UK Housebuilding Sector in 1Q 2019

- Brexit: Y2K déjà vu -

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Brexit: Y2K déjà vu

Source: Shutterstock

Y2K is a numeronym and was the common abbreviation for the year 2000 software problem; and, for the benefit of millennial readers, the abbreviation combines the letter 'Y' for year and 'K' for the SI unit prefix kilo, meaning 1000. Hence, 2K signifies 2000.

It was also named the 'Millennium Bug' because it was associated with the popular (rather than literal) roll-over of the Millennium, even though most of the problems could have occurred at the end of any ordinary century.

In essence, Y2K was a class of computer bugs related to the formatting and storage of calendar data for dates beginning in the year 2000. Problems were anticipated, and arose, because many programs represented four-digit years with only the final two digits – making the year 2000 indistinguishable from 1900.

In reality, the fear of a fallout was huge – to the extent that TIME magazine highlighted the hysteria on its cover on 18 January of 1999 under the headline: *The End of the World!?!*

At the same time as Y2K-problem lawsuits began to be filed, wilderness-survival bootcamps became more popular and NBC aired a made-for-TV movie about 'the coming disaster'.

Of course, there was no cataclysm, as prognosticators at companies and organisations –worldwide – checked, fixed and upgraded computer systems to address the anticipated problem (with some ease as it turned out).

As a result, very few computer failures were reported when the clocks rolled over into 2000. Okay, UK railway self-service machines did print tickets bearing the date '00 JNR 00' for three months until mid-March 2000.

In these dog days of Brexit uncertainty and fear, we have yet to see a TIME cover; but have we lived through the present situation before?

There will be an unravelment and a solution; and as veteran economist Richard Jeffrey said: "as far as I know the UK has not been towed out into the Atlantic and abandoned".

Consensus forecasts point to modest GDP growth (1%-2% p.a.) in 2019 through 2021, increasing private housebuilding volumes (3.3% p.a.) and rising house prices nationally (ca.2% p.a.).

Similarly, consensus earnings forecasts for the UK Housebuilding Sector are for growth of 2% and 3% in 2019 and 2020, respectively, with a prospective yield above 6.4%.

In 1Q of 2019, the Sector rose in value by 18% (and by 2.5% In the first week of April); it does not want to go down.

1Q 2019

In 1Q of 2019, the stock market value of the UK Housebuilding Sector rose 18.1% or £5.7bn. By comparison, in calendar 2018, it declined 27% or £11.8bn.

Note, too, that the Sector peaked on 5 March from a low on the first day of trading i.e. 2 January.

It also closed the Quarter 15.6% off its all-time high from 24 October 2017.

January was a humdinger with a gain of 7.9% in value

Month-by-month, January was a humdinger with a gain of 7.9%, February was okay at +5.7% but March was disappointing at -3.4%.

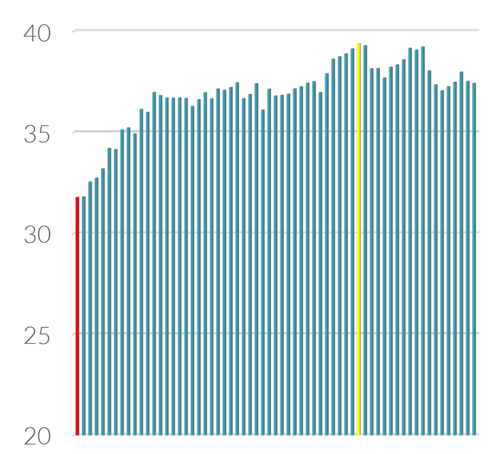
Taking it week-by-week, the best was Week 2 with an extraordinary +7.9% and the worst was the second last one of 1Q i.e. Week 12 with -5.4% (in sum, too, from a tally of 13 weeks, eight were 'up' and five 'down').

Similarly, from 63 trading days, the split was 40 'up' and 23 'down'.

Looking back to the Sector's trough (7 July 2008), the rise has been 1,100% (£34.3bn); and the Sector is 48% above where it was in the immediate aftermath of the Brexit referendum.

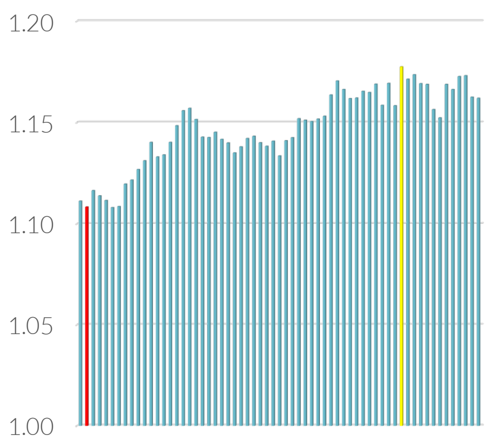
Similarly, the Sector has achieved higher values in 25 of the last 37 quarters (and seven of the last 10 years through 2018).

UK Housebuilding Sector market value – daily: 1Q 2019 (£bn)



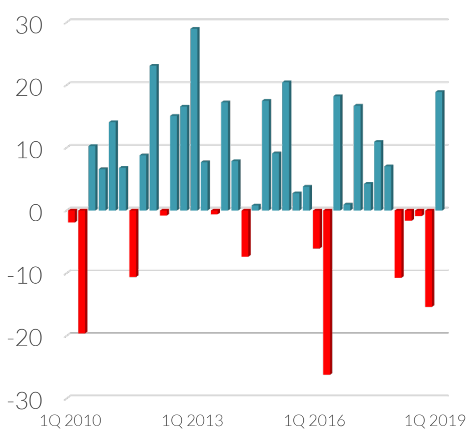
Note: low (RED) was on 2 January and high (YELLOW) on 5 March
Source: Hardman & Co Research

Euro to British Pound exchange rate: 1Q 2019



Note: low (RED) was on 3 January and high (YELLOW) was on 13 March
Source: Hardman & Co Research

UK Housebuilding Sector share prices: 1Q'10 to 1Q'19 (% change)



Source: Hardman & Co Research

1Q – the story continues

Housebuilders' share prices rose 19% weighted in 1Q

Housebuilders' share prices rose by an average 16% actual in 1Q (quarter-on-quarter) or 19% weighted by market capitalisation. Year-on-year, however, these numbers were -5% and -3% (i.e. comparing end-1Q 2019 with end-1Q 2018).

Cairn Homes was top of the leader board on +34% with support from Taylor Wimpey, Gleeson, Glenveagh and Barratt.

At the bottom were McCarthy & Stone on -7% and Telford on -1% – the only negatives too.

Check out too the Euro as a leading indicator

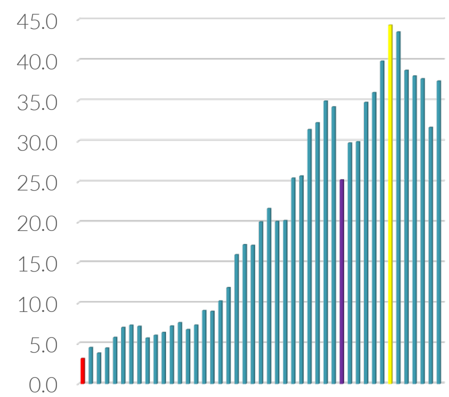
Earlier, too, we matched the Housebuilders' value undulations against the Euro versus the British Pound. The latter is a barometer of future economic climes and the prevailing Brexit winds. It is not a perfect match but it is close; what's more, movement in the exchange rate tends to err in Pound's favour.

The Sector was also the best relative performer in 1Q against the conventional measures of the UK equity market, including the FTSE 100, 250 and All Share indices, with a gain of 19% (average share price movement weighted in the opening three months of 2019).

The same was true versus the Construction and Building Materials Sector, and the prime measures of listed UK real estate companies.

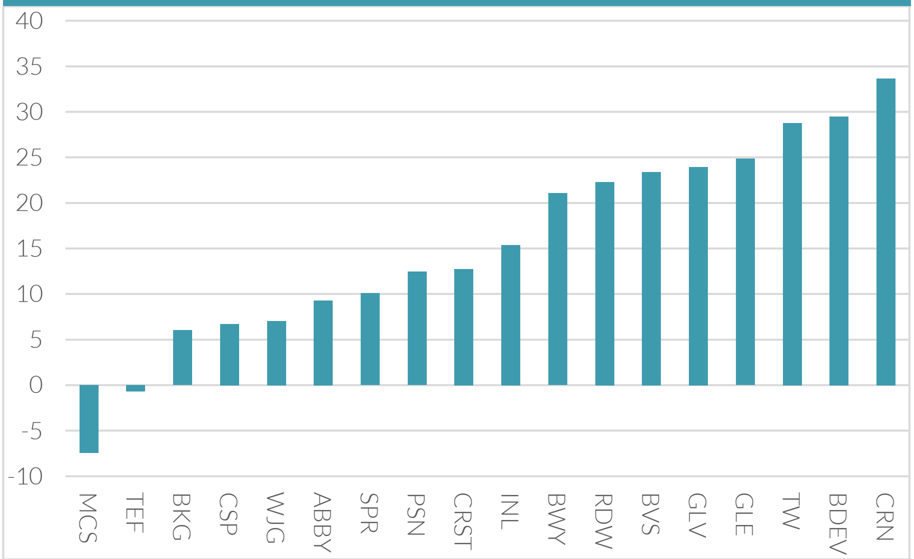
Year-on-year, however, only the FTSE 100 and FTSE 250 were higher (marginally) with the Housebuilders marginally lower at -3%.

