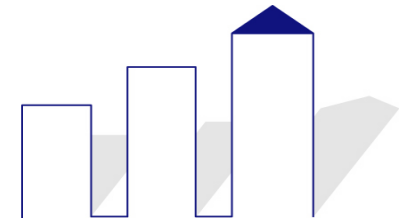


BUILDING VALUE



UK Housebuilding Sector



Q3 2017

Question 1

- 64 is a superperfect number and one of only four less than 100
- It is also the number of squares on a chessboard, total positions in the Kama Sutra, a famous Beatles' song (prefixed by "When I'm") and my age last birthday - during Q3
- However, it was first monetised by the US radio show 'Take It or Leave It' in the 1940s. Here, seven questions were asked with the prize money - and level of difficulty - doubling each time from \$1 to \$64; and each contestant could bail and take the money (\$8) at any time after a successful answer to Question 4
- In 1955, the programme made its move to television with massively inflated prize money and the re-jigged moniker 'The \$64,000 Question'

Question 2

- This expensive interrogatory entered Anglo Saxon and, indeed, international vernacular as did the original programme name: "Take It or Leave It" - and the incipient risk manager's exhortatory "You'll be sorrr-REEEE"
- 64,000 times 640,000 is also the current monetary worth of the UK Housebuilders i.e. on the first trading day of Q4, the market value rose 2.7% to £41 billion
- This is 38% more than a year ago with Persimmon at circa three times book value. Similarly, while consensus earnings growth is forecast at 13% this year and next - the score is 2% in 2019
- In an increasingly capital-employed-light Sector, dividends have also become more and more important in the UK housebuilder 'bond' market; and current prospective yields are above 4%

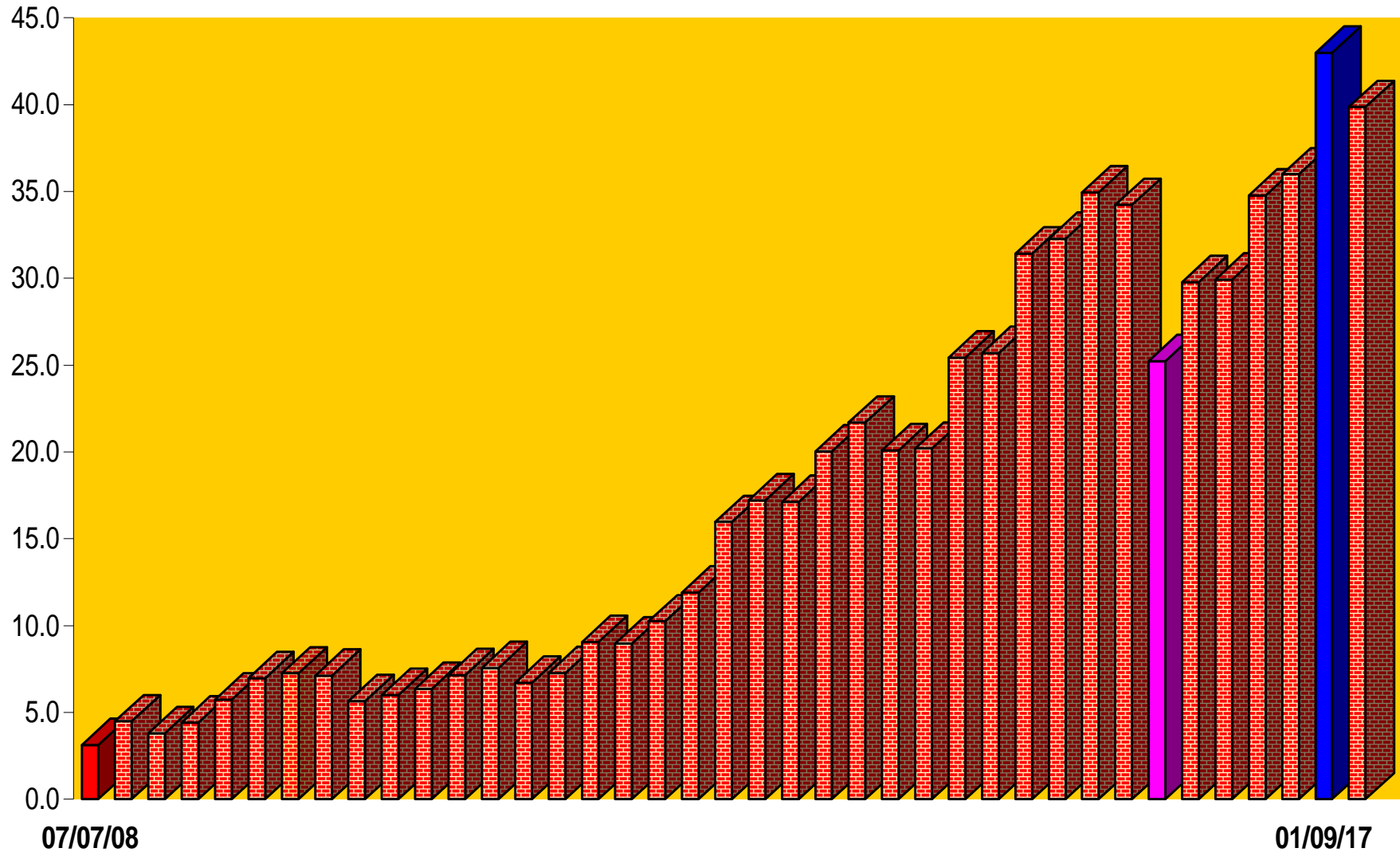
Question 3

- More broadly, the UK macro-economic questions are becoming more and more difficult
- Similarly, the weak British Pound has done little for contestants and average earnings growth is adrift of a 'little bit' of inflation (unless you are a pensioner)
- On a brighter note, the Conservative 'coalition' has announced an extra £10 billion in prize money to provide loans under 'Help To Buy' through to 2021 (as a result the Sector's share prices also won)
- The perspicacious housebuilders have answered six of the seven mythical questions put to them during the Show
- Near term it would be previous to "Take It" but longer term "you'll be sorry"

UK Housebuilding Sector - stock market value (£bn):

quarterly from Q1 2007 to Q3 2017

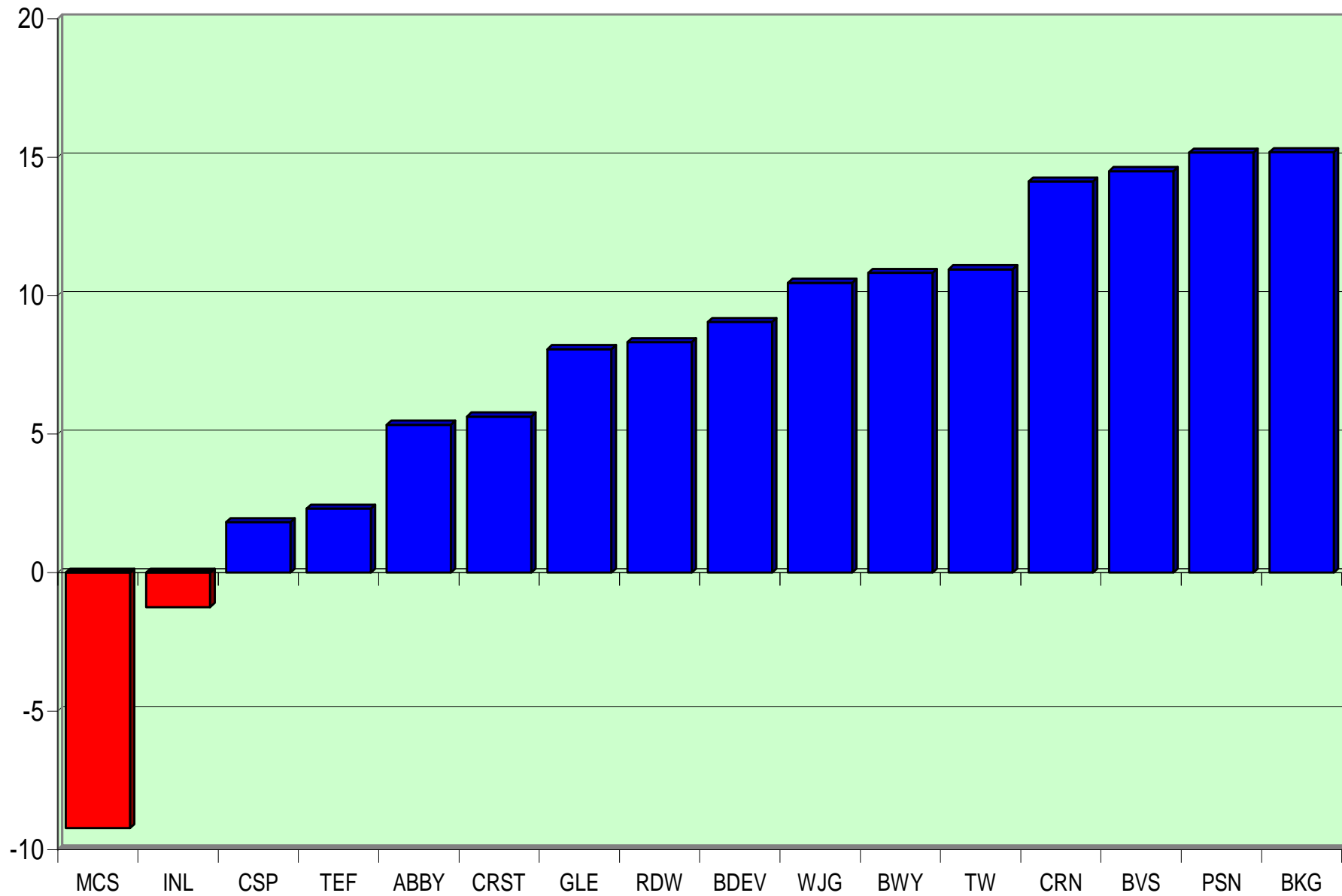
- 7 July 2008 (low) and 1 September 2017 (high); Brexit in pink -



Q3

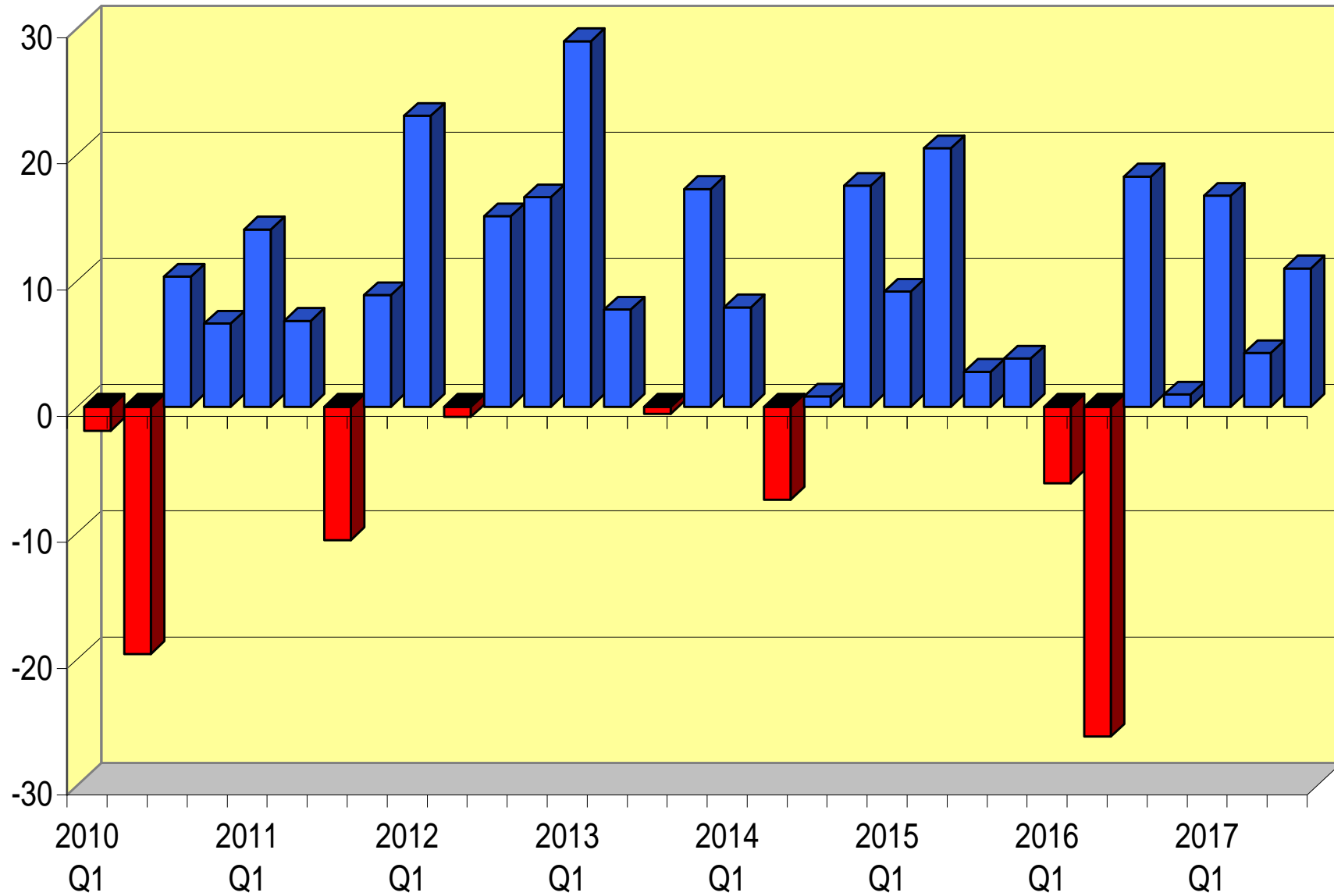
- Housebuilders' share prices won by an average 7.6% in Q3 2017 on an actual basis and 11.0% weighted by contestant market capitalisation (in Q2 these winners were +6.1% and +4.3% respectively)
- Persimmon and Berkeley were top of the leader board with +15.2% and intellectual support came from Cairn and Bovis which were both at 14% plus
- Of the rest, three were in double digits (Bellway, T. Wimpey and Watkin Jones). Meantime, the remainder were up between 1 and 9% in the quarter with two players in reserve i.e. McCarthy & Stone and Inland Homes
- Q3 2017 also marks the 23rd quarter from the last 31 that has climbed in competition

Shares prices in Q3 2017 vs Q2 2017 (% change)



