(Updated – 27 October 2023)

Weekly Economic and Construction Update

1) CPA Construction Forecasts (Autumn 2023):

Construction output is forecast to fall by 6.8% in 2023, broadly unchanged since the 7.0% forecast three months ago, as activity has largely evolved over the Summer as expected and activity continues to fall away in the two largest construction sectors, private new housing and private housing repair, maintenance and improvement (rm&i). Looking to next year, construction output is now forecast to fall marginally, by 0.3%, which is a revision down from the 0.7% growth forecast in Summer as a slower UK economic growth forecast for next year and high interest rates for longer has led the recovery in private housing new build and rm&i to be pushed back to 2025.

With annual inflation in the UK economy slowing as expected, more than a year on from the peaks in energy, oil and commodity prices in Summer 2022, interest rates appear to be peaking lower than expected in the Summer forecasts, which is positive for the UK economy near-term. However, inflation is likely to be stubborn over the course of the next 12-18 months, particularly after recent oil price rises. As a consequence, interest rates are likely to remain at peak for longer than previously expected and, as a result, this is likely to lead to slower growth in the UK economy next year and a slower recovery in the housing market. Total construction output is forecast to fall by 6.8% in 2023, which is a marginal upward revision compared with the 7.0% forecast back in July. Output is forecast to fall by 0.3% in 2024, downwardly revised from the 0.7% growth in the Summer forecasts. Within the overall forecast figures for next year, there are mixed fortunes across the different sectors but the key driver of changes to the 2024 forecast for total construction output is a downward revision to both private housing new build and rm&i from 2.0% to 0.0%.

Overall, since the CPA's last forecasts three months ago, firms across the supply chain report activity fell away in Summer and fell further in September.

Within **public housing**, housing associations still report affordable housing demand has not experienced a noticeable drop off but that they continue to have to move resource away to prioritise dealing with the existing stock; basic living conditions, building safety and decarbonisation. The G15 group of housing associations anticipates that its house building will fall by around 30.0% as a result although this is likely to be partially offset by the strength of the affordable housing demand and major house builders increasingly moving into the affordable housing space given the sustained demand.

House builders in **private housing** remain focused on completions whilst starts and land purchasing are subdued except in some very selected areas. Demand over the Summer was around 25-35% lower than a year earlier, which was a high base prior to the Mini Budget. House builders are anticipating potentially seeing government stimulus to help first-time buyers in the Autumn Statement in November – like Help to Buy – but there are increasingly mixed messages from government.

Infrastructure activity remains strong on major projects and large frameworks despite all the negative noises and mixed messages from government. There remains client hesitancy signing-off on projects plus a rising number of local authorities are switching finance away from projects due to serious financial concerns plus the rising costs of social and health care.

In the **public non-housing** sector, progress has been slow on the School Rebuilding Programme and the New Hospital Programme. Client decision-making is currently delaying new projects in both sub-sectors according to the supply chain although the concerns regarding (RAAC) may lead to an urgent stream of work despite no new, additional funding being available.

Industrial demand is still strong on warehouses and logistics but new investment has peaked and output is likely to fall away towards 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.

Commercial activity is still strong for fit-out and refurbishment whilst conversions to residential in urban centres or industrial and logistics activity on the edge of cities remains high. In addition, activity on data centres and biotech facilities also remains strong but there are pauses for repricing on new commercial towers projects where main work is not already underway.

Firms in **public housing rm&i** reported in recent months that activity is rising significantly in value terms as housing associations and local authorities focus on basic living conditions, building safety issues and decarbonisation but, given budgetary constraints and cost inflation, the value of work is being eroded so that we may see the value spent but without providing double-digit growth in volume.

Private housing rm&i activity continues to fall after declines last year but energy-efficiency retrofit and solar photovoltaic activity remains strong. Overall, activity has been volatile so far this year but Summer activity levels remained poor and there was little sign of an improvement in September. Smaller improvements activity fell away in 2022 and remained flat for much of this year but fell in September. Larger improvements activity continues to fall away.

Risks to the forecasts for both the UK economy and construction continue to remain on the downside but there are also positive risks (Page 13):

- UK Economic Growth and Inflation
- UK General Election
- Financial Sector Troubles
- The Availability and Cost of Labour
- Materials and Products Prices
- Contractor Insolvencies

Construction Industry Forecasts - Autumn 2023

% annual change	2021 Actual	2022 Actual	2023 Estimate	2024 Forecast	2025 Projection
Housing					
Private	37,134	40,795	33,044	33,044	34,035
	16.4%	9.9%	-19.0%	0.0%	3.0%
Public	5,120	5,359	4,555	4,464	4,687
	8.2%	4.7%	-15.0%	-2.0%	5.0%
Total	42,254	46,154	37,599	37,508	38,723
	15.4%	9.2%	-18.5%	-0.2%	3.2%
Other New Work					
Public Non-Housing	9,498	8,615	8,563	8,603	8,679
	-1.2%	-9.3%	-0.6%	0.5%	0.9%
Infrastructure	27,931	27,769	27,635	27,620	28,025
	28.1%	-0.6%	-0.5%	-0.1%	1.5%
Industrial	4,756	6,756	6,995	6,388	6,107
	1.2%	42.1%	3.5%	-8.7%	-4.4%
Commercial	21,939	21,775	21,025	20,719	21,005
	-7.3%	-0.7%	-3.4%	-1.5%	1.4%
Total other new work	64,124	64,915	64,218	63,330	63,816
	7.3%	1.2%	-1.1%	-1.4%	0.8%
Total new work	106,378	111,069	101,817	100,838	102,539
	10.3%	4.4%	-8.3%	-1.0%	1.7%
Repair and Maintenance					
Private Housing RM&I	25,432	28,717	25,558	25,558	26,325
	25.9%	12.9%	-11.0%	0.0%	3.0%
Public Housing RM&I	7,168	7,052	7,334	7,481	7,630
	5.8%	-1.6%	4.0%	2.0%	2.0%
Private Other R&M	14,537	16,384	16,220	16,545	16,875
	16.2%	12.7%	-1.0%	2.0%	2.0%
Public Other R&M	5,767	5,978	5,859	5,859	5,917
	10.9%	3.7%	-2.0%	0.0%	1.0%
Infrastructure R&M	11,330	12,046	12,046	12,046	12,046
	12.0%	6.3%	0.0%	0.0%	0.0%
Total R&M	64,234	70,177	67,017	67,488	68,794
	17.2%	9.3%	-4.5%	0.7%	1.9%
TOTAL ALL WORK	170,612	181,246	168,834	168,326	171,333
	12.8%	6.2%	-6.8%	-0.3%	1.8%

Source: ONS, Construction Products Association

2) [RICS UK Commercial Property Monitor (2023 Q3)]:

The RICS UK Commercial Property Monitor for 2023 Q3 remained downbeat, with tighter financial conditions and a sluggish economic backdrop weighing on investor and occupier markets. Going forward, more than 75% of contributors envisaged pressure on corporate cash-flows to intensify over the next year While the outlook for rents and capital values is still negative at the all-property average level, it masks a better performance anticipated across prime compared with secondary markets.

The occupier demand indicator was a net balance of -12% in Q3, down marginally compared to a figure of -10% previously, highlighting a modest overall decline in occupier demand. Both office and retail sectors exhibited a negative trend in tenant demand with respective net balances of -19% and -25%. For industrial, the latest net balance of +3% pointed to stalling demand over the quarter and represents the softest reading since 2020 Q2.

In terms of availability, respondents continued to cite an increase in vacant space in both office and retail sectors. The use of incentive packages (such as rent-free periods) continued to rise with a net balance of +40% of respondents reporting an increase in inducements for offices and +34% for retail. For the industrial sector, a flatter picture for vacancies and incentives was reported, albeit this marks a turnaround on the continuous decline in availability over most of the past decade.

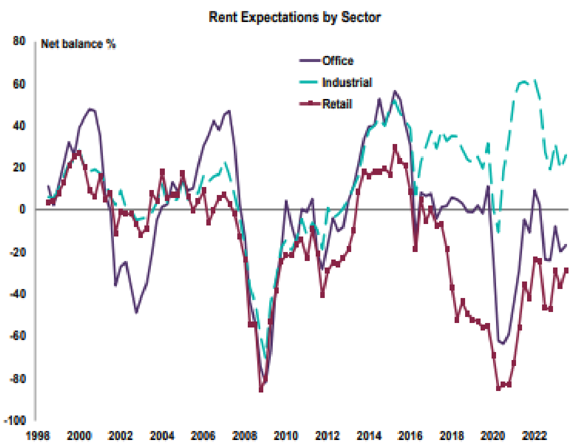
Looking ahead, twelve-month rental growth projections remain mixed. At the stronger end, a net balance of +46% of survey participants foresee a continued pick-up in prime industrial rents over the year ahead although expectations have moderated significantly compared with recent years. At the same time, secondary industrial rents are also anticipated to rise modestly. Across the office sector, the divide between prime and secondary remains stark. While prime offices are anticipated to deliver a small uplift in rental values over the year ahead (net balance +21%), rents are seen falling relatively sharply across secondary office space (net balance -47%). For the retail sector, a net balance of -13% of respondents expect prime rents to fall, with the outlook altogether more downbeat across secondary retail (net balance -51%). When viewed at a broad regional level, rental growth expectations for the next twelve months broadly match those recorded overall for the UK. For London, however, prime office and prime retail rental projections are modestly stronger than the national average.

Investor demand trends were again subdued in Q3. The all-property investment enquiries series posted a net balance of -21%, the fifth consecutive quarter in which this indicator has been negative. While the Q3 net balance of zero for industrials points to a flat picture for investment enquiries, a marginal improvement on -2% seen in Q2, the latest figures are more downbeat for offices and retail at -33% and -35% respectively. Overseas investment demand points to a continued decline in interest from international buyers across all sectors. Twelve-month capital value projections remain negative in most traditional market segments. Secondary office and retail values are seen suffering the sharpest declines, although the outlook is also negative for values across their prime counterparts. Prime industrial values are anticipated to see a slight increase over the year ahead with the latest net balance rising to +26% from +10% previously although the outlook is flat to marginally negative for secondary industrial values.

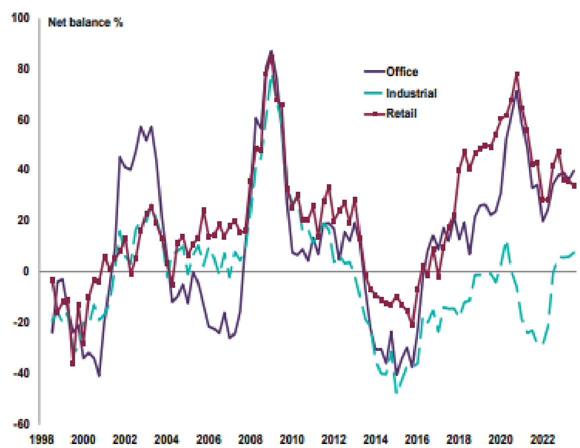
Away from traditional market segments, sectors such as data centres, aged care facilities, student housing and life sciences are all expected to post positive capital value growth in the year ahead. Furthermore, twelve-month projections were upgraded compared to Q2 results. By way of contrast, capital values across the leisure sector are anticipated to come under downward pressure over the year ahead.

Despite the relatively more resilient outlook in some pockets of the market, the overall view on conditions remains downbeat. 58% of respondents still perceive the market to be in a downturn phase of the cycle, although this is slightly lower than the share of 68% who were this opinion beforehand. It is worth noting, however, that there was an increase in the proportion of contributors sensing the market may have reached its floor from 15% to 24%.

