

European Equity Research | 2013

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HMI Conference

**Housebuilding opportunitites:
The long, short and medium of it
- a city view**

Anthony Codling
anthony.codling@jefferies.com
+44 20 7029 8677

Jefferies International Ltd.

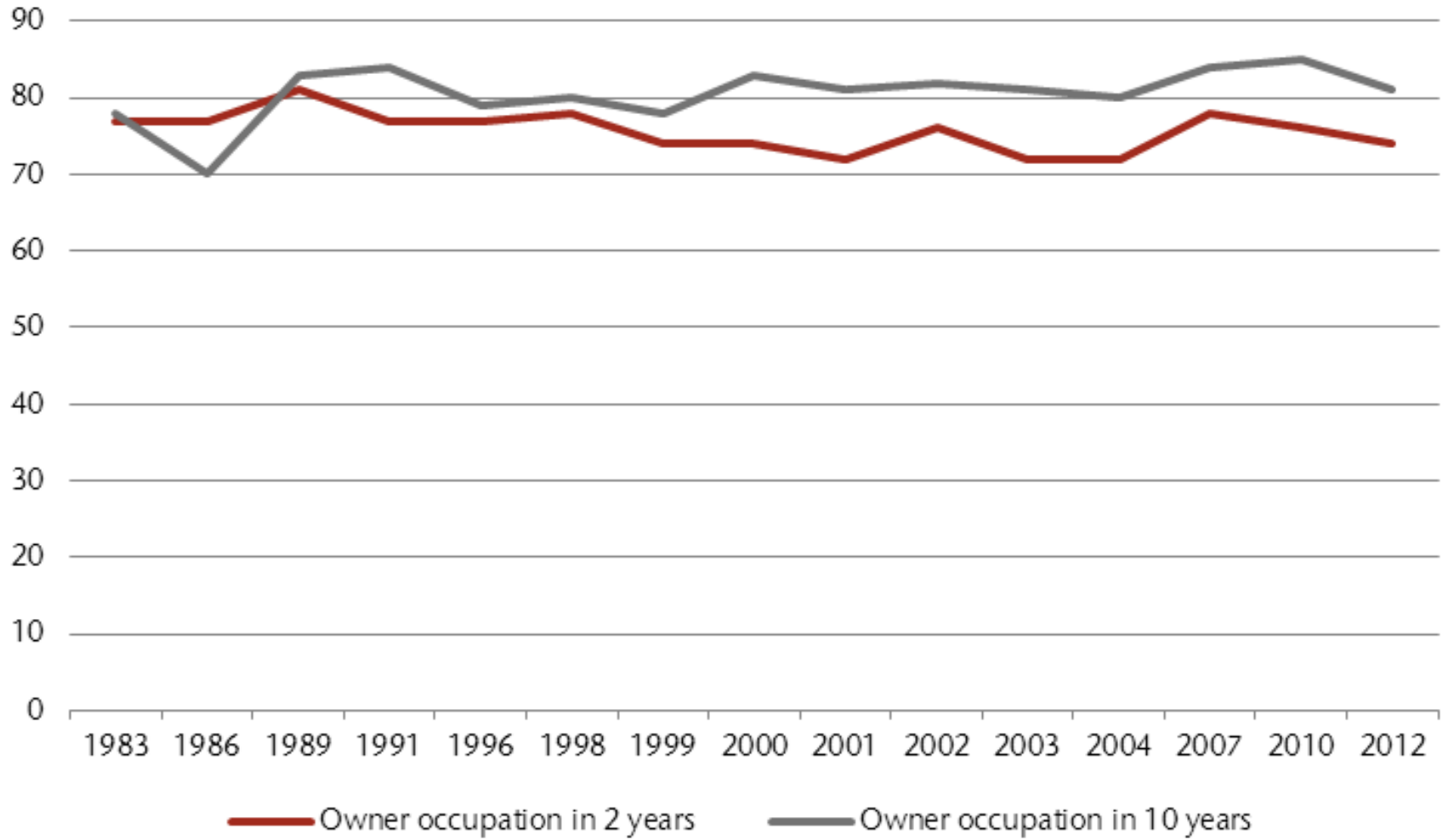
The short term – Help to Buy, and the truth about bubbles....

- I am a fan of Help to Buy*
- I think that talk of house price bubbles is premature
- I am in a minority

* well, all but one bit of it

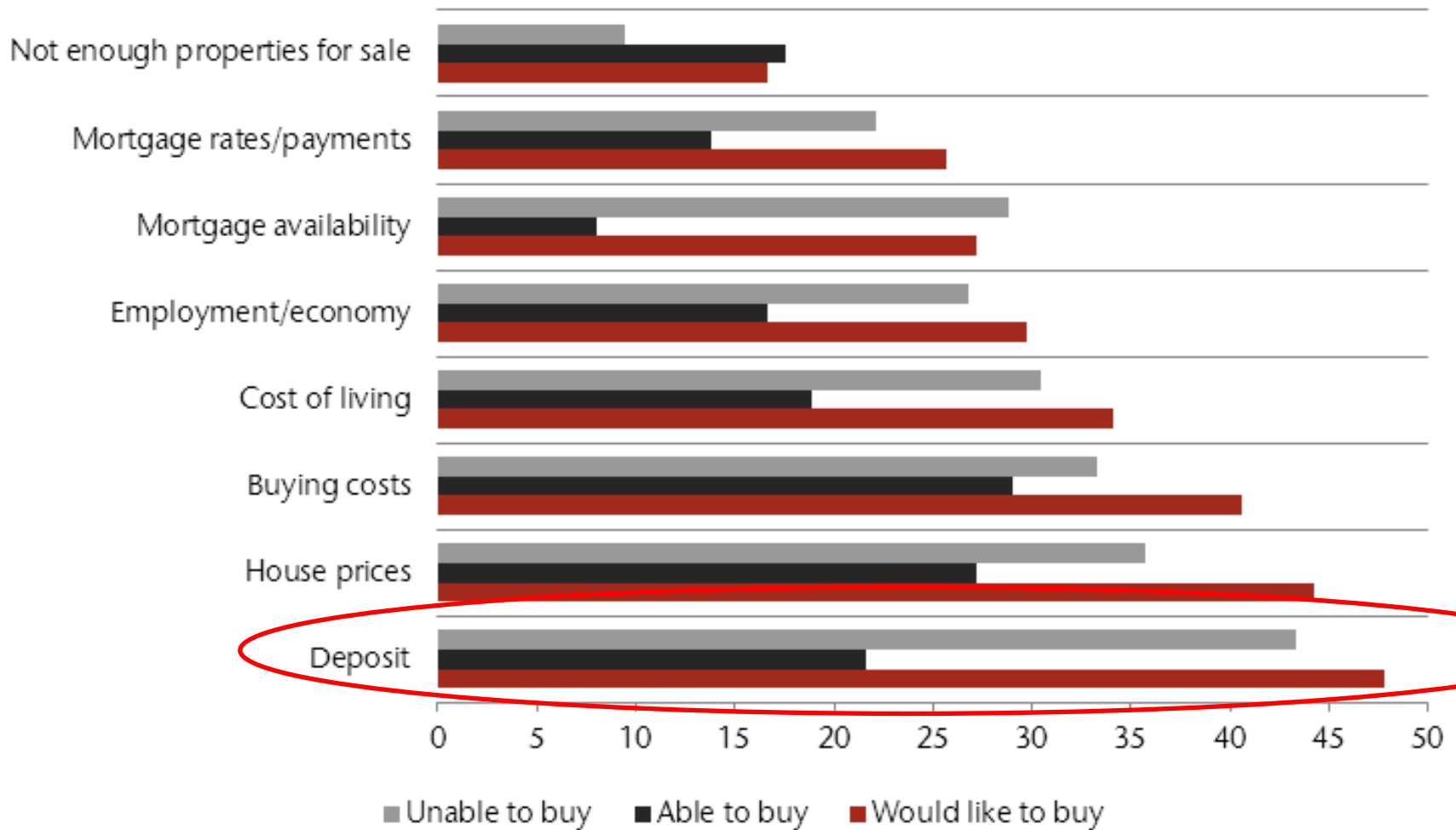
Homeownership aspirations – little changed by recessions

percentage



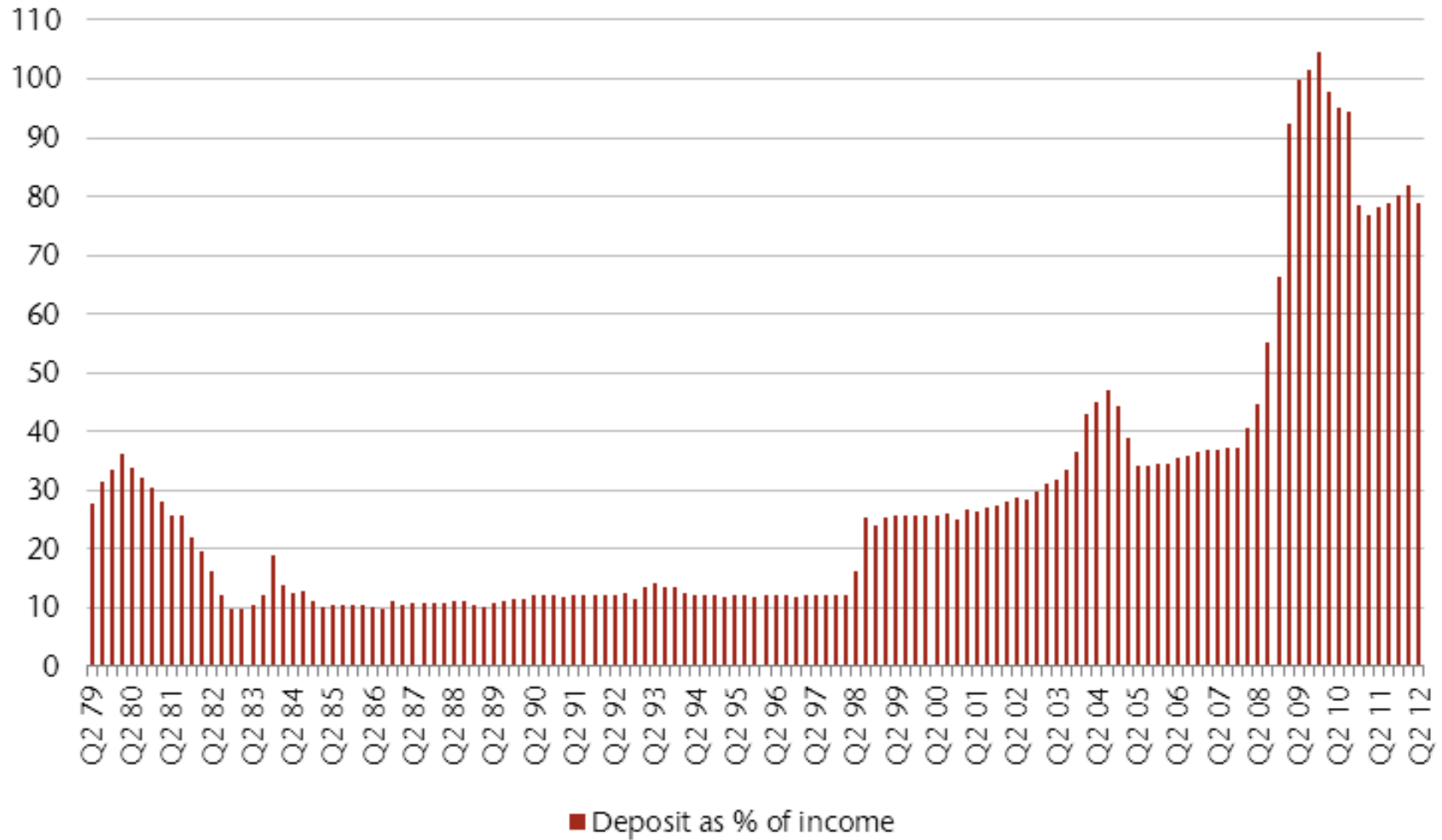
Homeownership aspirations – frustrated by deposits...

