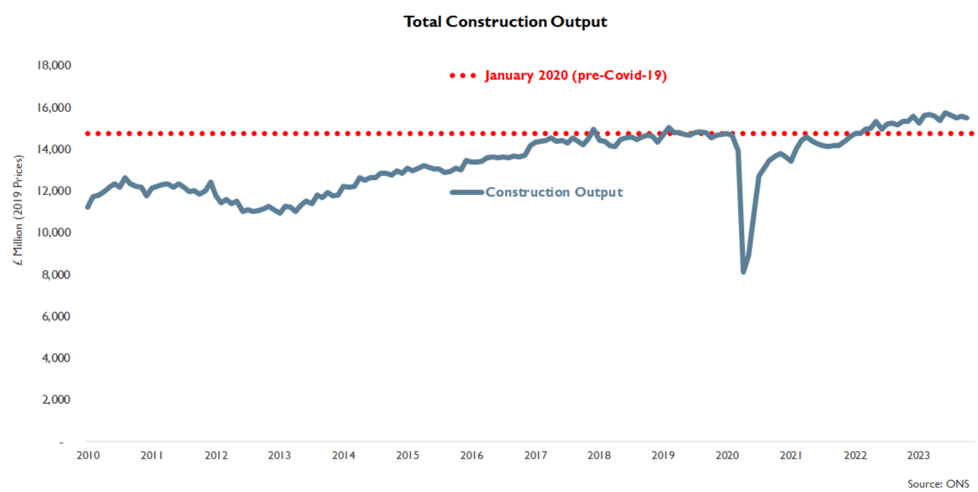
(Updated – 5 January 2024)

Weekly Economic and Construction Update

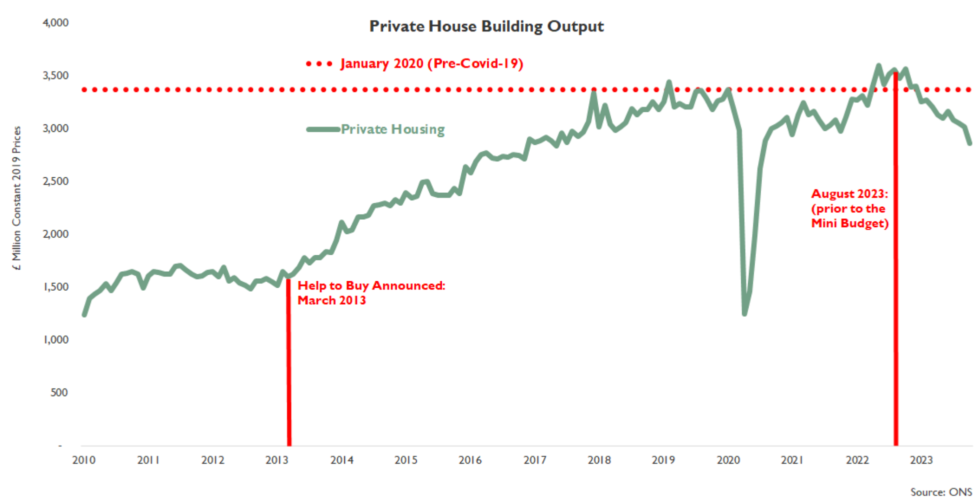
Contents

CONSTRUCTION DATA

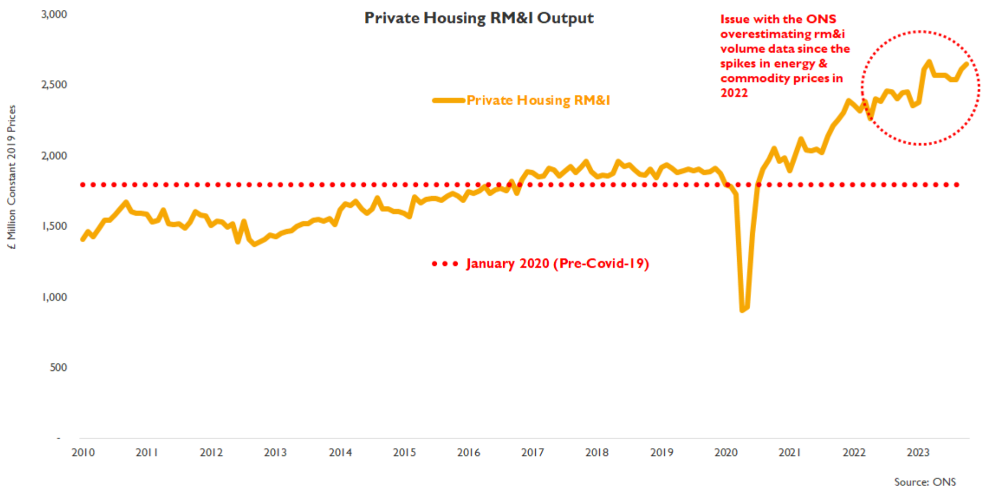
ONS Construction Output (October 2023): Construction output in October 2023 was 0.5% lower than in September and still 1.1% higher than a year earlier and 5.2% higher than in January 2020, pre-pandemic according to the Office for National Statistics (ONS) but the CPA continues to highlight the persistent overestimation issues in the ONS construction output volume data since Spring 2022. The concerns affect output in most construction sectors but, in particular, appear to affect the housing and repair and maintenance sectors.



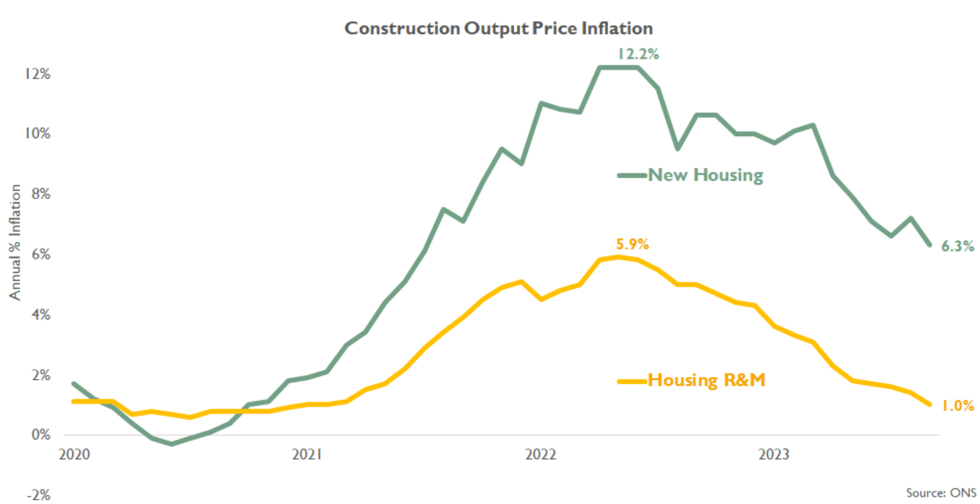
Private housing output in October was 5.2% lower than in September and 19.8% lower than a year earlier according to the ONS. Year-to-date, the ONS reports that private housing output in 2023 was 9.3% lower than a year earlier but, other data, such as product sales that feed into house building point towards a considerably greater fall in private housing activity. For example, UK brick sales year-to-date in 2023 were 29.2% lower than a year earlier. Furthermore, reports from some major house builders point towards forward sales and reservations in Summer 2023 was between 28% and 35% lower than a year earlier.



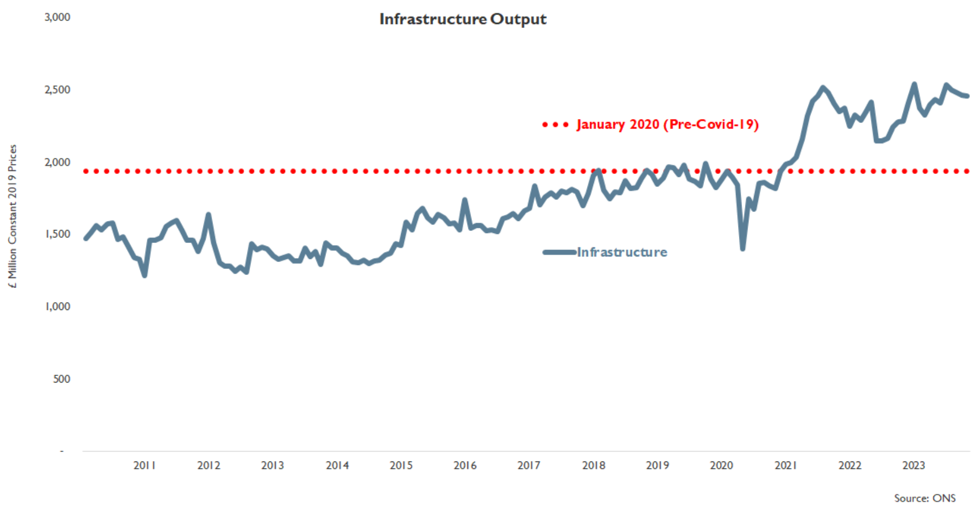
The issue of the ONS construction output data being overestimated is most visible in the private housing repair, maintenance and improvement (rm&i) data. According to the ONS, private housing rm&i output in October was 1.3% lower than in September and 8.1% higher than a year earlier plus it estimated that private housing rm&i output in October was 47.7% 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 but it is still likely to leave output at an artificially high level.



