

Home Construction: US Credit Outpaces UK Despite Supply Shortages

November 2021

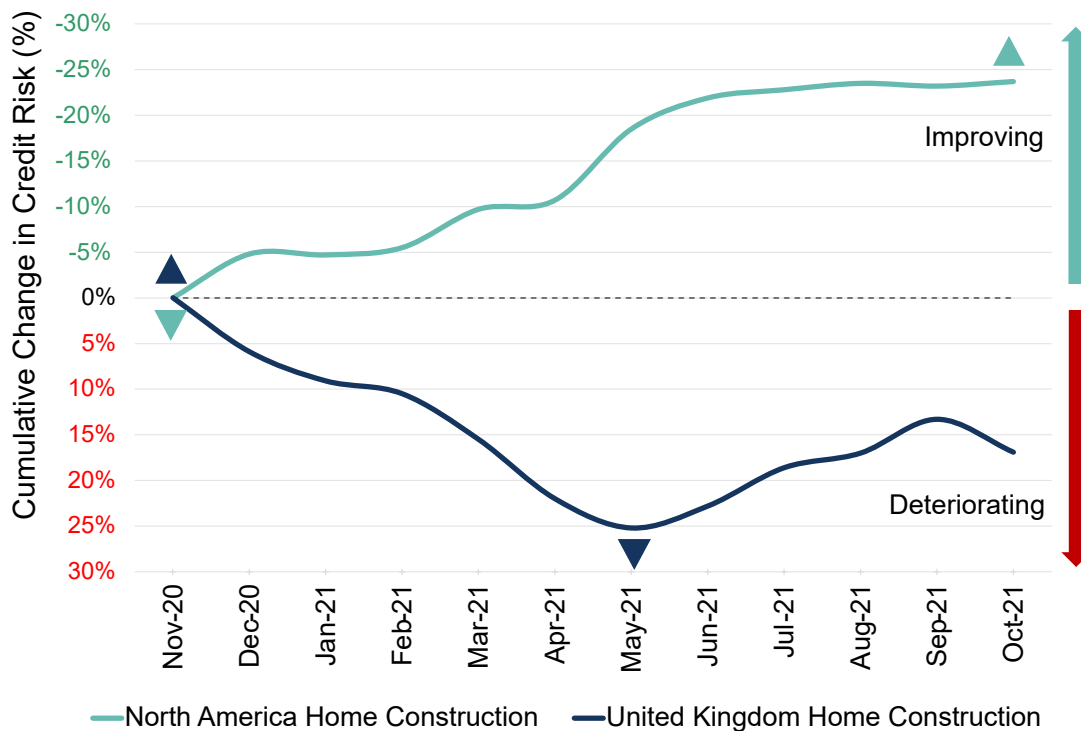


The post-pandemic “race for space” is driving strong demand for housing [globally](#). Higher building material costs have pushed up new house prices in the US by at least 25% in the past year; but over the same period, (highly seasonal) housing starts are [up 7.4%](#).

UK housebuilders are not immune to global shortages of construction materials and skilled workers but – according to some sources – these have been [amplified by Brexit](#).

Figure 1 shows credit trends for the North America (including Canada) and UK home construction sectors.

Figure 1: Credit Trends, North American and United Kingdom Home Construction



Source: Credit Benchmark

North America has seen improving credit since Nov-20, stabilizing over the past few months. However, the UK deteriorated over the same period, and, after some improvement from May-21 onwards, has deteriorated again in the latest month.

Figures 2 and 3 show the change in credit distribution over the past year for North American and United Kingdom Home Construction respectively.

Figure 2: Credit Distribution, North American Home Construction; Oct-20 vs Oct-21