percentage



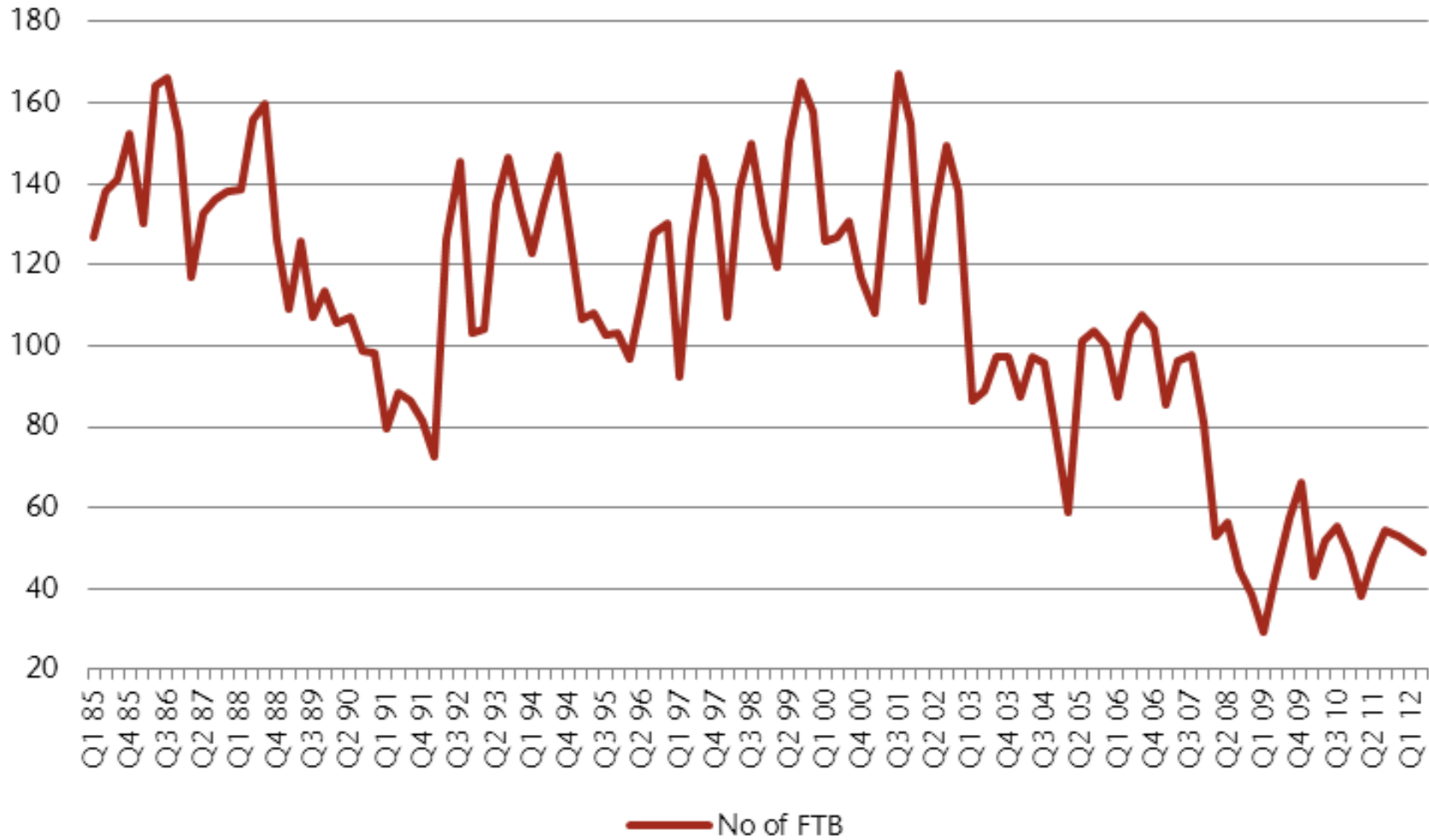
FTB average deposit

Percentage of income



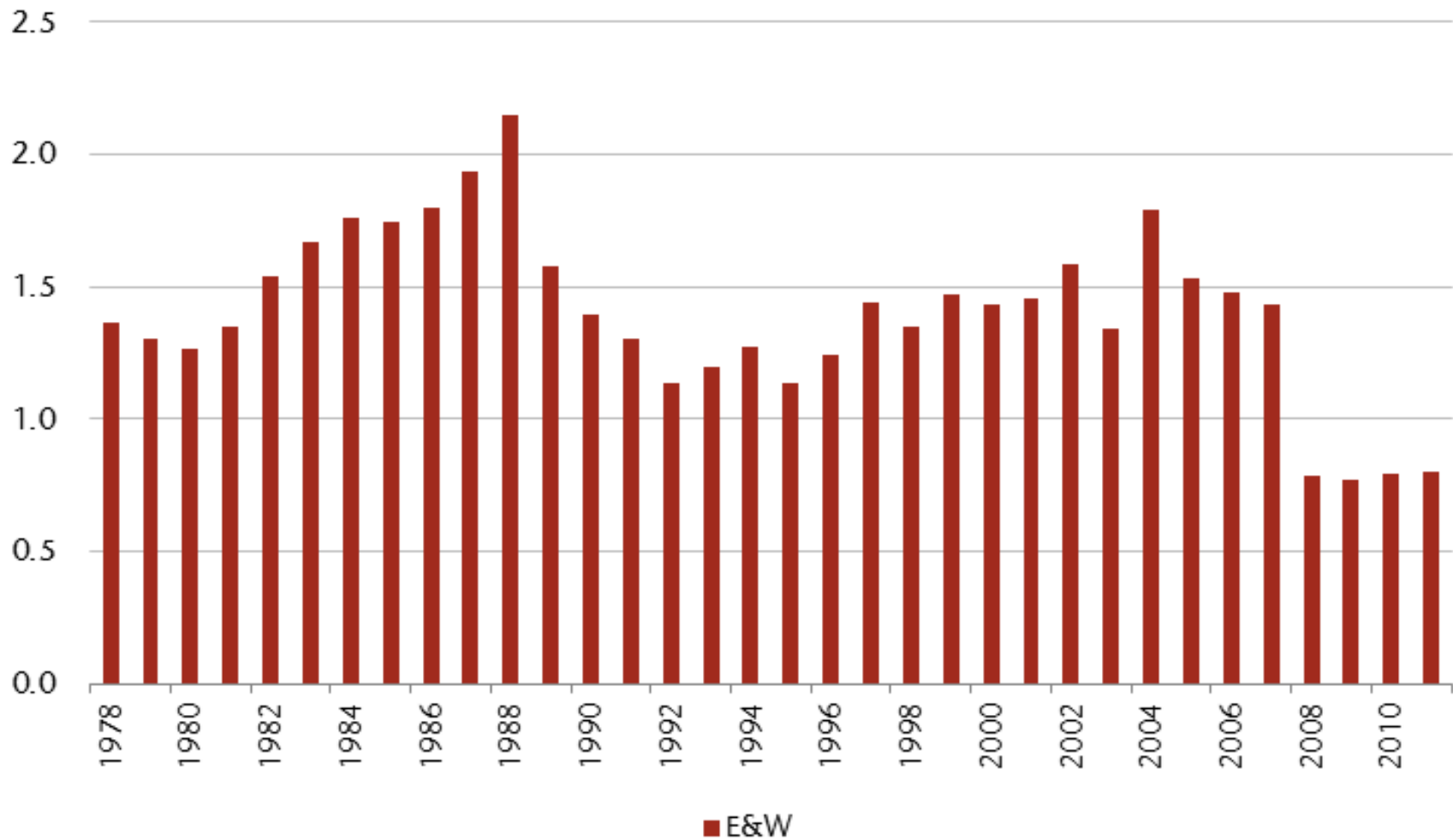
Number of FTB

Thousand per quarter

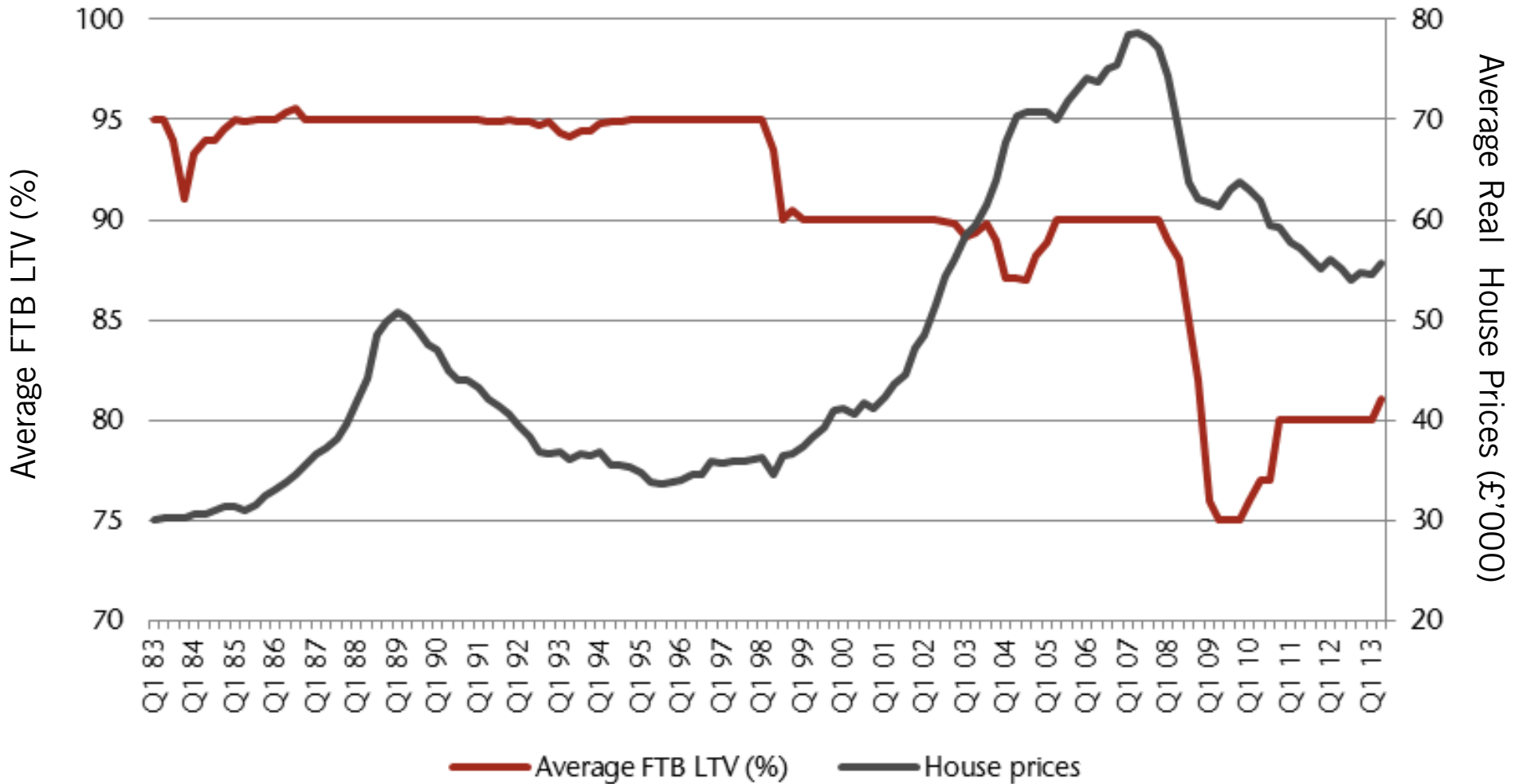


Housing transactions England & Wales

Million transactions per annum

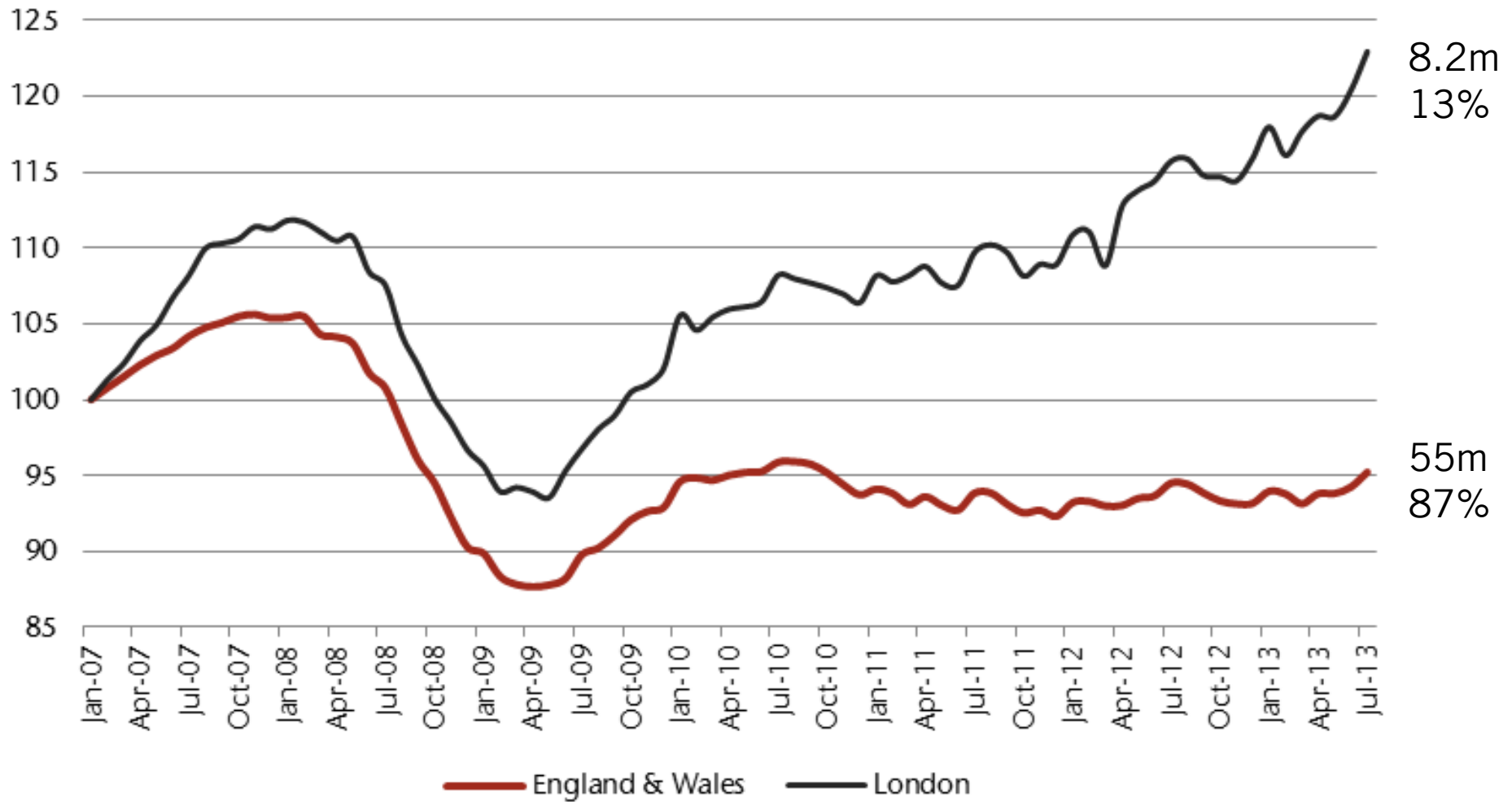


High LTVs do not necessarily lead to higher house prices



