband programme. Similarly the $2trn infrastructure package set out by the US Administration in supports a 'once-in-a-generation' investment programme in its infrastructure. This environment provides a very promising strategic backdrop for HICL. The Company looks forward to continuing its positive contribution towards the case for private sector support for core infrastructure investment, in line with its established track record as a trusted steward of essential core infrastructure over the long term".

Economic data

House prices. Average house prices rose at 4.1% in the year to April, up from 2.3% in April last year, but down from 4.7% at the start of the year, according to the latest UK House Price Index from Zoopla (link). Prices are being underpinned by demand continuing to outstrip supply. Price growth is highest in areas where affordability is greatest. In the year to April, average prices in Wales rose by 6.3%, followed by Yorkshire & the Humber where prices rose by 5.4%. London continues to trail when it comes to price growth, at 1.9%, the slowest regional rate of growth across the UK for the sixth consecutive month.

Wales, Yorkshire & the Humber and the North West are the markets registering the highest price growth and also the 'hottest'– as these markets are also among those where the market is moving more quickly than the 'normal' conditions in 2017-2019 (below). The time between a listing a property and securing a sale subject to contract (SSTC) has fallen by between 10-15 days in the North West, Wales and Yorkshire & the Humber, and this is accompanied by the highest levels of price growth. At the other end of the scale, homes are taking just under two months to sell in inner London, two weeks longer than the 2017-2019 average, making it a relatively cooler market. Annual price growth is also lagging at +0.3% on the year. Four central London boroughs are registering price falls for the third or fourth consecutive month, including the City of London (prices down -2.5% year on year), Westminster (-2.2%), Kensington & Chelsea (-1.7%) and Hammersmith & Fulham (-1.4%).



Outlook: According to Zoopla, demand levels have moderated since the peak in Q1 as the economy opens up and life starts to return to some sort of 'normal'. As lockdowns continue to ease, demand levels will continue to fall back, but it expects they will remain elevated compared to more 'normal market' levels, measured between 2017 and 2019, throughout the rest of this year.

In other news …

Supply chain shortages. This made the Radio 4 Today programme this morning. A couple of latest headlines from ConstructionEnquirer are self-explanatory: Hanson forced to cut bagged cement allocations (link); Timber batten prices go through the roof (their pun, not mine) (link).

Prices are as at the previous day's close.