

# Progressive Property & Construction Daily



5 November 2021: SHED | House price growth continues - Halifax; Signs of construction costs moderating? | Fortnight ahead

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

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## Company news

**Urban Logistics REIT** (SHED, 176p, £570m mkt cap)

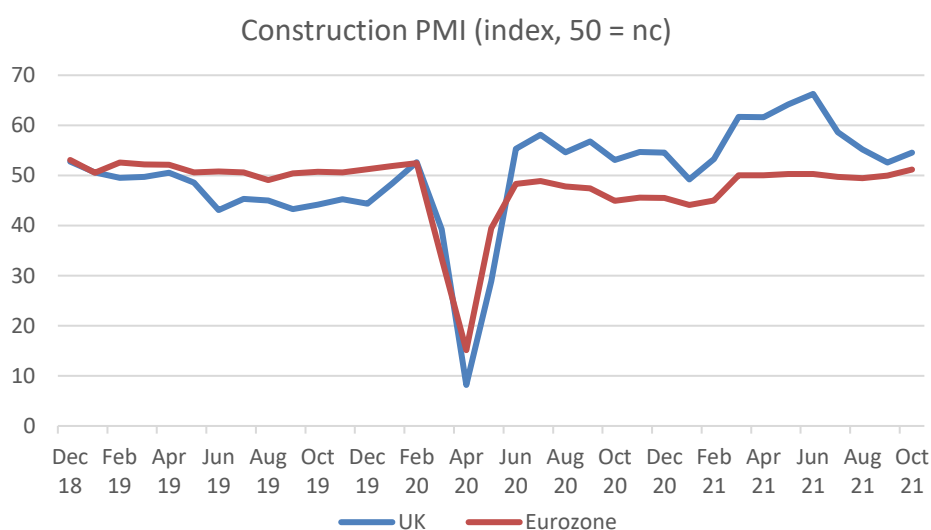
Specialist UK logistics real estate investment trust. Acquisition of three assets in October for a total consideration of £29.0m at a blended net initial yield of 6.7%. The assets include two income producing assets providing immediate additional revenue and the forward funding of a development project. As a result, Urban Logistics has now committed or deployed £132m of capital following its July equity raise (5.8% weighted NIY), with c.£23m of further investments in advanced stages of contractual progress. The company has also recently announced a new pipeline of over £400m of logistics assets, utilising the company's proprietary network to source attractive off-market deals.

## Economic data

UK, Eurozone construction activity. Construction activity growth picked up again in the UK in October after moderating for three months under supply chain pressures, according to the latest Purchasing Managers index, from IHS Markit ([link](#)). The seasonally adjusted total cctivity index registered 54.6, up from 52.6 in

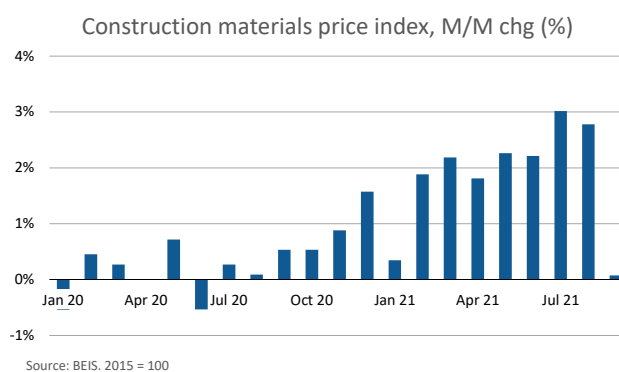
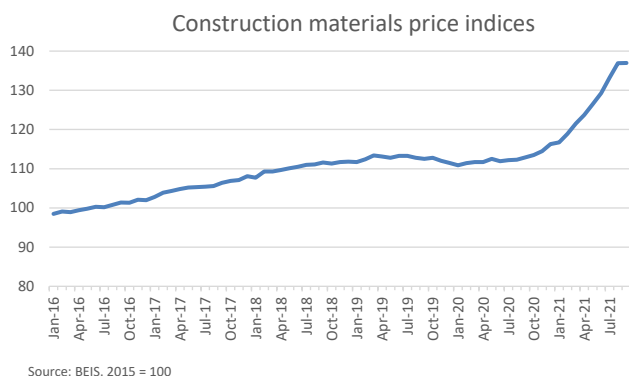
September. The index has now posted above the 50 no-change threshold in each of the past nine months, hitting a peak of 66.3 in June. House building (55.4) replaced commercial work (55.2) as the best-performing category of construction work in October. The latest increase in residential work was the strongest for three months. Commercial construction also expanded at a quicker pace than in September, with survey respondents citing a sustained boost from looser pandemic restrictions. Meanwhile, civil engineering activity (51.4) increased only marginally. Significantly, the number of construction firms reporting longer wait times for supplier deliveries was down from 63% in September and a peak of 77% in June. Moreover, the reported stated there had been another steep rise in input costs, but the rate of inflation slipped to a six-month low.

Meanwhile, there was the first meaningful sign of growth in the Eurozone after seven months of near flat output ([link](#)). The total activity index rose from 50.0 in September to 51.2 in October, the sharpest since the onset of the COVID-19 pandemic. A sustained and robust rise in Italian homebuilding activity was partially offset by a renewed contraction in French homebuilding. German firms meanwhile signalled a third consecutive contraction at the start of the fourth quarter.



Source: IHS Markit

**Material prices.** Construction material price rises stabilised in September, with a 0.1% increase over August, bringing the annualised change to 21.3%, down from 21.9%, according to the latest building materials stats from BEIS ([link](#)). **Viewpoint:** As ever, the official price statistics should be taken with a pinch of salt. Assuming they are an accurate reflection, does this - and the PMI data, above - represent the end of a temporary post-pandemic 'adjustment'? Probably not. All major brick producers have announced price rises, which housebuilding sources suggest is 10 - 15%, taking effect in November or the new year; cement producers have announced another 16% hike. If the industry is experiencing an adjustment, rather than a longer-term inflationary trend, it's unlikely to be over yet.



## Fortnight ahead

### Construction & property: company and economic news

#### November

|    |                              |                     |
|----|------------------------------|---------------------|
| 9  | Persimmon (PSN)              | Trading update      |
|    | Vistry Group (VTY)           | Capital markets day |
|    | Sirius Real Estate (SRE)     | HY results          |
|    | Warehouse REIT (WHR)         | HY results          |
| 11 | Taylor Wimpey (TW.)          | Trading update      |
|    | Restore (RST)                | Capital markets day |
|    | Urban Logistics REIT (SHED)  | HY results          |
|    | RICS                         | Resi Market Survey  |
| 12 | Galliford Try Hldgs (GFRD)   | AGM                 |
|    | Redrow (RDW)                 | AGM                 |
| 15 | Rightmove                    | House prices        |
| 16 | Homeserve (HSV)              | HY results          |
|    | Palace Capital (PCA)         | HY results          |
| 17 | ONS                          | House prices        |
| 18 | Mitie Group (MTO)            | Trading update      |
|    | Grainger (GRI)               | FY results          |
| 19 | Kier Group (KIE)             | AGM                 |
|    | Great Portland Estates (GPE) | HY results          |

Sources: Companies, Factset, Progressive Equity Research

*Prices are as at the previous day's close.*

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