UK Housebuilding Sector share prices: 3Q'08 to 1Q'19 (% change)



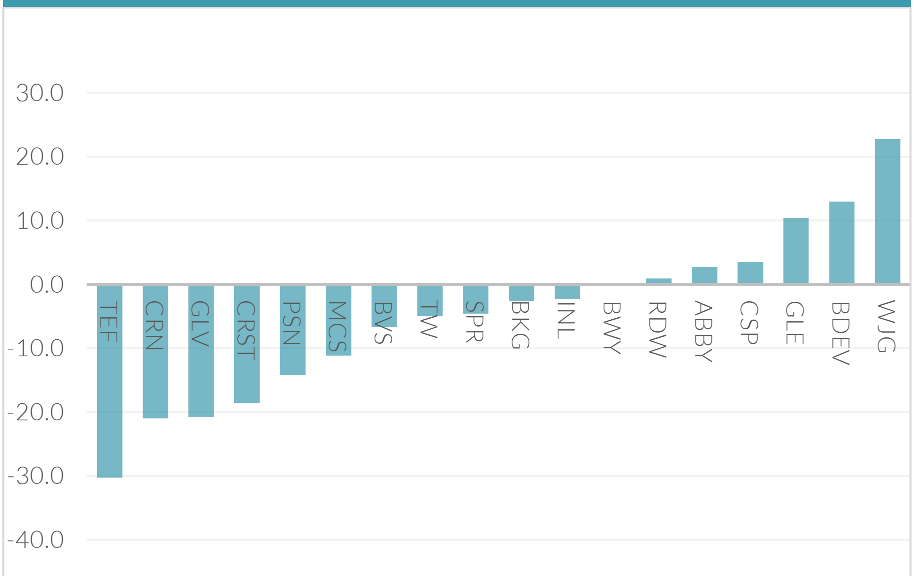
Note: low (RED) was on 7 July 2008 and high (YELLOW) was on 24 October 2017; Brexit Vote (PURPLE)
Source: Hardman & Co Research

Individual Sector shares prices in 1Q 2019: year to date to 29/03/19 (% change)



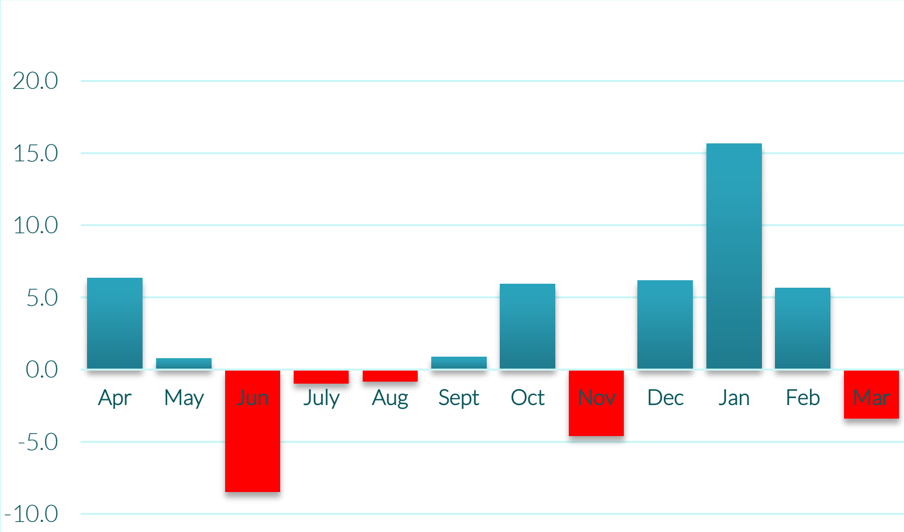
Source: Hardman & Co Research

Individual Sector share prices: 1Q 2019 versus 1Q 2018 as at 29/03/19 (% change)



Source: Hardman & Co Research

UK Housebuilding Sector: 12 months to March 2019 (% change in value)



Source: Hardman & Co Research

Peaks and values

Four players account for 63% of Sector value

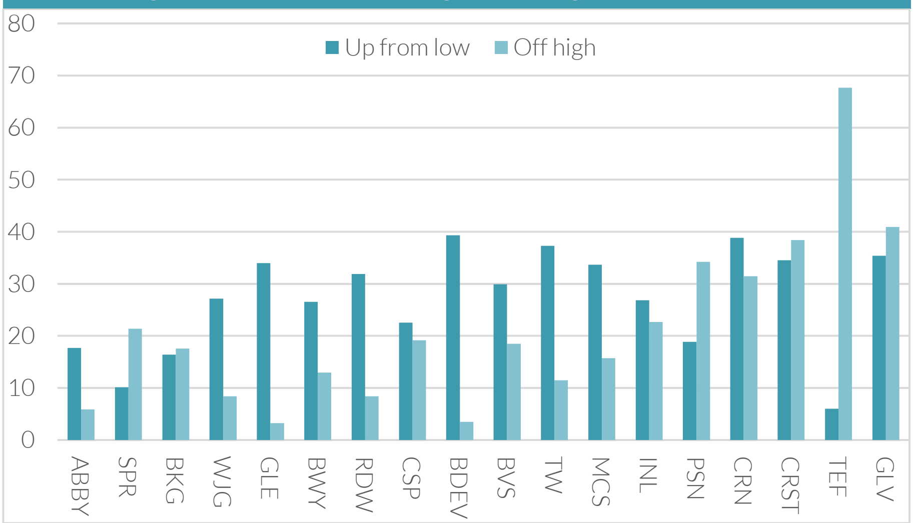
At 29 March 2019, Housebuilders' share prices were, on average, 1,700% above the lows of 2008; and 27% up on more recent 52-week lows (weighted, these numbers play 2,500% and 29%, respectively).

However, the Housebuilders were also some 20% below their 2007 peaks (i.e. 23% weighted); and 16% and 14% off 52-week highs on an actual and weighted basis, respectively.

Four housebuilders also continued in the FTSE 100 as at 29 March 2019: Berkeley (number 91); Taylor Wimpey (74); Barratt (73); and Persimmon (60).

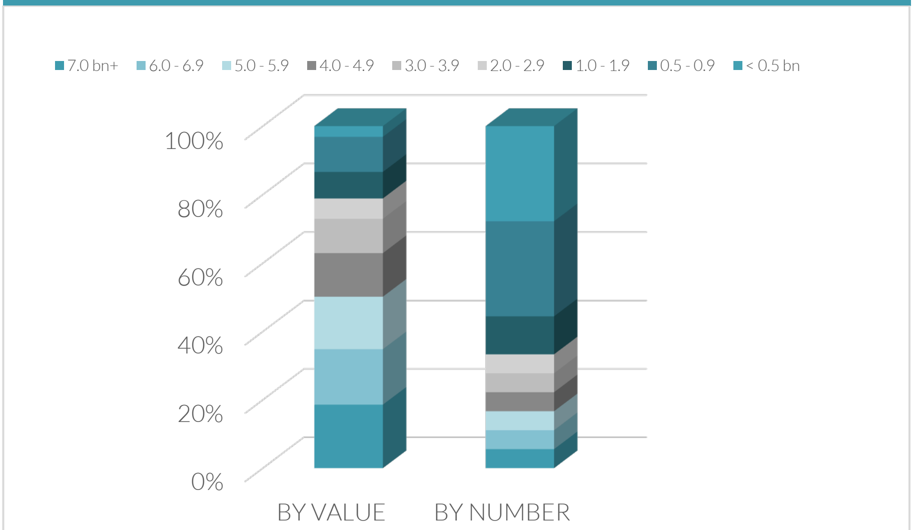
Together, these four players account for 63% of the Sector's value.

Movement against 52-week lows and highs (% change)



Source: Hardman & Co Research

Sector structure by stock market value: 18 firms worth £34.7bn at 29/03/19



Note: Legend is in £bn
Source: Hardman & Co Research

Price-to-Book and Total Shareholder Return

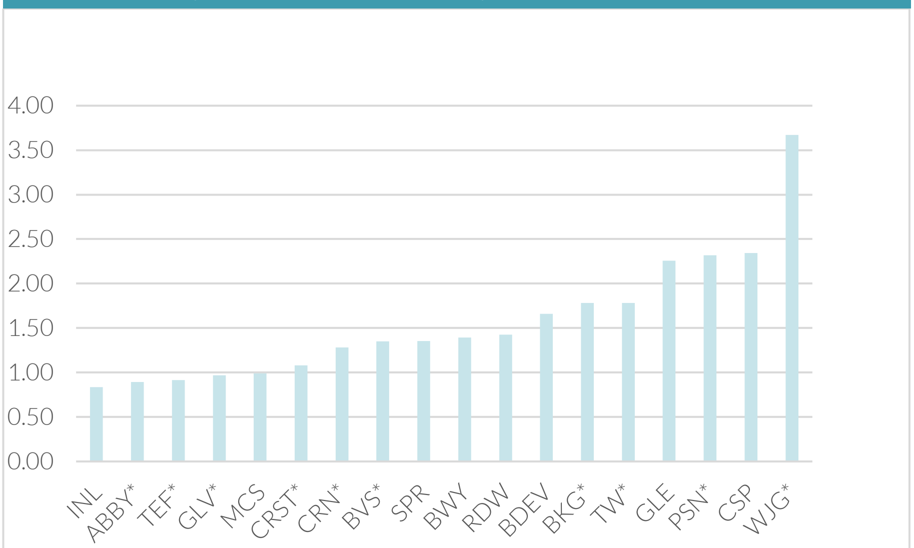
The average Total Shareholder Return in 2018 was -19.3%

The Housebuilders' latest average Price-to-Book valuation was 1.57 on 29 March 2019 and 1.77 weighted. A year ago, these ratios were louder at 1.94 and 2.31.

Four of the 18 companies were at 2.0 or better, including Watkin Jones – at an extraordinary 3.7.

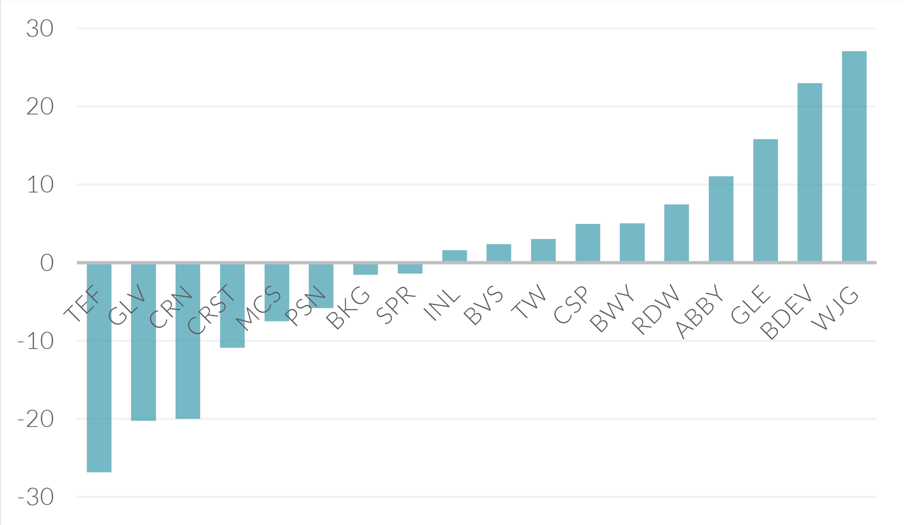
Total Shareholder Return (TSR) for the Sector in the 12 months to 29 March 2019 was only just positive at 0.4% and 3.4% weighted. However, 10 housebuilders were positive and eight negative with a polarised positive of 27% for Watkin Jones and minus 27% for Telford.

