

Galliford Try plc

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Peel Hunt sees tougher market for UK housebuilders in 2012, downgrades likely

Peel Hunt expects a tougher market for UK housebuilders in the first quarter - and if house prices drop as feared there is a risk of downgrades later in the year. There should still be growth, but it will be slower than in the first half of 2011.

In a note headlined 'Last Hurrahs?' the broker said the solid performance of builders last year was flattered by the fact that they had performed so poorly the year before.

This meant they were up against what Peel Hunt called "soft" comparable figures.

Tougher markets and more demanding comparatives should make for more cautious commentary through 2012, starting in the current quarter, the broker added.

Peel Hunt believes the tone from builders in the early part of this year is likely to be more cautious than in the first quarter of 2011, where rising consumer confidence, a "thawing" of the mortgage market and a rise of buy-to-let activity lifted the market.

The broker said 2012 is likely to lack any such impetus.

Household incomes are under pressure, mortgage lending is tighter and more costly and the market ended 2011 with prices outside the south-east falling between 3.7 and 6.1 percent, the broker said. "If house prices drop by 4-5 percent it is easy to see margin pressure and the risk of downgrades," it added.

Its top picks are Galliford Try (LON:GFRD) and Berkeley Group (LON:BKG).

The former's ongoing expansion of the housebuilding business - while still operating the construction division -, strong growth and high income are still not reflected in the share price. Peel Hunt said concerns over the London market, which have dragged Berkeley lower, have been overdone.

Trading or quarterly updates are expected this month from Persimmon, Barratt Developments (LON:BDEV), Galliford, Bellway (LON:BWY), Bovis Homes and Taylor Wimpey (LON:TW.).

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Price: 620p

Market Cap: £688.4M

1 Year Share Price Graph



Share Information

Code: GFRD

Listing: AIM

52 week High Low
1,117.00p 499.60p

Sector: Construction & Materials

Website: www.gallifordtry.co.uk

Company Synopsis:

Galliford Try PLC provides construction services throughout the United Kingdom and is a house builder across the South of England, Midlands and Eastern counties with an affordable housing and regeneration business. The company offers a range of construction services across the United Kingdom with specific sector expertise in education, health, commercial, leisure, interiors and facilities management.

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