BUILDING VALUE

UK Housebuilding Sector

2018: stick & reasons

‘Hit me with your rhythm stick’

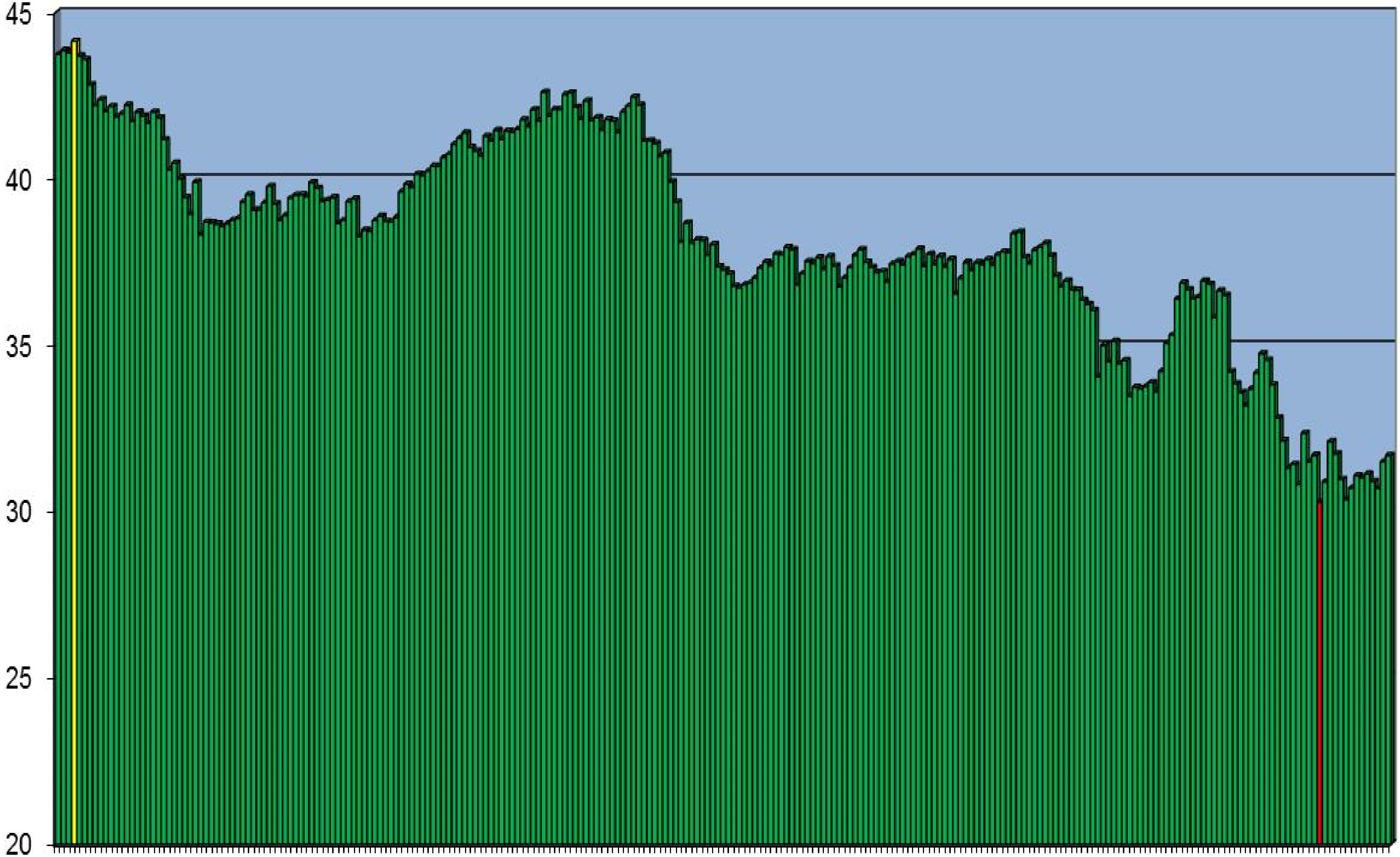
- ‘From the deserts of East Ham to the gardens of Cottenham’, the UK Housebuilding was whacked to the tune of 27% in 2018; and not one share price (from 18) rose
- It was also hit ‘slowly’ rather than ‘quick’, as the downward momentum gathered tempo, with Q4 (minus 16%) being the worst
- “Ow” as the late, great Ian Dury (1942-2000) sang in one of his most famous songs (and his sole number one)
- For his was a capricious business, just like housebuilding; for example, from 252 trading days in 2018, 52% were ‘up’ and 48% were ‘down’
- The maximum rise and fall in a single day, too, was plus 5.0% and minus 6.3%

“Reasons to be cheerful - 1 2 3”

- “A bit of grin and bear it, a bit of come and share it. You’re welcome we can spare it’
- Three of Mr Dury’s reasons-to-be-cheerful; and he was “one of few true originals of the English music scene”
- And UK Housebuilding can enjoy its own jocund, musical treble even with the dissonance of an off key No-Deal-Brexit-Big-Bopper:
- **1:** December (+1%) was the only month in Q4 to see a rise in value, the Christmas period added 2.2% while the first four trading days of 2019 put on a further 3.2%;
  2: earnings growth will be flat in 2019 but increase 5% next year; and
  3: a prospective yield of 7% plus
- The Sector has had its worst year

UK Housebuilding Sector market value (£bn) - daily - in 2018

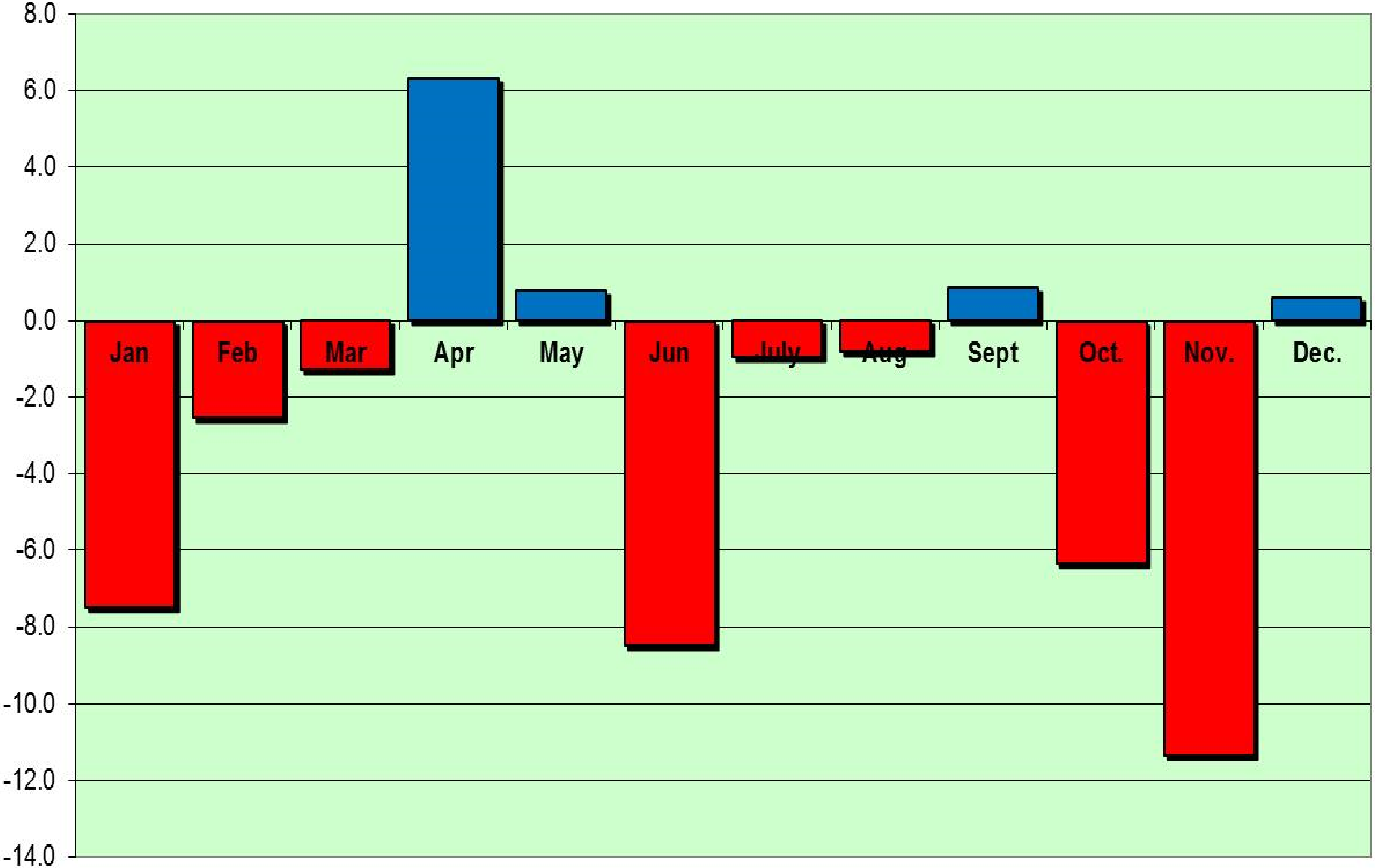
- yellow denotes peak; red is the low -



2018

- In the calendar year, the stock market value of the UK Housebuilding Sector declined by 27% or £11.8 billion (which compares with a treble clef of plus 43% in 2017)
- Note, too, that the Sector's best chart placing of the year came on 5 January and the lowest on 17 December
- 2018 also closed 29% off its all-time peak tone level from 24 October 2017
- In 52 weeks, too, there was a rhythmical rise and fall of 24 up/28 down
- There were also only four individual months when the Sector rose in value (and only one of these turned up the volume): April (+6%); May (+1%); September (+1%); and December (+1%)

UK Housebuilding Sector: monthly in 2018 (value % change)



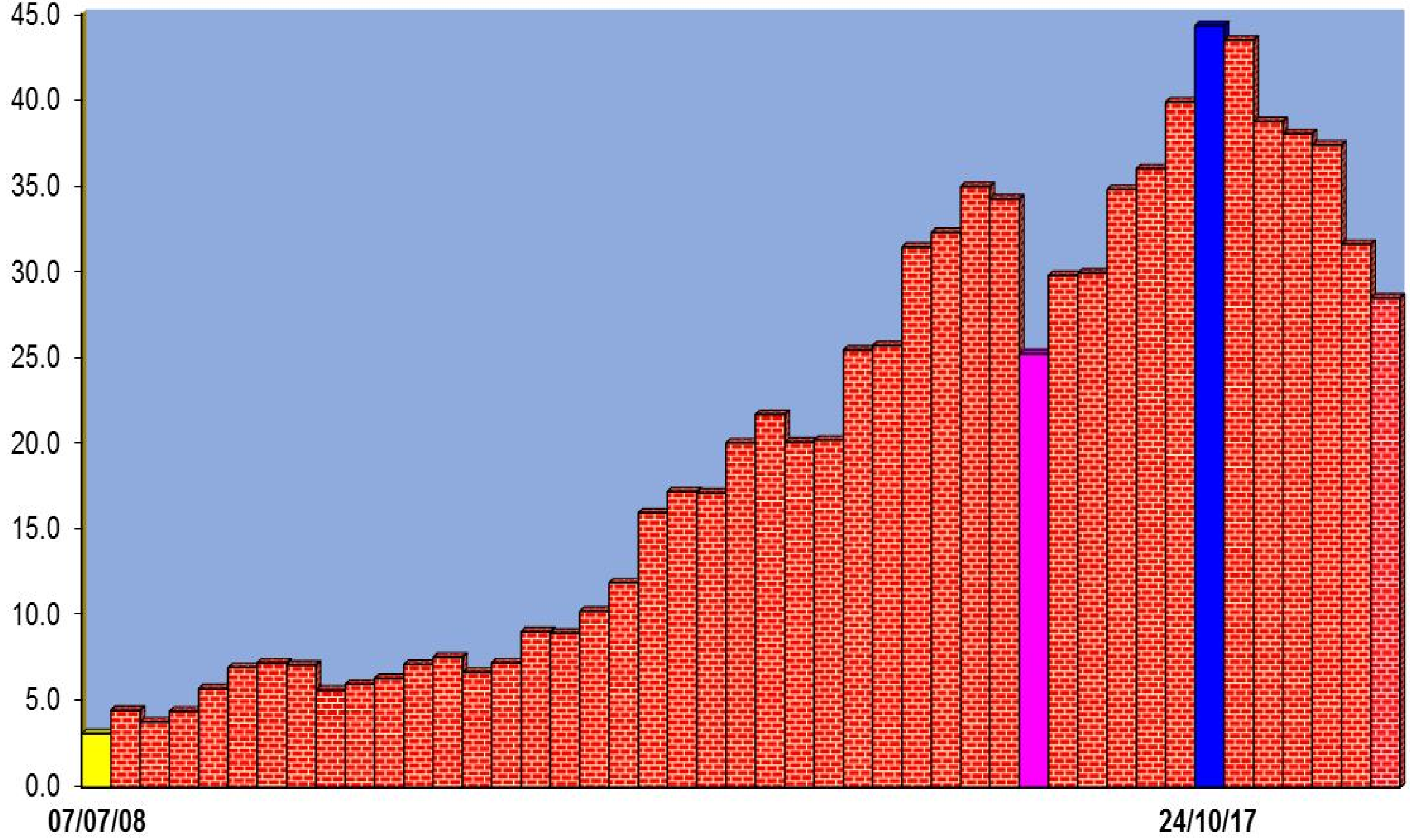
2018 cont/.