Price-to-Book at year-end/latest interims – priced at 29/03/19



**denotes interim results; weighted average is 1.77; and actual average is 1.57*
Source: Hardman & Co Research

Housebuilders' TSR in 12 months to 29/03/19 (annual %)



Source: Bloomberg, Hardman & Co Research; CSP is estimated

Valuation

The consensus earnings growth forecast in 2019 is less than 2%

The Housebuilding Sector's prospective PERs are 8.9x in 2019, followed by 8.6x in 2020, based on consensus forecasts.

Average earnings growth is forecast at 1.8% in 2019 and 3.3% in 2020; and, based on just four forecasts in 2021, the earnings growth figure is 3.2%.

Berkeley has proffered guidance for a sharp prospective drop in PBT profit in fiscal 2019 (i.e. the consensus is at -26%) – which impacts the average.

For the record, trailing-12-month PERs for the FTSE 100, All Share Index and FTSE 250 range from 15.4 to 20.7x; which compares with the Sector's 9.1x on the same basis.

Note, too, Cairn and Glenveagh are excluded here due to losses or minimal earnings at this point; but this will change very soon.

In 2019, the UK Housebuilding Sector average yield is forecast at 6.4%, followed by 6.2% in 2020 – with dividend cover at 2.1x and 2.4x, respectively (the former metric declines year-on-year and the latter rises due to the impact of one-off special payments).

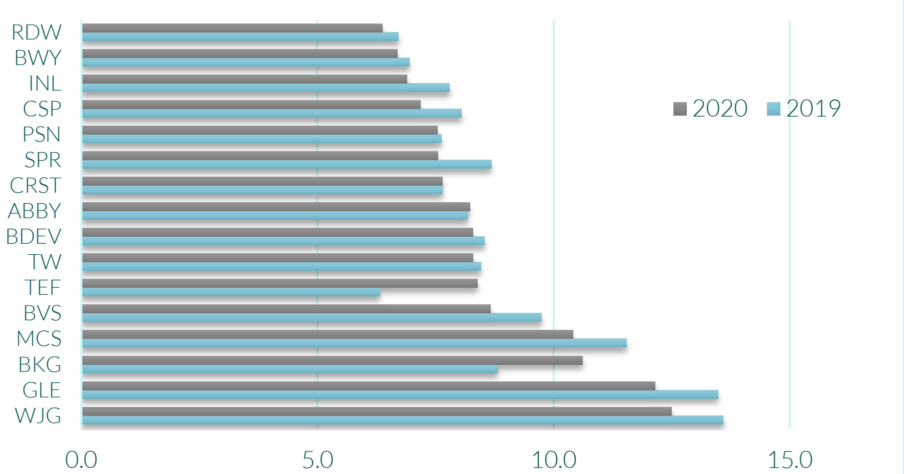
Double-digit yield to be had

A number of companies has committed to these enhanced dividend payments which means that there are three companies with double-digit prospective yields (see yield chart below).

For the record, the UK equity market has a yield between 3.2% and 4.4% historic, with average cover of 1.5x.

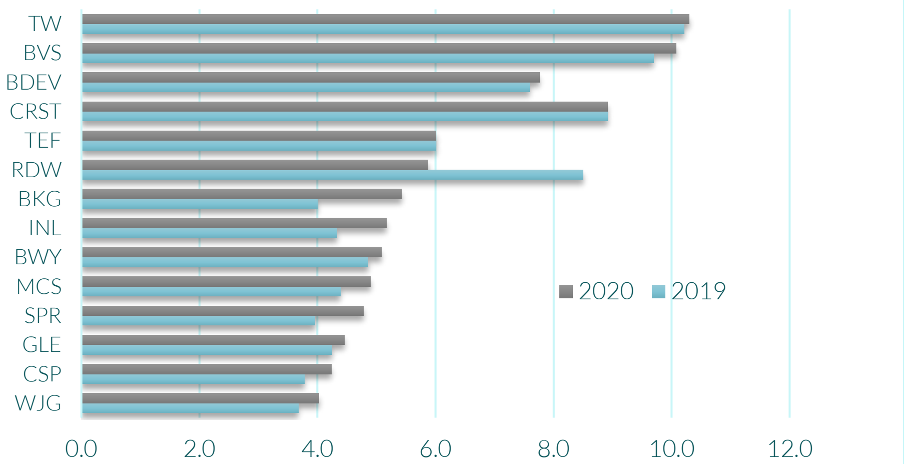
Here the FTSE 100, FTSE 250 and All Share represent the UK equity market; and all calculations are made at the London Stock Exchange (LSE) close on 29 March 2019

Housebuilding Sector PER: 2019E (8.9x) and 2020E (8.6x) as at 29/03/19



Source: consensus forecasts from ShareCast; Hardman & Co Research

Housebuilding Sector yield: 2019E (6.4%) and 2020E (6.2%) at 29/03/19



Source: consensus forecasts from ShareCast; Hardman & Co Research

Results/trading announcements, 1Q

In 1Q, there were five final results, six interims, and some 20 other trading-related announcements from 18 Sector companies.

Average individual PBT for the 1Q reportees rose 23%, while average individual EBIT margins edged upwards from 17.4% to 18.3% based on revenue 6% larger at £15.2bn.

Dividends rose 23% including specials

EPS increased 16%, on average, while dividends rose 23% (or 14% ex-Bovis and Redrow) with average individual cover easing from 2.7x to 2.3x (or 2.6x net of Bovis and Redrow again).

Orders rose by 6% from a sample of six; albeit, in total value, they were off 3%.

Average individual RoCE nudged ahead from 20.2% to 21.3% with Capital Turn little changed at 1.19x (versus 1.17x).

Profit & Loss data

Date	Company	Event	Period	PBT (£m)		PBT	EBIT margins (%)		Revenue	Orders	DPS	DPS cover (x)	
			ending	Previous	Latest	% chg.	Previous	Latest	% chg.	% chg.	% chg.	Previous	Latest
15-Jan	Watkin J.	Full Year	30-Sep	43	50	16	14.1	13.7	20	-	15	2.1	2.1
29-Jan	Crest	Full Year	31-Oct	207	176	-15	20.7	16.7	11	11	0	2.0	1.7
06-Feb	Redrow	Half Year	31-Dec	176	185	5	19.7	19.3	9	11	344	4.4	4.2
06-Feb	Barratt	Half Year	31-Dec	343	423	23	18.0	19.0	7	7	12	3.2	3.4
14-Feb	Gleeson	Half Year	31-Dec	13.7	22.3	62	17.6	18.7	53	-	28	2.3	2.9
26-Feb	Persimmon	Full Year	31-Dec	977	1100	13	26.9	29.2	4	-1	0	1.1	1.2
26-Feb	Springfield	Half Year	31-Dec	3	6	99	6.6	8.4	38	-	20	3.9	4.3
27-Feb	T. Wimpey	Full Year	31-Dec	812	857	6	21.1	21.4	3	11	11	1.5	1.4
28-Feb	Bovis	Full Year	31-Dec	124	168	35	12.8	16.4	3	-	115	1.6	1.0
07-Mar	Inland	Half Year	31-Dec	5	6	2	11.4	16.5	-17	-	31	3.4	2.6
27-Mar	Bellway	Half Year	31-Jan	289	314	9	22.2	21.5	12	-3	5	4.0	4.1
Total (£m)				2,993	3,307								
Individual average change (%)/cover (x)						23			14	6	53		
Sector average change (%)/cover (x)						10			6	-3	23		
Individual average margin (%)							17.4	18.3				2.7	2.3
Sector average margin (%)							21.2	21.9				1.7	1.6
06-Mar	Glenveagh	Full Year	in Euro	-3.7	-3.6	4	-	-	-	-	-	-	-
		31-Dec	in GBP	-3.3	-3.2	3	-	-	-	-	-	-	-
07-Mar	Cairn Homes	Full Year	in Euro	6.5	41.5	-	10.0	15.8	125	50	-	-	-
		31-Dec	in GBP	5.7	36.7	-	-	-	-	-	-	-	-

Notes: (i) Pre-tax profit numbers are adjusted where necessary and are net of exceptionals; DPS is dividend per share and includes specials where relevant (ii) Glenveagh and Cairn are listed in London and Dublin and report in Euros; and are ex-the averages

Source: Hardman & Co Research

Balance sheet data

Date	Company	Event	Period ending	Net assets (£m) Previous	Net assets (£m) Latest	Net (Debt)/Cash (£m) Previous	Net (Debt)/Cash (£m) Latest	Gearing (%) Previous	Gearing (%) Latest	RoCE (%) Previous	RoCE (%) Latest	Capital Turn (x)
15-Jan	Watkin J.	Full Year	30-Sep	126	153	-41	-80	32	52	30.9	29.6	2.16
29-Jan	Crest	Full Year	31-Oct	818	879	33	14	-4	-2	23.0	18.4	1.11
06-Feb	Redrow	Half Year	31-Dec	1,343	1,560	-35	101	3	-6	24.4	23.8	1.24
06-Feb	Barratt	Half Year	31-Dec	3,376	3,660	166	379	-5	-10	20.0	21.0	1.10
14-Feb	Gleeson	Half Year	31-Dec	174	194	27	28	-15	-14	15.7	22.8	1.22
26-Feb	Persimmon	Full Year	31-Dec	2,999	3,001	1303	1048	-43	-35	32.2	36.4	1.25
26-Feb	Springfield	Half Year	31-Dec	58	82	-14	-25	24	31	9.5	11.6	1.38
27-Feb	T.Wimpey	Full Year	31-Dec	3,137	3,227	512	644	-16	-20	24.7	25.1	1.17
28-Feb	Bovis	Full Year	31-Dec	1,057	1,061	145	127	-14	-12	12.1	15.8	0.96
07-Mar	Inland	Half Year	31-Dec	135	147	-70	-97	52	66	6.1	6.1	0.40
27-Mar	Bellway	Half Year	31-Jan	2,324	2,694	-131	-27	6	1	23.6	23.2	1.08
Total (£m)				15,546	16,657	1,894	2,112					
Individual average change (%)					12							
Sector average change (%)					7							
Individual average RoCE (%) adjusted										*20.2*	*21.3*	*1.19*
Sector average RoCE (%) adjusted										*18.3*	*18.9*	*0.87*
Individual average gearing (%)								*2*	*5*			
Sector average gearing (%)								-12	-13			
06-Mar	Glenveagh	Full Year	in Euro	641	843	353	132	-55	-16	-	-	-
		31-Dec	in GBP	569	758	314	119					
07-Mar	Cairn Homes	Full Year	in Euro	722	757	-159	-134	22	18	-	-	-
		31-Dec	in GBP	641	680	-142	-121					

Notes: (i) RoCE is return on capital employed; and adjusted where required for half years where appropriate
(ii) Glenveagh and Cairn are listed in London and Dublin and report in Euros; and are ex-the averages

Source: Hardman & Co Research

Performance and outlook

Watkin Jones (Finals – 15 January)

With apologies to G B Shaw: "those who can deliver earnings visibility do so - and those who can't talk about". Watkin Jones is very much in the former. This is driven largely by its core activity in the provision of student accommodation, but its burgeoning Build-to-Rent and management businesses are galvanising its future prescience too.