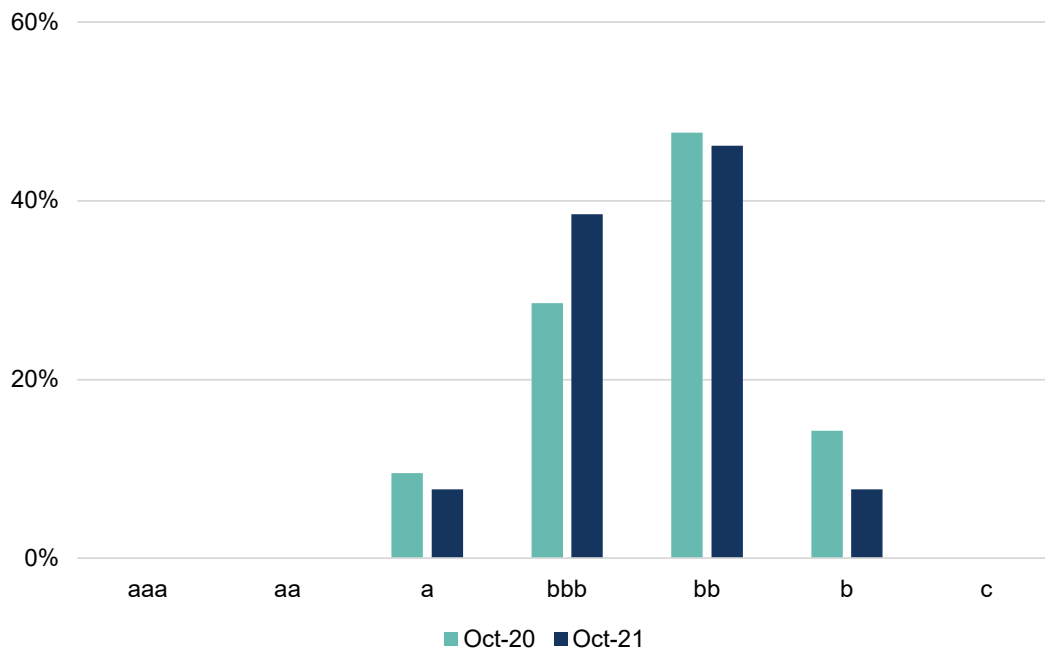
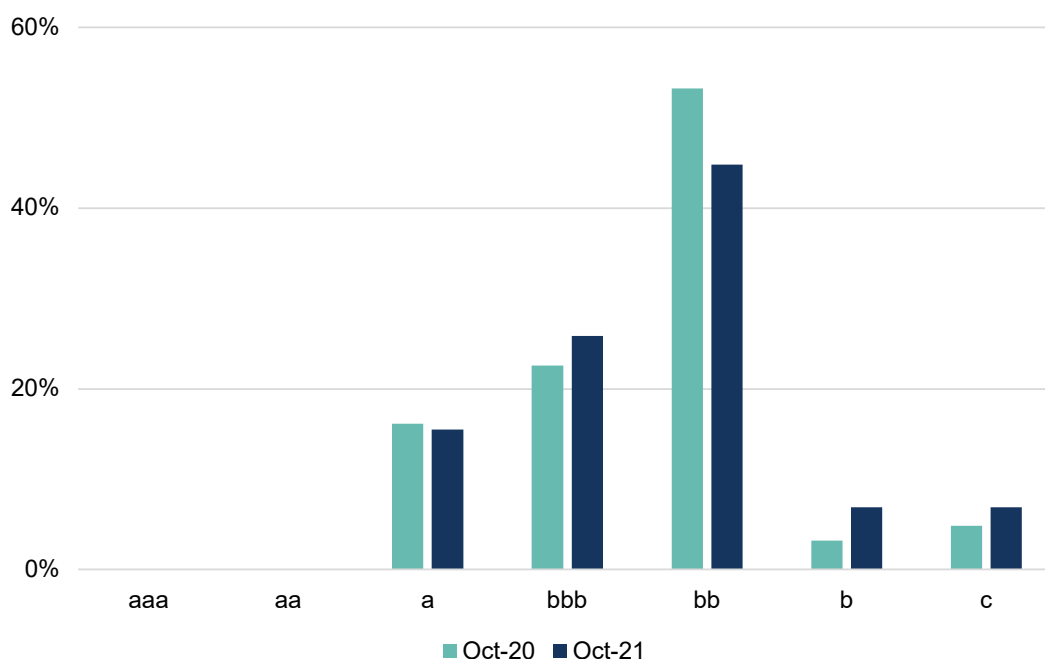


Figure 3: Credit Distribution, United Kingdom Home Construction; Oct-20 vs Oct-21



Over the past year, the North American credit distribution has shifted towards investment grade: there has been a decrease in the **b** credit category and the **bbb** credit category has expanded.

