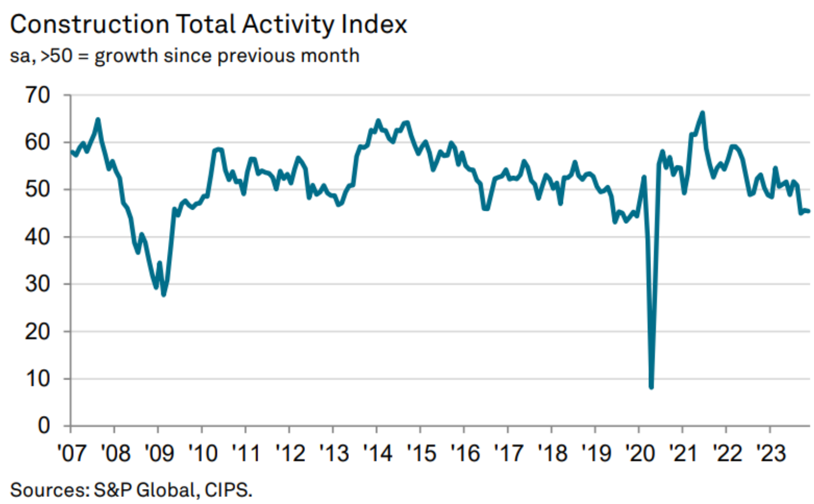
(Updated – 8 December 2023)

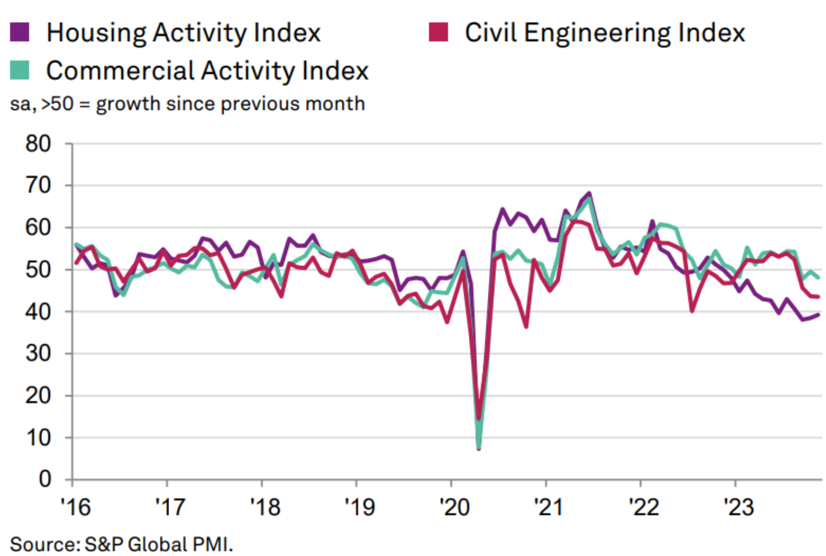
Weekly Economic and Construction Update

1) S&P Global/CIPS UK Construction PMI (November 2023):

UK construction firms reported a decline in activity for the third consecutive month in November, led by a sharp fall in residential according to the S&P Global/CIPS UK Construction Purchasing Managers' Index (PMI). The latest data also pointed to the steepest reduction in costs across the construction sector for more than 14 years due to lower raw material prices, alongside greater competition among suppliers due to falling demand. The PMI was 45.5 in November, slightly lower than 45.6 in October. As 50.0=no monthly change, with figures below representing an activity fall, November's PMI represents a fall for the third consecutive month and was the second lowest since May 2020.



House building (39.2) remained by the weakest-performing sector followed by civil engineering (43.5). Respondents reported cutbacks to residential development projects and a general slowdown in activity due to unfavourable market conditions. Commercial building showed some resilience (48.1) but even here activity decreased for three months in a row. Firms noted lacklustre domestic economic conditions and delayed decision-making by clients on major investment spending had been factors limiting demand.



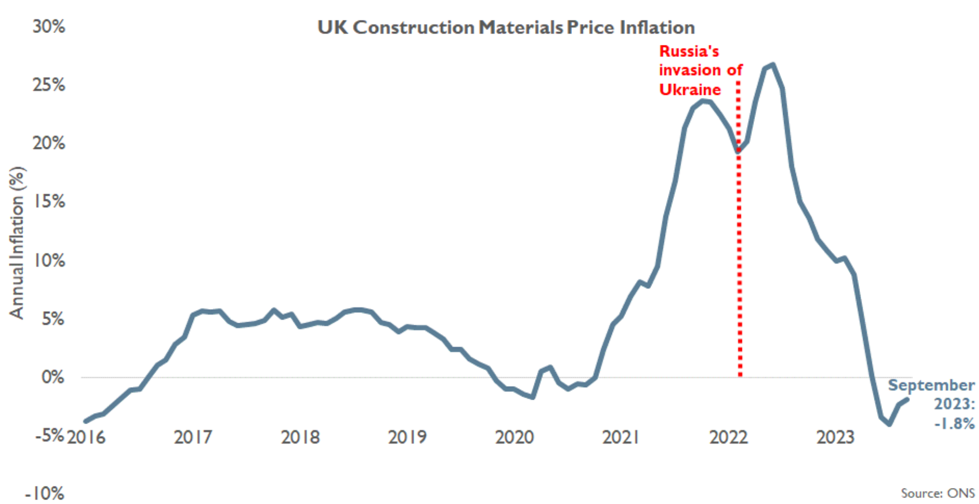
November data suggested a continued lack of new work to replace completed projects. Total new orders decreased for the fourth month running, albeit at the slowest pace since August. Business activity expectations for the year ahead picked up from October's recent low, but remained notably weaker than seen in the first half of 2023. Concerns about the near-term demand outlook contributed to a renewed decline in staffing numbers during November and a marked reduction in purchasing activity.

Input buying has decreased in five of the past six months, largely reflecting reduced workloads and a lack of new project starts. Some firms also reported destocking efforts in response to improved supply conditions, which led to lower input buying in November.

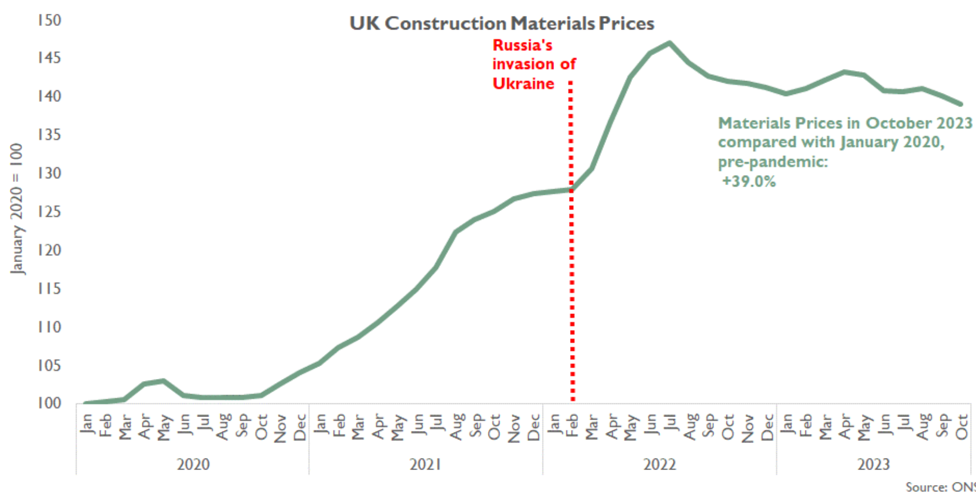
Survey respondents reported spare capacity among suppliers and weaker demand for construction inputs, although some commented on transportation delays. A combination of greater price competition among suppliers and falling raw material costs contributed to another decrease in input prices across the construction sector. The overall rate of decline was the steepest since July 2009, with survey respondents reporting falling prices paid for a range of materials (especially steel and timber).

2) ONS UK Construction Materials Price Indices (October 2023):

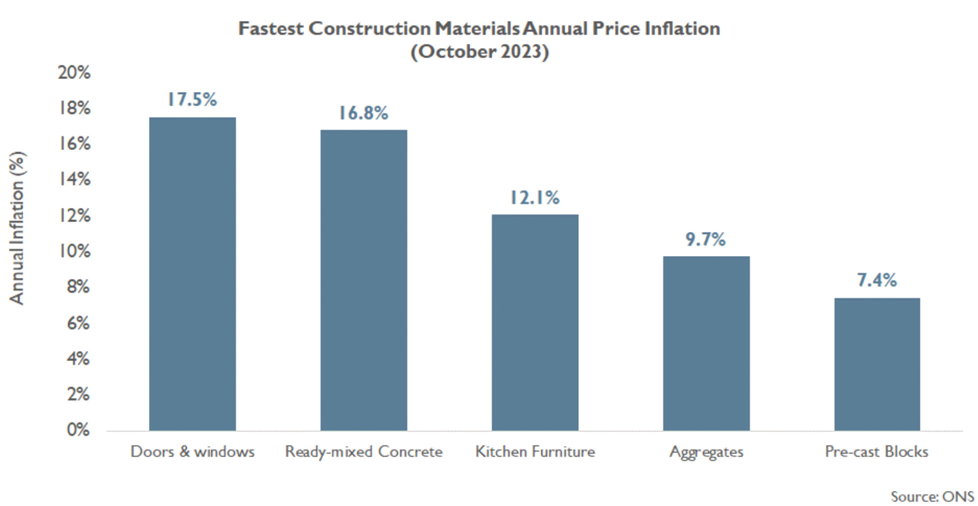
UK construction materials prices in October 2023 were 2.1% lower than a year ago according to the ONS as materials price inflation continues to slow, more than a year on from the spike in energy, commodity and materials prices when construction materials inflation peaked at 26.8% in June 2022 after Russia's invasion of Ukraine. It is worth noting that there has been an upturn in construction materials price inflation in August and September primarily because of oil prices but oil price falls in October and a slowdown in housing new build and improvements demand have led to further materials price inflation falls. Looking forward, further slowdowns in house building and improvements demand is likely to lead to further falls in inflation although this is likely to be partially offset but increases in oil prices and energy prices.



