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Jefferies

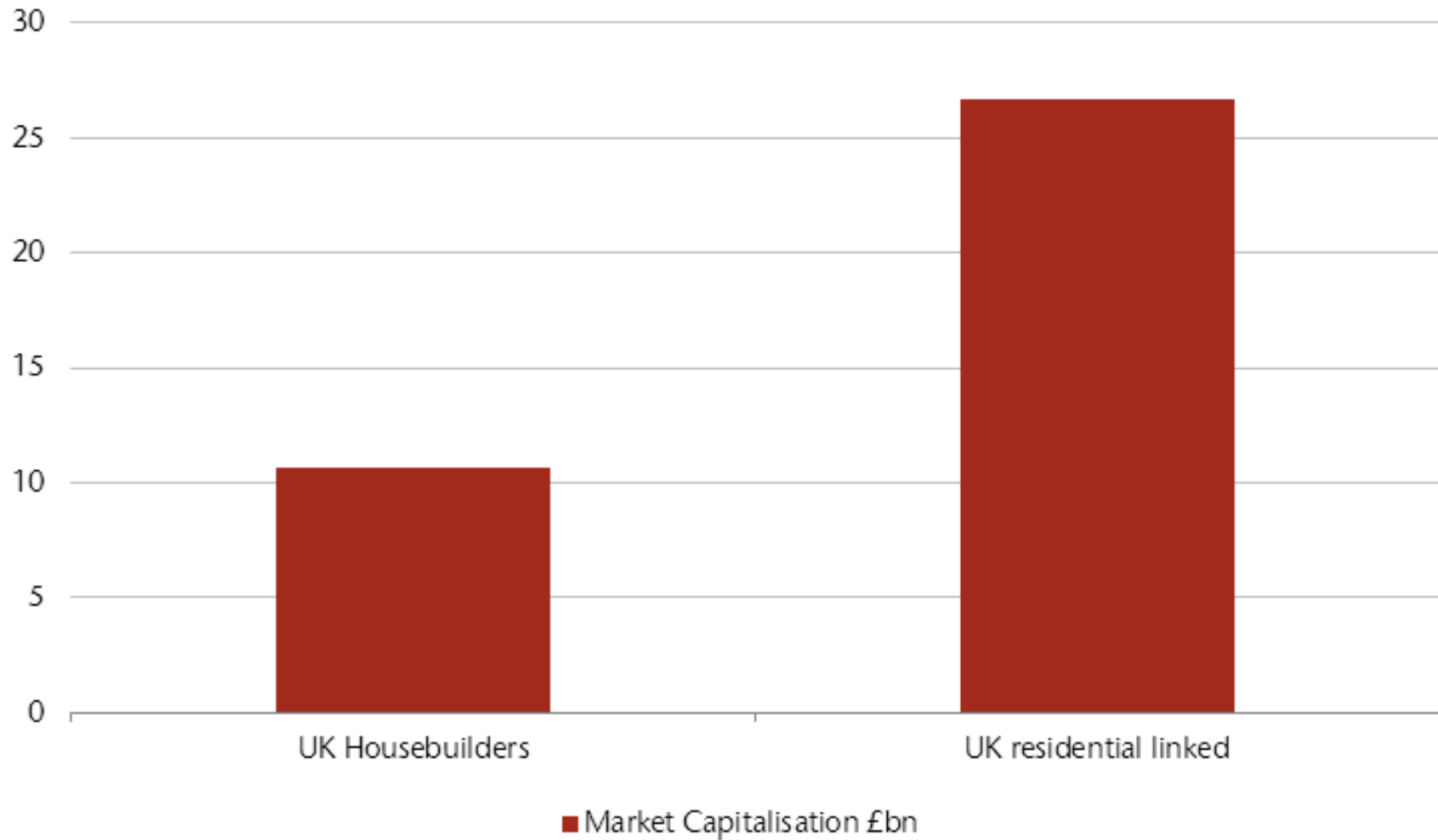
Housing Market Intelligence

Anthony Codling
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Corporate Strategies in a low volume market

