



# ATLANTIC CAPITAL MARKETS



# FTSE 100 House Builders and Housing Market Review

01872 229 000  
[www.atlanticmarkets.co.uk](http://www.atlanticmarkets.co.uk)

## Introduction

The UK housing sector has come under focus since the December elections. With a compelling victory for the conservatives leading to strong promises of increasing housing builds in the coming years it certainly gives investors every reason to pay closer attention to a sector being flagged up as a key beneficiary of the stability now sought in the political landscape.

The mainstream housebuilders still build the majority of new homes in the UK and with the governments strong proposals for new builds and data showing an increase in UK house sales since the election the backdrop is looking good for the year ahead. That is of course as long as the promises made by Boris come to fruition.

So, with political stability now coming into play, a clearer view on Brexit and its impact and a build up of buyer demand looking to take advantage of the help to buy scheme the outlook is positive, but has this now been priced in?

## Sector and Market Backdrop

The latest data and analysis on the sector has shown that annual growth in average house prices in England and Wales will remain in positive territory throughout the first quarter of 2020.

According to the figures, this trend of positive year on year growth, which began in July 2019 is on track to continue through to at least March 2020 and highlights the underlying stability of the housing market during a period of high political and economic uncertainty.

The estate agent Savills has recently said it is benefiting from a “Boris bounce” that has driven an increase in UK house sales since the December general election. The company, which sells and manages commercial and residential property around the world, told investors and analysts that it expects its 2019 full-year sales and profits will be at “the upper end of the board’s expectations”.

“Looking to the year ahead, increased political stability in the UK should maintain improved sentiment in real estate markets ... Nevertheless, some caution may remain until the full impact of Brexit is better understood,” Savills said in a statement.

Estate agents across the market have also credited a so-called “Boris bounce” for an uplift in sales.

## RICS Housing Market Forecast 2020:

- Outlook for number of transactions is flat for the year ahead despite election outcome
- National house price growth projected to come in around 2% over 2020

The Royal Institution of Chartered Surveyors (RICS) Housing Forecast 2020 highlights the need for the government to prioritise housing policy in order to inject activity into the market and create a favourable environment for developers to help address the housing crisis.

The 2020 forecast predicts that there will be little change in sales volumes for the year

ahead, despite the new certainty around Brexit.

In 2019, the RICS survey data consistently showed that the market was plagued by a shortage of stock, with average stock levels on estate agents books hitting a new all-time low in June. This coupled with a continued decline in new properties being listed for sale.

## Taylor Wimpey

**Dividend Yield:-** 3.65%

**Average Target price:-** 197p

**Average broker view:-** STRONG BUY

Taylor Wimpey (formerly Taylor Woodrow) came to be after the merger of Taylor Woodrow and George Wimpey in July 2007. Taylor Wimpey's UK operations are increasingly focused on the Taylor Wimpey brand with historic brands (Bryant Homes, George Wimpey, Laing Homes and G2) being phased out. Taylor Wimpey's corporate head office is located at Gate House in High Wycombe. There are 24 regional offices in the United Kingdom. Taylor Wimpey build houses all over the UK with sites throughout Scotland, Yorkshire and Humberside, East and West Midlands Wales and London.

## Recent trading Statement

The recent trading statement for the year end 2019 was positive, with chief executive Pete Redfern saying "Despite an uncertain political and economic backdrop in 2019, we have continued to experience a good level of demand for our homes and trading in the second half of the year was as anticipated."

Taylor Wimpey's selling prices remained resilient, with the average of £305k up 1% from 2018's £302k. The order book going into 2020 is valued at £2,176m, ahead of £1,782m at the start of last year.

## Technical Chart



## Key Fundamentals

Company Name	Taylor Wimpey		
Sector	Home Construction		
Shares in Issue (m)	3,283.11	Market Cap (£m)	6,891.24
PE Ratio	10.44	Div per Share (p)	6.24
Div Yield	3.64	Div Cover	2.63
EPS	20.1	EPS Growth (%)	18.24
PEG	0.57	DPS Growth (%)	31.65
Debt Ratio	20.41	Debt Equity Ratio	0.41
Net Gearing	24.61	Gross Gearing	38.59
Asset Equity Ratio	1.63	Cash Equity Ratio	22.75
Quick Ratio	0.73	Current Ratio	4.22
Price To Book Value	2.14	ROCE	20

## Barret Developments

**Dividend Yield:-** 3.70%

**Average Target price:-** 762p

**Average broker view:-** Buy

Barratt Developments operate a network of over 30 divisions throughout the UK. It was founded in 1958 as Greensitt Bros but control was later taken over by Sir Lawrie Barratt. It was originally based in Newcastle upon Tyne but is now located at David Wilson's former offices in Coalville. It has been listed on the London Stock Exchange since 1968.