- All four Quarters were negative too, especially Q4 with minus 15.9% against Q3 (that said Q2 was down just 0.8%)
- The best and worst week, too, were strangely close i.e. Week 44 with +9.7%; and Week 48 with minus 9.9%; loud music
- The best and worst days were also audibly near: 5 December with plus 5.0%; and 15 November with minus 6.3%
- Looking back to the Sector's trough (7 July 2008) the rise has been more than 1,000% (£28.5 billion) even after 2018's refrain; and the Sector is still 25% above where it was in the immediate aftermath of the Brexit referendum wall of sound
- Similarly, the Sector has achieved higher notes in 24 or the last 36 quarters - and seven of the last 10 years

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

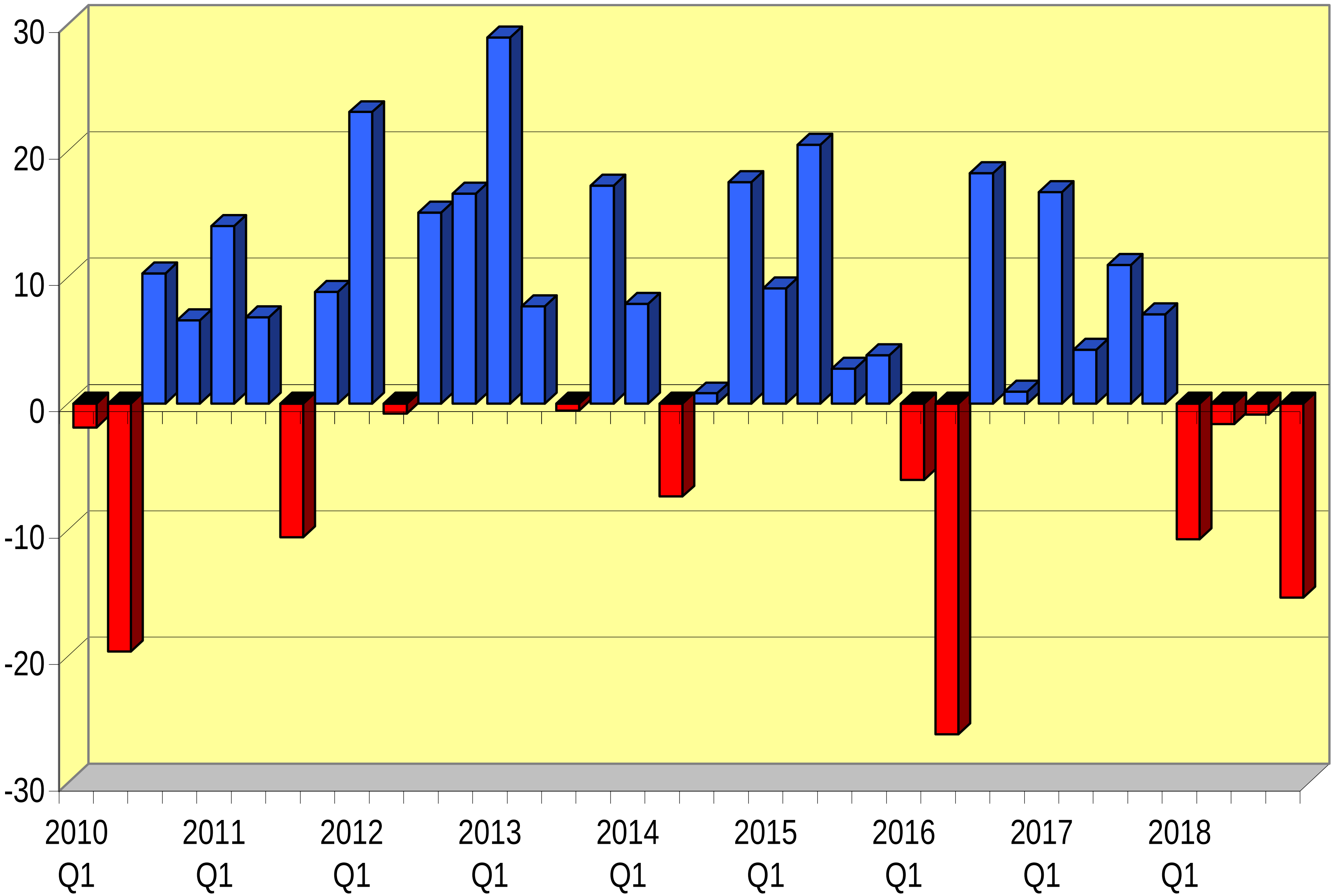
quarterly from Q3 2008 to Q4 2018

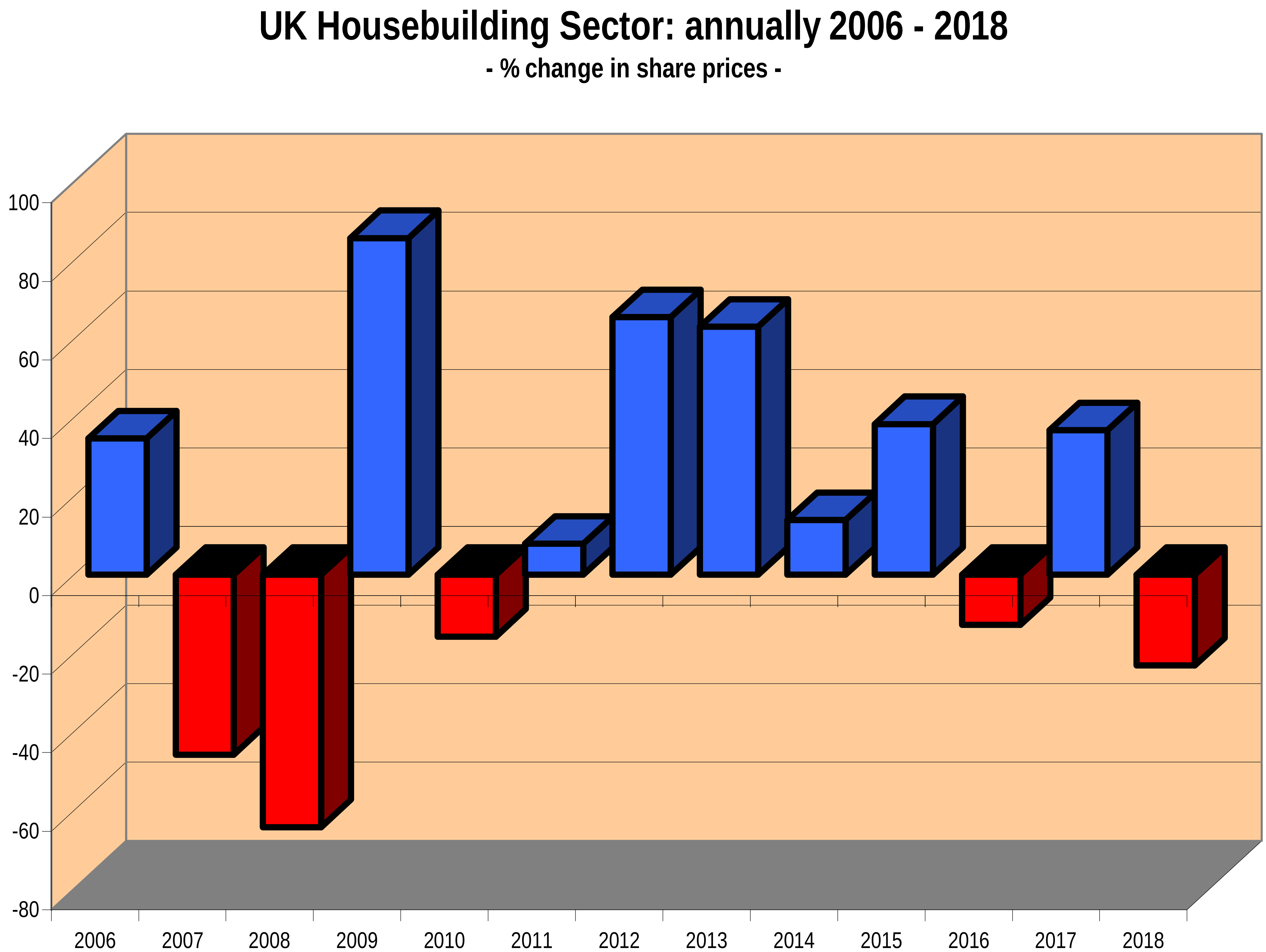
- 7 July 2008 (yellow) and 24 October 2017 (high); Brexit in (pink) -



UK Housebuilding Sector: Q1 2010 - Q4 2018

- weighted % change in share prices quarter by quarter -




UK Housebuilding Sector: annually 2006 - 2018
- % change in share prices -
100
80
60
40
20
0
-20
-40
-60
-80
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018

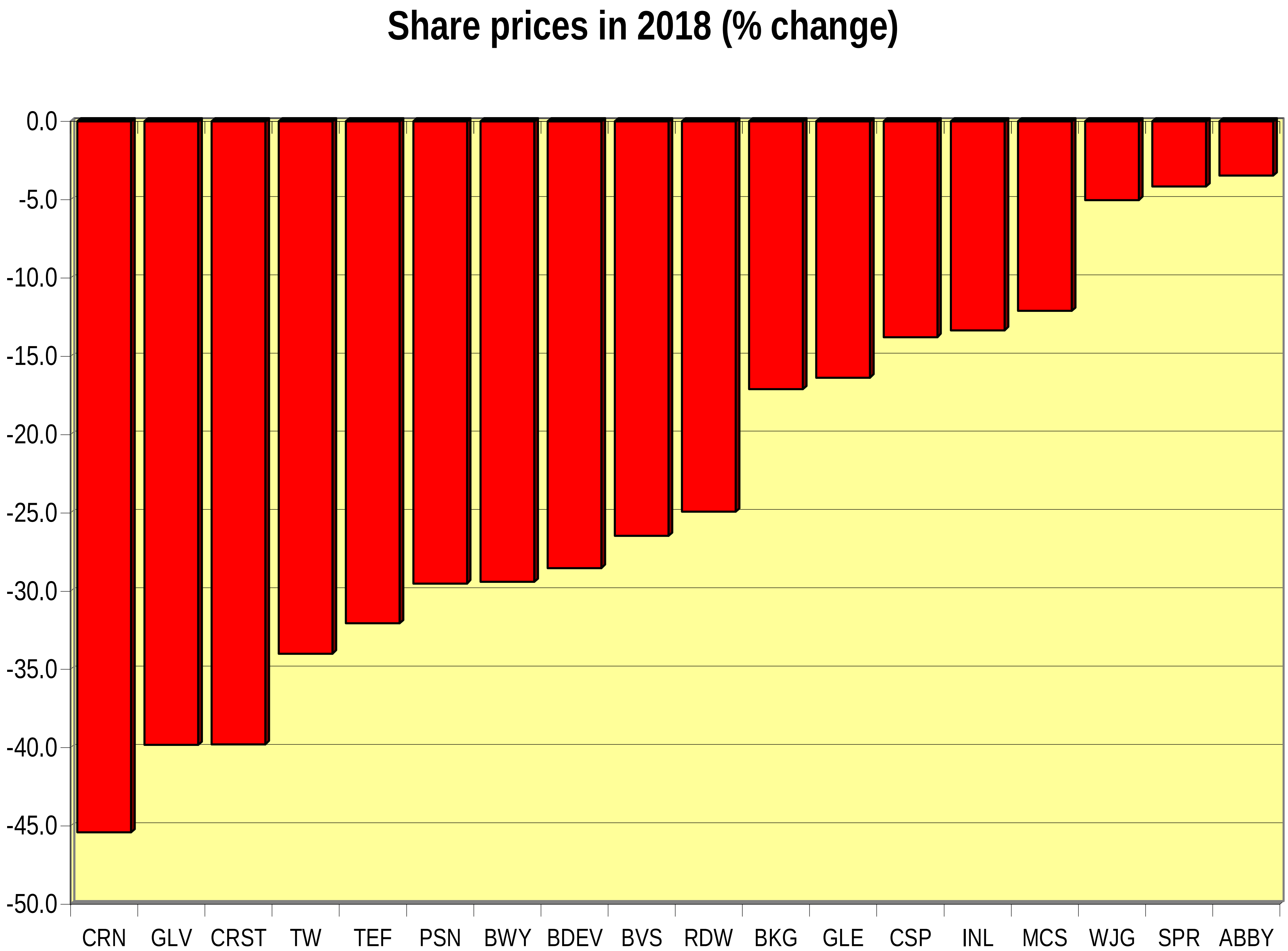
Share prices in 2018

- Housebuilders' share prices fell by an average 23% last year actual or 27% weighted by market capitalisation; in 2017, these numbers were +37% and +43% respectively

- Abbey, the UK and Irish player, sounded the most positive note, even though this was minus 3.4% with support from the rhythm section of Springfield (minus 4.1%) and Watkin Jones (minus 5.0%)

- Least pleasing were the two other Irish band members (performing in London and Dublin) - Cairn Homes and Glenveagh, which fell 45 and 40% respectively

- Crest was also off key at minus 40%, with seven others percussively down by between 25 and 32%


Share prices in 2018 (% change)
0.0
-5.0
-10.0
-15.0
-20.0
-25.0
-30.0
-35.0
-40.0
-45.0
-50.0
CRN
GLV
CRST
TW
TEF
PSN
BWY
BDEV
BVS
RDW
BKG
GLE
CSP
INL
MCS
WJG
SPR
ABBY

Q4

- In the fourth quarter of 2018, the stock market value of the UK Housebuilding Sector dropped 15.9% quarter on quarter, making it the worst quarter-tone of the year