Market capitalisation of the listed UK residential sector

£ billion



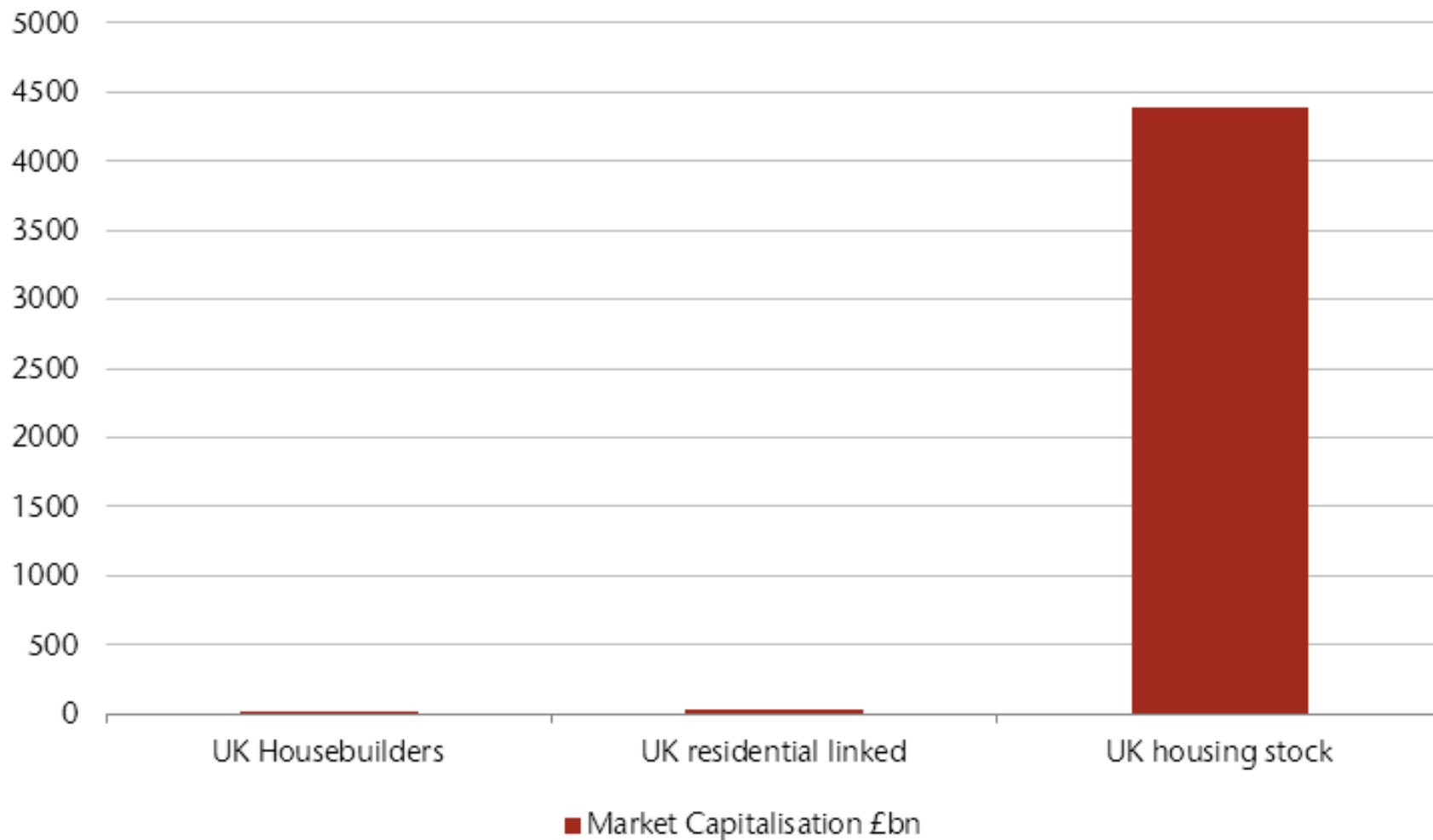
Source: Bloomberg

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Value of UK housing market

£ billion

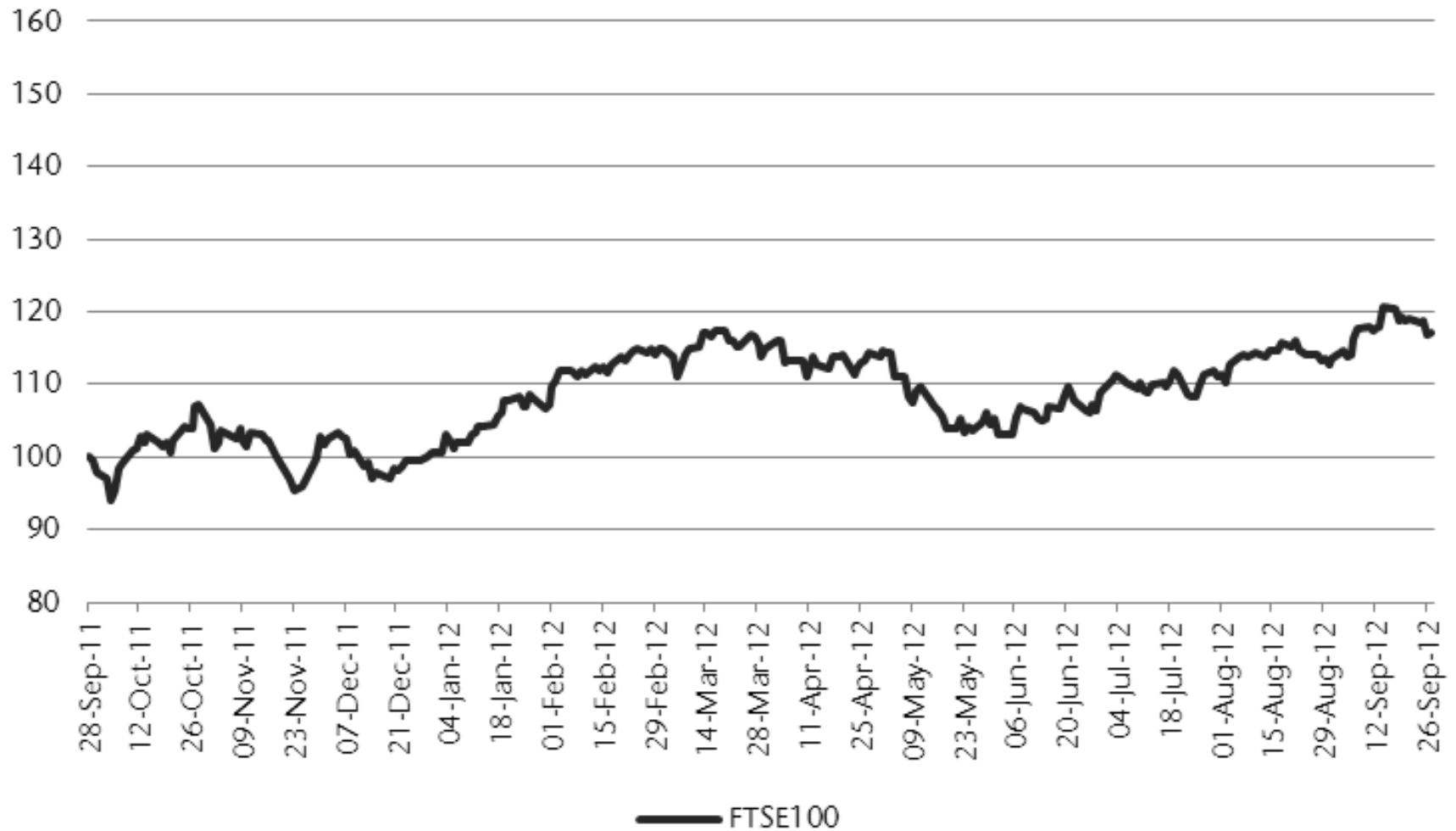


Source: Bloomberg, DCLG, LBG
page 2

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FTSE 100 performance : last 12 months

Index rebased

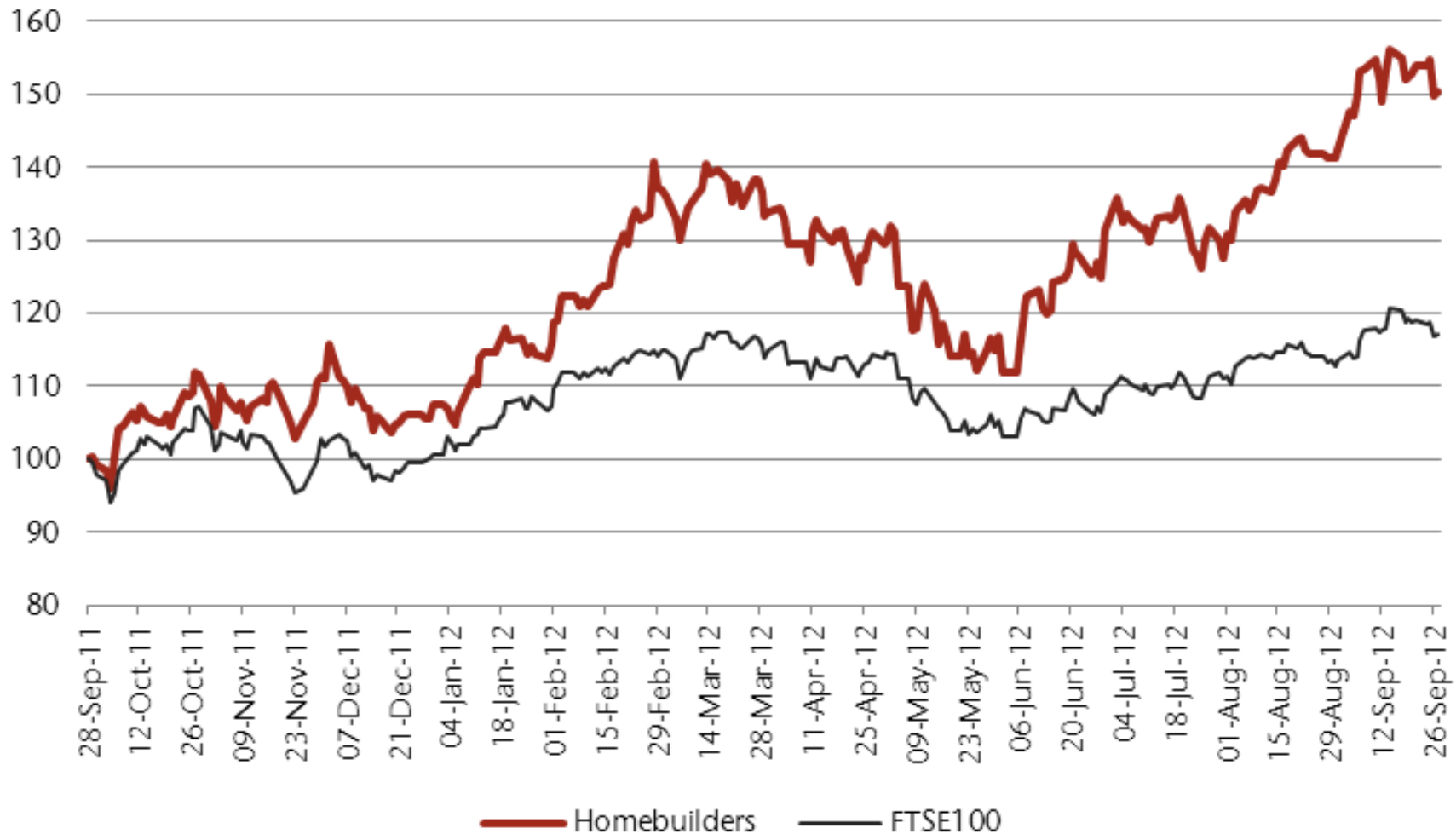


Source: Bloomberg
page 3

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FTSE 100 and housebuilder's performance: last 12 months