On the other hand, the United Kingdom has seen a shift towards high yield, with an increase in both the **b** and **c** credit categories.

Figures 4, 5 and 6 show detailed credit trends for three North American Home Construction Companies: Century Communities Inc, Lennar Corp, and Meritage Homes Corp.

Figure 4: Century Communities Inc

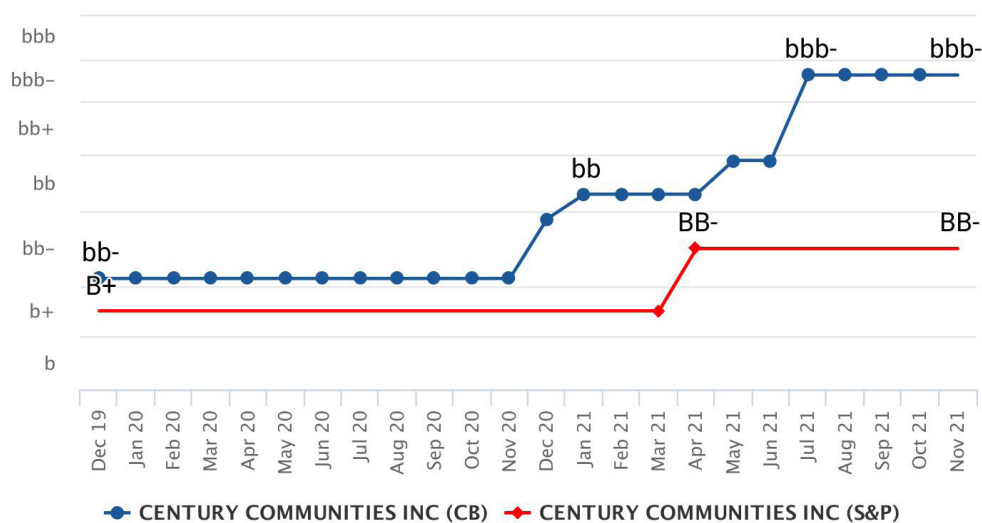


Figure 5: Lennar Corp

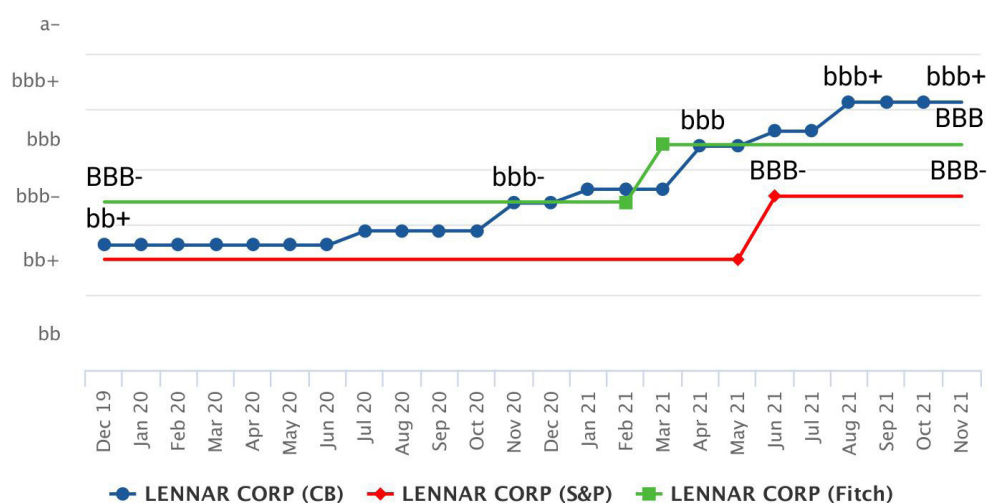
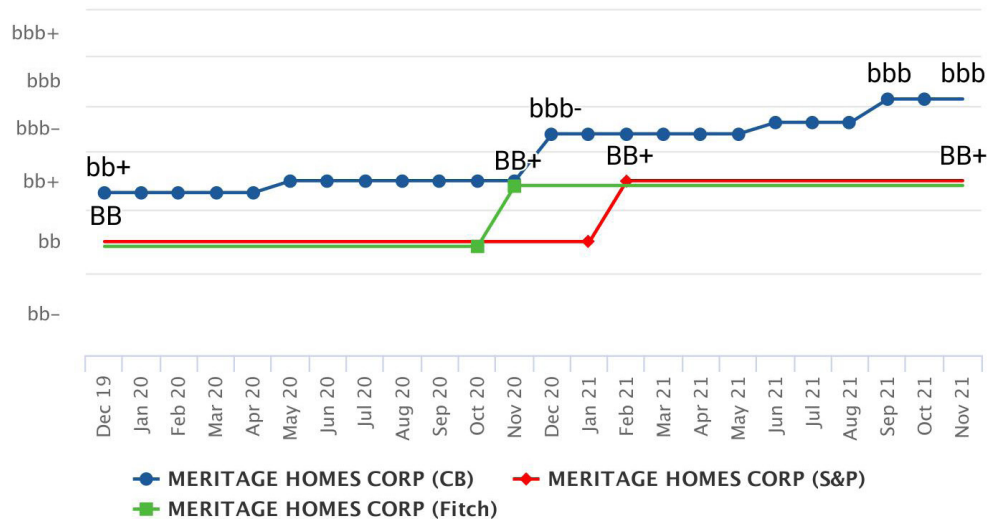