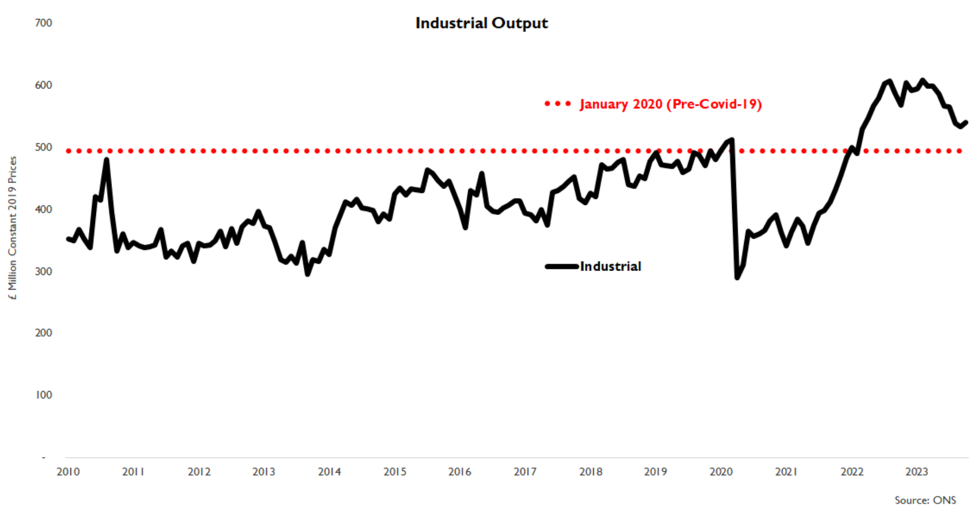
The issue in the ONS r&m volume of output data appears to occur as the ONS is underestimating price inflation in r&m, which it uses to deflate construction output value and turn it into volume of output. As it is underestimating price inflation, it is overestimating volume of activity. To illustrate 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.



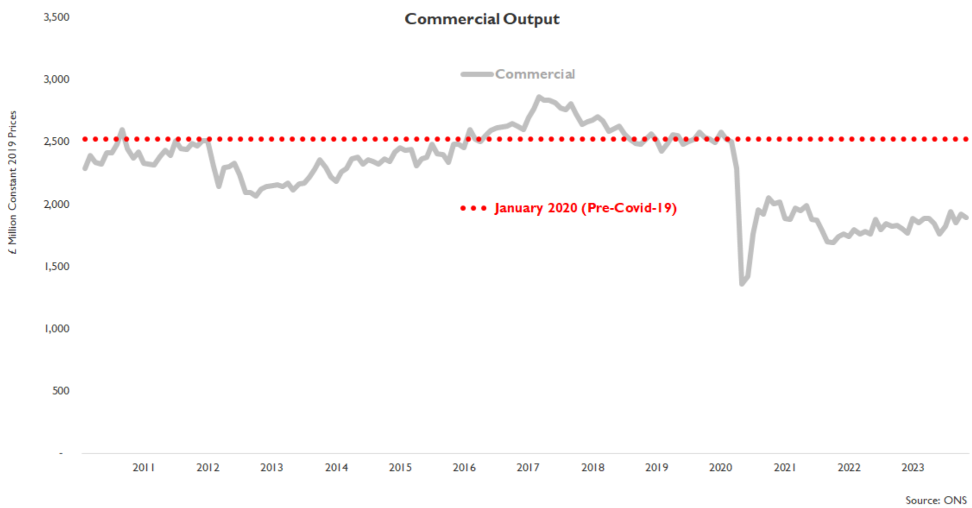
Infrastructure output in October was 0.4% lower than in September but still 7.6% higher than a year ago according to the ONS. Activity remained strong on both major projects and large frameworks down on the ground despite government announcements earlier in the year of projects in the pipeline being 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, however, switching finance away from new projects to rm&i and also reducing infrastructure budgets due to financial constraints and the rising costs of social and health care.



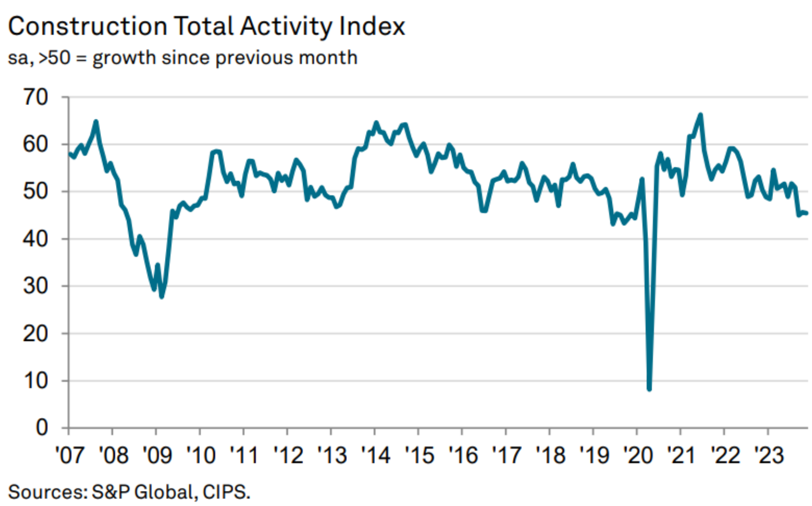
Industrial output in October was 1.3% higher than in August and 4.9% lower than a year ago according to the ONS as activity continues to fall from its highest ever level early in 2023. Activity still remains strong by historical standards for warehouses and logistics but new investment has peaked already 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.



Commercial output in October was 1.2% lower than in September 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.



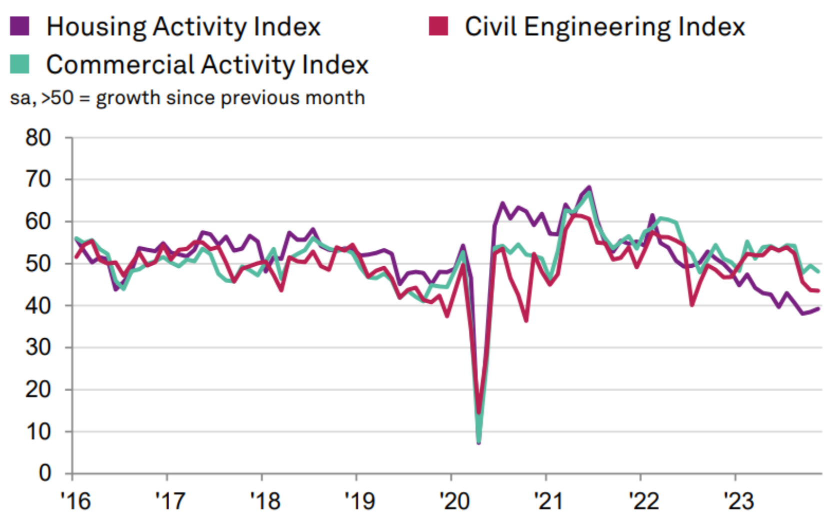
[**NEW:** S&P Global UK Construction PMI (December 2023)]: UK construction activity fell in December 2023 according to the latest S&P Global UK Construction PMI data (46.8) but it fell a slower rate than in November (45.5) where 50=no monthly change (and below 50 represents a decline in activity).