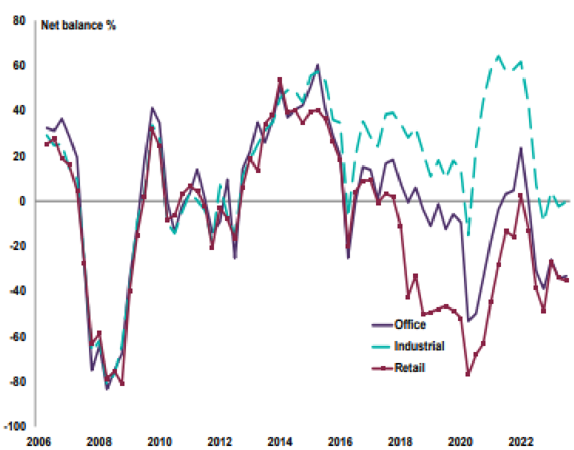
Rent expectations



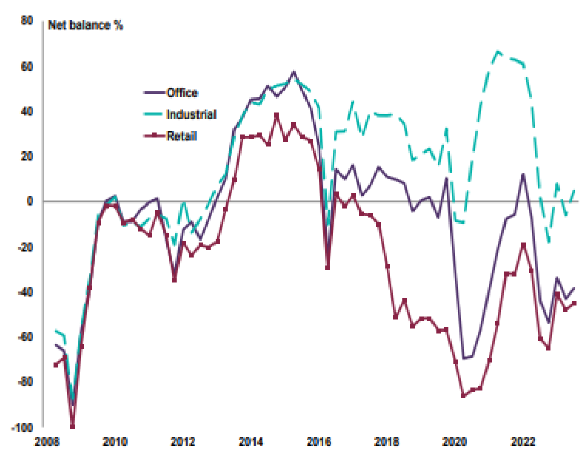
Inducements



Investment enquiries



Capital value expectations



3) 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

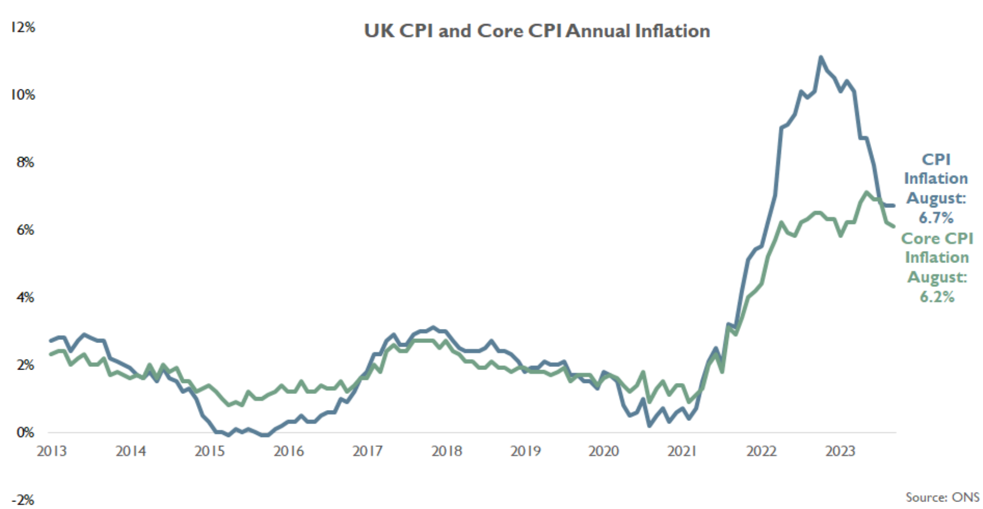
EXISTING INFORMATION

ONS UK CPI and Core CPI Inflation (September 2023): UK CPI inflation remained at 6.7% in September, the same rate as in August. It was marginally higher than the 6.6% that economists polled by Reuters beforehand were forecasting although this was always likely to be a little optimistic given the impact of oil price rises over the Summer and it underlines that inflation over the next year may be more stubborn than expected three months ago in the CPA forecasts.

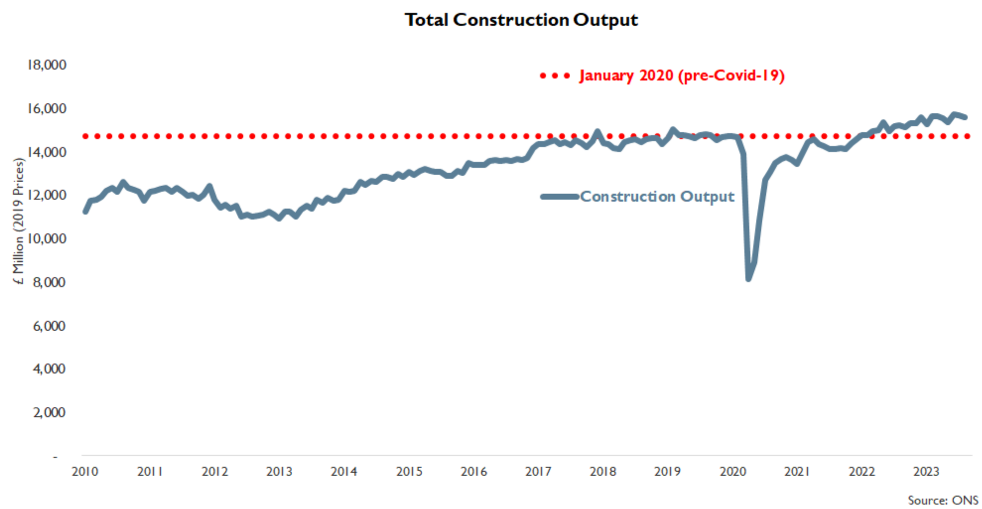
The CPI inflation rate in September had been due to factors such as higher motor fuel prices and rates on hotel accommodation, offsetting downward contributions from food and beverage prices. Inflation is expected to slow significantly next month although it is worth noting that this due to a temporary distortion as a result of the cut in the cap on household energy prices so annual percentage will fall due to the arithmetic alone.

Core CPI inflation, which the Bank of England monitors closely to see medium-term inflation prospects, and excludes energy and food prices, slowed marginally to 6.1% compared with 6.2% in August.

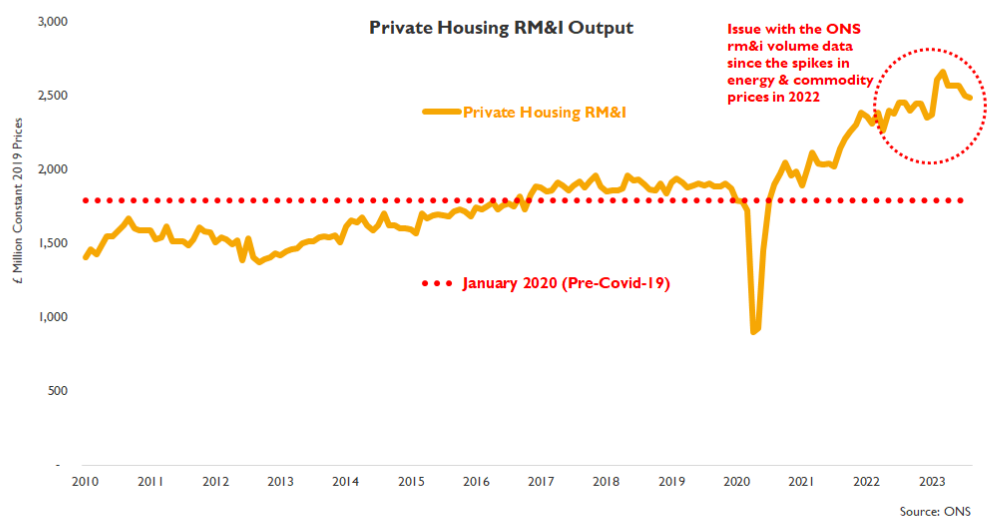
Stubborn inflation points to uncertainty again over the Bank of England's peak interest rates but the likelihood at this stage is that peak was already reached in September at 5.25%. As ever, however, it is worth noting that both the Bank and financial markets have been reacting significantly each inflation data point so a further rise in rates cannot be ruled out although the balance of risks still points towards interest rates remaining at 5.25%. It is worth noting that the CPA's Autumn forecasts, which will be published on Monday 23 October, assume that interest rates are already at peak at 5.25% but will remain at that level during 2024.



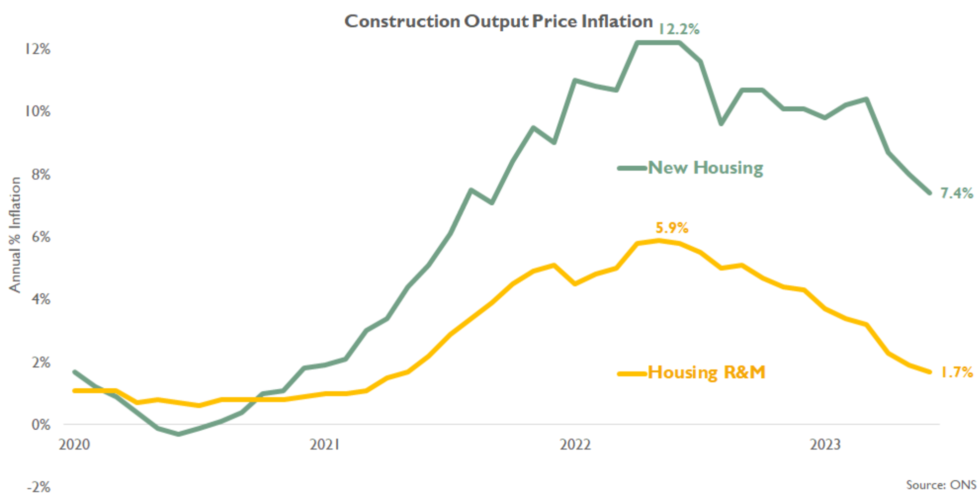
ONS Construction Output (August 2023): Construction output in August 2023 was 0.5% lower than in July but still 2.3% higher than a year earlier according to the Office for National Statistics and it is worth noting that the recent S&P Global/CIPS UK Construction PMI data pointed towards another fall in construction activity in September.



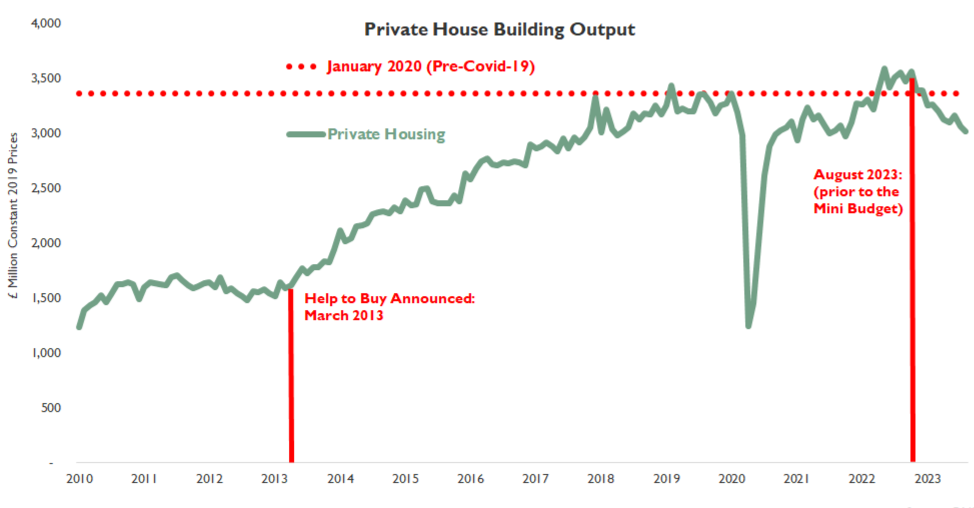
It is worth noting that the ONS construction output data continues to be inflated by issues in the repair and maintenance data, which particularly affected private housing repair, maintenance and improvement (rm&i) and the CPA has been highlighting for over one year and which the ONS has not addressed. According to the ONS, private housing rm&i output in August was 0.6% lower than in July but it estimated that it remained 38.9% higher than in January 2020, pre-pandemic. This is not in line with firms operating in the sector (SME contractors, builders merchants and product manufacturers). As construction inflation slows, this is likely to become less of an issue in terms of the monthly change, as highlighted by recent output falls, but it will still leave the output level at an artificially high level.



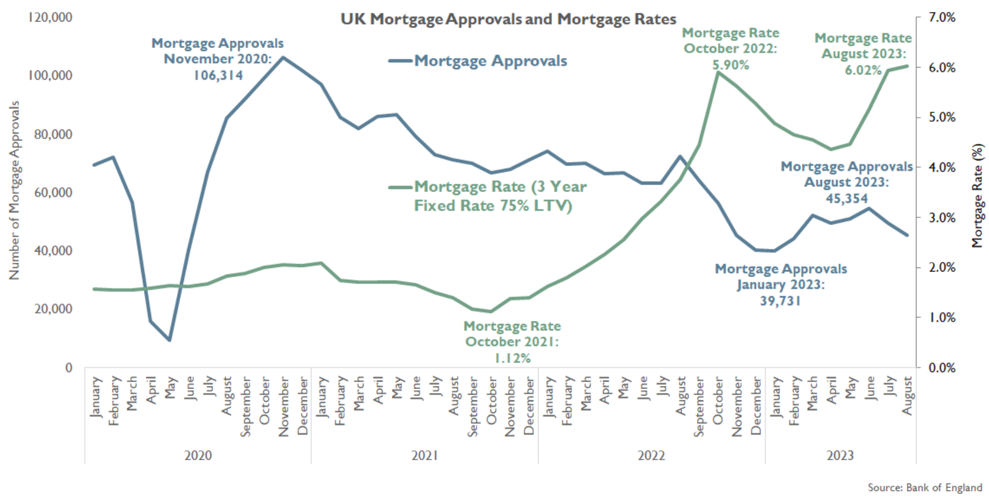
The issue in the ONS r&m volume of output data appears to occur as the ONS is underestimating price inflation in r&m, which it uses to deflate construction output value and turn it into volume of output. As it is underestimating price inflation, it is overestimating volume of activity. To illustrate this, inflation in new housing peaked at 12.2% after the spikes in energy and commodity prices in 2022 according to the ONS (when construction materials price inflation peaked at 26.8%). The ONS, however, estimated that inflation in housing r&m peaked at only 5.9% whilst firms in the sector (SME contractors, merchants and manufacturers) stated to the CPA that inflation in the sector was more than double the ONS estimate. As a result, the ONS has been consistently underestimating price inflation in r&m since Spring 2022 and overestimating the level of r&m output.