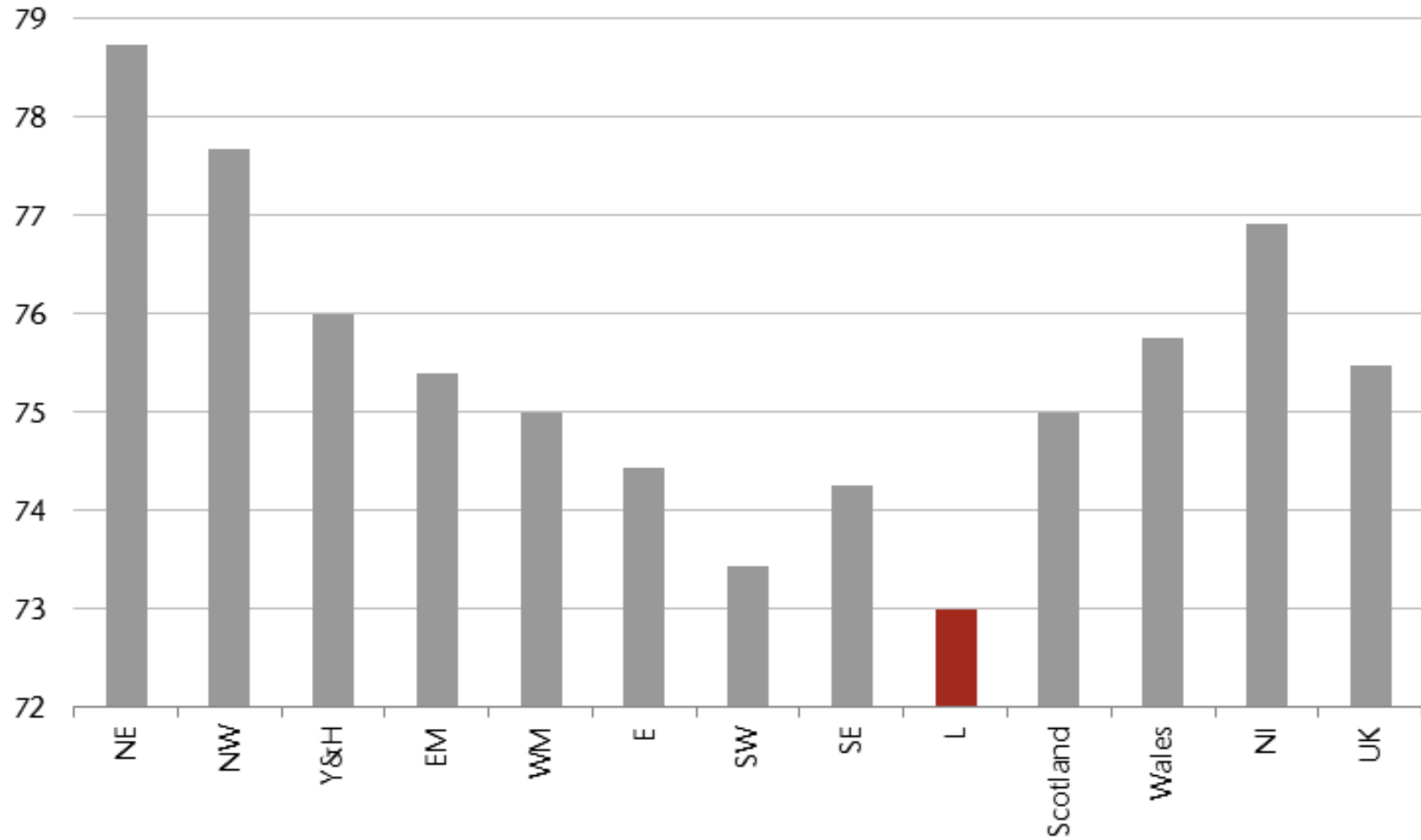
House prices and population

House prices rebased – January 2007 = 100



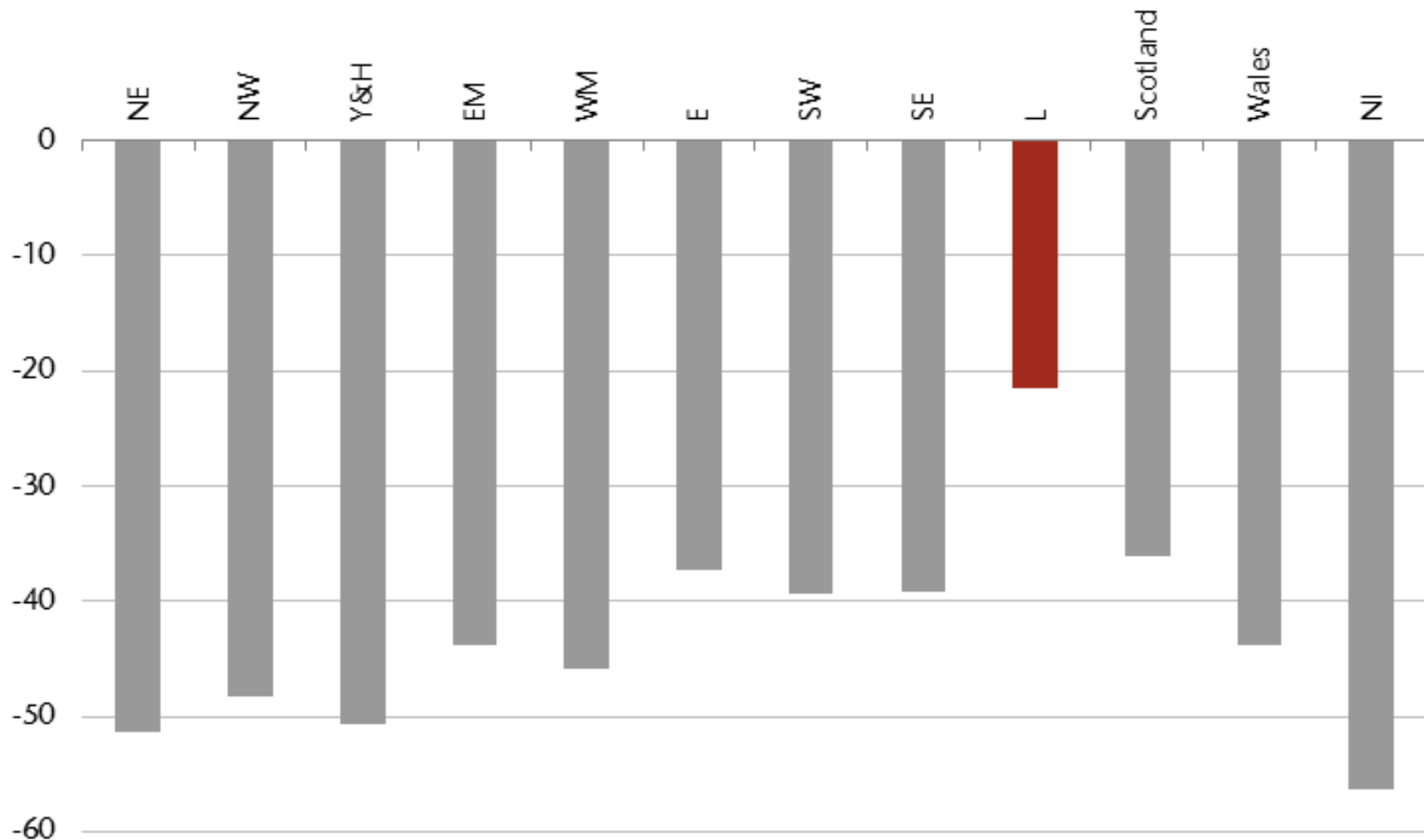
London has the lowest average LTV

percentage



Mortgage approvals c/f to long run average

percentage

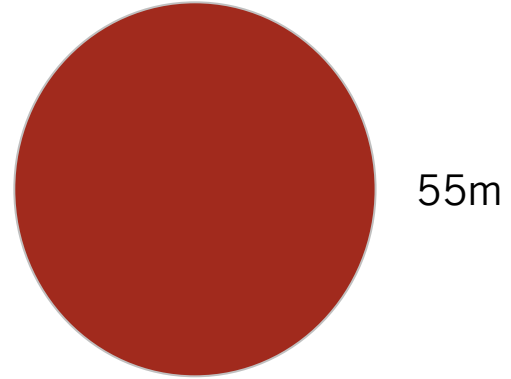
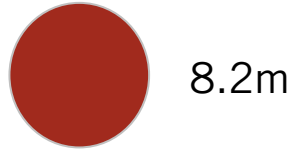