UK Housebuilding Sector: Q1 2010 - Q3 2017

- weighted % change in share prices quarter by quarter -

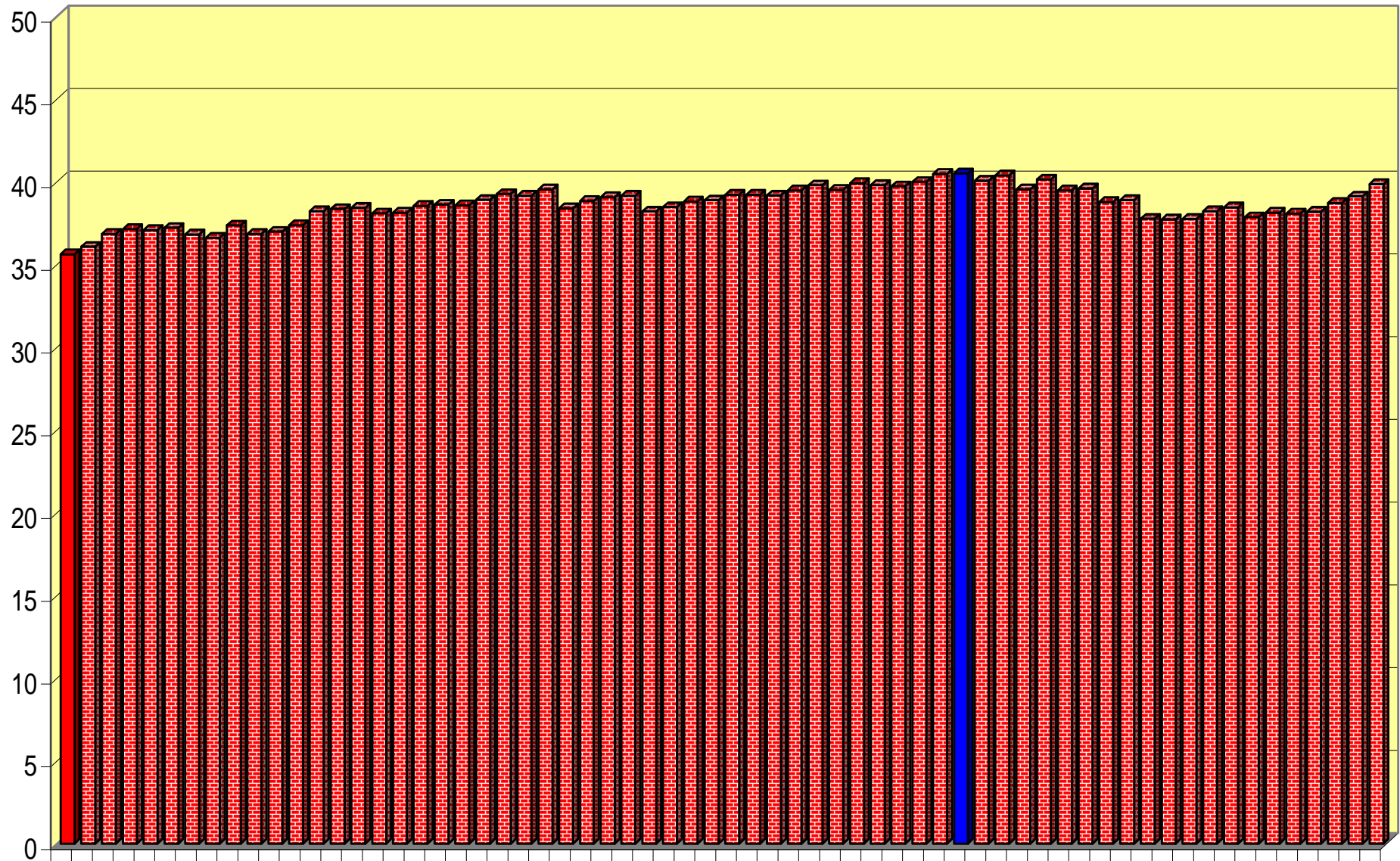


More on Q3 shares prices

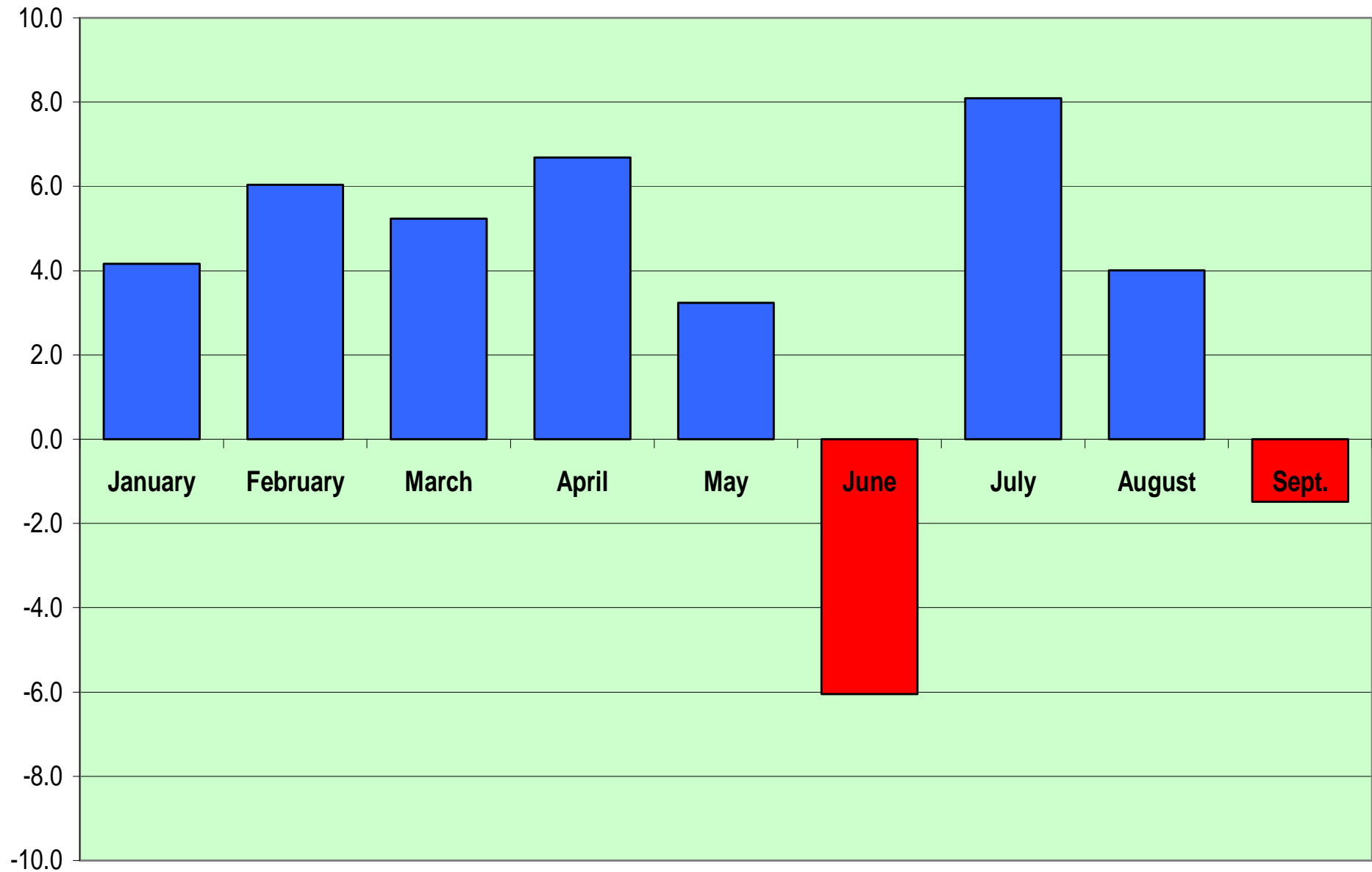
- In Q3 2017, there were 64 quiz days and on two-thirds of them (43), the Sector won in value (in Pound notes) versus one third (21) when it failed to do so
- The best daily performance was +2.3% on 19 July - and the worst was minus 2.9% on 14 September
- Week 39, the final one of Q3, saw the best five day win margin (+4.6%) with Week 27 worst (minus 4.4%)
- Month by month, July (+8.1%) and August (+4.0%) were both positive participants but September was off (-1.5%) and was spared further blushes by a late 'Help to Buy' rally
- The lowest Sector value in Q3 was at the start on 3 July (with £35.6 billion). It then broke new ground 12 times with a new all-time peak score of £40.5 billion on 1 September (which nudged to £41 billion on 2 October)

Housebuilding Sector stock market value - daily - in Q3 2017 (£bn)

- low/high (red/blue) -



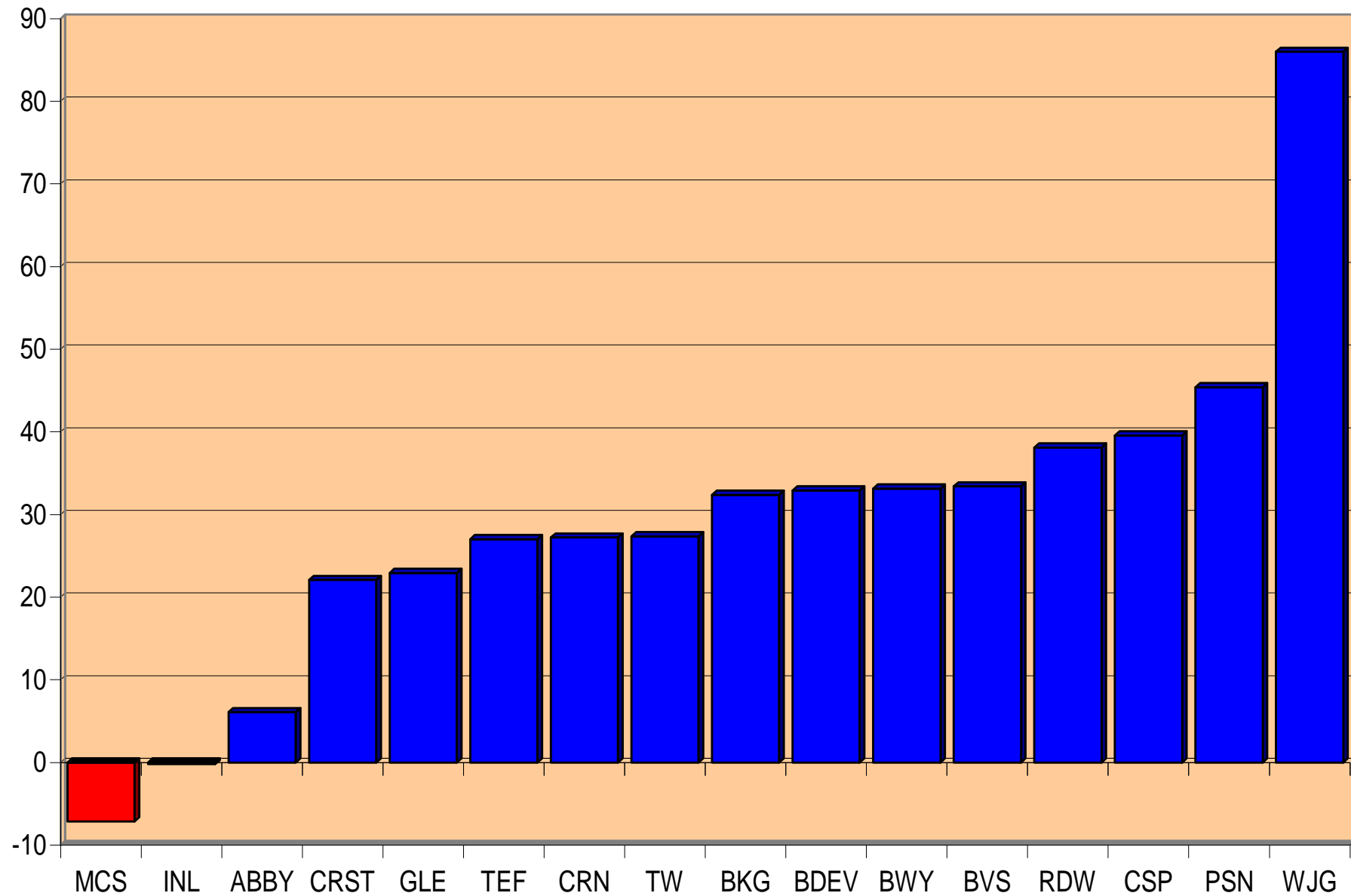
UK Housebuilding Sector: month-by-month 2017 YTD (% change)



Year to date & year on year

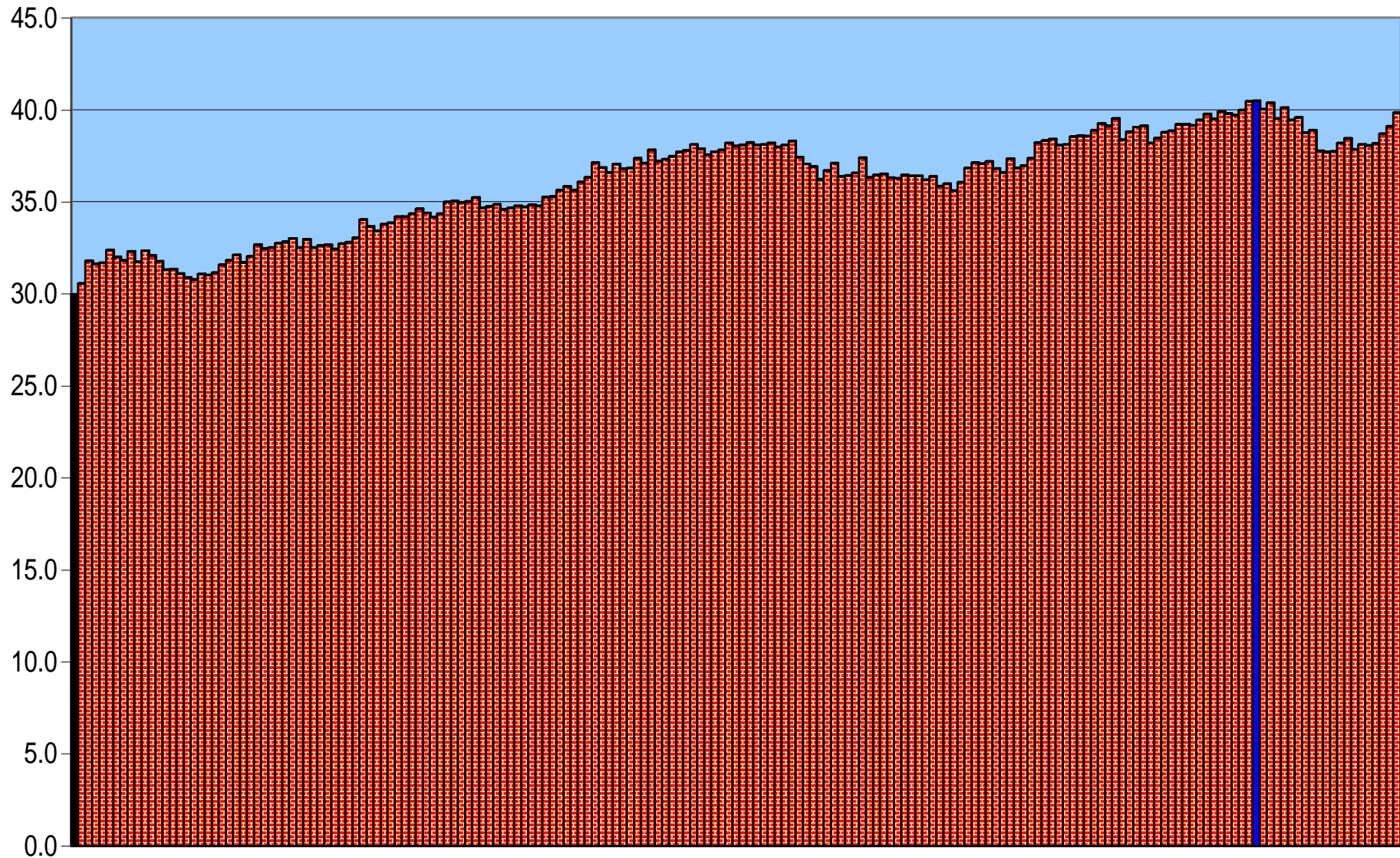
- In the year-to-date, share prices rose 29% between 1 January and 29 September and +34% weighted
- Herein, contender Watkin Jones was outstanding at +86% with Persimmon runner-up on +45%; while two entrants were in the red (McCarthy & Stone and Inland)
- Unsurprisingly, the year-on-year movements in share prices were also very good (remember the 2016 Brexit quiz?) with +31% actual and +35% weighted
- Individually, Watkin Jones (+81%) also led the annualised league table with Berkeley, Cairn, Countryside, Persimmon and Redrow at +40% or better; and 14 from 16 stocks positive aspirants