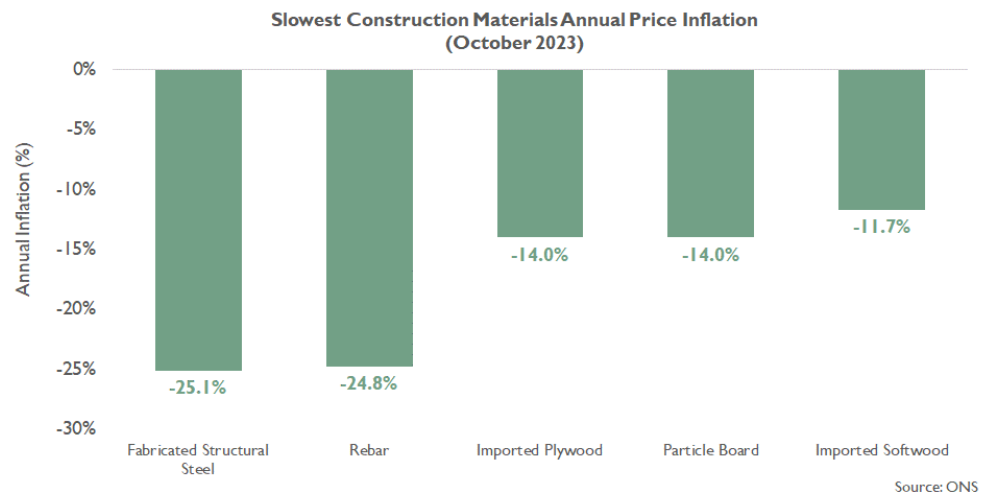
Whilst UK construction materials annual inflation is falling, materials prices themselves remain at high levels and in October 2023 materials prices were still 39.0% higher than in January 2020, pre-pandemic, which continues to have cost implications for projects signed-up to and/or started over 18 months ago, especially for small specialist sub-contractors on fixed-price contracts who are also under pressure from some major house builders and main contractors to cut prices.



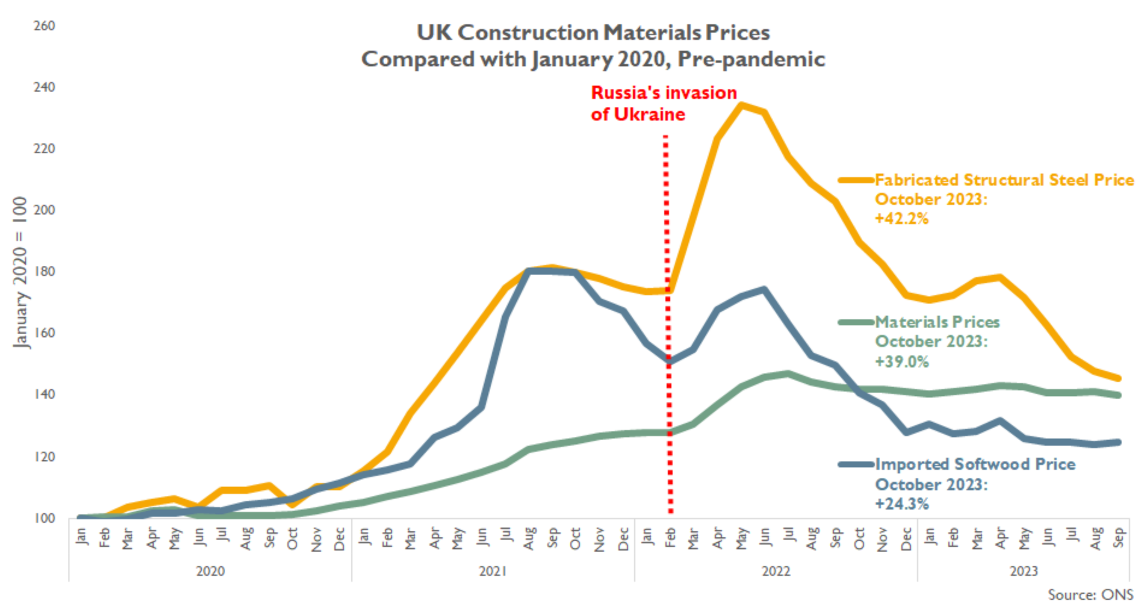
Although construction materials prices fell by 2.1% overall in the year to October, the prices of some materials are still rising at double-digit rates whilst the prices of other materials are falling at double-digit rates so how house builders and contractors find the impacts of the changes in construction materials prices on their cost base will depend on the product-mixes that they are primarily using. The fastest rates of UK construction materials price rises in the year to October 2023 were in Doors and windows (17.5%), Ready-mixed Concrete (16.8%), Kitchen Furniture (12.1%), Aggregates (9.7%) and Pre-cast Blocks (7.4%).



Conversely, the sharpest annual falls in materials prices in the year to October 2023 were in steel-related products such as fabricated structural steel (-25.1%) and rebar (-24.8%) as well as timber-related products such as imported plywood (-14.0%), particle board (-14.0%) and imported softwood (-11.7%).



It is important to note, however, that the key reason that the sharpest annual declines were in steel-related and timber-related prices is that their prices peaked higher than other materials and, for timber, prices peaked earlier than other materials due to supply chain issues in 2021, before the energy and commodity price spikes in 2022. So, even though the prices of steel-related products and timber-related products are falling at double-digit rates, they still remain high as they are coming from a high peak.

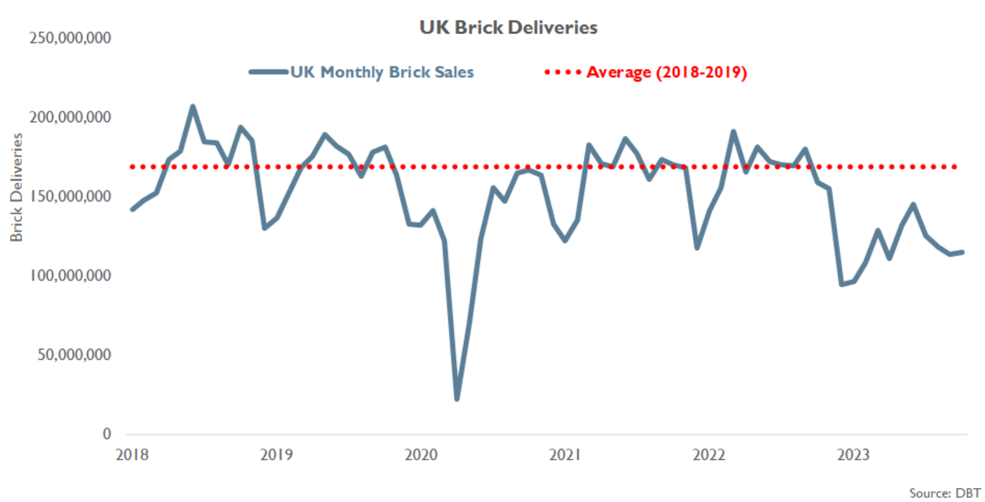


3) DBT UK Brick Deliveries (October 2023):

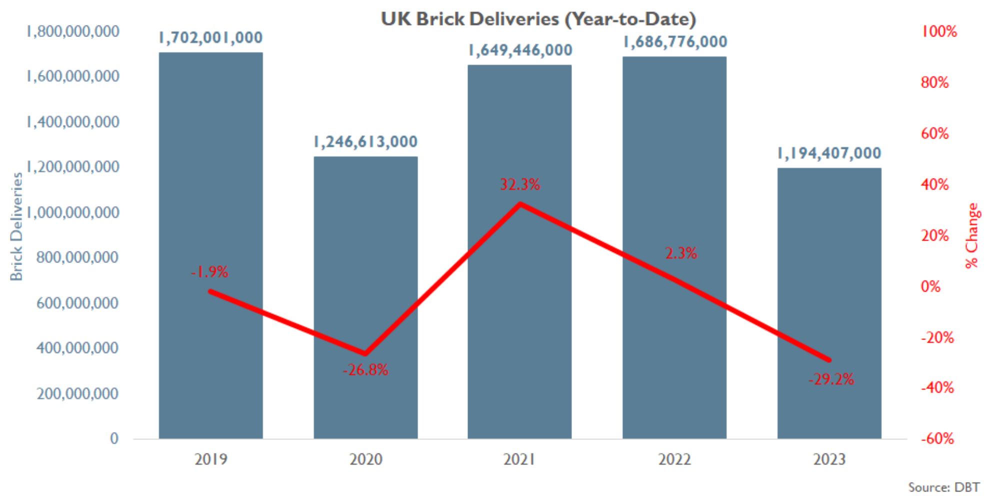
UK brick deliveries are a useful proxy for house building starts in the absence of monthly starts data. In addition, deliveries are a more useful indication of intention to build near-term given many house builders brought forward around 30,000 starts in 2023 Q2 prior to the end of the grace period for the uprated building regulations F, L, O and S (that add substantial cost) so they can build out in the next couple of years under the previous building regulations when demand recovers.

Brick deliveries in October 2023 were 1.5% higher than an unseasonably subdued September and were 27.6% lower than a year earlier, which is in line with the negative views of house builders, who stated Summer was poor, September did not have the usual pick up and October was only a marginal improvement.

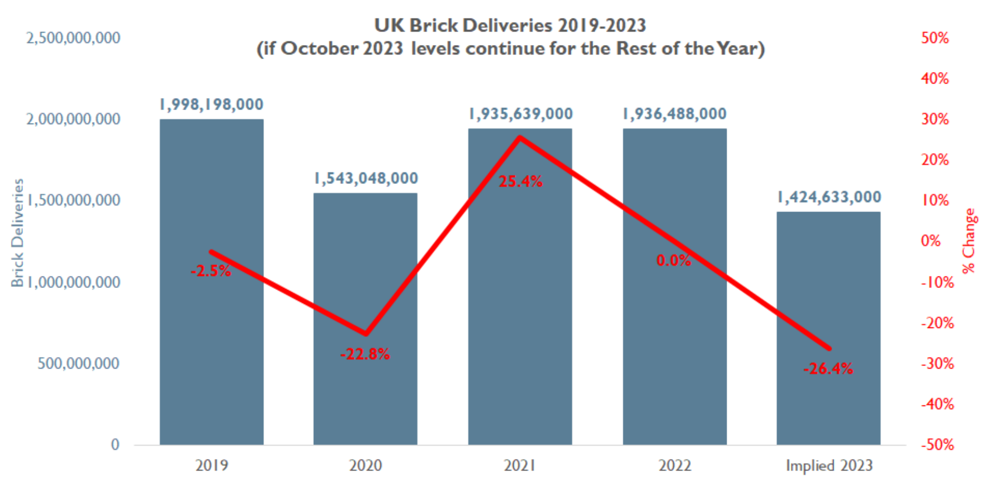
It is worth noting that October 2022, a year ago, was after the Mini Budget that led to the initial spike in mortgage rates and the consequent sharp fall in housing demand. Through recent deliveries, we can see the lagged impact of mortgage rate rises (which peaked at 6.02% for 3-year fixed-rate 75% LTV mortgage in August 2023 contrasting sharply with just 1.12% as recently as October 2021) on housing market demand and housebuilder confidence and starts. Mortgage rates have fallen slightly since August, to 5.44% in October, but given the current low level of homebuyer demand, house builders are still focusing on completing existing developments to meet demand rather than starting new developments except in a very few hotspots where private sector demand has remained solid and for affordable housing, such as shared ownership, where demand has not dropped off.



