

Sector View

Construction & Materials

French new residential: Steady sales growth for Kaufman & Broad in 2015

	1 M	3 M	6 M	31/12/15
Cons & Mat	-5.2%	-4.4%	-7.5%	-5.4%
DJ Stoxx 600	-7.4%	-9.8%	-14.0%	-7.3%

*Stoxx Sector Indices

Companies covered

CRH	BUY	EUR30
EIFFAGE	BUY	EUR63
HEIDELBERGCEMENT	BUY	EUR86
LAFARGEHOLCIM	SELL	CHF60
SAINT GOBAIN	BUY	EUR42
VICAT	NEUTRAL	EUR64
VINCI	NEUTRAL	EUR65

French Property developer Kaufman & Broad has reported steady volume growth for 2015, with a +17.5% y/y increase for sales ("réservations"). The Buy-to-Let Pinel scheme remained a key driver, with sales to investors rising by +23%. 2016 new residential sales are expected to increase by 5% in 2016 in France, according to Kaufman & Broad, which is similar to Nexity's guidance for 105 000 sales, equivalent to the 10-year average. Sales will be gradually translated into housing starts. Saint-Gobain, Eiffage and to a lesser extent Vinci will benefit from these improving trends.

Kaufman & Broad has reported healthy sales (volumes) for 2015, with a strong Q4 showing growth of 28.5% y/y in the quarter alone. Note that Nexity reported 12% sales growth (in volume) at end September, with a very strong increase for individual investor sales (+38% adj.). Total sales in France were up 20% y/y for the first nine months, according to government statistics.

ANALYSIS

- This again confirmed the positive impact of the Pinel scheme (tax reduction for individual investors buying a new home in order to rent it). Nexity is likely to report good figures too, with a possible acceleration in Q4. Guidance of 100,000 sales for the whole market in 2015 is likely to be beaten.
- 2016 will be less buoyant for sales, but housing starts are more and more likely to increase (flat at end-November on a 12-months basis).
- New residential represents c6% of Saint-Gobain sales, c10% for Eiffage and c4% for Vinci.

NEXT CATALYSTS

- Nexity's 2015 full year results are due out on 16th February. Q4 official government sales figures for the new residential market are to be released on 23rd February.

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NEUTRAL ratings 30.8%

SELL ratings 9%

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