Unsurprisingly, the fall in UK construction activity in December was mainly driven by further falls in house building but civil engineering and commercial construction activity also fell. The S&P Global UK Construction PMI for housing was 41.1, another sharp fall in house building, as house builders continued to focus on completions for the subdued level of demand after the mortgage rates rises that have priced out many new buyers. For major house builders, cash buyers and bulk (investor) purchasers have had a slight offset to the sharp fall in demand particularly from first-time buyers, but the broader decline in housing market demand means that house builders are not starting new developments in the main and continue to focus on the low level of completions and cost minimisation.

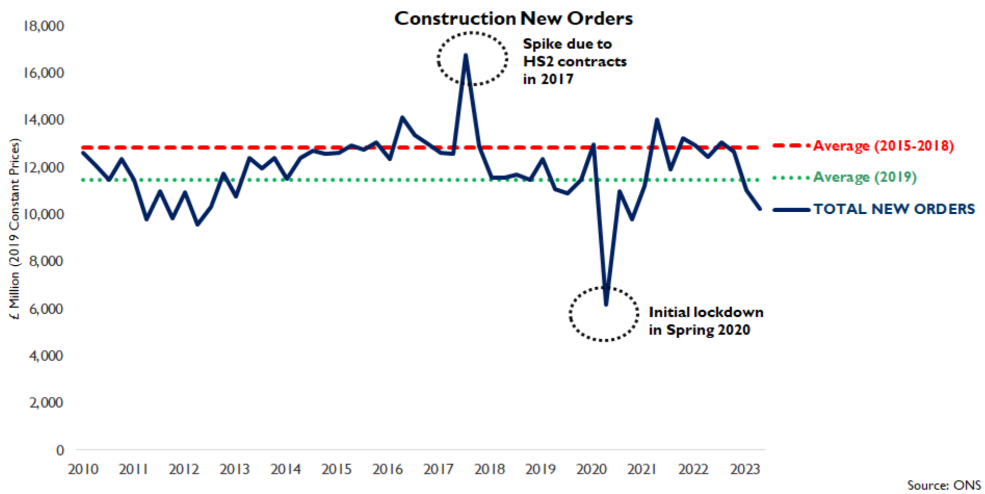
Civil engineering activity in December was 47.0 according to the S&P Global PMI, so a further decline, albeit a slower fall than last month. Despite strong activity on major projects such as HS2 Phase One, Thames Tideway and Hinkley Point C plus relatively stable work on long-term frameworks in regulated sectors, the majority of infrastructure work is on smaller and medium-size schemes where new project pauses, delays and cancellations hinder activity as previous schemes finish. This is particularly the case for local authorities, which are financial constrained as finance gets redirected to more urgent areas such as social care. UK commercial construction activity in December fell (47.6) although it was the slowest fall of all the sectors. Offices construction continues to be buoyed by major refurbishment, fit-out and energy-efficient retrofit activity on existing developments but this continues to be offset by a lack of new commercial towers and new major retail developments that traditionally dominate value of activity in the sector, especially given the sharp rise in financing (interest rate) costs. Hence, the decline in commercial activity in December.

Overall in the UK Construction PMI, construction new work fell in December and it has been falling since August, which points to further falls in construction activity in 2024 H1 (especially in house building). But, according to the PMI in December, around 41% of the survey panel anticipated an increase in business activity overall in 2024 whilst only 17% expected a decline. However, it is difficult at this stage to see whether this is optimism bias given that construction activity in the 2023 Q1 had not fallen sharply, so if activity continues throughout this year at 2023 H2 levels then, overall in 2024, activity will be lower than in 2023 just by the arithmetic of the annual % change alone.

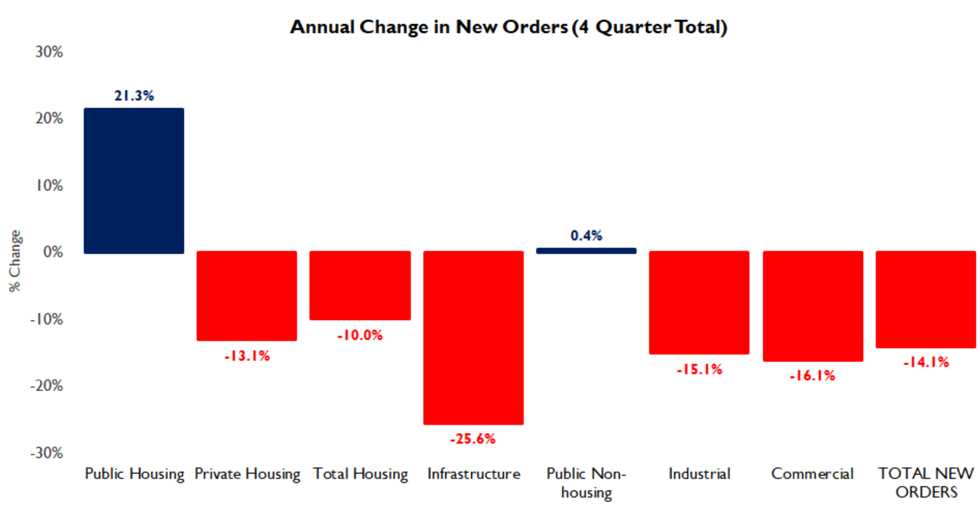


Source: S&P Global PMI.

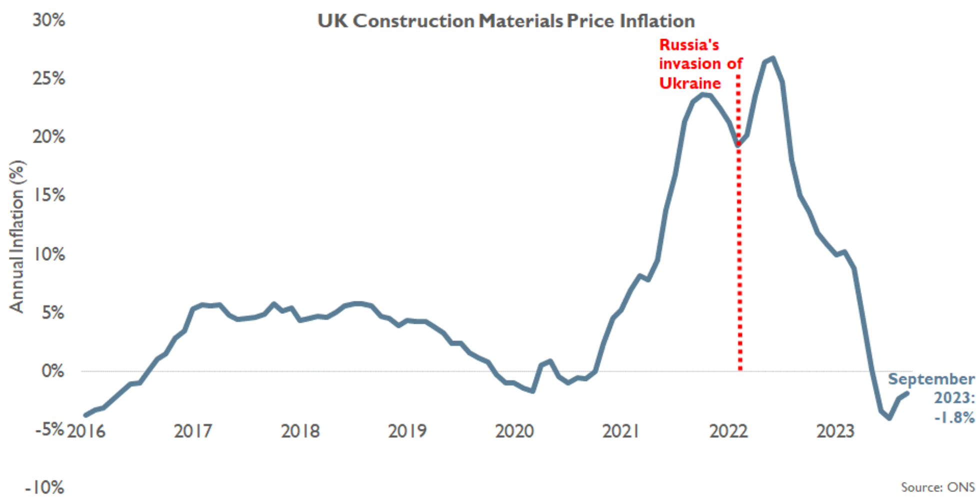
ONS Construction New Orders (2023 Q3): The volume of construction new orders, which only cover new construction work, in 2023 Q3 was 3.9% lower than in Q2 and 20.0% lower than a year earlier. Construction new orders have been falling for four consecutive quarters since the Government's Mini Budget at 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.



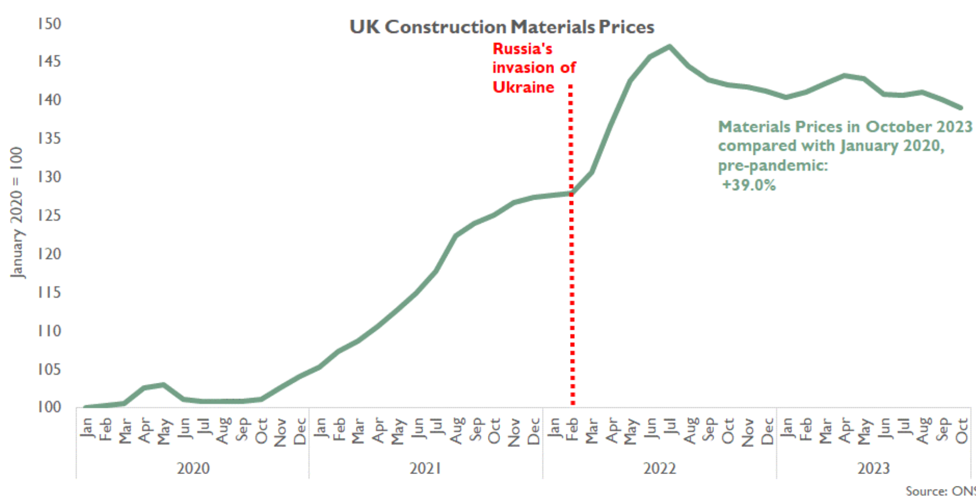
New orders by sector can be volatile on a quarterly basis and distort the forward looking picture given that different sectors have different lags between order and activity down on the ground but looking at the 4 quarter total to 2023 Q3, orders were 6.8% lower than a year earlier with falls across 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%).