For example, in fiscal 2019, from the six student schemes (2,723 beds) it is scheduled to deliver, five have been forward sold and the remaining scheme "secured". Similarly, in fiscal 2020, Watkin Jones expects to deliver seven schemes (2,606 beds), of which four schemes have been forward sold; and the remaining three schemes are secured (as above). And, finally, in fiscal 2021, four development sites (ca.2,205 beds) are already secured. "In total, at the year-end we had a secured development pipeline of 17 sites, representing 7,534 beds, with an appraised development value of approximately £650 million".

Full-time student population has increased by an average of 2% p.a. since 2004, to reach around 1.8m in 2018

In terms of catchment, too, the full-time student population has increased by an average of 2% p.a. since 2004, to reach around 1.8m in 2018. Demand for university places remains substantially greater than the supply too – i.e. in 2017-18, there were 695,565 applications to UK universities, of which 533,360 were accepted. At the same time UCAS applicants in 2017-18 were 6.4% higher than in 2011-12, the year before tuition fees increased substantially. Trends in international students are also positive: around 404,000 students are from outside the UK, representing 22.5% of the student population and an increase of 54% over the period 2006/07 to 2016/17. Note, too, that international students from the EU are a relatively small proportion of the market at 6.7% and we do not believe that any changes in EU student numbers post-Brexit would have a noticeable impact on demand.

Next up is Build-to-Rent and the Group now has a secured delivery pipeline of approximately 1,500 apartments across seven sites, for targeted delivery between fiscal 2019 and 2022. In addition, there are several other sites that are in legal negotiations to acquire or are under offer. In terms of the market, too, investment in the Build-to-Rent Sector is estimated to have totalled £3bn in 2018 (+50% year-on-year) and is forecast to reach £70bn by 2022.

Third is 'Accommodation Management' and Fresh Property Group (FPG), which is "a key part of our end-to-end solution for clients, which spans sourcing of sites to managing the completed developments". FPG operates under the Fresh Student Living brand in student accommodation and the Five Nine Living brand in Build-to-Rent. And, at the commencement of the 2019 fiscal year, FPG had 15,421 student beds under management across 56 schemes. Of these schemes, 48% were developed by Watkin Jones and 52% by third parties, which underlines the popularity of FPG's offer to institutional clients. In fiscal 2021, too, FPG is currently contracted to manage 18,258 student beds across 65 schemes; and it has entered the Irish market.

For good measure, too, in fiscal 2018, the Group knocked out 175 residential units (up from 94); and this will continue on a self-funding basis.

In terms of the scores on the door in fiscal 2018, revenue rose by a fifth to £363m. The gross margin was 20.0% (2017: 21.0%), but this dip was due to the forward sale of four development sites where the benefit to margins was less significant, as the majority of the profit on these developments will flow through over the coming two years.

Ex-an exceptional disposal profit of £4.3m, EBIT rose 16% to £49.6m (with profitability a touch off, as above, from +14.1% to +13.7%). Net profit before tax

(£50.1m) was ahead 16% with EPS up 14% (at 16.0p) and the dividend rose 15.2% to 7.6p with cover of 2.1x (2017: 2.1x).

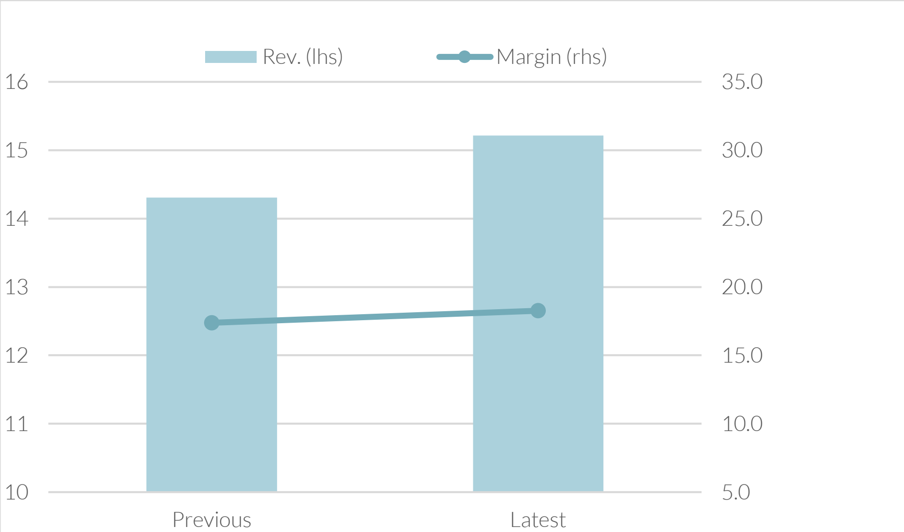
The impressive metrics continue with net RoCE for Watkin Jones of 29.6% and a Capital Turn of 2.2x

Turning to the balance sheet, the impressive metrics continue with net RoCE of 29.6% (ex-intangibles) and Capital Turn of 2.2x (2017: 30.9% and 2.2x). Note, too, if the exceptional item is included, RoCE in fiscal 2018 goes to 32.1%.

In his swansong statement, outgoing CEO Mark Watkin Jones noted the Brexit elephant in the room and said that "we are focused on ensuring that the appropriate contingency measures are put in place to ensure that our development activities will continue without material interruption". He also said: "I believe that the Group is in the best shape it has ever been. We continue to have excellent visibility of our future revenues and earnings, supported by the pipeline of forward-sold and secured sites for student accommodation……the locations and forward sale values we have achieved for these schemes underpin our earnings expectations from this division over the next twelve months and beyond. Our success in securing the significant Build-to-Rent development agreements in Reading and Wembley, together with our secured pipeline of sites, is highly encouraging. In addition, our residential and accommodation management divisions are well positioned to contribute to progressive earnings growth. As a result, we remain confident in the outlook for the Group".

New CEO Richard Simpson (incumbent since 02/01) offered a graceful two-penneth-worth too and said that he looks forward to continuing to deliver "the excellent performance for which Watkin Jones is known". What a platform awaits the new boy; and a new boy who comes with a formidable reputation. What a combo.

Sector revenue (£m) and EBIT margin (%) reported in 1Q '19



Source: Hardman & Co Research

Countryside Properties (AGM – 24 January)

Countryside Properties' total forward order book was up 25% at £286m. Nice.

The Group issued an AGM trading update for its fiscal 1Q (i.e. the final three months of calendar 2018) and the strapline 'growth driven by mixed tenure delivery' pretty much summed it up. For example, total completions were up 28% to 1,094 homes, driven by partnerships (+35% to 850), affordable units (+52% to 413 homes) and dwellings for the Private Rented Sector (PRS) (up 66% to 341 homes – wind assisted by the acquisition of Westleigh).

Turning to private sales, Countryside has two entities (we asked for clarification twice, which was not forthcoming): (1) "Private for sale completions were lower in the quarter at 340 homes (2018: 376 homes) due to the phasing of completions in Partnerships in both the current and prior year. Our net Private reservation rate per open outlet per week slowed in December and as a consequence was 0.63 for the quarter (2018: 0.70)"; (2) The Housebuilding division delivered continued growth in completions, up 9% to 244 homes (2018: 224 homes), driven by a 30% increase in private completions to 164 homes (2018: 126 homes)"?

Putting this aside, the total forward order book was up 27% at £286m. Nice.

"We have performed well in Q1, in line with our full year expectations, with lower private completions being replaced with strong growth in PRS and affordable. While the political backdrop remains uncertain, our mixed tenure delivery model helps us meet the demand for homes of all tenures and leaves us well positioned to meet our medium-term guidance".

Crest Nicholson (Finals – 29 January)

The share price rose 12% in a week to 382.6p

By its own admission, fiscal 2018 (through 31 October) was a difficult year; and the Group alerted the market to this fact as far back as 16 May. Interim results duly followed on 12 June and then an-ahead-of-schedule Trading Update, which guided expectations downwards and announced the sudden departure of its CFO Robert Allen. On 29 January 2019, Crest reported its full-year results; the share price rose 12% in a week to 382.6p and closed 1Q at 370p.

Yes, PBT was 15% lower (at £142.8m) but the CEO's statement was filled with acumen and pragmatism, and it took all the issues head-on. The dividend was maintained, too, and its order book was up 16% in terms of units – including a big push in PRS and affordable [housing?]. Translating these units to Gross Development Value (GDV), this is 11% higher at £639.4m but both order measures run beyond fiscal 2019. Focusing strictly on the current fiscal year, GDV is off 5% at £419.2m.

In terms of detail, total revenue rose 2% at £1.14bn with unit sales at 3,020 including 2,008 open market and ex-PRS combined (2017: 1,982) sold 4% higher at £432,000. However, the gross margin was off 450bps at 22.4%. Similarly, EBIT was struck 10% lower at £189.8m with profitability falling from +20.6% to +16.6%. EPS fell 16% with the dividend steady at 33p and cover at 1.69x (2017: 2.00x).

So, what is Crest doing going forward? "When market dynamics challenge us, we focus on what we can control. The business is cash generative, so we are managing our build stock, as well as resizing our land buying programme in line with lower demand. Across Crest Nicholson, we are looking at how to make us a leaner and more efficient business".

"We have taken a number of actions in our supply chain and reviewed our own processes to offset build cost pressures, as well as making improvements to the way we capture and manage our build quality and performance data on site".

Crest is investing in operational efficiency as well as mechanisms to improve housing affordability

Crest is investing in operational efficiency as well as mechanisms to improve housing affordability; and it has developed a new range of designs for both its houses and apartments. "These designs offer significant cost efficiencies through some standardisation and will make procurement and construction easier over time. However, they are flexible enough to meet most local needs and to fulfil detailed planning requirements".

