

Progressive Property & Construction Daily



16 June 2021: SFR, MRL, CREI, EBOX | House prices slip in April - ONS | Cost of average construction disputes doubles to record high

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

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Company research

Severfield (SFR, 78p, £246m mkt cap) – *SFR is a client of PERL*

Britain's leading structural steel group, with sales to Europe and a rapidly growing Indian JV. FY (Mar) results. Rev +11.0%, £363m; u-lying PBT -15.0%, £24.3m; u-lying dil EPS -16.4%, 6.4p; div unch, 2.9p; net cash declined from £16.4m to £4.4m following the DAM Structures acquisition. Link to Progressive Equity Research report, [Momentum continues after resilient FY2021](#):

Britain's leading structural steel specialist slightly beat our previously increased estimates for FY2021, with adjusted PBT of £24.3m in today's results, against our estimate of £24.0m. "Considerable positive momentum" has continued into FY2022E, with an increased order book in both UK & Europe and also in the Indian JV, despite the second wave hitting the sub-continent. We are not changing our FY2022E estimates, being early in the financial year, but continue to believe the Group is strongly placed to benefit from growth sectors including infrastructure and datacentres.

Company news

Marlowe (MRL, 816p, £629m)

Safety and compliance provider to commercial properties. Acquisition of Cater Leydon Millard, an employment law compliance specialist, for an enterprise value of £2.25m. Cater Leydon Millard, established in 2004, is based in Abingdon, Oxfordshire, and provides specialist employment law advice to companies across the UK. The acquisition “deepens Marlowe's employment law compliance offering and will offer attractive synergies with Ellis Whittam”, the leading platform in the provision of recurring, fixed-fee HR, employment law and safety services & software. For the year ended 30 November 2020, the company generated an operating profit of £0.65m on revenue of £1.7m. Net assets at 30 November 2020 were £0.5m. The total enterprise value will comprise an upfront cash consideration of £1.75m and a performance related contingent consideration expect to be c. £0.5m.

Custodian REIT (CREI, 99p, £415m)

UK commercial real estate investment trust. FY (Mar) results. EPRA TNAV -3.9%, 410p; EPRA EPS -20%, 5.6p, due to providing for deferred and overdue rent and a 5.0% decrease in the annual rent roll; div -25%, 5.0p; net gearing 24.9% (FY 20, 22.4%). Property value -1.4%, £551.9m. Occupancy 91.6% (95.9%). *Outlook:* “Despite the headwinds, real estate continues to be in demand by occupiers and as an investment class. [Looking] more closely at occupier demand and paints a rosier picture than a year of pandemic headlines might suggest, and although occupancy has decreased, more than half of our vacant properties are currently under offer to let. The outlook feels more positive and predictable than 12 months ago and we expect that the portfolio will continue to support the policy of stable dividends in a post-pandemic world. In a long-term low interest rate environment the marginal income return from real estate investment over risk-free investment, represented by UK 10 year gilts, and the low cost of debt are both likely to support property pricing”.

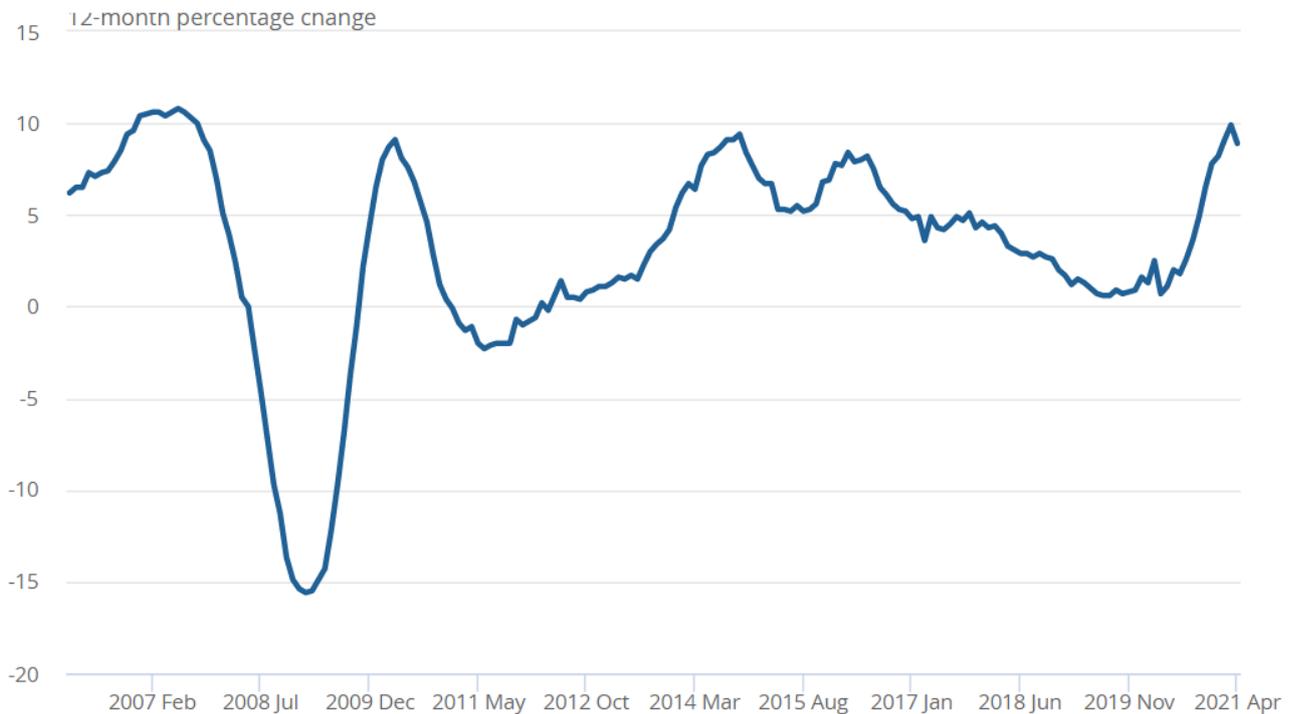
Tritax EuroBox (EBOX, 111p, £684m)