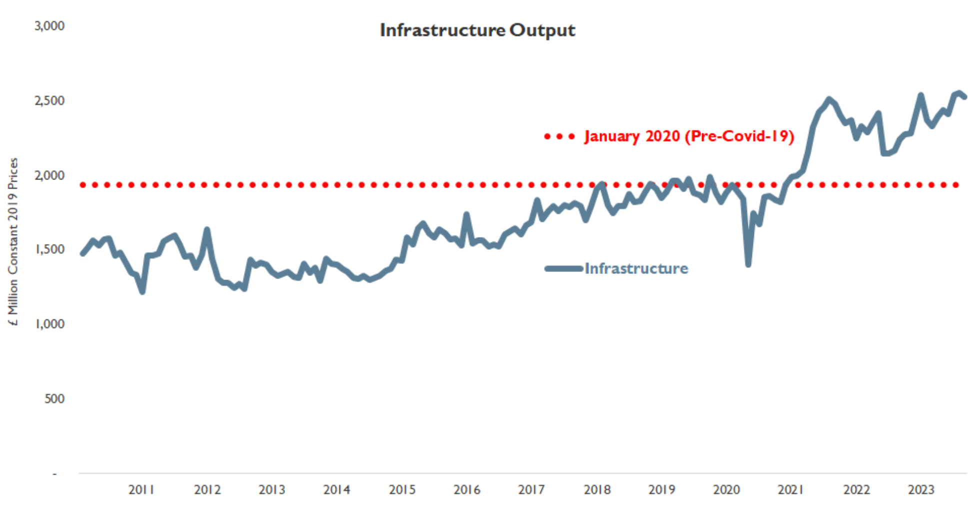
Private house building output in August 2023 was 1.4% lower than in July, 15.0% lower than a year ago and 15.9% lower than in August 2023 (the month before the government's Mini Budget) as we see the sharp fall in house builders retrench to meet the lower level of homebuyer demand after the sharp rise in mortgage rates and without government policy to help (to buy) so pre-sales prior to the Mini Budget have all fed through house builder completions already and reservations or forward sales over the Summer were between 28% and 32% lower than a year ago for some major house builders.



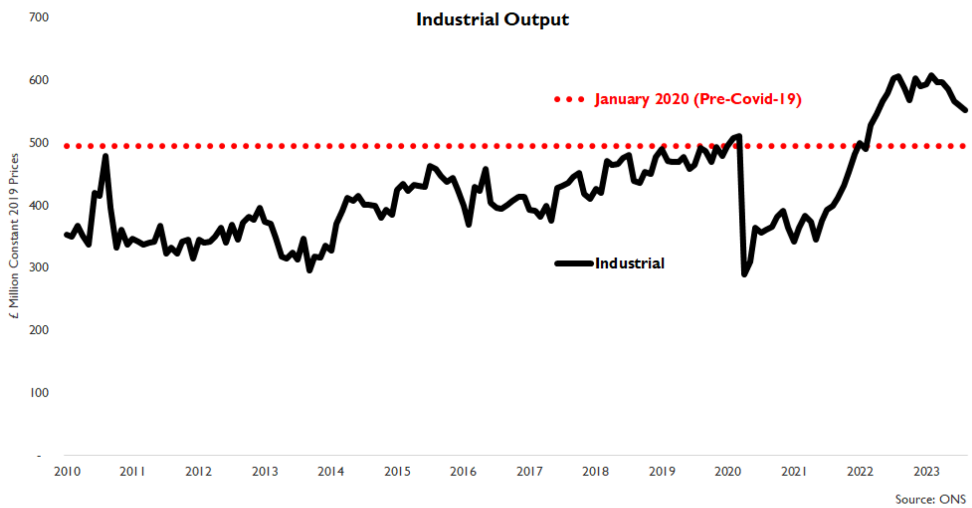
This points to further sharp falls in private house building in September, the rest of 2023 and also the first half of 2024, even if government were to announce help for house builders in the Autumn Statement in November and even if mortgage rates fall slightly with interest rates likely to peak lower than expected, given that most of the damage to the private house building sector in 2023 H2 and 2024 H1 has already been done and some house builders and sub-contractors shedding jobs and some product manufacturers that feed into housing starts cutting capacity.



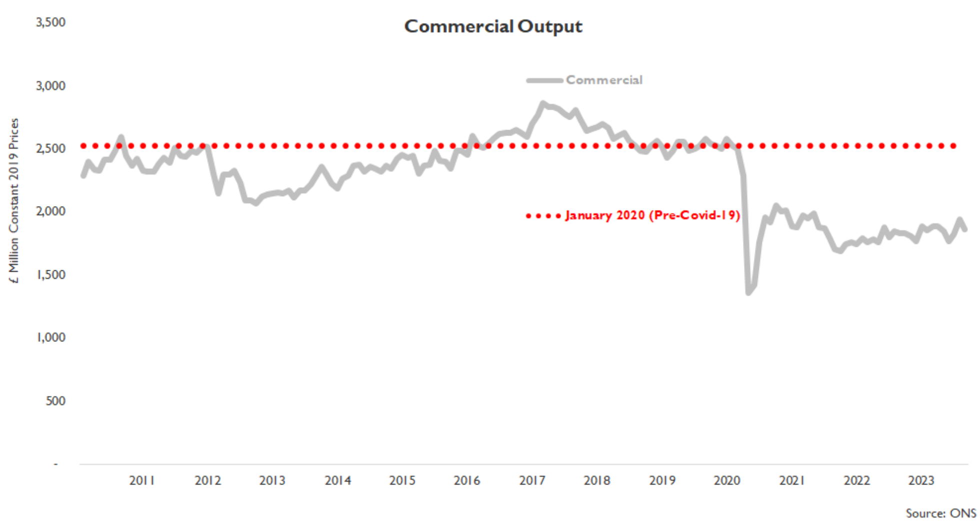
Infrastructure output in August 2023 was 0.9% lower than in July but still 13.0% higher than a year ago and 30.4% higher than in January 2020, pre-pandemic, despite government pausing, delaying and cancelling projects, mainly due to major projects on the ground such as HS2 Phase One plus regional infrastructure projects. This highlights that the UK can do both national high-speed rail and regional roads and rail infrastructure simultaneously and that it is not either one or the other as government has recently been suggesting with HS2 between Birmingham and Manchester or regional roads and rail projects in the North. Furthermore, despite government announcements focusing more on roads rather than rail, roads construction continues to fall due to local authority financial constraints as social and health care costs continue to rise and National Highways pushing projects back from RIS2 into RIS3.



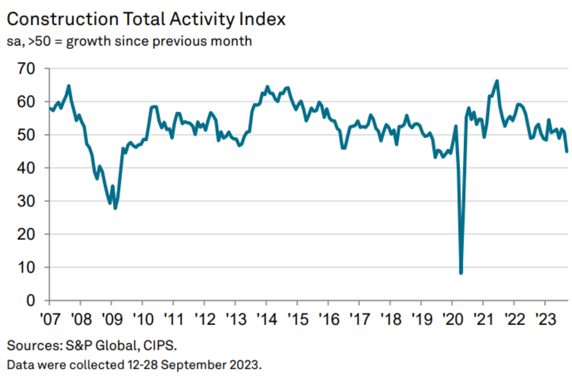
Industrial output in August was 1.6% lower than in July and 9.1% lower than a year ago but still 11.1% higher than in January 2020. The falls are from historic highs in February 2023 after spikes in warehouses, due to the long-term structural shift towards online shopping, exacerbated by a short-term upturn in online shopping in the pandemic. Plus, industrial activity was boosted by factories construction as capacity constrained manufacturers faced strong demand in 2021 so signed-off new investments in Autumn 2021, which led to activity in 2022 and early 2023. However, investment in warehouses peaked last year so as projects finish there are fewer to replace them. Factories construction is now falling as manufacturers in Autumn 2022 could not justify new investment in capacity, or where they could justify it they couldn't sign it off, due to the political and economic uncertainty after the Mini Budget.

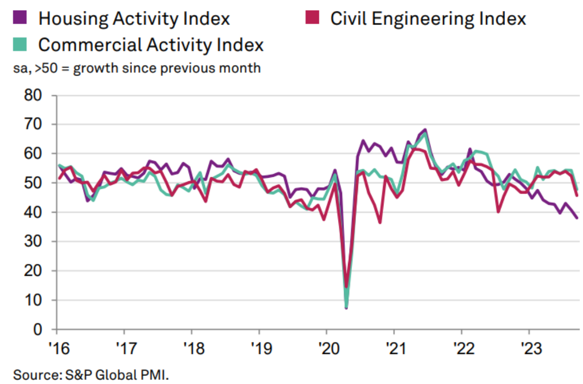


Commercial output in August was 4.2% lower than in July and 1.9% higher than a year ago but it remains 26.1% lower than in January 2020. This may appear strange to firms working in the buoyant areas of the refurbishment and fit-out of existing commercial offices and retail space plus the change in use of existing commercial developments into residential or industrial/logistics but this buoyancy has been offset since the pandemic by the lack of new, large commercial towers and developments that require high, upfront investment for a long-term rate of return, especially given the excess of existing commercial space with the risk of 'stranded assets' higher financing costs for international investors in new, large commercial towers and developments given interest rate rises plus higher construction costs that all continue to make new, large commercial towers and developments less financially viable.



S&P Global/CIPS UK Construction Purchasing Managers' Index (September 2023): The S&P Global/CIPS UK Construction PMI was 45.0 in September 2023, significantly lower than the 50.8 in August and below the 50.0 = no monthly change level for the first time since June and activity in September fell at its fastest pace since May 2020, during the initial pandemic lockdown.





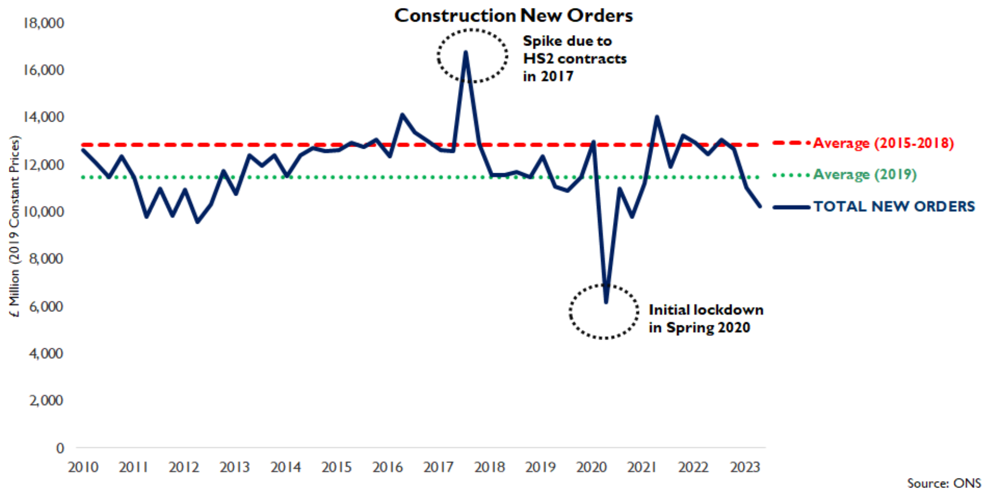
All three sectors covered by the PMI recorded declines, with residential work (38.1) unsurprisingly the worst performing sector during September and its fall was the steepest since April 2009, excluding during the initial national lockdown when construction activity was not permitted to take place. Survey respondents reported on cutbacks to house building projects due to rising borrowing costs and weak demand conditions.

Civil engineering activity (45.7) and commercial building (47.7) both declined in September with commercial activity notably falling after solid growth throughout the Summer. Some firms noted that concerns about the economic outlook had dampened client demand and led to a lack of new work to replace completed projects.

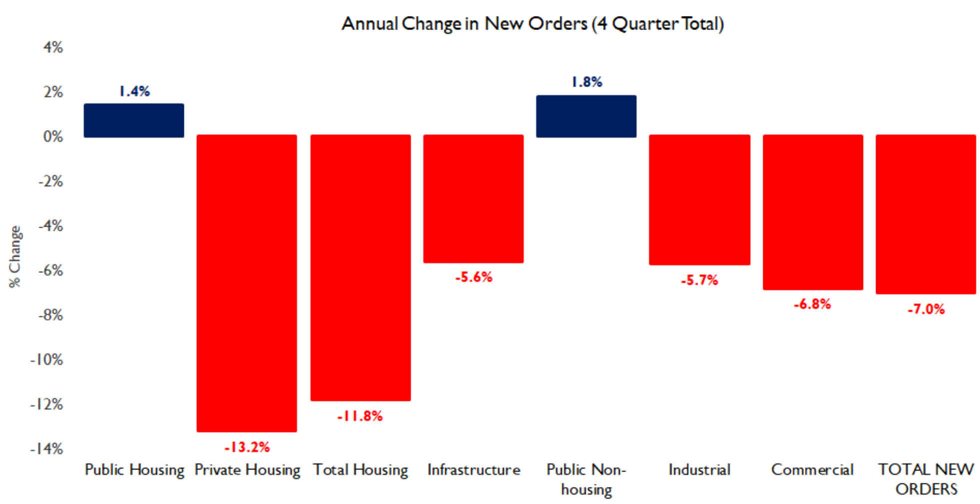
New business for construction companies in September declined for the third time in four months and the rate of decline was its steepest since May 2020. Construction companies typically cited poor demand and a fall in new orders from lower workloads in residential building. Lower client demand meant that construction firms slowed their rate of job creation during the latest survey period and sub-contractor usage decreased for the first time since January. A lack of new projects resulted in the steepest rise in sub-contractor availability for over 14 years.

Cost burdens were broadly unchanged in September, contrasting with strong input price inflation on average in the first half of 2023. Respondents noted higher fuel bills and some rises in raw material prices, but this was offset by lower shipping costs and greater price competition among suppliers. The number of construction firms predicting a rise in output over the year ahead (41%) continued to exceed those forecasting a decline (17%). This was linked to long-term business expansion plans and hopes of a turnaround in customer demand. However, the degree of confidence was at its lowest since December 2022 due to concerns about higher borrowing costs and a weaker housing market.

