Progressive Property & Construction Daily

11 November 2021: TW., WINK, HOME, SHED, RGL | House prices still rising as activity stabilises - RICS

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

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Company news

Taylor Wimpey (TW., 158p, £5,762m mkt cap)

UK number two housebuilder by volume. Trading update. *Guidance:* "We remain on track to deliver full year 2021 results in line with our previous guidance. We will continue to prioritise operating margin, our primary performance measure, and remain on track to deliver an operating margin target of c. 21-22% in the medium term". *Trading:* "We are pleased with performance in the second half to date. We continue to see good demand for our homes, supported by a positive market backdrop". Sales rate, 0.91 homes per outlet per week in H2 to date (2020, 0.76; 2019, 0.93), and 0.95 YTD (0.73; 0.97). Average of 224 sales outlets YTD (239; 252). Expect to grow outlets in H2 2022, and to grow outlets by around an additional 50 by mid-2023, leaving us well positioned for significant growth in completions from 2023. "We are managing supply chain effectively and benefiting from our scale and strong partner relationships. We continue to see house price inflation fully offsetting build cost inflation. Looking ahead, market conditions remain supportive, and with the benefit of our strong land position we are well placed to deliver against our medium term targets".

M Winkworth (WINK, 200p, £25m) *– PERL provides research services to Shore Capital on this stock*

Franchised estate and lettings agency, focused on London and SE. Unscheduled trading update. *Guidance:* "Full year revenues are expected to exceed management forecasts and our full year profits to be materially higher than expectations. For the year ahead, with a return to more normal conditions in sales and an improved rental market in London, we look forward to the continued underlying growth of the business". *Trading:* "Trading conditions have remained strong since the upturn in the first half of the year, with London sales and rentals, which account for some 75% of our revenues, being buoyant. New sales instructions and sales agreed in Q3 2021 were lower than those achieved in Q3 2020, which saw a surge of interest post lockdown and the announcement in July 2020 of the stamp duty relief scheme, but higher than those achieved in Q3 2019. We expect trading in the sales market to return to a more normal pattern following the ending of the stamp duty scheme. London rentals have seen a resurgence of interest along with the re-opening of businesses and a reversal of the move out of big cities. Rental prices outside of prime central London have recovered to pre-pandemic levels, while prime central London has also seen an improvement, with prices recovering to within 10% of pre-pandemic levels". Pipeline of at a least eight new offices due over the next twelve months.

Home REIT (HOME, 115p, £643m)

Real estate investment trust (REIT) funding the acquisition and creation of properties providing accommodation to the homeless. FY (Aug) results. NAV +7.2%, 105p; div, 2.5p; div target for FY 22, 5.5p. 711 properties acquired, valued at YE at £328m, 4.5% above acquisition price. In a separate announcement, a further £63m of the proceeds were deployed in 19 portfolios comprising 173 properties. *Outlook:* "The Investment Adviser has leveraged its network of relationships to develop an attractive pipeline of further potential acquisitions. This has already led to the oversubscribed follow-on issue of shares in September 2021. The Company has put in place a Placing Programme until 1 September 2022 in order to give the Investment Adviser the flexibility to pursue the Company's investment objective". AGM, 27 January.

Urban Logistics REIT (SHED, 180p, £585m)

Specialist UK logistics real estate investment trust. HY (Sep) results. Net rental income +70% Y/Y, £16.0m; PBT, £50.3m (H1 20, £9.8m); adj EPS +8.5%, 3.46p; div unch, 3.25p. Portfolio valuation +91%, £661m; EPRA NTAV +7.9% vs March, 164p. *Trading:* EPRA vacancy rate of 0.6% (H1 2020: 3.0%); 11 logistics properties acquired; total portfolio of 91 assets, covering 5.8 million sq ft; committed to forward fund the development of six new assets during the period. *Outlook:* "We remain confident that the market for logistics assets in key regions of the country will remain strong. The planning constraints on land for industrial use will restrict supply, which when combined with increasing demand, will tighten yields and will also result in increased rents".