- In Q4 2017, the Sector conducted a 7.3% rise in value

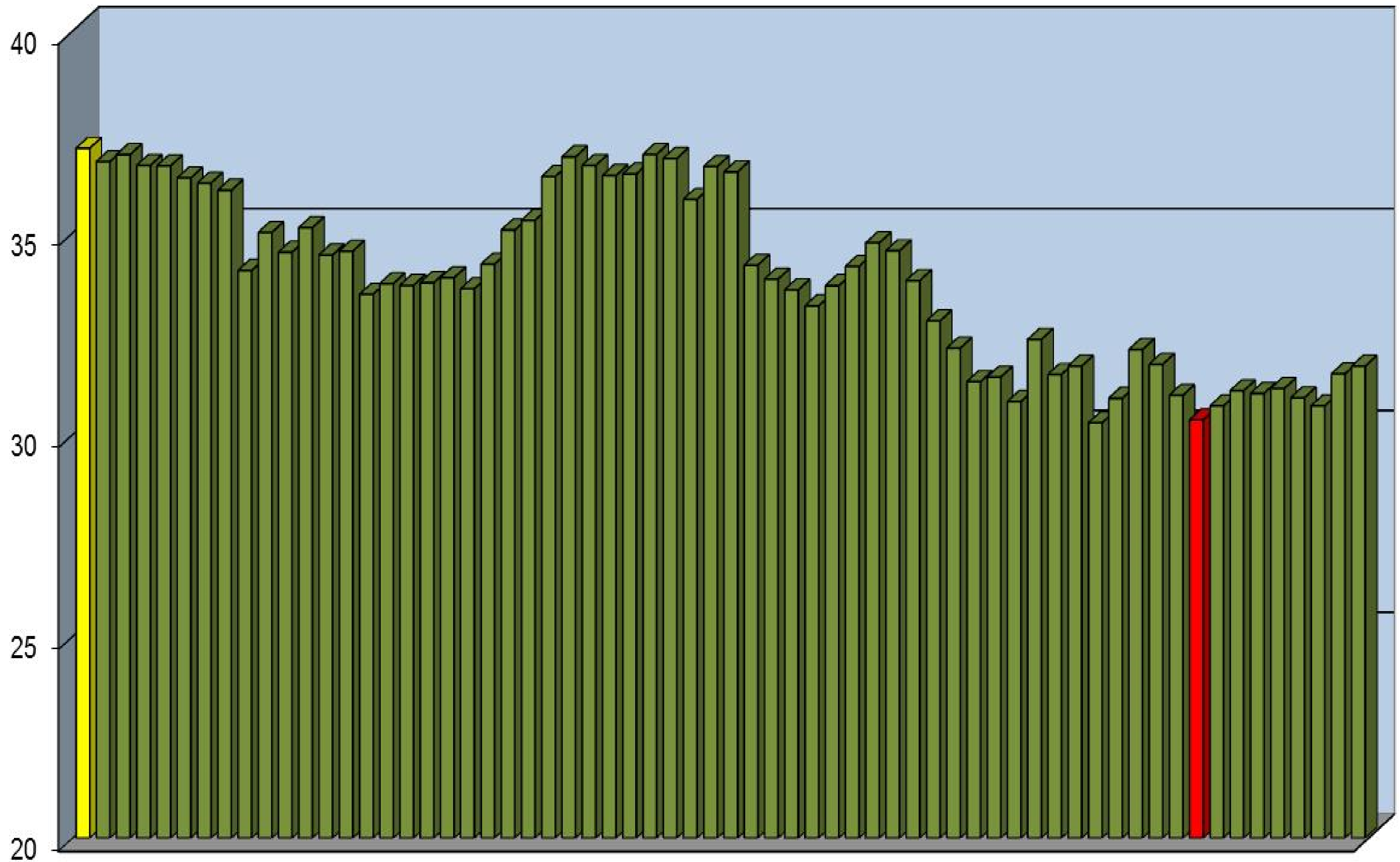
- November was a particularly difficult month, too, with an 11.3% drop; the worst from the 12-bar of 2018

- We have also plotted the Housebuilders rise and fall in value against the value of the Euro versus the British Pound

- Both are barometers of future economic climes and there is a jarring harmony between the two - other than in Week 40 - and a drift from top left to bottom right

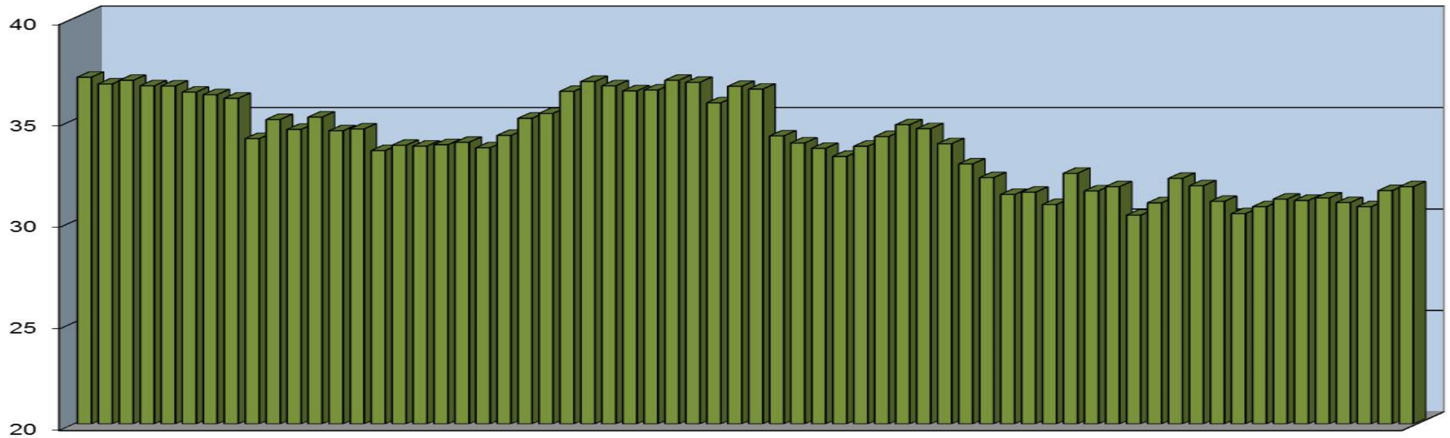
Housebuilding Sector stock market value - daily - in Q4 2018 (£bn)

- high/low (yellow and red) -

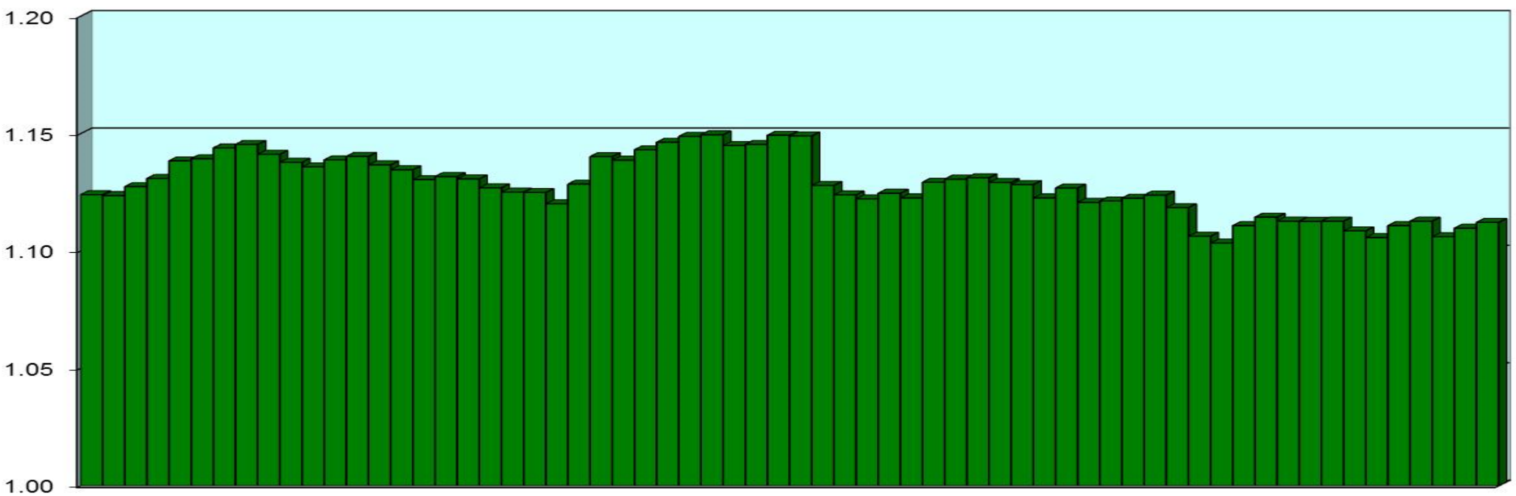


Spot the difference: Housebuilders vs Euro

Housebuilding Sector stock market value - daily - in Q4 2018 (£bn)



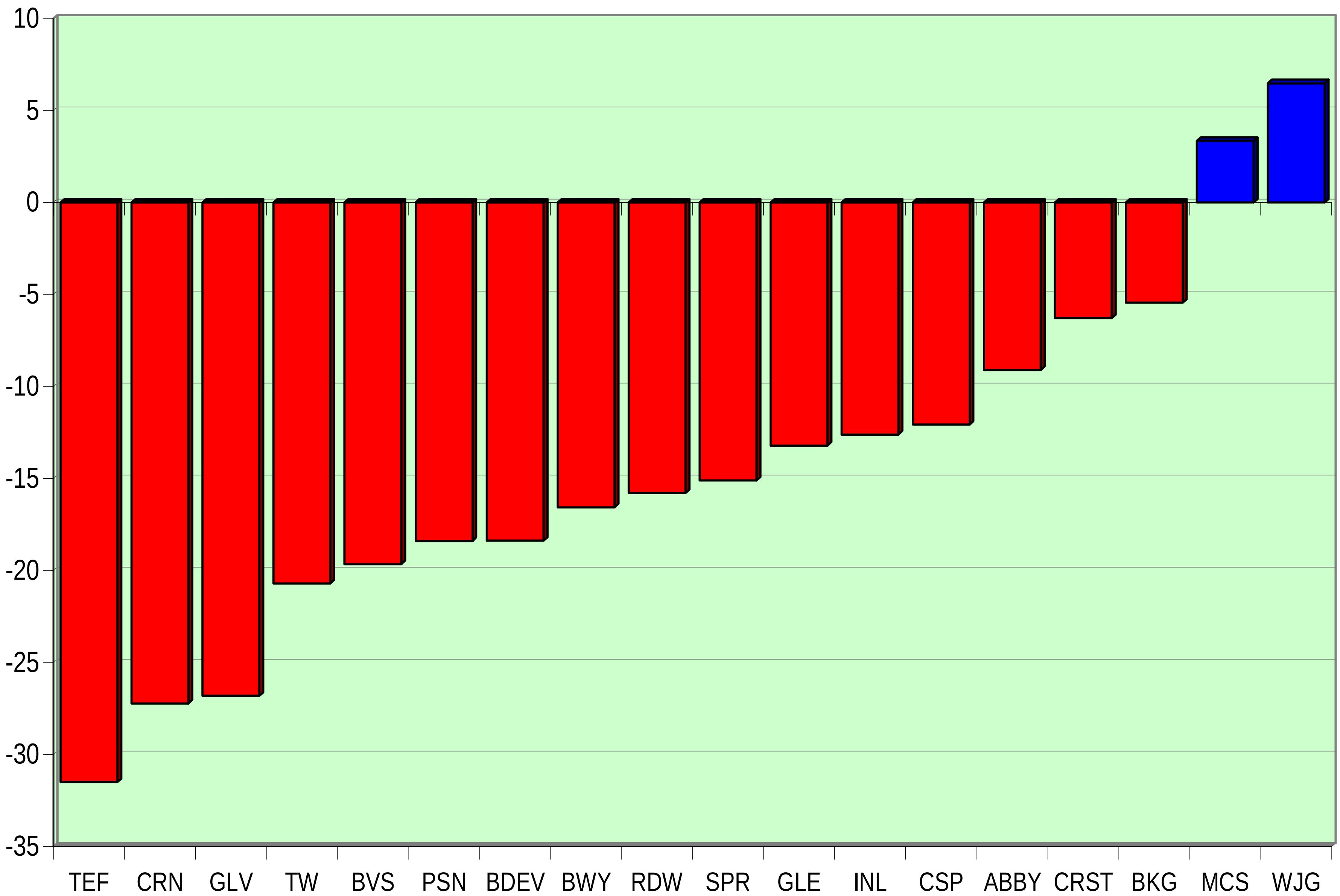
Euro to GBP Q4 2018



Q4 - individual share prices

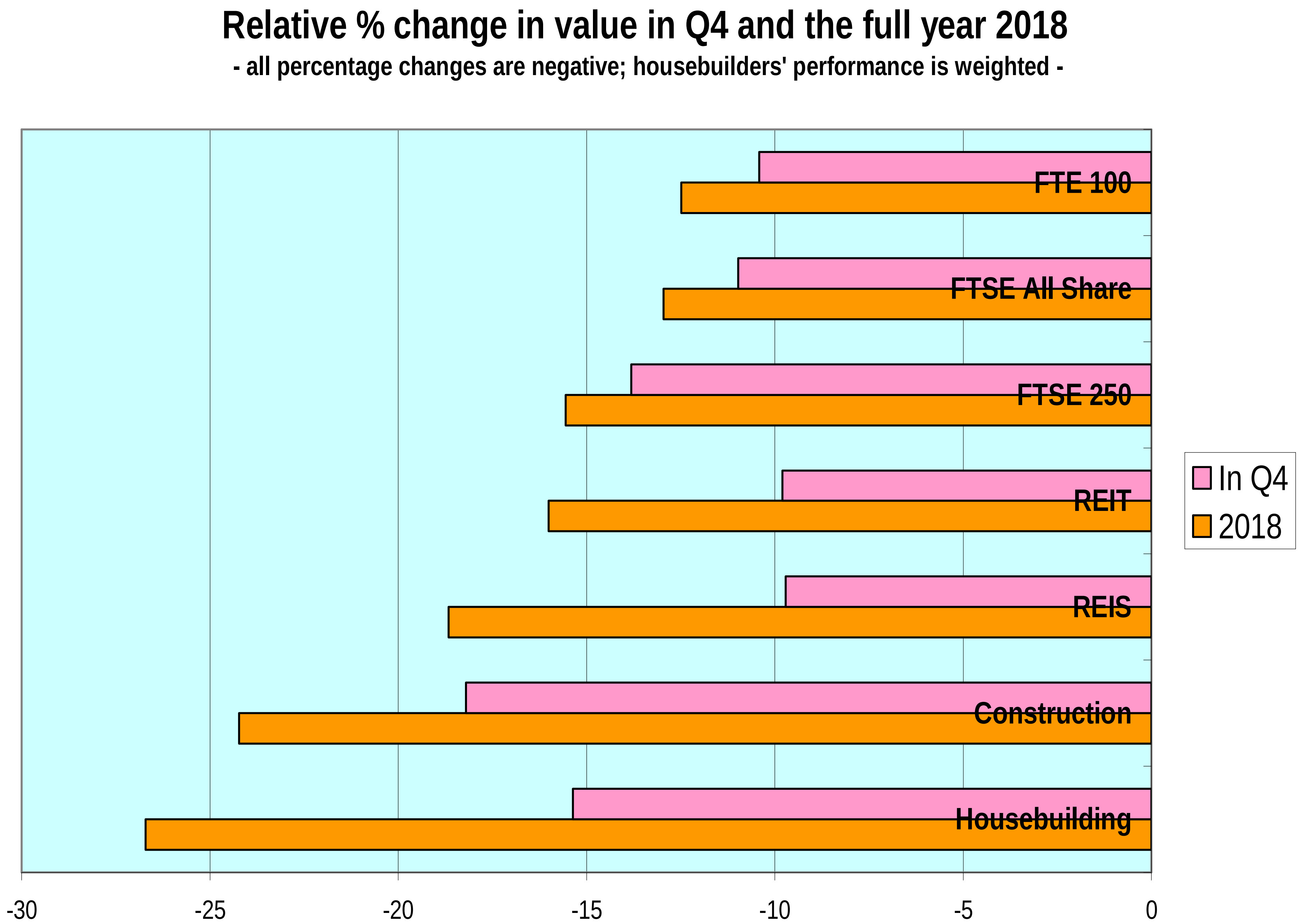
- Actual share prices (as opposed to Pound notes) in Q4 lost 14.4% actual and 15.4% weighted by market capitalisation
- In Q4 2017 these scores were a tuneful plus 5.9% and plus 7.1% respectively
- From 18 Sector companies, only two was lyrically positive in Q4 i.e. Watkin Jones (+6.5%) and McCarthy & Stone (+3.4%)
- On the same timing, Abbey, Berkeley and Crest were off in single digit percentages
- At the other extreme, Telford's share price dropped 32%, with Cairn and Glenveagh both on the down beat of minus 27%