Index rebased

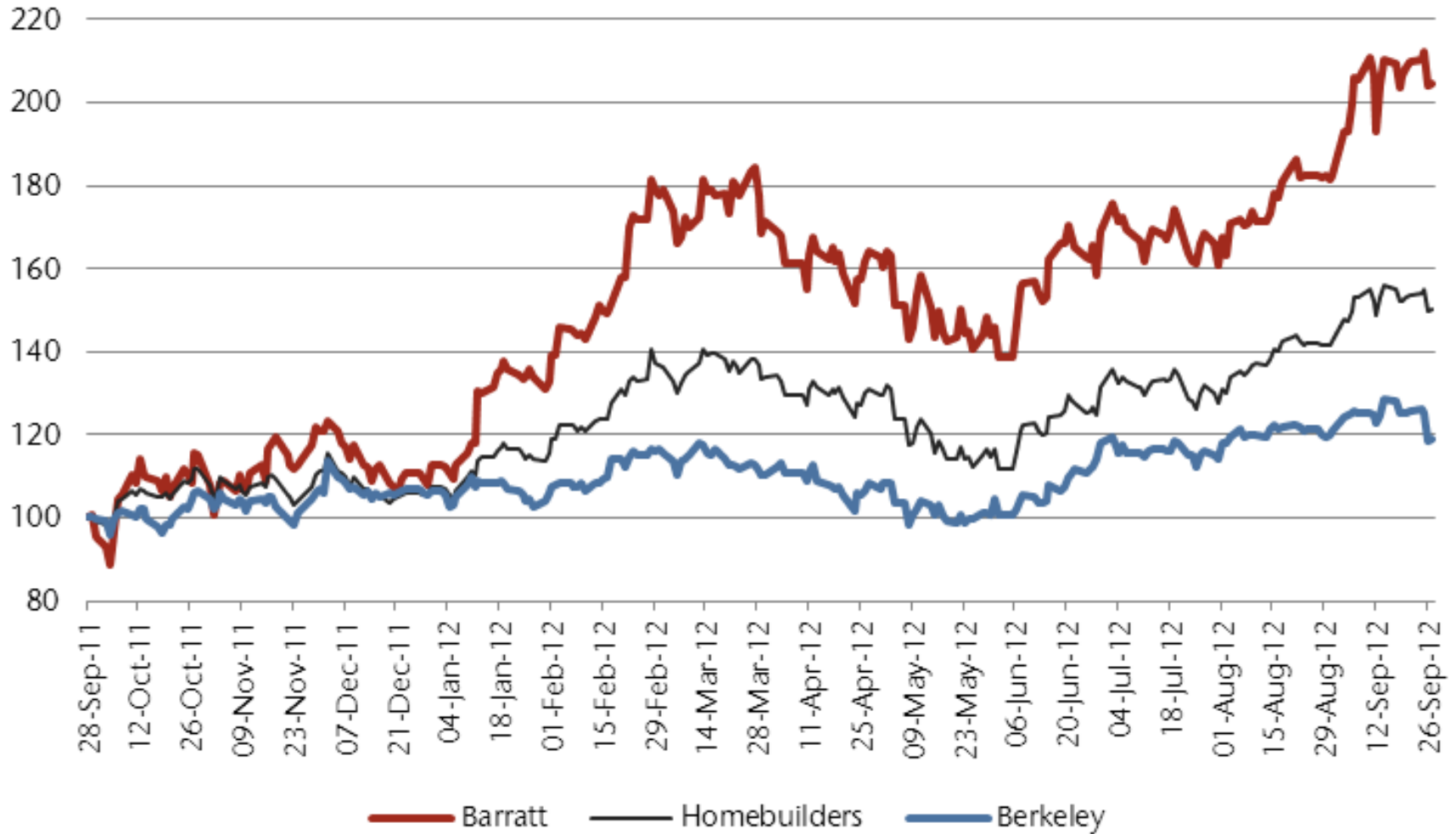


Source: Bloomberg
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Housebuilder's performance: last 12 months