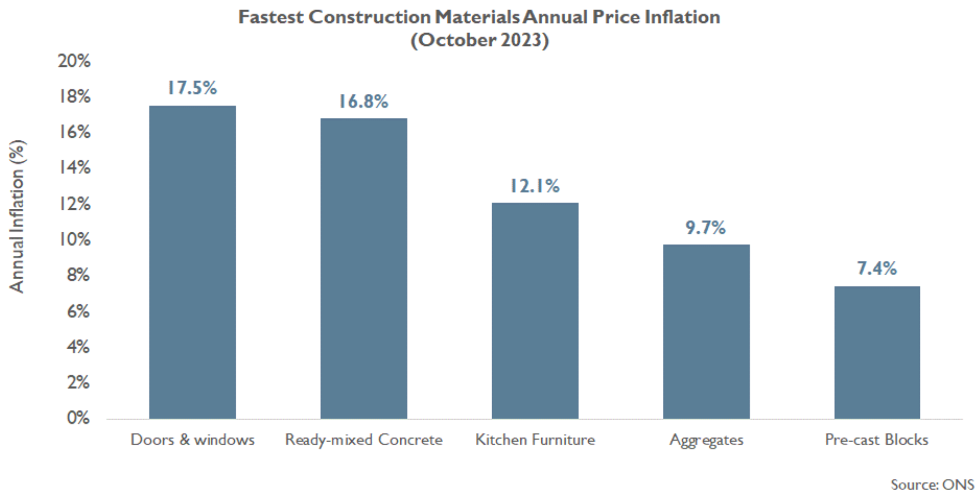
[ONS UK Construction Materials Price Indices (October 2023)](): UK construction materials prices in October 2023 were 2.1% lower than a year ago according to the ONS as materials price inflation continues to slow, more than a year on from the spike in energy, commodity and materials prices when construction 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.



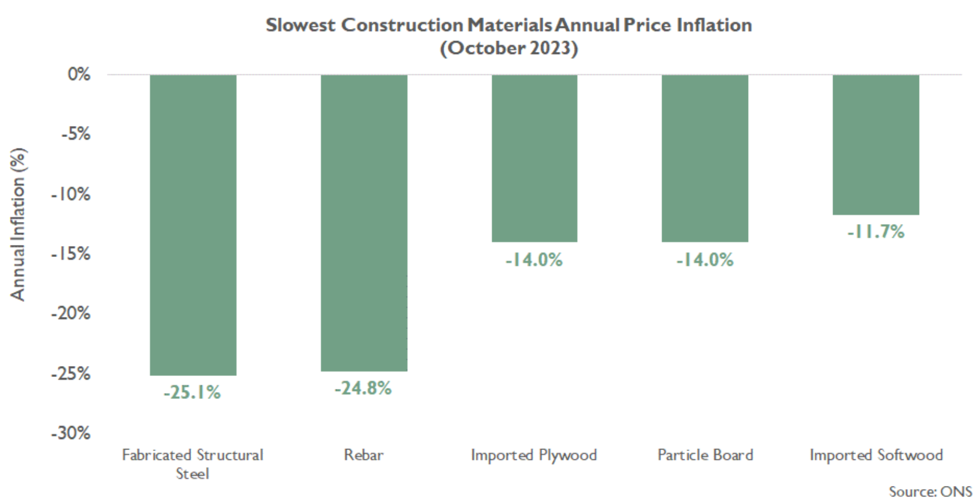
Whilst UK construction materials annual inflation is falling, materials prices themselves remain at high levels and in October 2023 materials prices were still 39.0% higher than in January 2020, pre-pandemic, which continues to have cost implications for projects signed-up to and/or started over 18 months 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.



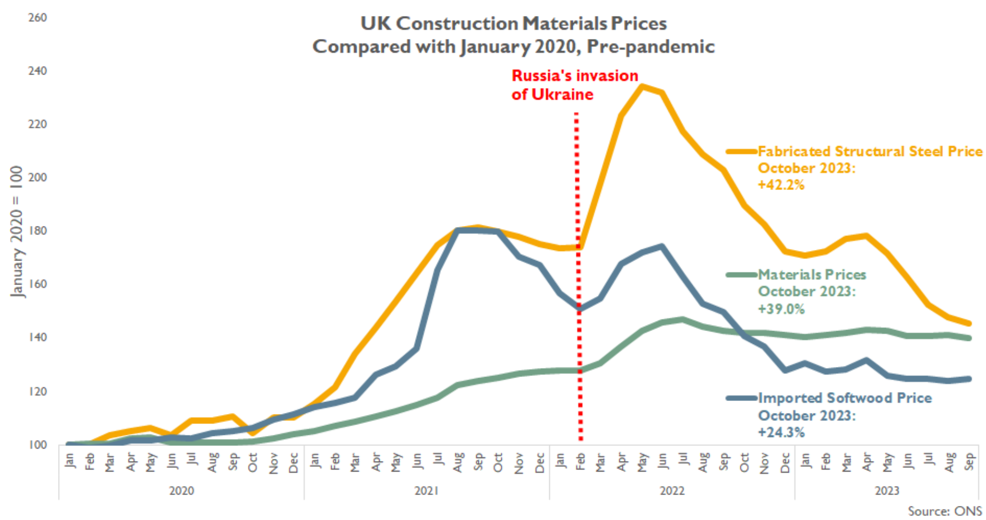
Although construction materials prices fell by 2.1% overall in the year to October, the prices of some materials are still rising at double-digit rates whilst the prices of other materials are falling at double-digit rates so how house builders and contractors find the impacts of the changes in construction 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%).



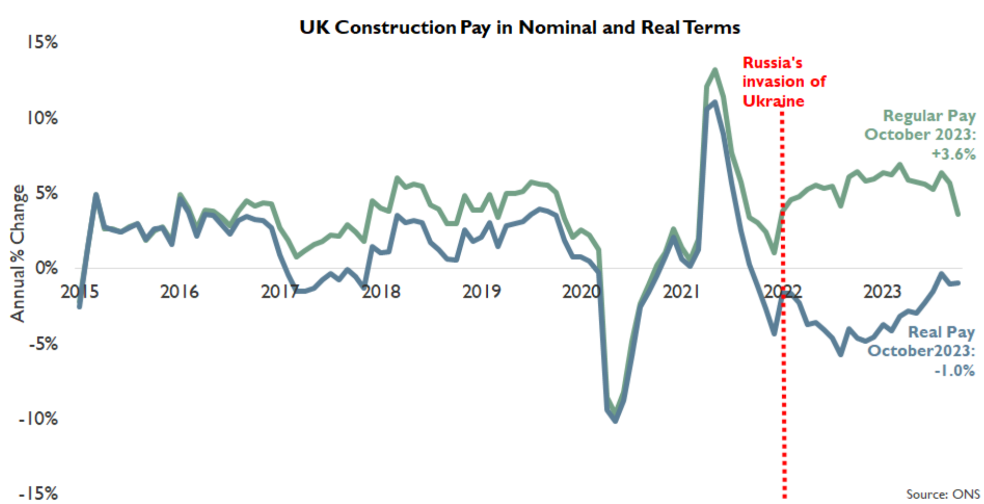
Conversely, the sharpest annual falls in materials prices in the year to October 2023 were in steel-related products such as fabricated structural steel (-25.1%) and rebar (-24.8%) as well as timber-related products such as imported plywood (-14.0%), particle board (-14.0%) and imported softwood (-11.7%).