Share prices in year-to-date (YTD) to 29 Sept. 2017 (% change)

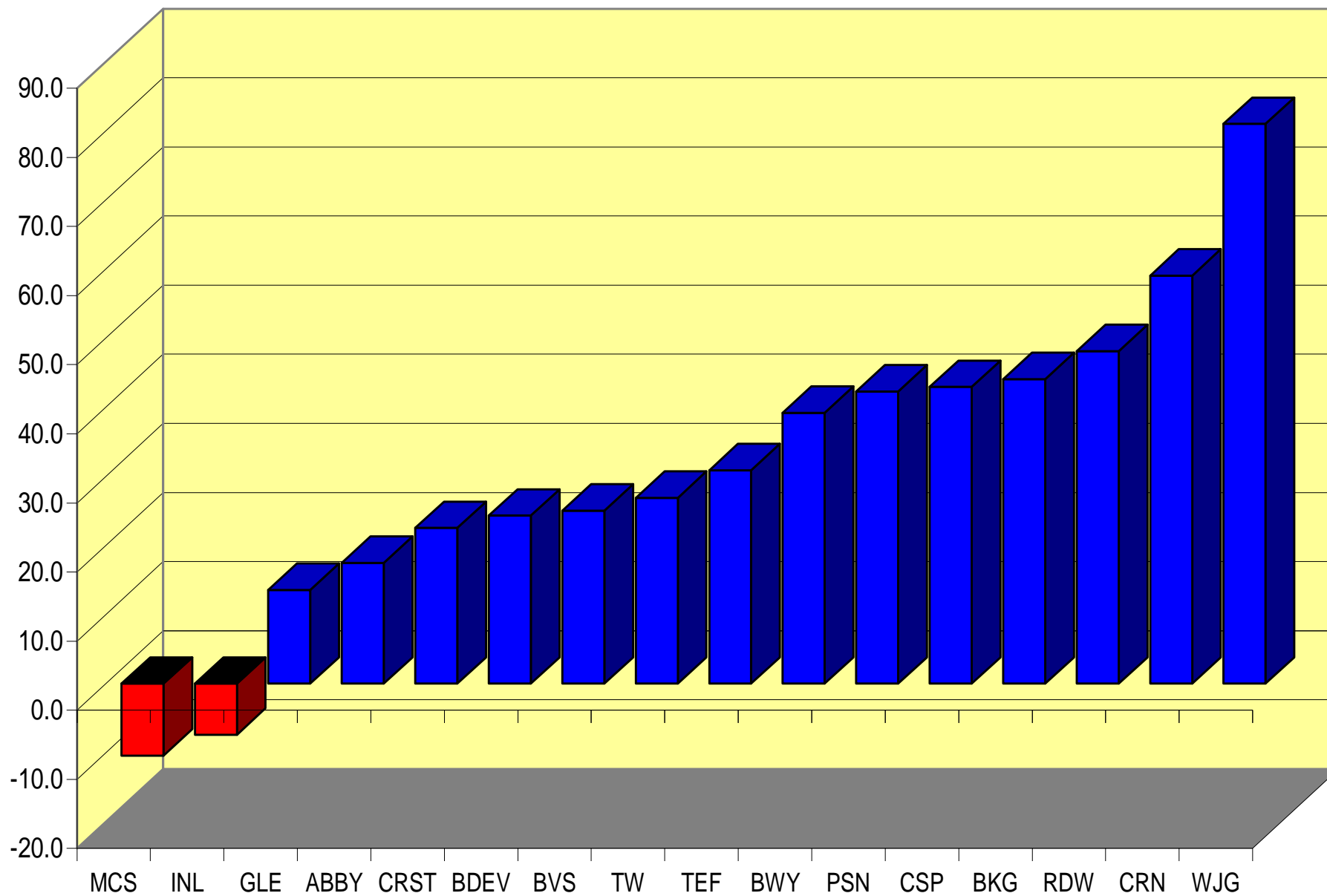


Housebuilding Sector value in 2017 so far - daily - to 29 Sept. (£bn)

- low (03/01) in black; and high (01/09) in blue -



Share prices year-on-year: at 29/09/17 (% change)

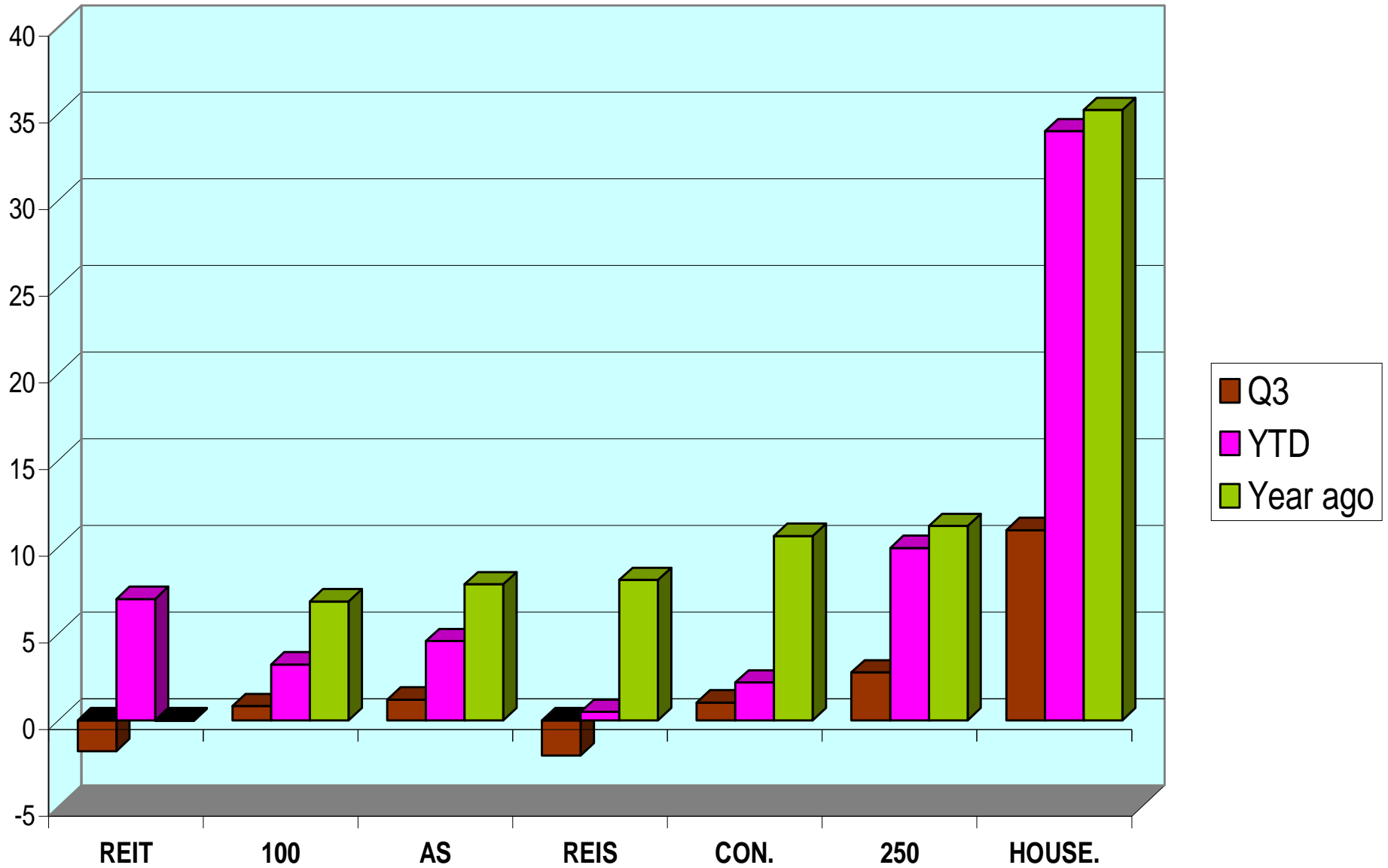


Relative performance in Q3

- The Housebuilders left all other equity quizzers waiting in the wings
- On an interrogator weighted basis the Sector rose 35% year-on-year, 34% in 2017 to date and 11% in Q3 itself
- Also in Q3, the UK equity market's three main indices (FTSE 100, 250 and All Share) added just 1 to 3% to their values; although on a year ago, the FTSE 250 added 11%
- The Construction & Building Materials Sector (CON) - which excludes Housebuilders – also added 11% year-on-year but only 1% in Q3 - which also saw the two prime real estate indices (REIT and REIS) negative

Relative % change in value: Q3 vs Q2; YTD; and year-on-year

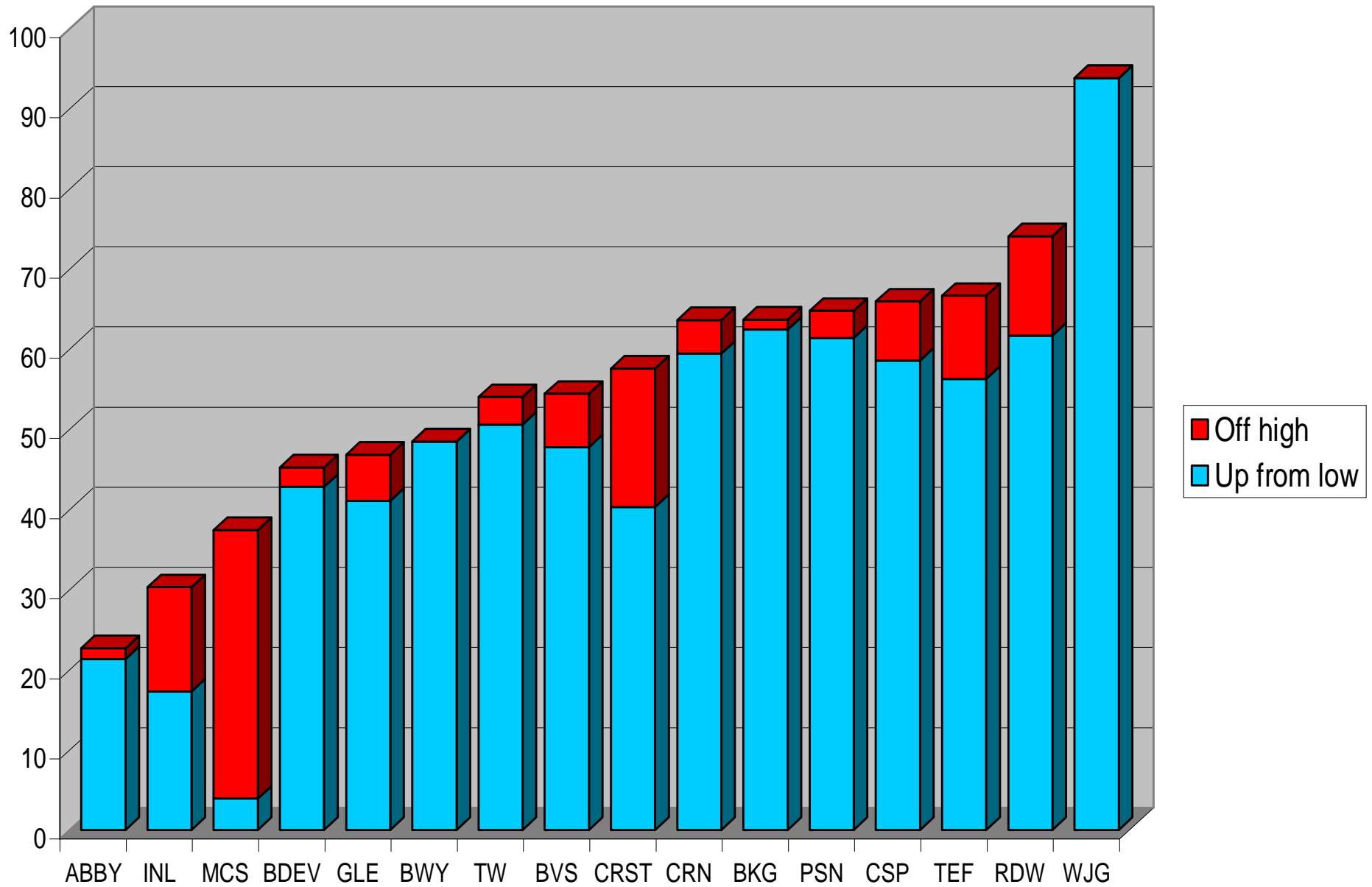
- housebuilders' performance is weighted -