Figure 6: Meritage Homes Corp



Century Communities Inc, Lennar Corp and Meritage Homes Corp – all in the [American residential construction top ten](#) – have shifted from high yield to investment grade over the past year; Fitch and/or S&P has also upgraded these firms.

Figures 7, 8, 9, 10, 11 and 12 show detailed credit trends for six United Kingdom Home Construction Companies: Countryside Properties Plc, Lioncourt Homes Ltd, Jones Watkin & Son Ltd, Precision Construction Ltd, Bell Contracting Ltd and Kier Build Ltd.

Figure 7: Countryside Properties Plc, a constituent of the [FTSE 250 Index](#)

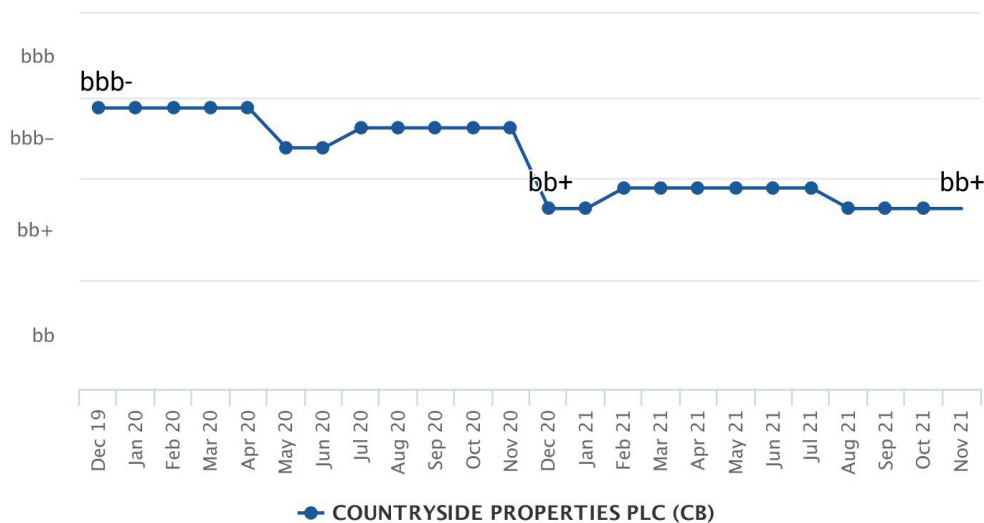


Figure 8: Lioncourt Homes Ltd

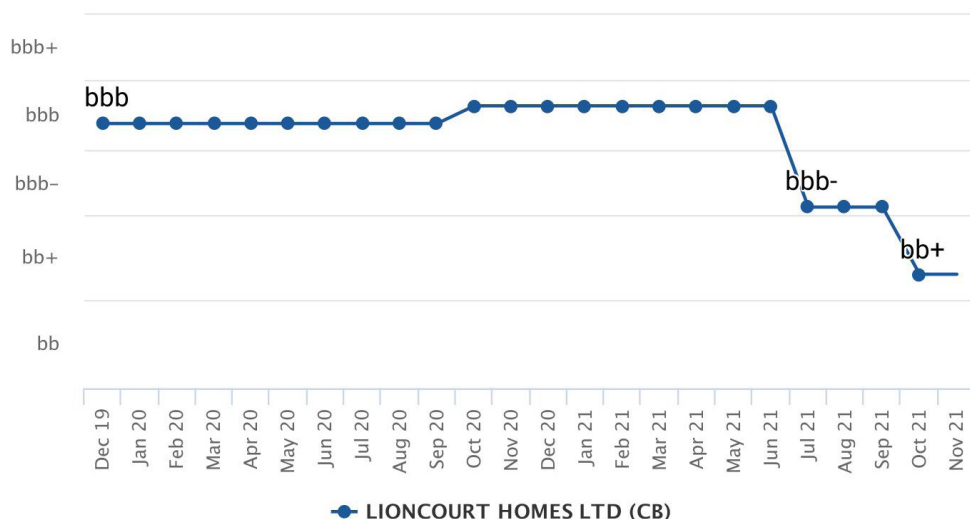


Figure 9: Jones Watkin & Son Ltd

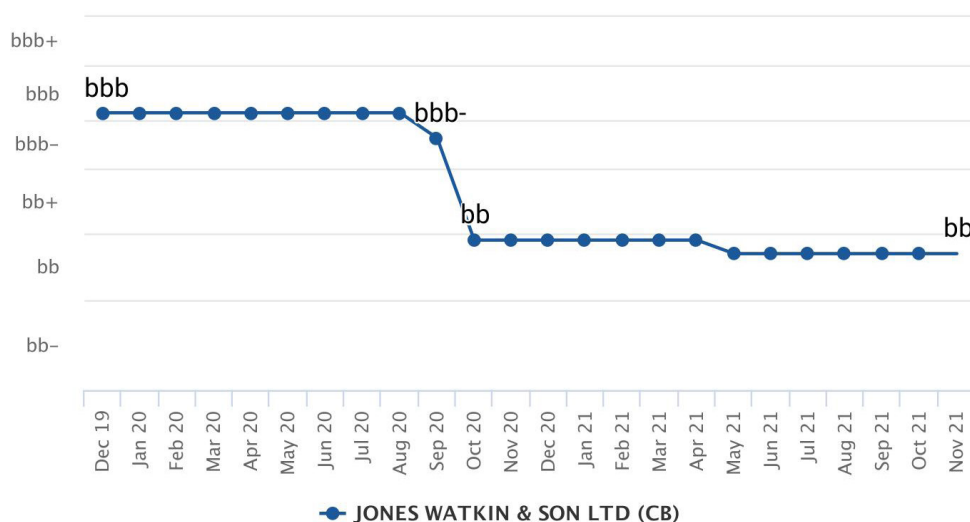


Figure 10: Precision Construction Ltd

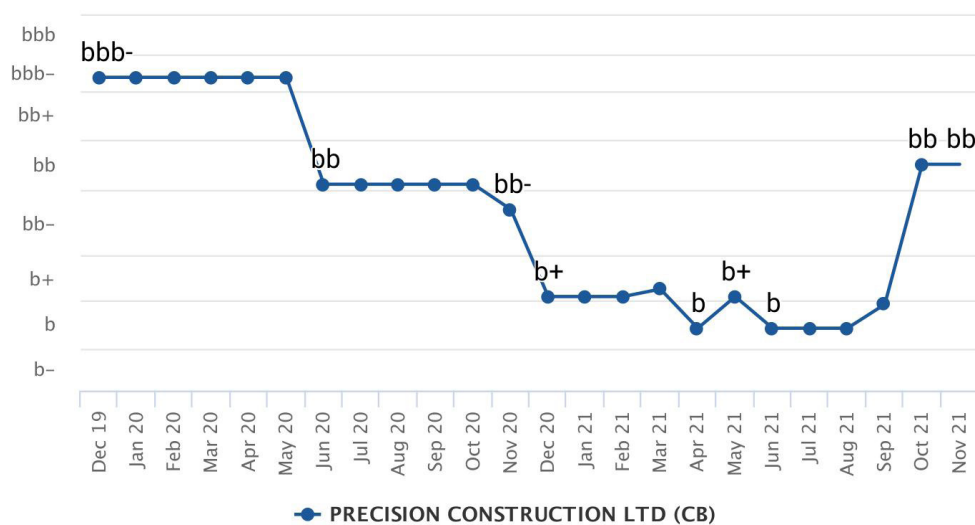


Figure 11: Bell Contracting Ltd

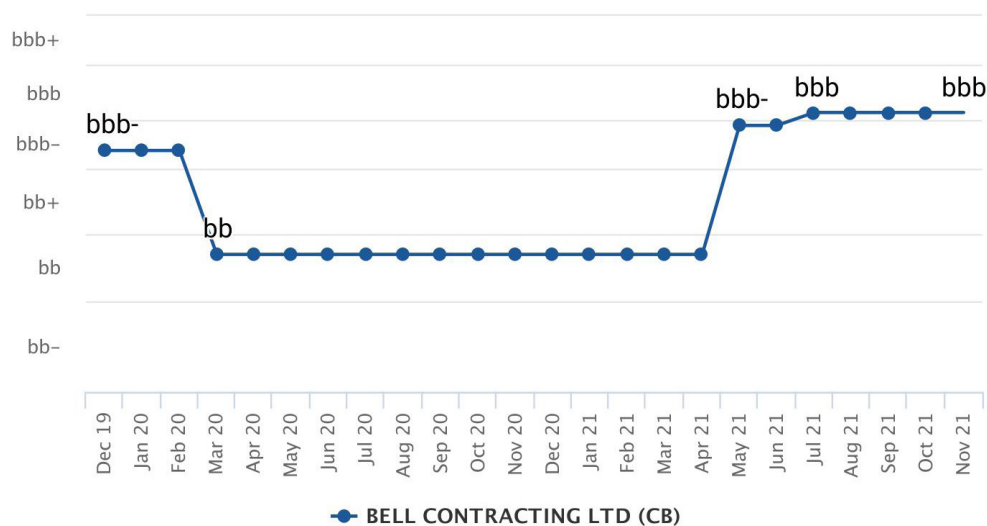