Index and share prices rebased

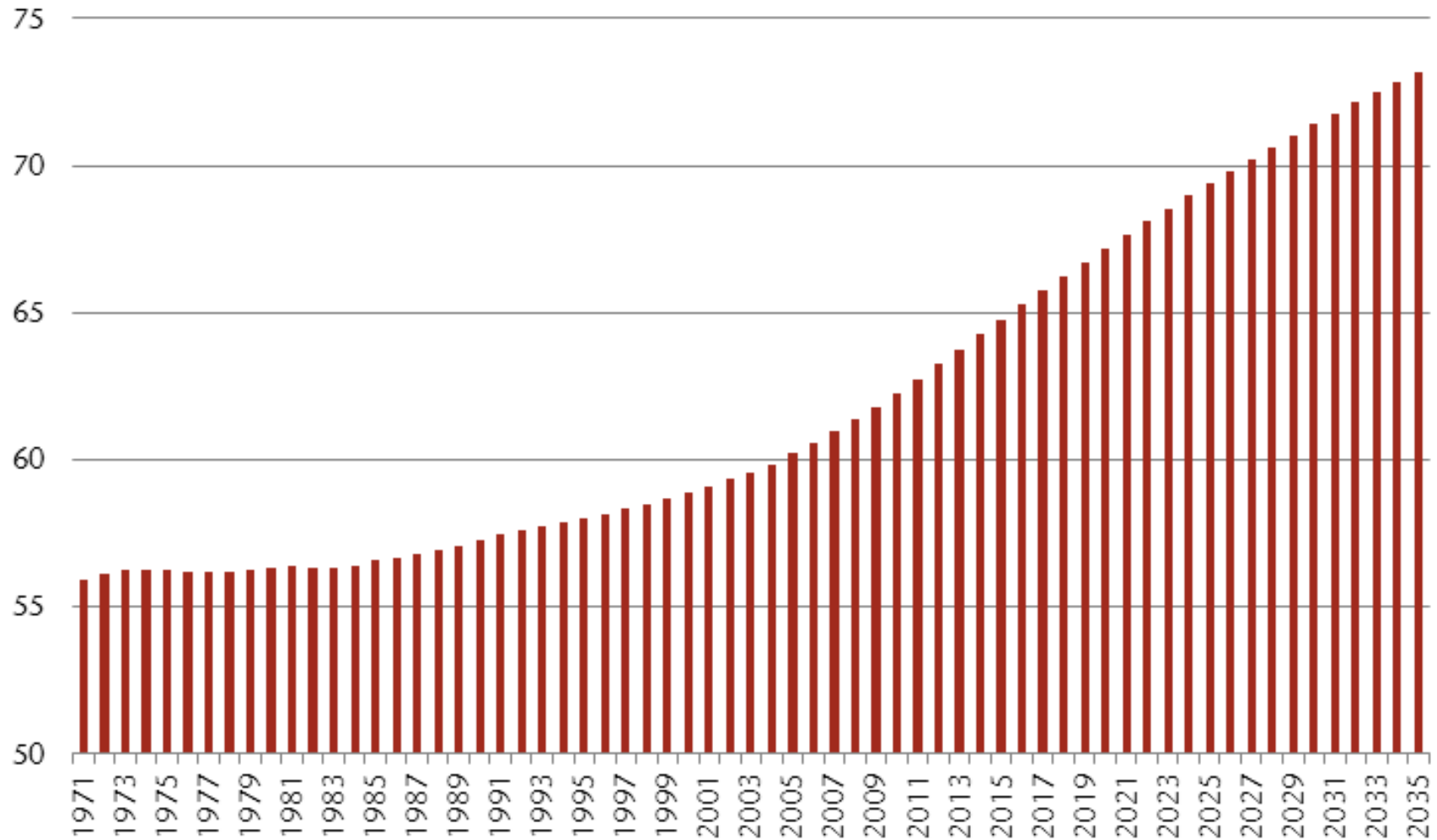


Source: Bloomberg
page 5

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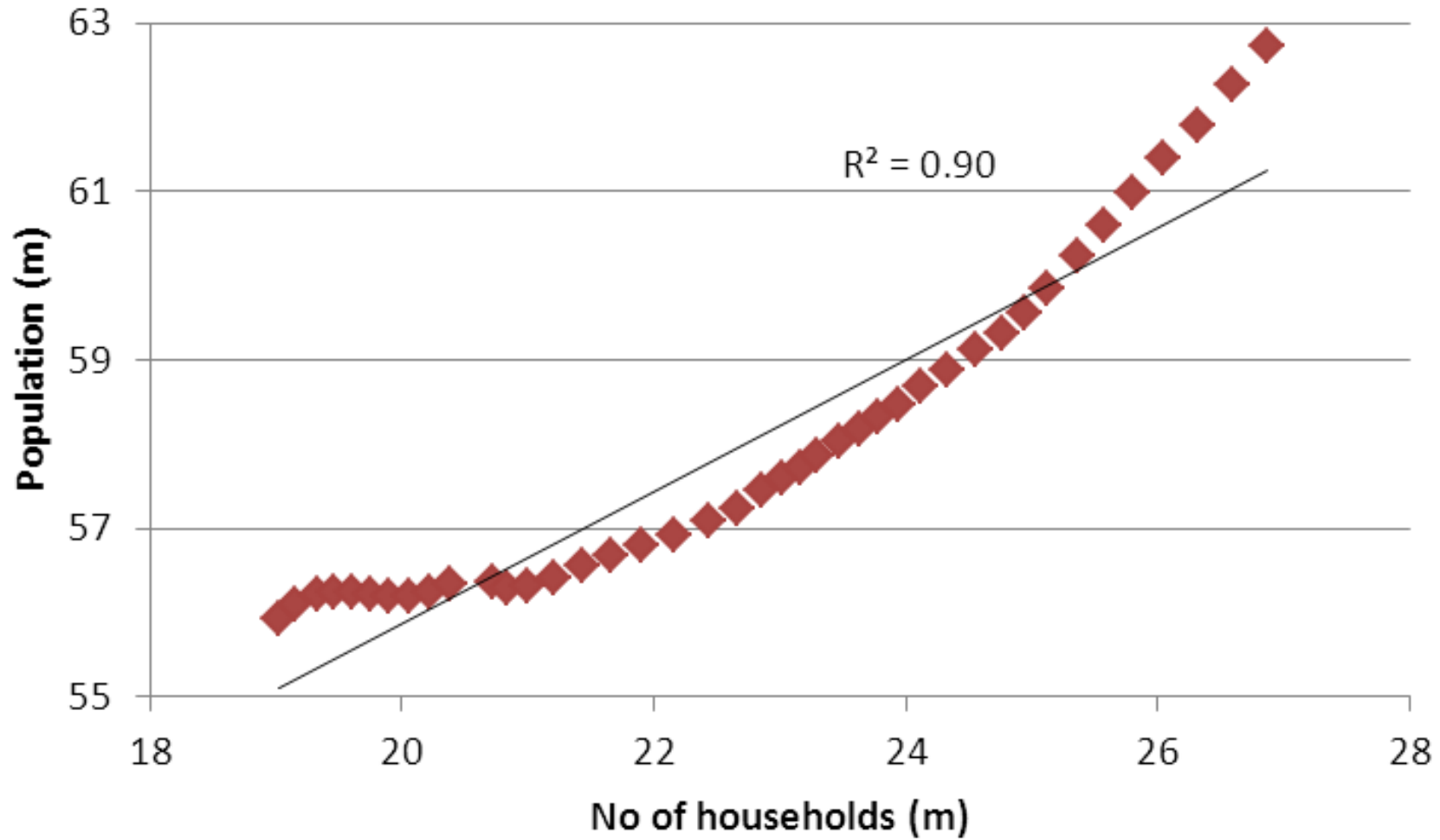
Sector drivers: UK population

millions



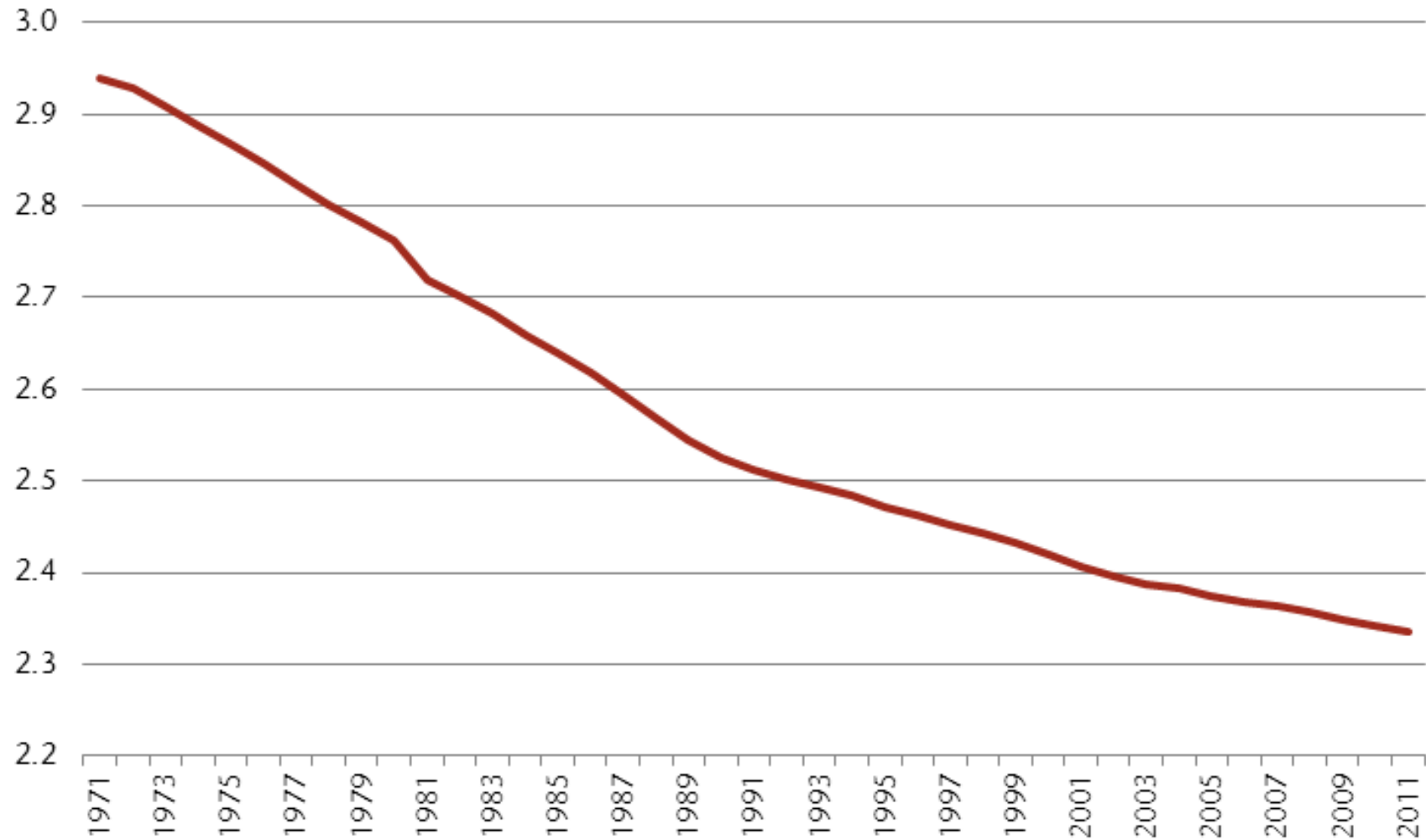
Sector drivers: UK population and no of households 1971-2011

