

Progressive Property & Construction Daily



15 December 2021: PRSR, UTG, HMSO | House price growth eases in October - ONS

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

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Company news

The PRS REIT (PRSR, 106p, £582m mkt cap)

Real estate investment trust (REIT) investing in private rental sector (PRS) family homes provided by delisted **Sigma Capital Group**. Following its 29 September fundraising, which raised gross proceeds of £56m, the company announced it has acquired three of its five targeted sites, fully committing the placing proceeds. The three sites have been secured at a combined gross development cost of approximately £60m and are expected to deliver 383 new homes with an estimated rental value of a £3.6m pa. All three sites are already under construction, and the first homes are due to be available for rental from the end of February 2022, as previously reported. The two remaining target sites will be funded from debt facilities, which are to be arranged, and are scheduled for acquisition during the first half of CY 22. As with PRSR's other sites, these will be developed under fixed-price design and build contracts. A trading update covering the quarter ending 31 December is expected to be published in mid-January.

The Unite Group (UTG, 1,060p, £4,230m)

Owner, manager and developer of UK student accommodation. Net zero carbon pathway published, setting out the activities and investment required to achieve its objective of becoming net zero carbon across both the company's operations and development activities by 2030. The pathway includes targets for carbon

reduction, which have been formally validated by the Science Based Targets initiative (SBTi). The pathway outlines four key steps to achieve net zero carbon: *Reduce operational energy consumption*, based on a target 28% reduction in energy intensity by 2030 against our baseline set in 2019; *Invest in renewable energy* with commitment to source 100% renewable electricity by 2030 (2020: 74%); *Reduce embodied carbon*, based on targets in line with the RIBA Climate Challenge programme, which require a 48% reduction in embodied carbon by 2030; *Mitigate residual carbon*, offsetting any residual operational or development emissions that cannot be removed completely using certified carbon offsets, aiming to prioritise measures that actively remove atmospheric carbon. The Group has invested over £30m in energy efficiency since 2014 and, as outlined at our Capital Markets Day in October, has identified a further c. £100m of additional opportunities for capital investment to achieve its carbon reduction targets. This represents an annual investment of around £10 million in energy initiatives going forward, equivalent to £5-7m pa on a Unite share basis. These initiatives will also deliver an attractive financial return through a payback period of less than 10 years from savings in utility costs.

Hammerson (HMSO, 32p, £1,402m)

UK and European retail property group. Disposal of non-core assets. The group announces it has exchanged or completed sales of six non-core assets for total gross cash proceeds of £92m since the half year, in line with its strategy of reducing debt, simplifying the portfolio and generating capital for redeployment. The largest is the exchange on 14 December 2021 of an unconditional contract for the sale of Silverburn, a 100,000 m² shopping centre near Glasgow, from 50/50 joint venture partners Hammerson and Canada Pension Plan Investment Board, to entities affiliated with Henderson Park and Eurofund1, for £140m cash. This represents a 4% discount to 30 June 2021 book value of £147m, and a net initial yield of 9.3%. The transaction is expected to complete in Q1 2022, and a deposit of £40m is currently being held in escrow. The other five assets sold totalling £22m represent a collection of non-strategic commercial and retail assets which were sold at a premium to 30 June 2021 book values. Together with minority stake disposals of French and UK assets (£73m) and the UK Retail Parks portfolio (£330m) sold in the first half of the year, the transactions take Hammerson's total gross proceeds from sales in 2021 to £495m.

Economic data

House prices. Average house prices in the UK increased by 10.2%, to £268k, in the year to October, down from 12.3% Y/Y in September, according to the latest report from the ONS, the most comprehensive data series on prices ([link](#)). On a seasonally adjusted basis, average house prices in the UK decreased by 1.0% between September and October 2021, following an increase of 3.1% in the previous month. Average house prices rose 9.8% to £285,000 in England; in Scotland 11.3% to £181,000; in Wales 15.5% to £203,000; and 10.7% to £159,000 in Northern Ireland. London is the region with the lowest annual growth at 6.2% (the highest region in England was East Midlands, +11.7%).

Annual house price rates of change for all dwellings, UK: January 2006 to October 2021



Prices are as at the previous day's close.

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