London in Context

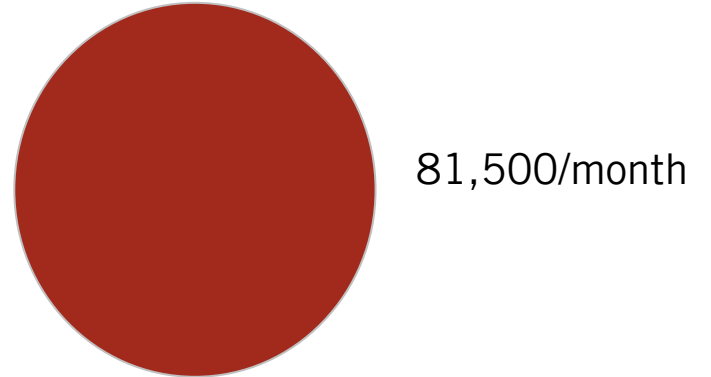
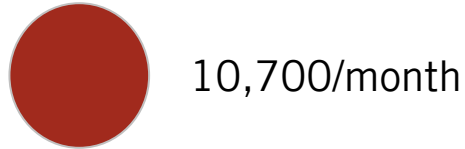
London

England & Wales (ex-London)

Population:



Housing transactions:

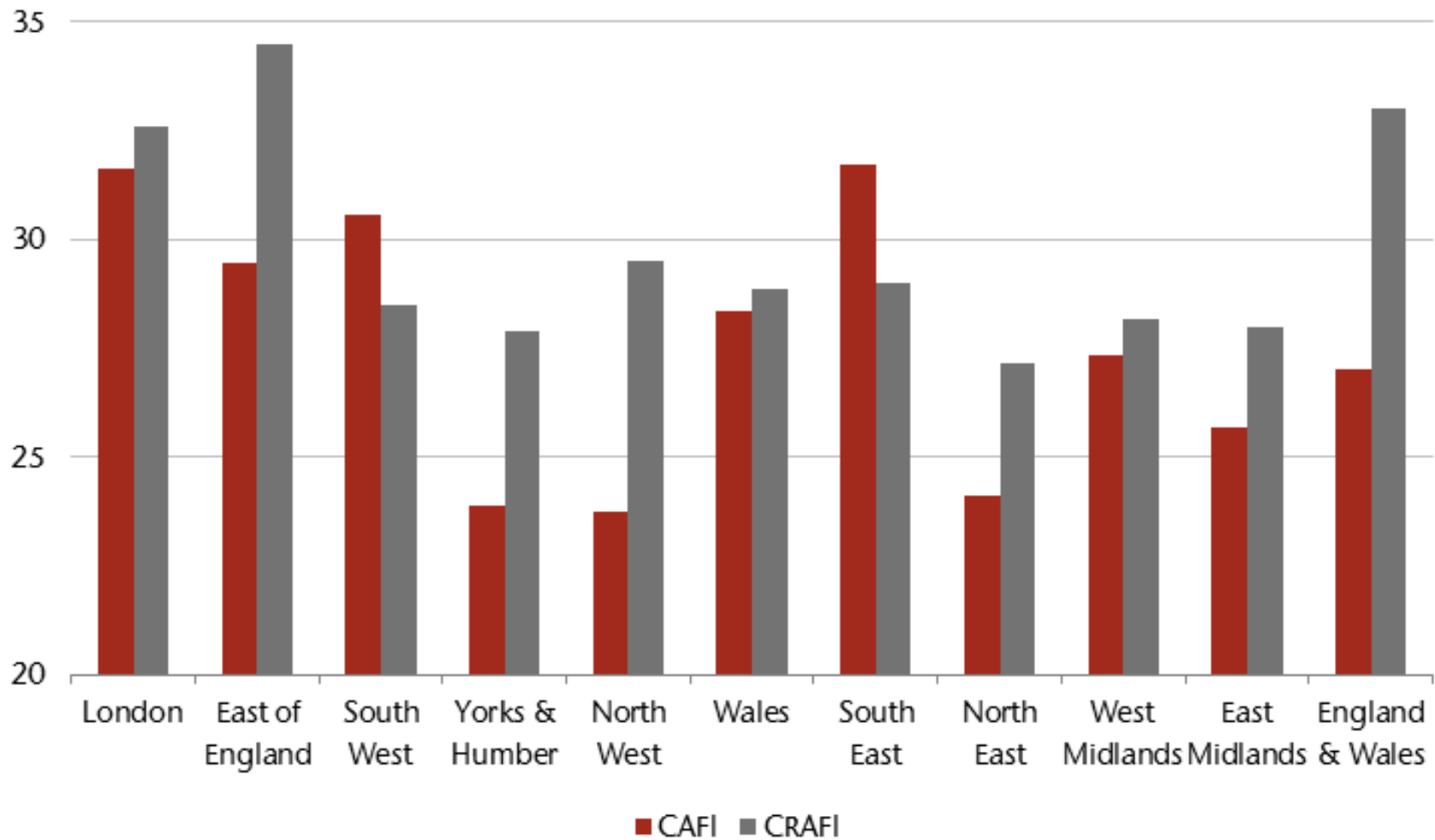


House Prices:



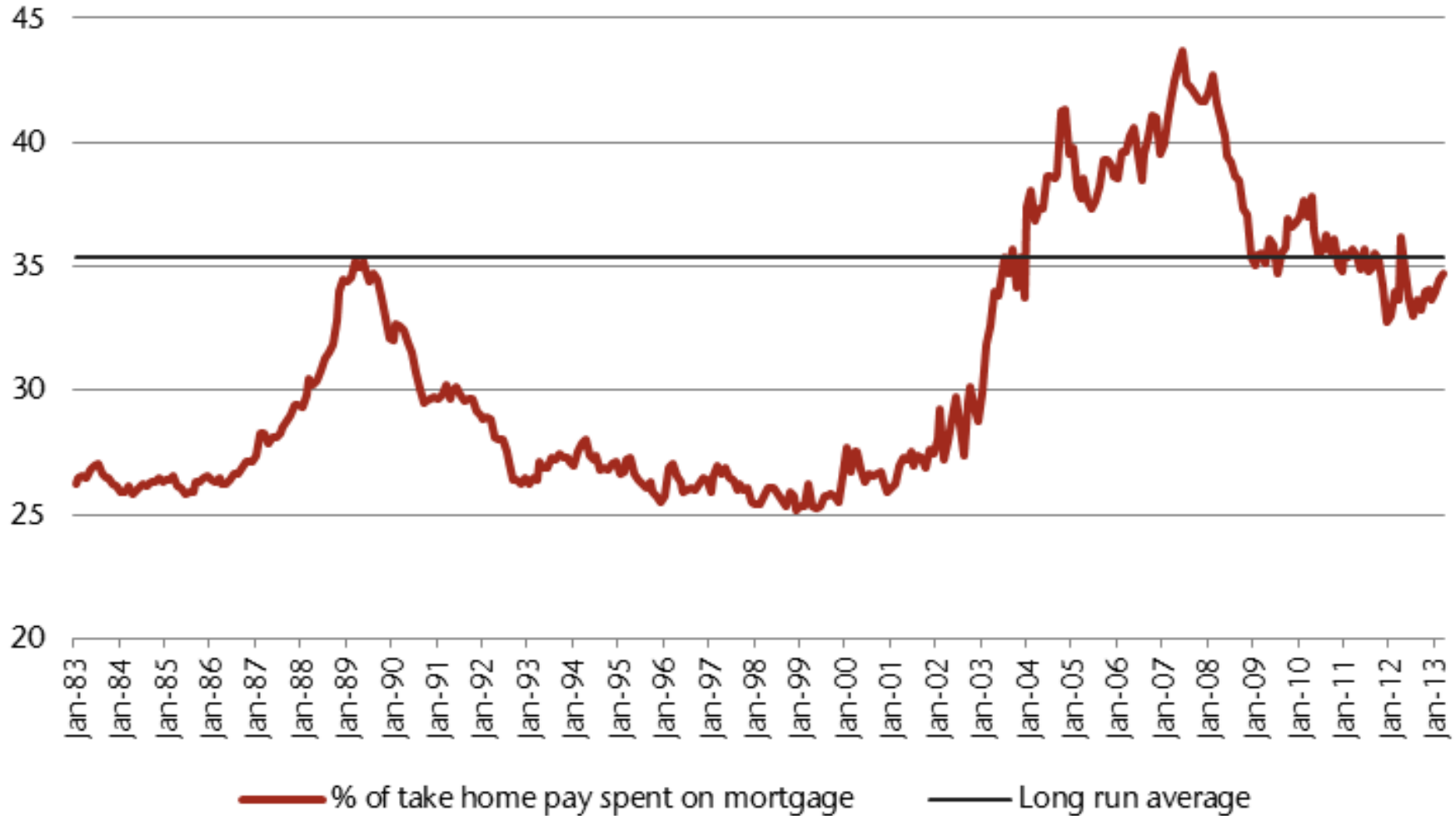
Rental and housing affordability

Percentage of take home pay spent on rent and mortgage payments

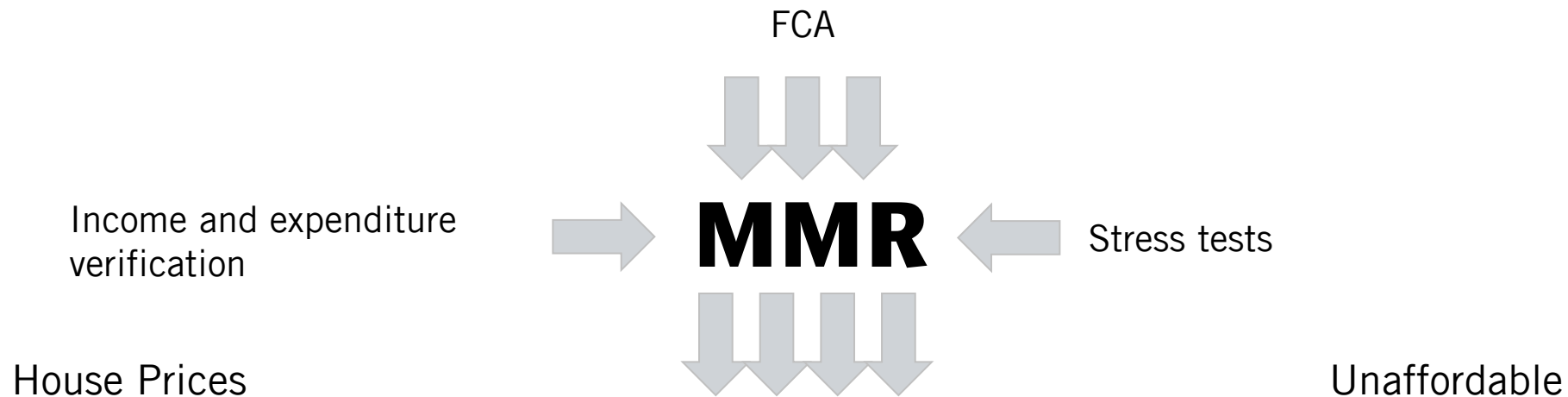


First Time Buyer Normalised CFI

Percentage of take home pay spent on mortgage payments assuming a mortgage rate of 6 percent

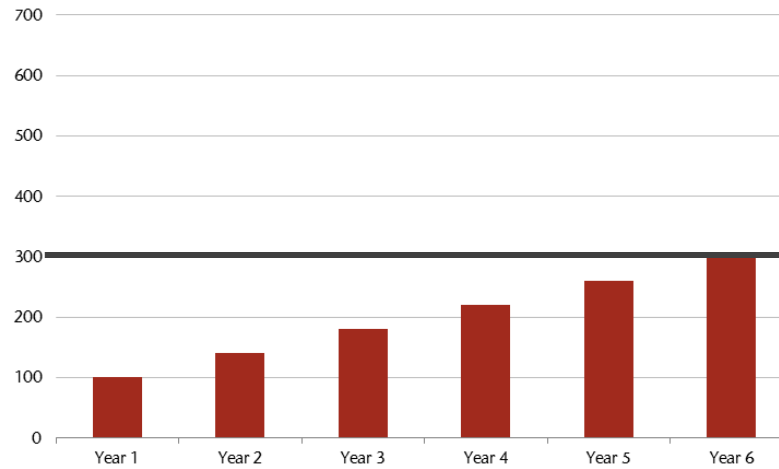


Mortgage Market Review – policing house prices?