Barret Developments also acquires land and obtain planning consents. Barratt Developments has a national footprint, delivering new homes throughout Britain. The firm operate throughout 6 key regions and 27 operating divisions. Barratt's strength in the London market is unique amongst the national housebuilders. With more than 30 years experience building in the city Barratt's London operation is one of the leading residential developers in the capital leaving the stock more exposed than others to London house price moves.

## Recent trading update

The last trading update was back in October 2019, so all eyes will be on the next one in February, especially as there will be an expected updraft as seen with Taylor Wimpey because of the political stability from the elections. The last statement was decent with highlights showing continued progress all as expected with a good sales rate and healthy order book. sales rates in the period was 0.72 net private reservations per active outlet per average week compared to a sales rate in the equivalent period in 2019 of 0.69.

In the period Barrett's have delivered 3,252 home completions up 14.0% on last year. Total

forward sales as at 13 October 2019 are strong, comprising 12,963 homes at a value of £3,070.2m

## Technical Chart



## Key Fundamentals

Company Name	Barratt Developments		
Sector	Home Construction		
Shares in Issue (m)	1,018.28	Market Cap (£m)	7,952.77
PE Ratio	10.67	Div per Share (p)	29.1
Div Yield	3.73	Div Cover	2.52
EPS	73.2	EPS Growth (%)	10.08
PEG	1.06	DPS Growth (%)	9.81
Debt Ratio	11.47	Debt Equity Ratio	0.27
Net Gearing	18.93	Gross Gearing	32.26
Asset Equity Ratio	1.48	Cash Equity Ratio	19.68
Quick Ratio	0.7	Current Ratio	3.56
Price To Book Value	1.63	ROCE	16.54

## Persimmon

**Dividend Yield:-** 8.37%

**Average Target price:-** 2837p

**Average broker view:-** STRONG BUY

Persimmon is headquartered in York, England. The company is named after a horse which won the 1896 Derby and St. Leger for the Prince of Wales. Persimmon was founded by Duncan Davidson in 1972. After leaving George Wimpey, Davidson restarted development again in the Yorkshire area. Persimmon began to expand regionally with the formation of an Anglian division in 1976 followed by operations in the Midlands and the south-west. In 2001, Persimmon acquired Beazer Homes UK, for £612m, taking output to over 12,000 a year.

