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Building industry's revival faltering

CONSTRUCTION

Year's good start hit by price fall fears

Short positions soar 45% in 12 weeks

By Ed Hammond

Short selling of shares in UK housebuilders has soared since the election, pushing prices down amid fears that economic uncertainty and restrictive new planning policy will put the brakes on the sector's recovery.

The housebuilding industry had enjoyed a positive start to the year, with buyer demand and mortgage availability showing signs of improvement. But concerns that property prices may fall have caused short positions on housebuilders to rise by almost 45 per cent during the past 12 weeks, according to Data Explorers.

"There is a fair bit of conviction that house prices are going to fall, especially outside of London which is why the hedge funds are attacking the regionally spread housebuilders," said one industry insider.

The number of Barratt shares on loan has doubled since the election, while Taylor Wimpey has seen the number of its shares on loan as a percentage of its total rise to 2 per cent from 1.46 per cent over the period.

Short selling is used widely by investors to profit from falling share prices.

While the FTSE All-share has been flat since the election, share prices across the housebuilding sector have been under pressure. Taylor

Wimpey, which is down 26 per cent, is the worst affected.

Meanwhile, Persimmon, Barratt, Redrow, Bellway and Bovis have all seen their market value fall by between 10 and 30 per cent during the period. Only Berkeley Group, with its strong London focus, has seen its shares rise moderately.

Housebuilders cite the austerity measures, the slow pace of economic recovery, and uncertainty about job security, as weighing on consumer confidence. However, other consumer facing sectors have fared far better than housebuilding during the 11 weeks since the election, with retail down 1 per cent and leisure up 0.5 per cent.

"It doesn't take much to go from supposed recovery to retrenchment and there are still a lot of double-dip fears out there," said Alastair Stewart, a housebuilding analyst at Investec.

Another concern for housebuilders is changes to planning policy, which some companies have labelled a "charter for extreme Nimbyism".

Emboldened after Eric Pickles, the communities secretary, wrote to local authorities on May 27 ordering them to scrap their "regional spatial strategies", councils have since rejected projects that would have delivered more than 7,500 new homes, according to Financial Times research.

However, others in the industry warned that the negative view on housebuilder shares was being driven by a fundamental reassessment of the future of the industry.