Share prices in Q4 versus Q3 2018 (% change)



Relative performance in Q4

- In 2018, the Housebuilders were the worst relative performer in the equity orchestra
- On a weighted basis, Sector share prices fell 27%
- Next worst was Construction (and Building Materials) on minus 24% with REISs and REITs (the key real estate indices) reduced by 19 and 16% respectively
- At the same time, the three core measures of the UK equity market - the FTSE 100, 250 and All Share - all dipped by between 12 and 16% in 2018
- In Q4, the Housebuilders (minus 15%) were narrowly second worse to Construction with the FTSE 250 a close support band



Relative % change in value in Q4 and the full year 2018
- all percentage changes are negative; housebuilders' performance is weighted -
FTE 100
FTSE All Share
FTSE 250
REIT
REIS
Construction
Housebuilding
In Q4
2018
-30
-25
-20
-15
-10
-5
0

Peak value / FTSE 100/ Structure

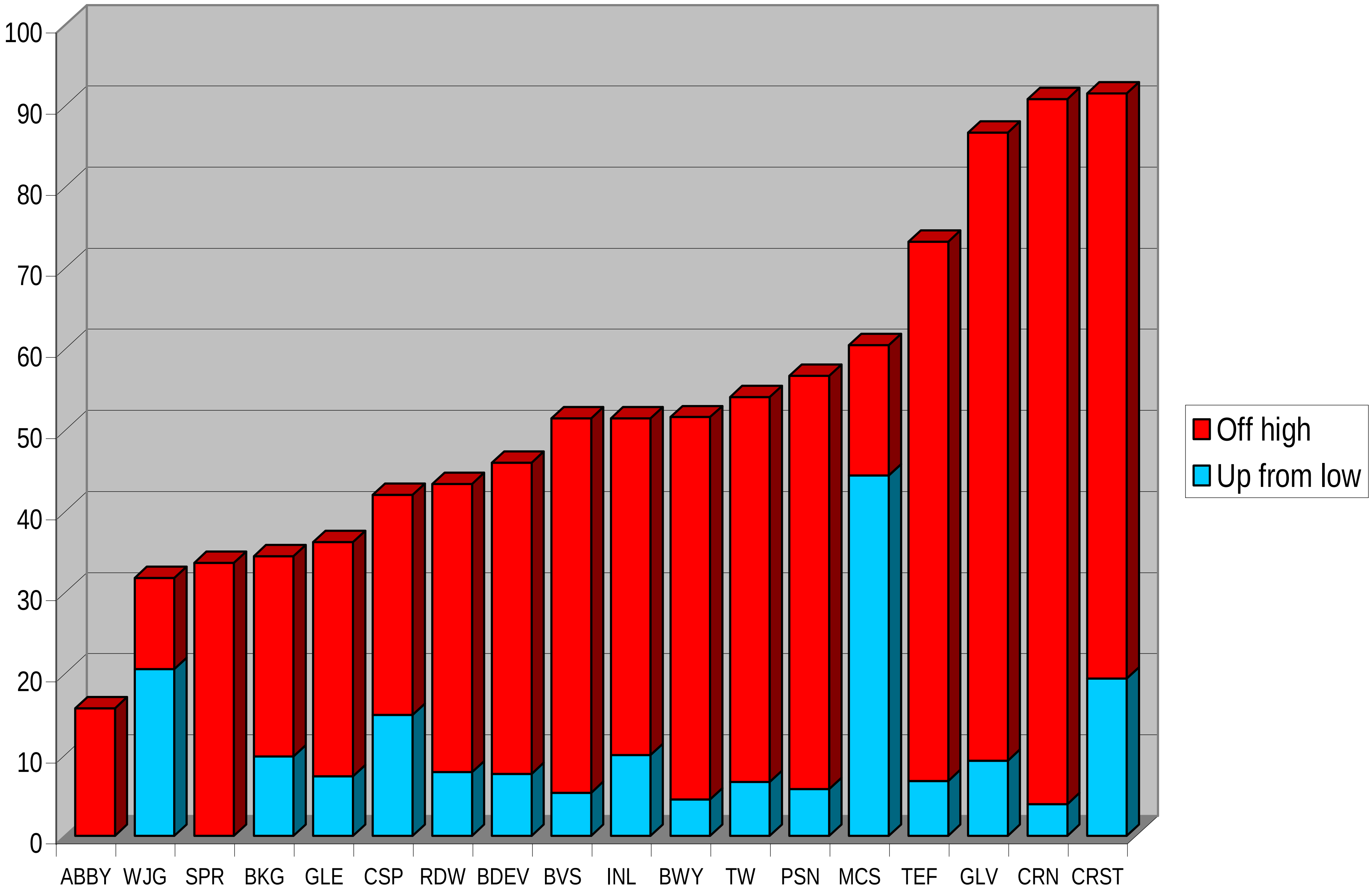
- At 31 December 2018, Housebuilders' share prices were on average 1,400% above the lows of 2008; and 10% up on more recent 52 week lows (weighted these numbers play 1,900 and 9% respectively)

- But, the Housebuilders were also some 32% below their 2007 recording peaks (i.e. 35% weighted); and 28% and 29% off 52 week highs on an actual and weighted basis

- Four housebuilders also continued in the FTSE 100 as at 31 December 2018: Taylor Wimpey (number 91); Berkeley (90); Barratt (87); and Persimmon (65)

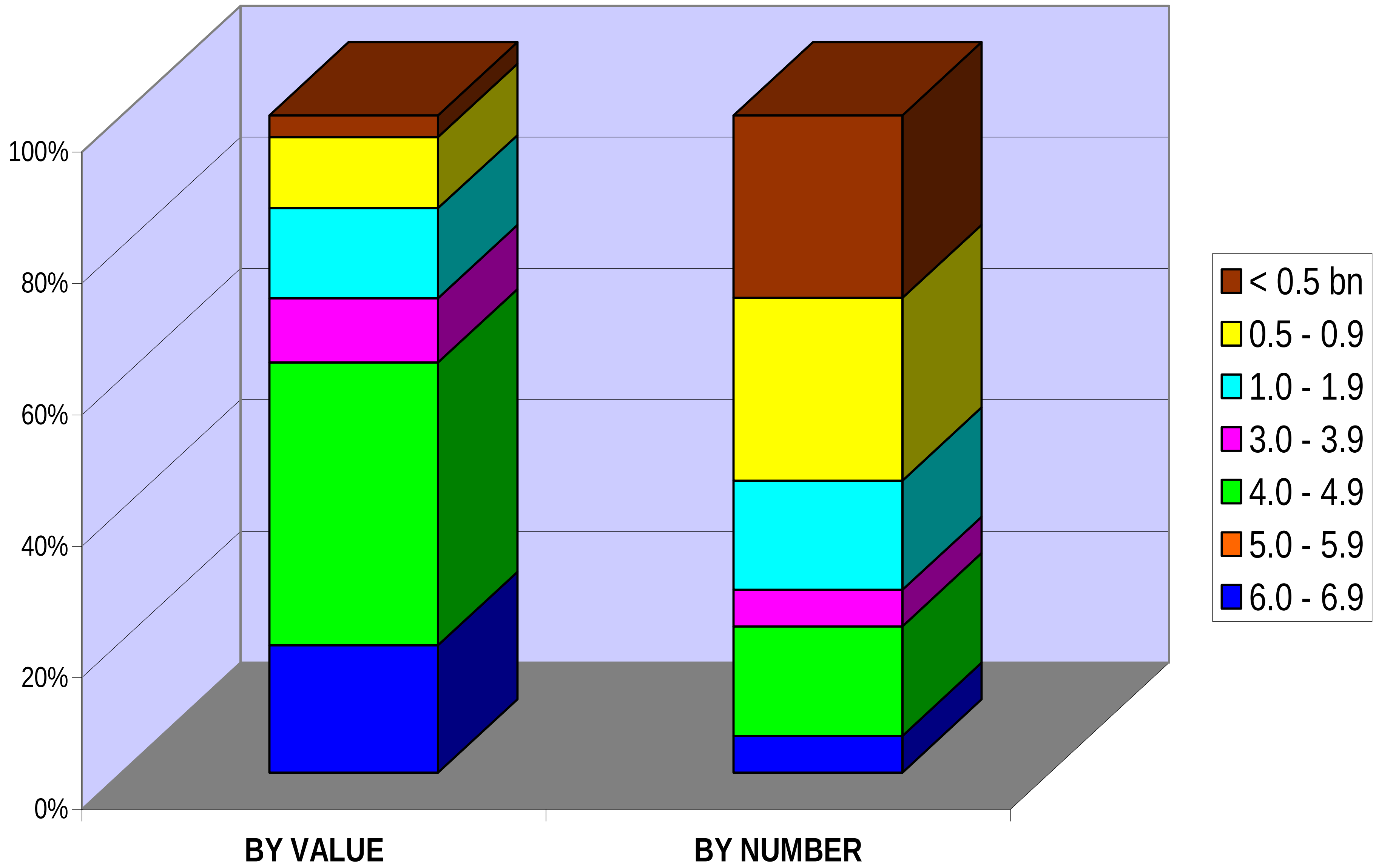
- Together, these four players account for 62% of Sector label value

Movement against 52 week lows and highs (% change)



Sector structure by stock market value (£31.7 billion at 31/12/18)

18 companies [legend is in £bn]