Peak value / FTSE 100/ Structure

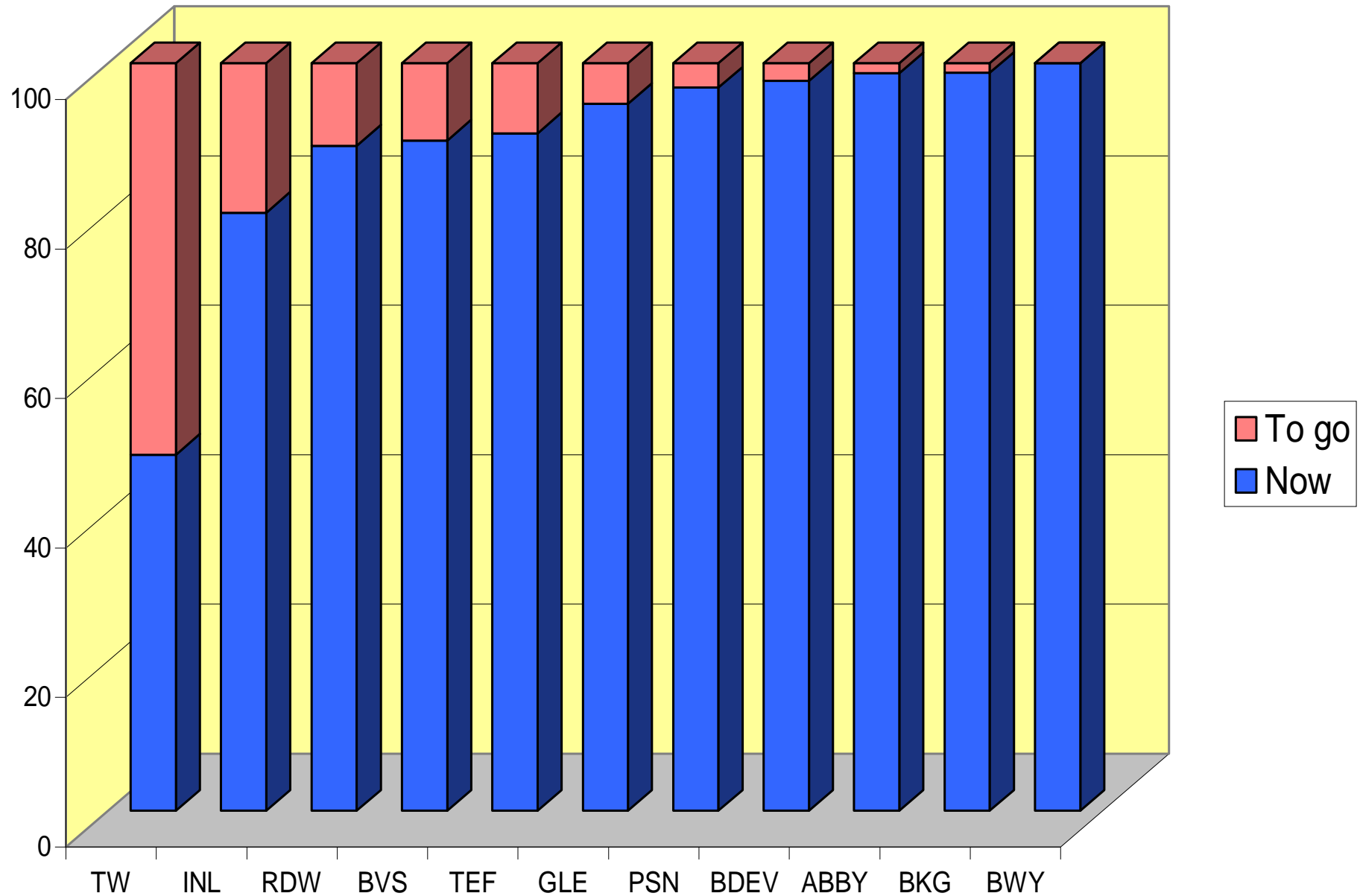
- Housebuilders' share prices are, on average, 19 times above the lows of 2008; and 48% up on more recent 52 week lows (weighted these numbers are 28 times and 53% respectively)
- But they were also some 10% below their 2007 peaks (13% weighted); and 7% off 52 week highs (4% appraisal weighted)
- Berkeley (91) has been welcomed back as a winner to the FTSE 100 for the second time to join team mate Barratt (73); Taylor Wimpey (69); and Persimmon (53) which is worth £8 billion (all at 29 September)
- Together, these four FTSE proctors account for 64% of the UK Housebuilding Sector value

Movement against 52 week lows and highs (% change)



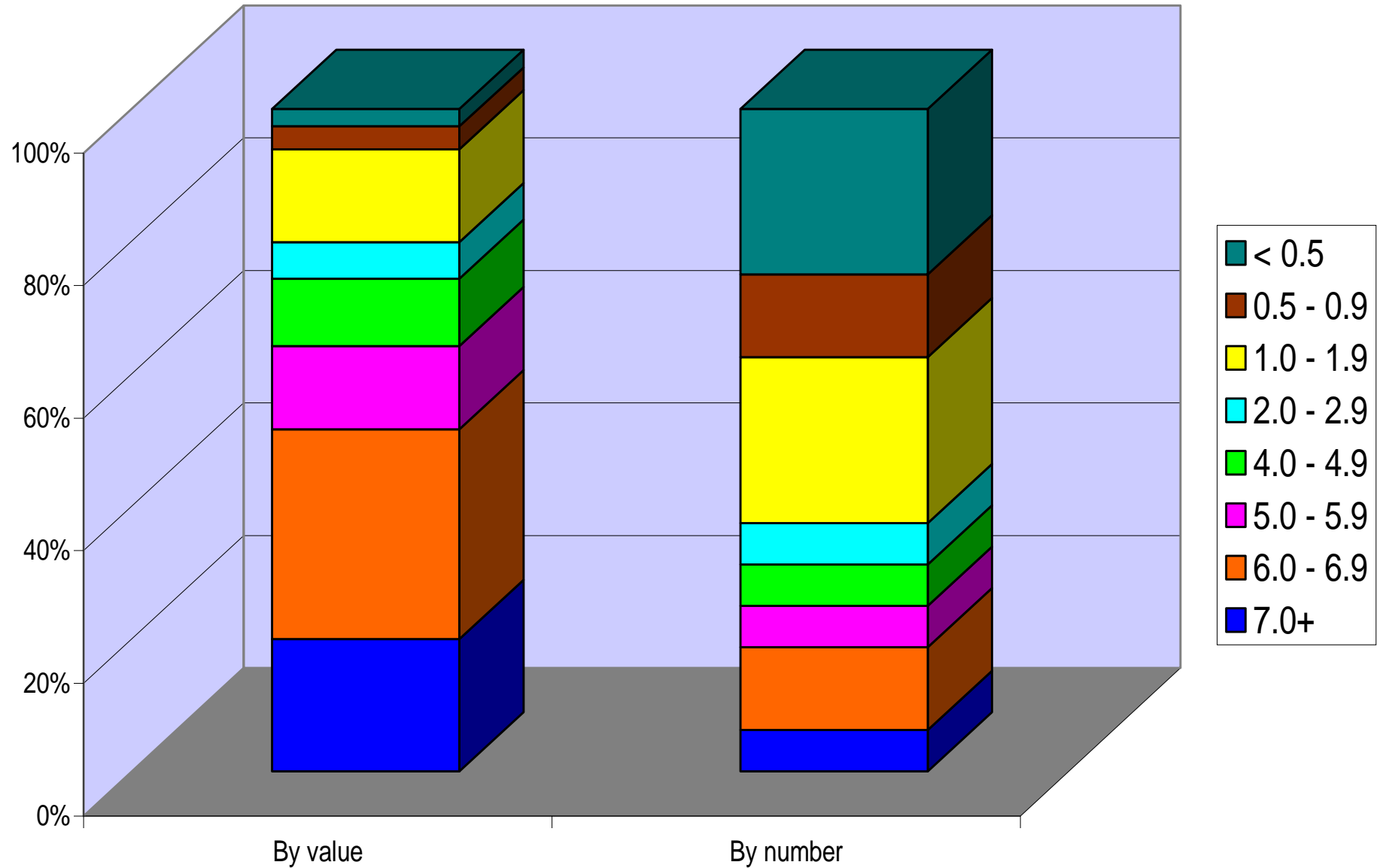
Current share prices as % of all-time peak level at 29/09/17

- ex Crest, Cairn, McCarthy & Stone, Countryside and Watkin Jones -



Sector structure by stock market value (£39.9 billion at 29/09/17)

16 companies [legend is in £bn]

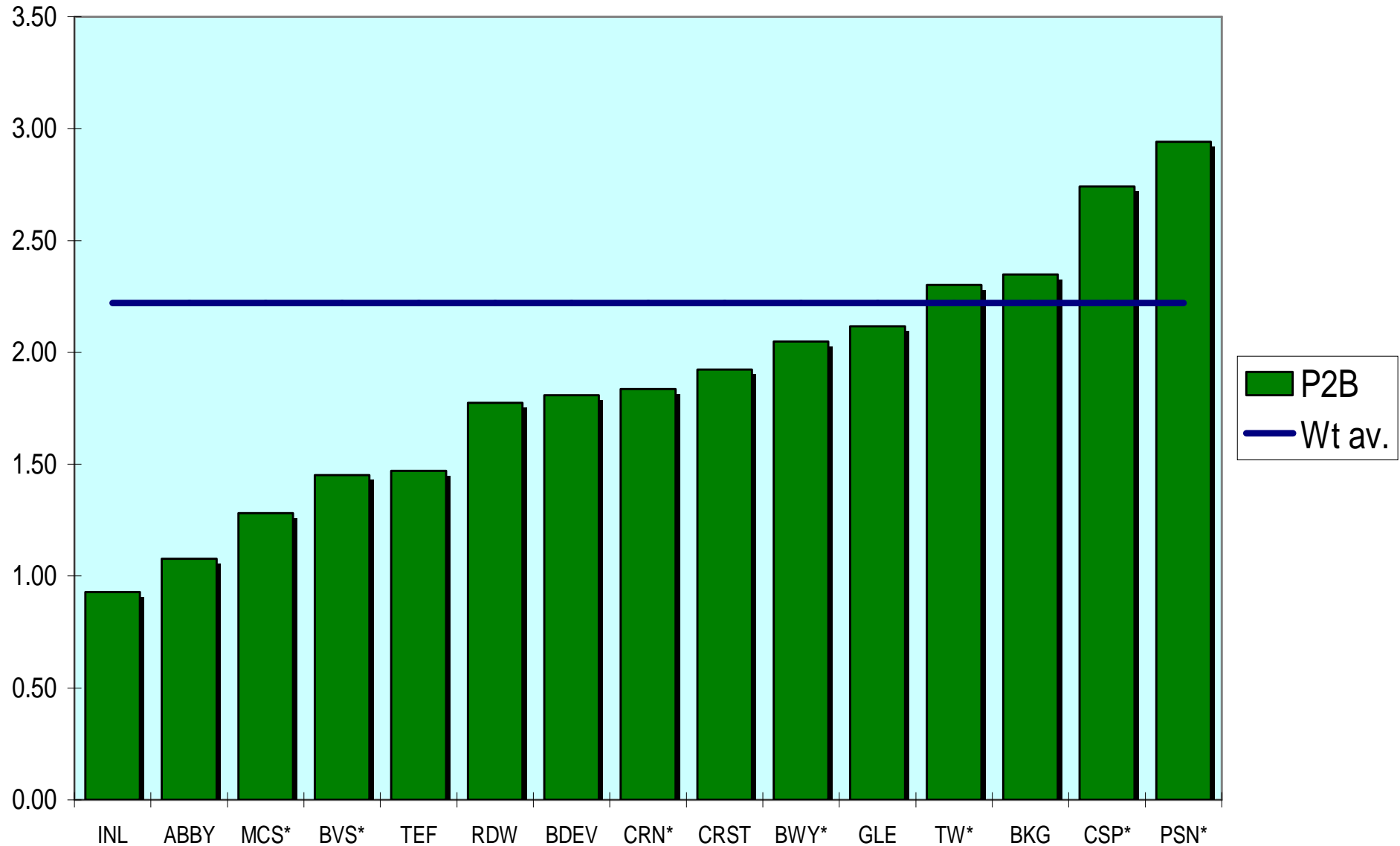


Price-to-Book / TSR

- The Housebuilders' latest average Price-to-Book valuation answer was 1.87 at 29 September 2017 and 2.22 question weighted (a year ago they were 1.69 and 1.86 respectively)
- Six out of 15 companies are at 2.0 or better with Persimmon nudging 3.0 (with Watkin Jones at 4.94 excluded)
- Total Shareholder Return (TSR) for the Sector in the year to date (i.e. to 29 September 2017) scored 29.5%. However, the annualised TSR of 36.2% answered the \$64,000 question (data are sourced from Bloomberg)
- Herein, Watkin Jones was very nearly TSR answer-perfect with 87 and 86% year to date and over 12 months; little wonder that its speciality student accommodation is gaining candidate popularity

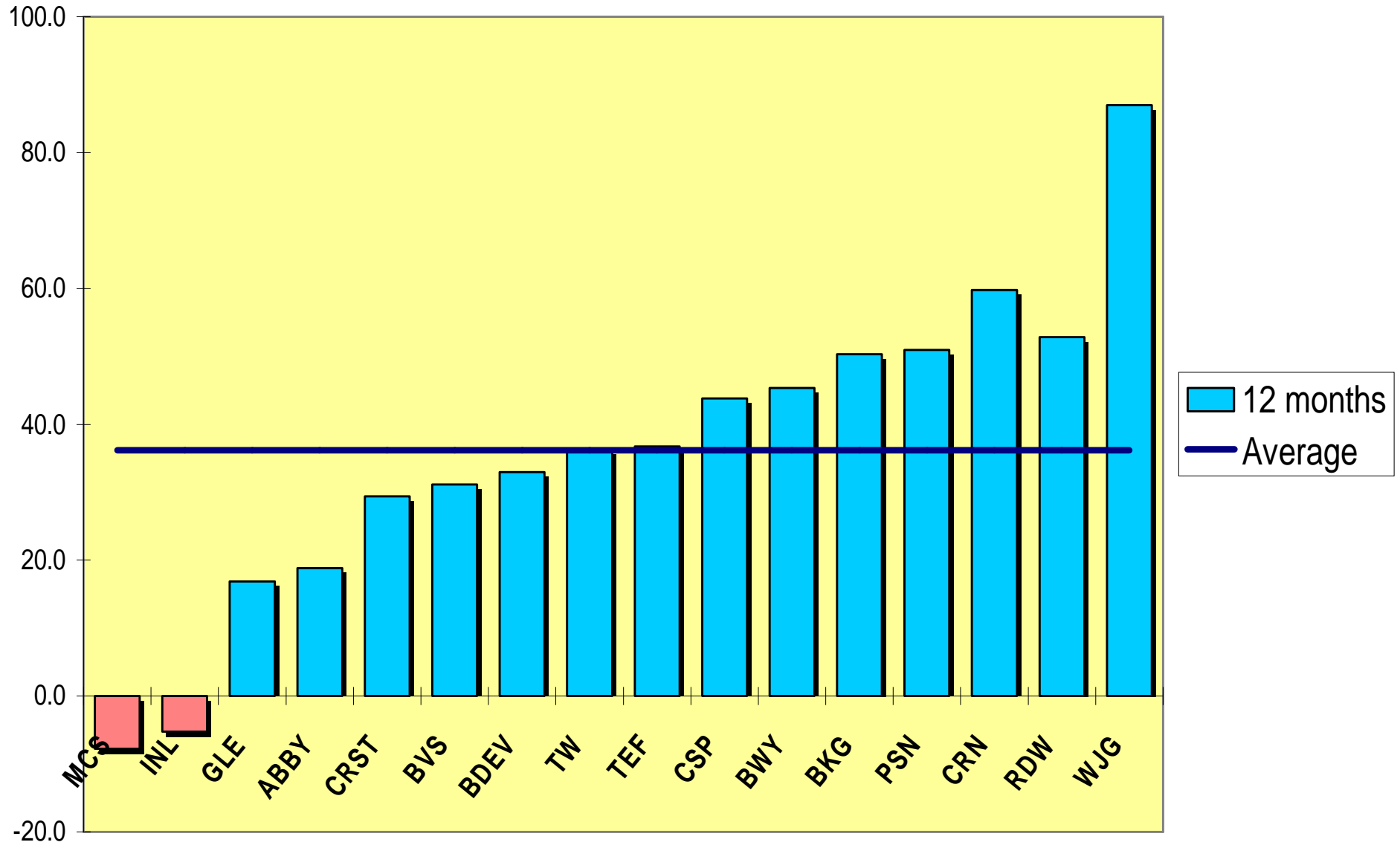
Price-to-book-value at year end/latest interim* & priced at 29/09/17