Investor and manager of Continental European logistics real estate assets. Acquisition of a SEK474m (€471m) logistics site in the Port of Gothenburg, Sweden. The freehold asset has a total gross internal area of c. 28,900 sqm and comprises two purpose-built logistics located in the heart of the prime logistics location in the Port of Gothenburg. They are fully let, generating a total annual rent of SEK18.0m (£1.79m), annually indexed to 100% of Swedish CPI, on leases with a weighted average unexpired lease term of six years. The acquisition price reflects a net initial yield of 3.6% based on the income from the existing leases, with the opportunity to increase the yield to around 4.25% as the rental levels on the buildings are marked to market levels. This acquisition forms part of the deployment strategy for Tritax EuroBox following the equity raise in March 2021, and the subsequent Green Bond issuance in June 2021.

Economic data

House prices. Average house prices in the UK increased by 8.9% in the year to April 2021, down from 9.9% Y/Y in March 2021, according to official government data from the ONS ([link](#)). Prices fell by 1.9% between March and April, the first M/M decline since the 1.0% fall in April 2020, in the immediate aftermath of the first lockdown. The ONS cautions that larger than usual revisions to recent data are possible due to relatively few transactions in April.

Annual house price rates of change for all dwellings, UK: January 2006 to April 2021



In other news ...

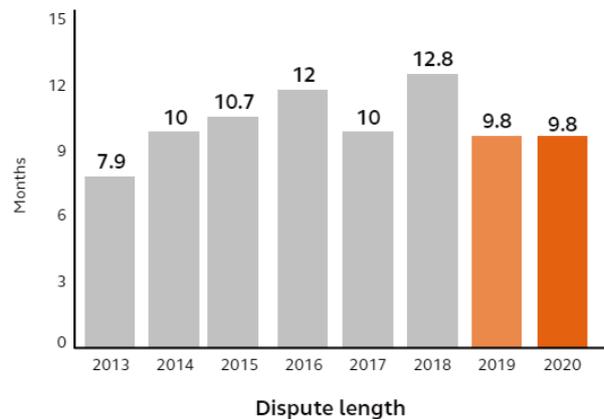
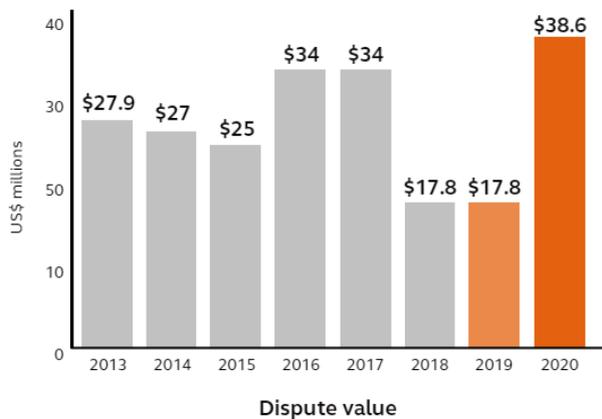
Construction disputes. The average value of UK construction disputes more than doubled to \$39m (£28m) last year as programmes and costs increased due to the impact of Covid, according to the latest annual global survey by construction consultant Arcadis, which showed the highest average value recorded since its survey began 11 years ago ([link](#)). Around three-quarters of those surveyed blamed Covid impacts for the rise and uncertainty around which party was liable for the time and cost risk arising from the pandemic. However, despite a spike in the value of disputes, the UK remains the fastest at resolving issues, doing this in just less than 10 months on average, compared with over 14 months in North America and the rest of Europe, and nearly 16 months in the Middle East, supporting the growth of adjudication in the UK.

North America

United Kingdom

Continental Europe

Middle East



Prices are as at the previous day's close.

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