Progressive Property & Construction Daily

27 January 2022: FOXT, LSL, HWG, BOOT, CTO, MTO, SDY, BBOX, HMSO, RESI | Industrial drives UK commercial property investment | News - Government commits £100m to Sizewall C nuclear plant; MGNS fit-out arm secures massive Citi tower job

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

Company news

Foxtons Group (FOXT, 40p, £129m mkt cap)

High profile London estate and lettings agent. FY (Dec) trading update. *Guidance:* “The Group expects adjusted operating profit in 2021 to be circa £7m, at the top end of market expectations”. Rev +42%, £133m, including a £16.8m contribution from Douglas & Gordon (D&G). *Trading:* “Foxtons delivered a much improved performance, with revenues across all business segments for the period well ahead of the prior year and 2019, “reflecting organic market share growth, the contribution from acquired lettings businesses and improved market conditions”. As announced on Friday 14 January, the group intends to simultaneously dispose of the D&G sales business and integrate the D&G lettings business into the Foxtons network. The D&G lettings business is expected to deliver operating profit of around £4m in 2022, an increase of over £2m on the operating profit contributed by the whole D&G business in 2021. *Outlook:* “Looking at the year ahead, the Group expects a further improvement in adjusted operating profit, supported by the profit contribution from the D&G lettings business, increasing rental levels in the London residential market and the implementation of improved digital marketing capabilities”. FY results, 2 March.

LSL Property Services (LSL, 400p, £421m)

Estate, lettings and property/financial services agent. FY (Dec) trading update. *Guidance:* "Record group underlying operating profit, significantly ahead of prior year, and in line with the Board's expectations". Group rev c. +23% to £327m. YE net cash c. £48.5m (YE 20, net debt, £1.6m. *Trading:* "On track with the execution of the group's Financial Services-led growth strategy, with further investment in Financial Services during H2 which is expected to deliver benefits in future years". Financial adviser numbers at YE +10.6%, 2,858. Surveying u-lying op margin, c. 25% (FY02, 21.0%), benefiting from operational efficiency and improved income per job. Estate Agency increased its residential market share across its core catchment areas. The Estate Agency residential pipeline conversion slowed in H2 2021, following the record market levels experienced in the lead up to the 30 June 2021 Stamp Duty deadline and capacity issues in the conveyancing market. Residential sales exchange pipeline at YE 7% lower Y/Y than the record pipeline at YE 20. Residential fall-throughs remain at normal levels. FY results, 16 March.

Harworth Group (HWG, 186p, £599m)

Land regeneration group, including in former coalfields. FY (Dec) trading update. *Guidance:* "The company now anticipates that EPRA NDV as at 31 December 2021 will be ahead of current consensus as a result of Harworth's strong operational performance throughout the year, good progress against the strategic objectives outlined in September and the impact of the tailwinds of a buoyant land and occupational market, particularly in the industrial & logistics sector, on its year-end portfolio valuation". FY results, 22 March.

Henry Boot (BOOT, 285p, £380m)

Land Promotion, property investment & development and construction group. Responsible Business Strategy launched. The second phase of its strategy, launched in 2021, is guided by three principal objectives: to further embed ESG factors into its commercial decision making, ensuring long term sustainability and value creation for stakeholders; to empower and engage its people to deliver long-term meaningful change and impact for the communities and environments Henry Boot works in; to focus the group on issues deemed to be most significant and material to the business and hold itself accountable by reporting regularly on progress. Henry Boot's Responsible Business Committee, a committee of the PLC Board, will oversee the strategy.

