

Progressive Property & Construction Daily



19 July 2021: WJG, BOOT, MRL | Shortages keep house prices rising after full duty holiday lapses | News - ex-Chancellor becomes housebuilder

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

NOTE: This marketing communication has been produced by Progressive Equity Research Limited (PERL) and is a Minor Non-monetary Benefit. It does not contain investment recommendations. The views expressed are those of the research department of PERL. To view the Progressive Property & Construction Daily archive click [here](#). For Progressive research on Property & Construction companies click [here](#).

Company news

Watkin Jones (WJG, 226p, £578m) – *WJG is a client of PERL*

Residential for rent developer and manager in the build-to-rent (BTR) and student accommodation sectors. Appointments of a new Chair-designate and CFO-designate. Following the Board succession announcement on 14 April, the new appointments have been announced. Alan Giddins is appointed as non-executive director and Chair-designate with immediate effect. It is intended that Grenville Turner will step down from the Board in October 2021 and that Alan will take over as Chair, having allowed time for an orderly handover. He is currently Chair of Hill & Smith Holdings, the FTSE 250 international infrastructure group, having joined in October 2017 as the Senior Independent Director, before assuming the role of Chair in October 2019. He is also a non-executive director and investment committee member of Big Society Capital, the UK's largest social impact-led investor. Other board, investment and ESG experience includes having been Managing Partner and Global Head of Private Equity at 3i Group and 13 years in investment banking advising a broad range of quoted companies. He qualified as a chartered accountant and has a degree in economics. Sarah Sergeant is appointed to the Board as Chief Financial Officer-designate with effect from 6 October 2021. Phil Byrom will step down from the Board, and Sarah step up to CFO after a suitable handover period. She is currently the Chief Financial Officer of the UK & Ireland region at Compass Group, the FTSE 30 food and support services company. A chartered accountant, she has held a number of senior finance and operational roles over her 13-year tenure at Compass, including Group Financial Controller, M&A Director, and CFO of the Asia Pacific region, based in Singapore.

Henry Boot (BOOT, 261p, £348m)

Land Promotion, property investment & development and construction group. Trading update. Guidance: “As a result of strong trading across the group, performance for the full year is now anticipated to be ahead of the Board's expectations. Trading across the group's operations has been strong, but notably within HBD we continue to see growth in both occupier and investment demand within the industrial and logistics market”. This has led to positive capital returns and resulting in the group's investment portfolio valuation exceeding half-year forecasts. The business expects further growth in valuations by the end of its financial year due to the planned retention of several assets that are currently under construction. Strategic acquisitions in both the industrial and logistics market and urban residential market through H1 continue to support the group's significant development pipeline. These are providing new opportunities for future development in key markets, resulting in the group's financial position returning to net debt of c. £13m. Henry Boot Construction continues to trade ahead of expectations on an already full orderbook for 2021. Banner Plant's trading levels are back to those experienced in 2019 and are now trading ahead of budget for the year. Road Link (A69) continues to benefit from an increase in traffic levels which are exceeding initial expectations. Hallam Land Management and Stonebridge Homes are trading in line and continue to benefit from a buoyant housing market. HY results, 13 September.

Marlowe (MRL, 894p, £689m)

Safety and compliance provider to commercial properties. Acquisition of governance, risk and compliance software provider Core Stream for an implied enterprise value of c. £18m. Founded in 2006 and headquartered in London, CoreStream supports large organisations with corporate compliance and risk management needs. The acquisition broadens Marlowe's digital and ESG service offerings and further deepens its relationships with blue-chip organisations. It also provides strong cross-selling opportunities across the group's existing software and service portfolio. In the year to 31 March 2021 CoreStream generated adjusted EBITDA of £1.5m on revenue of £4.1m. Organic revenue CAGR from 2019 to 2021 was in excess of 30%. The implied enterprise value includes initial cash and deferred consideration of £11m and a performance based earn-out expected to be in the region of £7m.

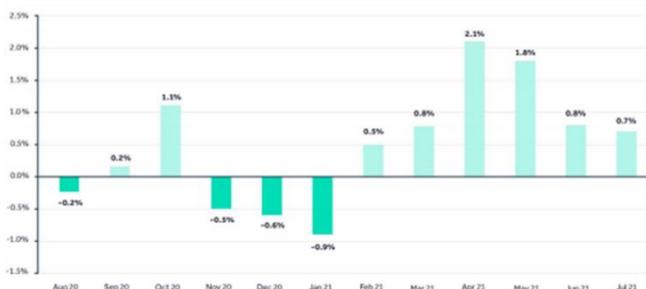
Economic news

House prices. Asking prices continued to rise in the past month, albeit at a slower rate of growth, despite the ending of the full Stamp Duty holiday on 30 June, according to the latest Rightmove House Price Index ([link](#)). Prices rose by 0.7% to £338,447 in July, from +0.8% in June (below, left), bringing the annual rate to +5.7% from +7.5% (vs March 2020, prior to the two month suspension during lockdown). The highest growth in the monthly index was +1.7% in the East Midlands and only two regions saw declines: London (-0.8%) and Yorks & Humber (-0.4%). The average time to sell a property continued to fall, to 38 days in June from 41 in May and 74 last June (below, right). Rightmove identified a shortage of homes for sale as the main driver of price growth. H1 21 saw 140,000 more sales being agreed and 85,000 fewer new listings than the long-term average. Homes with at least four beds faced the biggest imbalance with 39% increase in sales and 15% fall in numbers coming to market versus 2019, resulting in an average price hike of 6.7% in the last six months. First

time buyers encountered the lowest imbalance as homes with one or two beds seeing unchanged new seller numbers, with sales up by a slightly smaller 26%, resulting in a smaller average price rise of 3.4%. The maximum saving from the Stamp Duty holiday will now be cut from £15,000 to £2,500 during the additional three month tapering period to end-September, when it will be removed altogether.

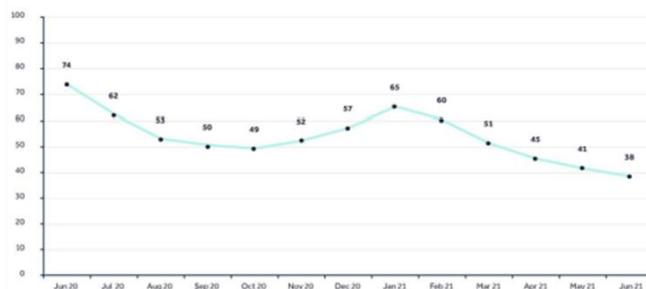
% monthly change in average asking prices

rightmove



Average time to secure a buyer (no. days) National

rightmove



In other news ...

Social housing. Former chancellor Philip Hammond has set up a property business with former Conservative political strategist Sir Lynton Crosby, The Times ([link](#), paywall). Hammond, a property developer before becoming an MP, is working with Crosby on an enterprise that would lease homes to local authorities with a shortage of social housing stock. The company, Municipal Partners, is based in London and was established by Crosby last summer. They have held talks with authorities including Barking and Dagenham, which has more than 7,000 households on the waiting list.

Prices are as at the previous day's close.

Copyright 2021 Progressive Equity Research Limited ("PERL"). All rights reserved. PERL provides professional equity research services. All information used in the publication of this communication has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee their accuracy or completeness. Opinions contained in this communication represent those of the research department of PERL at the time of publication. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This communication is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This communication has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the

independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this email. However, PERL's directors, officers, employees and contractors may have a position in any or related securities mentioned in this email. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this email.

The value of securities mentioned in this communication can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this communication may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this email. Past performance is not necessarily a guide to future performance.