Year-to-date (January-October), deliveries in 2023 were 29.2% lower than a year ago. They were also 29.8% lower than in 2019, pre-pandemic, and 2023's levels have hit lower levels than in 2020, which was affected by the shutdown of the housing market and construction sector in the initial national lockdown. Deliveries were, however, broadly in line with the 28-32% falls in recent reservations and forward sales that some major house builders reported in year-end in Summer 2023.



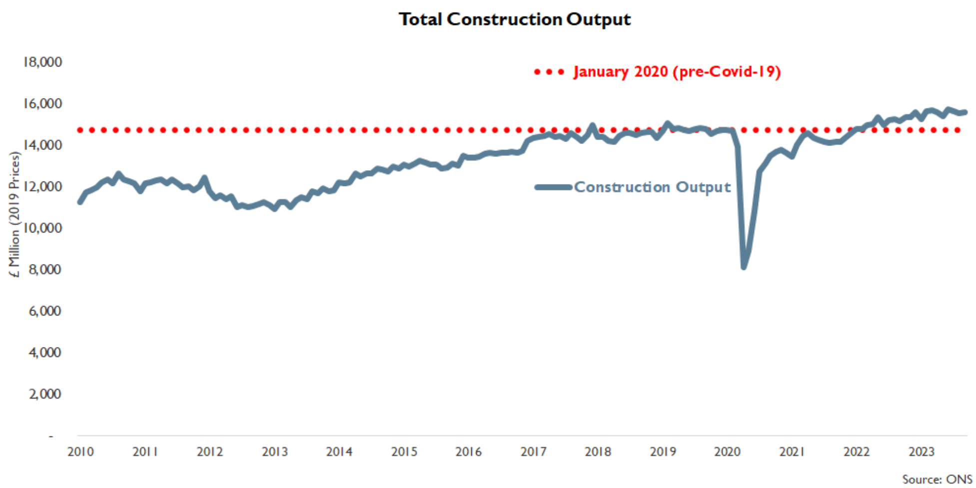
As another reference point for brick deliveries and house building starts this year, if deliveries continue at October levels for the rest of the year then, overall in 2023, deliveries they would be 26.4% lower than in 2022 and 28.7% lower than in 2019, pre-pandemic, but note that this reference point is likely to be on the optimistic side as house building starts tend to fall towards the end of the year as house building slows in Winter and builders focus more on completions for year-end, especially given the current low level of housing demand.



Going forward, the concern is that 2024 is likely to see a flat, or negative, house building market (outside of affordable housing where demand has remained strong) after the declines this year with a pick up at the end of next year at best or, more likely, in 2025.

EXISTING INFORMATION

ONS Construction Output (September 2023): Construction output in September 2023 was 0.4% higher than in August and still 2.8% higher than a year earlier according to the Office for National Statistics but it is worth noting that the concerns the CPA has consistently highlighted regarding the ONS construction output data remain. The concerns affect output in most construction sectors but, in particular, affect the repair and maintenance sectors and imply that the ONS has been consistently overestimating the volume of construction output since Spring 2022. Recent S&P Global/CIPS UK Construction PMI data pointed towards a fall in construction activity in September and also in October.

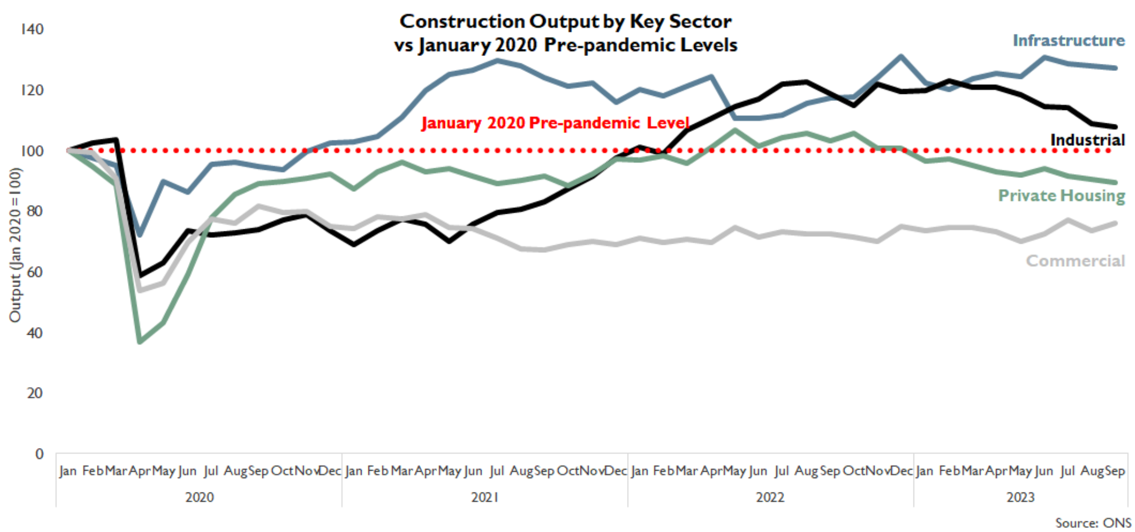


Looking at some of the key construction sectors, infrastructure output in September was 0.5% lower than in August but still 8.2% higher than a year ago. Activity remained strong on both major projects and large frameworks down on the ground despite government announcements earlier in the year of projects in the pipeline being paused and delayed. Activity on these major projects and frameworks is likely to drive activity in the near-term and medium-term although the paused and delayed projects are likely to restrict growth in the sector. A rising number of local authorities are either switching finance away from projects to rm&i or reducing infrastructure budgets due to financial constraints and the rising costs of social and health care.

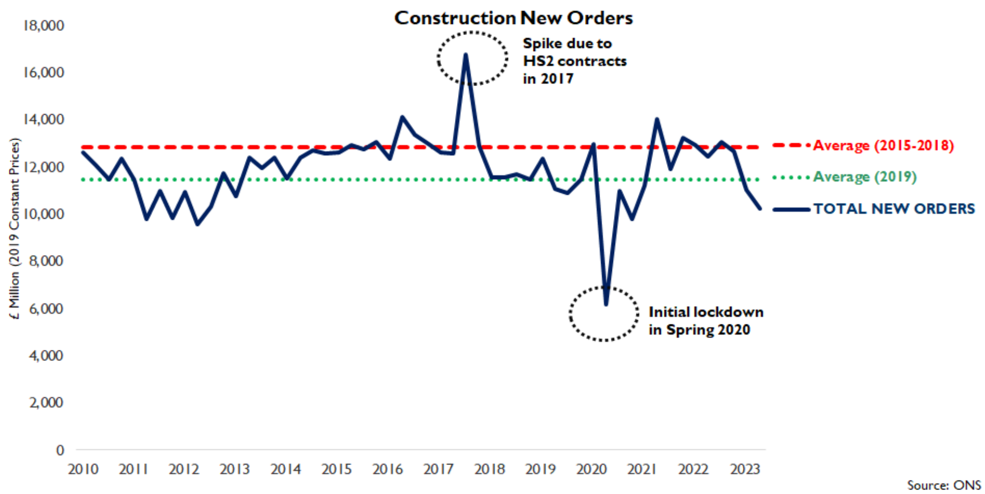
Industrial output in September was 1.1% lower than in August and 9.4% lower than a year ago as activity continues to fall from its highest ever level early in 2023. Activity still remains strong by historical standards for warehouses and logistics but new investment has peaked already and output is likely to continue to fall away at the end of the year. Factories activity from investment decisions made in 2021 has largely now finished and activity down on the ground has already been slowing since 2022 Q4. Factories projects that finished last year were not replaced at the same rate as manufacturers' investment decisions in Autumn 2022 were put on hold due to the economic and political uncertainty following the Mini Budget last year.

Private housing output in September was 1.0% lower than in August and 13.2% lower than a year earlier as higher mortgage rates continue to hit homebuyer affordability and, as a consequence, house builders remain focused on completions whilst starts and land purchasing are subdued except in some very selected areas. Demand since Summer was around 25-35% lower than a year earlier for some of the major house builders. House builders are anticipating potentially seeing government stimulus to help first-time buyers in the Autumn Statement in November although it is more likely to focus on extending mortgage guarantees and cuts to stamp duty rather than a new version of Help to Buy. Greater certainty over peak interest rates has led to slight falls in mortgage rates more recently but they remain at high levels compared with the previous ten years.

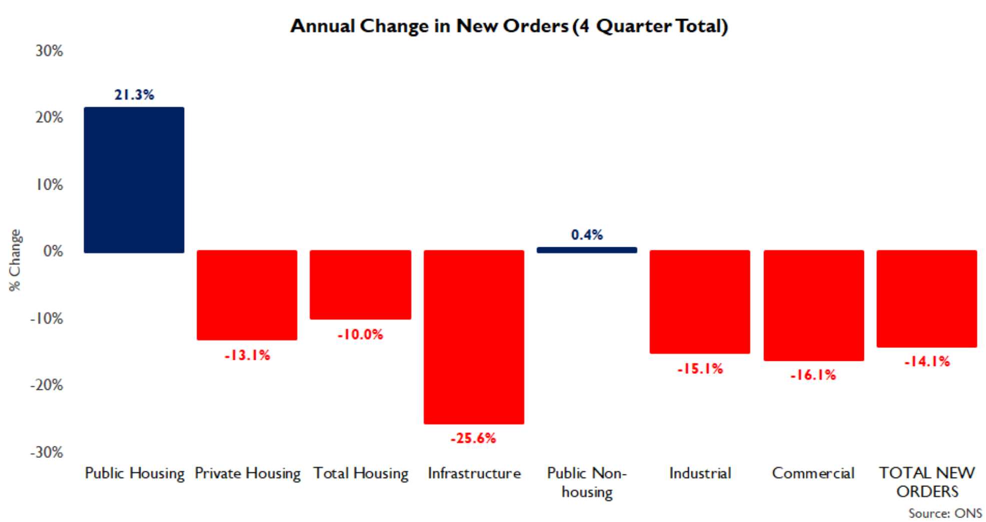
Commercial output in September was 3.6% higher than in August and 5.0% higher than a year earlier with activity still strong on the fit-out and refurbishment of existing commercial developments whilst conversions to residential in urban centres or industrial and logistics activity on the edge of cities also remains high. In addition, activity on data centres and biotech facilities also remains strong but there remain relatively few new commercial towers projects and new large commercial developments outside of a few high-profile projects in London whilst some of the new large entertainment (film studios) projects in counties surrounding Greater London have been put on hold due to financing and construction cost concerns.