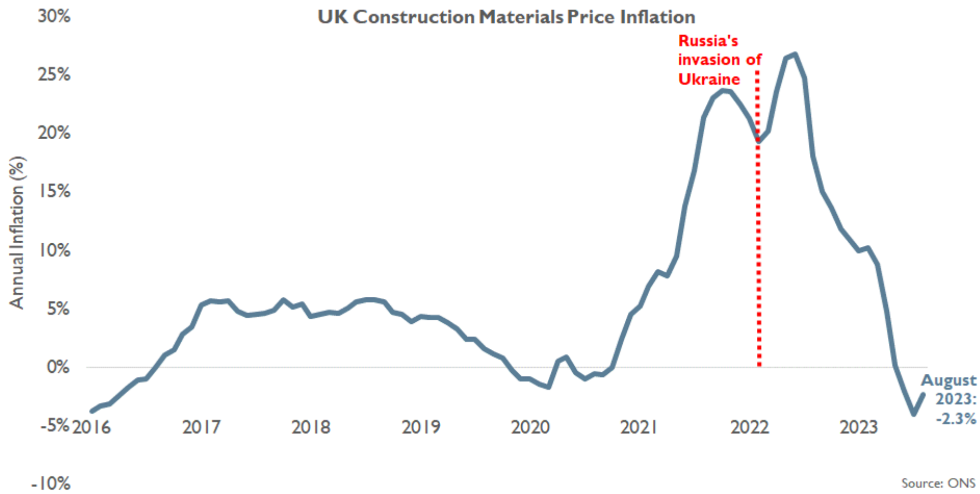
ONS Construction New Orders (2023 Q2): The volume of construction new orders, which only cover new construction work, in 2023 Q2 were 7.1% lower than in Q1 and 17.7% lower than a year earlier. Construction new orders have been falling for three consecutive quarters since the Government's Mini Budget at the end of September 2022 and in 2023 Q2 new orders were 10.6% 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 20.2% lower than the average level of orders between 2015 and 2018.



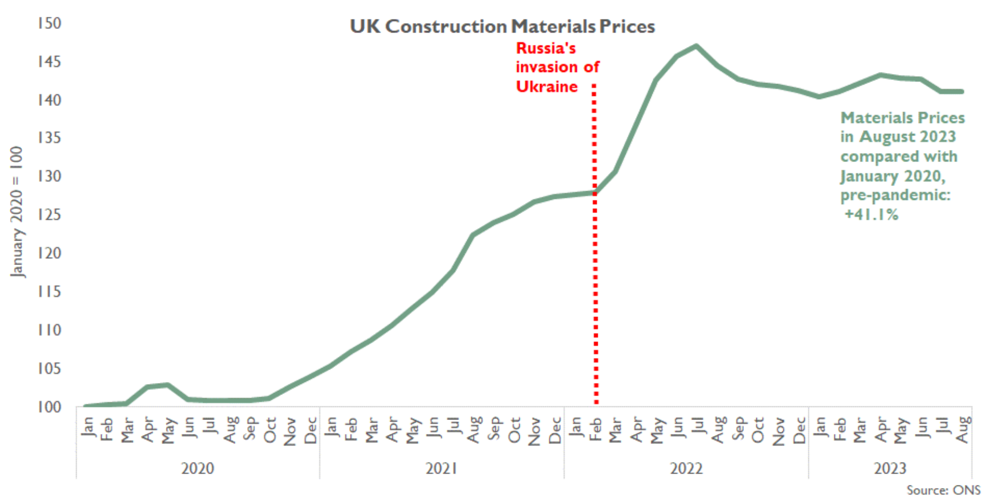
New orders by sector can be volatile on a quarterly basis and distort the forward looking picture given that different sectors have different lags between order and activity down on the ground but looking at the 4 quarter total to 2023 Q2, orders were 7.0% lower than a year earlier with falls across most sectors but the most pronounced were in private housing, where new orders in the year to Q2 were 13.2% lower than a year earlier whilst commercial and industrial orders were 6.8% and 5.7% lower respectively. The only increases in orders were in public housing (1.4%) and public non-housing (1.8%).



ONS UK Construction Materials Prices (August 2023): UK construction materials price inflation in August 2023 was -2.3% compared with -4.0% as the rise in oil prices in August led to an upturn in input costs and slowed the rate of deflation, according to the ONS. Even still, construction materials prices continue to fall on an annual basis over a year on from the spike in energy, commodity and materials prices after Russia's invasion of Ukraine when construction materials inflation peaked at 26.8% in Summer 2022.

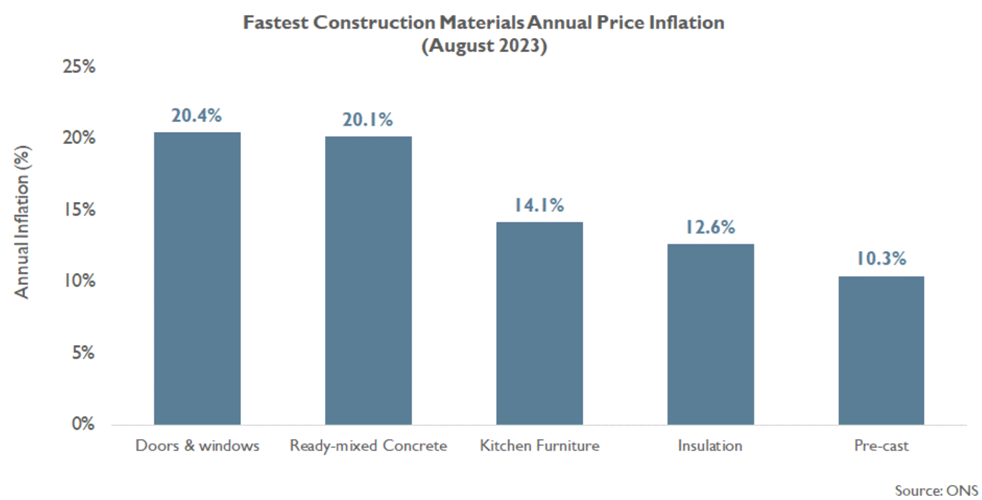


Whilst the construction materials inflation rate continues to fall on an annual basis, prices remain at historically high levels and in August 2023 construction materials prices were 41.1% higher than in January 2020, pre-pandemic. This continues to have cost implications for construction projects, in particular smaller sub-contractors that signed up to, or started projects, more than 18 months ago on fixed-price contracts.

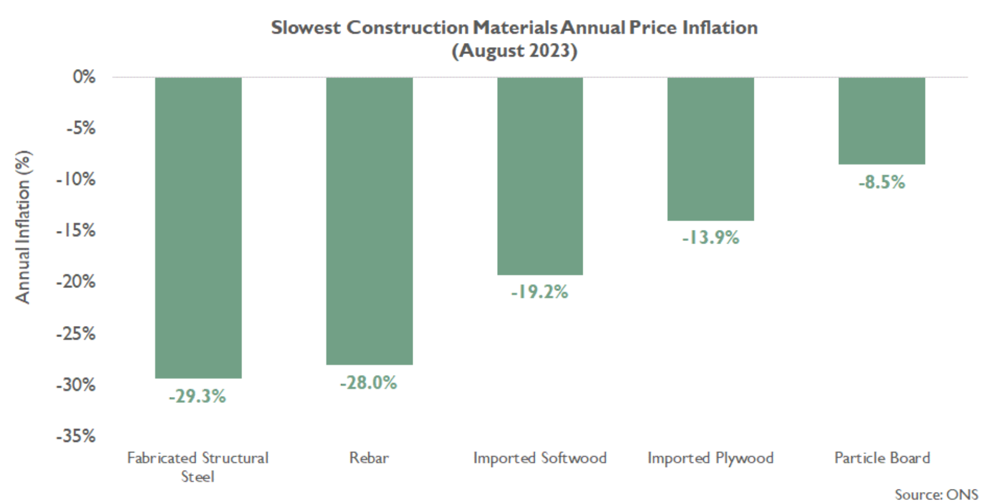


Although construction materials prices fell by 2.3% overall in the year to August, the prices of some materials are still rising at double-digit rates whilst the prices of other materials are falling at double-digit rates so how house builders and contractors find the impacts of the current changes in construction materials prices will depend critically on the product-mixes that they primarily use.

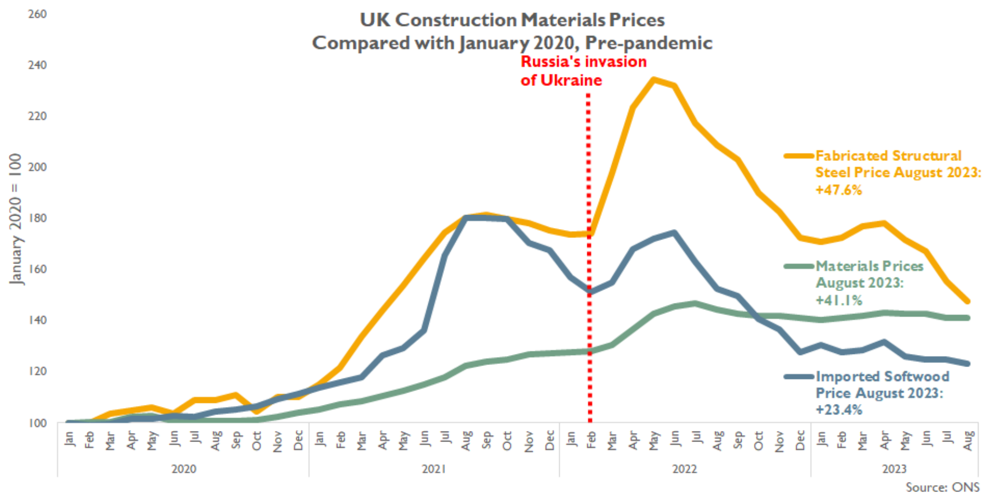
The fastest rates of UK construction materials price in the year to August2023 were in doors and windows, ready-mixed concrete, kitchen furniture, insulation and Pre-cast.



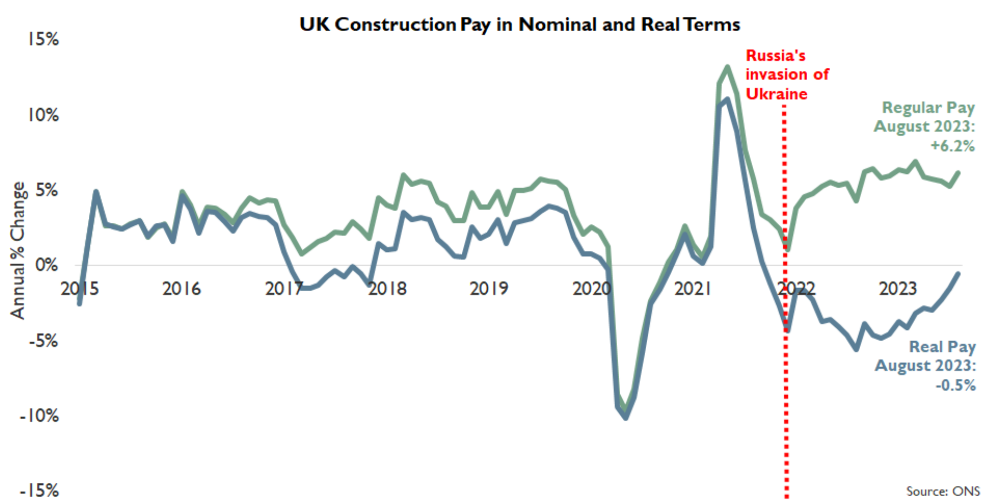
Conversely, the sharpest annual price deflation in construction materials in August 2023, with double-digit price falls, were in steel-related products such as fabricated structural steel and rebar plus timber-related products such as imported softwood, plywood and particle board.



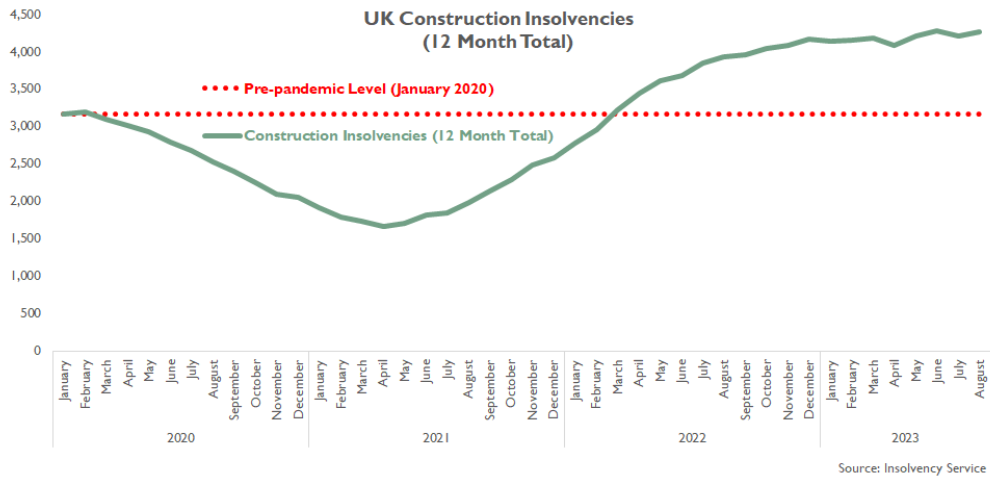
It is important to note, however, that the main reason that steel-related and timber-related product prices are falling so quickly is that their prices peaked higher than other construction materials and, in the case of timber, were due to the supply chain issues in 2021 before the energy and commodity price spikes in 2022. So, even though the prices of steel and timber products are falling at double-digit rates, they remain at high levels historically (particularly steel) because they are coming from a high peak.