- weighted average is 2.22; actual average is 1.87; and both exclude Watkin Jones on 4.94 -



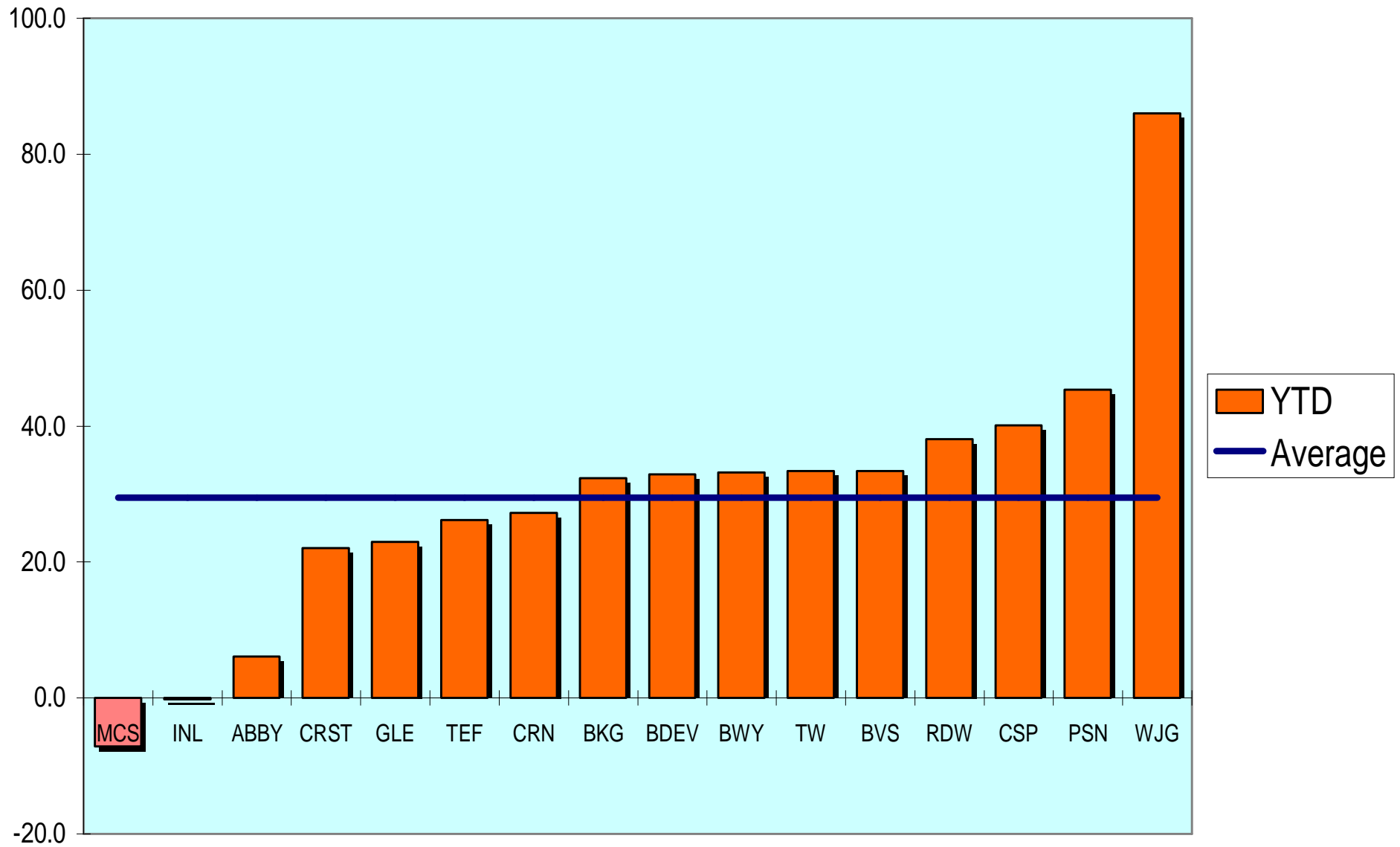
TSR in 12 months to 29 September 2017 (%)

- source Bloomberg -



TSR in YTD to 29 September 2017 (%)

- source Bloomberg -

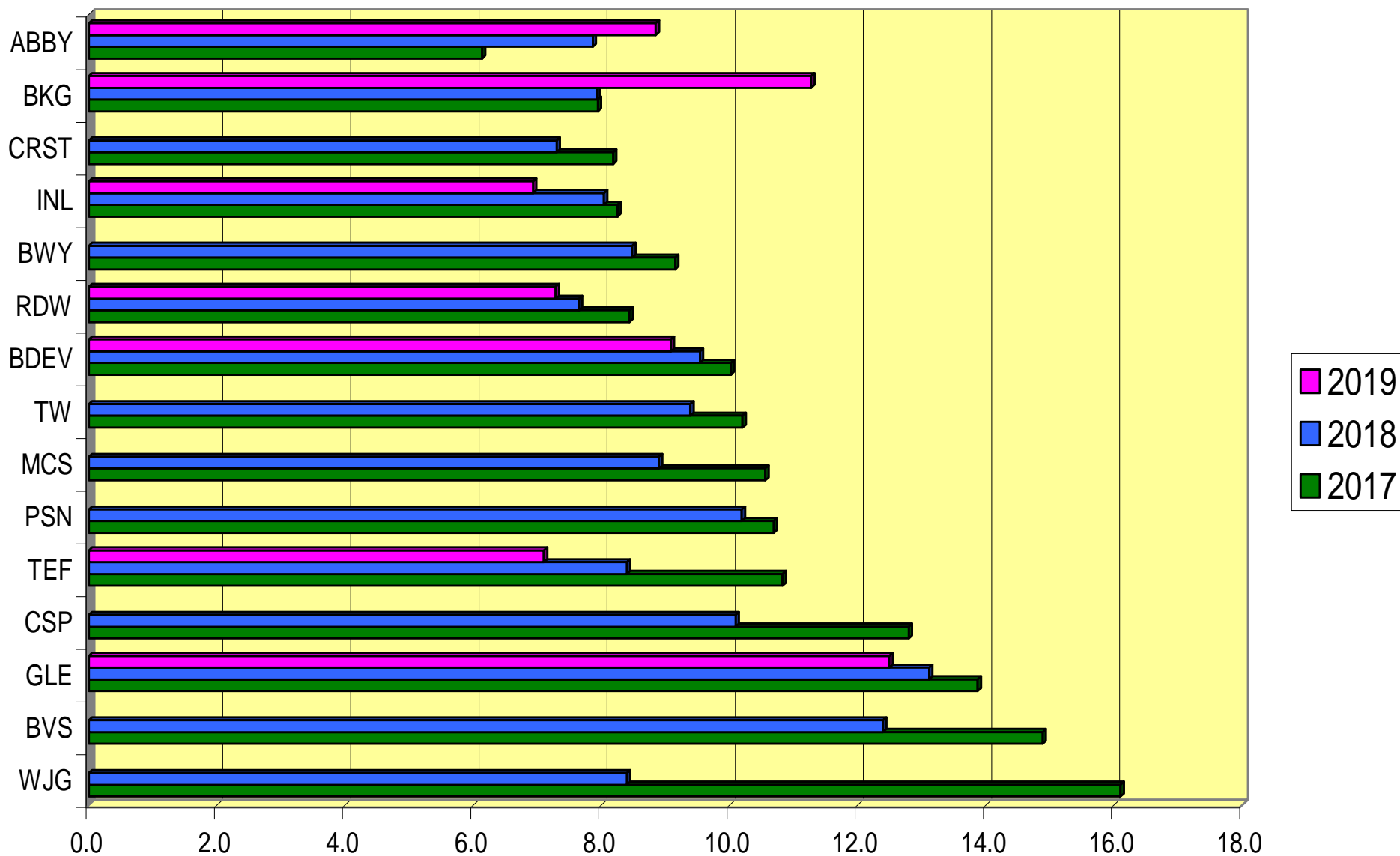


Price Earning Ratio (PER)

- The Sector's prospective PERs are 10.5x in 2017 (including seven reportees) followed by 9.2x in 2018 and 9.0x in 2019. These are based on consensus forecasts and results for 15 companies in 2017 and 2018 - and seven in 2019 (the currently loss-making Cairn is excluded - but it is building up a head of steam)
- Earnings growth is forecast at +13% in 2017 and again (i.e. +13%) in 2018. However, 2019 sees expected growth slow to 2% (albeit it is a smaller sample)
- Consensus forecasts show 3 from 15 companies with lower earnings in 2017 and one each in 2018 and 2019
- For the record, trailing 12 month PERs for the FTSE 100, All Share Index and FTSE 250 range from 22 to 25x

PER: 2017 (av. 10.5x); 2018 (9.2x); and 2019 (9.0x)

- sourced from Digital Look; priced at 29 Sept. 2017; 15 stocks in 2017 & 2018; 7 only in 2019 -

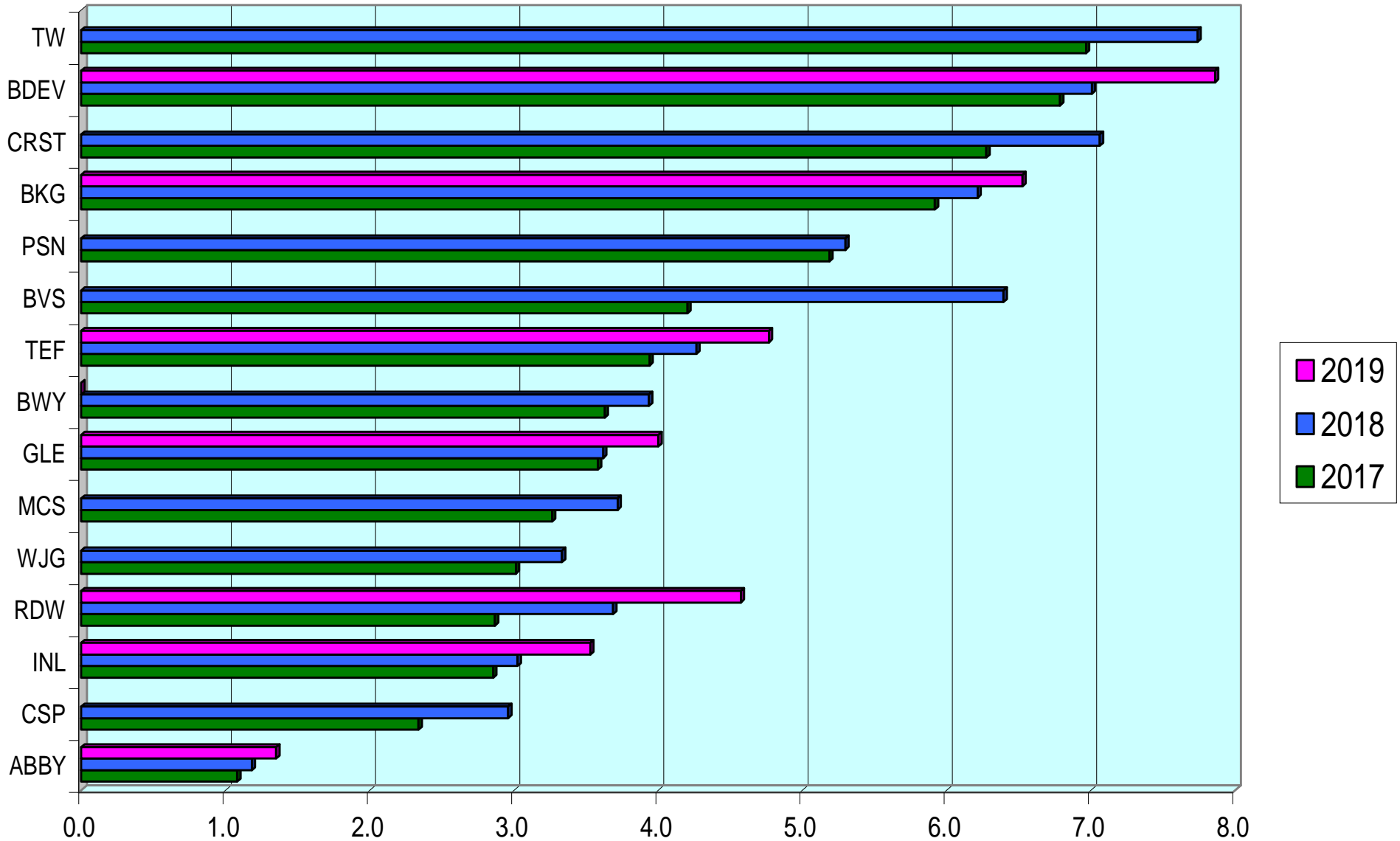


Dividend Yield

- In 2017 and 2018, the Housebuilding Sector (including specials) has a prospective yield of 4.1% (including seven historic) and 4.6% respectively - which is covered 3.3 and 3.0 times. In 2019, the yield is 4.7% covered 3.3 times based on a smaller player sample
- Note, too, that a number of companies has committed to paying enhanced dividends which means Barratt Berkeley, Crest and Taylor Wimpey are yielding 6 to 8% on stage
- For the record, the UK equity market yields between 2.7 and 3.9% historic with lean average cover of 1.3x; all calculations are made at the LSE close on 29 September 2017

Yield: 2017 (av. 4.1%); 2018 (4.6%); and 2019 (4.7%)

- sourced from Digital Look; priced at 29 Sept. 2017; 15 stocks in 2017 & 2018; 7 only in 2019 -



Results in Q3

- In Q3 there were five sets of final results, four interims and 19 other trading related Sector announcements broadcast
- Average individual pretax profits for a net eight Q3 reportees (Cairn is in loss and thus not included) rose 14% whilst EBIT margins nudged ahead from 20.1 to 20.6% on revenue larger by 13% at £10.6 billion
- EPS rose 13% on average (including negative Bovis) while dividends widened by a staggering 72% on average (or +34% ex-T.Wimpey); in turn, average individual cover dipped from 6.2 to 4.3x (or 4.5 to 2.6x ex-Abbey)
- The average increase in orders was 18% (and a sample of five with Inland leading the way at +47% for its housing units)
- Average individual ROCE added 100 basis points to 21.9% with Capital Turn easing back from 1.46 to 1.06

