

Progressive Property & Construction Daily



3 March 2021: PSN, SHED

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

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Company news

Persimmon (PSN, 2,710p, £8,647m mkt cap)

UK number three housebuilder by volume, top by market cap. FY (Dec) results. Completions -14%, 13,575; prices, +6.9%, £231k; total rev -8.8%, £3.3bn; u-lying PBT -18%, £863m (stat. PBT -25%, £784m); EPS -25%, 200p; div -53%, 110p. Committed to a total return of £2.35 per share in 2021 subject to continual review. Payment of regular annual instalment of £1.25 per share to be accelerated to 26 March 2021 from July 2021. Intended payment of £1.10 per share surplus capital to be split into 55p per share to be paid in August 2021 and 55p per share to be paid in December 2021. Net cash, £1,225 (YE 19, £835m); NAV, 1,103p (1,022p); ROCE, 29.4% (37.0%). *Guidance:* "We have had a strong start with current forward sales 15% higher year on year. We expect to deliver new home completion volumes approaching the levels seen during the first half of 2019, with similar delivery in the second half. Group margin is expected to reflect the increased proportion of homes sold to our housing association partners. Beyond this year we are targeting a return to 2019 volume levels in 2022 and with a stable market hope to continue to grow further in the medium term. We intend to increase our land purchasing to expand our active outlet network further strengthening our development network right across the UK". *Trading:* Average private weekly sales rate per site during 2020 was 12% higher year on year, reflecting good stock availability coming into the year [due to slower build rates towards the end of 2019 as build quality issues were addressed], and strong customer demand.

Building initiatives: Currently above the HBF five-star threshold. Group plans to: adopt more exacting building tolerances than existing industry standards; employ the industry's largest number of independent quality controllers; the Group Construction Director "will assess every single plot we build". Setting aside £75m towards any necessary remediation work to remove now-banned cladding on 26 multi-storey developments built in line with announcement on 10 February.

Urban Logistics REIT (SHED, 147p, £374m)

Specialist UK logistics real estate investment trust. Forward funding of two logistics sites, with Wilson Bowden Developments Limited, conditional on receipt of planning permission, for five urban logistics assets at Nottingham and Leicester. The maximum commitment for the Acquisition is £23.0 million and will be financed from a combination of the Company's cash resources, the sale of logistics properties and debt financing. The development yield on cost is 6.12%. During construction, which is expected to commence in September 2021, the Company will benefit from a 5.5% interest rate coupon on the forward funding provided. Practical completion is anticipated between September 2022 and February 2023. The Company has an option over two further sites until July 2021 which are also in locations seeing strong rental growth and yield compression.

In other news ...

Budget. The big news today is obviously Chancellor Rishi Sunak's Budget, starting at 12.30. Numerous leaks have indicated, among other measures potentially impacting the sector: an extension of the Stamp Duty holiday deadline; a national infrastructure bank; help for reviving the High Street; extension of furloughing; and massive increase in carbon reduction initiatives.

Prices are as at the previous day's close.

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