

Crest Nicholson

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Crest Nicholson drops as JPMorgan Cazenove cuts its target price in sector review, noting near 20% rise in year-to-date

Crest Nicholson PLC (LON:CRST) shares dropped on Thursday as JPMorgan Cazenove cut its target price for the mid-cap housebuilder in a sector review, noting a near 20% rise in its share price in the year-to-date.

The US bank has reduced its target for the FTSE 250-listed firm to 400p from 440p, albeit with the stock currently trading at 354.20p, down 8.9% on Wednesday's close.

READ: Crest Nicholson still struggling in London but says build cost inflation has moderated

JPMorgan also cut its target price for Crest's mid-cap peer Bellway PLC (LON:BWY) to 3,900p from 4,100p, with its shares down 2.2% to 2,947p in afternoon trading on Thursday. Bellway shares have also increased by over 20% in the year-to-date.

In their note to clients, JPMorgan's analysts said: "The Housebuilders are up 21% year to date and we expect positive performance to continue."

They added: "Performance so far has purely been a function of re-rating, aided by improving UK domestic sentiment and supported by reports of a benign spring selling season, where demand for new build remains relatively robust."

The analysts noted that they still have an average of 13% upside to their price targets in the sector and continue to see scope for "further re-rating should the perception of political risk continue to subside as well as upgrades."

However, the sector overall retreated on Thursday as although the Bank of England once again left UK interest rates on hold, some analysts speculated that a rate hike might still be possible this year if the Brexit uncertainty is resolved, with inflation now below the central bank's target.

Customer care improvement from Persimmon

The sector was also mulling a move by blue-chip giant Persimmon PLC (LON:PSN) to launch a customer care improvement plan following complaints about the quality of homes and leasehold charges attached to new homes.

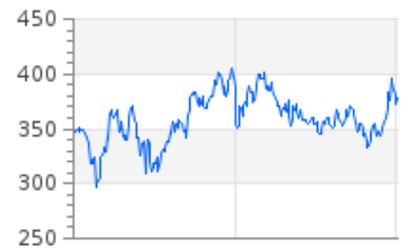
Under the plan, a buyer's solicitor can withhold 1.5% of the total value of a home until any faults identified at the time of release are resolved.

Based on the group's current selling prices, the average amount withheld will be about £3,600 per home.

Price: £3.80

Market Cap: £976.3 m

1 Year Share Price Graph



September 2018 March 2019 September 2019

Share Information

Code: CRST

Listing:

52 week	High	Low
	410.8	275

Sector: Builders and building materials

Website: www.crestnicholson.com

Company Synopsis:

Crest Nicholson is a leading residential developer operating in the Southern half of England with an emphasis on creating well designed homes in sustainable communities. The Group has a wide product range, varying from homes for first time buyers through to large family homes, and includes a mixture of houses, apartments and supporting commercial premises as part of its larger developments.

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