TClarke (CTO, 144p, £63m)

Specialist electrical and building services contractor. FY (Dec) trading update. *Guidance:* "Trading in the second half of the year has been excellent and that the Group's financial performance for the full year is in line with its expectations". FY rev c. £327m; u-lying op profit +47%, c. £8.8m. PBT expected to be c. £7.8m (FY 20, £1.2m). YE net cash, £5.3m (£10.2m) "in line with our expectations". *Trading:* Order book +17%, £534m, with projects relating to the technology sector accounting for approximately 25% (10%). *Outlook:* "TClarke is focused on delivering our growth strategy. The group is expecting turnover to exceed £400m in 2022 [and] £500m by the end of 2023. The size of the existing order book and the number of opportunities ahead of the Group supports our expectation that we will achieve our targets. Our growth strategy is focused on maintaining and developing our core markets whilst significantly expanding our data centre business. We are also undertaking more large projects outside of London, expanding our healthcare offering and expanding our energy efficient smart building solutions". FY results 9 March.

Mitie Group (MTO, 60p, £851m)

UK facilities management group. Q3 (Dec) trading update. *Guidance:* "Higher-than-expected revenue from Covid-related contracts in the third quarter and our revised expectation for additional revenue from these contracts in the final quarter of the year, Mitie's FY22 revenue and operating profit before other items is expected to be higher than previously guided". *Trading:* Q1 - 3 rev +51% Y/Y, £1,008m (Q3, +1% Y/Y). Revenue is now expected to be in the region of £3.8bn-£3.9bn with adj op profit of £160 - 165m (up from £145 - 155m). Ave daily net debt, post-IFRS 16, for the three months ended 31 December was nil (£31.2m net cash for the three months ended 31 December 2020, and £59.9m of net debt for H1 FY22).

Speedy Hire (SDY, 57p, £299m)

UK and Ireland tool, equipment and plant hire services provider. Q3 (Dec) trading update, share buyback programme and capital markets event. *Guidance:* "The group expects to report results for the year in line with the Board's expectations". *Trading:* "The positive trading momentum experienced during the first half year continued into Q3 including further contract wins and renewals". UK and Ireland Hire revenue for the nine months was c. +4% Y/Y Hire revenue in January 2022 to date is c. +7% Y/Y. The Group has invested c. £61m in the hire fleet for the year to date in response to strong demand. Consistent with the Group's strategic goals, the investment has been focused on sustainable products. Asset utilisation rates for the year to date are 57.1%, c.+1.4% Y/Y. Share buyback programme of up to £30m announced. Capital market event, 30 March, will focus on strategic growth initiatives including ESG and Retail.

Tritax Big Box REIT (BBOX, 235p, £4,386m)

Real estate investment trust investing in 'big box' logistics properties. *Trading:* Occupier demand remains high with take up in 2021 exceeding 42 million sq ft for the second consecutive year. Volume of outstanding occupier requirements remains consistent with the record level of Q4 20. "There remains a shortage of ready to occupy vacant space with Q4 2021 vacancy at just 1.6%, which has led to occupiers moving early to secure units ahead of practical completion". UK logistics investment volumes totalled a record £16.5bn in 2021, up from £9.2bn in 2020. Recently completed transactions point to further downward pressure on prime yields. Yields for high quality buildings with 15+ year unexpired lease terms and either open market or index linked reviews are around 3.5% or below. *Outlook:* "We are accelerating our development programme into the face of strong and enduring occupier demand with 3 - 4 million sq ft of development starts expected over the next 12 months. We have an attractive development portfolio consisting of 38.6 million sq ft which has the potential to more than double contracted rent over the long-term".

Hammerson (HMSO, 38p, £1,658m)

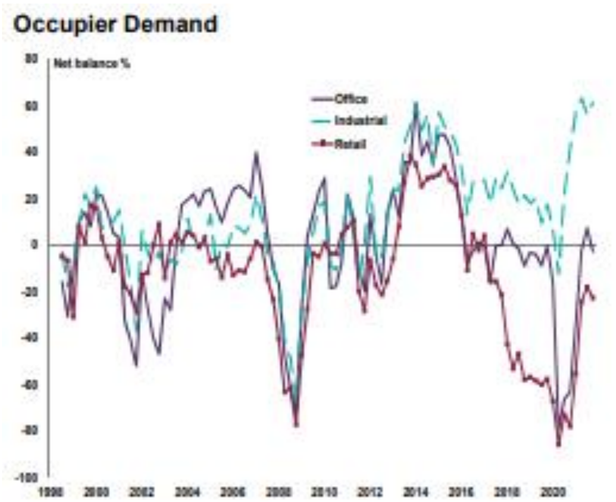
UK and European retail property group. *Guidance:* "Further to our announcement on 2 December, and following a period of improved trading, Hammerson now expects that FY21 adjusted earnings will be in the range of £75 - 80m, ahead of the minimum of £60m previously indicated. Gross rental income was ahead of expectations across the managed portfolio, whilst Value Retail delivered a stronger-than-expected Q4 performance".