Q3 balance sheets

Date	Company	Event	Period ending	Net Assets (£m)		Net (Debt)/Cash (£m)		Gearing		ROCE [^]		Capital
				Old	New	Old	New	Old %	New %	Old %	New %	Turn (x)
11-Jul	Abbey (Euros)	Full Year	30-Apr	281	308	105	96	-37	-31	21.6	19.6	0.70
	Abbey (GBP)			220	260	82	81					
01-Aug	Taylor W.	Half Year	02-Jul	2,592	2,779	117	429	-5	-15	19.9	23.0	1.14
22-Aug	Persimmon	Half Year	30-Jun	2,344	2,711	462	1120	-20	-41	33.3	36.7	1.33
05-Sep	Redrow	Full Year	30-Jun	1,041	1,235	-139	-73	13	6	19.7	23.4	1.20
06-Sep	Barratt	Full Year	30-Jun	3,118	3,430	581	711	-19	-21	20.3	23.1	1.33
07-Sep	Bovis	Half Year	30-Jun	965	1,014	-8	-32	1	3	12.9	8.3	0.77
25-Sep	Gleeson	Full Year	30-Jun	153	171	23	34	-15	-20	18.4	19.2	0.94
28-Sep	Inland	Full Year	30-Jun	116	131	-55	-68	47	52	na	na	-
TOTAL (GBP)				10549	11730	1063	2201					
Individual average change (%)					12							
Sector average change (%)					11							
Individual average ROCE (%) adjusted										20.9	21.9	1.06
Sector average ROCE (%) adjusted										20.4	21.7	1.11
Individual average gearing (%)								-4	-8			
Sector average gearing (%)								-10	-19			
Notes:												
<i>(i) ^ ROCE is return on capital employed - and this is adjusted where required for half year, goodwill and other intangibles etc.</i>												

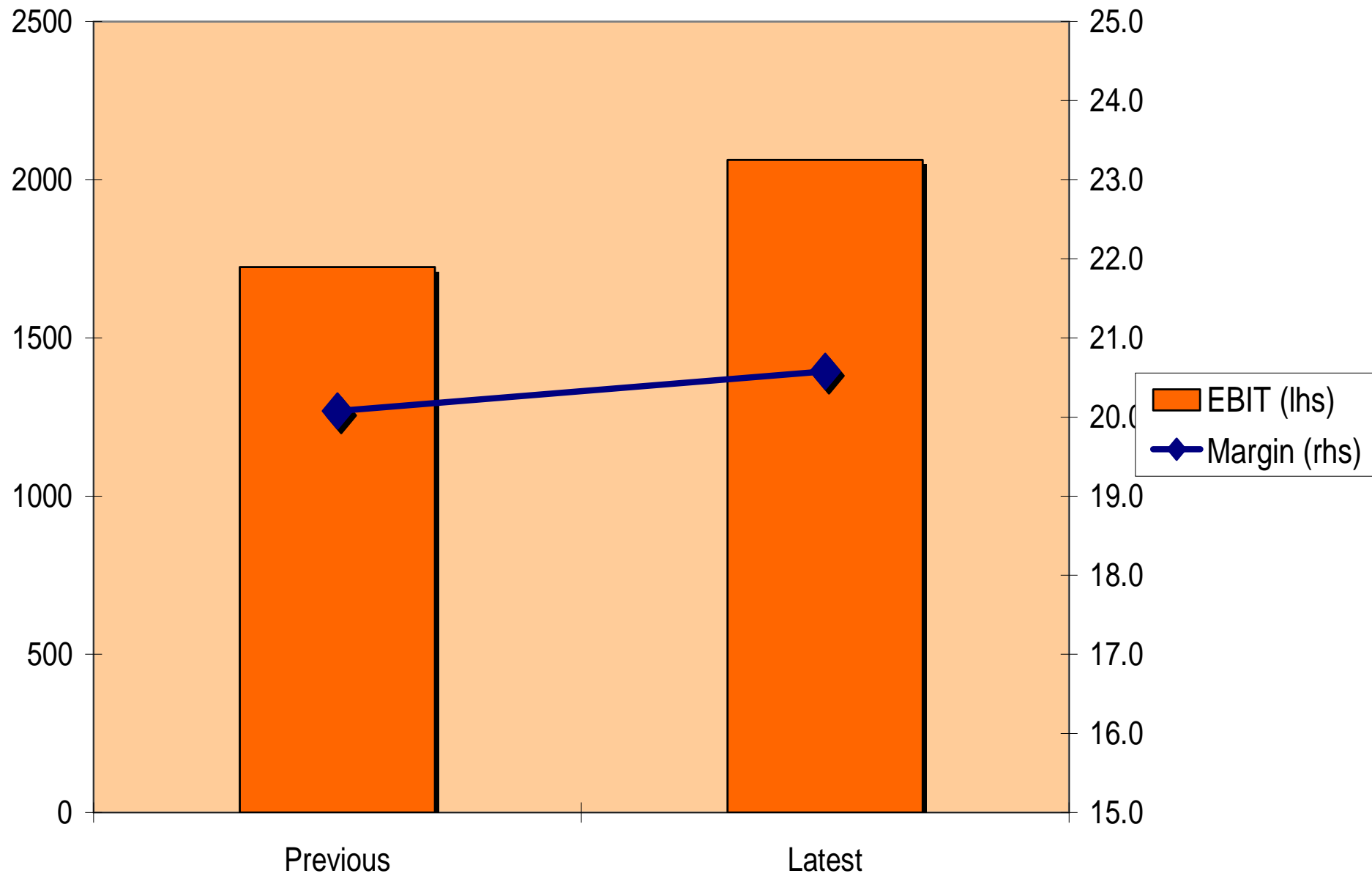
Performance & outlook

- **Abbey (Finals - 11 July):** a dramatic resurgence in trading in Ireland was a key characteristic of the year. There was a significantly better result in Prague, in the Czech Republic, and very much a sound year in its, by far largest unit, the UK i.e. with eight-tens of Abbey's total revenue
- Overall, the Group reported flat revenue at Euro 217 million (i.e. minus 2%). However, on a constant currency basis, we estimate, that the rise was 11% to Euro 245 million
- The same applies to pretax profit which nudged ahead 4% to Euro 63.5 million at the stated level but by 18% in constant currencies to Euro 72 million
- UK EBIT margins are also at a super duper level of 31.0% (2016: 30.0%); albeit forward sales have been quieter

Performance and outlook 2

- **Telford (AGM - 13 July):** the Group is exclusively London focused and “on track to exceed £40 million of profit before tax for the year to 31 March 2018 and £50 million in the year to 31 March 2019 having already secured over 80% of the anticipated gross profit for 2018 and over 60% for 2019
- “Whilst there has been some political and economic uncertainty in recent weeks the Group is hopeful of greater stability in the months ahead
- “Regardless of this uncertainty there remains a lack of supply of new homes relative to need in non-prime areas of London. We believe this imbalance, coupled with our increased focus on build to rent, will continue to underpin the longer term growth of Telford Homes”

Sector EBIT (£m) and margin (%) - reported in Q3 2017



Performance and outlook 3

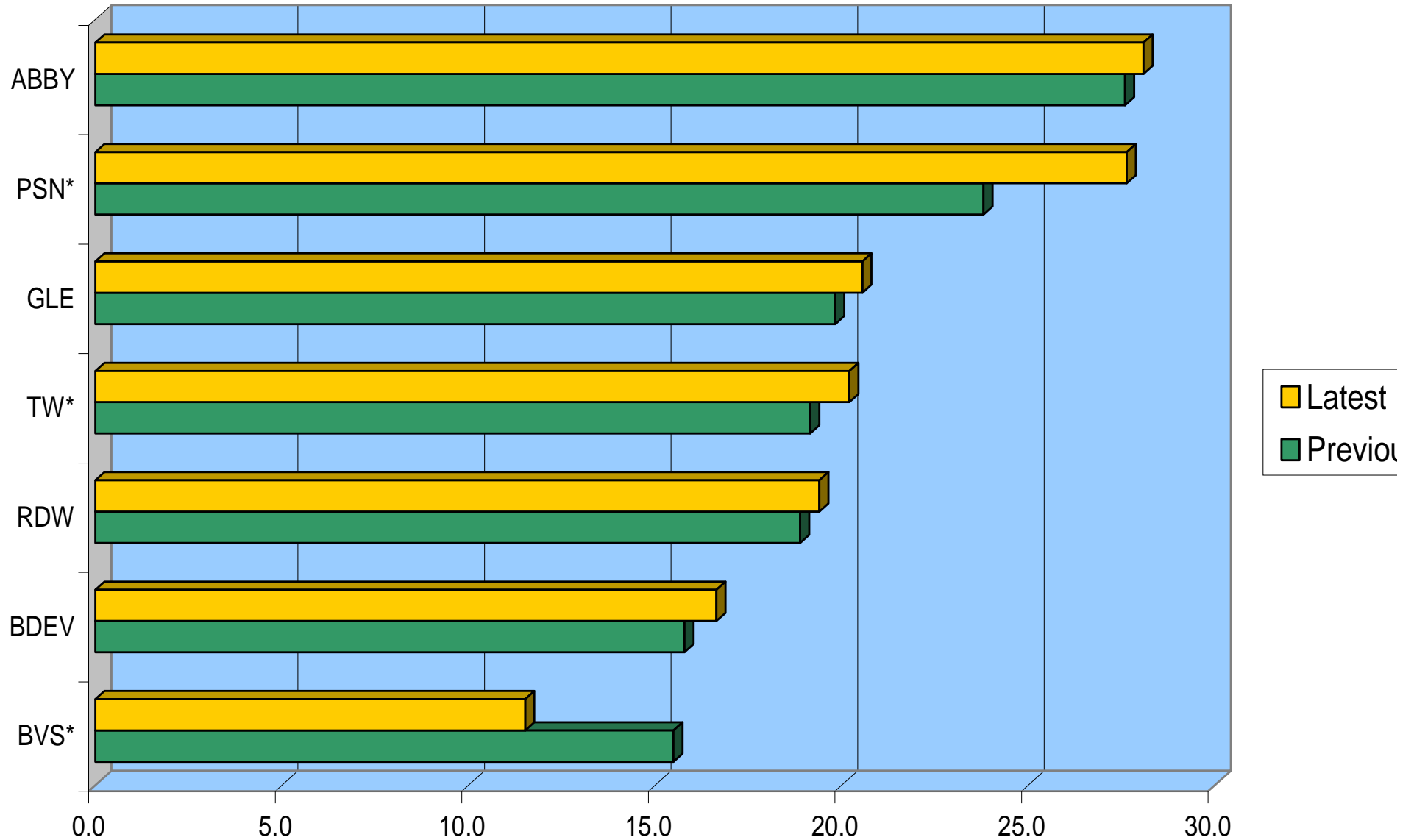
- **Countryside (Trading Statement - 27 July 2017):** total completions were up 41% to 821 units in the Group's third quarter which runs to the end of June (Q3 2016: 583 units)
- At the same time, its private average selling price grew 16% to £404,000 with underlying sales price growth of 5%
- Net reservation rates were also up 16% at 0.88 per active outlet per week - and Countryside has 19% more outlets at 44.
- Finally, it closed its Q3 with a record private unit forward order book: +28% to £354.0 million.
- Little else need be said

Performance & outlook 3

- **Taylor Wimpey (Interims - 1 August):** in H1 the Group took a £130 million exceptional provision to cover the cost of reviewing its leasehold unit sales. Excluding this operating and pretax profit (£335 million) rose 25 and 26% respectively on revenue wider by 19% at £1.73 billion; in turn operating margin nudged from 19.2 to 20.2%
- Unit sales (ex-JVs) cleared 6,580 (+9%) and average selling prices were 6.3% to the good at £253,000 (with private units doing even better at +7.9% to £287,000)
- The order book, however, was more mixed at 2 July with 8,741 units in the bin i.e. +0.7% albeit minus 0.6% on a value basis at £2.11 billion. It also talked about “solid” website visits, which is a strange word - and not a positive one

EBIT margins (%) reported in Q3 2017

(EBIT is Earnings Before Interest & Tax; *denotes interim results); ex-INL



Performance & outlook 4

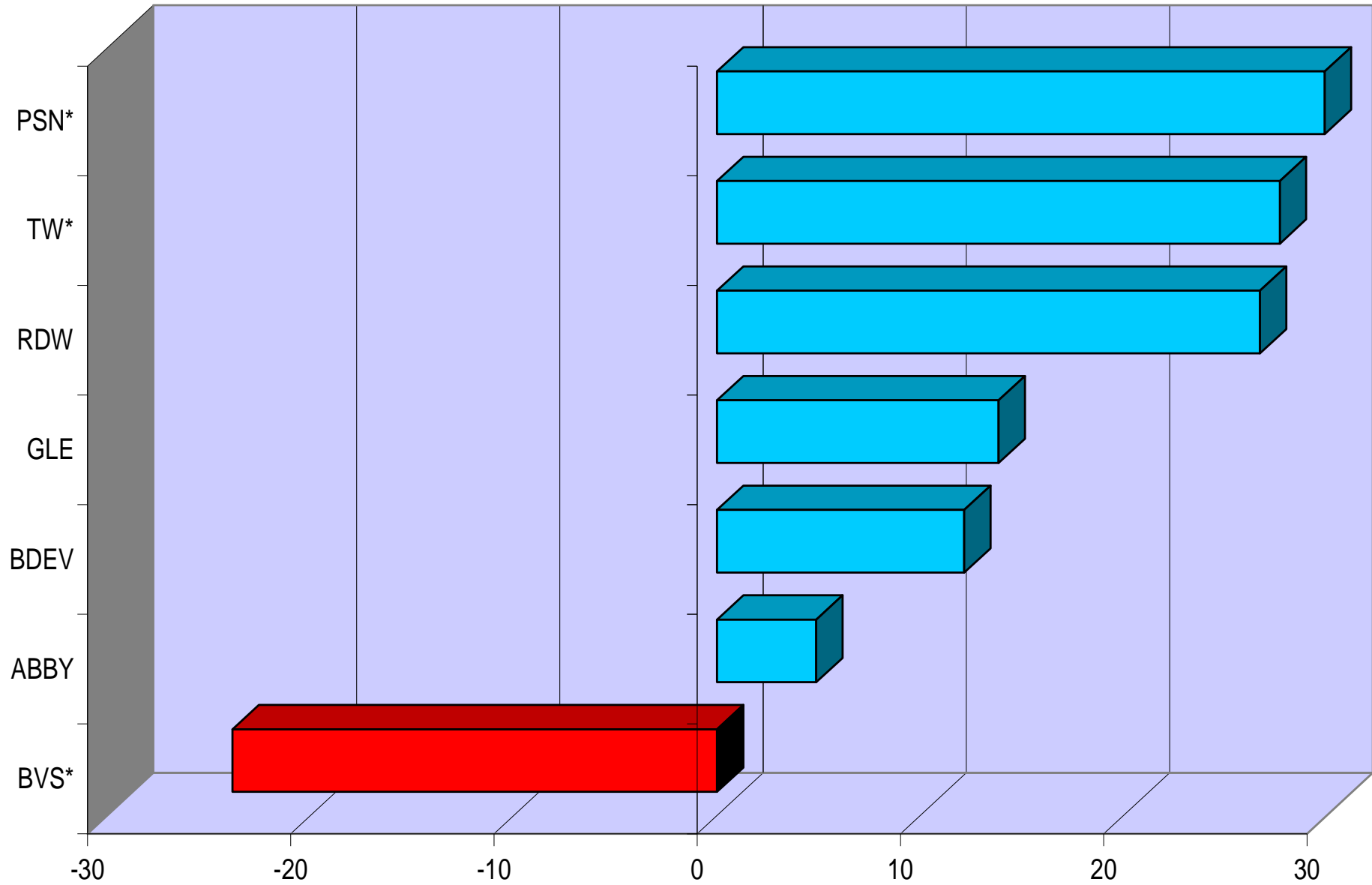
- **Bellway (Trading Update - 8 August):** housing revenue is expected to have increased by over 13% to £2.5 billion in the fiscal year to end July 2017 with volumes ahead 11% at 9,644 units; and an operating margin of “slightly in excess of 22%” (2016: 22.0%)
- Forward sales are up 16% £1,296.3 million
- The average selling price of all homes (including social) rose by 2.9% last year to £260,000; and “the pricing environment remained positive, supported by robust demand throughout the country”
- Fiscal 2017’s revenue is almost 2.3 times the housing revenue reported four years ago in fiscal 2013
- This is a detailed Update