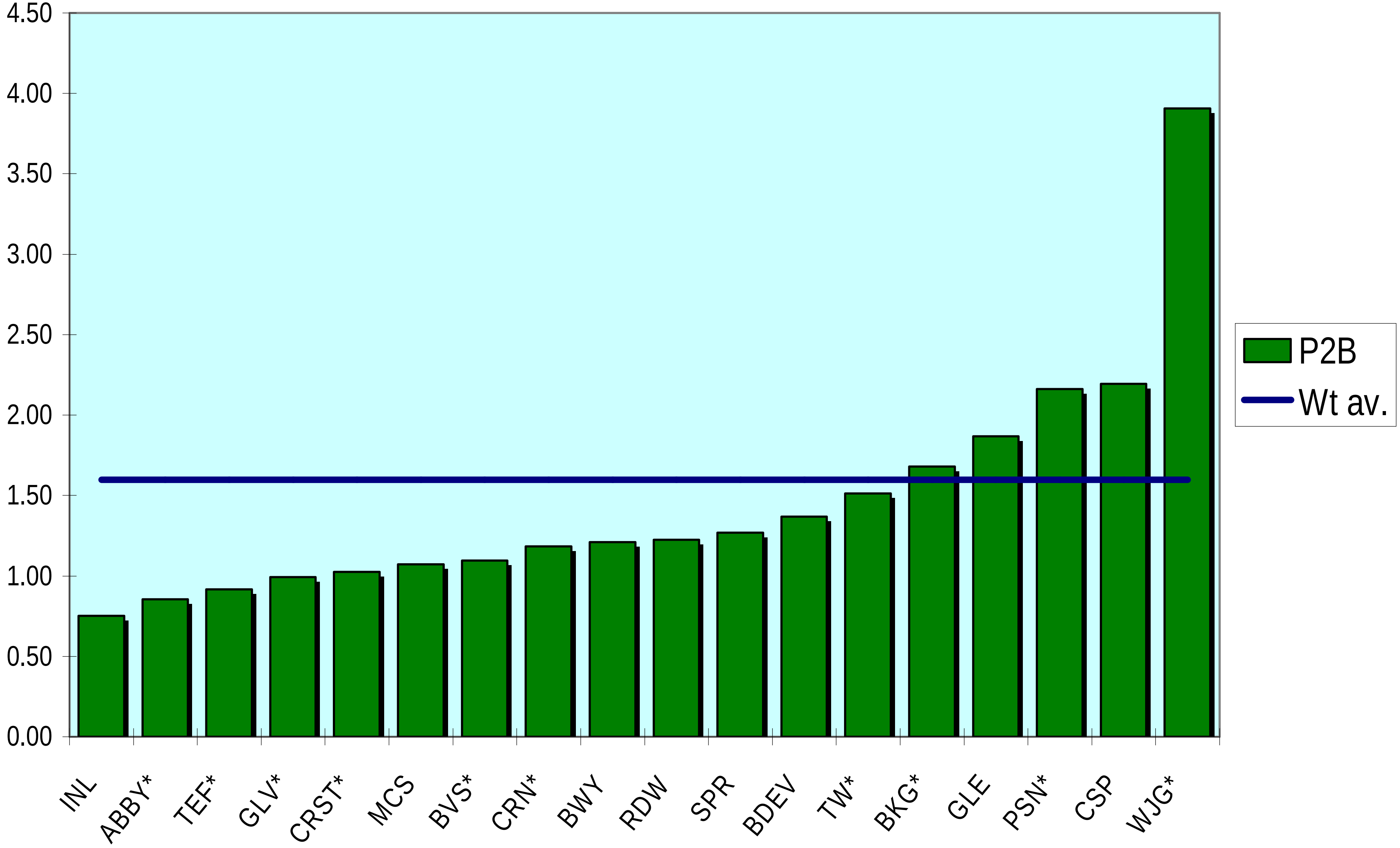


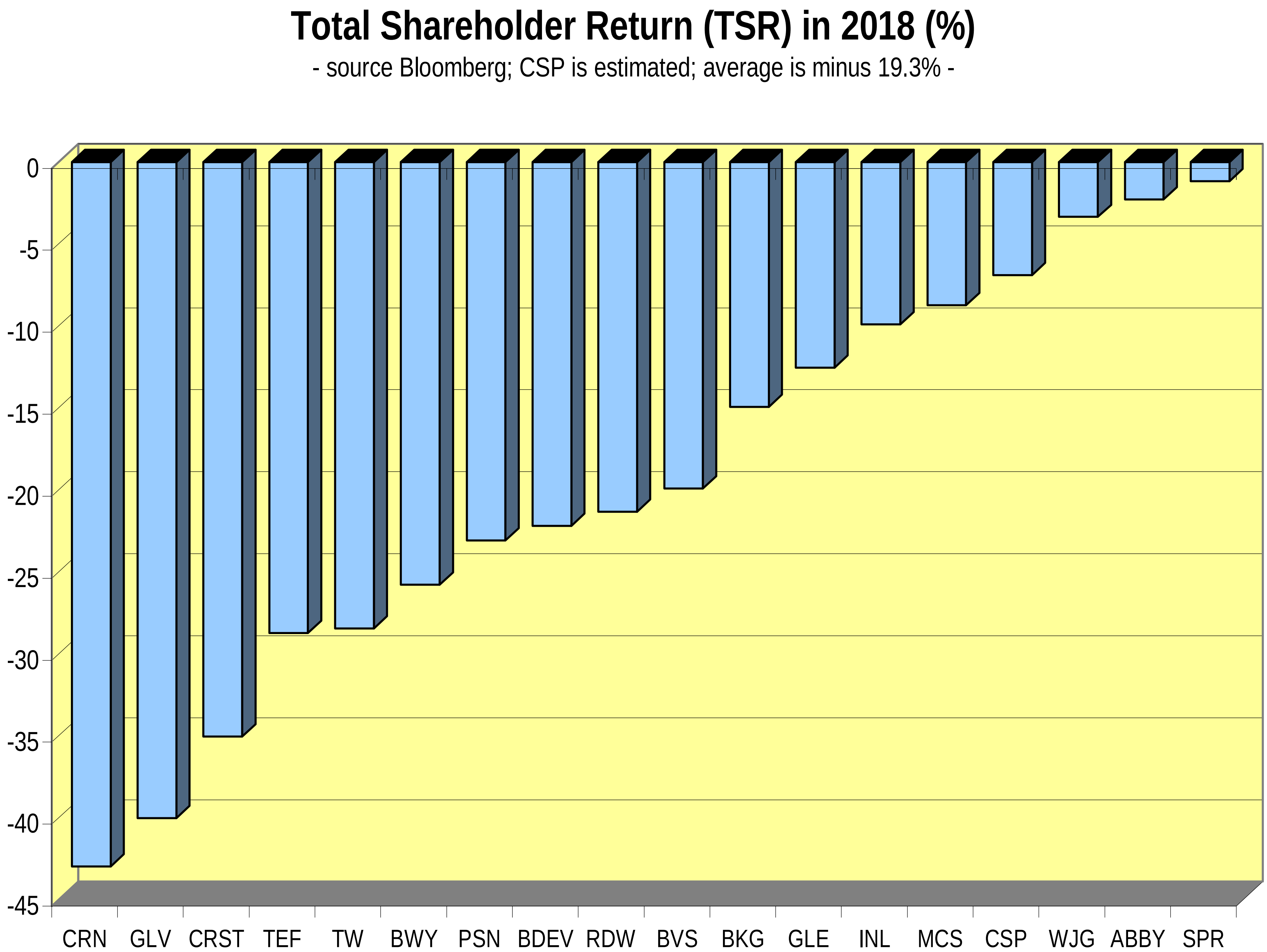
Price-to-Book/TSR

- The Housebuilders' latest average Price-to-Book valuation was 1.46 on 31 December 2018 and 1.60 weighted
- A year ago, these ratios were louder at 1.94 and 2.31
- Two (Cairn and Countryside) out of 18 companies are at 2.0 or better with Watkin Jones at an extraordinary F-sharp 3.9
- Total Shareholder Return (TSR) for the Sector in 2018 was minus 19.3% and minus 21.9% weighted
- This compares with positive notes of 42% and 51% respectively in 2017
- In the latest 12 months, no individual TSR was positive although Springfield was best artist with a minor negative 1.2%; albeit Cairn Homes sounded worst at minus 42%

Price-to-book-value at year end/latest interim* & priced at 31/12/18

- weighted average is 1.60; actual average is 1.46 -

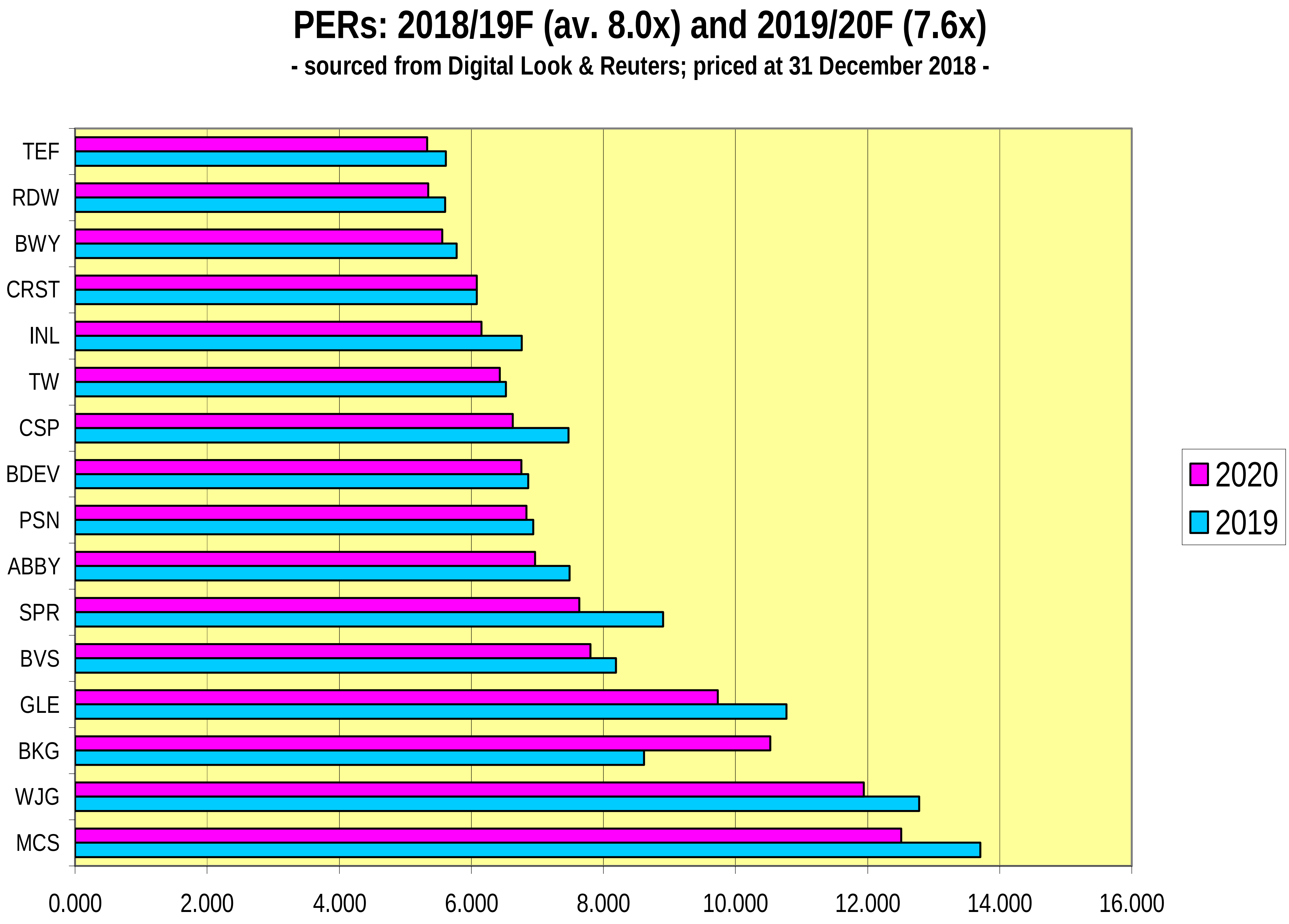




Total Shareholder Return (TSR) in 2018 (%)
- source Bloomberg; CSP is estimated; average is minus 19.3% -
0
-5
-10
-15
-20
-25
-30
-35
-40
-45
CRN
GLV
CRST
TEF
TW
BWY
PSN
BDEV
RDW
BVS
BKG
GLE
INL
MCS
CSP
WJG
ABBY
SPR

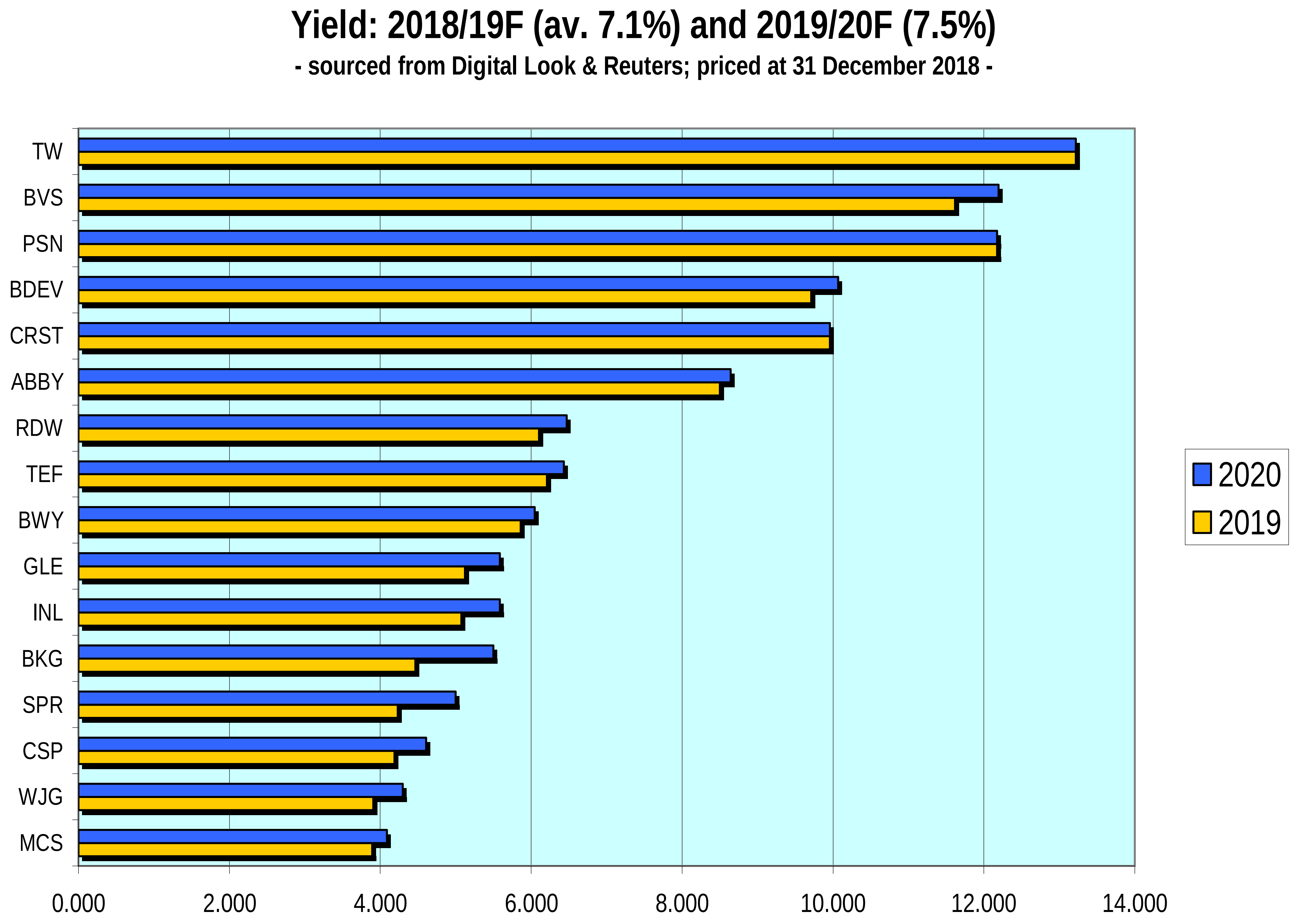
Price Earning Ratio (PER)

- The Housebuilding Sector's prospective PERs are 8.0x in 2018/19 followed by 7.6x in 2019/20 based on consensus forecasts
- Average earnings growth is forecast as modest (i.e. +1%) in 2018/19 but at +5% in 2019/20
- Note, too, Berkeley's prospective sharp drop in its current fiscal year (i.e. 25%) in pretax profit - guided by the Group - also impacts 2018/19 in particular
- For the record, trailing-12-month PERs for the FTSE 100, All Share Index and FTSE 250 range from 11.2 to 14.9x; which compares with the Sector's 8.6x on the same basis
- Note, too, Cairn and Glenveagh are excluded due to losses or minimal earnings at this point; but this will change very soon


PERs: 2018/19F (av. 8.0x) and 2019/20F (7.6x)
- sourced from Digital Look & Reuters; priced at 31 December 2018 -
TEF
RDW
BWY
CRST
INL
TW
CSP
BDEV
PSN
ABBY
SPR
BVS
GLE
BKG
WJG
MCS
0.000
2.000
4.000
6.000
8.000
10.000
12.000
14.000
16.000
2020
2019

Dividend Yield

- In 2018/19 and 2019/20 seasons, the UK Housebuilding Sector yields, on average, are forecast at 7.1% and 7.5% - with dividend cover at 2.1x in both instances
- Note, too, that a number of companies has committed to enhanced dividend payments which means there are three or four companies with double digit prospective yields
- For the record, the UK equity market yields between 3.4 and 4.7% historic with average cover of 1.9x
- Here the FTSE 100, 250 and All Share represent the UK equity market; and all calculations are made at the London Stock Exchange (LSE) close on 31 December 2018



Yield: 2018/19F (av. 7.1%) and 2019/20F (7.5%)
- sourced from Digital Look & Reuters; priced at 31 December 2018 -
TW
BVS
PSN
BDEV
CRST
ABBY
RDW
TEF
BWY
GLE
INL
BKG
SPR
CSP
WJG
MCS
0.000
2.000
4.000
6.000
8.000
10.000
12.000
14.000
2020
2019