The Group is also expanding its use of off-site manufacture (OSM), where house components, typically pre-insulated cold-rolled steel frames, are built in a factory and then erected on site.

"We have continued to focus on regaining our five-star customer service status as we have worked hard to balance quality with increasing volumes and faster delivery".

Crest also underlines housing affordability and here it is looking to supply housing across a broader tenure mix, including partnering on some of its larger schemes with Registered Providers. The Group's newest division in the Midlands is doing this as well as representing an important strategic and geographical move for the Group as it continues to step back from the London market (this includes closing its London division). Crest also postponed the opening of a new South East division "while market and political uncertainties continue".

CEO Patrick Bergin concluded with: "in the context of an unresolved Brexit, I expect the first half of 2019 to be difficult. However, I believe our new strategy will ensure the business is fighting fit and equipped to deal with any challenges it faces. Current market uncertainty is making it hard to look too far ahead, so while we are optimistic about the longer-term prospects of the sector, we continue to remain vigilant and responsive. Our focus on the south of England housing markets remains a long-term strength, land remains in good supply and we have strong plans in place to meet the demand for affordable housing. Overall, Crest Nicholson presents a resilient financial proposition and I am excited about our future. We have made good progress this year and I look forward to working with the dedicated and talented people we have across the organisation as we strengthen the business further in 2019".

PS: Crest Nicholson (AGM – 26 March)

But…

Crest Nicholson: as Lady Bracknell famously said "to lose one parent, Mr. Worthing, may be regarded as a misfortune; to lose both looks like carelessness"; and at Crest both the CFO and CEO have summarily gone – first in October and now in March. Robert Allen was first out the door, followed, summarily on the day of the AGM, by CEO Patrick Bergin; and the latter announcement was made on the day (26 March).

Patrick is to be replaced by Galliford Try's CEO Peter Truscott, which should be regarded as something of a coup given his 30 years of industry experience, including spells at Taylor and George Wimpey plus Cala. Peter is already extra-mural at Galliford and will join Crest in September.

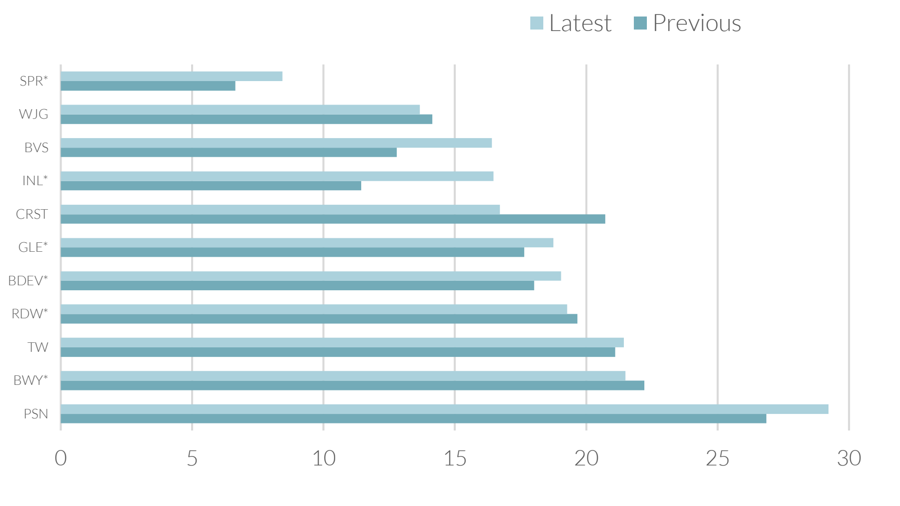
The veteran Chairman Stephen Stone will hold the fort (albeit Non-Executive from 1 April) supported by Chris Tinker as Interim CEO. Chris is currently Chairman of Major Projects and Strategic Partnerships. Interestingly, 5.03% of shareholders at the AGM voted against Stephen's re-election. As previously announced, too, Duncan Cooper will join Crest as CFO on 17 June 2019.

Finally, back at Galliford, current CFO Graham Prothero (a man to watch) will become CEO, with Andrew Duxbury, currently Linden Homes Finance Director, stepping up to Group CFO.

Total forward orders are up 11% YoY, although they run beyond the year-end

At its AGM, on what was a busy day, the Group also said that its "refreshed strategy" continued to be enacted. In addition, "with stable pricing in our key markets and sales rates consistent with previous guidance, our forward sales position is encouraging, having already secured over 50% of our open market sales for the year". Turning to the number, total forward orders are £686m. No comparative was given but at the time of the prelims on 29 January, this number was £639.4m and at the 2018 AGM, total forward sales were £620m i.e. the current number is thus 7% higher than two months ago and up 11% year-on-year, which is good going (provided our arithmetic is correct). Note, however, that these orders, by Crest's definition, run beyond the current fiscal year.

Individual EBIT profit margins (%) reported in 1Q'19



** denotes interim results*
Source: Hardman & Co Research

Barratt (Interims – 6 February)

In the six months to 31 December, the Group raised revenue 7% to £2.13bn with total unit completions ahead 4% at 7,622. Private completions increased more than 6% to 6,078 at an average selling price 0.9% up at £317,300. Impressively, the gross margin rose 200bps to 22.6% on a range of factors including good housekeeping, with net EBIT margins 100bps to the good at 19.0% and net EBIT at £406m. Including JVs, PBT was struck at £423.1m, which was 23% ahead, earnings rose 21% and the dividend was raised 12% with cover at 3.41x (2017: 3.15x). Barratt continues with its Capital Return Plan, too, with ongoing commitment to ordinary dividend cover at 2.5x on an annual basis and the intention to pay special returns of £175m in both November 2019 and November 2020. Thereafter, special payments will continue but the Group will mix it up with potential share buybacks too.

In terms of the balance sheet, net cash ballooned from £166m to £379m with adjusted RoCE at 21.0%, up from 20.0%.

Total forward sales as at 3 February were up 7.3% at £3.02bn

In 1H, Barratt's net private reservations rate per active outlet per week was 0.64, down from 0.68 in the corresponding half year. In 2H, so far, the rate is higher at 0.74, albeit slightly off on a year ago when it was 0.78. That said, total forward sales as at 3 February were up 7.3% at £3.02bn. Within that tally, though, private sales are off almost 18% at £1.47bn with the running being made by affordable units and JVs. Translating this to units, the order book is up 7% at 13,194, within which private units are off 8% at 4,874.

As part of its capital return programme, Barratt also quotes Reuters consensus EPS forecasts (this is very helpful). These show ca.1% growth in the fiscal year to 30 June 2019 and ca.2% to June 2020. Good job in our view.

CEO David Thomas said: "whilst we continue to monitor market conditions closely, current trading is in line with our expectations and we are confident of delivering a good financial and operational performance in FY19".

Okay, I confess to being a dyed-in-the-wool fan of the late Sir Lawrie. Nonetheless, it is difficult to fault the UK's largest housebuilder in terms of performance, delivery and communication thereof. It is quite generous with its dividends too. The attention to good housekeeping in these numbers, its cash generation and RoCE are also first-class. In addition, it is buying land at a minimum 23% gross margin; and remember that, in these latest results, it gross margin was 22.6% (up from 20.6%).

Redrow (Interims – 6 February)

In mid-February 2009, Redrow's share price was 95p. At the close of Week 5 in 2019, it was 595p and 601p on 29 March.

The Group bid farewell to its founder (in 1974) and Chairman as it posted interim results for the six months to 31 December. It is also the second time that Steve Morgan (66 years- old) has stepped down. The first time was in 2000. But he returned in 2009, year two of the Global Financial Crisis (GFC), to effectively rescue the Company – and prevent it from being taken over. In mid-February 2009, Redrow's share price was 95p. At the close of Week 5 in 2019, it was 595p and, on 29 March, 601p. Note, too, that as at the last Annual Report, Steve Morgan held 20.99% of Redrow through Bridgemere Securities, and his foundation held another 7.02%.

Turning to the half-year results, revenue rose 9% to £970m with unit completions ahead 12% at 2,970. However, private completions actually dipped by 10 units to 2,164 while affordable surged 71% to 806. Note, too, that private homes' average selling price (ASP) rose 4% to £375,000.

EBIT margins dipped 40bps to 19.3% but in quantum rose 7% to £187m. PBT was struck 5% higher at £185m with the same at the EPS level. The dividend was increased 11.1% to 10p with cover at 4.15x (2017: 4.39x). There is a 30p special dividend.

"The market during the run up to the festive period and the first two weeks of 2019 was subdued by macroeconomic and political uncertainty. However, sales over the last three weeks have bounced-back with reservations running at similar levels to last year's strong market activity". For 'similar', though, read 6% down at £156m. Countering that is the Group's overall order book, which is 11% better at £1.16bn, albeit this is the same as it was at the AGM in early November last year.

Gleeson (Interims – 14 February)

The Company produced a terrific set of interim results with a revenue 53% higher to £118m and a 62% surge in PBT to £22.3m for the six months ending 31 December last year; plus, the dividend was raised 28%. The Group is also liquid and careful-with-a quid as evidenced by net cash of £27.8m with a Capital Turn of 1.22x annualised (up from 0.89x) and a quick ratio of 1.49.

"We see no signs of customer caution and demand remains robust"

In the half year, too, Gleeson sold 17% more units at 691 with an ASP of £127,400 (+2.4%) with no surprise in the facts, too, that seven-from-eight buyers are first-timers and that 69% used Help to Buy. Okay, if we want to be picky, the gross in Housebuilding fell 460bps to 18.1% and this was attributed to "cost increases arising from increased build rates and changes in development mix". In turn, the EBIT margin dipped from 16.7% to 16.0%. Looking forward, too, Gleeson said "we see no signs of customer caution and demand remains robust".

Meantime, in the Group's other business, merchanting-in-residential-land, it sold 483 plots across three sites and generated EBIT of £9.0m (against £2.3m at the last interims). Gleeson also "continued to see strong demand from medium and large housebuilders for good quality residential sites in the South of England". On 1 April, Gleeson announced that this land unit might or might not be sold. In any event, Property Week says It Is worth some £130 million.

"The Board is confident that the Group will deliver a result for the full year at least in line with expectations".

