

# Progressive Property & Construction Daily



7 December 2021: FERG, AHT, EBOX | Construction picks up on both sides of the Channel; Supply-side outlook easing; House prices growth still strong - Halifax

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

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## Company news

**Ferguson** (FERG, 11,570p, £25,560m mkt cap)

Now entirely North American-focused building materials distributor, formerly Wolseley. Q1 (Oct) results. Rev +27%, US\$6,803m; adj op prof +64%, \$767m; adj op margin, 11.3% (Q1 21, 9.0%); adj EPS +64%, 2.50c; net debt: adj EBITDA 0.6x (0.5x). Trading: "Supportive end markets and continued market share gains drove substantial sales growth. Price inflation increased to low teens in the quarter. [Our] ability to manage price inflation along with good cost control generated particularly strong profit growth". Four acquisitions completed since the start of the fiscal year with annualised revenues of \$125m. *Outlook:* "Since the start of the second quarter, Ferguson has generated revenue growth similar to that of Q1 2022. We continue to expect a tapering of growth in the second half on tougher prior year comparatives and we remain mindful that the recent tailwinds from inflation on gross margins will likely moderate, although the timing and extent remain uncertain. Given the strong momentum in the business and the agility of our business model, our full year expectations have increased".

**Ashtead Group** (AHT, 6,198p, £4,574m)

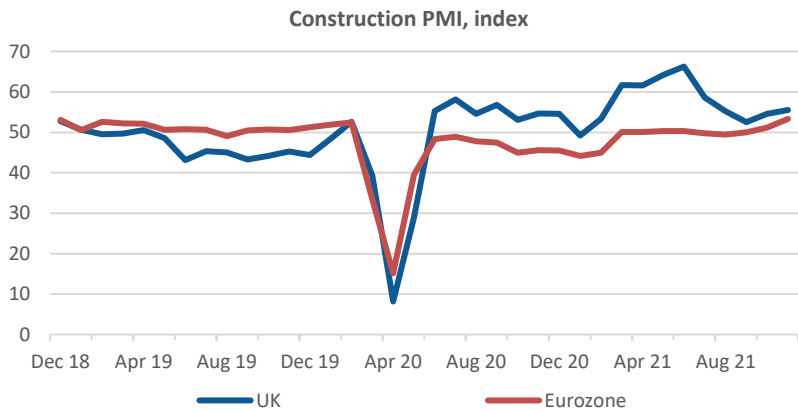
US-focused plant hire group. Q2/H1 (Oct) results. Q2: rev +15% Y/Y, US\$2,032m; adj PBT +27%, \$542m; stat PBT +17%, \$474m; adj EPS +29%, 90.9c; interim div +28%, 12.5c; net debt:EBITDA 1.5x. *Outlook:* “Our business has strong momentum in supportive markets. The benefit we derive from the diversity of our products, services and end markets, our investment in technology and ongoing structural change, enhanced by the environmental and social aspects of ESG, enables the Board to look to the future with confidence. Notwithstanding the volatility that continues to arise from Covid, the fundamentals of our business are strong and we now expect full year performance to be ahead of our previous expectations”.

### **Tritax EuroBox** (EBOX, 110p, ££889m)

Investor and manager of Continental European logistics real estate assets. FY (Sep) results. PBT, €129m (FY 20, €54m); adj EPS +11%, 4.6c; div +14%, 5.0c; EPRA TNAV per share +11%, €1.35; LTV, 30.5% (31.3%). Portfolio value +53%, €1,281m. *Outlook:* “The occupational market is increasingly favourable and we expect the trends of strong occupier demand, driven by e-commerce and the reinforcement of fragile supply chains, to continue in the long term. We expect consistent, sustained rental growth in prime logistics markets. We are confident of being able to extract further value from the existing portfolio through, amongst other initiatives, capturing this rental growth through asset management and development activities. We are well placed to continue delivering the Company's strategy through considered growth in accretive new investments which the Manager is able to continue to access. The Board is therefore confident that the company is well placed to make further progress and deliver value for all its stakeholders in the year ahead”.

## Economic data

**UK and Eurozone construction statistics.** (From yesterday.) Construction activity in the UK rose to a four month high in November, supported by improving Commercial work and indications that the outlook for input prices and supply chain constraints became slightly more encouraging, according to the latest Purchasing Managers' Index from HIS Markit UK ([link](#)). The total activity index rose to 55.5 from 54.6 in October. The index has now posted above the 50 no-change value for ten consecutive months and the latest reading pointed to the strongest rate of expansion since July. A steeper rise in commercial construction (56.5) helped offset a slight slowdown in house building growth (54.7, down from 55.4). Civil engineering was the weakest performing area in November (53.9), although the latest rise in activity was the largest since August. Meanwhile, activity in Europe showed the first meaningful improvement since before the pandemic, according to the Eurozone report ([link](#)). The headline index rose to 53.3 from 51.2 in October, the sharpest rise since February 2018, with Italy continuing to show the strongest growth of the three main construction markets and Germany the weakest; by sector, Europe-wide, housebuilding was the strongest, with civil engineering weakest.