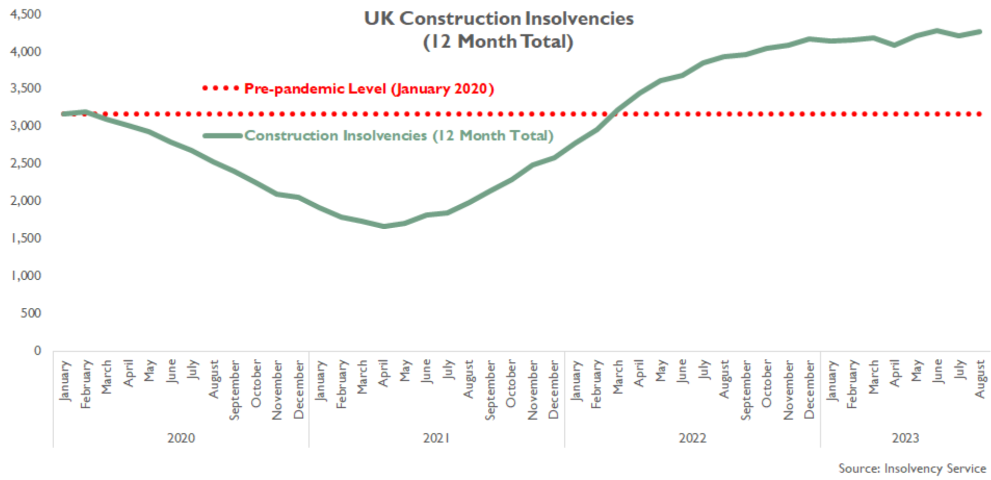
ONS Construction New Orders (2023 Q3): The volume of construction new orders, which only cover new construction work, in 2023 Q3 was 3.9% lower than in Q2 and 20.0% lower than a year earlier. Construction new orders have been falling for four consecutive quarters since the Government's Mini Budget at the end of September 2022 and in 2023 Q3 new orders were 11.2% lower than the average level in 2019 (although note that orders in 2019 were affected by economic and political uncertainty due to the postponed Brexit deadlines and General Election) and 20.8% lower than the average level of orders between 2015 and 2018.



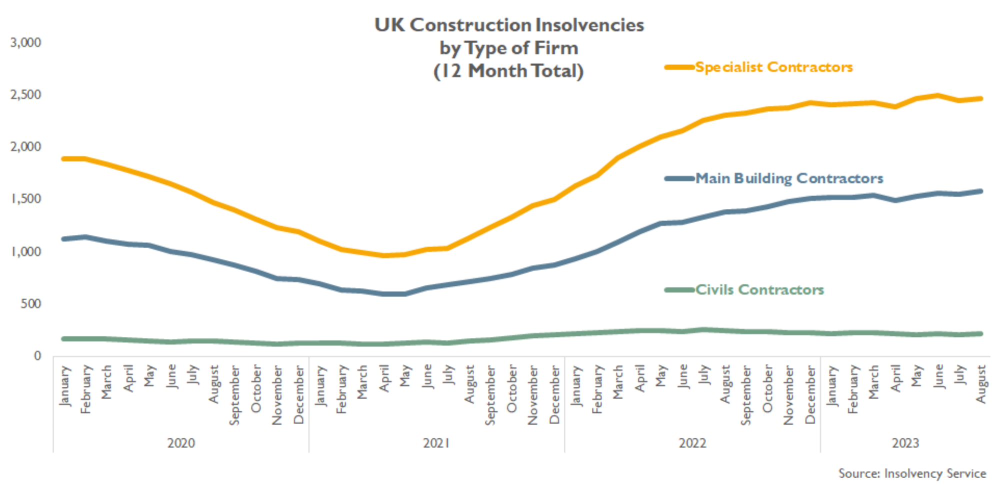
New orders by sector can be volatile on a quarterly basis and distort the forward looking picture given that different sectors have different lags between order and activity down on the ground but looking at the 4 quarter total to 2023 Q3, orders were 6.8% lower than a year earlier with falls across most sectors but the most pronounced were in infrastructure (-25.6%), private housing (-13.1%), commercial (-16.1%) and industrial (-15.1%). The only increases in orders were in public housing (21.3%) and public non-housing (0.4%).



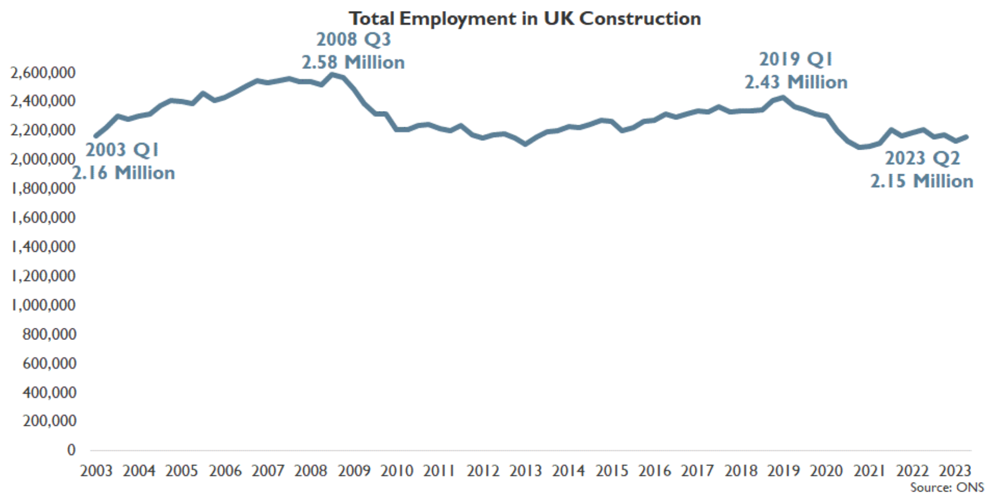
Insolvency Service UK Construction Insolvencies (September 2023): 4,287 construction firms in the UK went out of business in the year to September, which is 8.3% higher than a year ago and 35.2% higher than in the year to January 2020, pre-pandemic. The number of firms that went under in the year to September has been higher than pre-pandemic for 19 consecutive months. Insolvencies were at their highest level since the financial crisis, surpassing the previous high in June 2023 as we are seeing the full impacts of the declines in private housing new build and repair, maintenance and improvement (rm&i), the two largest construction sectors, on insolvencies.



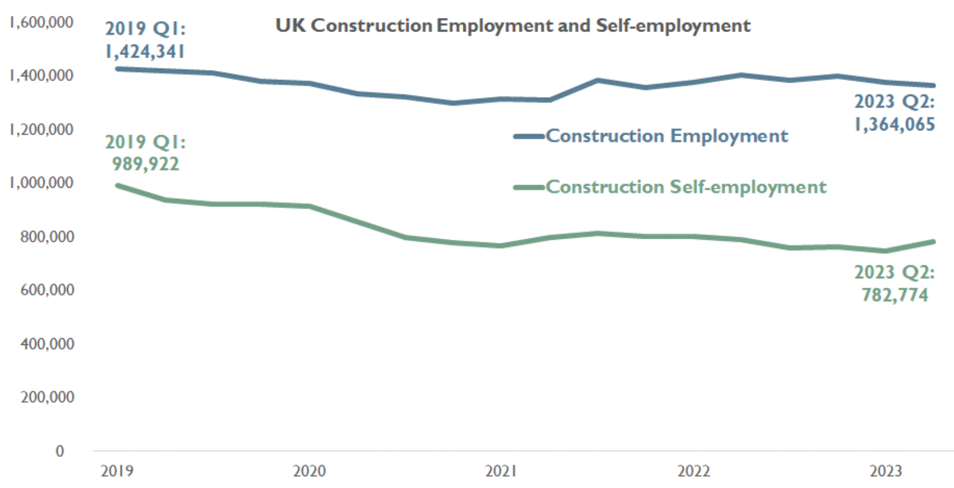
The biggest impacts remain on smaller specialist sub-contractors and 58% (2,475) of the firms that went under in the year to September were specialist contractors. As I have highlighted previously, in addition to the downturns in private housing and private housing rm&i demand, specialist sub-contractors have also had to deal with higher materials prices, IR35, reverse charge VAT, skills shortages and planning delays that have hit financial viability. Whilst specialists were the worst hit, main building contractors still accounted for 37% (1,600) of construction insolvencies in the year to August 2023 so they are clearly affected by the demand and supply issues as well. Civils contractors accounted for only 5% (212) of the insolvencies as major infrastructure project and framework activity has been stronger plus public sector clients have tended to be more understanding of cost inflation and delays on site (and less stringent enforcing fixed-price contracts) than some private sector clients and major house builders. The key concern is whether we will see further rises in contractor insolvencies in the new year after activity slows over Winter and as we approach the end of the financial year.



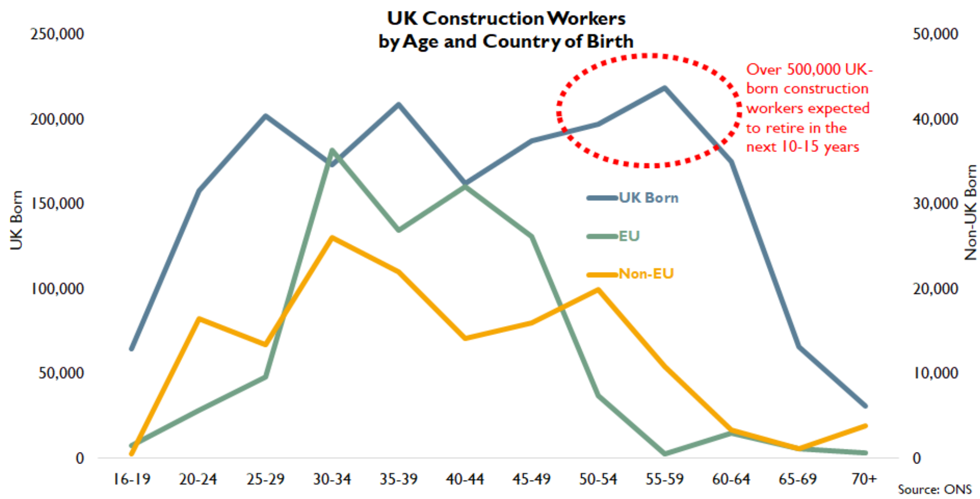
ONS UK Construction Employment and Self Employment (2023 Q2): Given that overall construction materials price inflation is now falling (albeit with materials prices remaining high), the greatest issue facing UK construction industry medium-term will be the skills shortages and the large number of construction workers that have left the industry. UK construction employment in 2023 Q2 was 1.1% higher than in Q1 but 2.4% lower than a year ago and 11.3% lower (274,000 fewer construction workers) than at the recent peak in 2019 Q1. It is worth noting that UK construction still hasn't seen the full impacts of the 20-25% fall in private house building (the largest construction sector) demand on employment as house builders were focused on completions. As a result, the full effect of the sharp decline in starting new private housing developments will affect activity and employment in the second half of 2023 and 2024 H1. The drop in UK construction employment since 2019 Q1 also does not include the effect of government's announcements in Spring of delays, pauses and cancellations to roads and rail projects that will also affect employment over the next 12-18 months.