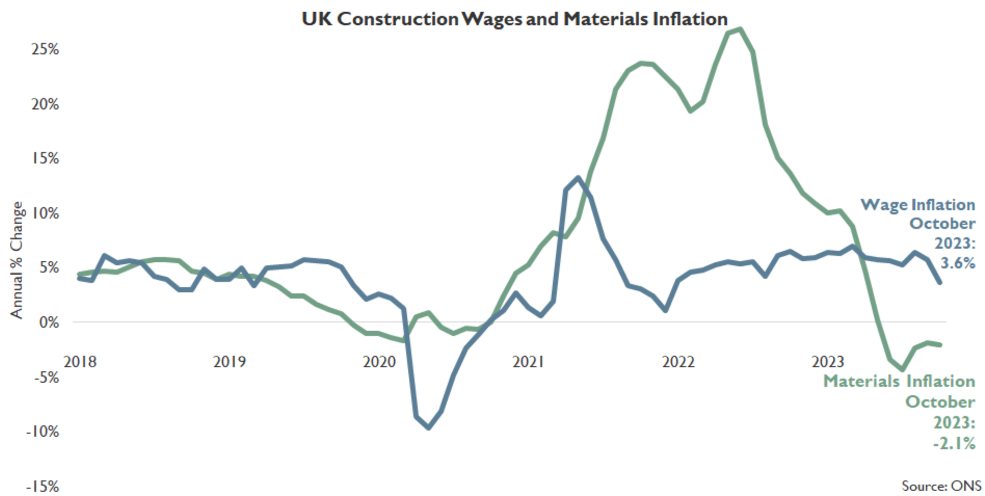
It is important to note, however, that the key reason that the sharpest annual declines were in steel-related and timber-related prices is that their prices peaked higher than other materials and, for timber, prices peaked earlier than other materials due to supply chain issues in 2021, before the energy 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.



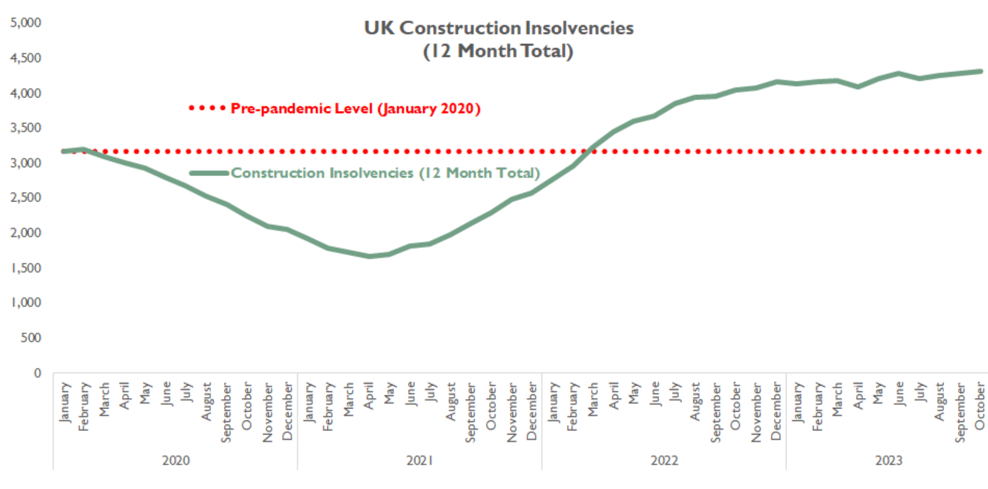
[ONS UK Construction Average Weekly Earnings (October 2023)](): UK construction average weekly earnings rose by 3.6% in nominal terms in the year to October, a considerable slowdown compared with the 6.9% nominal wage growth as recently as March 2023 due to the impacts of the slowdown in housing new build and rm&i on construction labour demand. Despite the 3.6% nominal wage growth, UK construction earnings continue to fall in real terms as CPI inflation in October was 4.6%. Construction wages have been falling in real terms for 25 consecutive months (note that falls in real wages started in October 2021, before the spikes in energy and commodity prices as well as before the spikes in inflation). This means that rising wages are hitting contractors, particularly smaller specialist sub-contractors on fixed price contracts signed-up to 18 or more months ago whilst it also means that many workers are also unhappy, having suffered falling real wages for over two years.



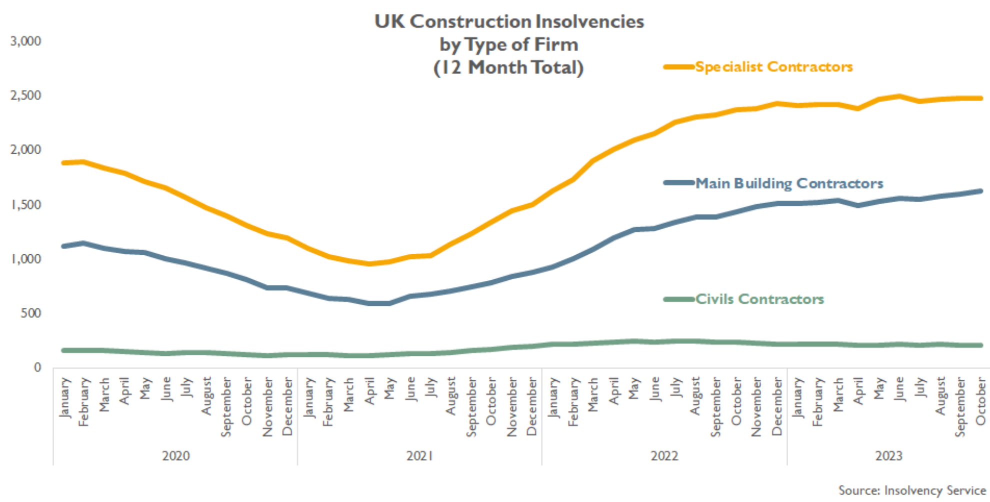
In sharp contrast to 2021 and 2022 when materials availability and prices respectively were the key issues for contractors, labour availability and inflation in some sectors are the key issues for contractors. UK construction average weekly earnings in October 2023 was 3.6% higher than a year earlier compared with construction materials prices, which were 2.1% lower than a year ago so whilst materials inflation is becoming less of an issue now, any benefits from this are being offset by construction wages rising. Furthermore, as highlighted in previous weekly updates, whilst materials prices have fallen by 2.1% over the past year, they remain 39.0% higher than in January 2020, pre-pandemic.



[Insolvency Service UK Construction Insolvencies (October 2023)](): 4,317 construction firms in the UK went out of business in the year to October, which is 9.1% higher than a year ago and 36.2% higher than in the year to January 2020, pre-pandemic. The number of firms that went under in the year to October has been higher than pre-pandemic for 20 consecutive months. Insolvencies were at their highest level since the financial crisis, surpassing the previous high in September as we continue to see the impacts of the declines in private housing new build and repair, maintenance and improvement (rm&i), the two largest construction sectors, on insolvencies.



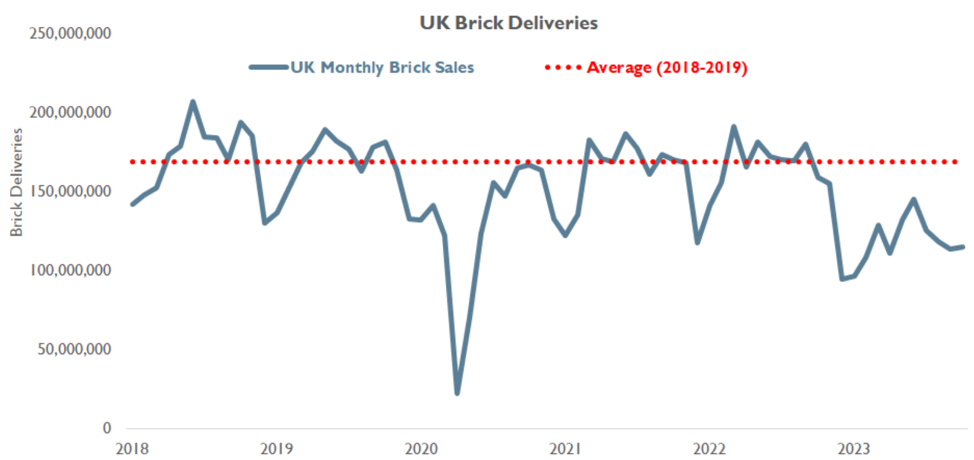
The biggest impacts remain on smaller specialist sub-contractors and 58% (2,480) of the firms that went under in the year to October were specialist contractors. As we have highlighted previously, in addition to the downturns in private housing and private housing rm&i demand, specialist sub-contractors 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% (1,628) of construction insolvencies in the year to October 2023 so they are clearly affected by the demand and supply issues as well. Civils contractors accounted for only 5% (209) 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. Given the continued slowdown in house building and rm&i plus the persistent impact of labour and material costs, contractor insolvencies are likely to rise further in 2024.