Performance and outlook 5

- **Persimmon (Interims - 22 August)** really does appear to walk on water and in its latest half year to end June EBIT soared 30% and with it margins rose from 23.8 to 27.6%. Pretax was also 30% to the good (at £463 million adjusted)
- The Group continues to return capital to shareholders (135 pence in this period) and it sports net cash of more than £1 billion; with ROCE continuing comfortably north of 30% i.e. 36.7% (2016: 33.3%)
- The order book is also 15% to the good at more than £2 billion
- The only slight wrinkles were a challenge in finding sufficient skilled workers and inflationary pressures in the supply chain
- Finally: “the housing market across our regions remains confident and consumer sentiment is resilient”; but “We remain mindful of the risks the Group faces”

EPS growth (%) reported in Q3 2017

- *denotes interims; ex-INL -



Performance and outlook 6

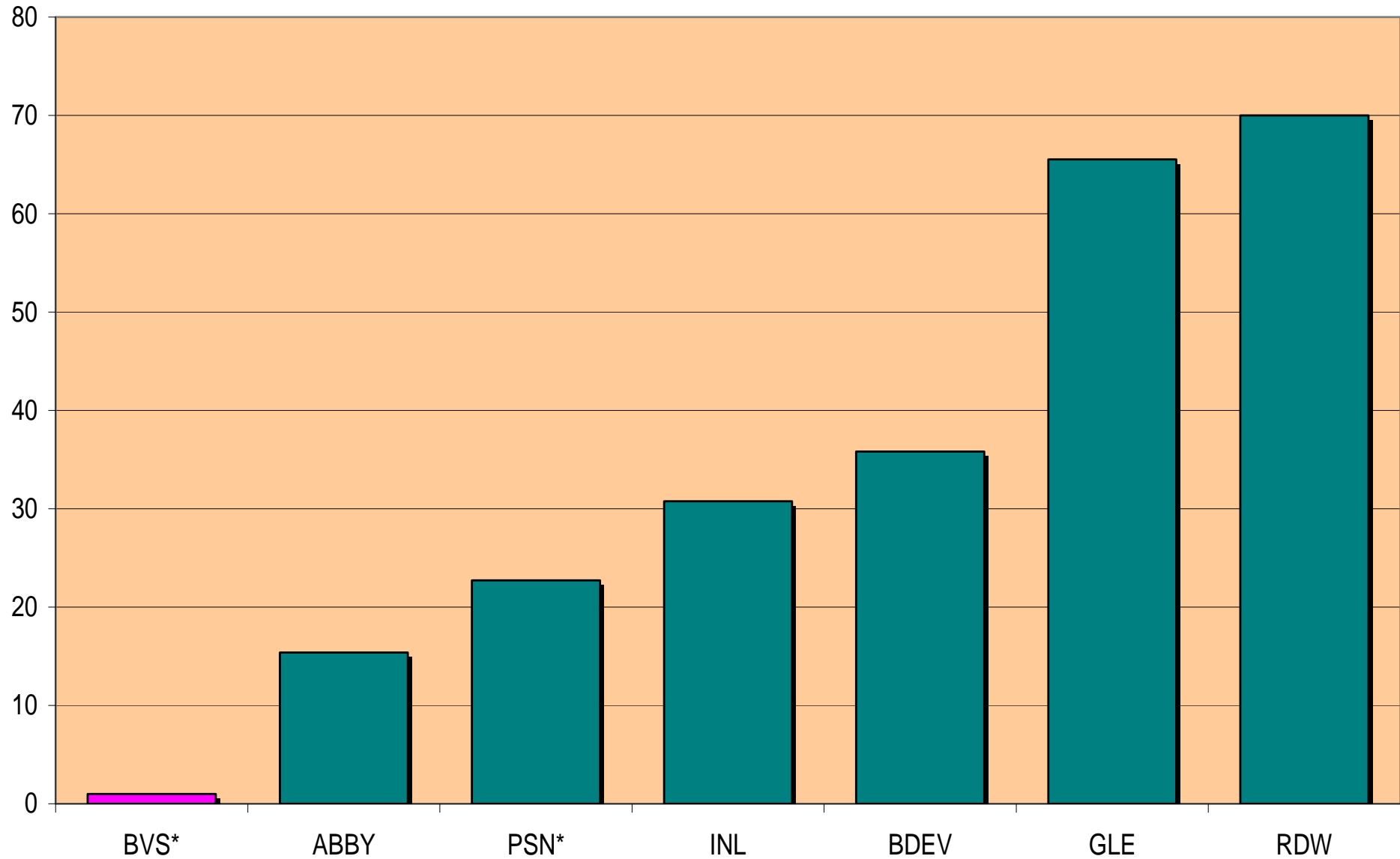
- **Cairn Homes (Interims - 5 September):** have you heard the one about the marginally profitable Irish housebuilder which has a market capitalisation of Euro 1.3 billion?
- This would be Cairn Homes plc which has been a listed company since June 2015 in London; and since July in Dublin
- In the first six months of calendar 2017, it sold 94 units and generated revenue of Euro 42 million (2016: Euro 16 million) and a gross margin of 18.7% (2016: 16.5%). Pretax profit was Euro 108,000 (ex-exceptionals)
- Inventories, however, run to Euro 766 million comprising a core land bank of 33 separate sites with capacity for some 12,700 units (over 90% in Greater Dublin)
- For the record, too, it was listed at Euro 1.00 and is now Euro 1.72. Nice work

Performance and outlook 7

- **Redrow (Finals - 05 September 2017):** Chairman Steve Morgan is to morph from 'executive' to 'non-executive' - and does so on the back of a record year. He was also founder of the Company in 1974 - and after a nine year sabbatical (from 2000) returned in 2009 to effectively rescue it
- In the year to 30 June, revenue rose by a fifth to £1.7 billion with EBIT margins of 19.4% (2016: 18.4%) and both pretax (to £315 million) and EPS rising 26 and 27% respectively
- Steve also talked, unusually, about prospects for 2020: "we expect our turnover in 2020 to be circa £2.2 billion and our pretax profit to be circa £430 million (2017: £315).... With our projected 33% dividend payout, the dividend in 2020 will rise to 32 pence per share (2017: 17 pence)"
- Extraordinary

DPS per share reported in Q3 2017: % increase

- *denotes interims; chart is ex-TW* at +334%; and BVS is at zero -



Performance and outlook 8

- **Barratt (Finals - 6 Sept.)** “the UK’s largest housebuilder” delivered its highest volumes in nine years i.e. 17,395 (2016: 17,319) and £4.65 billion of revenue (+10%) in the year to end June 2017 - plus a 17.4% EBIT margin (2016: 15.8%)
- Pretax profit was struck at an adjusted £774 million which was ahead 13.4% year-on-year
- Forward sales (including JV's) were up 13.8% as of 3 September 2017 at £2,749.9 million albeit Barratt spoke of “some headwinds in central London market”
- In relation to its dividend policy, too, the Group quoted Reuters consensus estimates of EPS, which at 63.4 pence imply growth of 3.4% for fiscal 2018 (as at 31 August 2017)
- The latter is not exciting

Performance and outlook 9

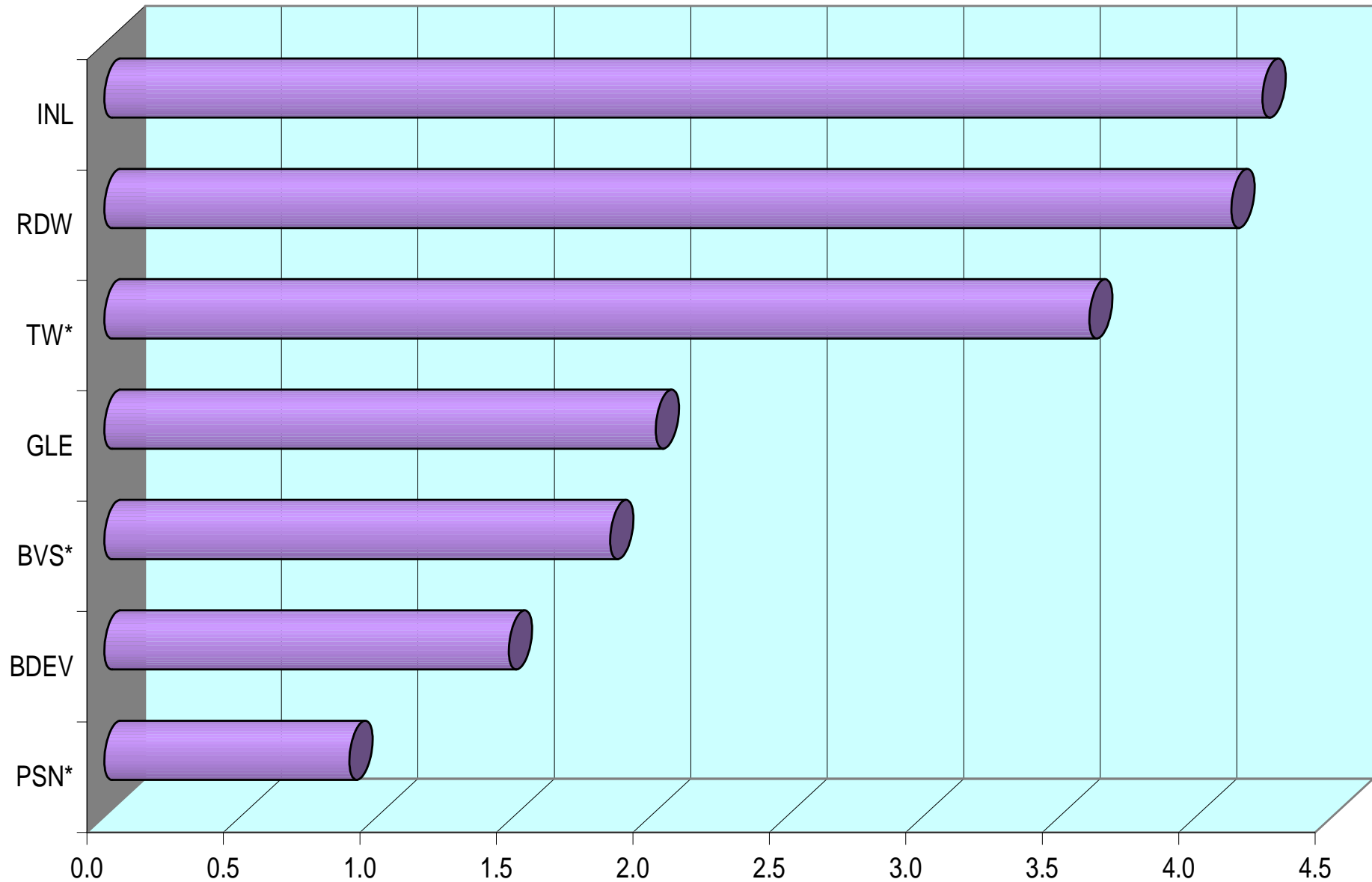
- **Berkeley (AGM - 6 Sept.):** in the first four months of the year Berkeley has continued to trade in line with Management's expectations, with sales prices remaining above business plan levels; and this also means a reaffirmation of guidance that Berkeley is on track to deliver at least £3.0 billion of pretax profit in the five years ending 30 April 2021, with profits for the current year anticipated to be at least as strong as 2016-17
- "While Berkeley is in excellent shape, the London market continues to be adversely impacted by both, uncertainty around the terms and implications of Brexit and, the changes in recent years to Stamp Duty Land Tax and mortgage interest deductibility. This has been partly offset by good availability of mortgage finance at low interest rates, favourable currency exchange rates....."