The Short term city view on Housebuilders

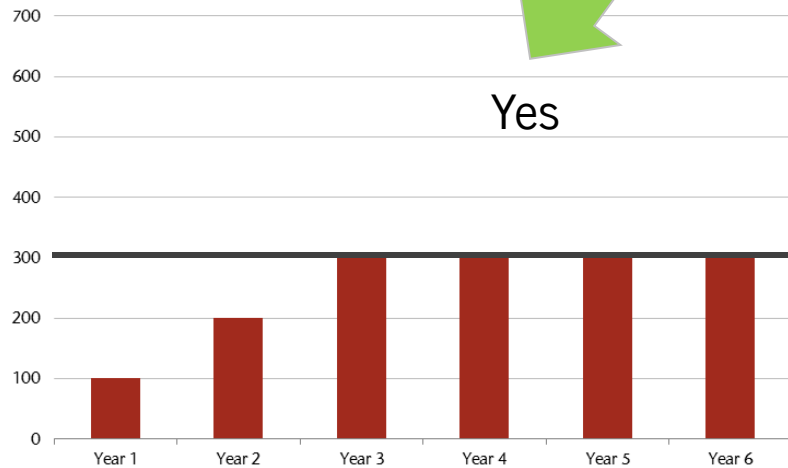
Pre-help to buy



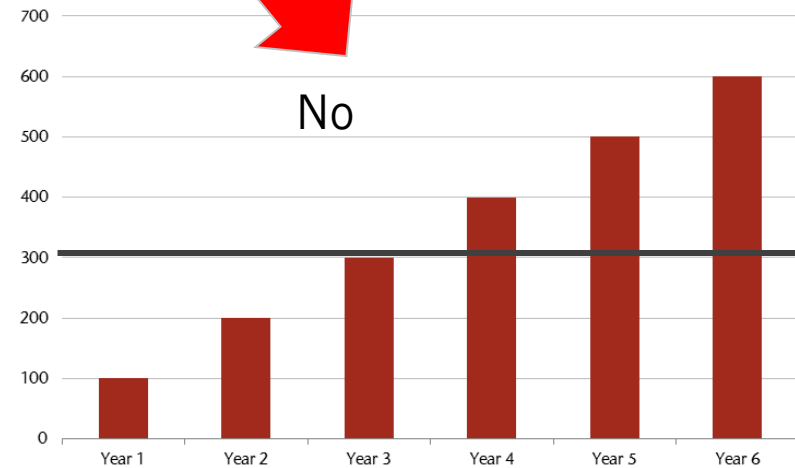
Post-help to buy



Yes



No



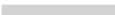
There are many levers on both the Supply and Demand side, here are just a few:

Supply side:

- PPG3,
- NPPF,
- S106,
- CIL,
- Code 3,
- Part L,
- RSS,
- Kick Start,
- HCA Grants,
- New Homes Bonus

Demand side

- Stamp Duty,
- Stamp Duty Holidays,
- MIRAS,
- MIGS,
- First Buy,
- First Buy II,
- New Buy,
- Help to Buy,
- Build to Rent
- Mortgage supply