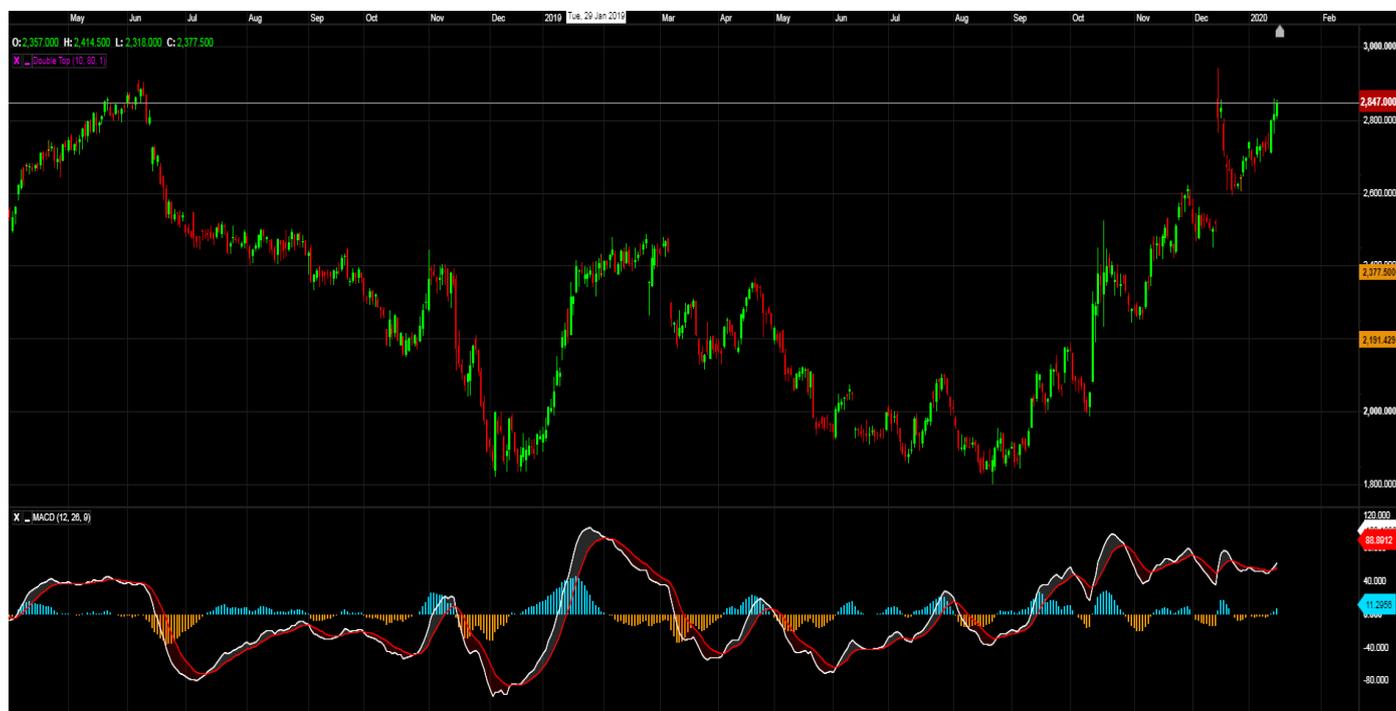
In January 2006 Persimmon acquired Westbury, another listed UK house builder, for a total consideration of £643 million.

## Recent trading update

Sales at Persimmon have fallen as the housebuilder tries to improve build quality and restore its tarnished reputation, they came under considerable fire last year due to its poorly built homes and huge executive pay-outs. Persimmon completed 15,855 homes last year, down 4% from the previous year. Revenues fell 2.4% to £3.65bn in 2019, and analysts are forecasting a small drop in pre-tax profits to £1.04bn. At that level of profit the firm is still making nearly £66,000 on every home it builds. The firm’s forward sales were down 3% to £1.4m at the end of the year.

At the end of 2019 the results of an independent review into Persimmon’s build quality were released, which revc

## Technical Chart



## Key Fundamentals

Company Name	Persimmon		
Sector	Home Construction		
Shares in Issue (m)	318.9	Market Cap (£m)	8,916.51
PE Ratio	9.87	Div per Share (p)	235
Div Yield	8.41	Div Cover	1.21
EPS	283.3	EPS Growth (%)	11.1
PEG	0.89	DPS Growth (%)	n/a
Debt Ratio	9.45	Debt Equity Ratio	0.23
Net Gearing	8.8	Gross Gearing	31.33
Asset Equity Ratio	1.46	Cash Equity Ratio	32.81
Quick Ratio	1.03	Current Ratio	3.75
Price To Book Value	2.79	ROCE	30.92

## Summary

Whilst the backdrop has turned bullish and the share prices are clearly marching higher at the moment fair warning needs to be exercised on where they are trading in comparison to target prices and forecasts. It is easy to get swept up in the momentum and indeed if there is an announcement from the Conservatives to support and confirm the increase in new house builds that has been proposed then this could easily unlock the next leg higher for the sector. Momentum buyers will be seeing the charts as strong buy signals whilst the bargain hunters and the high yield hunters will undoubtedly be feeling colder as the recent rally has seen the yields on all stocks reduce considerably. The sector looks strong but the real next leg up will come after there is confirmation from the government that they are going to increase house build quotas.

---

## About Atlantic Capital Markets

We are a multi-Asset brokers offering clients the ability to buy the shares either in a traditional fashion with standard shares or taking advantage of leverage and purchase via a CFD.

[Call us on 01872 229 000.](tel:01872229000)

---

### Disclaimer

We have provided this information for your general guidance only and it should not be considered as investment advice. Atlantic Capital Markets will not be liable for any loss or damage caused by a reader's reliance on information provided by us. We make no claims or representations as to the accuracy or completeness of any material contained in our guides. Atlantic Capital Markets is Authorised and Regulated by the Financial Conduct Authority (No 764562).