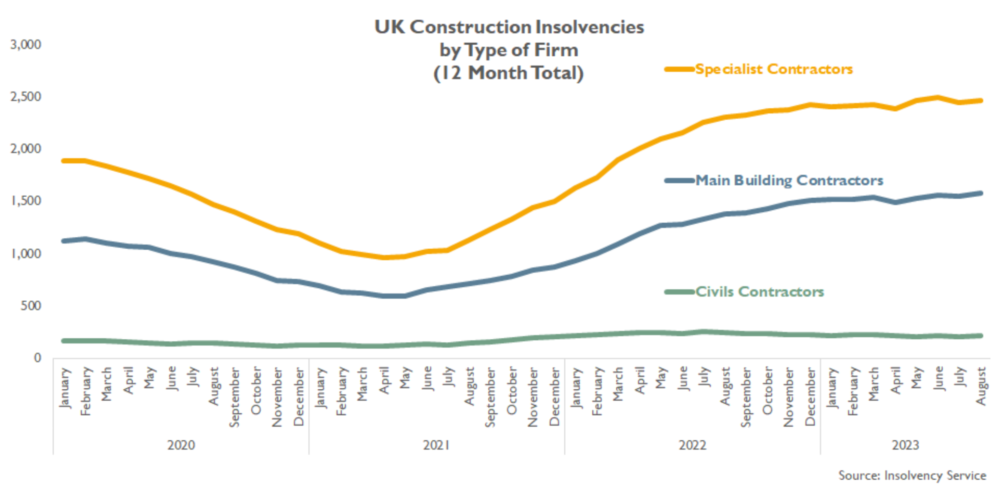
[ONS UK Construction Average Weekly Earnings (August 2023)](): Whilst construction materials prices overall continue to fall on an annual basis from a high point, construction pay continues to rise. In August 2023, regular pay (which excludes bonuses) was 6.2% higher than a year earlier, which means that rising wage bills and the cost of subcontracting labour is continuing to increase costs and hit margin for contractors. It is worth noting that total pay, which does include bonuses, rose by 4.2% in the year to August 2023. This was due to a fall in bonus payments, which were at their lowest since September 2020, potentially due to the slowdowns in activity in private housing new build and rm&i. As previously highlighted by the CPA, despite historically high rates of construction pay growth, strong economy-wide CPI inflation has meant that real construction wages continue to fall. In August 2023, real construction pay was 0.5% lower than a year earlier and it has been falling for 23 consecutive months. As a result, there are simultaneously firms dealing with high wage bills and the consequent impact on profit whilst many workers have been experiencing real wage falls for almost two years.



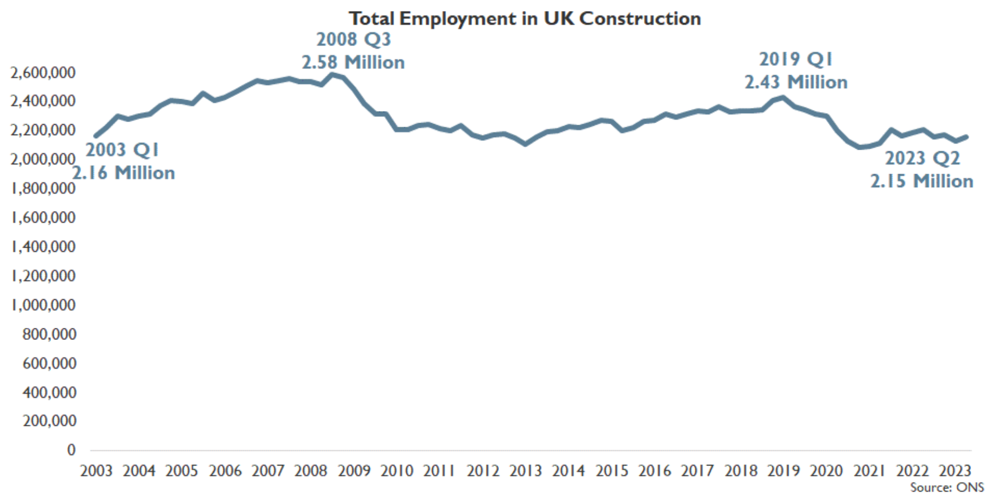
[Insolvency Service UK Construction Insolvencies (August 2023)]: 4,263 construction firms in the UK went out of business in the year to August, which is 8.3% higher than a year ago and 34.5% higher than in the year to January 2020, pre-pandemic. The number of firms that went under in the year to August has been higher than pre-pandemic for 18 consecutive months. Insolvencies were at their second highest level since the financial crisis whilst the only time it was higher was in June 2023 and we still haven't seen 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.



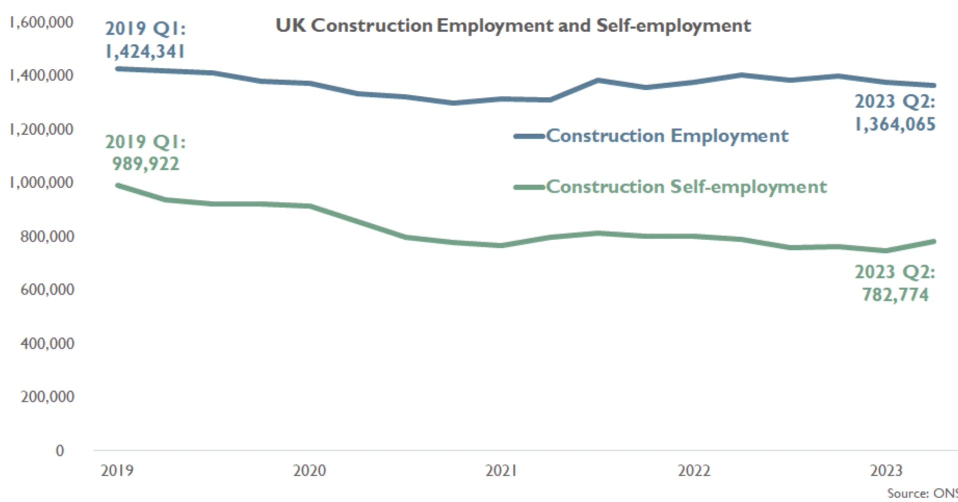
The biggest impacts remain on smaller specialist sub-contractors and 59% (2,466) of the firms that went under in the year to August were specialist contractors. As the CPA has previously highlighted, as well as sharp downturns in private housing and private housing rm&i demand, specialists have also had to deal with higher materials price, IR35, reverse charge VAT, skills shortages and planning delays that have hit financial viability in recent years. Whilst specialists were the worst hit, main building contractors still accounted for 36% (1,577) of construction insolvencies in the year to August 2023 so they are clearly also affected by the issues as well. Civils contractors 'only' accounted for 5% (220) of the insolvencies as activity on major infrastructure projects and frameworks has been more stable plus public sector clients have tended to be more understanding of cost inflation and delays on site than some private sector clients. The key concern remains the likelihood that there will be further rises in insolvencies in 2023 Q4 and 2024 H2 due to house building and some areas of private housing rm&i remaining subdued combined with government's delays to roads and persistent delays on schools and hospital programmes.



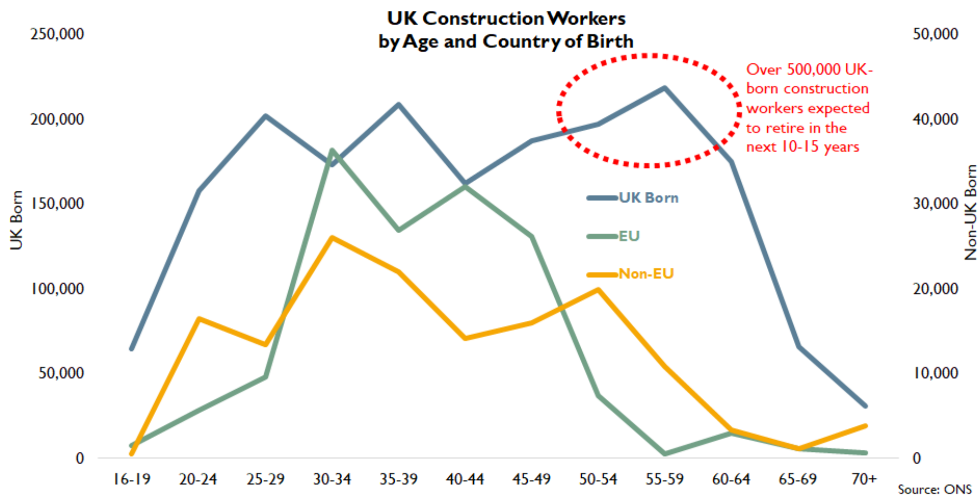
[ONS UK Construction Employment and Self Employment (2023 Q2)](): Given that overall construction materials price inflation is now falling (albeit with materials prices remaining high), the greatest issue facing UK construction industry medium-term will be the skills shortages and the large number of 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.



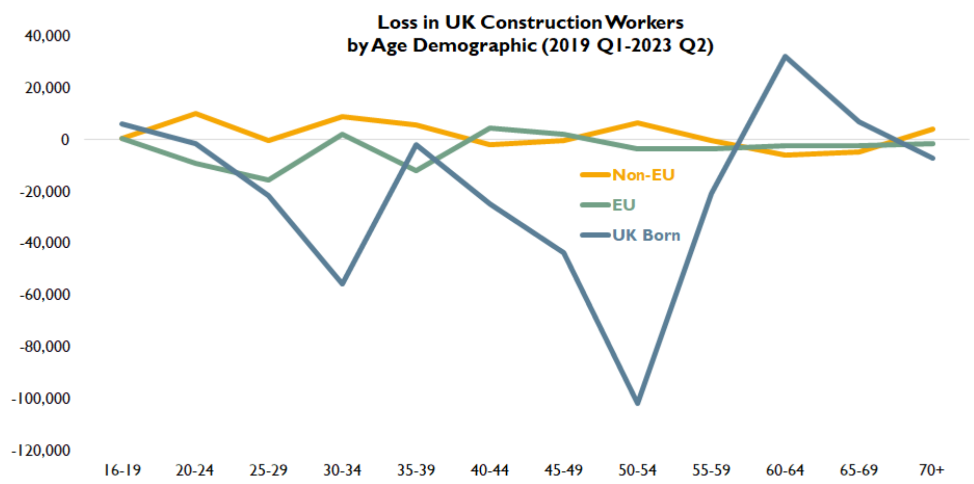
It is worth highlighting that the largest loss in construction employment since the recent peak in 2019 Q1 has been in self-employment, primarily older age-demographic workers in specialist trades. Self-employment in construction in 2023 Q2 was 0.9% lower than a year ago but 20.9% lower (over 200,000 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.

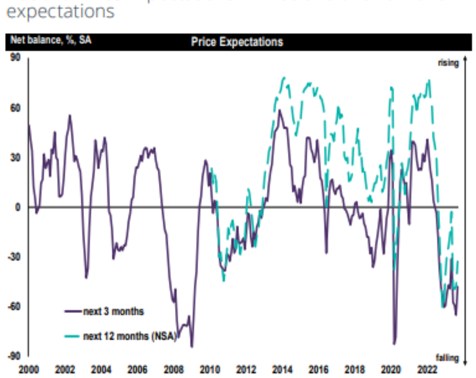


Given the loss of construction workers and as construction apprenticeship starts averaged 31,000 per year in the last 5 years but with a dropout rate over 40%, new entrants will not address the issue. And, without a skilled construction workforce then 300,000+ homes per year, Levelling Up, transition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

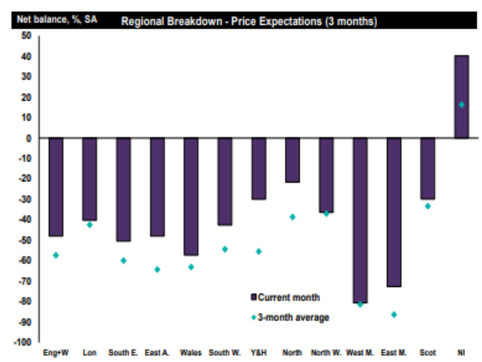
[RICS UK Residential Market Survey (September 2023)](): The RICS UK Residential Survey for September 2023 continues to report a challenging housing market, with stretched mortgage affordability hitting buyer demand still the dominant factor. The net balance for new buyer enquiries was -39% in September, less negative than -46% in last month's survey. The September results for agreed sales remained negative with a net balance of -37%, slightly less than -46% and -45% in August and July respectively. For the next three months, respondents continued to envisage a decline in sales volumes but the net balance was -24% compared with -36% a month earlier. Looking further ahead, twelve-month sales expectations had a net balance of +3%, higher than the -5% a month ago, which signals a more stable trend in sales volumes over the year ahead.

Respondents notes that the volume of new listings coming onto the sales market was in decline with a net balance of -17% in September and have now fallen in each of the last three months. With feedback continuing to suggest that the number of market appraisals undertaken of late is below that of last year, any near-term changes in supply available across the market seems unlikely. House prices continued downward. The September net balance of -69% was similar to last month (-68%). Almost all parts of the UK saw house prices fall, the downward pressure most significant across the West Midlands and the South East (-94% and -91% respectively). Going forward, near-term expectations pointed to a further fall in prices over the next three months but the net balance of -48% was less negative than the -65% last month. Over the next twelve-months, a net balance of -33% in September expected prices to fall further although this was less pessimistic than -50% between June and August.