Persimmon (Finals – 26 February)

The Group produced a terrific set of figures for calendar 2018. Total revenue was clear of £3.7bn (+4%) with 16,449 completions and a private ASP of £238,373 (+2%). The net operating margin also rose 250bps to 29.2% and PBT was clear of £1bn i.e. £1.1bn (+13%). The dividend was static at 235p, albeit this is part of a return of capital to shareholders, which will total 1,330p between 2017 and 2021. Turning to the balance sheet, the Group holds just over £1bn (off £255m due to working capital) with a net RoCE of 36.4% (2017: 32.2%) and a Capital Turn of 1.25x (2017: 1.20x).

Pick any metric – they are all stupendous

Here, too, you can pretty much pick any metric – they are all stupendous, with my personal favourite being the 36.4% RoCE (above). Persimmon is the big dog and, in this report, it tried to show that it is also a best friend in the wake of the £75m bonus to the now ex-CEO, plus potential issues on Help to Buy raised in the media. In addition, its announcement ran to 23,820 words (16,292 ex-tables and notes thereof). We believe no one will read all of this, aside from people who need to get out more (like me). Nor did the Group react to the press 'witch hunt' over a potential Government censure and, perhaps, exclusion from Help to Buy; sensibly so, in our view. This is conjecture at this point, and any exclusion would not come in until 2021 when there could be a new Government and, even, a new governing party (*sic*). Also sensible is to make Mr Jenkinson CEO, in our view. He is already acting CEO and is not only a good operator but a good egg.

"a good egg"

At the same time, this business *will* continue to lead and prosper. Aside from the metrics and the trimmings, there are two key takeaways, though, which may cause indigestion. First, the order book is not "strong"; it is actually off 0.8% at £2.02bn (yes, this is a formidable figure; and, yes, January on its own was up an annualised 3.0%). The second fast repast: "the Board remains confident in the Group's long-term prospects". In other words, 2019 is gonna be a toughie; and not just for Persimmon.

Springfield (Interims – 26 February)

Did you hear the one about the Scottish housebuilder that floated in October 2017 at 106p before bouncing off 124.5p (in Week 9 of 2019) and made two acquisitions (Dawn and Walker) along the way?

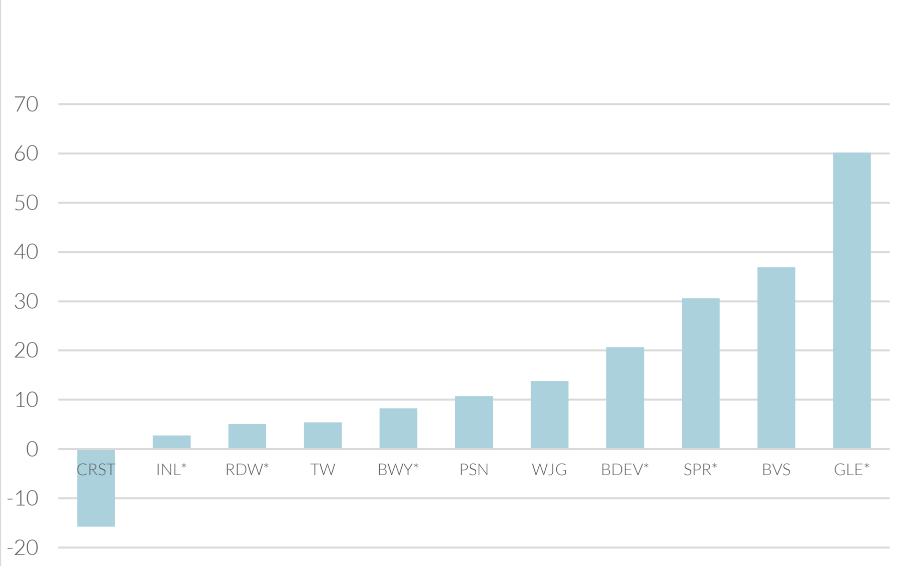
Revenue in the half year rose 38% to £75.7m

This is the Springfield Properties' story and the Company's interim results for the six months to 30 November 2018 were similarly positive. Revenue rose 38% to £75.7m with an EBIT margin rising from 5.6% to 8.4%; okay, it is still not profitable enough but it is moving in the right direction. PBT was struck at £6.1m, which was almost double, and EPS increased 31% (ex-exceptionals) to 5.12p. Springfield also increased the dividend 20% to 1.2p and it is covered 4.3x (2017: 3.5x).

At the same time, "both of the Group's divisions [private and affordable] are supported by strong market drivers. The demand for housing in Scotland continues to outstrip supply at a time when interest rates are low and mortgage availability is good. House price growth in Scotland is ahead of that in the rest of the UK. The Scottish Government continues to focus on bolstering levels of affordable housing as it seeks to hit its target of building 50,000 new affordable homes by 2021".

Finally, we also note that, on Thursday 28 February, the volume of Springfield shares traded was 6.7m (almost 7% of the issued share capital) and the share price fell 8.8% to 113.5p. Details of transactions will emerge in due course. The average daily volume in the preceding 10 trading days was ca.132,000. In any event, Springfield closed at 114.5p on 29 March.

EPS growth (% change) reported in 1Q'19



**denotes interim results*
Source: Hardman & Co Research

Taylor Wimpey (Finals – 27 February)

The order book is up 11% at £2.2bn

"2018 was another strong year" said CEO Pete Redfern in the final results announcement for the calendar year; and it was – but this was not a surprise. What was, though, was an order book 10.7% up at £2.17bn as at 24 February; and it was better than on 31 December – i.e. then it was 9.5% up at £1.78bn. Similarly, the private sales rate per site per week in the year to date (through 24 February) was 0.99 and up from 0.76 last year. Okay, these tallies and numbers include a forward build and sales contract, which was entered into simultaneously with a large land purchase. Nonetheless, after netting off this latter bonus, the private sales rate is still 0.90 in 2019 so far, versus 0.82 in the equivalent period of last year.

Once more, too, we had a bumper promulgation, which ran to 25,228 words (or 15,670 net of tables and notes (see Persimmon comment earlier). This aside, the key metrics are as follows.

Total revenue rose 3% to £4.08bn, generated from the sale of 14,933 units (also +3%), including 111 (-28%) in JVs and 342 in Spain (+14%). However, in the UK, private unit sales dipped 2% to 11,421 (with prices better by the same percentage at £301,800) – but this was compensated for by an affordable sales number of 3,401, which was ahead 22%. This fresh focus on affordable housing is a common theme in this results season.

EBIT margins rose a whisker to 21.6%

Turning to the Group's EBIT margin, this came in at 21.6%, which was up a whisker from 21.3% last year. In turn, PBT (pre-exceptional items) was struck 6% higher at £856.8m with EPS 5% better, and the dividend was raised 11% to 15.30p.

RoCE was 25.1% (2017: 24.7%) with Capital Turn steady at 1.17x and net cash plentiful at a record £644m and 26% better year-on-year.

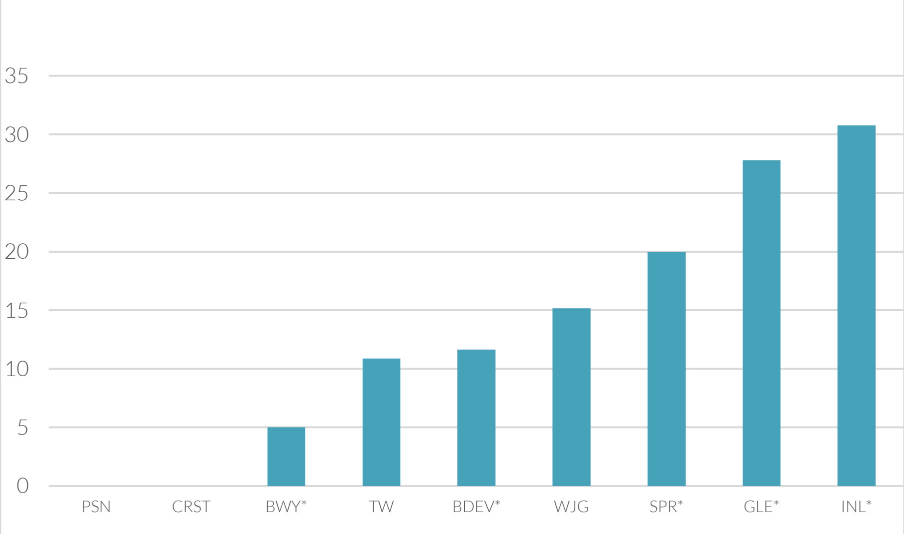
In the outlook statement, the CEO said: "we have made a positive start to 2019 and, coming into the spring selling season, customer confidence remains robust".

"In current market conditions, we continue to expect stable volumes in 2019 and for underlying build cost increases during 2019 to be at a similar level to 2018, at around 3-4%".

Flexibility to increase our pace of build and accelerate growth in 2020

"While we are conscious of the wider political and economic risks, particularly as the UK plans its exit from the EU, we are confident that our strong balance sheet, with our high-quality land bank, and a strategy focused on customers makes us a more resilient business. This strategy also gives us the flexibility to increase our pace of build and accelerate growth in 2020, depending on market conditions, while maintaining focus on quality land investment in good locations".

DPS increases (%) reported in 1Q'19



**denotes interim results; Bovis (115%) and Redrow (+344%) are excluded*
Source: Hardman & Co Research

Bovis (Finals – 28 February)

The word 'initiatives' was used 14 times

Greg Fitzgerald is the saviour of Bovis and the Company's 2018 numbers confirm this. He is a proven man, of course, given his storming management of Galliford Try; and a good bloke. Greg also showed relative erudition with a preliminary results statement of 8,951 words (6,262 net of tables and notes), which is roughly a third of the word count of Persimmon and Taylor Wimpey. But why use: 'optimisation' 12 times; 'controlled' also 12 times; 'initiatives' 14; 'quality' 15; plus, 'strong/strongly/strongest' again 15? At the same time, why was there no actual order book data? And, net cash generation in 2017 and 2018 was £88.2m, not £180m as quoted in the statement. The creation of a partnership division, too, looks a little tardy. This aside, the Group is moving very much in the right direction with plenty of scope to raise RoCE (15.8% in 2018). The special dividend (45p) is also a smart move, and the shares rose 10.4% in Week 9.

Telford (Updates – 28 February and 5 March)

Blue chip partners

In Week 9, the Company promulgated a profit warning and a change of strategy – and as the shares tumbled 17% to 285.5p – and our guess is that the latter was lost in the former. In Week 10, however, a robust piece in *The Financial Times* about 'the latter' and the announcement that the Group was to partner with blue chips Invesco and M&G on its new focus, Build-to-Rent, did the needful – and the shares rose almost 9% to £310.5p. Further potential diversification clearly awaits the Telford team in the City.