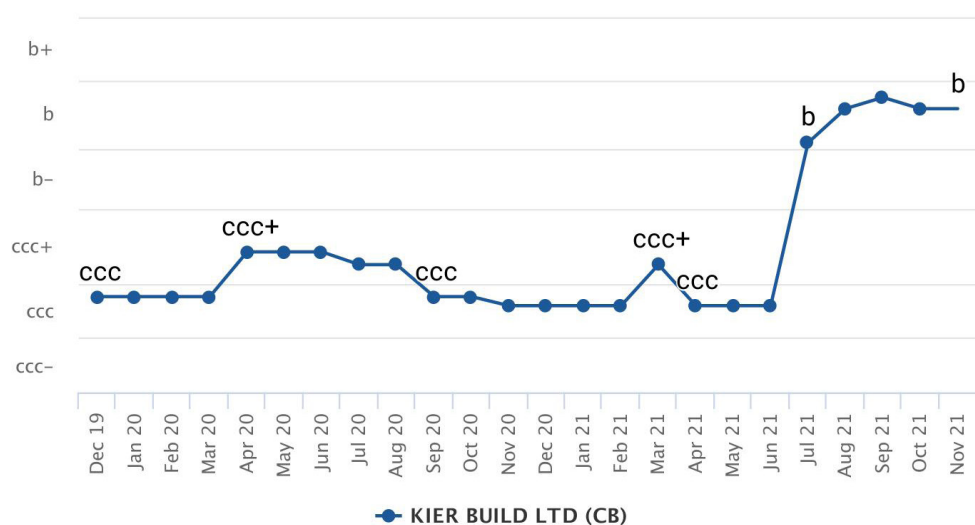


Figure 12: Kier Build Ltd



Countryside Properties Plc, Lioncourt Homes Ltd and Jones Watkin & Son Ltd have shifted from the investment grade to high yield in the past year; Precision Construction Ltd saw multiple deterioration from Nov-20 to Aug-21 but has shown improvement in the latest months; Bell Contracting Ltd and Kier Build Ltd show significant improvement in the summer of 2021 but have since stabilised.

