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Persimmon Posts Full Year-Profit as U.K. House Market Recovers
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By Tim Barwell

March 2 (Bloomberg) -- Persimmon Plc, the U.K.'s third-largest homebuilder by volume, reported a full-year profit on an improving housing market and an absence of writedowns that pushed the company to a 2008 loss.

Net income was 74.1 million pounds (\$110 million), or 24.5 pence a share, compared with a year-earlier loss of 625 million pounds, or 208.3 pence, the York, England-based company said today in a statement. Revenue fell 19 percent to 1.42 billion pounds. Home completions declined to 8,976 from 10,202.

"Prices have held firm since the beginning of the year and we remain focused on improving our operating margins and to profitably grow the business," Chairman John White said in the statement. "The business is well positioned both operationally and financially for a recovering market."

U.K. home prices fell 1 percent in February from January, the first decline in 10 months, partly because snow and the end of a temporary reduction in property-sales tax deterred buyers, mortgage lender Nationwide Building Society said Feb. 26.

Persimmon said the market remains "hampered" by a lack of mortgages for first-time buyers, with banks still demanding 25 percent down payments for newly built properties.

Mortgage approvals dropped in January by more than economists forecast to an eight-month low, adding to evidence that the housing-market recovery may be losing momentum, the Bank of England said yesterday. Home loans fell to 48,198 from 58,223 in December, the Bank said.

"The increased availability of mortgages throughout the year has had a major impact on the stabilization of the market," Persimmon said. "This still remains substantially lower than the historic average of about 92,000 approvals each month."

Debt Falls

Persimmon reduced its net debt to 267.5 million pounds as of Dec. 31, from 1.2 billion pounds in April 2008. It's the only listed housebuilder that avoided raising money from investors during the downturn. Profit margin fell to 4 percent, from 11.3 percent a year earlier.

Persimmon's average selling price for homes reserved in the year fell 7 percent to 160,513 pounds. In the second half, prices rose 6 percent as it sold more private houses and fewer apartments.

The company also started to buy land in the second half of last year, agreeing to purchase about 5,500 plots, mostly in southern England. At the end of the year, Persimmon owned 60,454 plots of land, which will last about six years, the company said. Last year, Persimmon wrote down the value of its land and work in progress by 664 million pounds.

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