Results in Q4

- In Q4 there three sets of final results, three interims and more than 15 trading related announcements from 18 Sector companies
- Average individual pretax profits for the Q4 reportees rose 1% whilst average individual EBIT margins declined from 19.8 to 17.3% - on revenue 11% larger at £6.74 billion
- EPS were flat on average while dividends were raised 12% (ex-the Abbey special) with average individual cover easing from 2.6 to 2.3x (again ex-Abbey)
- Orders dipped by an average 2%; from a sample of three
- Average individual ROCE reduced from 20.5 to 18.9% with Capital Turn also little changed at 1.03x (versus 0.95x)

Q4 profit & loss

Date	Company	Event	Period	Pretax profit (£m)		PBT	*EBIT margins*		*Orders*	DPS	DPS cover (x)	
			ending	Old	New	*% chge*	*Old (%)*	*New (%)*	*% chge*	*% chge*	*Old*	*New*
07-Dec	Abbey (Euro)*	Half Year	31-Oct	23	24	2	25.9	21.6	-	1,038	11.1	1.0
07-Dec	Abbey (GBP)*	Half Year	31-Oct	21	21							
16-Oct	Bellway	Full Year	31-Jul	561	641	14	22.3	22.1	8	17	3.0	3.0
07-Dec	Berkeley*	Half Year	31-Oct	511	401	-22	29.7	24.3	-	7	3.0	2.3
21-Nov	Countryside	Full Year	30-Sep	155	201	30	16.1	17.2	-11	29	3.2	3.1
13-Nov	McCarthy & St.	Full Year	31-Aug	94	62	-34	14.6	10.1	-4	0	2.6	1.7
27-Nov	Telford*	Half Year	30-Sep	9	10	16	10.2	8.6	-	6	1.2	1.3
TOTAL (£m)				1350	1336							
Individual average change (%) / cover (x)						1			-2	12	2.6	2.3
Sector average change (%) / cover (x)						-1				12	3.0	2.6
Individual average margin (%)							19.8	17.3				
Sector average margin (%)							22.3	20.3				
						8.07788582						
Notes:												
(i) Pretax profit numbers are are net of exceptionals and subject to adjustments where required												
(ii) EBIT is Earnings Before Interest and Tax; DPS is dividend per share												
(iii) Abbey is Irish-domiciled but only GBP included in totals; 100 cents special DPS announced in H1 - DPS increase/cover excluded from totals												
(iv) Bellway metrics are ex-£5.9m Grenfell exceptional												
(v) Berkeley's revenue and profit from sale of ground rent is excluded: 2018: nil (H1 2017 £28.4m); special DPS of £10.34 paid to date												
(vi) Telford's revenue (and profit) are gross of its share JVs in H1 2017-18: £10.9m (£1.5m); and H1 2016-17: £12.7 (£1.6m)												

Q4 balance sheets

Date	Company	Event	Period	Net Assets (£m)		Net (Debt)/Cash (£m)		*Gearing*	*Gearing*	*ROCE^*	*ROCE^*	*Capital*
			ending	Old	New	Old	New	*Old %*	*New %*	*Old %*	*New %*	*Turn (x)*
07-Dec	Abbey (Euro)*	Half Year	31-Oct	315	356	90	95	*-28*	*-27*	*14.8*	*13.4*	*0.6*
07-Dec	Abbey (GBP)*	Half Year	31-Oct	277	316	79	84					
16-Oct	Bellway	Full Year	31-Jul	2,191	2,557	16	99	*-1*	*-4*	*25.7*	*25.5*	*1.2*
07-Dec	Berkeley*	Half Year	31-Oct	2,352	2,671	633	860	*-27*	*-32*	*35.4*	*26.3*	*1.2*
21-Nov	Countryside	Full Year	30-Sep	631	624	77	45	*-12*	*-7*	*26.1*	*33.5*	*1.9*
13-Nov	McCarthy & St.	Full Year	31-Aug	676	696	33	6	*-5*	*-1*	*14.1*	*9.0*	*0.9*
27-Nov	Telford*	Half Year	30-Sep	206	235	-61	-123	*29*	*52*	*6.7*	*5.8*	*0.3*
TOTAL (GBP)				6,333	7,099	777	970					
Individual average change (%)					*13*							
Sector average change (%)					*12*							
Individual average ROCE (%) adjusted										*20.5*	*18.9*	*1.0*
Sector average ROCE (%) adjusted										*25.9*	*23.4*	*0.9*
Individual average gearing (%)								*-7*	*-3*			
Sector average gearing (%)								*-12*	*-14*			
Notes:												
^ ROCE is return on capital employed; and adjusted where required for half year etc.												

Outlook

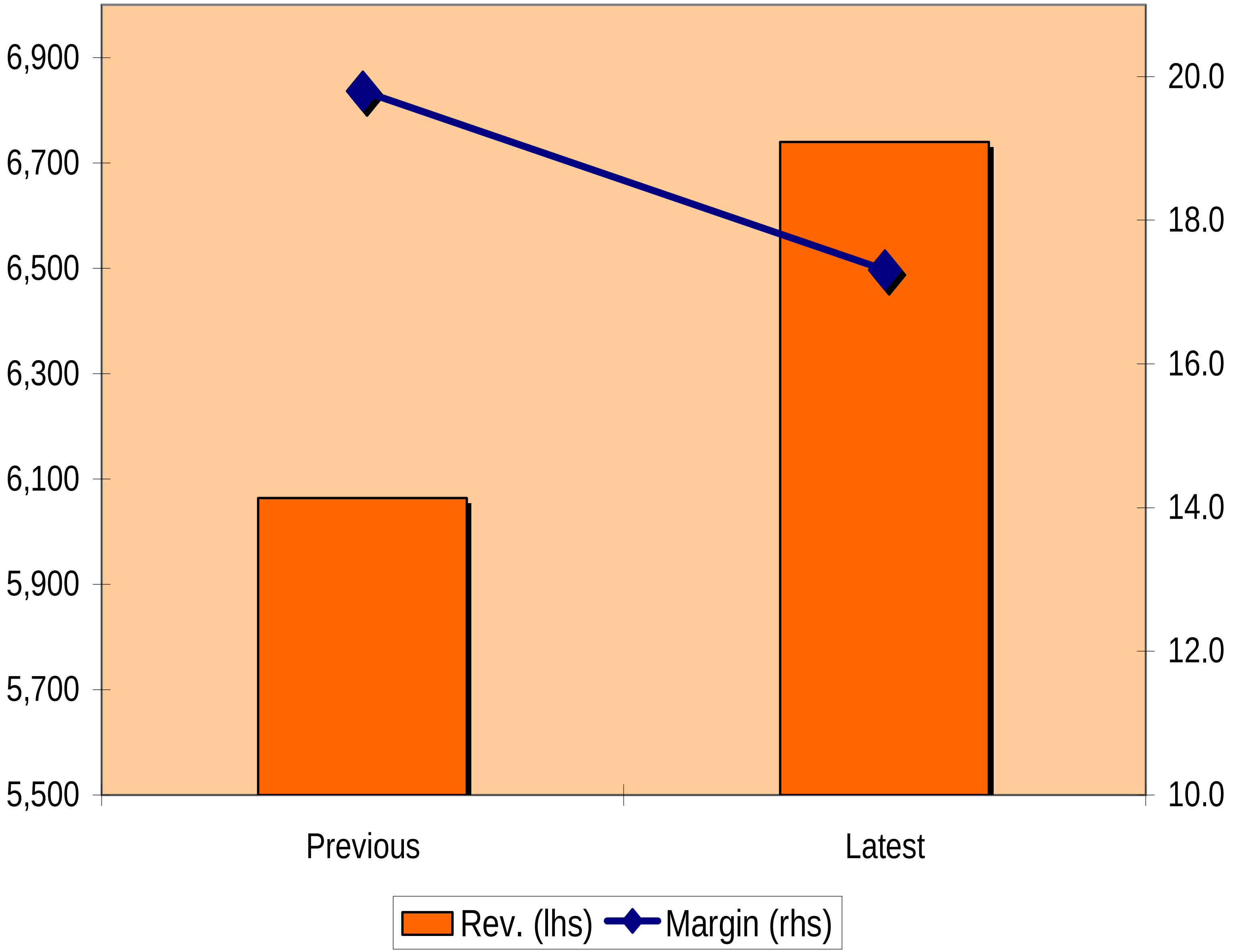
- There were almost daily communications from the Sector in Q4, including six sets of results; and here we have focused on the season's forward looking statements

- **Bellway (15 October - Finals)**: it started the current financial year i.e. on 1 August with an order book of 4,841 units and a value of £1.301 billion, which represented respective gains of 1.9% and +0.4% year-on-year. However, at 30 September, the unit order book was at 5,380 which is up 6.9% annualised and £1.47 billion which is up 7.9%. This means that in the first nine weeks of fiscal 2019-20, it has increased its order book by 89% in terms of units and 158% in value. Extraordinary (and we checked with the Company).

- "The level of uncertainty with which we have to cope, continues to rise. By this time next year the UK will likely be outside of the EU and facing a higher risk premium….."

Sector revenue (£m) and EBIT margin (%) - reported in Q4 2018

- average individual margin -



Outlook 2

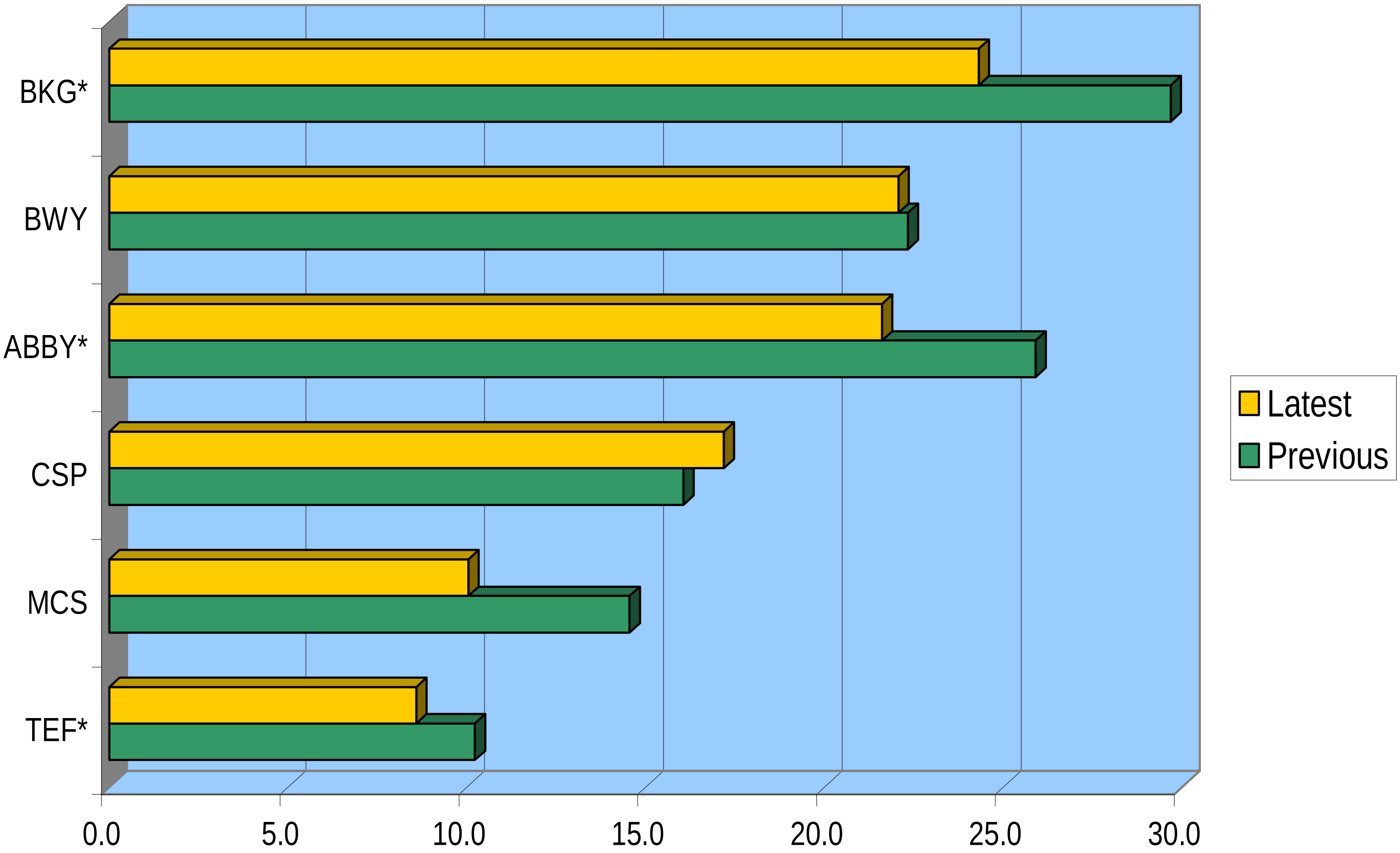
- **Crest (17 October - Trading Update)** announced a Trading Update a month or so ahead of schedule; and it was not good news. Due to a difficult market in London and the South (at higher prices points), profit before tax for the year will fall from £207 million to £170 to 190 million. CFO Robert Allen has departed too.