[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.

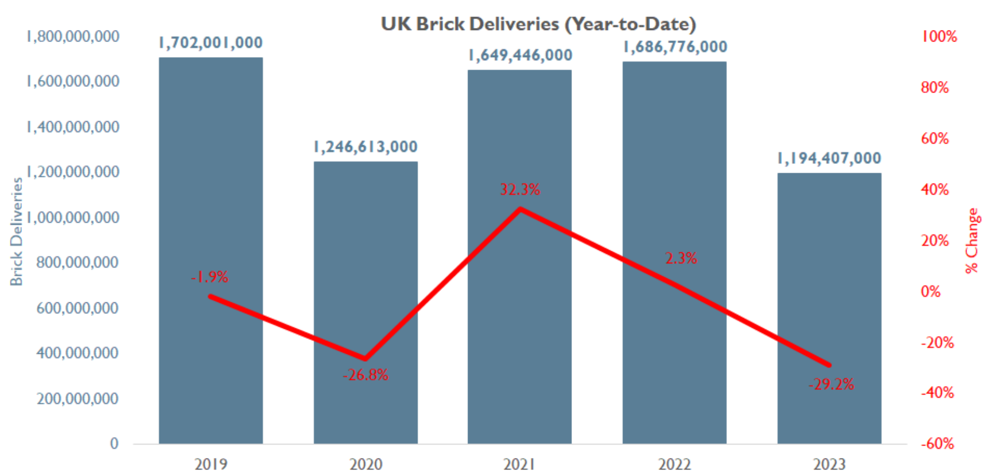
Brick deliveries in October 2023 were 1.5% higher than an unseasonably subdued September and were 27.6% lower than a year earlier, which is in line with the negative views of house builders, who stated Summer was poor, September did not have the usual pick up and October was only a marginal improvement.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



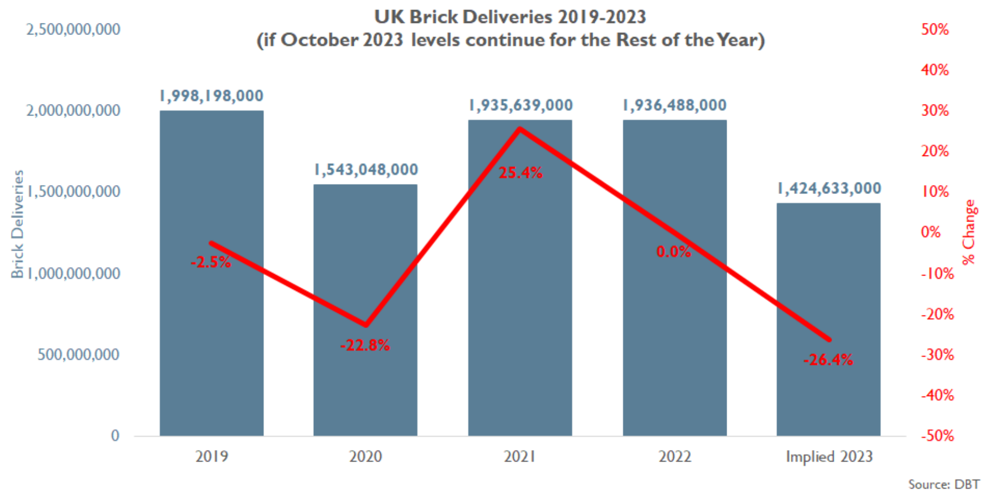
Source: DBT

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.



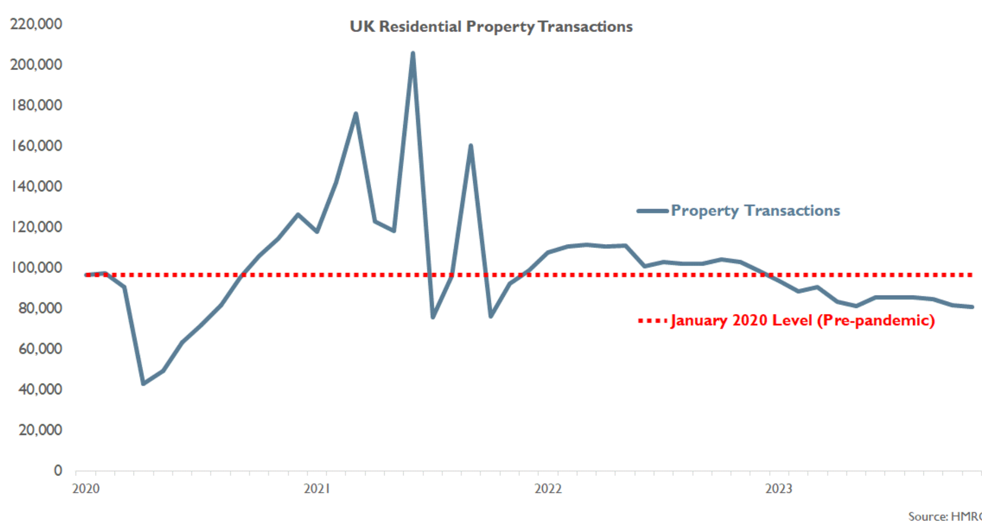
Source: DBT

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.

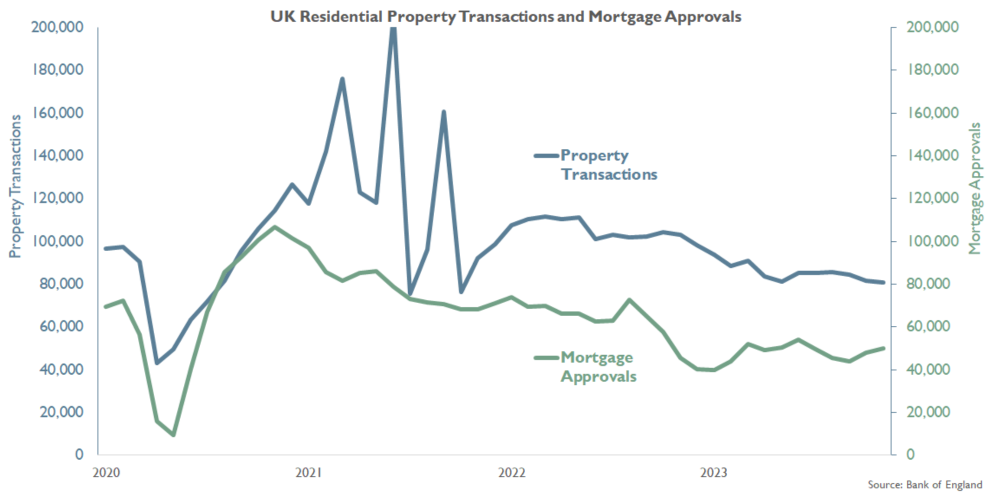


Going forward, the concern is that 2024 is likely to see a flat, or negative, house building market (outside of affordable housing where demand has remained strong) after the declines this year with a pick up at the end of next year at best or, more likely, in 2025.

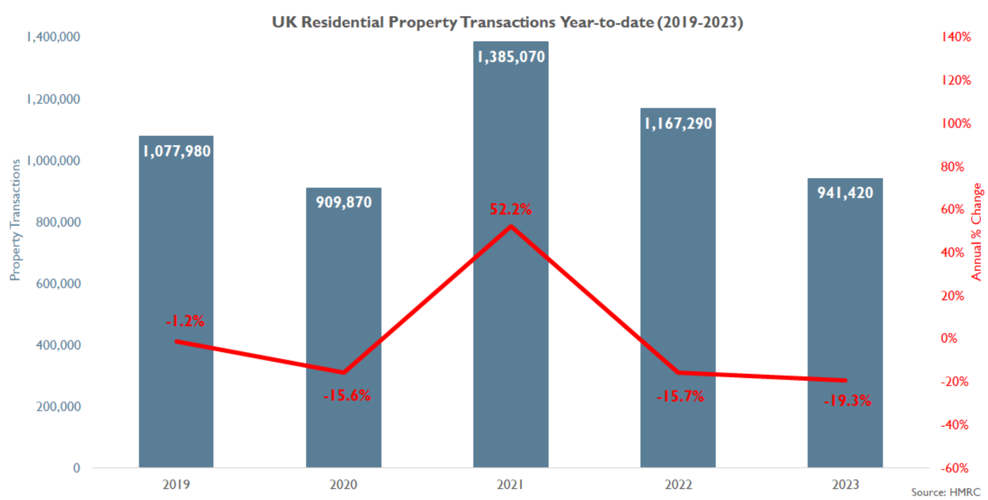
NEW: HMRC UK Residential Property Transactions (November 2023): There were 80,780 residential property transactions in the UK in November 2023, which is 1.2% lower than in October and 21.5% lower than a year ago (just before the full effects of last year's Mini Budget), according to HMRC. UK residential property transactions in November 2023 were also 16.4% 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.