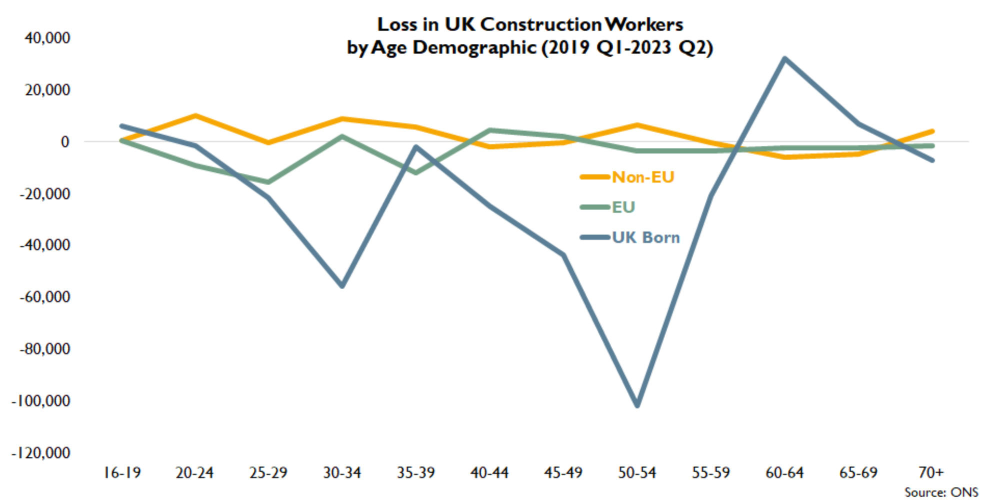
It is worth highlighting that the largest loss in construction employment since the recent peak in 2019 Q1 has been in self-employment, primarily older age-demographic workers in specialist trades. Self-employment in construction in 2023 Q2 was 0.9% lower than a year ago but 20.9% lower (over 200,000 fewer self-employed UK construction workers) than in 2019 Q1. What this means is that, overall, UK construction lost 274,000 workers between 2019 Q1 and 2023 Q2 whilst apprenticeship starts averaged 31,000 per year in the last 5 years according to CITB and the dropout rate is over 40%.



ONS UK Construction Employment by Age-Demographic (2023 Q2): As the CPA has consistently been highlighting, the UK construction workforce has an age-demographic problem but, critically, the age-demographic problem has been rapidly accelerating since 2019 Q1 based on the latest detailed breakdown of the construction employment data from the Office for National Statistics (ONS). UK construction employment in 2023 has a major age-demographic problem in the UK-born workforce, with a spike in employment in the 50-64 age range that means construction will lose over 500,000 workers (over 1/4 of the workforce) in the next 10-15 years.

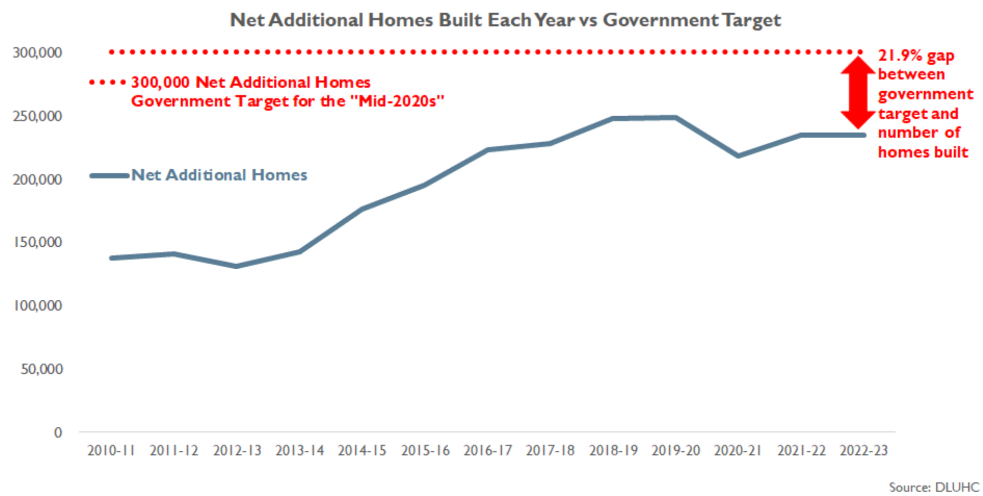


The age-demographic problem has accelerated since 2019 Q1 (the recent peak) and 2023 Q2. There has been a loss of over 250,000 workers in just over 4 years. The UK-born workforce main losses were between 45 and 59 years old. The EU worker losses have been between 20 and 29 years old and 35 and 39 years old, with EU workers going to home countries or other countries where activity remains strong plus those who return to the EU after projects finish haven't been replaced in the normal churn as employer-sponsored visa requirements make it more difficult, particularly for self-employed workers.

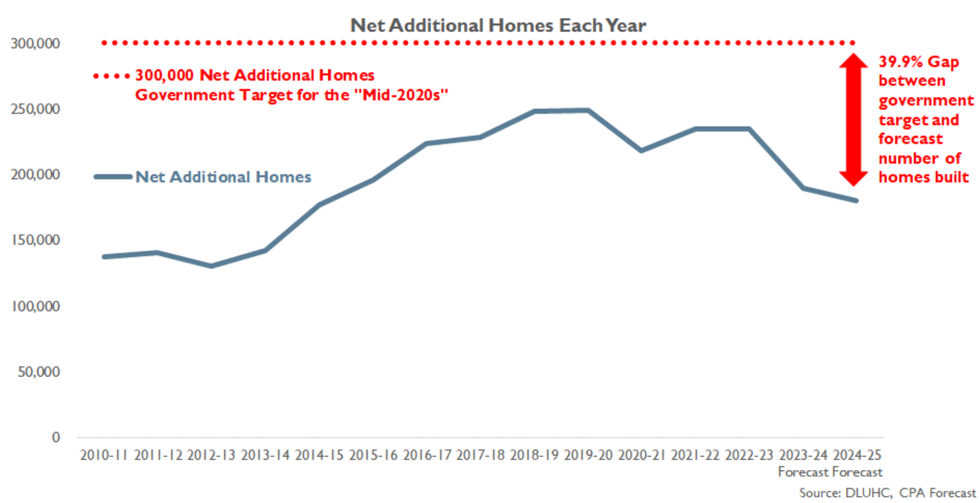


Given the loss of construction workers and as construction apprenticeship starts averaged 31,000 per year in the last 5 years but with a dropout rate over 40%, new entrants will not address the issue. And, without a skilled construction workforce then 300,000+ homes per year, Levelling Up, transition to Net Zero and £600 billion infrastructure pipelines will not happen.

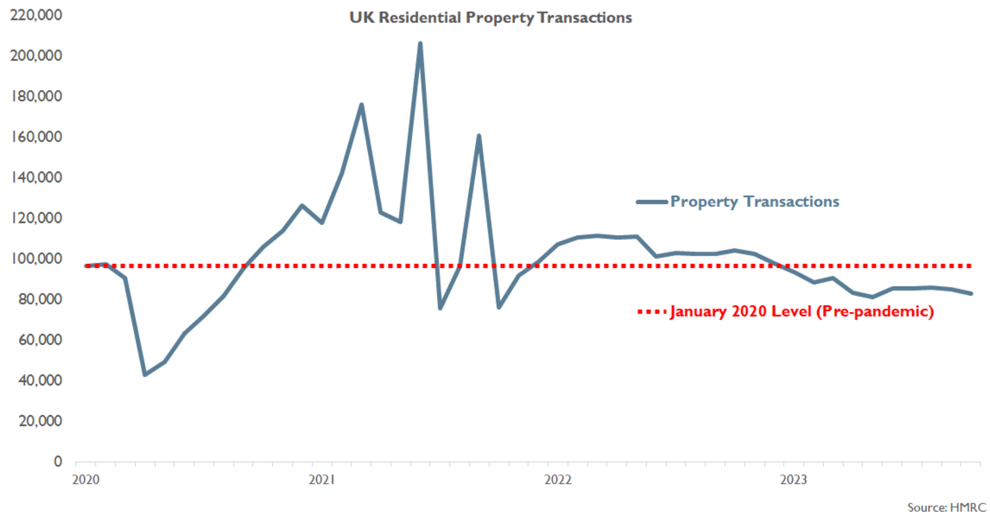
[DLUHC Net Additional Homes (2022/23)](): The number of net additional homes in England (the measure government uses for its 300,000 homes per year target that the Housing Minister reiterated at the HMI conference in October 2023) was 234,400 in 2022/23 according to the latest data from the Department for Levelling Up, Homes and Communities (DLUHC). It was flat compared with a year earlier but 21.9% lower than government's 300,000 target, which was for "the mid-2020s".



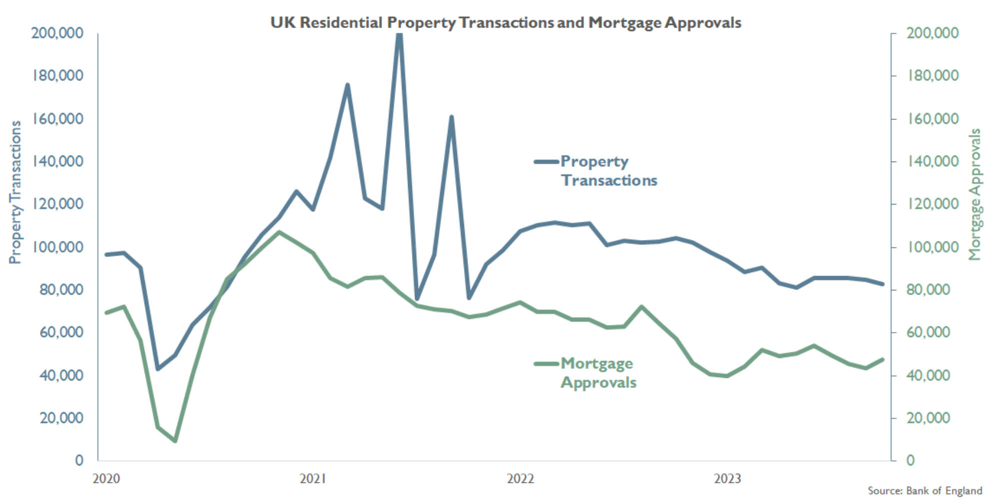
It is important to note that the double-digit, fall in house building will primarily be in the data in financial years (2023/24 and 2024/25) so, based the CPA's house building forecasts, government is likely to miss its target of "300,000 net additional homes per year in England by the mid-2020s" by 40%. It is worth highlighting that industry does not plan based on the government's housing target and, as a consequence, industry capacity isn't there to meet the target anyway. Also note that the previous house building target of 240,000 house building completions per year in Great Britain that was announced back in 2007 has not yet been reached, even before the 300,000 net additional homes in England by the mid-2020s target.