Figures 13 and 14 show upgrades vs. downgrades for North American and United Kingdom Home Construction entities respectively.

Figure 13: Upgrades vs. Downgrades, North America, 21 credit category scale

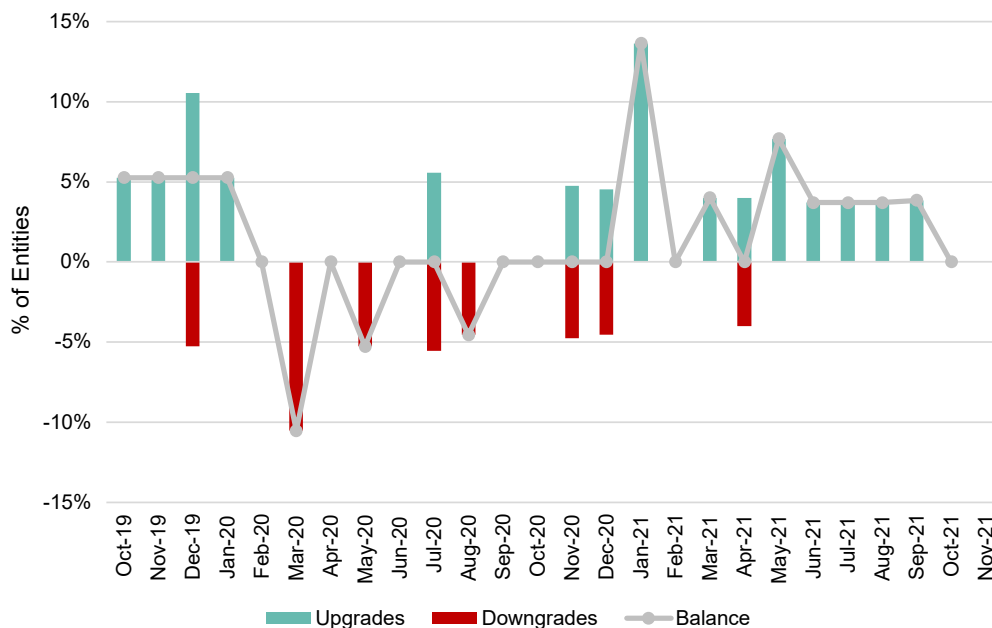
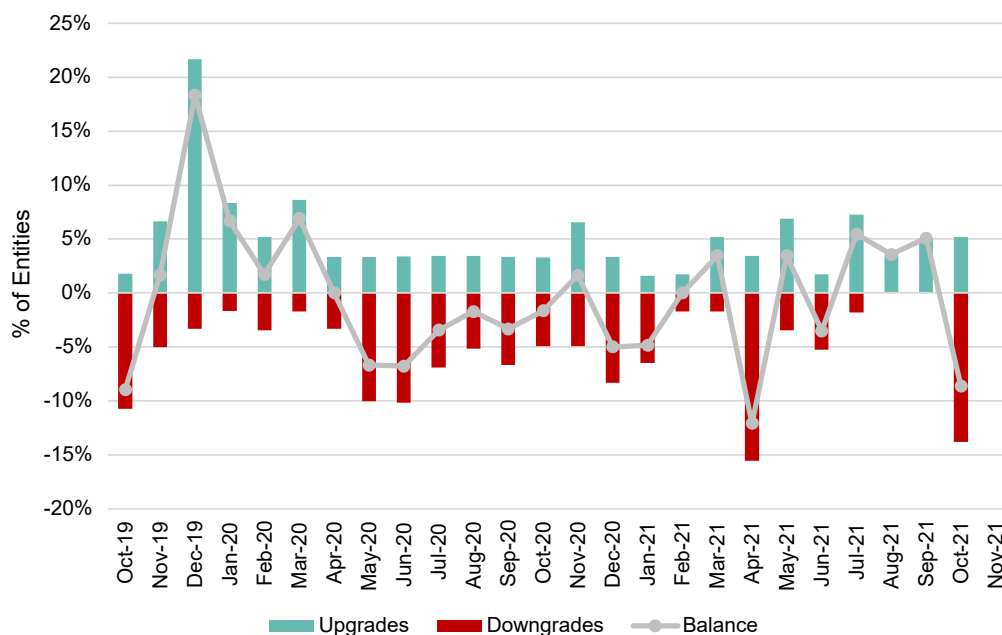


Figure 14: Upgrades vs. Downgrades, United Kingdom, 21 credit category scale



After 5 consecutive months of more upgrades than downgrades, North America shows no recent upgrades or downgrades.