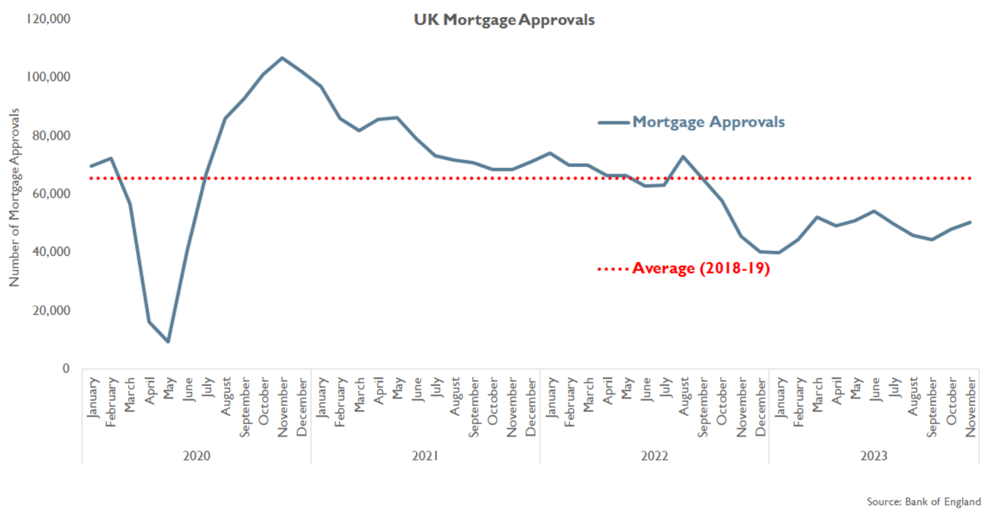
It is worth noting UK residential property transactions in November 2023 fell 20.5% compared with a year ago whilst mortgage approvals rose by 9.9%, albeit approvals having fallen more sharply before and, because property transactions lag mortgage approvals, UK residential property transactions are likely to start to rise during the first half of 2024. It is worth noting that property transactions have not fallen as sharply as mortgage approvals because 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.



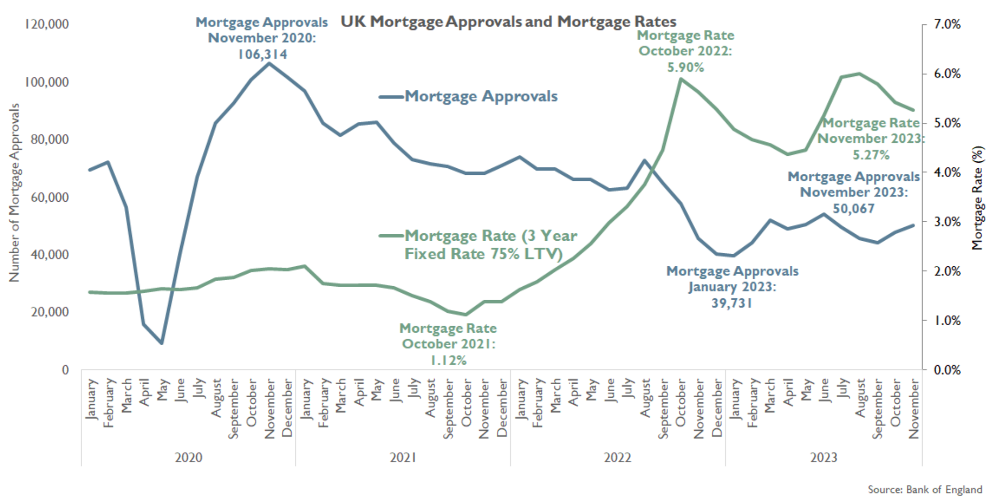
Year-to-date (January-November), transactions in 2023 were 19.3% lower than in 2022 (which was a very strong housing market before the Autumn Mini Budget) and UK residential property transactions year-to-date (January-October) in 2023 were also 32.0% lower than in 2021, which was a temporary spike due 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.



NEW: Bank of England UK Mortgage Approvals (November 2023): There were 50,067 mortgage approvals in the UK in November 2023 according to the Bank of England, which is 4.6% higher than in October and 9.9% higher than a year earlier (during the post-Mini Budget spike in mortgage rates and slump in mortgage approvals).

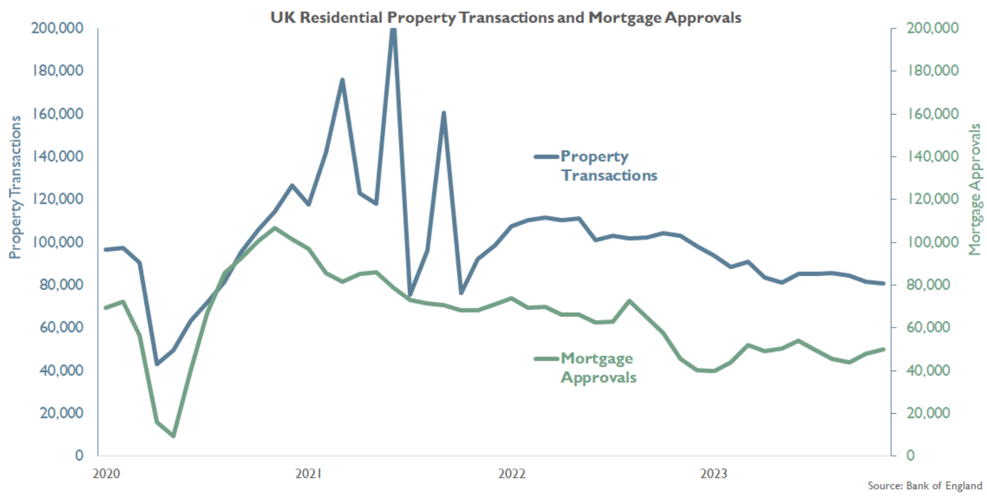


However, the number of mortgage approvals in the UK in November 2023 was also still 27.8% lower than in January 2020 and 23.5% lower than the 2018 to 2019 average, pre-pandemic 'race for space' and rate rises etc. UK mortgage rates have been falling since August's peak (from 6.02% for a 3-year fixed-rate 75% LTV mortgage in August to 5.27% in November but clearly rates remain high and contrast sharply with 1.12% as recently as October 2021. UK mortgage rates are likely to continue to fall this year due to greater certainty over interest rates already being at peak and the increasing likelihood that interest rates will begin to fall earlier this year, earlier than anticipated last year.



Despite the falls in mortgage rates so far and expected falls during 2024 as interest rates gradually fall, mortgage rates clearly won't return to levels seen up until October 2021 even in the medium-term and so, consequently, the UK housing market (mortgage approvals and property transactions plus, as a derived demand, house building) will not return to 2021 and 2022 levels even medium-term, particularly as the housing market was helped by government demand-side stimulus.

It is also worth noting that, unsurprisingly, since mortgage rates rose sharply, the housing market has been increasingly reliant on cash buyers and investor purchases (using mortgage approvals as a % of property transactions as a measure) but at least the recent rises mortgage approvals do point towards a partial recovery in property transactions during 2024 H1 so 2022 Q4 and 2023 H2 are likely to have been the nadir for the housing market.