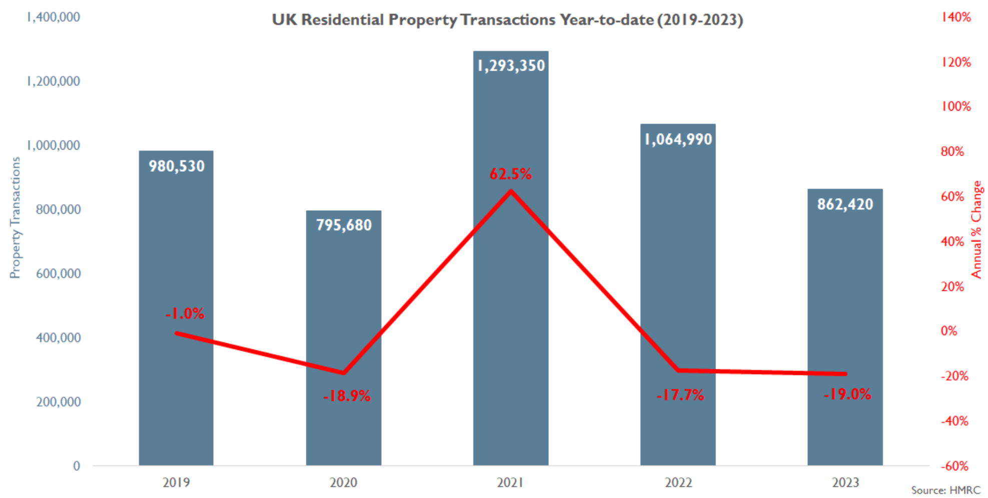
HMRC UK Residential Property Transactions (October 2023): There were 82,910 residential property transactions in the UK in October 2023, which is 2.5% lower than in September and 20.5% lower than a year ago (just before the full effects of last year's Mini Budget), according to HMRC. UK residential property transactions in October 2023 were also 11.9% lower than in January 2020, pre-pandemic 'race for space' and before the stamp duty holidays but with the unconstrained version of Help to Buy in place.



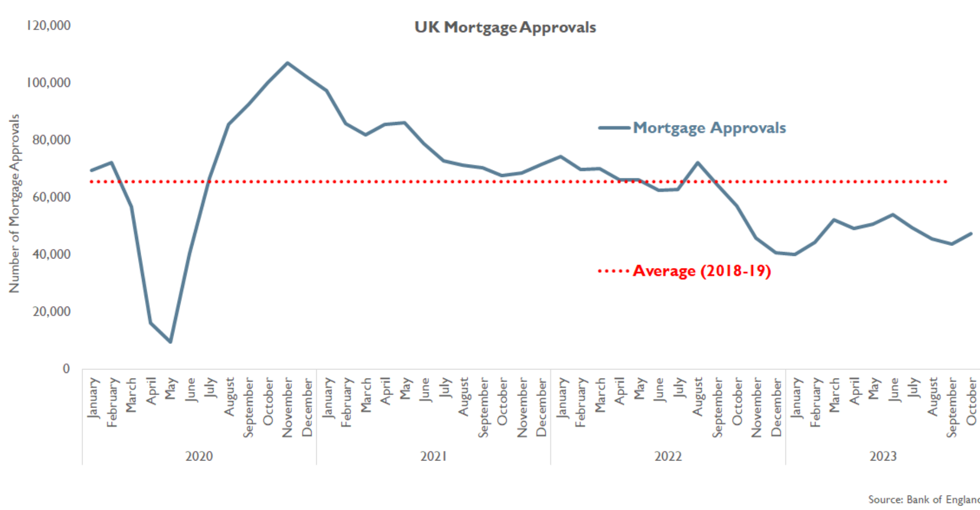
It is worth noting UK residential property transactions in October 2023 fell 20.5% compared with a year ago whilst mortgage approvals fell further, by 27.6%, over that time because transactions lag mortgage approvals, so UK residential property transactions are likely to fall further as we get to the end of the year, when the housing market tends to slow anyway in Winter. However, it is worth noting that property transactions may not fall as much as mortgage approvals as transactions have been partially sustained by cash buyers, from those wealthy enough to not need a mortgage, and bulk purchases from investors that see long-term rental demand.



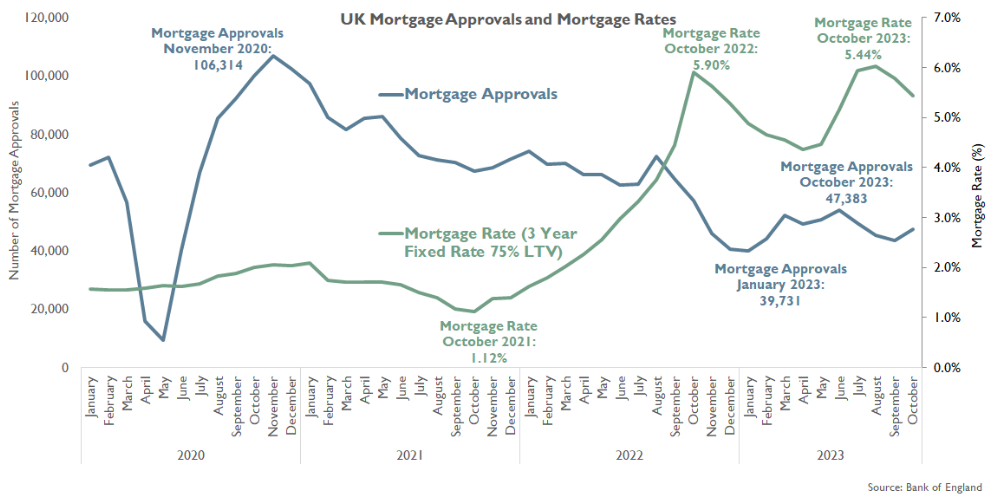
Even before these further expected falls in UK residential property in November and December, year-to-date (January-October), transactions in 2023 were 19.0% lower than in 2022 (which was a very strong housing market pre-Mini Budget impacts) and UK residential property transactions year-to-date (January-October) in 2023 were also 33.3% lower than in 2021, which was a temporary spike due to delayed transactions from 2020, when the housing market was shut in initial lockdown and also UK property transactions in 2021 were boosted by the 'race for space', itself boosted by the stamp duty holiday and Help to Buy directly but also by their deadlines bringing forward residential property transactions.



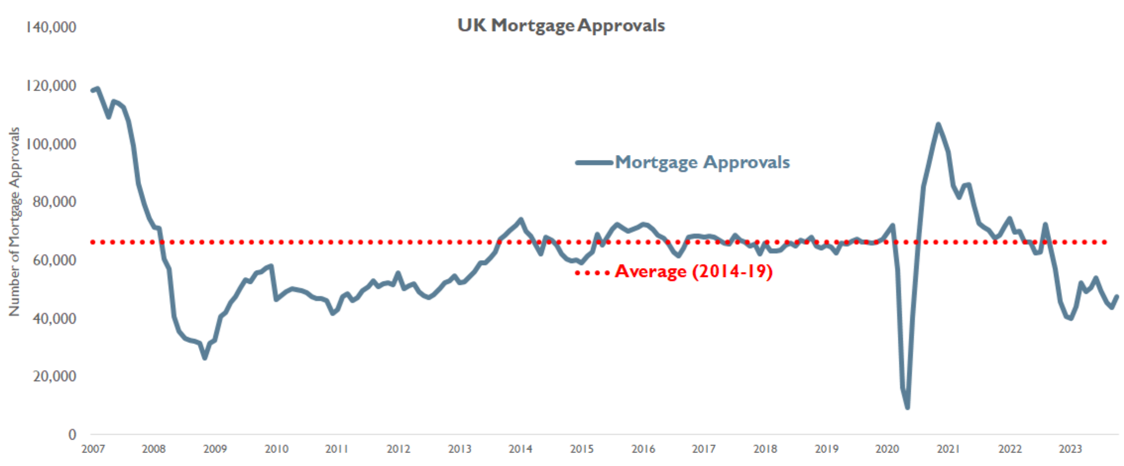
Bank of England UK Mortgage Approvals (October 2023): There were 47,383 mortgage approvals in the UK in October 2023 according to the Bank of England, 8.5% higher than in September but 17.1% lower than a year ago and 27.6% lower than the 2018 to 2019 average, (pre-pandemic 'race for space' and rate rises etc.).



UK mortgage rates fell slightly in both September and October 2023 (from 6.02% for a 3-year fixed-rate 75% LTV mortgage in August to 5.78% in September and 5.44% in October but rates remain high compared with 1.12% as recently as October 2021 and so, despite October's rise in mortgage approvals, it is unsurprising that the number of mortgage approvals remains historically low and has done since the initial spike in mortgage rates after the Mini Budget last year. Plus, given historically high mortgage rates medium-term, even with further marginal falls near-term, it is likely that mortgage approvals and, after a lag, property transactions, remain subdued over the next 6-12 months, particularly given no additional housing market demand stimulus from government in the Autumn Statement apart from the extension of the mortgage guarantees, has only accounted for 1% of mortgages.

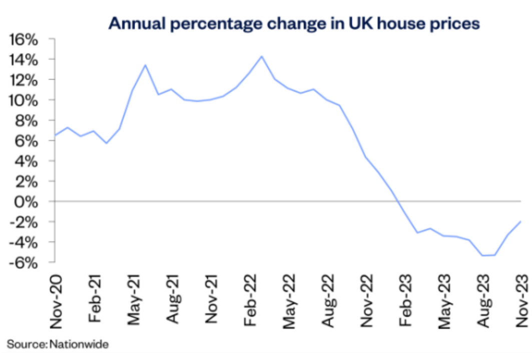


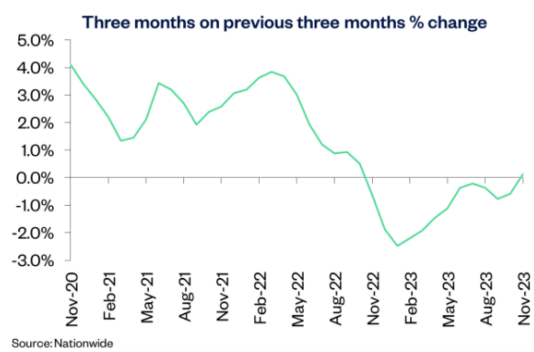
It is worth noting that for historical context, the number of mortgage approvals in October 2023 was 28.5% lower than the 2014 to 2019 average, when low rates became embedded (with an average of 2.12% for a 3-year fixed-rate 75% LTV mortgage) and in a period of growth but as a longer-term comparison with the financial crisis, UK mortgage approvals in October 2023 were 80.0% higher than in November 2008, the nadir of the financial crisis, albeit that is a very low reference point.