millions



Sector drivers: UK average household size

Persons per home

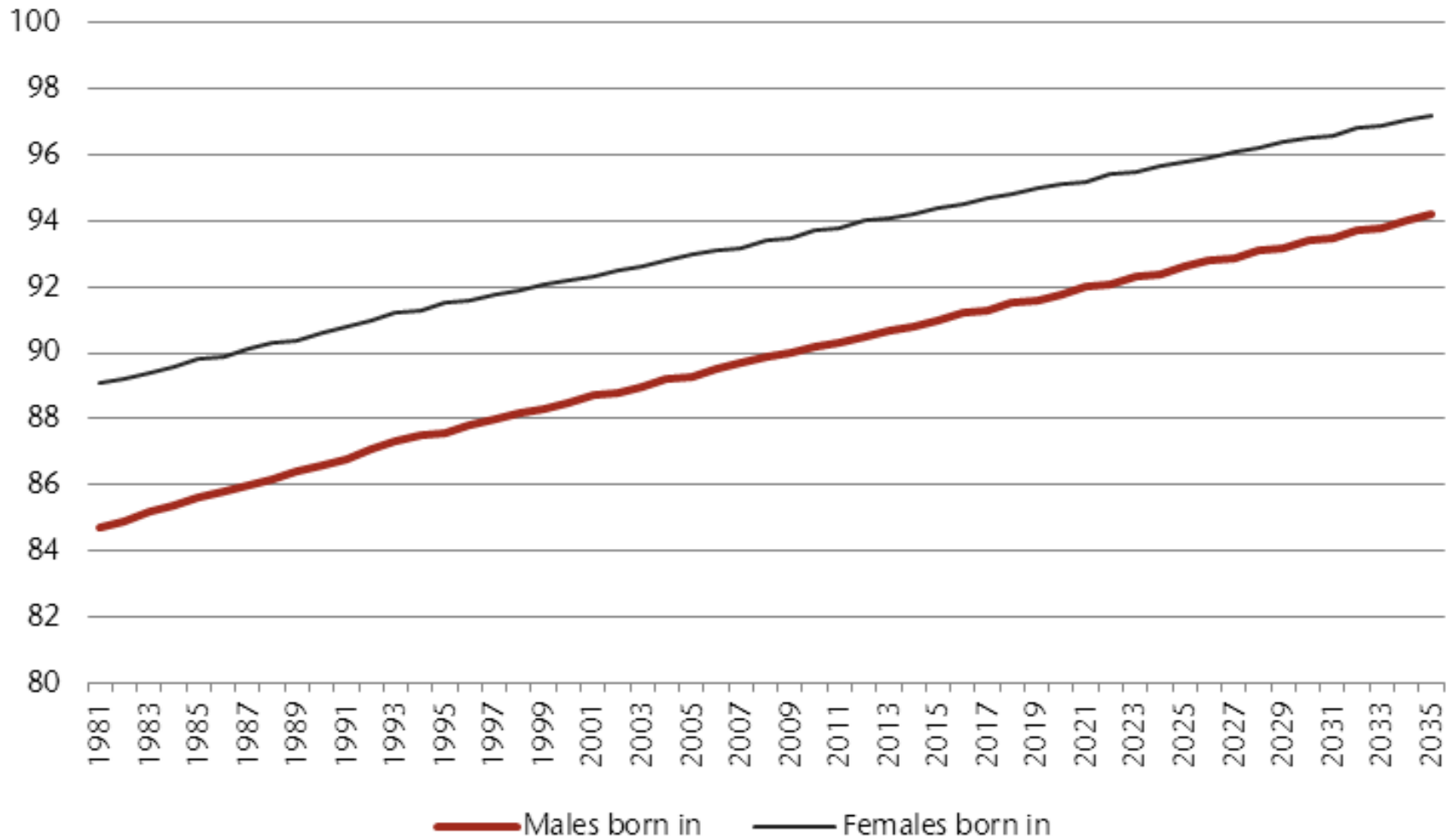


Source: DCLG, ONS
page 8

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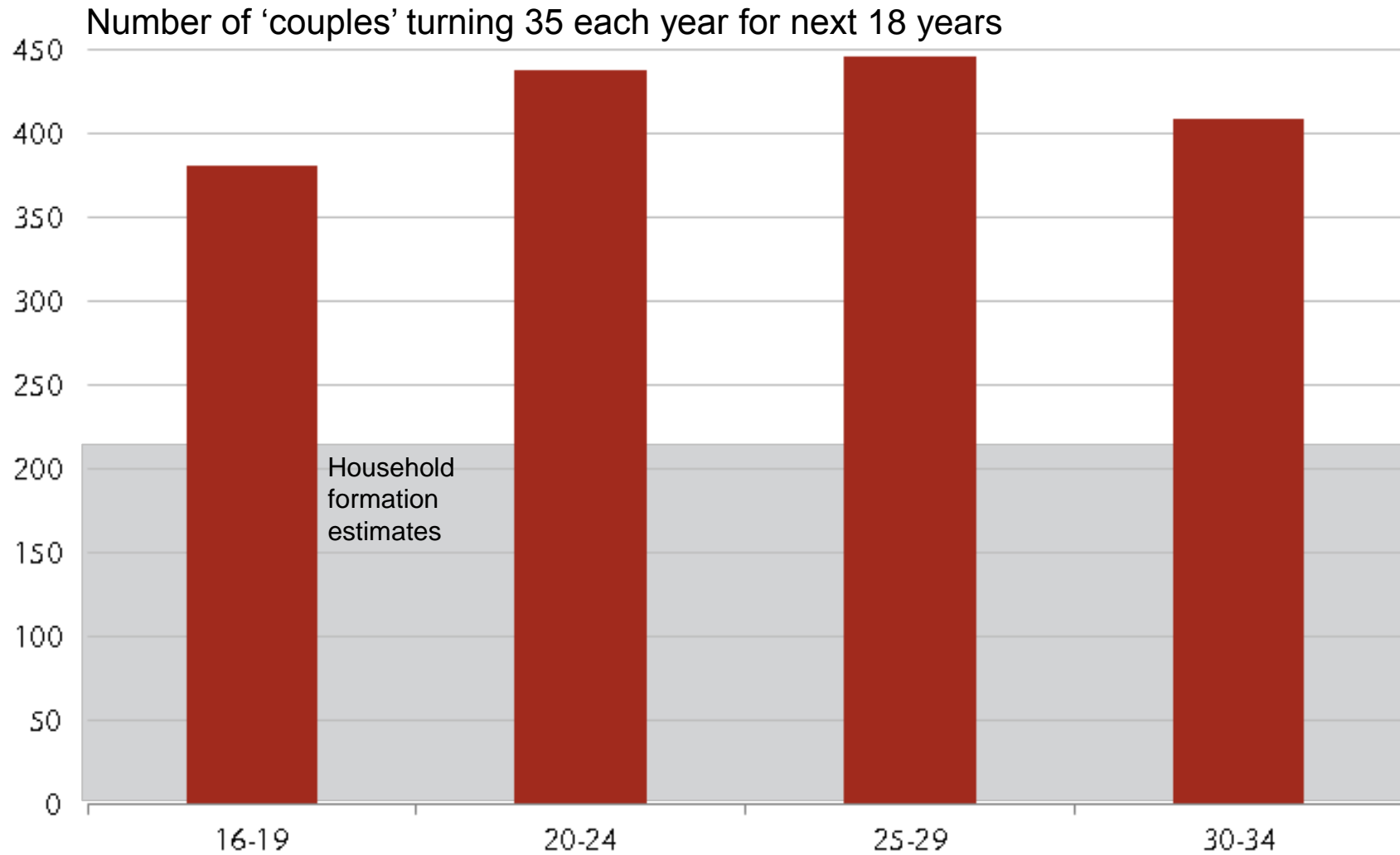
Sector drivers: Life expectancy by year of birth