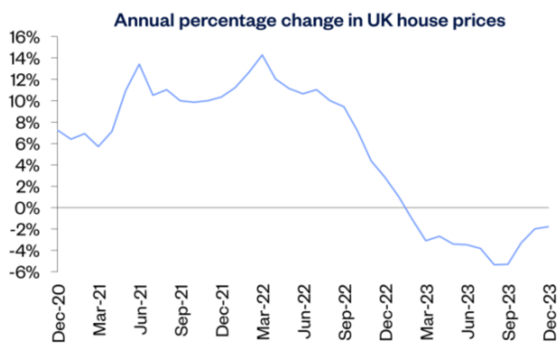
The key questions going forward are what mortgage rates settle at in 2025 and, consequently, what level mortgage approvals settle at (given that mortgage approvals in November 2023 were still 24.5% lower than the 2014-19 average, before the distortions of recent years). In addition, what housing market and house building stimulus the Chancellor will announce in the March's Budget? Any significant housing stimulus would have had to have been announced last year at the latest to have an effect before the General Election so the Budget is likely to have more housing PR announcements than effective policy.

NEW: Nationwide UK House Price Index (December 2023): According to lender Nationwide, UK house prices ended 2023 down 1.8% compared with December 2022, leaving them almost 4.5% below the all-time high recorded in late summer 2022. Prices were flat compared with November. Housing market activity was weak throughout 2023. The total number of transactions has been running at around 10% below pre-pandemic levels over the past six months, with those involving a mortgage down even more (around -20%), reflecting the impact of higher borrowing costs. Conversely, the volume of cash transactions has continued to run above pre-Covid levels.

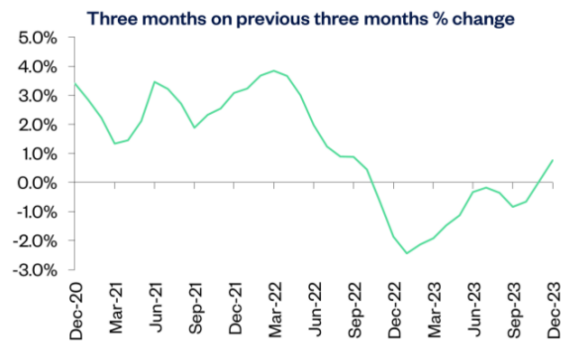
Housing affordability has remained stretched with a borrower earning the average UK income and buying a typical first-time buyer property with a 20% deposit would have a monthly mortgage payment equivalent to 38% of take-home pay, considerably higher than the long run average of 30%. At the same time, deposit requirements remain prohibitively high for many of those wanting to buy – a 20% deposit on a typical first-time buyer home equates to around 105% of average annual gross income – down from the all-time high of 116% recorded in 2022, but still close to the pre-financial crisis level of 108%.

Looking forward, Nationwide stated that there have been encouraging signs for potential buyers recently with mortgage rates edging down. Investors have become more optimistic that the Bank of England has already raised rates far enough to return inflation to target and will reduce rates in the years ahead. This shift in view is important, as it has brought down longer-term interest rates, which underpin fixed mortgage rate pricing. Nevertheless, it also highlighted that a rapid rebound in activity or house prices in 2024 appears unlikely. While cost-of-living pressures are easing, with the rate of inflation now running below the rate of average wage growth, 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.

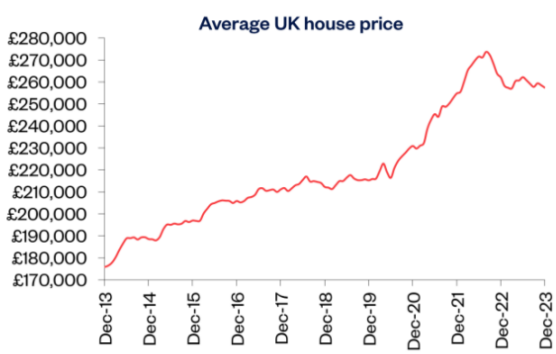
It appears likely that a combination of solid income growth, together with modestly lower house prices and mortgage rates, will gradually improve affordability over time, with housing market activity remaining fairly subdued in the interim. If the economy remains sluggish and mortgage rates moderate only gradually, as we expect, house prices are likely to record another small decline or remain broadly flat (perhaps 0 to -2%) over the course of 2024.



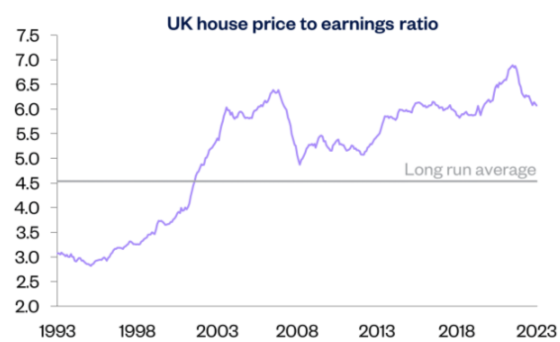
Source: Nationwide



Source: Nationwide

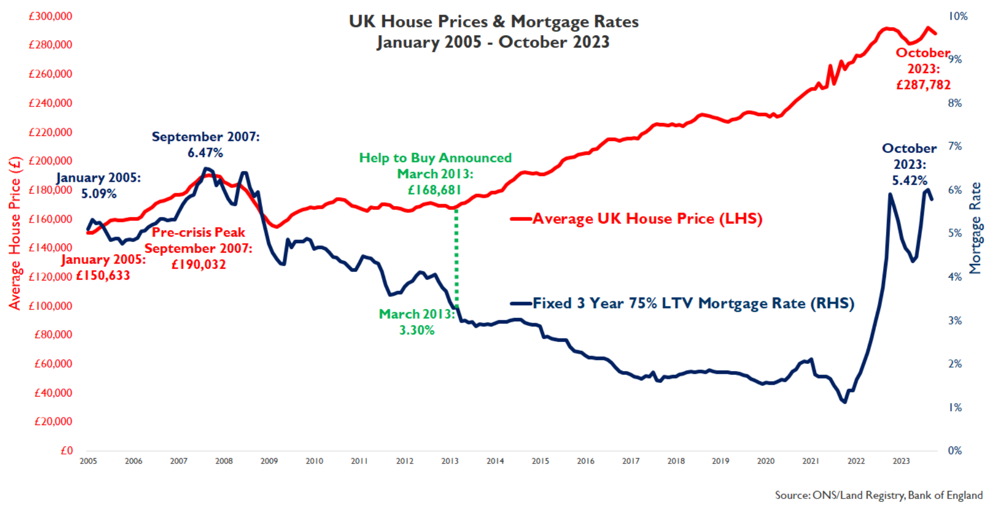


Source: Nationwide

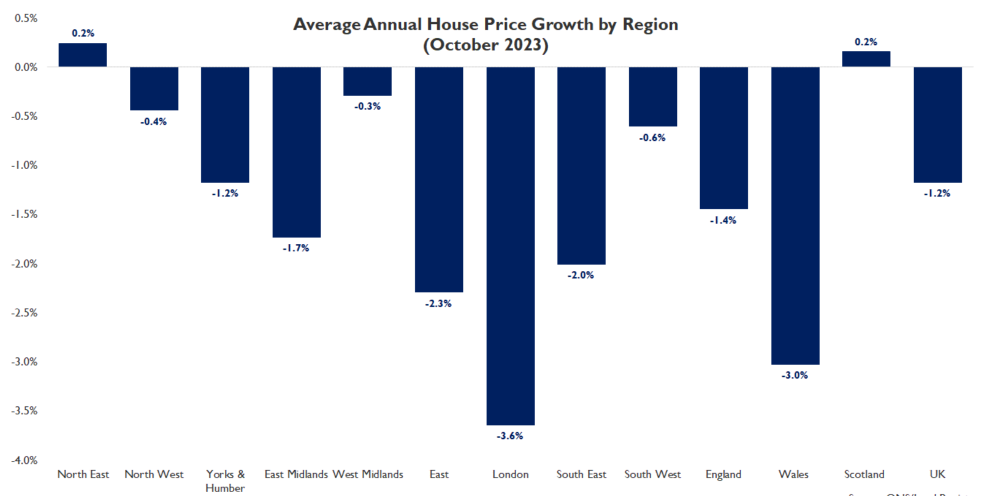


Source: Nationwide, ONS

NEW: ONS UK House Price Index (October 2023): The average UK house price in October 2023 fell by 1.2% compared with a year earlier, according to the ONS/Land Registry latest data. House prices in October were also 0.7% lower than in August and 1.3% 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.



Across the regions and nations, the fastest annual house price falls were in London (3.6%) and Wales (3.0%) whilst the only regions with annual house price growth were Scotland and the North East (0.2%) 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.