Source: Markit Economics

The UK report also focused on one of the biggest challenges to the property and construction industries, supply chain constraints - which had contributed to reduced (<50) output in July and August. The delivery times index (below, left) remained below 50 - so still indicating stretching waits for supplies - but at higher level for several months; the prices index (below, right) still registered well above 50 - so still rising prices - but less steep. **Viewpoint:** Both charts support other recent indicators highlighted in the Daily that supply constraints are getting 'worse but worse more slowly'. Capacity expansions in, for instance, brick works and claims this week from Logistics UK (BBC, [link](#)) that more HGV drivers are being trained, licensed and recruited offers some optimism from, possibly, next Spring onwards.

UK Construction PMI Suppliers' Delivery Times Index  
sa, >50 = faster times since previous month



Sources: IHS Markit, CIPS.

UK Construction PMI Input Prices Index  
sa, >50 = inflation since previous month

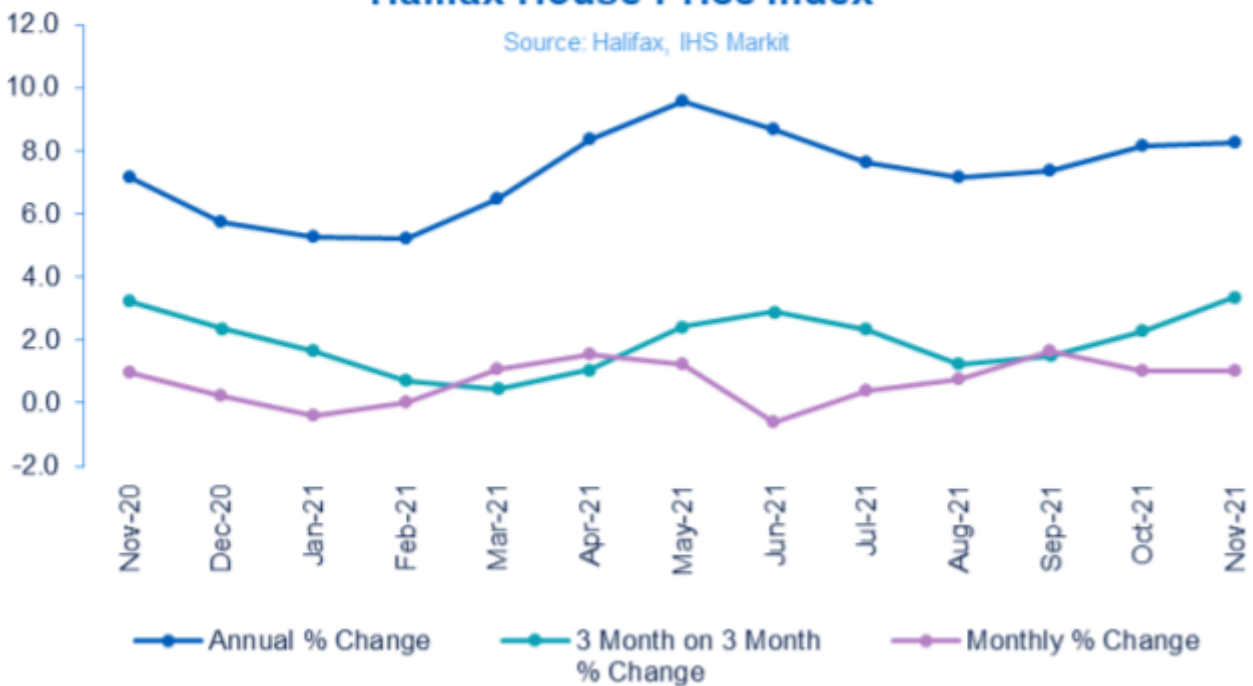


Sources: IHS Markit, CIPS.

**House prices.** UK house prices rose again in November, with the value of the average property increasing by another 1%, to £272,992, tipping the annual rate of inflation up to 8.2%, according to the Halifax ([link](#)). This is the fifth straight month that average house prices have risen, with typical values up by £20,000 since this time last year. On a rolling quarterly basis the uptick in house prices was 3.4%, the strongest gain since the end of 2006. Since the onset of the pandemic in March 2020, and the UK first entering lockdown, house prices have risen by £33,816, which equates to £1,691 per month. According to the UK's largest mortgage lender, "The performance of the market continues to be underpinned by a shortage of available properties, a strong labour market and keen competition amongst mortgage providers keeping rates close to historic lows. Those taking their first step onto the property ladder are also playing an important role in driving activity, with annual house price inflation for first-time buyers at 9.1% compared to 8.8% for homemovers".

## Halifax House Price Index

Source: Halifax, IHS Markit



Prices are as at the previous day's close.

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