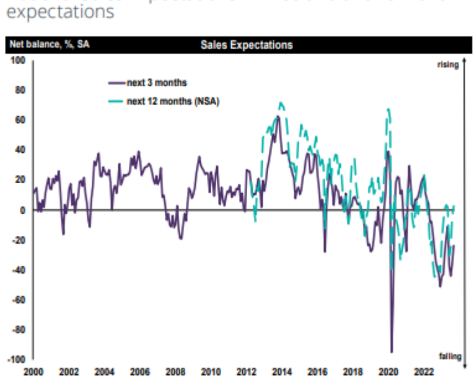
National Price Expectations - Three and twelve month expectations



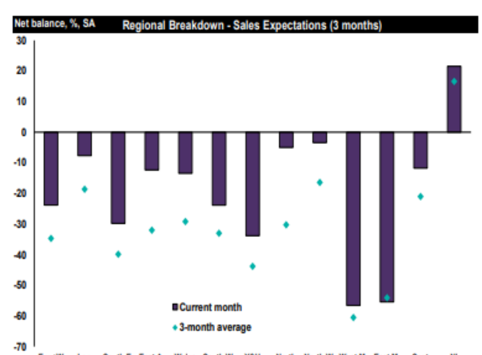
Regional Price Expectations - Next three months



National Sales Expectations - Three and twelve month expectations



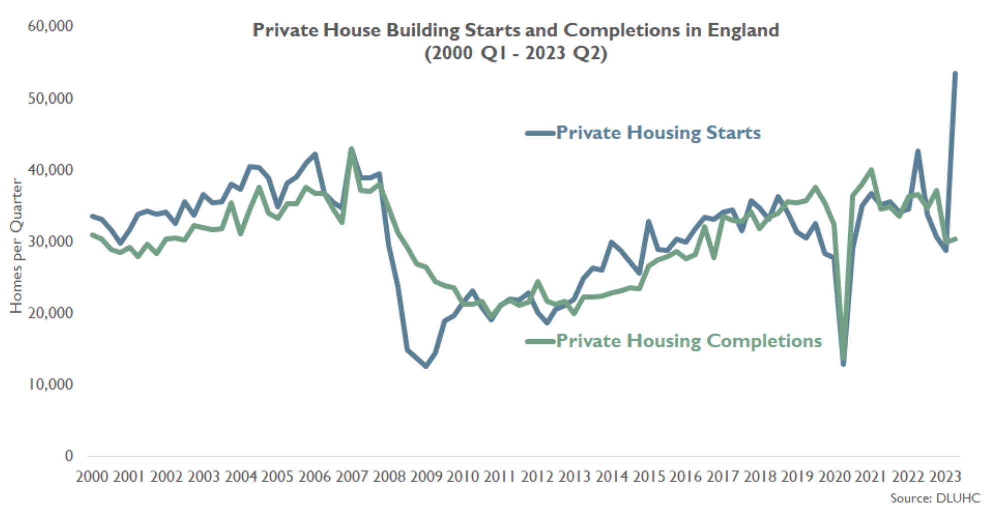
Regional Sales Expectations - Next three months



DLUHC Housing Starts and Completions in England (2023 Q2): There were 53,530 housing building starts in England in 2023 Q2, which is 86.5% higher than in Q1 and 25.6% higher than a year ago according to DLUHC as major house builders did the minimum necessary to register a start so that they could get ahead of the end of the one-year grace period for the uprated building regulations (Parts F, L, O and S) that add significant cost to building a new home. However, this is an issue we have highlighted in previous CPA forecast publications. These starts are merely what we refer to as 'technical starts' as they do not reflect the level of house building or even what house builders intend to build going forward near-term. Consequently, product manufacturers feeding into early parts of house building would not have seen sales increase in line with starts given that house builders were solely doing the minimum necessary to register properties as a start.

Private housing completions in 2023 Q2 were 1.2% higher than in Q1 (as many house builders were finishing properties for their year-end this Summer based on pre-sales last year) but they were 17.1% lower than a year earlier. It is worth noting, however, that the full impact of the sharp fall in new housing demand since the Mini Budget last Autumn is only likely to be seen in private housing completions in the second half of this 2023 and first half of 2024.

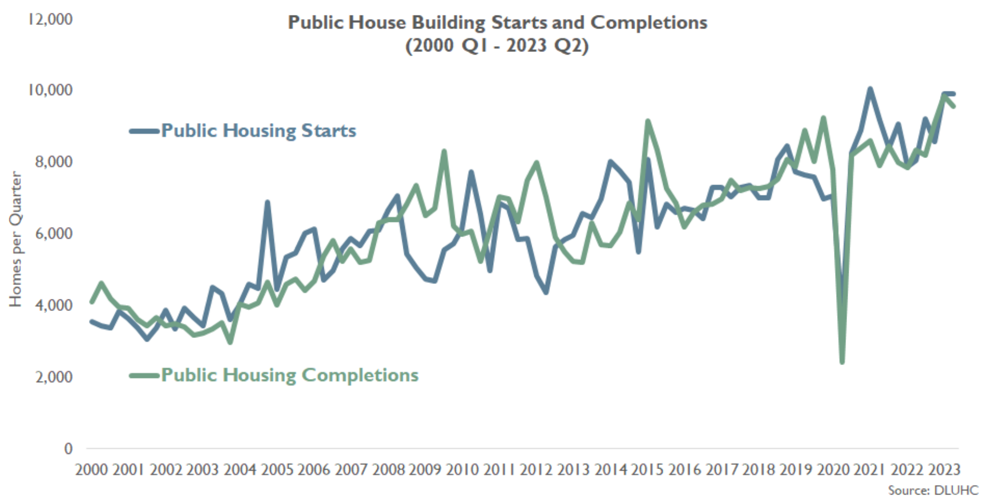
This is because some of the major house builders with year-end in Summer 2023 (such as Barratt, Bellway, Redrow) had completions were 'only' between 2% and 5% lower than a year ago based on pre-sales last year before the Mini Budget but recent reservation rates for these firms were between 28 and 32% lower and will inevitably feed through in the next 6-9 months.



Curiously, public housing starts in 2023 Q2 were flat (0.0%) compared with Q1 and 23.1% higher than a year earlier whilst public housing completions in 2023 Q2 were 3.0% lower than in Q1 but 14.6% higher than a year earlier.

This contrasts sharply with the indications we have from housing associations that, whilst affordable housing demand has broadly been maintained despite the headwinds facing the private housing sector, they are reducing social house building units.

Housing associations and local authorities have increasingly found new build to be less of a priority than the need to redirect finance towards the increasing demands on their existing housing stock as a result of basic living condition issues (such as mould etc.), the need to finance decarbonisation of their existing homes and cladding remediation. This is something that the CPA will have to look into and discuss with the forecast panel.

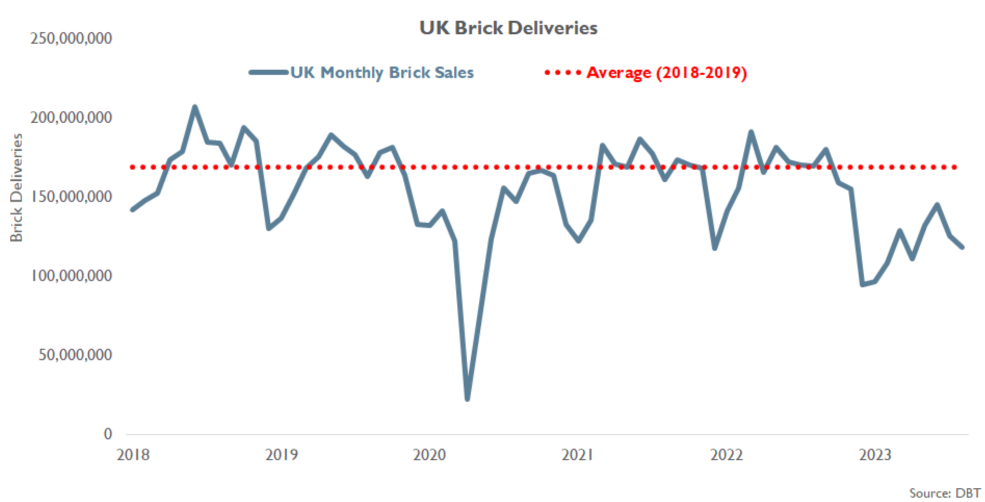


DBT UK Brick Deliveries (August 2023): UK brick deliveries are a useful proxy for house building starts given the absence of monthly housing starts data. In addition, brick deliveries are a useful proxy for starts given that house builders rushed through what the CPA refers to as 'technical starts' in 2032 Q2.

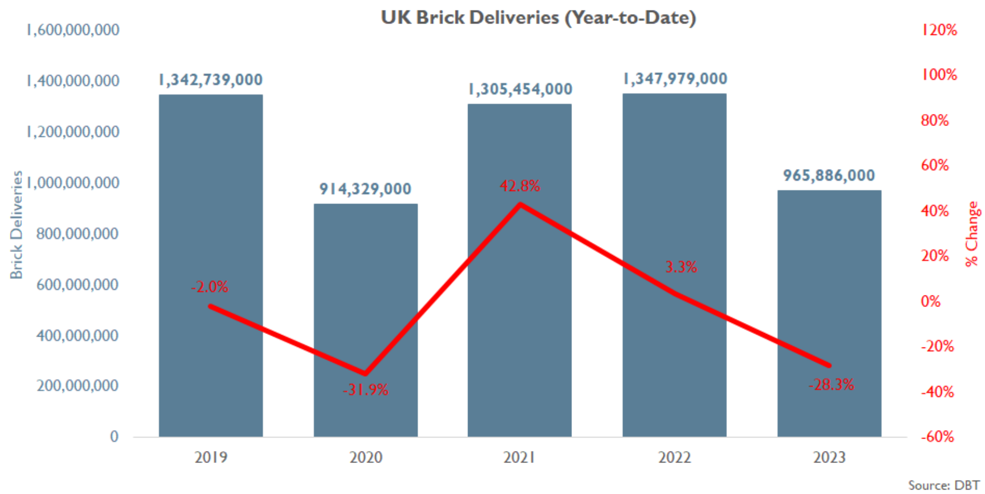
Many house builders did the absolute minimum necessary to register a start to get ahead of the uprated building regulations F, L, O and S that add substantial cost but this doesn't represent near-term house building and product manufacturers that generally feed into house building starts did not report a similar upturn in sales alongside the sharp upturn in 'technical starts' in Q2.

Brick deliveries are a more useful indication of intention to build in the near-term whilst the starts data in Q2 merely reflects house building that may be built out under previous building regulations at any stage of the next 2-3 years, dependent on demand. Brick deliveries in August 2023 were 5.6% lower than in July and 30.2% lower than a year earlier.

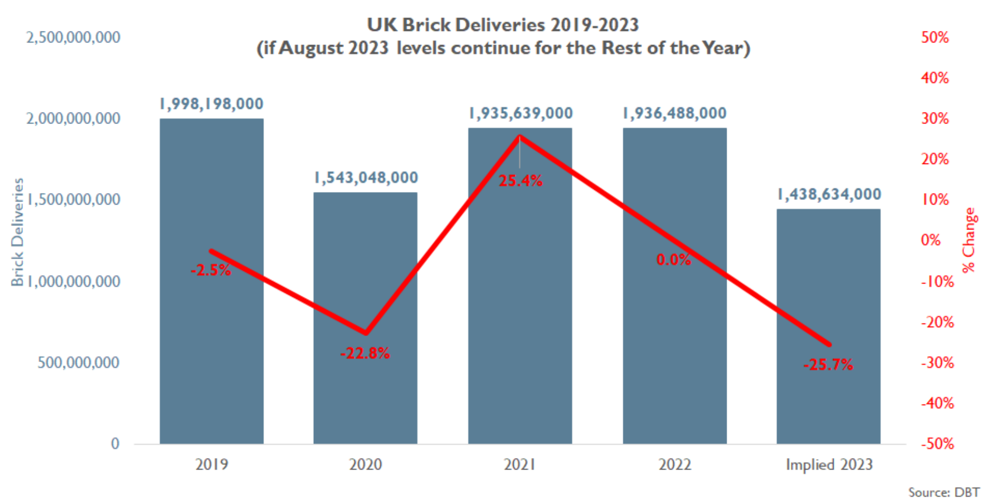
It is worth noting that August 2022, a year ago was a high base (prior to the Mini Budget that led to the initial sharp rise in mortgage rates and a fall in housing demand). Through brick deliveries, we can the lagged impact of mortgage rate rises in May and June on house builder confidence and starts. Given the low level of homebuyer demand and uncertainty, house builders are unsurprisingly focusing solely on completing existing developments to meet the current level of demand rather than starting new developments.