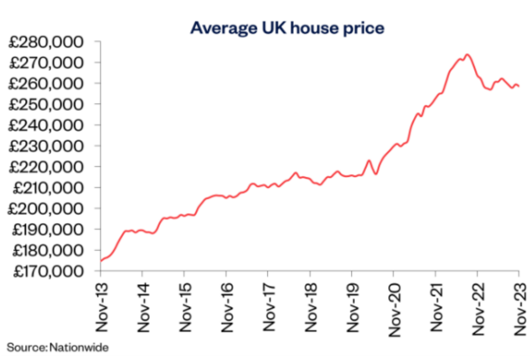


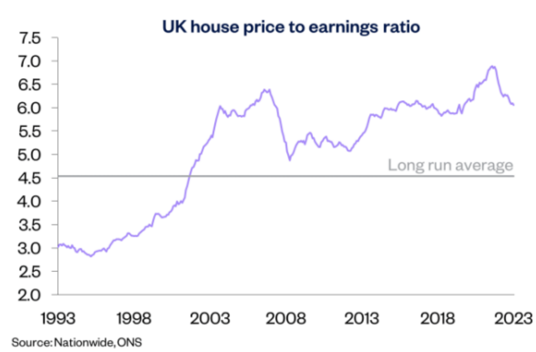
[Nationwide UK House Price Index (November 2023)](): According to lender Nationwide, UK house prices (based on their mortgage offers rather than property transactions) rose by 0.2% in November. This was the third successive monthly increase and resulted in an improvement in the annual rate of house price growth from -3.3% in October to -2.0% in November. This remains weak but is the strongest outturn for nine months. It stated that there has been a significant change in market expectations for the future path of Bank Rate in recent months which, if sustained, could provide much needed support for housing market activity. “In mid-August, investors had expected the Bank of England to raise rates to a peak of around 6% and lower them only modestly (to c.4%) over the next five years. By the end of November, this had shifted to a view that rates have now peaked (at 5.25%) and that they will be lowered to around 3.5% in the years ahead.” These shifts are important as they have led to a decline in the longer-term interest rates (swap rates) that underpin fixed rate mortgage pricing, as shown below. If sustained, this will help to ease the affordability pressures that have been stifling housing market activity in recent quarters, where the number of mortgage approvals for house purchases has been running at around 30% below pre-pandemic levels.

It also highlighted that whilst mortgage rates are unlikely to return to the lows prevailing in the aftermath of the pandemic, modestly lower borrowing costs, together with solid rates of income growth and weak/negative house price growth, should help underpin a modest rise in activity in the quarters ahead. Nevertheless, a rapid rebound still appears unlikely. Cost-of-living pressures are easing, with the rate of inflation now running below the rate of average wage growth, but consumer confidence remains weak, and surveyors continue to report subdued levels of new buyer enquiries. Moreover, while markets are projecting that the next Bank Rate move will be down, there are still upward risks to interest rates. Inflation is declining, but measures of domestic price pressures remain far too high. Policymakers have cautioned that it is too early to be talking about interest rate cuts. Indeed, three of the nine members of the Bank of England’s Monetary Policy Committee voted to increase Bank Rate at its meeting in early November, though the remaining six preferred to hold at 5.25% for the time being.

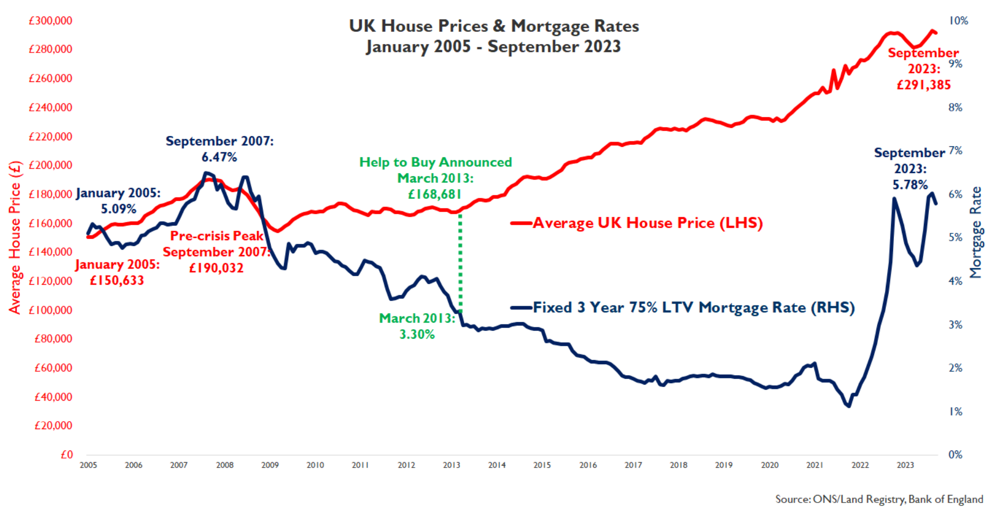




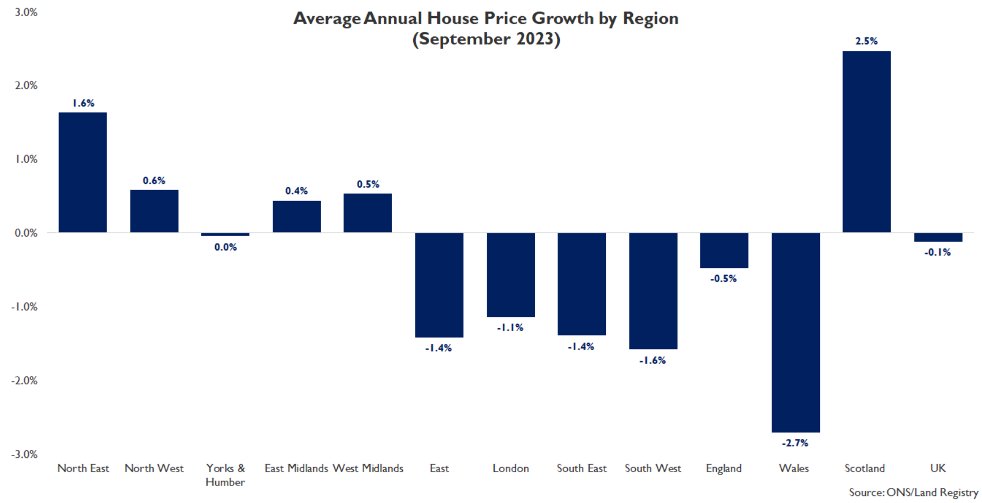




[ONS UK House Price Index (September 2023)](): The average UK house price in September 2023 fell by 0.1% compared with a year earlier, according to the ONS/Land Registry latest provisional data. House prices in September were also 0.5% lower than in August and 0.1% lower than at the pre-Mini Budget peak. As the CPA has previously highlighted, the ONS/Land Registry house price index is based on all property transactions including cash buyers and investor purchases, unlike the Nationwide and Halifax house price indices, which are based only on their mortgage offers and will have been affected more by the rising interest rates than the ONS/Land Registry house prices. It is also worth noting that as the number of mortgage approvals and property transactions has fallen significantly, cash buyers and bulk purchases at the higher end of what is a smaller housing market may skew the ONS/Land Registry average house price. Also, given that the ONS/Land Registry house prices are based on transactions, many of the transactions in September may have been based on mortgages before the August peak in mortgage rates, which would be likely to feed through to prices of transacted properties later in the year.



Across the regions and nations, the fastest annual house price growth was in Scotland (2.5%) and the North East (1.6%) whilst the slowest house price growth was in Wales (-2.7%), the South West (-1.4%) East of England and South East (-1.4%) according to the ONS/Land Registry.



Bellway Preliminary Financial Year Results (October 2023): Bellway reported preliminary results for the year ending 31 July 2023. Housing completions were 10,945 homes in the year compared with 11,198 a year earlier at an overall average selling price of £310,306 compared with £314,399 a year ago. Its reservation rate reduced by 28.4% to 156 per week compared with 218 per week a year earlier and its private reservation rate decreased by 35.9% to 109 per week compared with 170 per week a year ago, representing a private reservation rate per site per week of 0.46 compared with 0.70 a year earlier. The underlying operating margin was 16.0% compared with 18.5% a year earlier with the reduction mainly reflecting the effect of build cost and overhead inflation, extended site durations because of slower reservation rates and the increased use of targeted selling incentives. In the nine weeks since 1 August, its overall weekly reservations were 133 per week compared with 191 a year earlier and the private reservation rate was 99 per week compared with 136 a year ago. The private reservation rate includes a bulk sale to a private rental sector investor, on compelling financial terms, comprising 71 homes. The private reservation rate per site per week in the period was 0.41 compared with 0.58 a year earlier, including a contribution of 0.03 from the bulk sale.

Bellway stated its forward sales position was valued at £1,232.3 million at 1 October compared with £2,093.8 million, comprising of 4,636 homes compared with 7,257 homes a year earlier (-36%) of which 71% were exchanged. Given the reduced order book and lower reservation rates, it is targeting completions of around 7,500 homes compared with 10,945 homes a year ago (-31%), preparing for a return to growth beyond 31 July 2024. It also expects that the overall average selling price will be around £295,000 compared with £310,306 a year earlier, with the moderation from 2023 primarily reflecting a higher expected proportion of social housing completions and a continued use of incentives.

	Year ended 31 July 2023	Year ended 31 July 2022	Movement
Housing completions	10,945	11,198	(2.3%)
Revenue	£3,406.6m	£3,536.8m	(3.7%)
Underlying performance measures:			
Gross profit (underlying)	£687.3m[2,3]	£787.0m[2,3]	(12.7%)
Gross margin (underlying)	20.2%[2,3]	22.3%[2,3]	(210 bps)
Operating profit (underlying)	£543.9m[2,3]	£653.2m[2,3]	(16.7%)
Operating margin (underlying)	16.0%[2,3]	18.5%[2,3]	(250 bps)
Profit before taxation (underlying)	£532.6m[2,3]	£650.4m[2,3]	(18.1%)
Earnings per share (underlying)	328.1p[2,3]	420.8p[2,3]	(22.0%)
RoCE (underlying)	15.8%[2,3]	19.4%[2,3]	(360 bps)
Statutory and other measures:			
Net legacy building safety expense	£49.6m	£346.2m	(85.7%)
Profit before taxation	£483.0m	£304.2m	+58.8%
Earnings per share	297.7p	196.9p	+51.2%
Proposed total dividend per share	140.0p	140.0p	-
Net asset value per share	2,871p[2]	2,727p[2]	+5.3%
Net cash	£232.0m[2]	£245.3m[2]	(5.4%)
Land bank (total plots)	98,164[5]	97,706[5]	+0.5%

Barratt Developments AGM Trading Update (October 2023): Barratt Developments reported a trading update for the period 1 July 2023 to 8 October 2023. Its net private reservations per average week were 169 compared with 188 a year earlier and net private reservations per active outlet per average week were 0.46 compared with 0.55 a year ago. During the period sales to the private rental sector and registered providers of social housing contributed 0.04, the same as last year. Reservation activity has continued to reflect the mortgage challenges faced by potential homebuyers, as well as the absence of Help to Buy reservation activity which accounted for 12% of private reservations in the prior year period. Its total forward sales (including JVs) at 8 October 2023 totalled 9,221 homes compared with 13,314 homes a year earlier (-31%) at a value of £2,362.0 million compared with £3,603.1 million a year ago. It was 60% forward sold for private home completions for this financial year, which ends on 30 June 2024, compared with 70% a year ago.