However, after just 3 consecutive months of more upgrades than downgrades, the UK has seen another wave of downgrades.

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- Credit Risk Management
- Systematic Credit Trading
- Securities Finance
- Supply Chain Risk
- Trade Credit Insurance
- Fund Management
- Regulation, RWA & Capital
- Onboarding, KYC & Relationship Management
- Point-in-Time (PIT) Impairments
- Accounts Payable & Receivable



10 Million

Contributed Credit Risk Estimates Per Year
40 Million+ Estimates Collected Since Launch



60,000+

Entities Covered



2x

Twice Monthly Frequency



75%

Unrated by Major Credit Rating Agencies



1,100+

Aggregates



100+

Countries



75+

Months of Data



50+

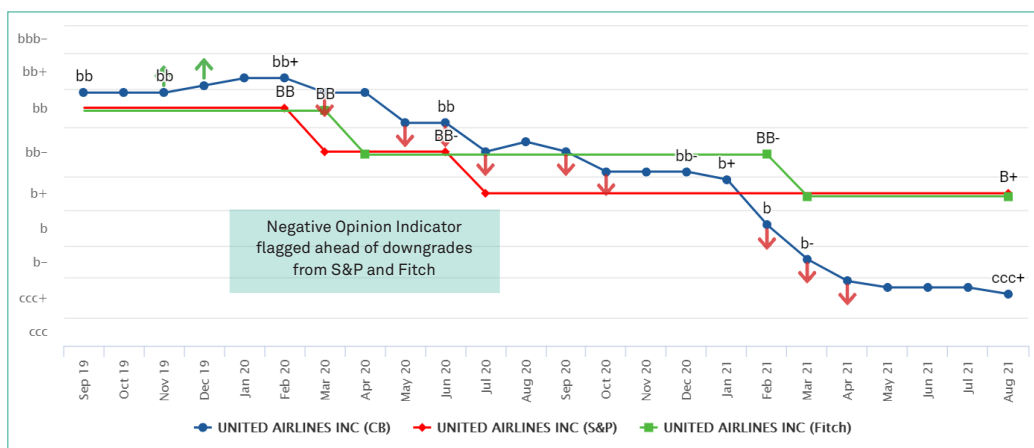
Data Metrics



40+

Contributing Financial Institutions Representing a Pool of 20,000+ Credit Analysts

Real-world risk views with unparalleled consensus coverage



Credit Consensus Rating:
Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

Consensus Analytics:
Insights into the depth, dispersion, movement, and directionality of the Credit Consensus Rating's underlying views

Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

Build screener with criteria below:

- ☒ S&P Rating is **Unrated**
- ☒ Fitch Rating is **Unrated**
- ☒ CCR is **aaa** **aa+** **aa** **aa-** **a+** **a** **a-** **bbb+** **bbb** **bbb-**

44,628 Entities found

Screen for public and non-publicly rated entities within specific geographies, industries, sectors and within your defined rating thresholds

CBID	Entity Name	Credit Consensus Rating	S&P Rating	Fitch Rating
CB0000000009	IHS GLOBAL CANADA LTD	bbb-	Unrated	Unrated
CB0000000025	GYP HOLDINGS III CORP	bb	Unrated	Unrated
CB0000000080	GESTIELLE CEDOLA DUAL BRAND	a-	Unrated	Unrated
CB0000000087	TRANE TECHNOLOGIES LUXEMBOURG FINANCE SA	bbb+	Unrated	Unrated
CB0000000088	TECK HIGHLAND VALLEY COPPER PARTNERSHIP	bbb	Unrated	Unrated

Credit Benchmark Web App: Data Screen Sample

Data that works for you:

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

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