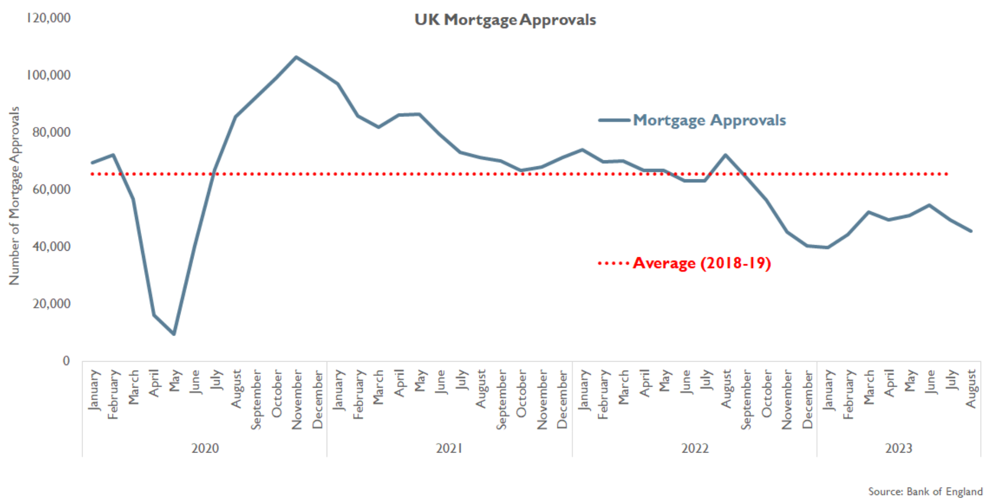
Year-to-date (January-August), UK brick deliveries in 2023 were 28.3% lower than a strong level in 2022. They were also 28.2% lower than in 2019, pre-pandemic, and only 5.6% higher than in 2020, which was affected by national lockdowns. It is, however, broadly in line with the 28-32% falls in recent reservations/forward sales from some major house builders that reported year-end in Summer 2023.



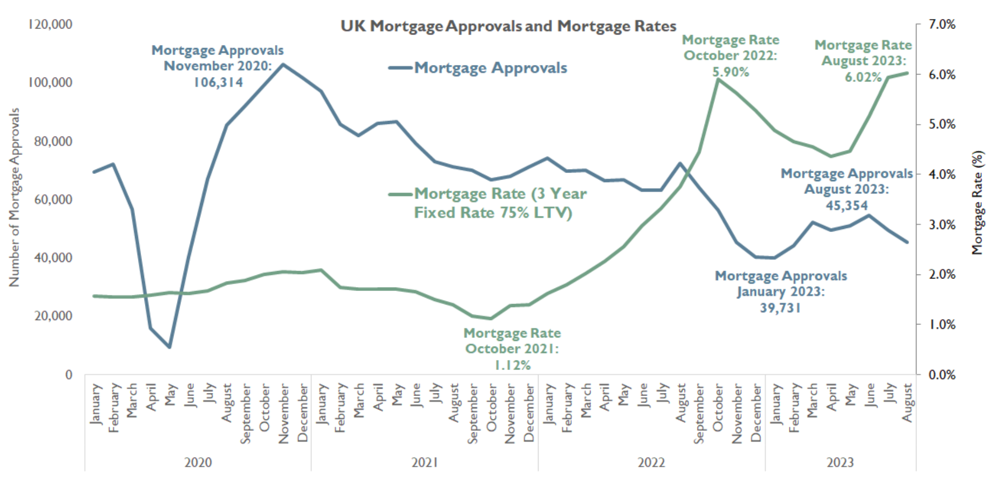
As another reference point for brick deliveries and house building starts this year, if deliveries continue at August levels for the rest of the year then overall in 2023 deliveries they would be 25.7% lower than in 2022 and 28.0% lower than in 2019, pre-pandemic, but note that this reference point is 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.



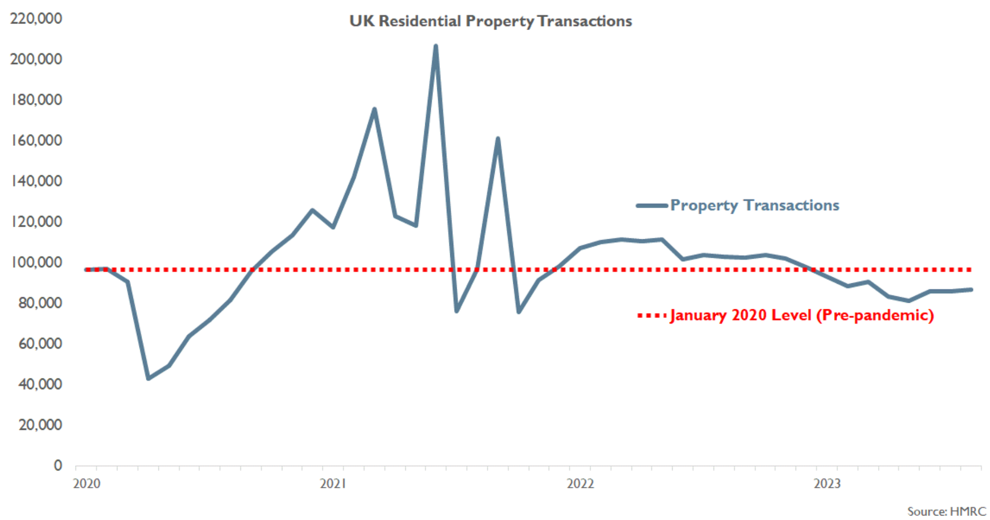
Bank of England UK Mortgage Approvals (August 2023): There were 45,354 mortgage approvals in the UK in August according to the Bank of England, which is 8.4% lower than in July, 37.3% lower than a year ago and 30.7% lower than the 2018 to 2019 average, pre-pandemic (pre-'race for space' and rate rises etc.).



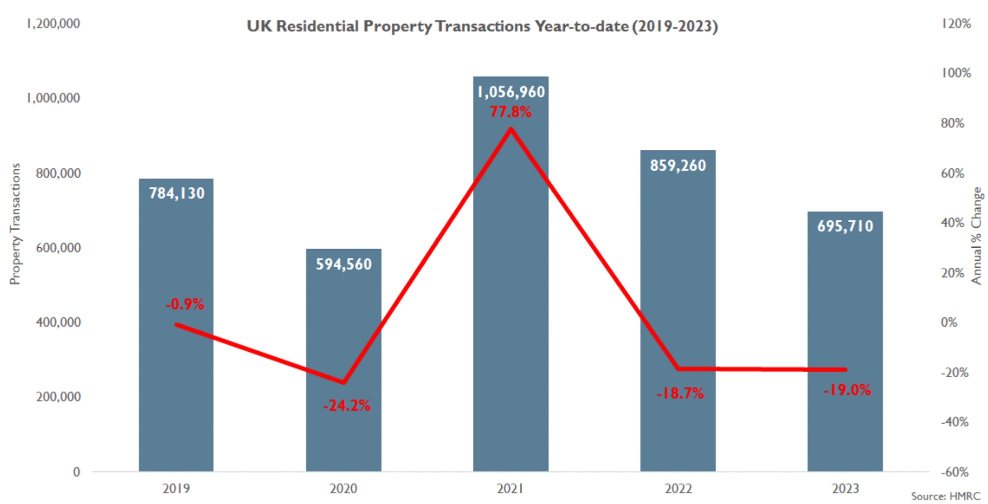
UK mortgage approvals had been on a general upward trend since January 2023 but from a low base (after the collapse in demand in 2022 Q4 following Mini Budget and spike in mortgage rates) as mortgage rates fell from the October 2022 peak. However, they have started to fall once again as mortgage rates rose this Summer with increases in the Bank of England's base rate and increases in the expectation of peak interest rates. UK mortgage approvals appear to be close reaching the nadir, slightly higher than at the end of last year, as the Bank of England's interest rate appears to have now peaked and mortgage rates are likely to fall slightly. The impacts on property transactions, however, will only been seen towards the end of this year.



[HMRC UK Residential Property Transactions (August 2023)](): There were 87,010 property transactions in the UK in August 2023, which is 1.1% higher than in July but 15.6% lower than a year ago, according to HMRC. The number of property transactions in August was also 9.8% lower than in January 2020, prior to the 'race for space' spike in the housing market demand. It is worth noting that property transactions rising in August were still largely based on mortgages applied for and approved months earlier, prior to the mortgage rate rises in May and June. As a result, based on mortgage approvals in July and August, property transactions are likely to fall further in the rest of the year.

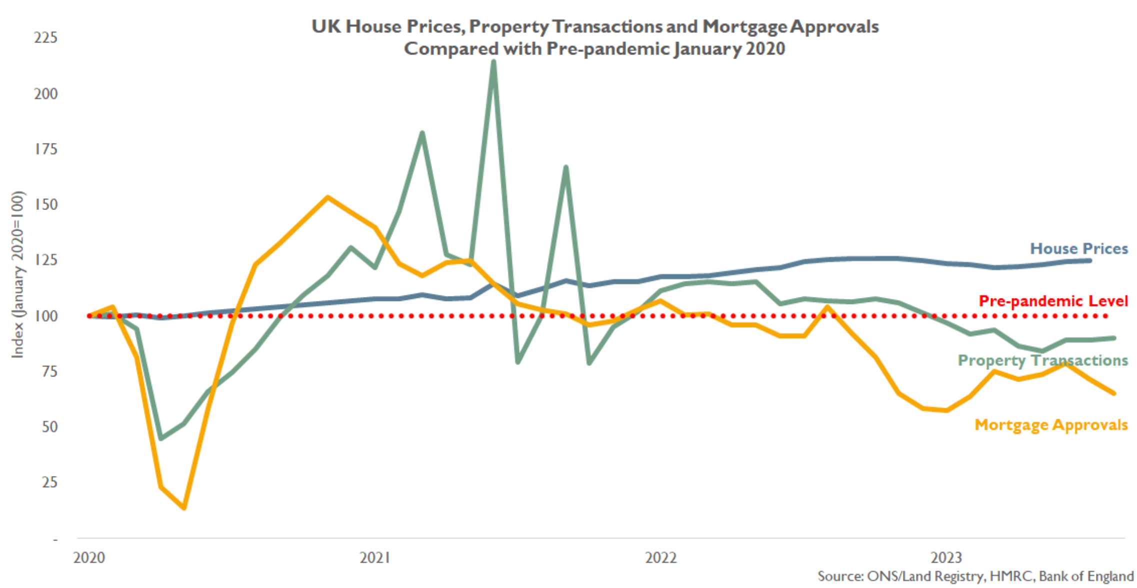


Year-to-date (January to August), there were 695,710 residential property transactions in the UK in 2023, which is 19.0% lower than in 2022 and 11.3% lower than in 2019, pre-pandemic.

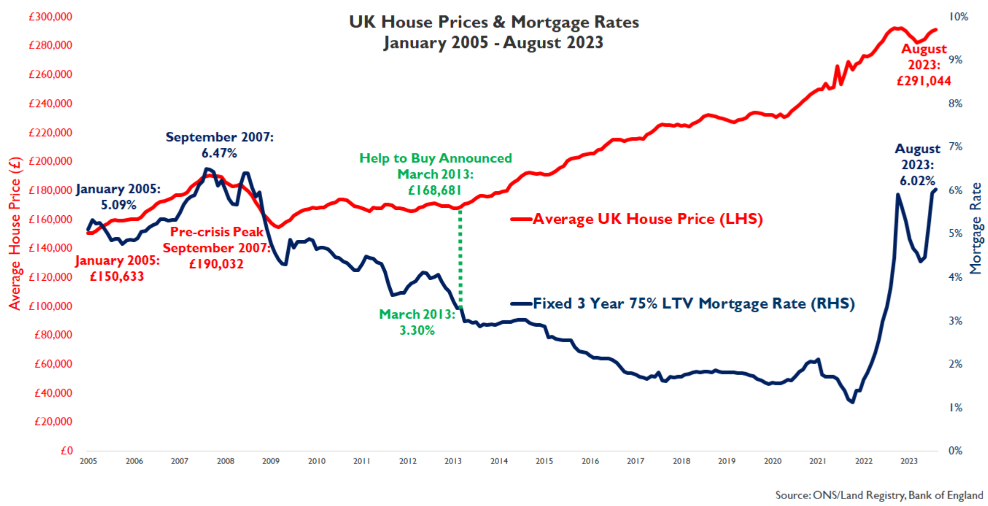


It is worth highlighting again that the largest impacts of the fall in demand in the housing market since the government's Mini-Budget and consequent spike in mortgage rates as well as the rise in mortgage rates in May and June will be on mortgage approvals. Hopefully, now that interest rates appear to have peaked at 5.25%, this will lead to slight falls in mortgage rates as lenders had previously been assuming that the Bank of England would raise interest rates to 5.75% towards the end of the year), which may marginally help demand in the housing market but note that mortgage rates will remain at relatively high levels compared with the low rates seen for most of the last decade.

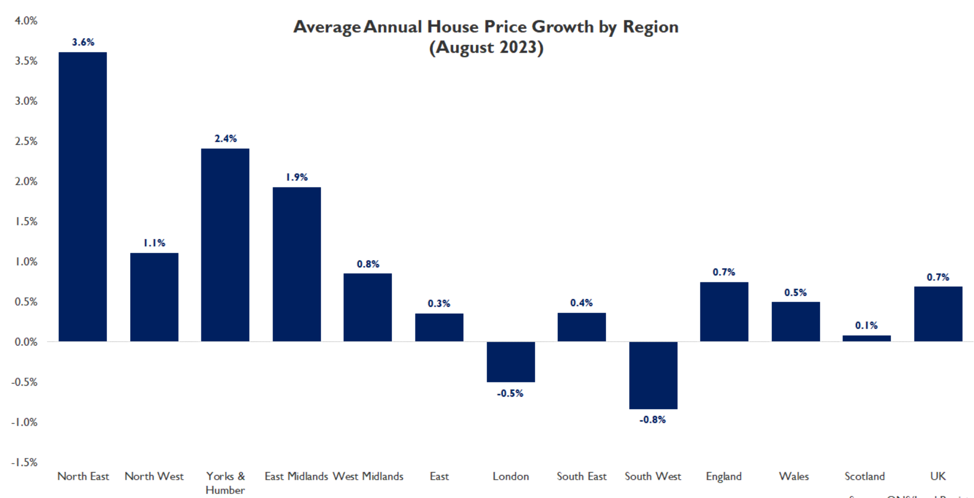
Mortgage rate rises are so far having a less negative impact on property transactions than on mortgage approvals due to the lag effect (as mortgage offers and approvals between June and August have not fed through yet) and because cash buyers and investors are accounting for a higher proportion of transactions and partially offsetting falls in mortgage-related demand. UK house prices will fall less than approvals and transactions as housing demand falls are partially offset by a low supply of homes, unless there's a sharp rise in unemployment leading to a rise in forced sellers, which is not currently expected in our forecasts given the tightness of the labour market and with UK economic activity broadly flatlining rather than enduring a recession.