Glenveagh (Finals – 6 March)

A market value of more than Euro 700m

This is an Irish housebuilder listed on Euronext Dublin and the London Stock Exchange. Regionally, it is focused on the Greater Dublin Area, Cork, Limerick and Galway, and operates two complementary divisions: starter homes to private and institutional customers plus "selective developments of mid-size and executive houses and apartments"; and also Glenveagh Living, which specialises in houses and apartments for the public sector and institutional investors. Its current market capitalisation is Euro 749m (£647m) at 86 cents per share, and it was floated in October 2017 at Euro 1.00 (having bounced off Euro 1.24 along the way).

In its first full year of trading, to 31 December 2018, Glenveagh generated Euro 85.1m of revenue, on which it generated a gross margin of 15.3% (with a 2020 target of 20%). At the net PBT level, however, it incurred a modest loss of Euro 3.6m. But then, the Glenveagh story has just started, with net assets of Euro 843m and net cash of Euro 132m. Similarly, it has made total site acquisition investments of some Euro 615m since the IPO. It also sports a landbank in excess of 12,600 plots at an individual cost of Euro 51,000 or 17% of net development value (NDV); and it was building on 14 sites during 2018, with over 1,100 units under construction in the period.

There is strong demand for housing in Ireland, driven by the fundamentals of population growth (more than 30% forecast between 2010 through 2046), household formation (net migration of 34,000 last year), employment and affordability (annual wage growth is 4.1%). Notwithstanding that, chronic undersupply remains a feature of housing delivery (see Cairn below). "We believe that the demand/supply imbalance in the residential sector will continue for some years".

Cairn Homes (Interims – 7 March)

EBIT margins rose from 10.0% to 15.8%

Results for the year to 31 December 2018 underline the Group's extraordinary evolution. Cairn has been a listed company (in Dublin and London) since June 2015 and cleverly picked up the pieces of residential land in its home country (principally in Dublin) in the wake of the GFC. Its float price was Euro 1.00 and it closed Week 10 at Euro 1.33 (with a 52-week high of 1.90 cents). In the year, too, revenue more than doubled to Euro 337m, comprising, largely, unit sales of 804 (2017: 418) at an ASP of Euro 366,000. Cairn's EBIT margin rose from 10.0% to 15.8% with PBT rising almost six-and-a-half times to Euro 41.5m. Turning to forward sales, Cairn had Euro 201.4m in hand, by value, or 471 units at an ASP of Euro 428,000 as at 6 March 2019. The Group has also said that its current 12 active sites have the capacity to deliver, ultimately, some 4.400 units; and the Group expects free cash generation of some Euro 350m to Euro 400m by the end of 2021.

"Notwithstanding Brexit, Ireland's robust economic performance continued in 2018 and our economy is expected to record the highest growth rate in the EU at 7.4% for a fifth consecutive year. This is an encouraging backdrop for our growth plans and with the medium-term annual demand for new homes in Ireland estimated at 35,000 units and only 18,072 new homes built nationally in the year to December 2018, the growth opportunities are significant".

Inland Homes (Finals – 7 March)

"a leading housebuilder" or "the leading brownfield developer"?

On publication of its results on 7 March, the Company billed itself as "a leading housebuilder, partnership housing developer and regeneration specialist". In January, however, it described itself as "the leading brownfield developer, housebuilder and partnership housing company with a focus on the south and south east of England". In a release on 4 March, the Company also said that "it has a long chequered planning history", and this was followed on Wednesday of Week 10 with the announcement of a deferred decision by Broxbourne District Council on a major scheme known as Cheshunt Lakeside. A day later, it reported its half-year to 31 December last, in which it focused on asset value; and at the end of 1H, NAV was up 7.0% to 71.71p, while EPRA NAV was up 6.1% to 103.57p. The shares are currently trading at 60.5p. More conventionally, 1H revenue declined 17% to £51m with PBT just £100,000 ahead at £5.5m. The interim dividend, however, was raised 30% to 0.85p. Turning to the balance sheet, net debt rose from £69.8m to £96.6m including preference shares, which is 66% of net assets (£147.4m); and RONA in the half year was just 7.5% (2017: 8.0%) annualised.

Forward sales halved to £19.3m

Operationally, total land holdings (outright and under option) run to 7,291 plots (2017: 7,372). However, the Company made only 30 plot sales in the half year, against 338 last time. As with many other developers, partnership housing is doing very well, with a current order book of ca.£140m – up from £43m. That said, private housebuilding saw completions 16% lower at 81, "as expected", with forward sales halved to £19.3m, "reflecting the timing of our development programme"; and Inland has 1,057 units under construction (2017: 560).

Berkeley Group (Trading Update – 15 March)

PBT looks set to fall by around 30% this year

In Week 11, the Group used both descriptions i.e. Trading Update and Trading Statement for the period from 1 November 2018 to 28 February 2019, and it said that the environment for Berkeley remained consistent with that experienced over the last two years. "This stability allows Berkeley to reiterate the updated PBT profit guidance it provided with its Interim Results in December 2018 for this, and the next two years, which represented an increase of around 8% in the guidance for the current year"; albeit it will still be a 'down' year. That is, included within its earlier guidance, Berkeley said it expected to generate £1,575m of PBT over the two fiscal years, 2018 and 2019. This points to PBT for the fiscal year to end-April 2019 being off by around a quarter year-on-year, from £935m, and the ShareCast consensus is £687m. Finally, Berkeley said: "while very mindful of the potential for short-term market dislocations from the current political back-drop, we remain steadfast in our belief in the long-term resilience and attraction of our markets of London, Birmingham and the South East".

Bellway (Interims – 27 March)

Forward order book in cash terms was off 2.6%

Red lines are popular in the Spring of 2019 and there were plenty here in the Group's 1H results to 31 January. For sure, PBT rose 9% (to £288.7m) and earnings were up 8%. However, gross and EBIT margins dipped by six and seven basis points to 25.4% and 21.5%, respectively. At the same time, the forward order book in Pound notes was off 2.6% at £1.49bn. That said, by units, it was 4% better at 5,724; and clearly at a lower average price (and Bellway launched a new London Partnerships business on 1 February). Note, too, just a 5% increase in the dividend (to 50.4p) which meant cover edged upwards from 3.99x to 4.12x; albeit this is said to reflect "a rebalancing of revenue and profits towards the first half of the financial year".

In 1H, completions rose 6% to 5,007 units, with prices ahead 6.5% at £293,832, which was assisted by Nine Elms. There is no net debt to speak of (i.e. £27m) and the land bank is at 42,261 plots (+6%). In fiscal 2018, the Group sold 10,307 units and believes that it can sell 500 more this year. However, Bellway also said that it had the capacity to deliver up to 13,000 units p.a. from its current divisional structure.

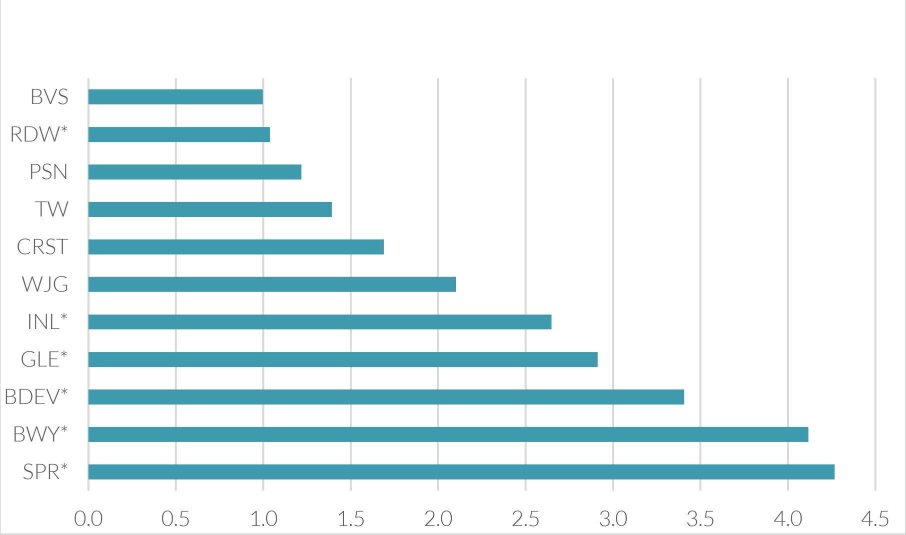
CEO Jason Honeyman said: "the pricing environment, in general, remained firm, with modest pricing gains achieved in certain locations across the country, supported by the strong demand for affordably priced homes. On higher value developments, where the Group has limited exposure, sales rates tend to be slower and hence the measured use of incentives has continued".

He added, too, that trading in the first six weeks since 1 February had been strong, with the Group achieving 259 reservations per week, up 4.4% compared with the equivalent period in the prior financial year. Similarly, "the Board therefore expects Bellway to deliver further growth in completions this year, although the extent of this will depend upon the outcome of the spring selling season".

The words "long" or "longer term" were used 13 times.

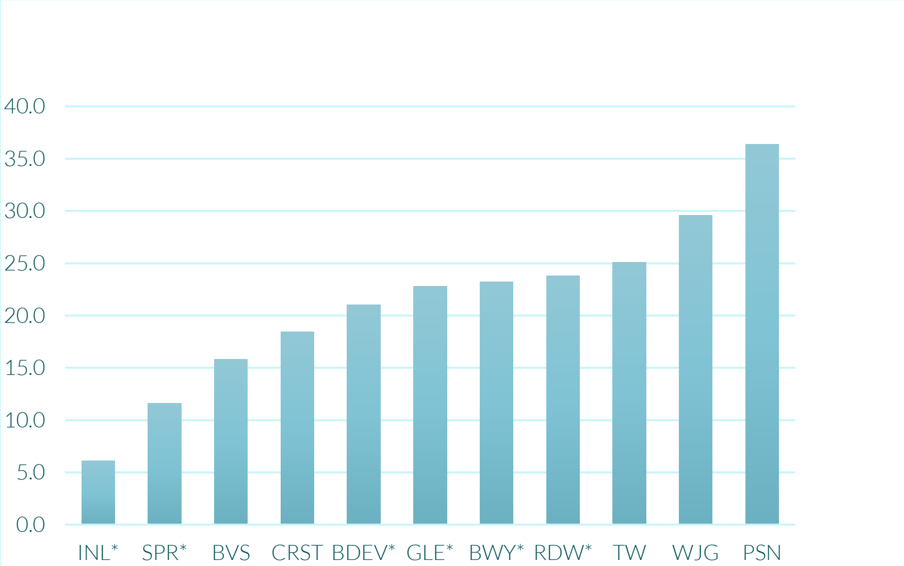
Chairman (the very excellent) Paul Hampden Smith, spoke of: "a long-term approach to growth that benefits all of our stakeholders"; and "our approach is to deliver value for our shareholders over the longer term, through responsible business practices". In what was a relatively concise 3,774-word statement, "long" or "longer term" were used 13 times.