years



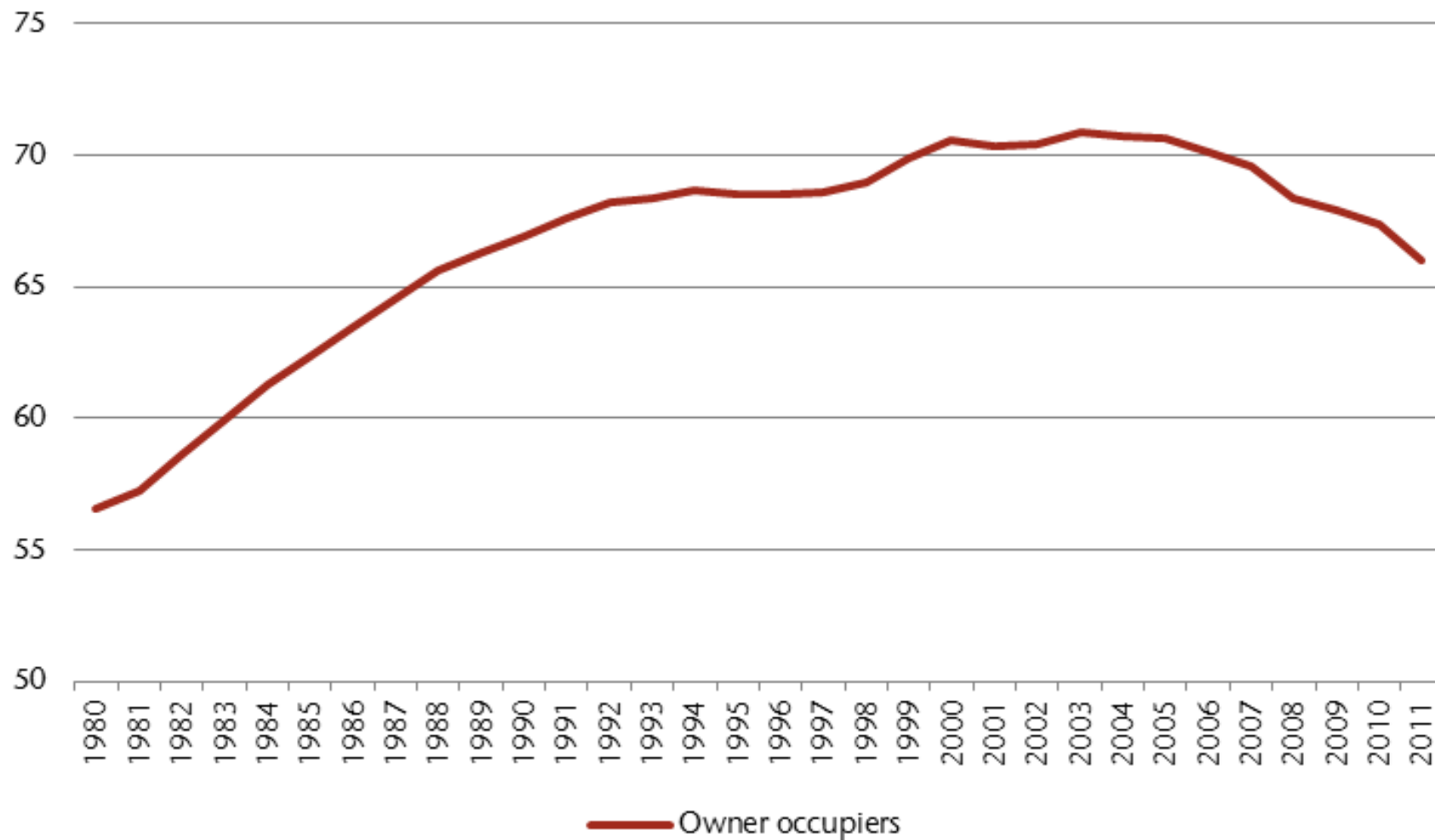
UK population – housing supply sanity check

thousands



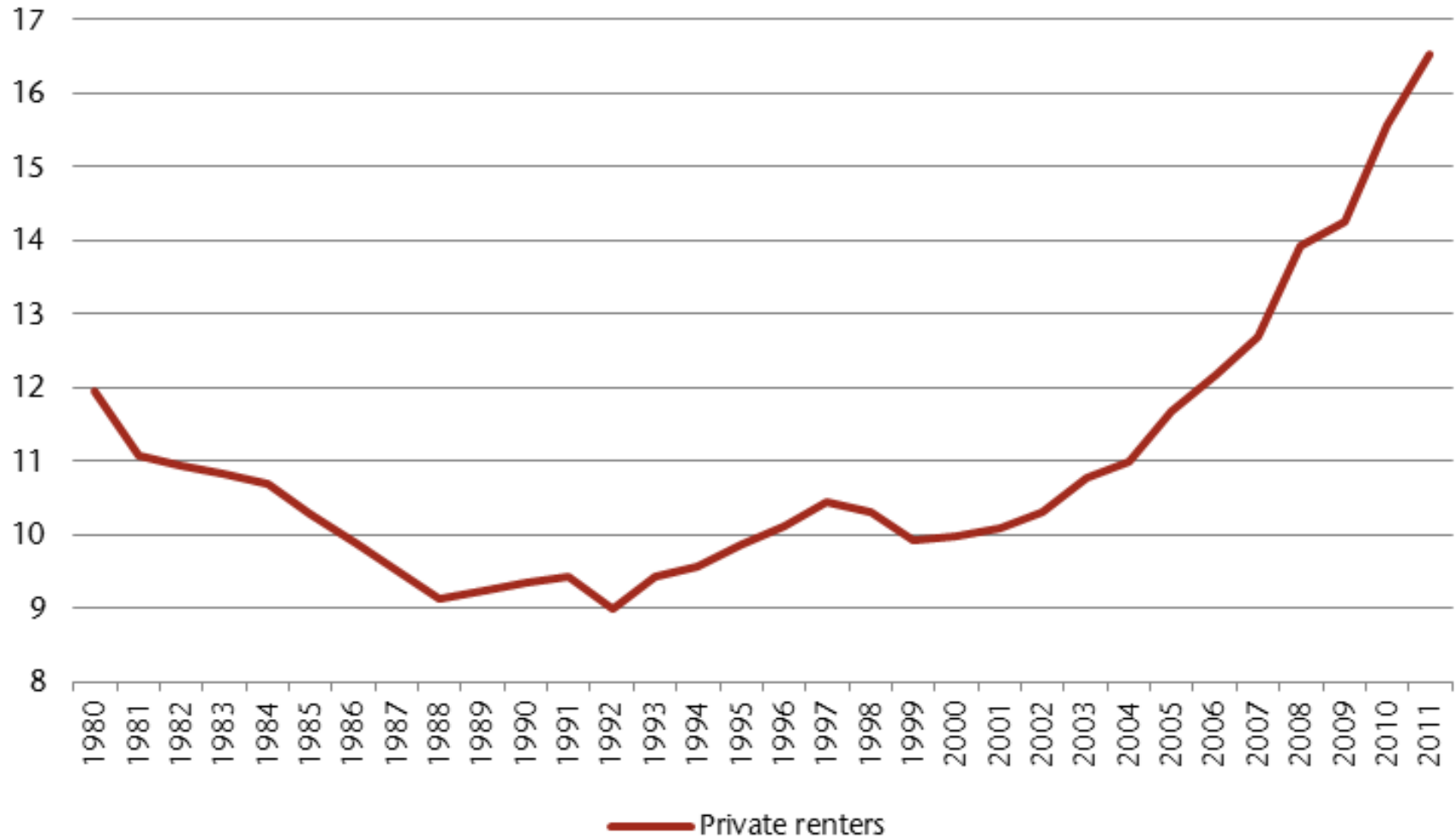
Changes in tenure over time: Owner occupation