ONS/Land Registry UK House Price Index (August 2023): The average UK house price in August 2023 rose by 0.2% compared with a year earlier, according to the ONS/Land Registry latest provisional data. House prices in August were also 0.3% higher than in July but 0.3% 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 August 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.

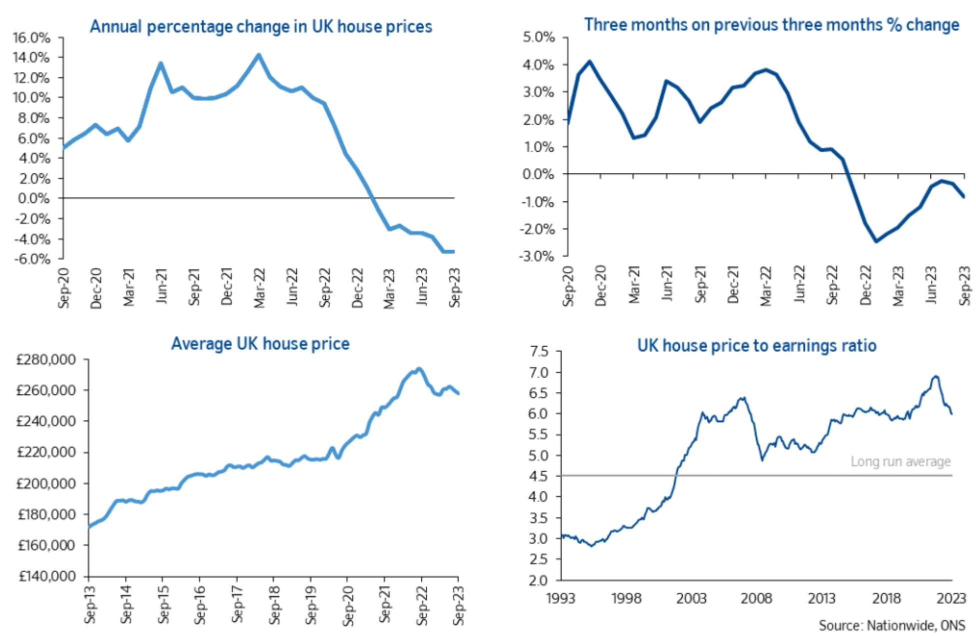


Across the regions and nations, the fastest annual house price growth was in the North East (3.6%) and Yorkshire & Humber (2.2%) whilst the slowest house price growth was in South West (-0.8%) and London (-0.5%) according to the ONS/Land Registry.

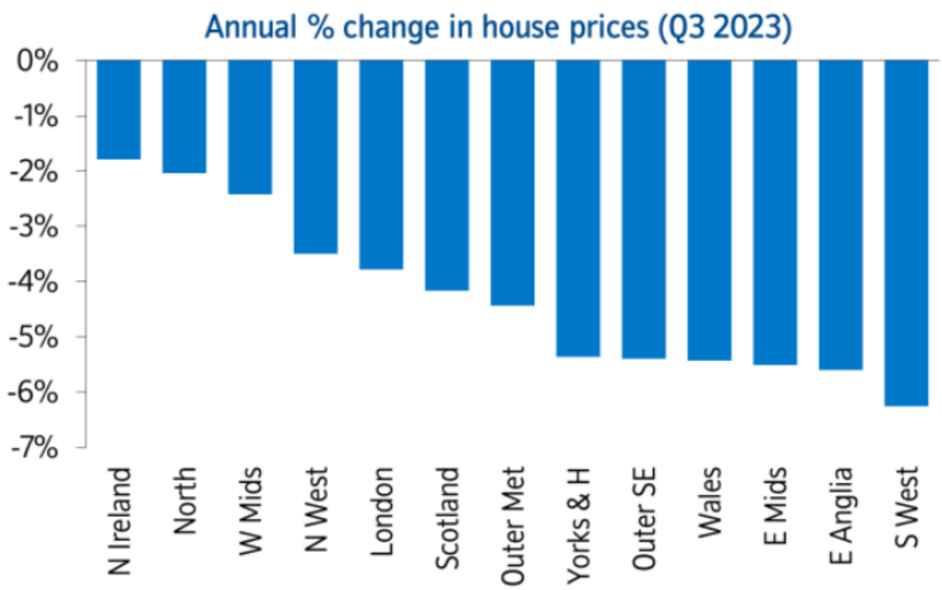


Nationwide UK House Price Index (September 2023): Nationwide reported that annual house price growth based on its own mortgage offers was unchanged at -5.3% in September 2023. House prices were also flat over the month following a 0.8% decline seen in August. According to Nationwide, UK housing market activity remains weak, which is unsurprising given the more challenging picture for housing affordability. A person earning an average income and purchasing the typical first-time buyer home with a 20% deposit would spend 38% of their take home pay on their monthly mortgage payment, which is considerably higher than the long-run average of 29%.

Investors have marked down their expectations for the future path of interest rates in recent months due to underlying inflation pressures in the UK economy easing and with labour market conditions softening. This has lessened the pressure on the Bank of England to raise rates further and led to downward pressure on long-term interest rates, which underpin fixed rate mortgage pricing. If this continues then it may ease pressure slightly on those remortgaging or looking to buy a new home. With the Bank of England's base rate not expected to decline even in the medium-term, however, borrowing costs will not return anywhere near the historic lows seen in the aftermath of the pandemic or even the rates seen in the previous decade. It is more likely that sustained income growth combined with modestly lower house prices and mortgage rates will improve affordability in real terms over time but with housing market activity remaining substantially below the buoyant levels seen during the pandemic 'race for space'.



Nationwide's regional house price indices showed annual price declines in all regions during 2023 Q3. The South West was the weakest performing region, with prices down 6.3% year-on-year, whilst Northern Ireland remained the best performing region, with a modest 1.8% fall. Wales saw a sharp slowing in the annual rate of change to -5.4% from -1.4% last quarter. While Scotland also saw a slowing in annual house price growth to -4.2%, from -1.5% in Q2. Across northern England (which comprises North, North West, Yorkshire & The Humber, East Midlands and West Midlands), prices were down 3.9% compared with Q3 2022. The North was the strongest performing northern region, with the annual rate of change improving from -3.3% to -2.0%, whilst the East Midlands was the weakest, with a 5.5% decline.



Persimmon Half-year Results (August 2023): Persimmon reported for the six months ended 30 June 2023 that it had 4,249 new home completions in H1 compared with 6,652 a year ago, reflecting the lower forward order book coming into the year following the market challenges after last Autumn's 'mini-Budget'. Overall, it highlighted that it is closely matching build rates to sales with build rates in the period running at around 26% lower year-on-year.

Persimmon's private average selling price was £288,327, which was 8% year on year, partially reflecting a greater proportion of larger homes sold. Overall, the group average selling price was £256,445 up 4% year on year.

Its sales rate was 0.59 compared with 0.91 a year earlier with average incentive levels of 3.2% in the period on the Group's private sales compared with 1.5% a year ago. Investor deals accounted for 0.03 of the sales rate in the period.

Looking forward, its current forward sales position (including 5 weeks post-period end) was £1.6 billion, 30% lower year on year compared with £2.2 billion a year ago. Its forward private sales were £875.9 million, up 83% compared to 1 January 2023 of £478.5 million. Its forward private average selling prices were up 0.9% compared to 1 January 2023.

Prevailing build cost inflation was around 5 and it expects it to moderate further in the months ahead. It stated that its 'cost discipline' is focused in 4 areas of 'smart' savings:

1) reviewing value engineering across the Group to share lessons and opportunities for efficiency. This involves a plot-by-plot, site-by-site review to identify areas for cost savings or value enhancement including whether there is more opportunity to use its own brick and tile products more widely.
2) It is identifying opportunities to secure savings in specifications that are less important to customers and it believes that this review could identify savings of up to £1,800 per plot.
3) It is reviewing sub-contractor pricing on a more frequent basis to identify opportunities to secure increased savings and it is actively retendering sites to identify savings. It stated that "Just as we absorbed many price increases from sub-contractors in recent years, so we need to share the cost pressures in this new challenging environment". While there are variations across trades, groundworker, bricklayer and dry liner costs are coming down for example. National infrastructure projects like HS2 continue to create pressures in the broader sector according to Persimmon but overall inflationary pressure is reducing and it stated that it is working proactively and in a detailed manner to capture it.
4) It is keeping overheads under constant review. A recruitment freeze has seen headcount reduce by nearly 300. Further reviews are on-going and it is targeting £25 million annualised savings.

Financial highlights

	H1 2023	H1 2022
New home completions	**4,249**	6,652
New home average selling price	**£256,445**	£245,597
Total Group revenue[1]	**£1.19bn**	£1.69bn
Underlying new housing gross margin[2]	**21.5%**	31.0%
Underlying operating profit[3]	**£152.2m**	£440.7m
Underlying operating margin[4]	**14.0%**	27.0%
Profit before tax	**£151.0m**	£439.7m
Earnings per share	**34.4p**	106.5p
Interim dividend per share	**20p**	-
Cash at 30 June	**£0.36bn**	£0.78bn
Land holdings at 30 June - plots owned and under control	**84,751**	89,052
Underlying 12 month rolling return on average capital employed[5]	**21.1%**	30.9%

Redrow Final Results (September 2023): Redrow reported for the financial year ending 2 July 2023 that its revenue was £2.13 billion, broadly in line with the £2.14 billion reported in the previous year. It also issued guidance for the following financial year that it anticipates revenue falling to between £1.65 billion and £1.7 billion.

It delivered 5,436 homes compared with 5,715 a year ago and stated that the cost of living and mortgage affordability continue to have a negative impact on the market. Reflecting the macro-economic picture and a tougher sales market, its average private reservation rate per week for the year was 0.46 compared to 0.68 in 2022.

Furthermore, it reported a challenging sales market over the summer that has resulted in a sales per outlet per week of 0.34 for the first 10 weeks of the new financial year compared with 0.61 a year ago.

Financial Results

	Unaudited 2023	2022	Var	Var %
Legal Completions	5,436	5,715	(279)	(5)
Revenue	£2.13bn	£2.14bn	£(0.01bn)	-
Underlying profit before tax[1]	£395m	£410m	£(15m)	(4)
Statutory profit before tax	£395m	£246m	£149m	61
Underlying EPS[1]	91.2p	96.0p	(4.8p)	(5)
Statutory EPS	91.2p	57.7p	33.5	58
Final dividend per share (DPS)	20.0p	22.0p	(2.0p)	(9)
Underlying ROCE[1]	23.1%	24.5%	(1.4ppts)	(6)
Total order book[1]	£0.85bn	£1.44bn	£(0.59bn)	(41)

Travis Perkins Trading Update (2023 Q3): Travis Perkins reported that in the three months to 30 September 2023 its revenue declined by 1.8% with like-for-like sales also down 1.8%. It stated that whilst Q3 trading started as expected in Merchanting, September saw a notable deterioration in market activity and sentiment. Q3 revenue was 3.4% lower year-on-year, a modest improvement on the first half but the drivers of revenue have shifted markedly. Pricing declined by 3.1%, resulting primarily from strong deflationary pressures on commodity products which have significantly impacted on gross profit and margins, including the impact of selling through existing stocks at lower market prices. Merchant businesses reported that volume performance improved to flat year-on-year in the quarter. Toolstation UK revenue growth was 7% in the third quarter whilst Toolstation Europe saw revenue growth of 9%.

TP expects that commodity deflation will continue and the exit rate from the third quarter indicated further challenging conditions for the balance of the year. It stated that it now expects adjusted operating profit in the range of £175 million to £195 million for the full year. TP highlighted that market conditions remain challenging with continued weakness across new build housing and domestic RMI. Deflation on commodity products has also been greater than it had anticipated. It also stated that by maintain volumes in a difficult market, it has impacted on trading margins.

Q3 2023	**Merchanting**	**Toolstation**	**Group**
Volume	(0.3)%	2.5%	0.0%
Price and mix	(3.1)%	4.8%	(1.8)%
Total revenue growth*	**(3.4)%**	**7.3%**	**(1.8)%**
Like-for-like revenue growth	**(2.9)%**	**4.4%**	**(1.8)%**

YTD 2023	**Merchanting**	**Toolstation**	**Group**
Volume*	(6.4)%	2.6%	(5.3)%
Price and mix	2.4%	6.0%	3.1%
Total revenue growth*	**(4.0)%**	**8.6%**	**(2.2)%**
Like-for-like revenue growth	**(4.1)%**	**5.0%**	**(2.7)%**

* *Trading day adjusted*

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 our 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.