Performance and outlook 10

- **McCarthy & Stone (Trading Update - 6 Sept.):** the Group delivered a consistent improvement in trading throughout the year despite the increased uncertainty in the secondary market following the EU Referendum and General Election
- Total legal completions were in line with the prior year at 2,302 (2016: 2,296) and forward sales have steadily improved throughout the year despite the significantly lower number of new sales releases and first occupations
- All sales lead indicators remain well ahead of the prior year and an increased level of forward sales of circa £141 million is being carried into the new financial year, representing a 21% improvement on the prior year (2016: £116 million)
- As expected, there has been strong upward momentum in average selling prices and margins in H2

Cover (x) reported in Q3 2017 (average = 2.6x after 72% increase)

- *denotes interims; average increase is ex-Abbey's 16.4x -



Performance and outlook 11

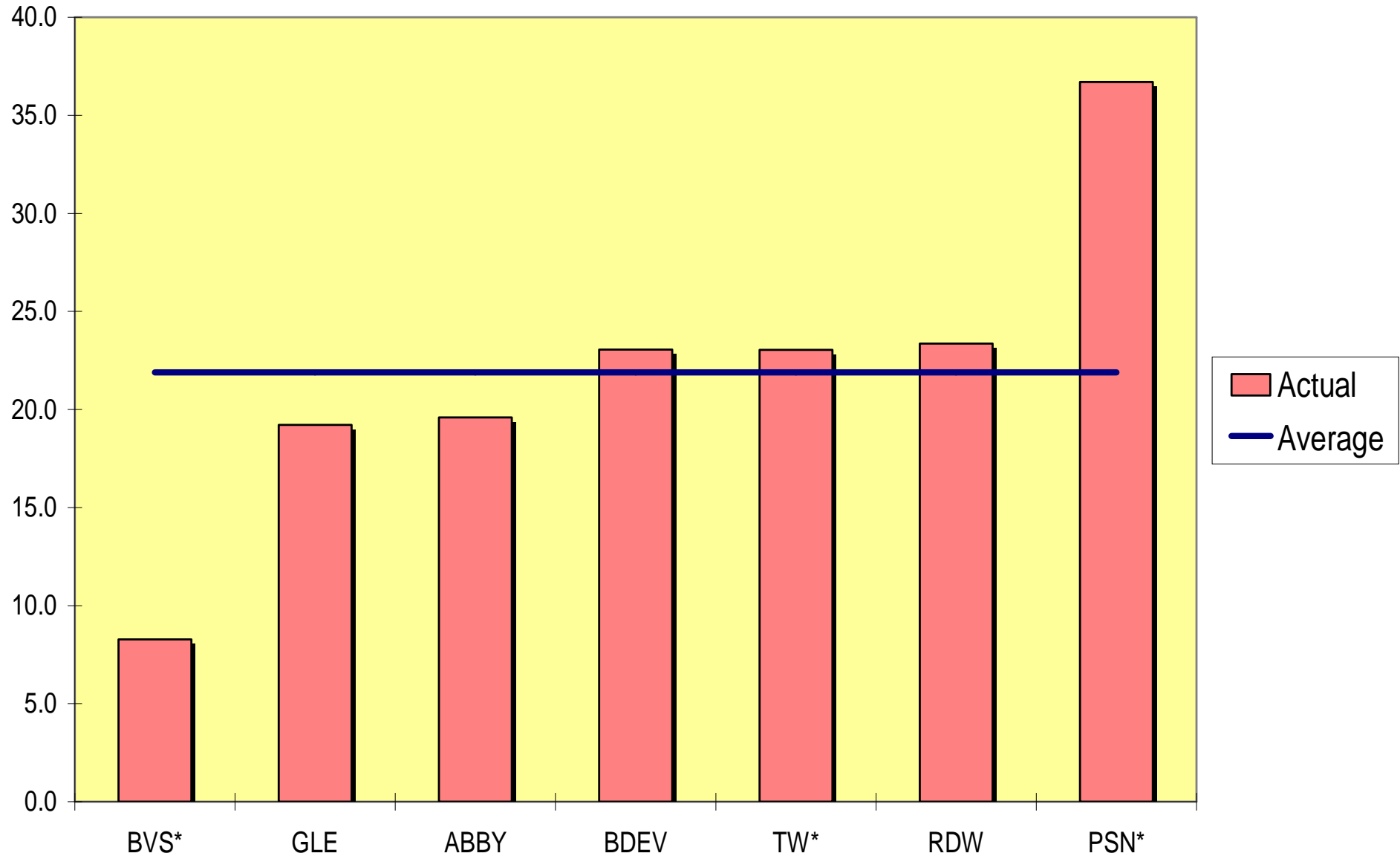
- **Bovis (Interims - 7 Sept.)** had a tumultuous H1 with not one but two putative bids (Galliford Try and Redrow) and the arrival of a new and beatified CEO in Greg Fitzgerald (formerly of Galliford)
- In the six month to end June, while revenue was little changed at £428 million, EBIT margins (ex-exceptional costs of £6.3 million) were lower at 12.2% (2016: 15.5%)
- Net pretax profit was also down, this time by 31% at £42.7 million, although the dividend was held at 15 pence per share
- Greg is now embarking on a four strategic plan to fix the ailing Bovis and will recommend a 5% increase in the ordinary dividend this year followed by +20% in 2018 (to circa 57 pence); in addition, special dividends of £180 million (some 134 pence per share) are to be paid over the three years to 2020

Performance and outlook 12

- **Gleeson (Finals - 25 Sept.)** has a “twin track strategy” of developing low cost houses for open market sale in the North of England and strategic land sales in the South; and it had a good year to end June 2017
- Revenue rose 13% to £160 million with an EBIT margin of 20.6% (2016: 19.8%) and pretax profit ahead 17% to just over £33 million; and the dividend for the year was raised by an incredible 66% to 24 pence per share
- In the year it sold 1013 units (2016: 904 units) at an average price of £122,700 (minus 2.4%) and it made eight land sales (2016: seven) comprising 841 residential plots (2016: 822)
- The Company has also set out its stall to build 2,000 units per annum within five years and with land sales it points to 65 sites with “the potential to deliver 21,505 plots”

Latest reported ROCE (%) in Q3 2017

(ROCE is Return on Capital Employed; *denotes interim results); ex-INL



Performance and outlook 13

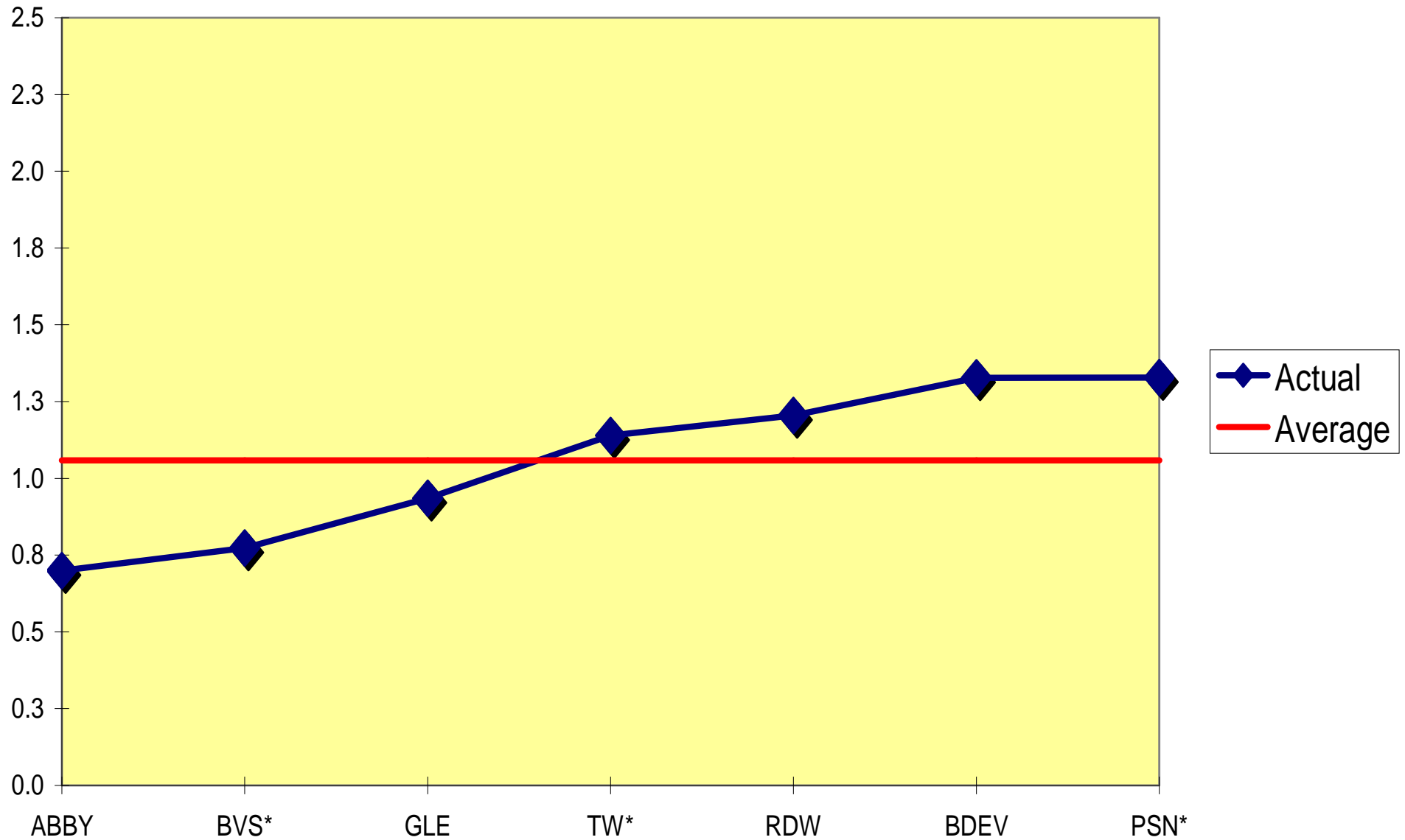
- **Inland Homes (Finals - 28 Sept.):** neither investors or the stock market has fully grasped the concept of land identification, assembly, kinetic planning and sale; or the EPRA metric
- Indeed, conventional housebuilders dance to the earnings drum (and latterly yield has become more audible)
- Inland tries to identify the carrying value of its land; and the EPRA or the European Real Estate Association promotes consistency here.
- In the year, EPRA Net Assets Value (NAV) per share rose 4.2% to 96.22 pence on an adjusted basis (and at the time of writing Inland's share price was 58.5 pence)

Performance and outlook 14

- **Inland cont/.** In something of transitional year strategically (more housing for sale and work with housing associations), the Company saw revenue dip 11% to £90.7 million and adjusted pretax profit mark time at £18.1 million (2016: £17.9 million) ex-revaluations and the like
- Note, too, that the dividend was raised 31% (to 1.7 pence) which reflects Inland's confidence with a housing-for-sale order book 47% ahead (at £33 million) and a plethora of land opportunities within its 6,923 plot land bank
- In fiscal 2017, too, it secured planning permission for nearly 1,856 plots
- It probably needs a Sector on its own and while Gleeson is a cousin - it is a conventionally distant one

Latest reported CapitalTurn (x) in Q3 2017

Capital Turn = revenue divided by Capital Employed; *denotes interim results; ex-INL



Economics corner 1

- **GDP** growth was confirmed at 0.3% in Q2 2017 (vs Q1 2017) with business expenditure flat and household spending slowing from 0.4 to 0.1%. Year on year, Q2 is 1.7% better albeit in Q1 of this year the annualised gain was 2.0%
- **CPI** continues to rise and was at 2.9% annualised in August, up from 2.6% in July - and 0.6% in August 2016
- **Unemployment** was a skinny 4.3% in the July quarter i.e. 1.46 million souls and the lowest since 1975 (comparable records began in 1971)
- **Retail Sales** in August, by volume, increased by a fat 2.4% year-on-year (which makes 52 months in a row of annualised gains); and in value terms the gain almost twice as plump at 5.6% (ex-auto fuel). Non-food purchases were said to be the driver here

Economics corner 2

- **CML:** despite the shift in mix of buyer type and region, total mortgage lending has been stable. It was estimated at £24.2 billion in August, which seasonally adjusted is £21.4 billion i.e. same ball park as monthly lending in 2017 to date
- **UK Finance (aka BBA):** house purchase approvals by the High Street banks reached 41,807 in August, stronger than the monthly average of 41,133 over the last six months and 11% higher than the same time last year when the market was subdued following the referendum result
- **BoE:** mortgage approvals in August (66,580) fell 2.7% on July but were 8.1% ahead of August 2016
- **Experian*** forecasts Private Housing Output growth of 6, 4 and 3% in 2017, 18 and 19 respectively (in real terms)

*where Building Value is an advisor

House price corner

- **Nationwide:** +0.2% in September with the annualised rate at 2.0% versus August's 2.1%. But London has seen a marked slowdown, with prices falling in annual terms for the first time in eight years (i.e. minus 0.6%) to make it the weakest UK region for the first time since 2005
- **Rightmove:** reported a further dip in the national average asking price of 1.3% (i.e. £3,660) in September with the annualised rate now at +1.1% versus +3.1% in August
- **Halifax:** +1.1% in its latest data for August (and 2.6% annualised) with the quarterly trend barely positive at 0.1%
- **Reuters Housing Market Poll** (which includes Building Value) expects a median +2.5% for UK house price inflation in 2017 (including 0% in London)

Question 4

- A number of the winning contestants in the original 'The \$64,000 Question' - affectionately known as 'Question' - went on to achieve celebrity status; and one, Dr Joyce Brothers was given her own TV show
- But, there were also substantiated accusations that some of the results were being rigged to suit the sponsors such as Revlon i.e. it liked popular candidates
- In turn, such practice was made illegal and, simultaneously, it shifted the axis of power in television broadcasting away from the sponsors towards the networks
- In terms of performance, a number of the contestants in the UK Housebuilding Quiz Show has reached celebrity status with 30, 40 and even 80% rises in share prices in the past year (in part sponsored by the immediate Brexit vote aftermath)

Question 5

- But, no, the course of true competition never did run smooth
- For example Telford talked about “some political and economic uncertainty in recent weeks” and T. Wimpey (with a smaller order book) added “the outcome of the General Election, combined with the on-going Brexit negotiations, has resulted in greater political uncertainty, and we are therefore alert to the potential risk of a future change in customer confidence”
- Similarly, Persimmon underlined challenges in finding sufficient skilled workers and inflationary pressures in the supply chain
- Redrow: “we need the Government to continue to support training initiatives and in particular reach an early agreement as part of the Brexit negotiations on the status of EU workers who make such a valuable contribution to our industry”

Question 6

- FTSE 100 quizmasters Barratt and Berkeley also spoke specifically about the London contest
- Respectively: “some headwinds in central London market”
- And “the London market continues to be adversely impacted by both, uncertainty around the terms and implications of Brexit and, the changes in recent years to Stamp Duty Land Tax and mortgage interest deductibility.”
- Finally, McCarthy & Stone answered with “increased uncertainty in the secondary market following the EU Referendum and General Election”

Question 7

- As noted earlier too, the UK macro-economic questions are becoming more and more difficult
- Similarly, the weak British Pound has done little for contestants and average earnings growth is adrift of a 'little bit' of inflation (unless you are a pensioner)
- On a brighter note, the Conservative 'coalition' has announced an extra £10 billion in prize money to provide loans under 'Help To Buy' through to 2021 (as a result, the Sector's share prices also won)
- The perspicacious housebuilders have answered six of the seven mythical questions put to them during the Show
- Near term it would be previous to "Take It" but longer term "you'll be sorry"

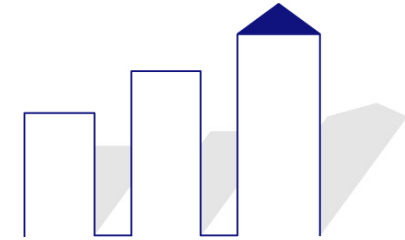
*“That’s the \$64,000 question.
And I would love to tell you there was an answer”*

- Hal Sutton -

Legend

- Abbey (**ABBY**), Barratt Developments (**BDEV**), Bellway (**BWY**), Berkeley Group Holdings (**BKG**), Bovis Homes Group (**BVS**), Cairn Homes (**CRN**), Countryside Properties (**CPS**); Crest Nicholson Holdings (**CRST**), M J Gleeson (**GLE**), Inland Homes (**INL**), Redrow (**RDW**), McCarthy & Stone (**MCS**), Persimmon (**PSN**), Taylor Wimpey (**TW**), Telford Homes (**TEF**) & Watkin Jones Group (**WJG**)
- BBA = British Bankers Association; BoE = Bank of England; CON = Construction & Building Materials; CPI = Consumer Price Index; CML = Council of Mortgage Lenders; plus REIS and REIT = Real Estate Investment & Services and Investment Trusts; TSR = Total Shareholder Return; and LSE = London Stock Exchange
- Share prices at 29/09/2017 and sourced from Bloomberg and Yahoo
- Adjustments have been made to share prices, where appropriate, due to capital issues and the like
- Selected stocks are excluded from charts and Sector averages due to extreme movements or for structural reasons

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