%



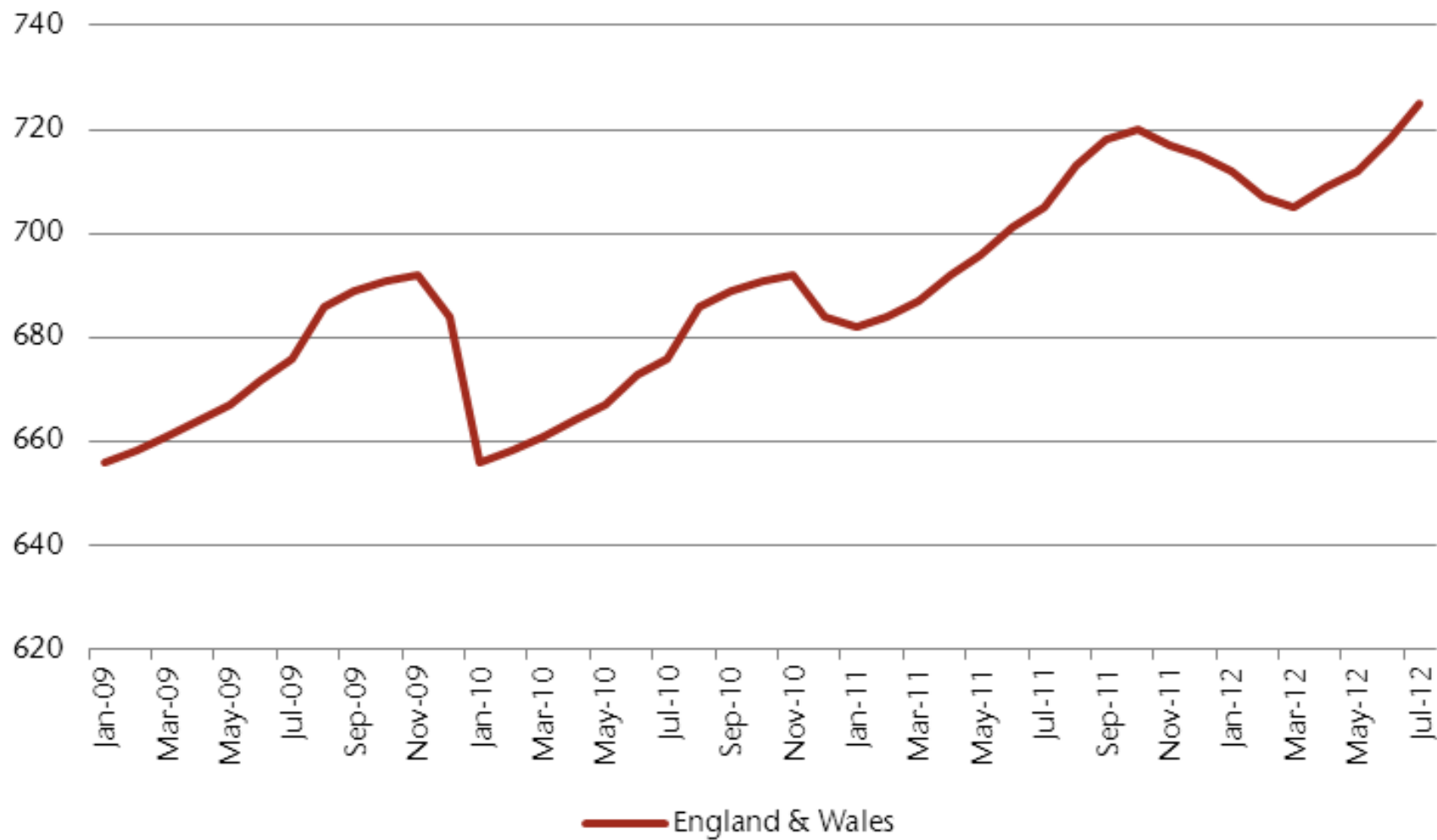
Changes in tenure over time: Private renters

%



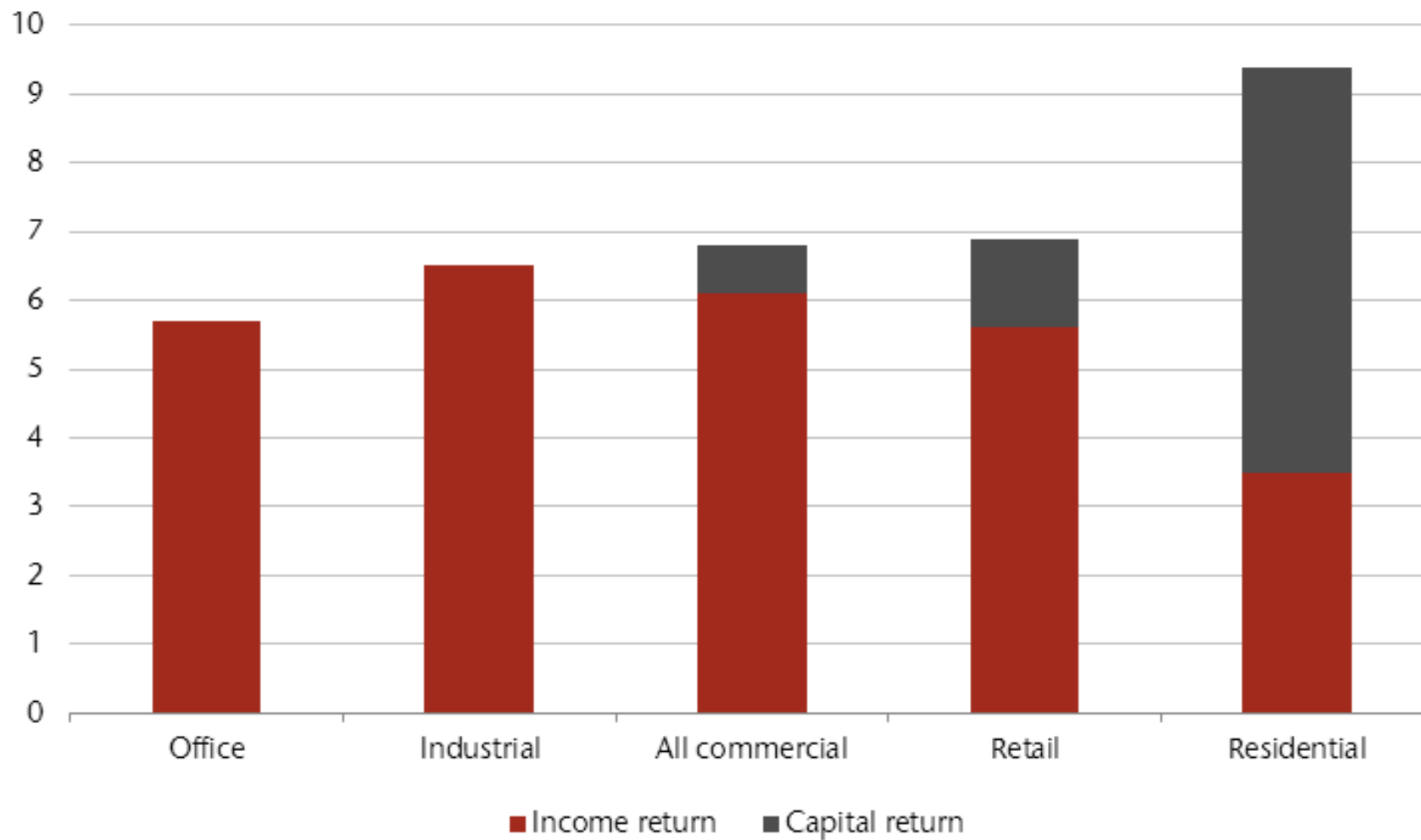
Average private rents

£/month



10 year average property sector returns

% per annum



Which is more difficult?



Building and renting a home?



Exploration and production of oil?