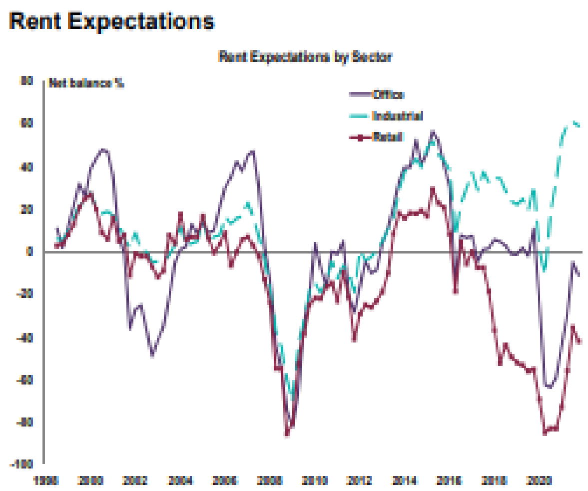
Residential Secure Income Fund (RESI, 111p, £190m)

REIT investing in affordable shared ownership, retirement and local authority housing. NAV and corporate update, Q1 (Dec). EPRA TNAV total return for the quarter of 1.7%, 1.8p. Total property portfolio of 3,050 homes valued at £351m, +0.4% LFL. Portfolio ave EPRA NIY of 3.9% driven by increasing rent as shared ownership portfolio becomes fully occupied. Dividend of 1.29p paid out in line with increased target of 5.16p per share to be paid in FY22 and a second dividend of 1.29p declared today. Dividend 98% covered by recurring income during the quarter. *Outlook:* "With our portfolio of inflation-linked rental housing continuing to deliver both inflation-protected income and meet homeowners' needs for affordable rents, ReSI plc is well placed for future capital, income and portfolio growth".

Economic data

Commercial property. Investment demand for UK commercial property higher than before pandemic, according to the Q4 UK Commercial Property Monitor, from the RICS (link). *Highlights:* outlook for capital values is upbeat with industrials remaining the strongest performing sector; 87% of survey participants report seeing re-purposing of office space, but two-thirds still view the office as essential for a company to operate successfully; however, Covid developments were still stifling the recovery in tenant demand across the office section during Q4.





Company news

Infrastructure. The Government has commited £100m to the Sizewell C nuclear project, ConstructionEnquirer.com (link). The public cash injection will help EDF finance the continued development of the project (below, left) as it seeks further funding from private investors. In return for the support, the government could receive rights to an equity stake in the development company behind the project and over the land on which EDF plans to build it.

Office fit-out. **Morgan Sindall** (MGNS) fit-out subsidiary Overbury has been chosen for the refurbishment of Citi's 42-storey tower in Canary Wharf, likely to be one of the largest fit-out jobs in UK history, ConstructionEnquirer.com (link). The transformation of Citi Tower (below, right) will create a "workplace for the future" incorporating the latest technology and the highest standards of environmental design. The revamped tower will contain flexible work and collaboration spaces alongside well-being zones for employees. Construction work is expected to complete by 2025. Citi purchased the tower in 2019. The decision to refurbish the building and bring it up to modern efficiency and environmental standards instead of demolishing the existing structure is expected to save the release of an estimated 100,000 tonnes of embodied carbon.

Prices are as at the previous day's close.

investment research.

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