- **Barratt (18 October - AGM):** its cash order book at 14 October was up 12.4% at £3.15 billion and 5.1% by volume to 12,903 units. Okay, the value of private orders was actually down 5.3% at £1.7 billion whilst affordable was up 45% at just over £1 billion; and not forgetting JVs where the cash gain was also over 40% at £424 million

- The data on average selling prices tell a similar story: in the private sector minus 7.5% at £312,000; affordable +31% at £155,000; and JVs +60% at £504,000

Individual EBIT profit margins (%) reported in Q4 2018

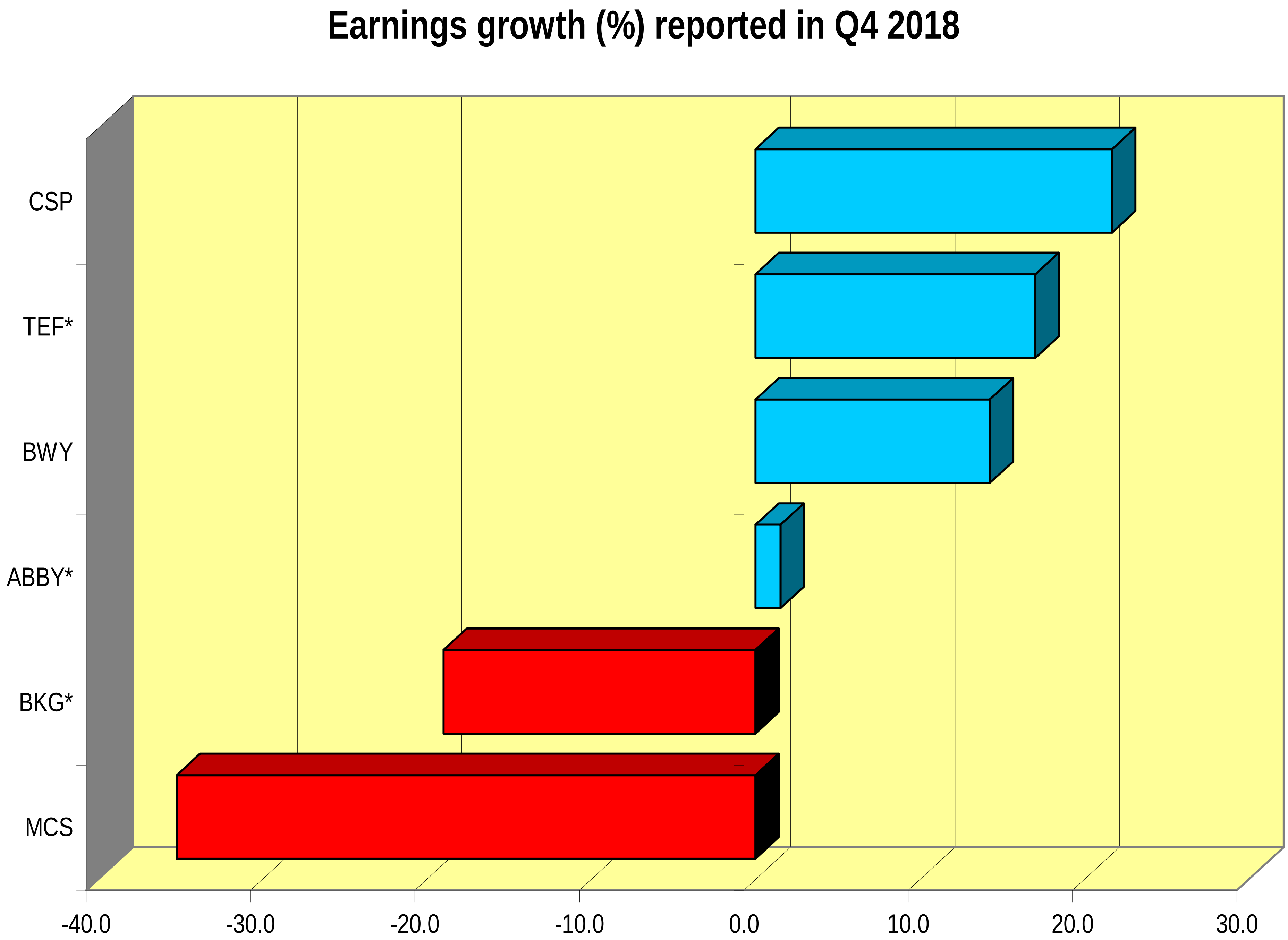
*** denotes interim results**



Outlook 3

- **Watkin Jones (31 October - Trading Update):** with apologies to the late, great Carwyn James: “some sniff the wind of earnings visibility - they created it” i.e. the Group (also Welsh in origins) has already forward sold five of the six student accommodation schemes (and 2,646 beds) scheduled for delivery in fiscal 2019 (Watkin Jones is a September year-end). And, then in fiscal 2020 four (1,844 beds) from seven schemes are forward sold. What’s more the balancing schemes in each year (i.e. four) are also “secured”

- **Persimmon (7 November - Trading Statement):** private sales in the period since the reporting of its H1 results on 21 August 2018 increased 3% from a Group outlet network some 5% larger. “We are now fully sold up for the current year and have circa £987 million of forward sales reserved beyond 2018, an increase of 9% on the same point last year”; and prices “remain firm”.



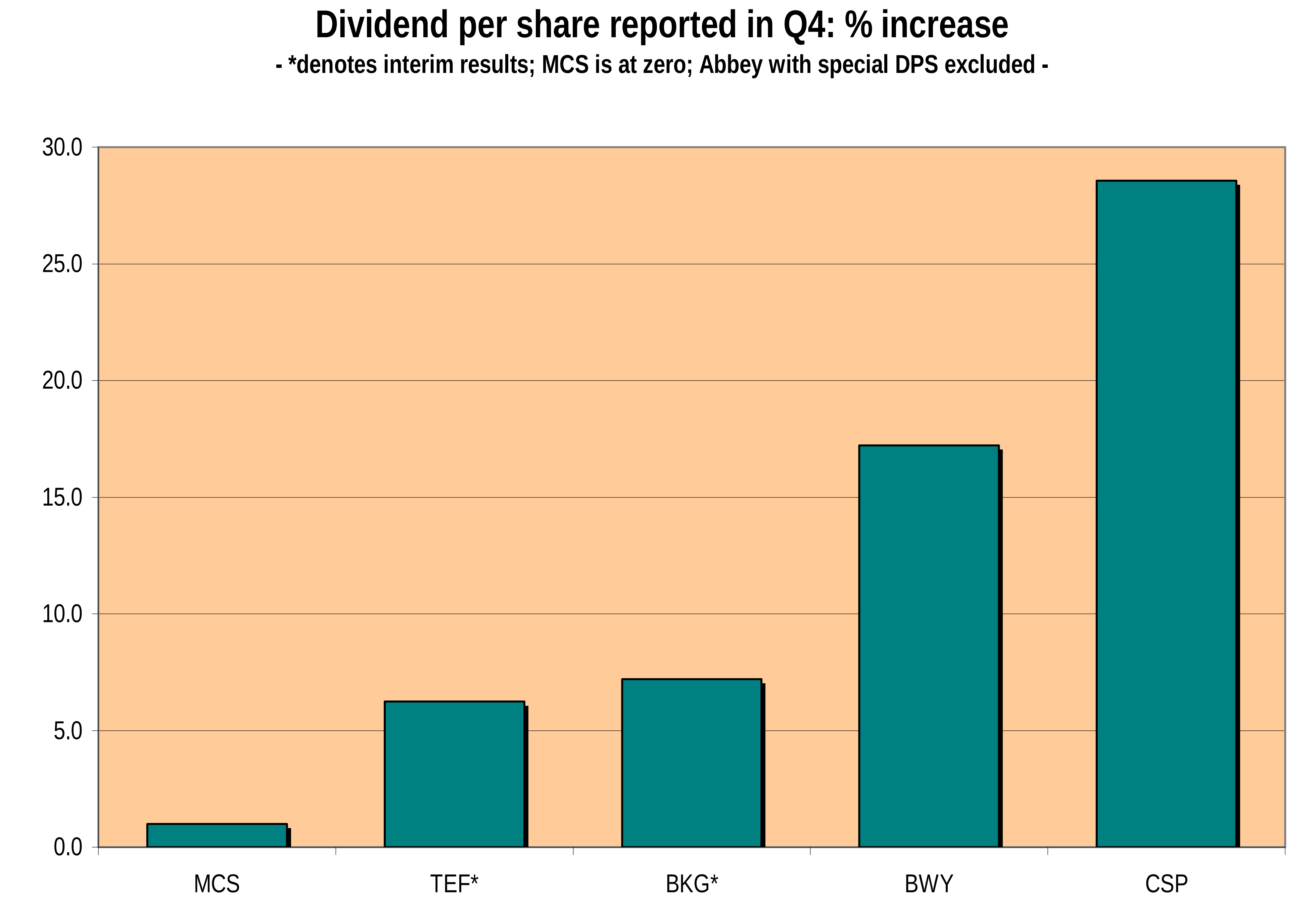
Earnings growth (%) reported in Q4 2018
CSP
TEF*
BWY
ABBY*
BKG*
MCS
-40.0
-30.0
-20.0
-10.0
0.0
10.0
20.0
30.0

Outlook 4

- **Redrow (7 November - AGM):** the value of net private reservations in the 18 weeks to 3 November was in line with last year at £588 million (2018: £586 million). And "our total order book remains very healthy at £1.2 billion, an 11% increase on this time last year"

- **Taylor Wimpey (13 November - Trading Statement):** the physical order book was 11.8% ahead at 9,783 homes and in Pound Notes +8.3% at around £2.4 billion. However, "we expect next year's volume to be broadly flat"

- **McCarthy & Stone (14 November - Finals):** new CEO John Tonkiss underlined what had been a challenging year for the Group to 31 August. He also reported a forward order book as at 9 November 4% or so behind the prior year at circa £267 million reflecting four sales releases since 1 September (in the fiscal year 2017, there were 17 sales releases)



Dividend per share reported in Q4: % increase
- *denotes interim results; MCS is at zero; Abbey with special DPS excluded -
30.0
25.0
20.0
15.0
10.0
5.0
0.0
MCS
TEF*
BKG*
BWY
CSP

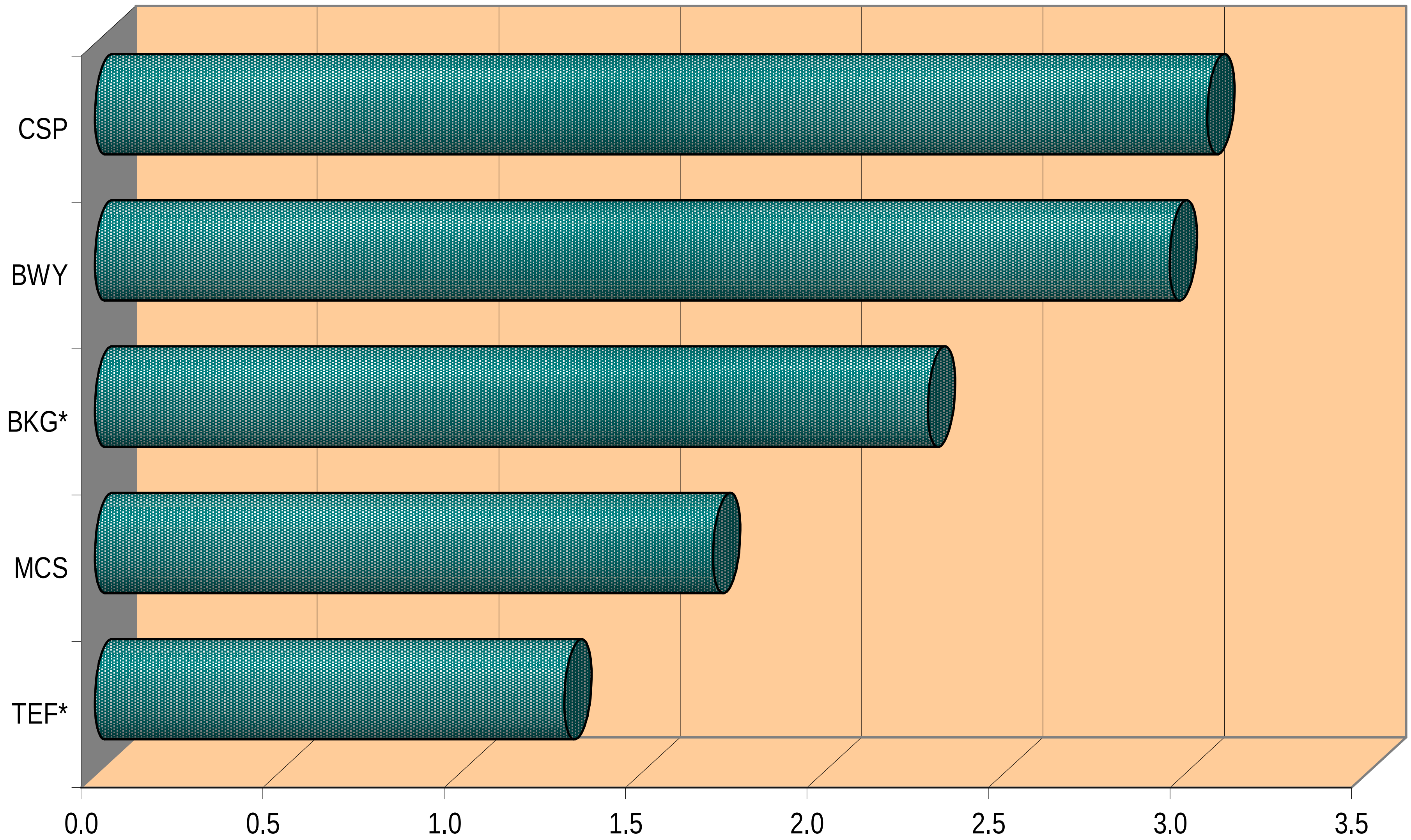
Outlook 5

- **Countryside (21 November - Finals)** is celebrating the 60th anniversary of its founding by the late, great (and nice guy) Alan Cherry CBE. He died in 2010 aged 76. For good measure, too, its forward order book is up an astonishing 40% to £900 million. However, it burgeoning partnership business is where the action is - and its private unit forward order book is actually off 11.3% at £215 million

- **Telford (28 November - Interims):** in early October, the nimble and diminutive London developer reiterated its original target of exceeding £50 million pretax profit for fiscal 2019 (2018: £46.3 million). However, it is now plumping for “in excess of £40 million”. Looking further out, though, it has a development pipeline of £1.65 billion of future revenue comprising just over 5,000 units