The residual land model

House price:
£160,000

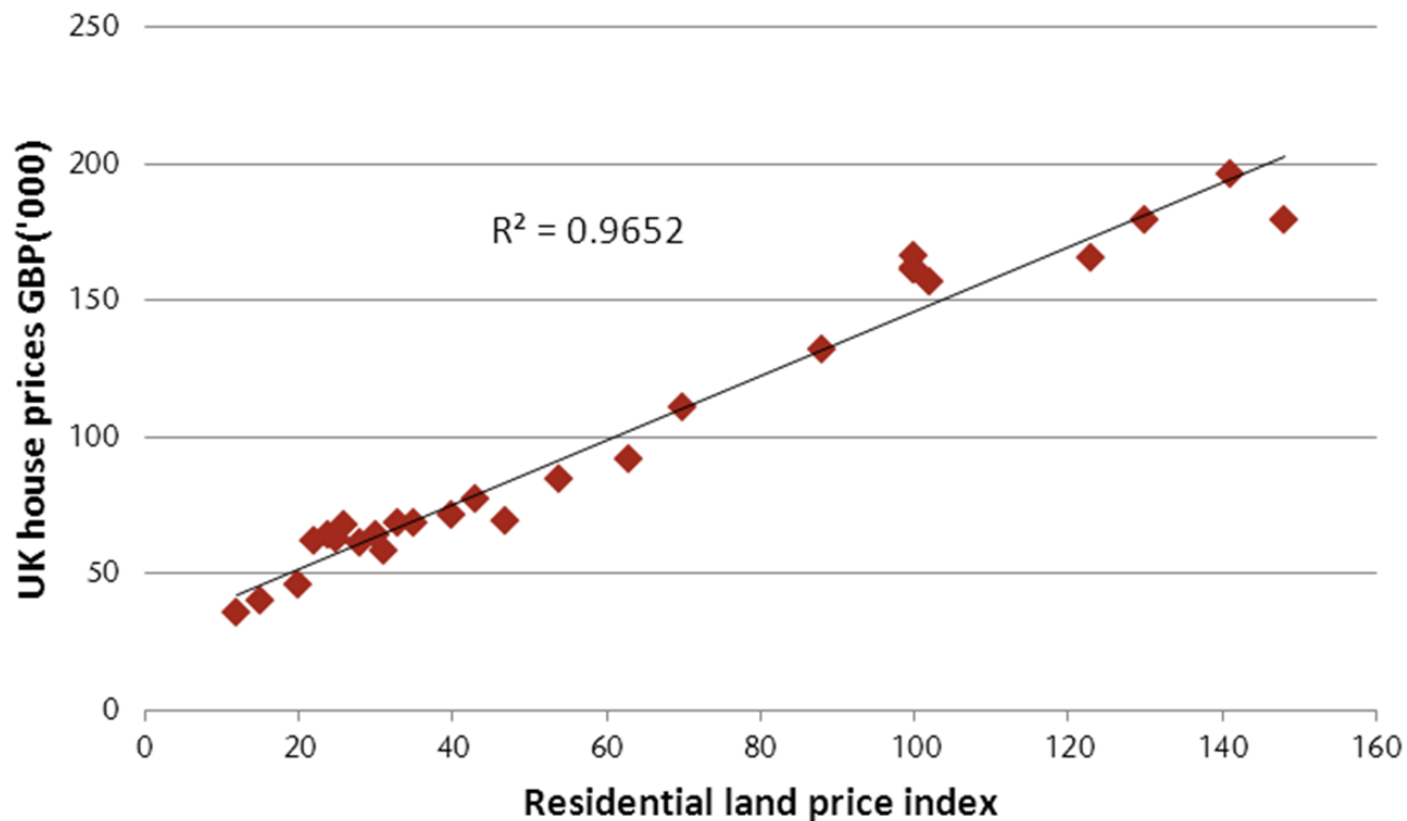


The residual land model

House price:
£160,000



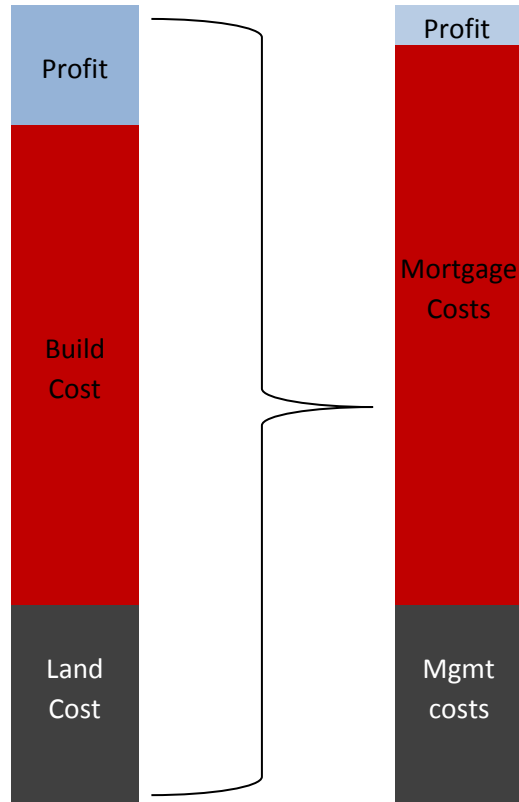
Land price and house price correlation since 1984



The residual land model and rental returns

House price:
£160,000

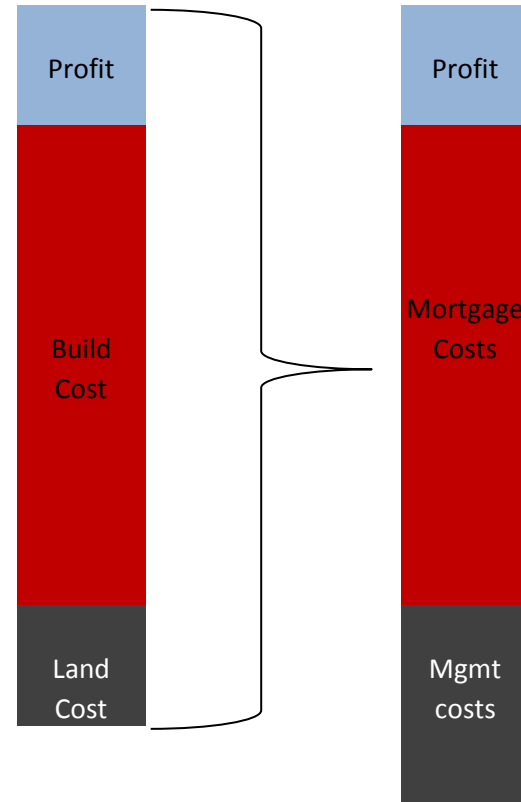
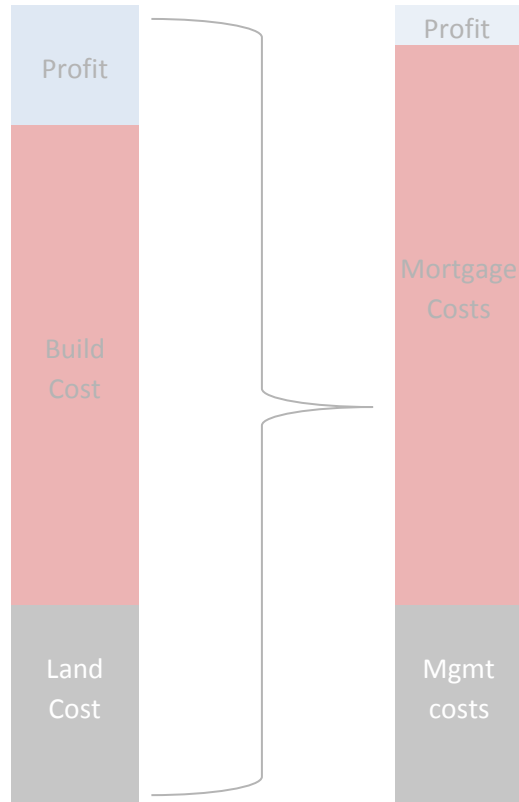
Monthly rent:
£725



The residual land model and rental returns

House price:
£160,000

Monthly rent:
£725



Conclusions

- The residential rental market could be a significant opportunity for growth
- We need to continue to engage with the HBF and NHBC to look for solutions at unlocking house building volumes
- Investors and the UK in general remains fascinated by the UK housing market
- There are too few opportunities for institutional investors (pension funds, ISA managers etc) to invest in the UK residential market
 - Residential share prices have outperformed savings accounts and the overall market
 - In our view there is appetite to see more residential sector companies listed on the stock market
 - Jefferies would be very happy to talk to you about how to access institutional investors in order to grow your business

■ Thank you for your time

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

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