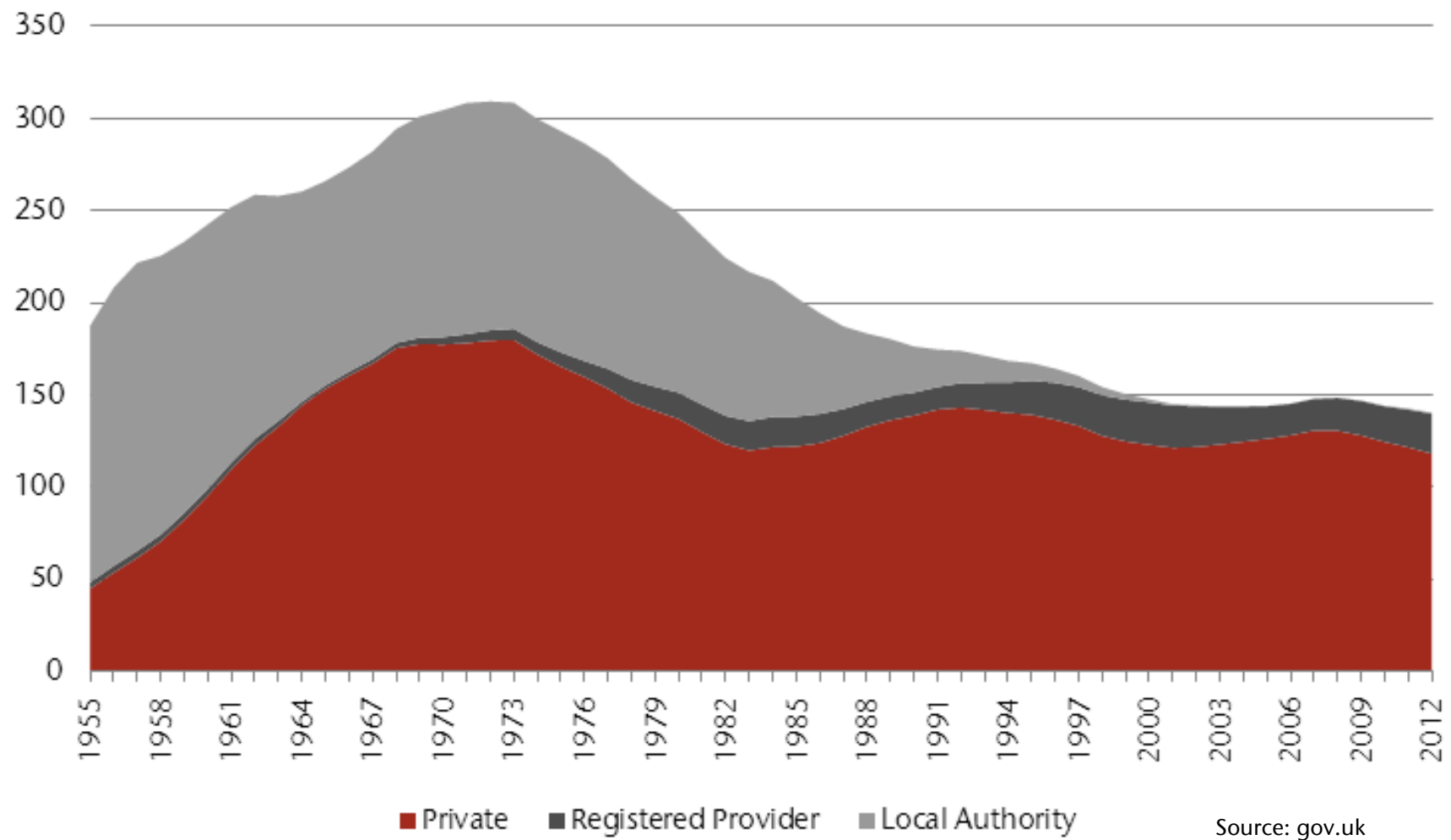


Housing supply: Conflict between the medium term and meta trends



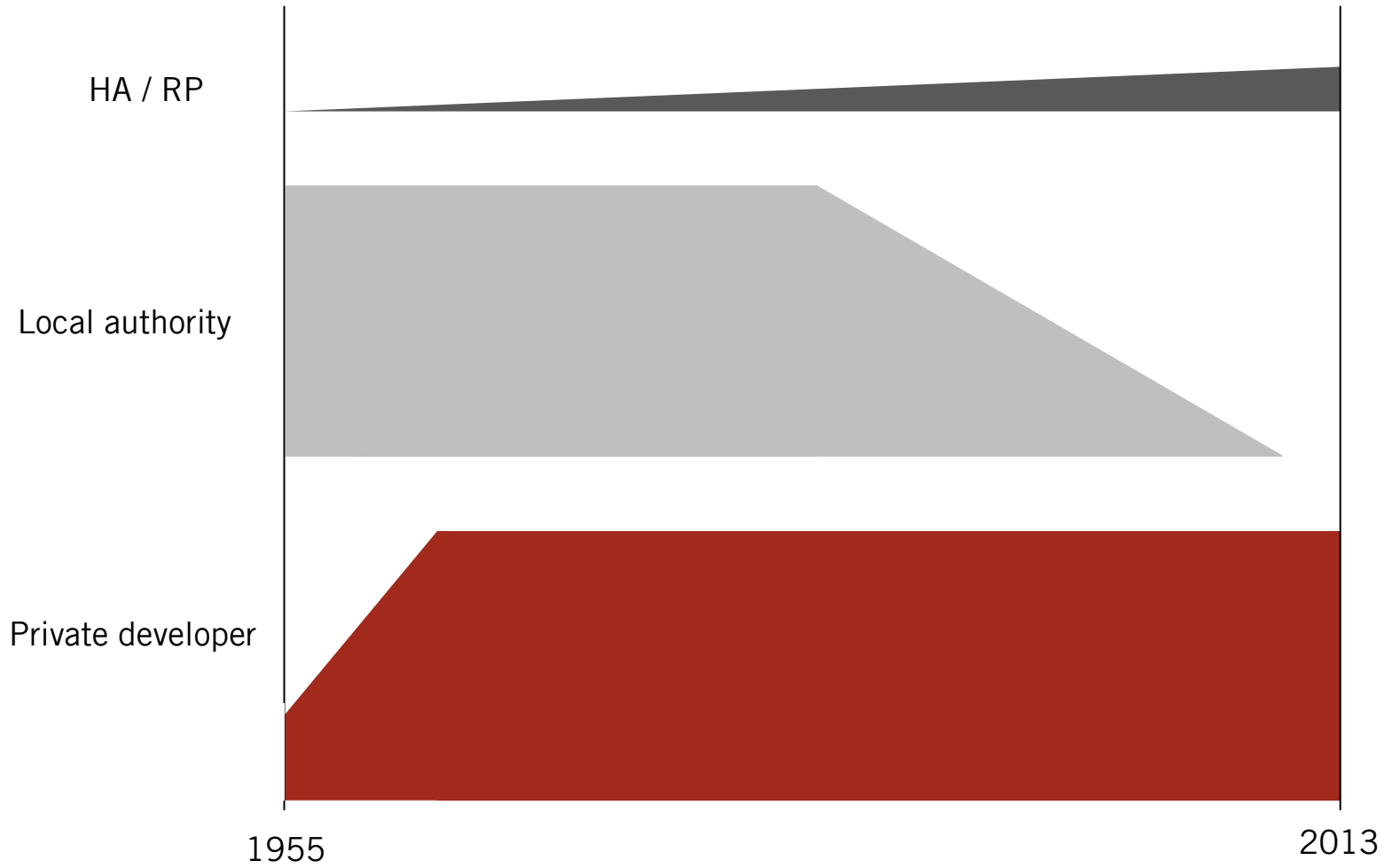
Housing supply by source of supply

Thousand homes pa



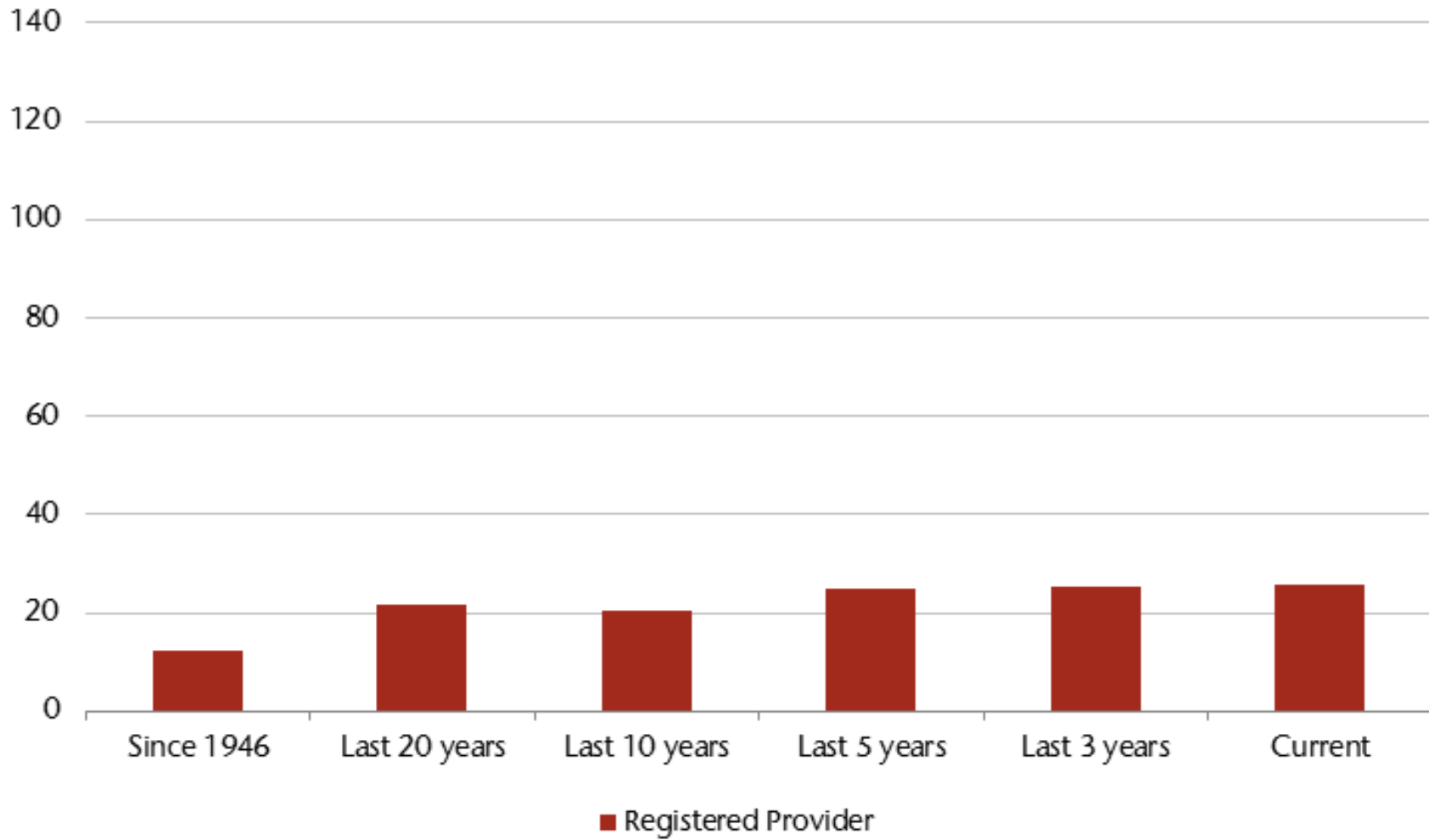
Source: gov.uk

Housing supply: meta trends



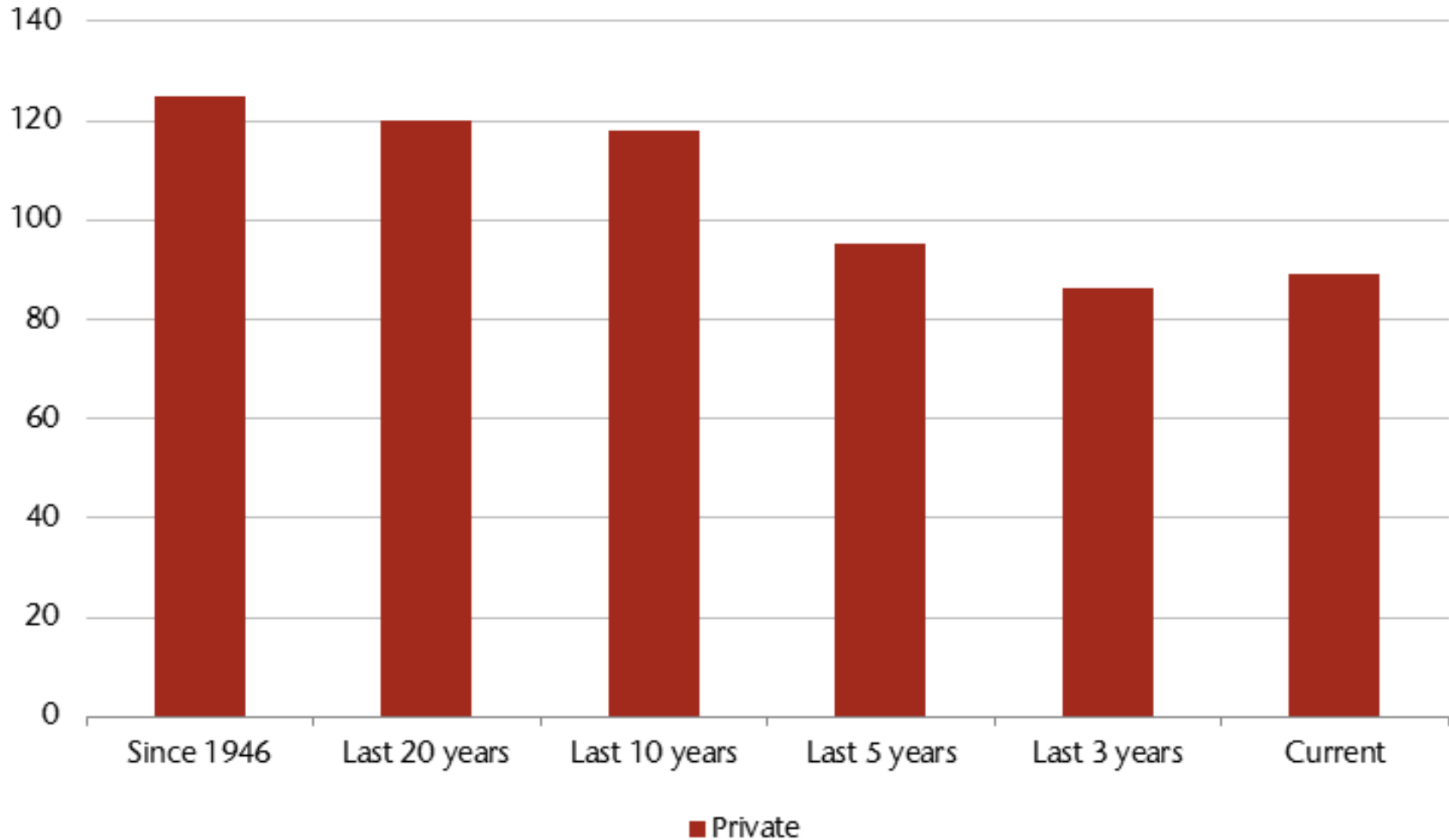
Registered provider supply

thousand homes p.a.



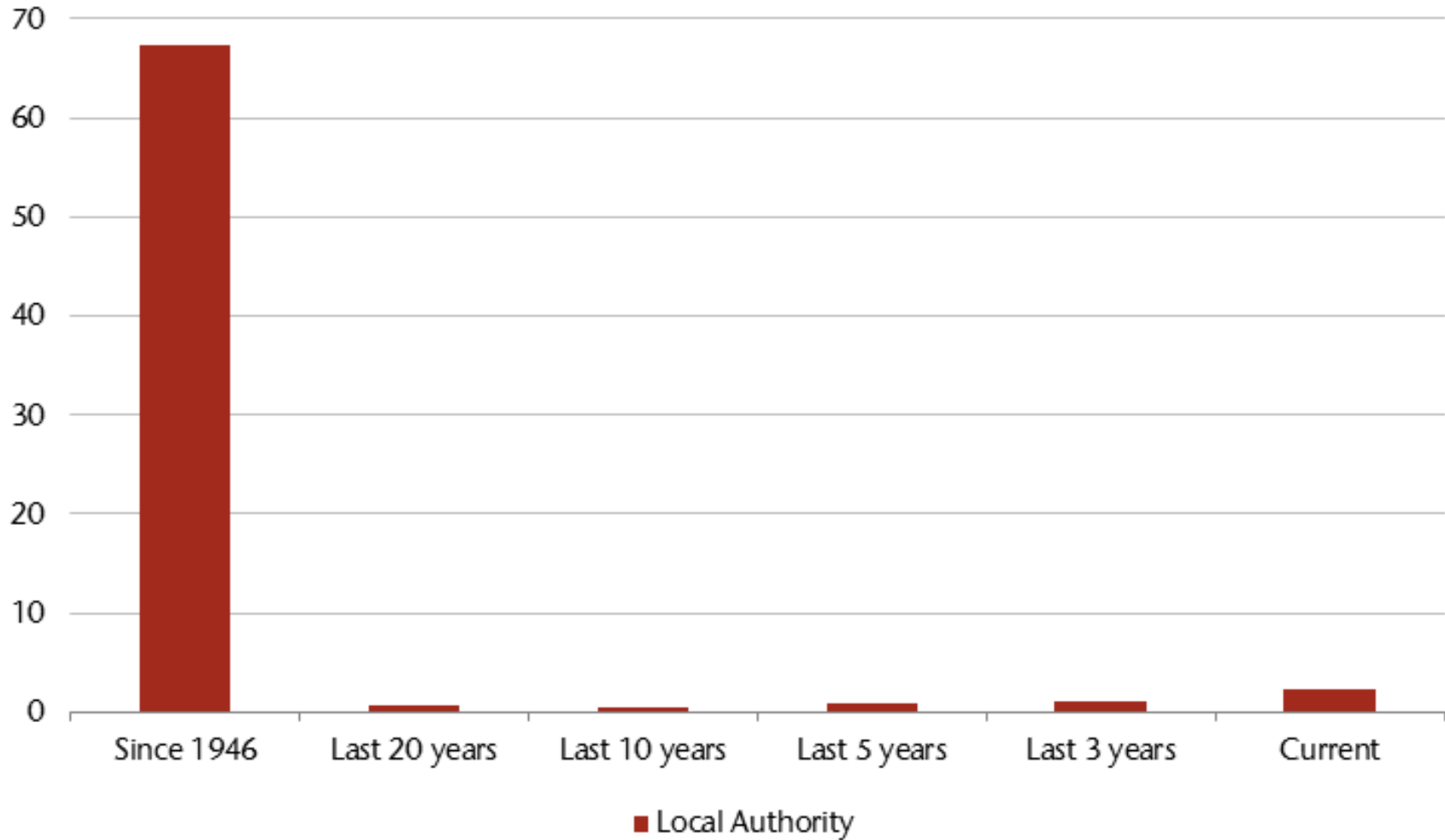
Private Developer supply

thousand homes p.a.