Cover in Q4: av. = 2.3x after a 12% net increase

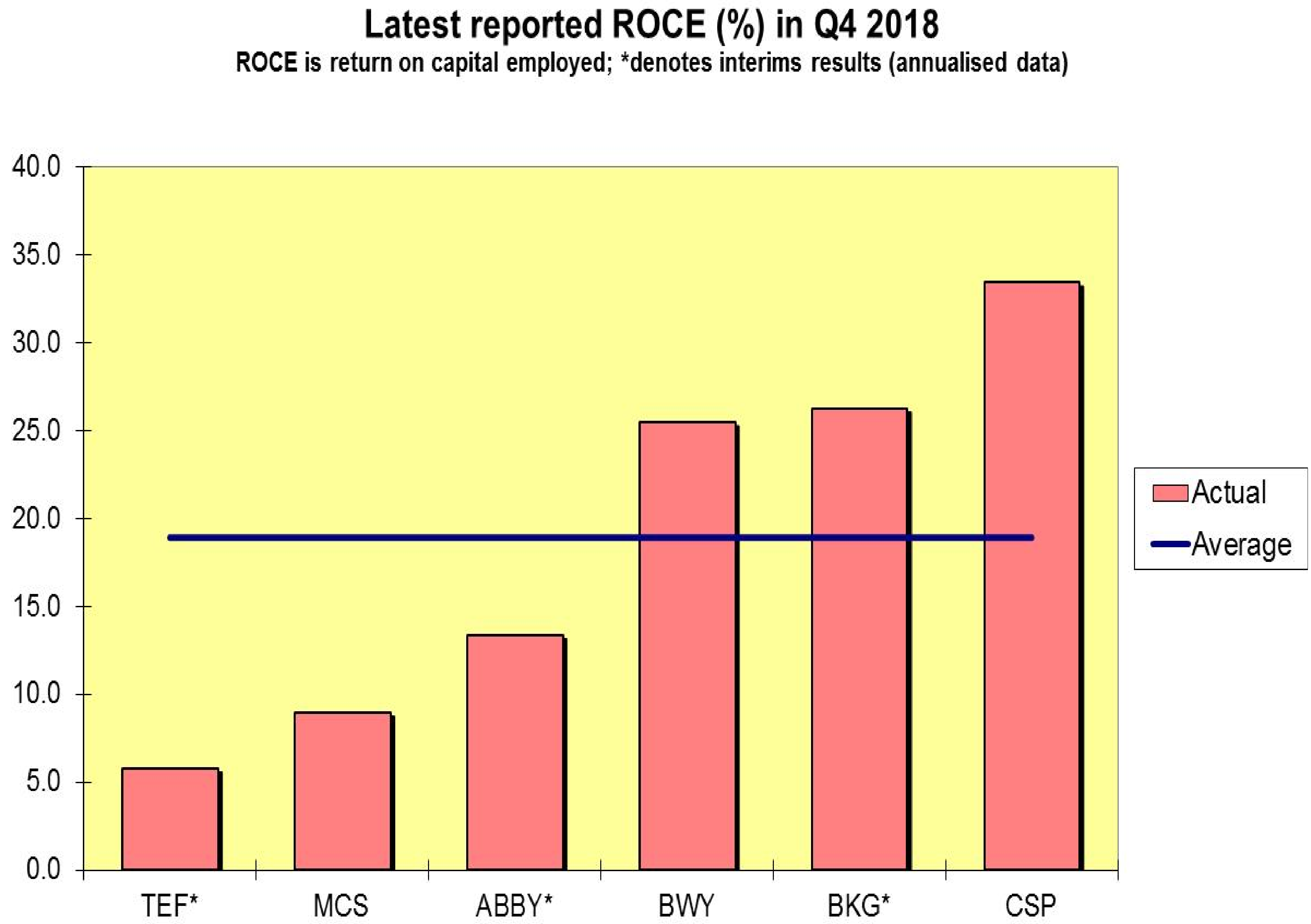
- Abbey is excluded -



Outlook 6

- **Berkeley (7 December - Interims):** the Group raised pretax profit guidance for the current year (to 30 April 2019) by 5% i.e. from minus 30 to minus 25%. It also said that the short-term outlook is "clearly uncertain" but it remains confident further out, especially about London i.e. it has already committed to generating £3.375 billion of pretax profit in the fiscal years 2017 through 2021 inclusive.

- **Abbey (7 December - Interims):** "whilst our UK forward sales position gives confidence that a reasonable result for the year will be achieved the continuing uncertain external conditions are cause for concern. The Group will continue to progress all its activities but intends to be cautious about new investments in the months ahead". That said it did pay a 100 cent special dividend



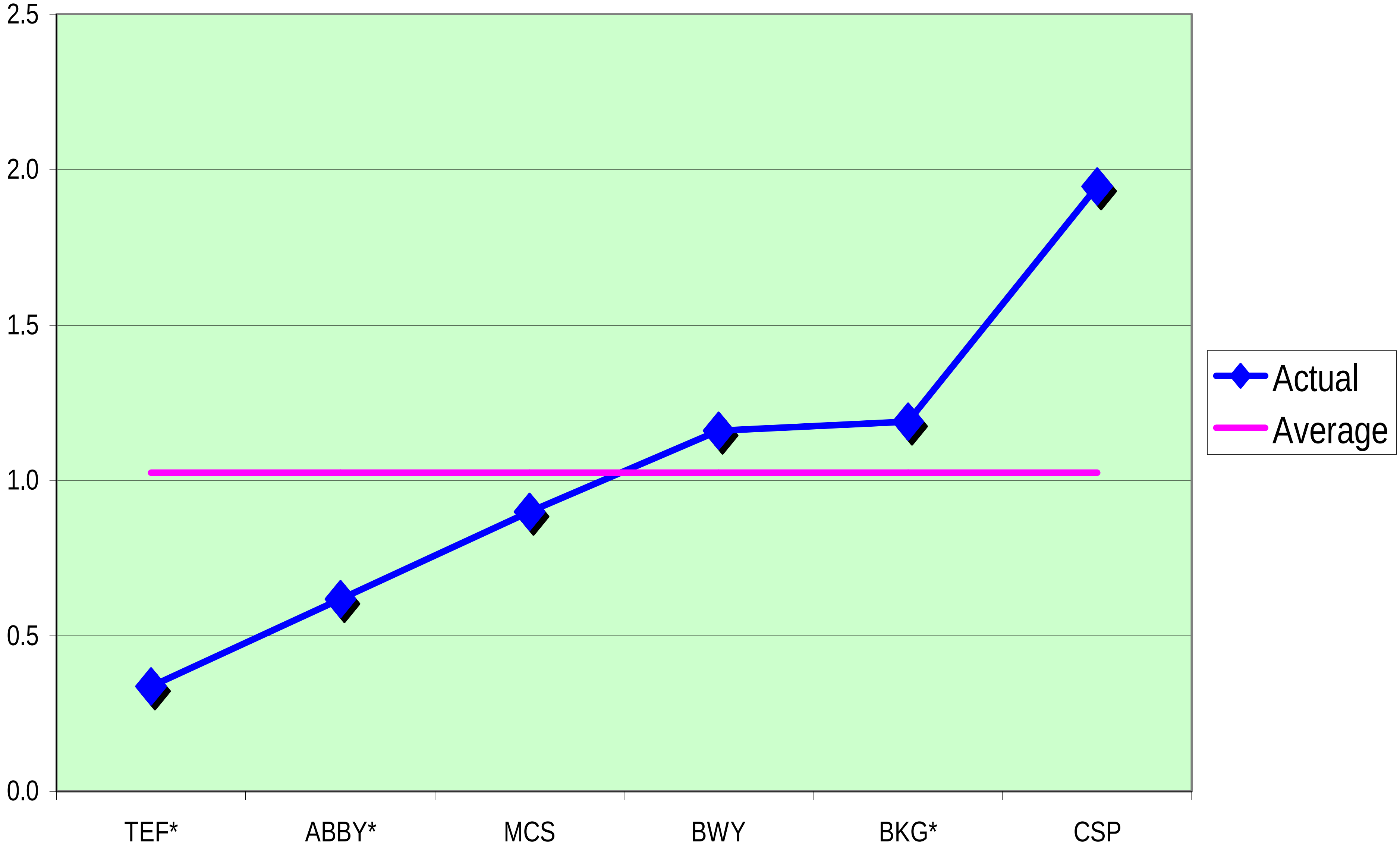
Latest reported ROCE (%) in Q4 2018
ROCE is return on capital employed; *denotes interims results (annualised data)
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
TEF*
MCS
ABBY*
BWY
BKG*
CSP
Actual
Average

Outlook 7: first of 2019

- **Gleeson (7 January - Trading Update): "**the low-cost housebuilder and strategic land specialist" said it sold 691 in H1 (to end December) which is an increase of 16.5%
- "We continue to see strong demand for our low-cost homes, supporting both increased build activity on existing sites and the opening of new sites"
- "Our target market remains strong and our customers have maintained their confidence. We do not see any signs of customer caution"
- The Board expects the Group's H1 results to be significantly ahead of those of the previous first half year and for the full year to 30 June 2019 "at least in line with expectations"
- Mr Dury would say they were "lighting up the chalice"

Latest reported Capital Turn (x) in Q4 2018

Capital Turn = revenue divided by capital employed; *denotes interim results (annualised data)



Economics corner 1

- **GDP** in the UK grew by 0.4% in the three months to October 2018 driven mainly by the services sector, although the production and construction sectors (+2.2%) were also positive contributors - including housebuilding. Consensus forecasts for 2019 and 2010 are in a band from 1 to 2%

- **CPI** was 2.3% in November 2018, down from 2.4% in October 2018; and 3.1% in November last year

- **Unemployment** was still an extraordinary 4.1% in the October quarter and down from 4.3% a year ago. Note, too, that regular pay in nominal terms rose 3.3% in the October quarter of 2018 on an annualised basis and it has not been higher since September to November 2008

- **Retail Sales** in November rose 1.4% against October and by 3.3% year-on-year by volume bolstered by non-food

Economics corner 2

- **UK Finance**: the number of mortgages approved by British high street banks flattened in November, with the first year-on-year rise since September 2017 i.e. 39,403 mortgages for house purchase were approved in November on a seasonally adjusted basis, down 0.6% from October but up 0.2% from November 2017.

- **Bank of England:** in November mortgage approvals fell 4.5% to 63,728 against October. On an annualised basis though, November 2018's tally was just 1.7% shy of November 2017

- **Experian*** says that Private Housing Output is forecast to rise 3% this year and by 4% in 2020; at the same time, the much-smaller Public Sector is set for +3% and +6% this year and next

*where Building Value is an advisor

House price corner

- **Nationwide:** house prices rose 0.5% in 2018 and the its conditional forecast for this year is a low single digits
- **Rightmove** says that UK house prices in 2019 are likely to be flat with London and environs dipping and the North rising
- **Halifax:** 2019 forecast of +2 to 4% (and options open)
- **Reuters Housing Market Poll** (which includes Building Value) expects median house prices inflation of 1.8% this year and 2.0% un 2020
- **Others in 2019:** Hometrack (+3%); RICS (no change); Capital Economic (+1%); and mortgage broker Coreco (+1 to 2%)

Reason 1

- "The juice of carrot, the smile of a parrot, a little drop of claret" are three more things to be cheerful about according to Mr Dury
- The eponymous single (remember those?) reached number three (oddly enough) in 1979 which was a busy year for the boy; and a peak. In 1982, he disbanded the wonderfully monikered 'The Blockheads' and a fitful solo career ensued
- Housebuilding's peak year was 2017 with a 43% annualised rise in stock market value and a peak of £44.3 billion on 24 October 2017
- Remember, too, it had bottomed out on 7 July 2008 at £3.1 billion amid the cacophony of the Global Financial Crisis (GFC); and in its unmelodic denouement, the listed UK Housebuilders reinvented themselves

Reason 2

- Germane to this reinvention was £5.3 billion of provisions taken in 2008-10 i.e. 41% of pre-crisis NAV; and £1.7 billion of new cash raised shareholders
- Empiricism prevailed and the industry is wiser, ungeared and better managed (i.e. it eschews dodgy recording contracts)
- By example check the six companies which reported results in Q4, only one (Telford) has any net debt at all - and Berkeley is sitting on £860 million of net cash (up from £633 million) which tells its own story
- At the same time munificent dividends are being paid, with a number of double digit yields available
- Using Berkeley, again, it has given guidance on a 25% fall in pretax profit in the 12 months to 30 April 2019; and yet its share price fell only 17% last year in a Sector off 27%

Reason 3

- A lot of red ink was spilled in 2018, but December turned (+1%) as did the nine trading days of the Christmas holidays (+2.2%) and the opening four of 2019 (+3.2%)
- Including Berkeley, too, the consensus on Sector earnings growth is flat this year with +5% in 2020; in a yield hungry World, too, check out 7% plus available from dividends
- There is life after a little death; and we hope that the plain old Brexit Big Bopper struts his stuff (if not, it will be platinum record buying opportunity)
- But, yes, 2019's path will undulate
- Note, too, that the number of first time buyers with mortgages soared in 2018 to 367,038 - which is double 2008's tally and just 6% off their 2006 all-time peak; and further growth is expected

Reason 4 (okay, there's an extra one)

- And, on Boxing Day it was reported, by Rightmove, that 40 million homes were viewed on line
- Similarly on 7 January, Gleeson said profits were soaring and "we do not see any signs of customer caution"
- Ian Dury once said: "all I want for my birthday is another birthday"; the industry will have one too

“What I wanted to do was to paint sunlight on the side of a house”

- Edward Hopper -

Legend

Name	Ticker	Value (£m)	Price (p)	52 week low (p)	52 week high (p)
Abbey	**ABBY**	*300*	*1400.00*	*1400.00*	*1620.00*
Barratt Developments	**BDEV**	4694	462.80	430.00	640.30
Bellway	**BWY**	3095	2515.00	2407.00	3700.00
Berkeley Group	**BKG**	4488	3479.00	3170.00	4338.00
Bovis	**BVS**	1162	861.80	818.60	1259.89
Cairn Homes	**CRN**	*844*	*107.00*	*103.00*	*200.00*
Countryside	**CSP**	1370	304.40	265.60	387.00
Crest Nicholson	**CRST**	843	328.20	275.00	565.00
Gleeson	**GLE**	352	644.00	600.00	830.00
Glenveagh	**GLV**	*619*	*0.71*	*0.65*	*126.00*
Inland Homes	**INL**	107	52.00	47.30	73.60
McCarthy & Stone	**MCS**	745	138.70	96.05	161.00
Persimmon	**PSN**	6129	1930.00	1825.50	2913.00
Redrow	**RDW**	1817	491.40	455.80	666.00
Springfield Properties	**SPR**	100	104.00	104.00	139.00
Taylor Wimpey	**TW**	4464	136.25	127.80	200.95
Telford Homes	**TEF**	216	285.00	267.00	474.50
Wakin Jones Group	**WJG**	525	205.50	173.00	232.00
Itallics denotes Euros					

(i) CPI = Consumer Price Index; RONA = Return on Net Assets
(ii) REIS / REIT = Real Estate Investment & Services / R E Investment Trusts;
(iii) Share prices are at 31/12/2018 and sourced from Bloomberg and Yahoo Financial UK;
(iv) Adjustments have been made to share prices, where appropriate;
(v) Selected stocks are excluded from charts and Sector averages; and
(vi) Other adjustments have been made to reported numbers and metrics.

Disclaimer

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