

# Progressive Property & Construction Daily



3 November 2021: MGNS, IBST, LAND | House prices hit another high - Nationwide

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

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## Company news

### **Morgan Sindall Group** (MGNS, 2,230p, £1,034m)

Construction, regeneration and fit-out group. Trading update. *Guidance:* “Based on the performance to date and with good visibility of secured workload through to the [Dec] year end, it is now expected that the group will deliver a full year performance which is slightly above its previous expectations”. The average daily net cash from 1 July to 29 October was £294m (of which £67m was held in jointly controlled operations or held for future payment to designated suppliers. The average daily net cash for the full year is expected to be around £290m. Inflation in the supply chain and the availability of materials and labour have remained manageable. *Trading:* In Construction & Infrastructure, “trading has remained strong; the Construction activities are expected to deliver a full year operating margin of c3%, while the operating margin in the Infrastructure activities is expected to be well in excess of 3.5%”. Fit Out has had a record period of winning work and converting projects from preferred bidder stage into contract. At the end of September, its order book was £944m, up 62% from the half year position and up 130% from the year end. The division secured a number of larger contracts which will generate revenue over a number of years, thereby giving better long-term visibility compared to its usual project cycle. Property Services is still seeing slightly lower planned maintenance activity than expected, however notwithstanding this, its operating margin for the year is expected to be in excess of 3%. Partnership Housing has continued to see high levels of unit sales and completions as well as construction activity and is well-placed to meet its medium-term return on capital target of 20% for the year. Urban

Regeneration's active development schemes have progressed as planned, however viability challenges exist on some projects not yet commenced. ROCE is expected to be around the low-teens.

### **Ibstock** (IBST, 203p, £831m)

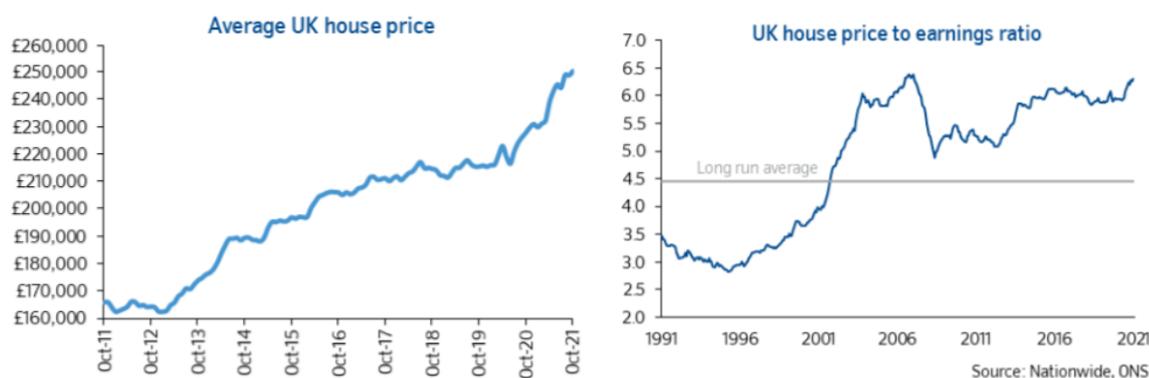
UK's largest brickmaker. Q3 (Sep) trading update. *Guidance*: "Expectations for adjusted EBITDA for the 2021 financial year remain unchanged. Looking to 2022, whilst macro conditions are expected to remain dynamic, the group continues to be confident in its ability to make significant further strategic and financial progress." *Trading*: Third quarter trading "remained strong, with robust demand continuing across both the housebuilding and RMI markets. While, as expected, supply chain conditions have become more challenging, we have managed the impacts well and continue to work closely with our customers on service levels". The group's energy requirements are fully hedged for the remainder of 2021, with around 80% hedged for 2022. *Strategy*: The redevelopment of the Atlas wire cut clay brick facility in the West Midlands is progressing well with planning approvals secured, equipment orders placed and construction work underway. The project is on track to commission, as expected, by the end of 2023. £50m to be invested to create the UK's first automated brick slip systems factory in West Yorkshire, to increase presence in the fast growing market for brick slip clad walling systems in the offsite and modular construction sectors. Net zero carbon brick slips to be in production by early 2024. This forms the first of a pipeline of growth initiatives we have in development for Ibstock Futures, launched today, a new business unit established to capture growth opportunities in new, fast growth sectors of the UK construction market. *ESG*: The group is establishing more ambitious targets for carbon reduction and expects to announce these before the end of the year and continues to explore opportunities to use alternative, lower carbon, fuels in its manufacturing processes.

### **Land Securities Group** (LAND, 680p, £5,039m)

Leading UK commercial property investment, development and management group. Acquisition of majority stake in MediaCity, the 37 acre media, digital and tech hub in Salford, Greater Manchester previously owned by a 50:50 JV between Legal & General and Peel L&P. Landsec will partner with Peel L&P which will retain a 25% stake and continue to serve as asset and development manager. MediaCity has a gross asset value of £568m. Landsec will pay a net purchase price of £426m for the 75% interest. The transaction includes £294m of debt (£220m on a proportionate basis), reducing Landsec's equity investment to £208m. It will also have an obligation to pay a further amount capped at £15m linked to building remediation works. The waterside destination is home to leading creative, tech and media brands, including BBC North and ITV, Ericsson, The Hut Group and over 250 creative and tech businesses as well as schools and universities. The biggest tech and media hub outside London, MediaCity is home to 8,000 residents and workers. Phase one was completed 10 years ago and comprises 1.48m sq ft across 11 buildings. It is 96% let with a wtd unexpired lease term of just under 10 years. It generates £31.1m of net operating income pa (100%), reflecting a 5.8% net initial yield. Over half of the income has rent reviews linked to RPI, with collars and caps guaranteeing future rental uplifts. Phase two has already seen the completion of two residential towers and mixed-use commercial space. This second phase has outline planning consent for an additional 1.6m sq ft including office and residential, with an estimated Gross Development Value (GDV) of £750m, bringing the total space for phase two to 2.3 million sq ft. LandSec states: "This acquisition presents us with the opportunity to deploy capital immediately into high quality income producing assets and also to invest further over time through the development of phase two. MediaCity is a compelling addition to our portfolio, providing the opportunity to invest and further develop the estate with the potential to be onsite from the first half of 2023".

## Economic data

**House prices.** Nationwide reports a 0.7% M/M increase to a record £250,311 in October, up from +0.2% in October, bring the Y/Y rate to +9.9% from +10.0% ([link](#)). The mortgage lender's Chief Economist Robert Gardner said "Demand for homes has remained strong, despite the expiry of the stamp duty holiday at the end of September. Indeed, mortgage applications remained robust at 72,645 in September, more than 10% above the monthly average recorded in 2019. Combined with a lack of homes on the market, this helps to explain why price growth has remained robust. The outlook remains extremely uncertain. If the labour market remains resilient, conditions may stay fairly buoyant in the coming months – especially as the market continues to have momentum and there is scope for ongoing shifts in housing preferences as a result of the pandemic to continue to support activity. However, a number of factors suggest the pace of activity may slow. It is still unclear how the wider economy will respond to the withdrawal of government support measures. Consumer confidence has weakened in recent months, partly as a result of a sharp increase in the cost of living. "Even if wider economic conditions continue to improve, rising interest rates may exert a cooling influence on the market, though the impact on existing borrowers is likely to be modest".



Prices are as at the previous day's close.

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