

Progressive Property & Construction Daily



8 November 2021: SRE, INL, CSH | News - seventh steel price hike in year

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

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Company news

Sirius Real Estate (SRE, 138p, £1,469m mkt cap)

Leading operator of business parks in Germany. HY (Sep) results, Proposed Acquisition and Placing. *Results:* Annualised rent roll +2.5% LFL, €98.9m; PBT +26%, €78.2m; funds from operations +13.4% €33.0m; HY div +12.1%, 2.04c. NAV +4.9%, 92.6c; (31 Mar, 88.3c); adj NAV +5.3% to 98.80c; LFL owned investment property +4.6%, €1,409m; total cash, €188m (€65.7m), of which €172.7 million is unrestricted; net LTV, 36.8% (31.4%). *Outlook:* "Trading in line with expectations for the full year". *Acquisition:* Agreement to acquire Helix Investments from Värde Partners for a cash consideration of c.£245m, based on an enterprise value of £380m. BizSpace is a leading provider of regional flexible workspace, offering light industrial, workshop, studio and out of town office units to a wide range of businesses across the UK. BizSpace's gross assets as at 31 December 2020 were £377m and EBITDA and PBT for the 12-month period ended 31 December 2020 were £18.7m and £3.4m respectively. BizSpace's expected run-rate financial performance as at 31 August 2021 was revenue of c. £43.2m of revenue and c. £26.8m of NOI, representing a 62% NOI margin, and c.£20.3m of EBITDA, representing a 47% EBITDA margin. The consideration will be funded by a combination of new and existing debt together with the proceeds of a proposed fundraise expected, in aggregate, to raise gross proceeds of c.£135m. This comprises a non pre-emptive placing to institutional investors including in the UK, a non pre-emptive placing to selected qualified investors in South Africa and an offer by PrimaryBid Limited on its online platform. *Guidance:* The Acquisition is forecast to provide a c. 11% accretion on an FFO and dividend basis, and c. 4% accretion to adjusted NAV per share, on day one. This excludes additional operational improvements at

BizSpace level and additional growth in the business. The deal is expected to be marginally accretive to the recently published 30 September 2021 EPRA NTA immediately following completion of the Acquisition. “Sirius management believes that there are significant opportunities to improve the profitability of the BizSpace business, including increasing its EBITDA by c.30% over the next 2-3 years, through pricing and occupancy improvements as well as ancillary income streams. The Acquisition also offers the potential for substantial further synergies relating to overheads, banking and digital marketing”. The Acquisition will increase Sirius' gross asset value to c.€1.9bn and its rent roll to in excess of €153m.

Inland Homes (INL, 56p, £128m)

Leading brownfield developer, housebuilders and partnership housing group, focused on South and South East. Forward sale of 161 new homes at Carters Quay, Poole to Bournemouth, Christchurch and Poole Council for a total consideration of £43.5m over the next three years, with monthly stage payments being made to Inland Homes as the project progresses.

Civitas Social Housing (CSH, 92p, £565m)

Care-based social housing REIT, providing homes for working age adults with long-term care needs. NAV and dividend declaration, Trading and Market Update. IFRS NAV per share, 108.5p (30 Jun, 108.4p); second 1.3875p quarterly dividend declared in line with full year target of 5.55p. *Update:* “The company continues to perform well and in line with expectations, rent collection continues as normal and remains unaffected by Covid-19. In common with other parts of the healthcare and social care sectors, access to the company's properties has eased so that residents are better able to engage with family and friends. At the same time, care providers are still maintaining enhanced levels of health and safety delivery reflecting the ongoing nature of the pandemic. The pandemic has itself resulted in increased reported levels of demand for many of the services that are delivered within the company's properties, that is in addition to the long-term secular scarcity of adapted community-based accommodation. Recent government commitments to additional funding of the NHS and social care are consistent with the continued growth in community provision, ensuring that primary care resources within the NHS can be focused on patient waiting lists”.

In other news ...

Constructional steelwork prices have been increased by British Steel for the seventh time this year “due to the rapid escalation of steelmaking costs in recent weeks”, ConstructionEnquirer.com ([link](#)). The latest increase of £30 takes total increases during the year to £340 per tonne [an increase of approximately 50% by my reckoning].

Prices are as at the previous day's close.

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