Regional REIT (RGL, 89p, £456m)

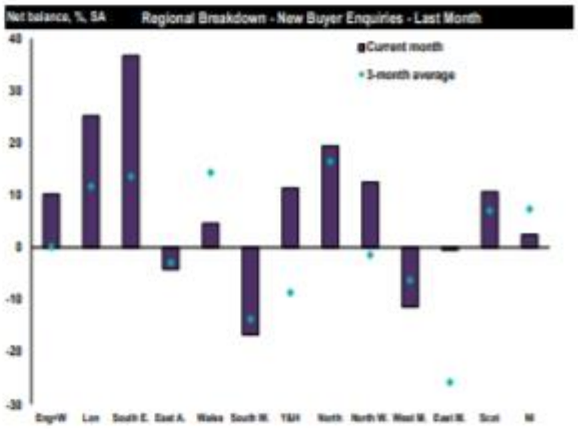
Real estate investment trust (REIT) specialising in income generating regional UK office and industrial assets. Q3 trading update. Exchanged on 35 leases to new tenants since 1 January, totalling 134,523 sq. ft., of which 11 leases have been exchanged since 30 June 2021, totalling 19,050 sq. ft. When fully occupied the new leases will provide £1.7m pa of rental income. The 11 leases exchanged since 30 June 2021 will provide £0.3m pa of rental income. Portfolio as at 30 September 2021: 169 properties, 1,498 units and 1,074 tenants, totalling c.£915.6m of gross property assets value. By value: offices, 90.0%; industrial, 5.3%; retail, 3.3%. Of leases that came up for renewal from 1 January 2021, retention of occupancy by area "remains high at 82.1%". *Outlook:* "The business model continues to perform strongly, despite the testing and uncertain economic outlook. The asset management platform continues to engage actively with our occupiers ensuring strong rent collections whilst maintaining the momentum of ongoing asset management initiatives to increase capital values. These attributes continue to underpin the company's uninterrupted quarterly dividend distributions and will ensure the continued growth of capital returns to our shareholders over the long term”.

Economic research

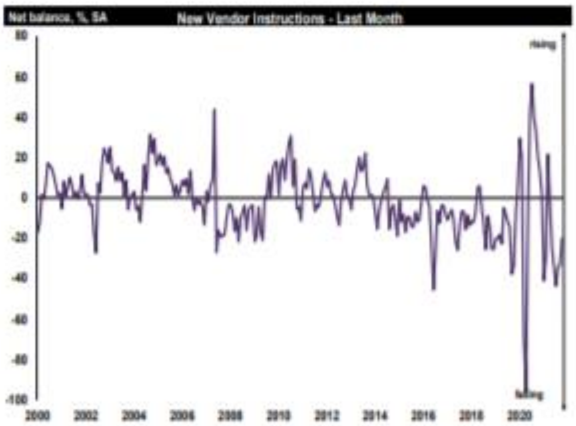
UK housing activity continued to stabilised during October although there was a pick-up in buyer enquiries and near term sales expectations modestly positive, according to the RICS Residential Market Survey (link). Still weighing on the market however, the lack of available supply continues to present would-be buyers with limited choice, and remains a key factor underpinning strong house price growth, with a net balance of +70% of surveyors reporting increases. A net balance of +10% of contributors noted an improvement in new buyer enquiries over the latest survey period. This is up from a neutral reading of +1% previously and signals the first outright rise in buyer demand since June 2021. Although buyer enquiries picked up, this has yet to translate into an upturn in sales. Nationally, a net balance of -9% of respondents reported a reduction in agreed sales during October, marking the fourth consecutive negative reading for this metric (following strong growth cited earlier in the year during the Stamp Duty concession window).

National Enquiries - Past month

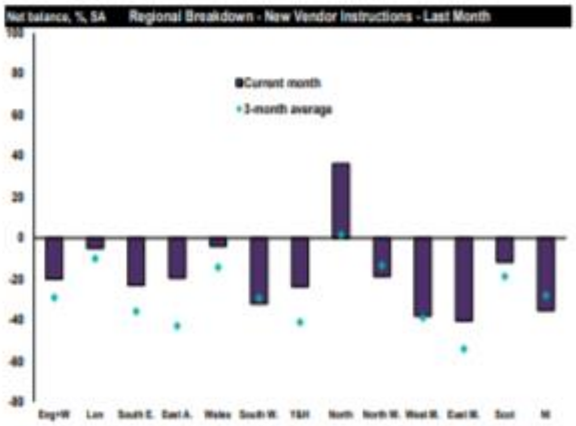
Regional New Buyer Enquiries - Past month



National New Vendor Instructions - Past month



Regional New Vendor Instructions - Past month



Prices are as at the previous day's close.

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