DPS cover (x) reported in 1Q'19



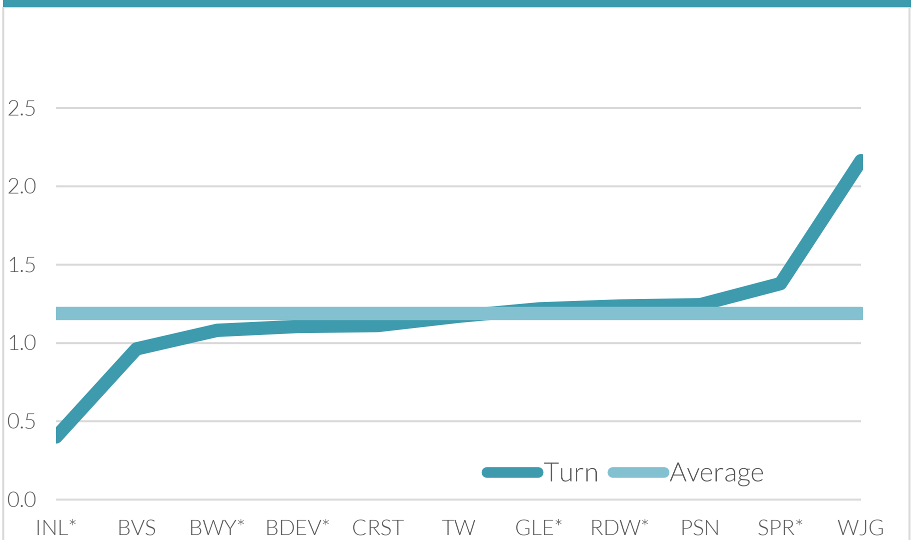
**denotes interim results; the average ex-Bovis and Redrow is 2.6x*
Source: Hardman & Co Research

Latest RoCE (%) reported in 1Q'19



*denotes interim results
Source: Hardman & Co Research

Capital Turn (x) reported in 1Q'19



*denotes interim results; Capital Turn is revenue divided by capital employed
Source: Hardman & Co Research

Macroeconomics

Consensus GDP forecasts for the UK are in a band from 1% and 2% p.a. in 2019 through 2021

GDP in the UK grew by 0.2% in the three months to January 2019, driven primarily by services with production down and construction flat, albeit with housebuilding at +1.7%. Consensus GDP forecasts for the UK in 2019, 2020 and 2021 are in a band from 1% to 2% (2018: 1.4%).

Inflation, as measured by the CPI, was 1.9%, albeit close to January's two-year low of 1.8%; in November last year, it was 3.1%.

Meantime, unemployment in the January quarter was the lowest since 1975, at an extraordinary 3.9%. Similarly, employment was the highest since records began in 1971. Note, too, that average weekly earnings rose 3.4% in the January quarter; and 1.4% after adjusting for inflation.

Finally, retail sales in February showed strong growth in both the amount spent (+4.3% annualised) and the quantity bought (4.0% on the same basis).

Mortgages

The Bank of England said that mortgage approvals in the February quarter rose by 1.2% year-on-year

UK Finance said that the number of mortgages approved by British high street banks in February rose 15.3% to 33,621, on a subdued January, and by 1.5% year-on-year.

At the Bank of England, with a much wider catchment, its February data showed that the number of mortgage approvals, at 64,337, was flat on a year ago (+0.2%) but 3.5% down on January. Taking the February quarter, however, it was +1.2% annualised. Note, too, these data are seasonally adjusted.

Volumes and prices

Turning to the number of UK Residential Transactions – existing and newly built– these showed a 1.7% rise to 101,780 in February versus January and +2.7% annualised according to HMRC seasonally adjusted numbers.

Next up is the National Housebuilding Council (NHBC), which insures the vast majority of newly built houses and flats in the UK. It said that, in the February quarter, total new homes' registrations were 1.5% higher at 34,199 year-on-year. However, London and the South East showed gains of 17% and 9% to 4,594 and 6,220, respectively. That said, within the Council's total figures, private registrations declined by an annualised 13% in the three months to end-February, while – the much smaller – affordable units segment rose by over a third. CEO of the NHBC, Steve Wood, said "continuing the trend from January we are seeing strong numbers in the affordable sector but an understandable drop in the private sector amid ongoing Brexit uncertainty".

Looking even further forward, too, is Experian (where I am an advisor), which is forecasting that UK Private Housing Output will rise 2% this year, 3% in 2020 and 5% in 2021. At the same time, the much smaller Public Sector is set for +3%, +7% and +10% over the same three years.

Turning to everyone's favourite subject, the Nationwide said that house prices in March rose 0.2% to £213,102 month-on-month and 0.7% year-on-year. Similarly, 1Q 2019 saw a rise of 0.4% against 1Q 2018. The latter, however, included a 3.8% drop in London – the largest fall since 2009. It is also the case that March's performance put England negative (0.7%) for first time since 2012.

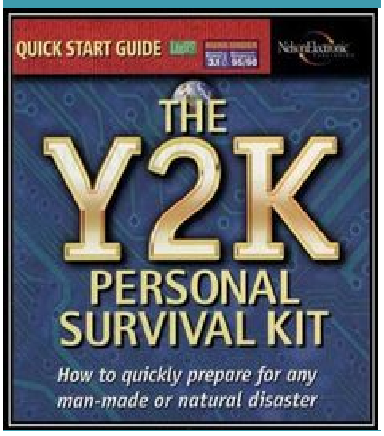
Rightmove said that average house prices in London fell by 3.8% in March year-on-year to £607,557

Next up is Rightmove, where the average price of property coming to market rose by 0.4% to £302,002 in March month-on-month but by -0.8% annualised. This means that the traditionally busier spring market kicked off in subdued fashion. In fact, the 0.4% is the lowest average monthly rise at this time of year since 2011, although London is the main drag with a 1.1% dip in March month-on-month and a 3.8% fall year-on-year to £607,557. "Search activity on Rightmove remains steady, indicating home movers are keeping a watching brief which could lead to an eventual bounce if and when uncertainty abates".

At the Halifax, the headline number for March was -1.6% to £233,181 which put the skids under housebuilder share prices when it was published. However, this reduction partly corrects the significant growth (+5.9%) seen in February and underlines the risk of focusing on very short-term data. Indeed, 1Q was +1.6% on 4Q 2018 and 3.2% higher year on year. The Halifax also said that the annualised data was within its expectations for the year. In addition, it spoke about the challenge for buyers accumulating a deposit and the ongoing Brexit uncertainty which impacts demand especially in London. That said, Samuel Tombs at Pantheon Macroeconomics, said prices were still on a slowly rising path: "the pick-up in the three-month average rate of year-over-year growth in Halifax's measure of house prices goes against the grain of all other measures that we track, but a sustained period of falling house prices still isn't on the cards. Low unemployment and stable mortgage rates are sustaining housing demand, despite Brexit uncertainty".

Reuters Housing Market Poll (to which I contribute) expects median house price inflation of 1.5% this year, 1.8% in 2020 and 2.3% in 2021. Meantime, in London, prices are predicted to fall 2.0% in 2019, followed by rises of 0.5% in 2020 and 2.5% in 2021.

Brexit: Y2K déjà vu



Source: iStock

Millennials did not live through Y2K and may not even know what it is. Many of them will never have heard of TIME magazine either. Déjà vu they know, though, from retrospective viewings of The Matrix trilogy i.e. it is the repeat occurrence of an event that had already taken place (and it happens when the code of the Matrix is altered).

Contemporarily, though, millennials do know what Brexit is and, in fact, a significant majority of them voted 'remain' in the 2016 Referendum. But they are less familiar with the current dog days of incertitude and fear which a prolonged Brexit has engendered.

Those longer in the tooth have seen it before – in 1999, for example, with the Millennium Bug (*aka* Y2K), which was, in the end, much ado about nothing. We also tend to be more utilitarian and know that an unravelment of Brexit will ensue. A year from now, too, young and old may look back at the Spring of 2019 and say what was all the fuss about?

To date, UK housebuilders' share prices agree.

Note, too, Hardman & Co is age-agnostic.

Quote:

"For we walk by faith, not by sight"

Source: Corinthians 5:7-9

Glossary

Name (ticker): share price; market value

Abbey (ABBY): 1,530 cents; Euro 328m

Barratt (BDEV): 599.2p; £6,077m

Bellway (BWY): 3,045p; £3,749m

Berkeley Group (BKG): 3,689p; £4,753m

Bovis Homes (BVS): 1,063.5p; £1,434m

Cairn (CRN); 143 cents; Euro 1,128m

Countryside (CSP): 324.8p; £1,462m

Crest Nicholson (CRST): 370p; £951m

M J Gleeson (GLE): 804p; £439m

Glenveagh (GLV): 88 cents; Euro 767m

Inland Homes (INL): 60.0p; £123m

McCarthy & Stone (MCS): 128.4p; £690m

Persimmon (PSN): 2,170p; £6,952m

Redrow (RDW): 601p; £2,222m

Springfield (SPR): 114.5p; £110m

Taylor Wimpey (TW): 175.45p; £5,753m

Telford Homes (TEF): 283p; £215m

Watkin Jones (WJG): 220p; £562m

Note: Share prices at 29 March 2019
Adjustments have been made to share prices and metrics where required
Selected stocks are excluded from charts and sector averages due to extreme movements or for structural reasons

About the author

Tony Williams leads the Building and Construction team at Hardman & Co.

He has followed the building industry for more than 30 years, working as an analyst and corporate financier at UBS, Morgan Stanley and ING Barings. His industry roles have included Director of Corporate Planning and Strategy at Tarmac plc and Director of Public Affairs at AMEC, as well as a number on Non-Executive Directorships. He is also the founder and CEO of Building Value Ltd.

Tony joined Hardman & Co in 2013. He holds an MSc in Economics from the University of Manchester.

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