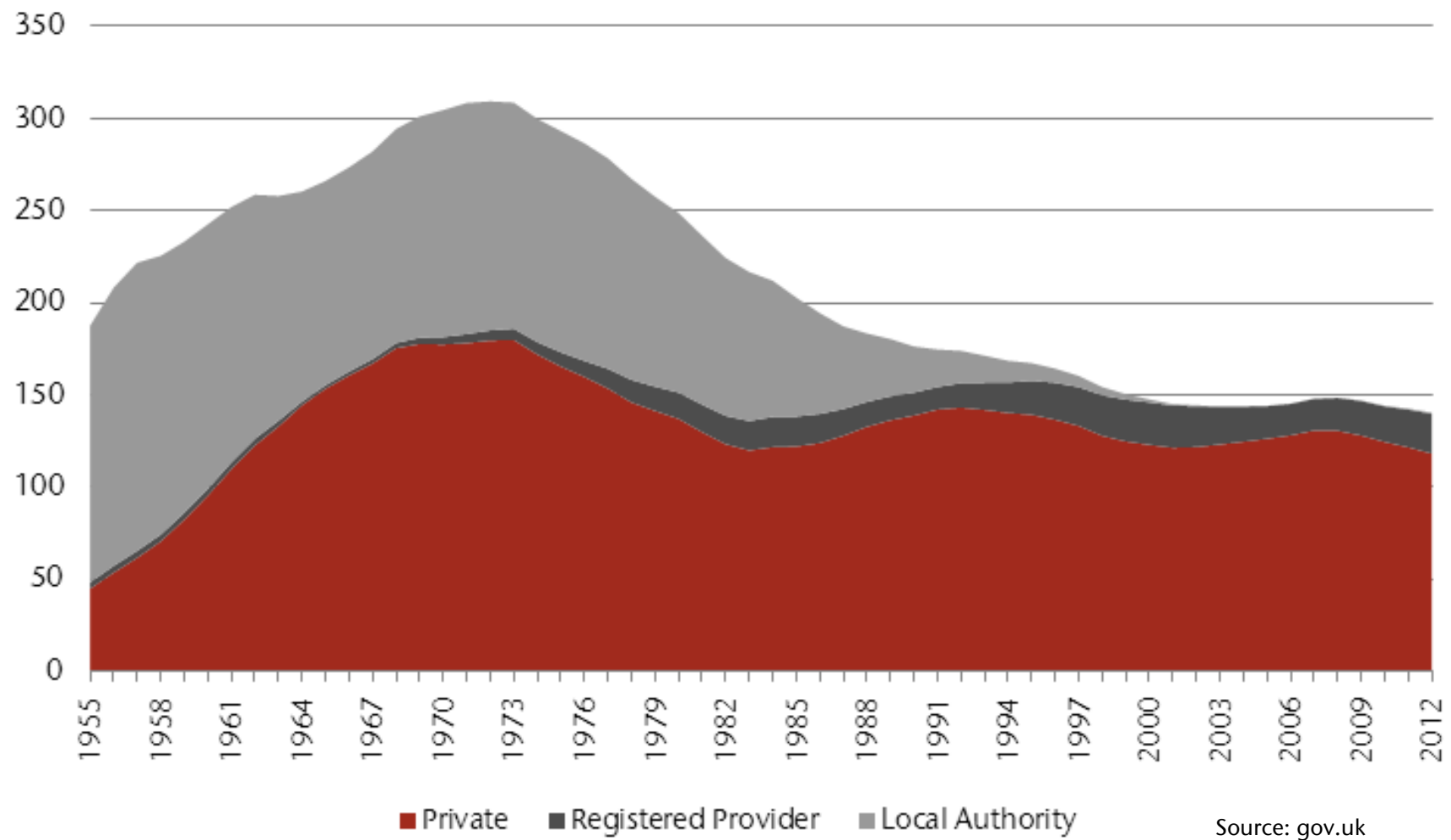
Local Authority supply

thousand homes p.a.



Housing supply by source of supply

Thousand homes pa



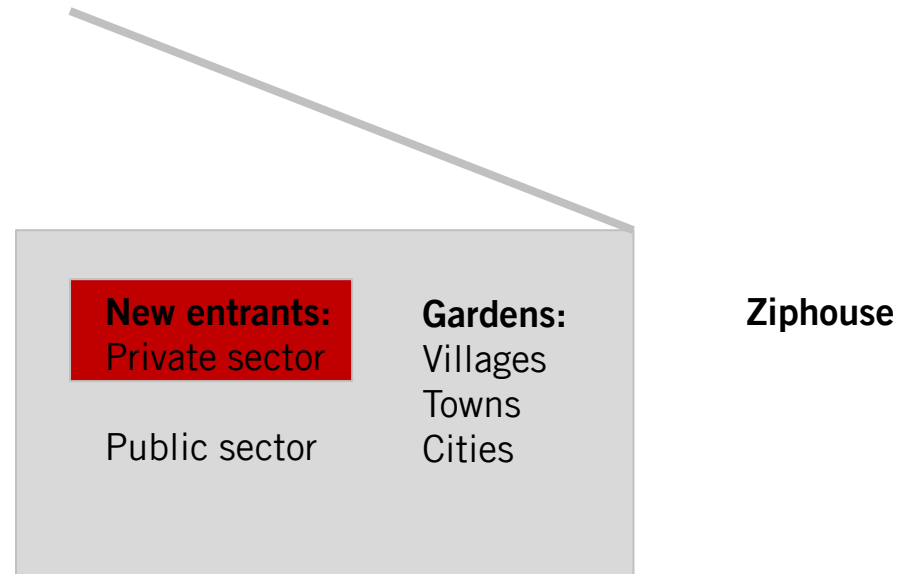
Source: gov.uk

The long term solution



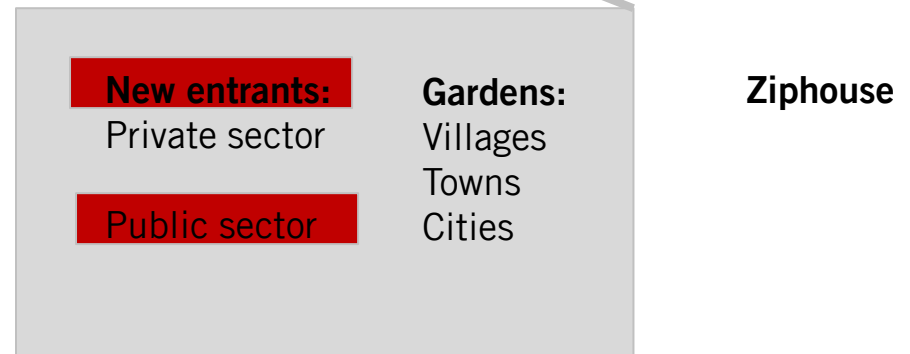
New entrants: Private Sector

- Need finance
 - Debt finance constrained
 - Equity finance requires at least a three year track record
- Visibility of earnings
- Tried and tested management team



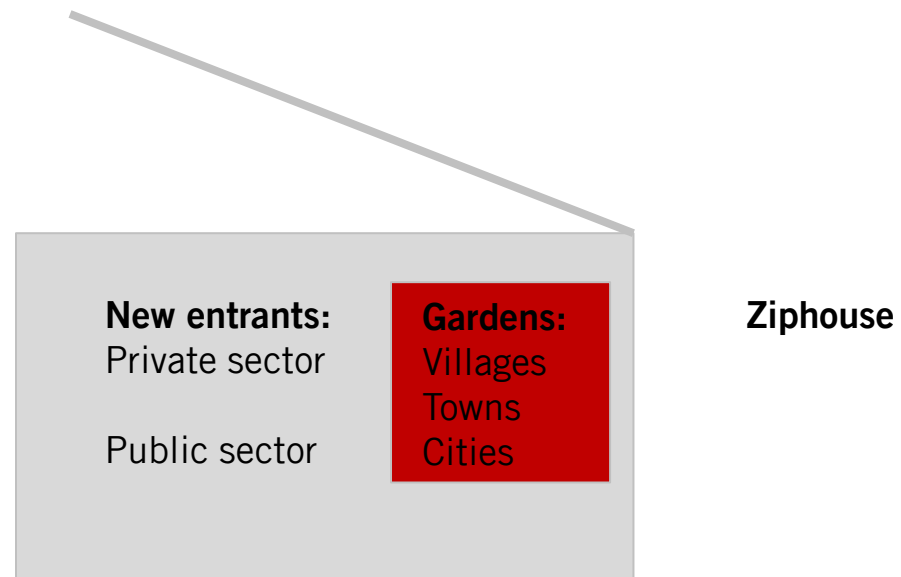
New entrants: Public Sector

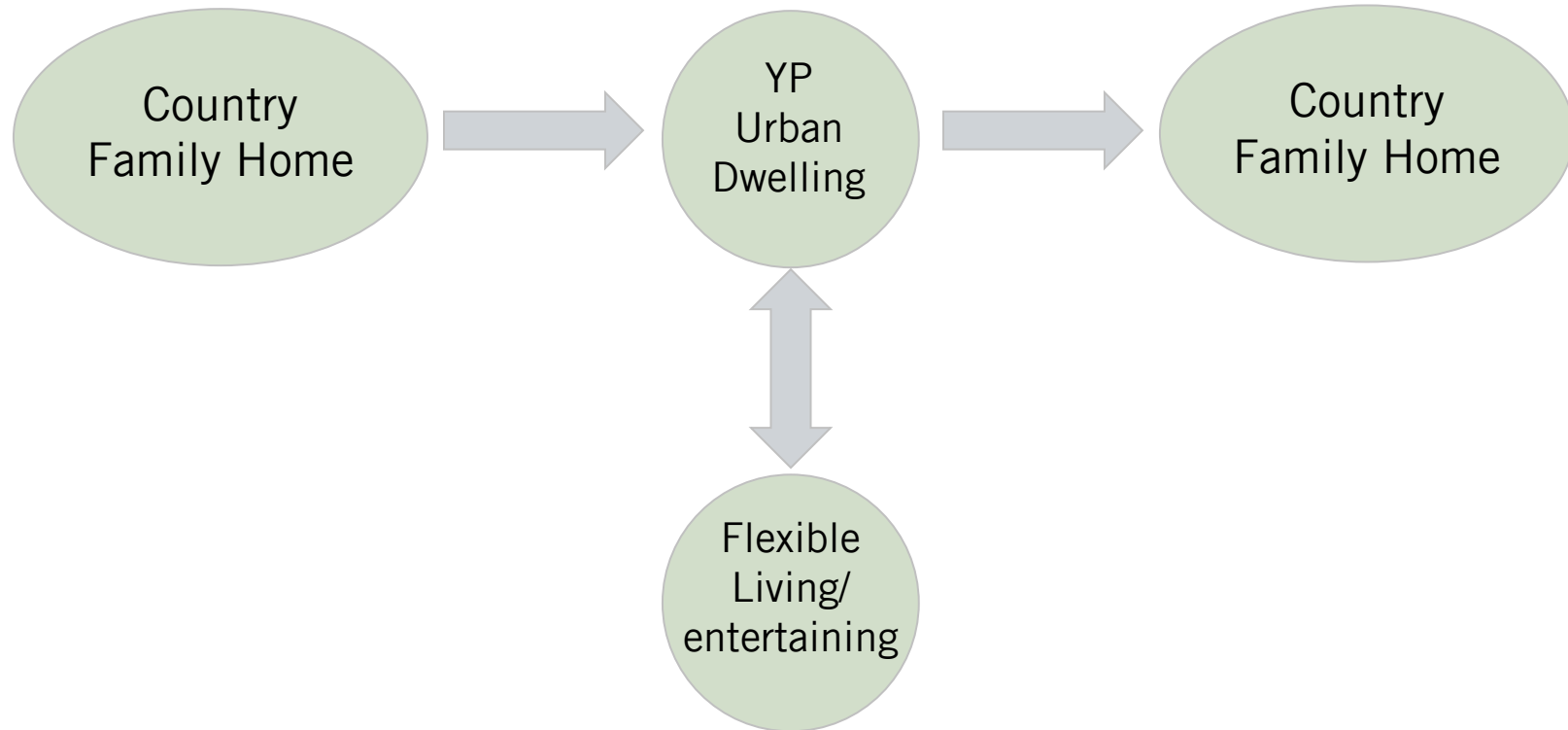
- Largest landbank
- Track record of delivery
 - Most effective supply side lever that can be pulled
- Easy to align delivery with policy objectives
- Why haven't they done it already?

