

# **HOUSING MARKET INTELLIGENCE CONFERENCE**

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# Introduction

- The volume story
- Mistakes housebuilders made in the “lead up” to the credit squeeze
- What next – where from here?
- Housing market outlook
- Persimmon’s position
- Looking to the Future


# The Volume Story

	1988	1992	2007	2008	2009
<b><u>Housing Volumes (Great Britain)*</u></b>					
Completions - Private	199,910	141,410	183,220	141,260	109,420

Percentage volume reduction       29% over 4 years

 22% in 1 year

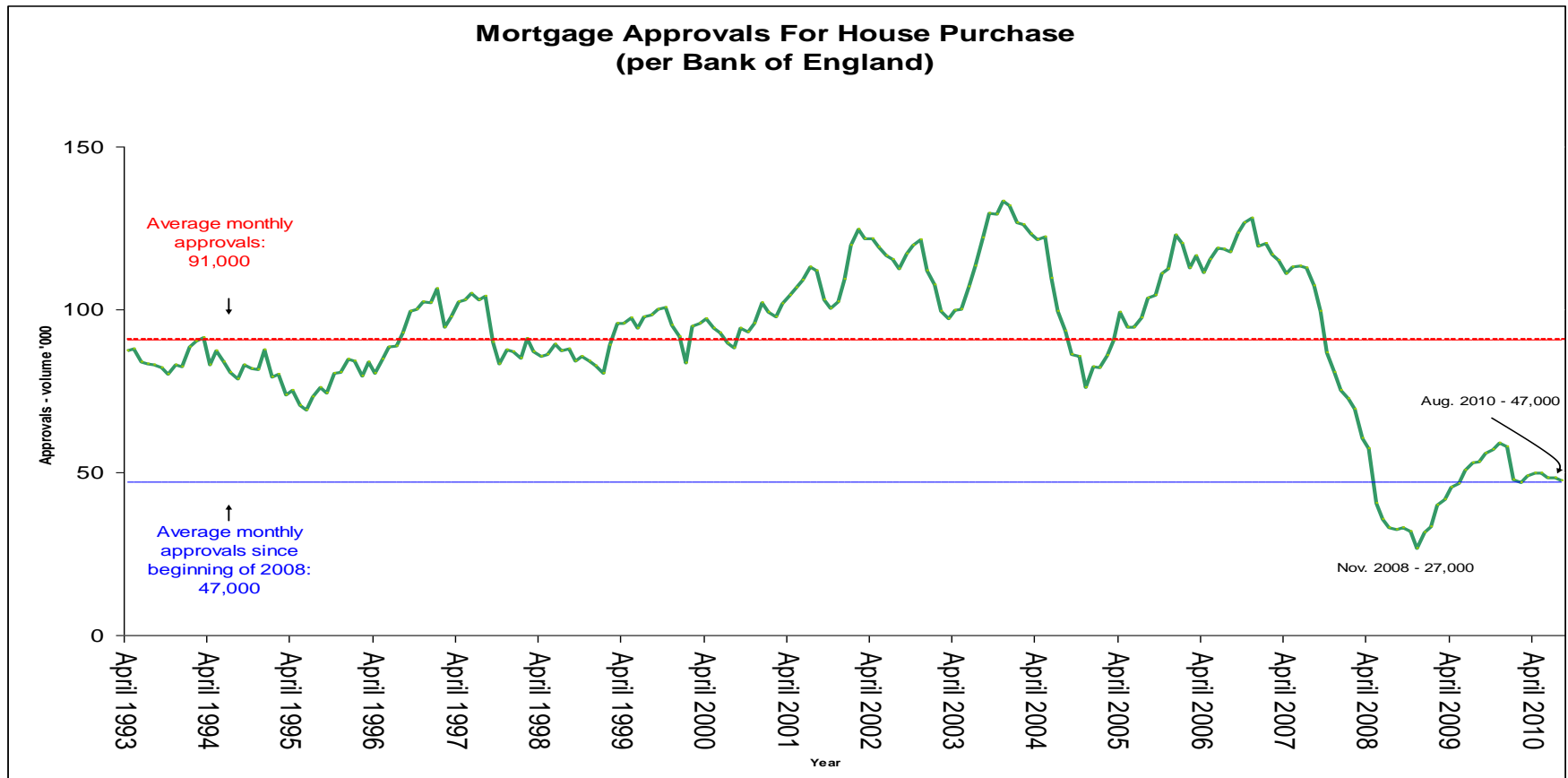
## **Main differential of market downturn**

  
c. 40% in 2 years

- Mortgage availability a national problem
- No ripple, South to North, to soften impact
- Building too much of wrong product

\* Source: CLG Housing Statistics, National Assembly for Wales, Scottish Executive

# The Volume Story



# Mistakes Housebuilders made in the “lead up” to the credit squeeze

- Believed volume story, set overhead accordingly
- Expanded land bank
- Did not consider what happened if there was a severe mortgage shortage
- Too many high density schemes to meet Government targets
- Over emphasis on construction in pursuit of operational efficiency v sales rates

# What next – where from here?

- Cash flows more strictly controlled
- Continuing caution on investment, large sites delayed, small easy sites developed in preference
- Government initiative (Kickstart) assisting first time buyers through to 2012
- Steady volume increase over several years
- More houses – fewer apartments
- Planning – remains an issue
- Green agenda and further regulation?

# Housing Market Outlook

- Improvement in the market:
  - Some stabilisation although not “normal” conditions yet
  - Mortgage availability gradually easing
  - Clearer sales visibility
  - New reservations – 2010 – good Spring, slow Summer, ? Autumn
  - Margin repair underway
- Industry remains watchful:
  - Coalition Government’s austerity measures
  - Reduction of Government stimulus
  - Unemployment concerns
  - Mortgages – more higher loan-to-value products needed

# Persimmon's Position:

- Strategy progressing according to plan:
  - Further significant debt repayment
  - Volumes on improving trend
  - Overhead savings being delivered
  - Good forward sales position
  - Reactivating sites after securing planning amendments
  - Margin repair underway
  - Dividend restored



# Looking to the Future

- Similar to current but fewer players
  - 2/3 large players
  - 6/7 quoted
  - Smaller regional players being squeezed
  - New businesses
  - Contractors v housebuilders – place for both
- Sale/work out of held assets by Banks
- Price stability with growth to come
- Margins – historic average percentage will be rebuilt
- Continued preference to buy/own vs rent – whatever happens more homes needed!