It stated that the outlook for the year remains uncertain with the availability and pricing of mortgages being vital. It continues to expect to deliver total home completions of between 13,250 and 14,250 homes this financial year, including around 650 home completions from its JVs and around 750 completions for the private rental sector.

1. Net private reservation rate per active outlet per average week	FY24	FY23	Change
1st July to FY results announcement [1]	**0.42**	**0.60**	**(30.0%)**
Of which PRS and RPs	0.02	0.05	(60.0%)
FY results announcement to date [2]	**0.51**	**0.48**	**6.3%**
Of which PRS and RPs	0.07	0.02	250.0%
1st July to date [3]	**0.46**	**0.55**	**(16.4%)**
Of which PRS and RPs	0.04	0.04	-

Note 1: To 27 August 2023 and 28 August 2022 respectively.

	8 October 2023		9 October 2022		Variance (%)	
2. Forward sales	£m	Homes	£m	Homes	£m	Homes
Private	1,481.4	4,241	2,252.8	5,972	(34.2%)	(29.0%)
Affordable	720.7	4,495	1,035.7	6,402	(30.4%)	(29.8%)
Wholly Owned	**2,202.1**	**8,736**	**3,288.5**	**12,374**	**(33.0%)**	**(29.4%)**
JV	159.9	485	314.6	940	(49.2%)	(48.4%)
Total	**2,362.0**	**9,221**	**3,603.1**	**13,314**	**(34.4%)**	**(30.7%)**

	Current Year		Prior Year		Variance (%)	
3. Forward sales roll	Private	Total	Private	Total	Private	Total
June	3,884	8,995	6,108	13,579	(36.4%)	(33.8%)
Reservations	2,414	2,700	2,714	3,343	(11.1%)	(19.2%)
Completions	(2,057)	(2,474)	(2,850)	(3,608)	(27.8%)	(31.4%)
Total[4]	**4,241**	**9,221**	**5,972**	**13,314**	**(29.0%)**	**(30.7%)**

Note 4: As at 8 October 2023 and 9 October 2022 respectively.

Vistry Group Trading Update (2023 Q3): Vistry Group providing an update on trading for 1 July 2023 to date. It reported that it was private sales activity remained subdued, without the normal seasonal pickup since early September and with the increased use of incentives. In addition is reported that it was in "productive discussions with our supply chain to agree cost reductions". It is targeting adjusted profit before tax of £450 million for FY23, excluding the impact of transitioning the Housebuilding business to Partnerships, and estimates the FY23 impact of the reduction in full year site margins to be in the region of £40 million so that its adjusted profit before tax, is now £410 million.

It stated that it saw a slowdown in open market private sales during the summer months due to the higher interest rate environment and inflationary cost pressures on household income. This trend has continued and it has not seen the seasonal increase in private sales since September that it had expected. Open market demand continues to be supported by incentives of c. 5%. Vistry's average weekly sales rate since 1 July was 0.60 compared with a year earlier 0.64 and 0.76 for the year to date. The Group's forward order book totals £4.3bn with 100% of private units for FY23 forward sold.

It stated that its shift in business model to Partnerships means that it will operate as a single business with 27 regional business units, a reduction from 32, and its overall headcount will reduce by c. 200 as a result of restructuring. Redundancies are separate to the approximate 4% reduction in the total number of roles (on a full-time basis) that has been implemented in connection with the Countryside acquisition. In addition, it has the capacity within this to deliver upon its medium-term growth targets with greater use of standardisation and timber frame manufacturing. It expects to deliver c. £25 million of annualised cost savings from this integration of Partnerships and Housebuilding, in addition to the £60m of synergies from the Countryside acquisition.

Forward sales

(£m)	**20 October 2023**	03 September 2023
Housebuilding		
- Private	**699**	670
- Private - Vistry share of JVs	**95**	107
- Affordable	**422**	444
- Affordable - Vistry share of JVs	**82**	74
Total Housebuilding	**1,298**	1,295
Partnerships		
- Mixed tenure	**1,503**	1,482
- Mixed tenure - Vistry share of JVs	**382**	401
Total mixed tenure	**1,885**	1,883
Total partner delivery	**1,095**	1,106
Total Partnerships	**2,980**	2,989
Total Group	**4,278**	4,284

Persimmon Q3 Trading Statement (November 2023): Persimmon, the third largest house builder by volume and largest by market capitalisation, reported for the period from 1 July 2023 to 6 November 2023 that it delivered 1,439 homes compared with 2,270 homes a year earlier. This included 1,234 private homes compared with 1,894 homes a year ago and 205 partnerships homes from its housing association partners compared with 376 homes a year earlier. Its private selling price on completions was up 2% compared with a year earlier at £296,822. Its partnerships average selling price increased 20% in the same period, reflecting a higher weighting of completions to the South compared with the prior year.

Trading in the period followed the normal seasonal drop over the summer months and a pick-up from September according to Persimmon. Pricing was broadly stable in the period despite continued affordability constraints, particularly in the South of England where it saw an increase in the use of incentives. In the third quarter, average incentives on private sales increased to around 3.6%. In the past 5 weeks private sales rates improved to 0.59 compared with 0.45 a year earlier, showing a strong pick up since the start of October. Of this 0.08 relates to investor sales. It anticipates that investor sales will represent around 5% of full year delivery. Its current forward sales position has increased to £1.6 billion since the half year compared with £1.4 billion a year ago. Of this £0.9 billion relates to private forward sales compared with £0.7 billion a year earlier with a private average selling price of around £277,750 compared with £282,316 a year ago. It also stated that build cost inflation has been more stubborn than expected at the start of the year and it anticipates the annualised impact of build cost inflation for 2023 will be around 8-9% but build costs moderated since the half year, which will help completions in 2024.

Q3 Highlights

	Q3 2023	Q3 2022	% change
New home completions	**1,439**	2,270	-37%
Average open sales outlets	**271**	269	+1%
Net private sales per outlet[1]	**0.48**	0.63	-24%
Current forward sales position[2]	**£1.62bn**	£2.09bn	-23%
Of which private forward sales[2]	**£0.93bn**	£1.42bn	-35%
Land holdings (plots owned and under control)	**c.84,300**	c.91,300	

[1]Net private sales per outlet of 0.46 excluding bulk sales (Q3 2022: 0.61)
[2]Excluding completions year to date and as at 5 November for 2023 figure, as at 6 November for 2022 figure.

1. 2023 quarterly performance	**Q1**	**Q2**	**HY**	**Q3**	**YTD**
Completions	1,136	3,113	4,249	1,439	5,688
Private (homes)	902	2,379	3,281	1,234	4,515
Partnerships (homes)	234	734	968	205	1,173
Net private sales rate	0.62	0.58	0.59	0.48	0.56
FTB % (private completions)	38%	33%	34%	32%	34%
Average sales outlets	266	268	267	271	268

2. ASP	**Q3 2023**	**Q3 2022**	**Change**
Private	£296,822	£291,259	+2%
Partnerships	£155,844	£129,796	+20%
Total	**£276,738**	**£264,515**	**+5%**

	5 Nov 2023		**6 Nov 2022**		**Change**	
3. Forward sales	**Value**	**Homes**	**Value**	**Homes**	**Value**	**Homes**
Private	£928.8m	3,344	£1,424.2m	4,993	-35%	-33%
Partnerships	£688.0m	4,414	£664.5m	4,662	+4%	-5%
Total	**£1,616.8m**	**7,758**	**£2,088.7m**	**9,655**	**-23%**	**-20%**

Taylor Wimpey Trading Statement (November 2023): Taylor Wimpey, the second largest house builder by volume, reported that it expects to complete between 10,000 and 10,500 homes over the full year. In the second half to date, its net private sales rate per outlet per week was 0.51, the same as a year earlier with a cancellation rate of 21% compared with 24% a year ago. Excluding the impact of bulk deals, its net private sales rate was 0.48 for the second half to date compared with 0.50 a year ago.

For the year to date, its net private sales rate was 0.63 compared with 0.74 a year earlier with a cancellation rate of 18%, the same as a year earlier. Excluding bulk deals, it had a net private sales rate of 0.57 for the year to date compared with 0.72 a year earlier. As at 5 November 2023, its current total order book excluding joint ventures stood at around £1.9 billion compared with £2.6 billion, representing 7,042 homes compared with 9,153 homes a year ago.

Redrow AGM Statement (November 2023): Top 10 UK housebuilder Redrow reported at its AGM a trading update for the 18 weeks ended 3 November 2023, being the first 18 weeks of the 2024 financial year. It stated that following the usual summer slowdown, the housing market has remained subdued through the Autumn. The value of net private reservations in the period was 25% below the prior year at £384 million compared with £515 million a year earlier. Gross private reservations per outlet per week for the period were 0.49 compared to 0.63 last year. 35% of its private customers were cash buyers with many of them are at the top of a house purchase chain and the rate of breakdown of chains is elevated because of difficulties with mortgages lower down the chains. This has caused its cancellation rate for the year to date to rise to 25% from 22% a year earlier and resulted in a net weekly reservation rate of 0.36. This is an increase on the 0.34 for the first 10 weeks of the financial year but it is below the 0.38 for the first half of FY2023. The average selling price of private reservations in the period was 2.5% lower at £471,000, compared to £483,000 in the prior year. It also stated that whilst build cost inflation continues to abate, it still expects overall build cost inflation will be around 7% for the current financial year given the inflation inherent in the opening work in progress.

Its total order book at 3 November was £864 million of which 66% is exchanged, compared to £1.36 billion at the same time last year with 74% exchanged. For the current financial year, it has legally completed or exchanged around 58% of revenue compared with 72% a year ago. It continues to expect revenue between £1.65 billion and £1.7 billion with profit before tax of between £180 million and £200 million. However, with the lower than anticipated sales rate due to the more subdued Autumn housing market they are more likely to be towards the lower end of the range.