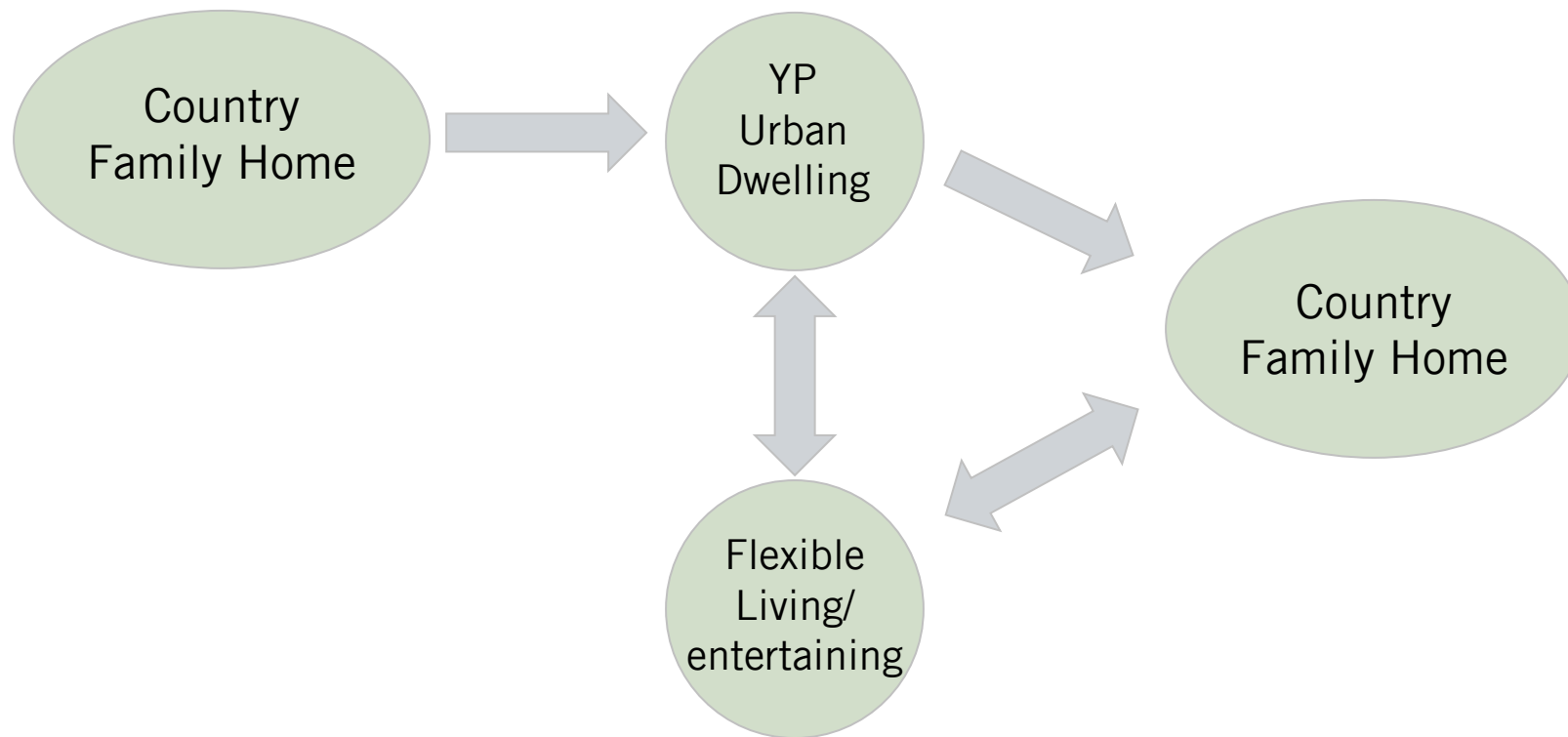


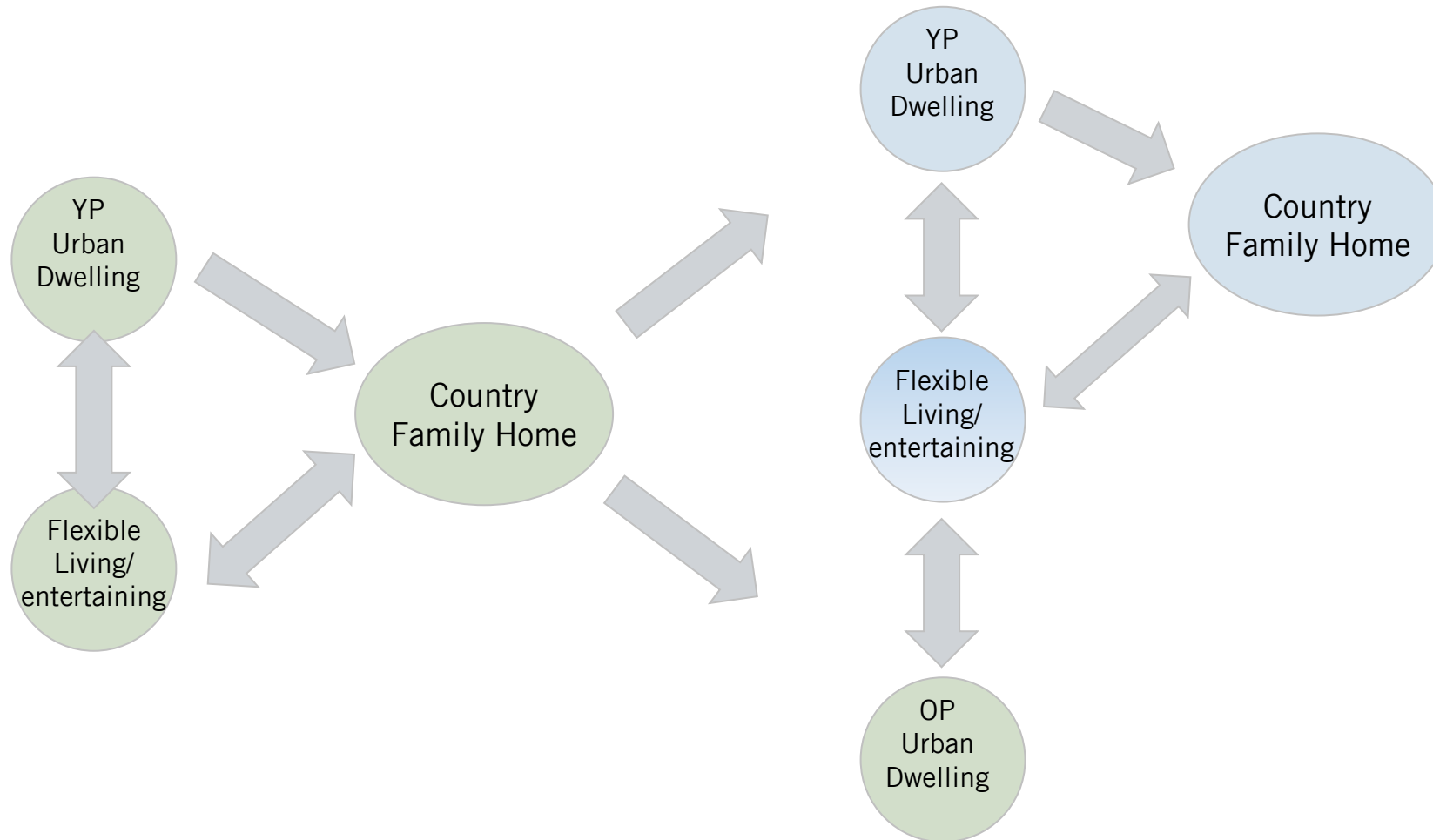
Garden concepts

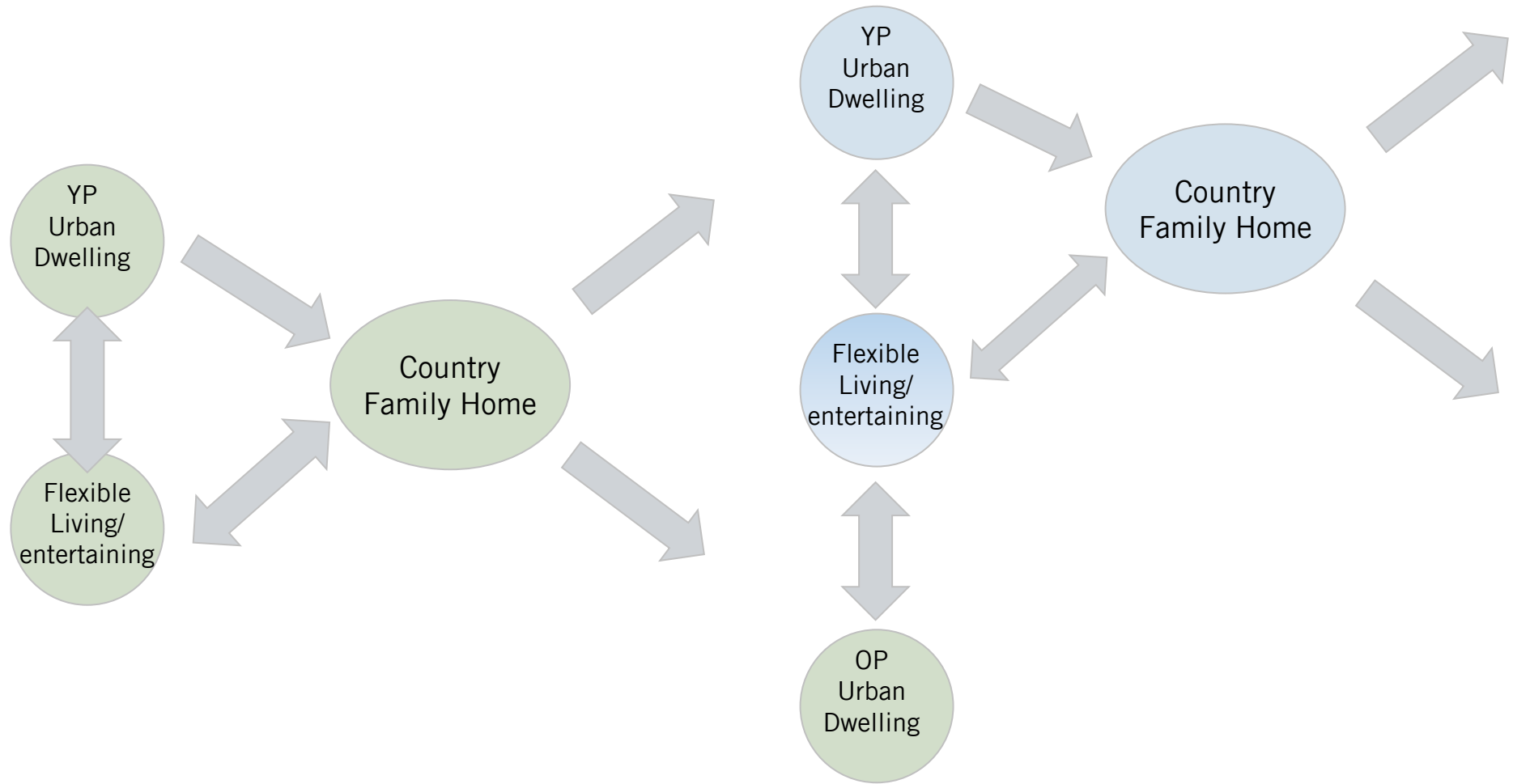
- Less NIMBY-ism
- Volumes easier to co-ordinate
- The three P's











■ Thank you for your time

■ Anthony Codling (anthony.codling@jefferies.com)

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