Lewisham, London

# Full Year Results
# 30 September 2023

23 January 2024

Watkin Jones plc

*Well positioned to capitalise on a market recovery*

# Agenda

1. Overview
2. FY23 Results
3. FY24 & Outlook
4. Market Review
5. Broadening the Earnings Base
6. Summary
7. Q&A

Alex Pease

Chief Executive Officer

Sarah Sergeant

Chief Financial Officer

Unity Street Bristol

# Overview

# FY23 Overview

## FY23 Results in line with October trading update

Challenged Real Estate market conditions

**£413m**
Total revenue

**£0.2m**
Adjusted operating profit

**£10m**
Core trading operating profit

**£35m**
Additional Building Safety provision

## Resilience and Adaptability

Strong balance sheet

Capital light model / low debt

Gross cash **£72m**
Net Cash **£44m**

**c. £300m**
Forward sold revenue FY24 covering overhead costs

Over **£500m**
Forward sold revenue between FY24 & FY27

## Controlling the Controllables

Organisation design & efficiency savings targeted so not to inhibit growth

Staff incentivisation strategies ongoing

Active Pipeline management

Review & rationalisation of non-core land bank

Proactive approach to Land Market

Efficiencies through: centralised procurement / plant strategy & design standardisation

# CEO reflections - WJ key strengths underpinning recovery and vision

## Market & Sector Leading business

Vertically integrated

Partnership Track Record
Sales since IPO: **£2.9bn**
**71** transactions
**87%** repeat business

Self-build capability
since IPO delivered:
**22,700** PBSA & BTR beds

Operational Expertise - Fresh
**35** cities / **71** schemes

## Strong Occupational Performance to Drive Forward Fund Market

Robust rental growth

Supply extremely curtailed

Fuelling sector outperformance

Investment market showing
signs of recovery:
Transactions in Q4 2023: **£1bn+**

Land now offering good
buying opportunities
**1** site exchanged /
**3** Under Offer since year end

## Broadening Earning Streams

Options to capitalise further
on our expertise

Opportunities to expand the range of
income streams:

- Strategic Development Partnerships
- Refresh / Redevelopment opportunities
- Fresh
- Asset Management

# FY23 Results

Pavillion Court Wembley

# FY23 Financial Highlights - P&L

£M

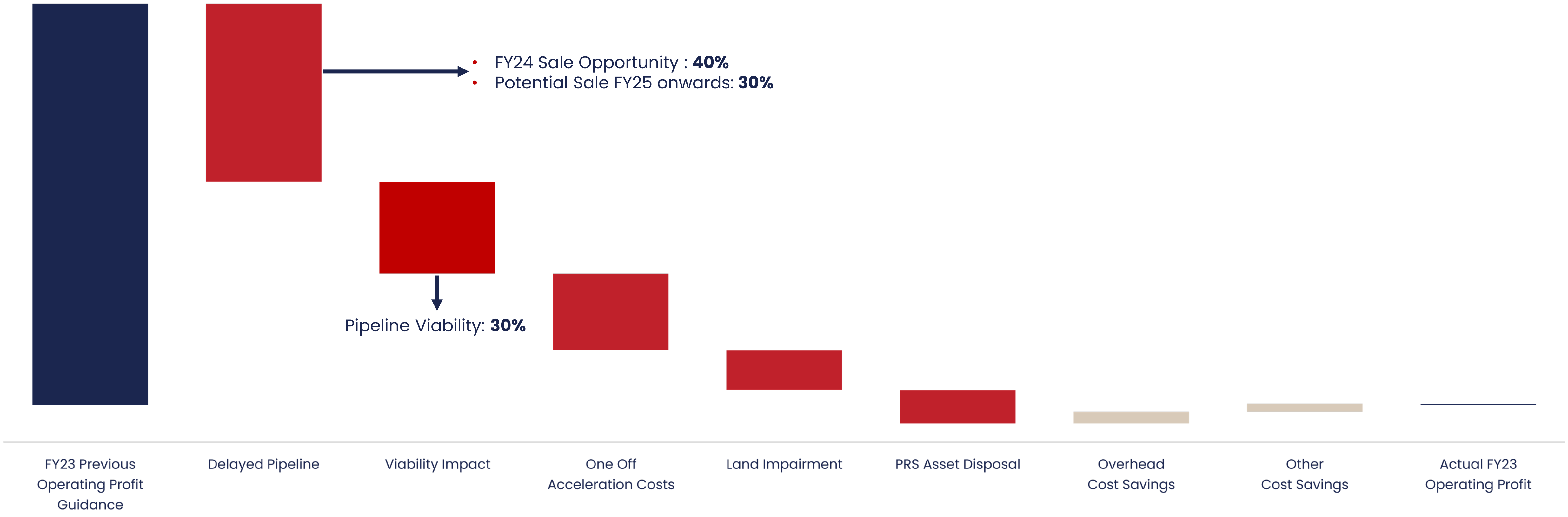
**Overall results in line with October Trading Update**

- Revenue at **£413m** / Gross Margin: **9.8%** *(excluding land impairment)*
- Drop YoY in Gross Profit:
  - Low levels of forward sale activity
  - Impact of a main contractor liquidation
  - Acceleration costs for sites to complete
- Overheads at **£30m** reflecting impact of cost out programme completed in the year
- Adjusted Operating Profit: **£0.2m** *Includes £(5.5)m land impairment and £(4.6)m book loss on disposal from three of our non-core PRS operational assets*

| | FY23 | FY22 | Movement |
|---|---|---|---|
| **Revenue** | **413.2** | **407.1** | **2%** |
| **Gross Profit** | **40.4** | **67.6** | **-40%** |
| **Overheads** | **(30.1)** | **(31.2)** | **-3%** |
| **Core Trading Operating Profit** [1] | **10.2** | **36.4** | **-72%** |
| **Impairment** | **(5.5)** | | |
| **Asset Disposal** | **(4.6)** | **18.3** | |
| **Operating Profit** [1] | **0.2** | **54.7** | **-100%** |
| **Profit Before Tax** [1] | **(2.9)** | **48.8** | **-106%** |
| **Basic EPS** [1] | **(0.6) pence** | **14.8 pence** | |
| **ROCE** [2] | **0.2%** | **63.1%** | |

1. The FY22 & FY23 results for these measures exclude the exceptional charge of £30.4m & £38.1m respectively for the potential costs of remedial work required under the Building Safety Act & Restructuring Costs.
2. Return on capital employed is calculated as operating profit before exceptional items, divided by average capital employed, being net assets excluding intangible assets, lease assets and liabilities, and net cash.

# FY23 Operating Profit – Bridge to Final Outturn




- Increases in interest rates and prevailing economic uncertainty have impacted negatively on market liquidity; delay in planned pipeline forward sales
- Impact of pricing assumptions and viability; pipeline let go
- Additional costs incurred, including one-off acceleration costs to ensure successful completion on two schemes in the summer
- Reviewed our balance sheet and reassessed the carrying value of certain legacy land assets and WIP pipeline balances
- Sale of 3 of non-core PRS operational assets: book loss of £4.6 million

# FY23 Financial Highlights – Strong Liquidity Position

£M

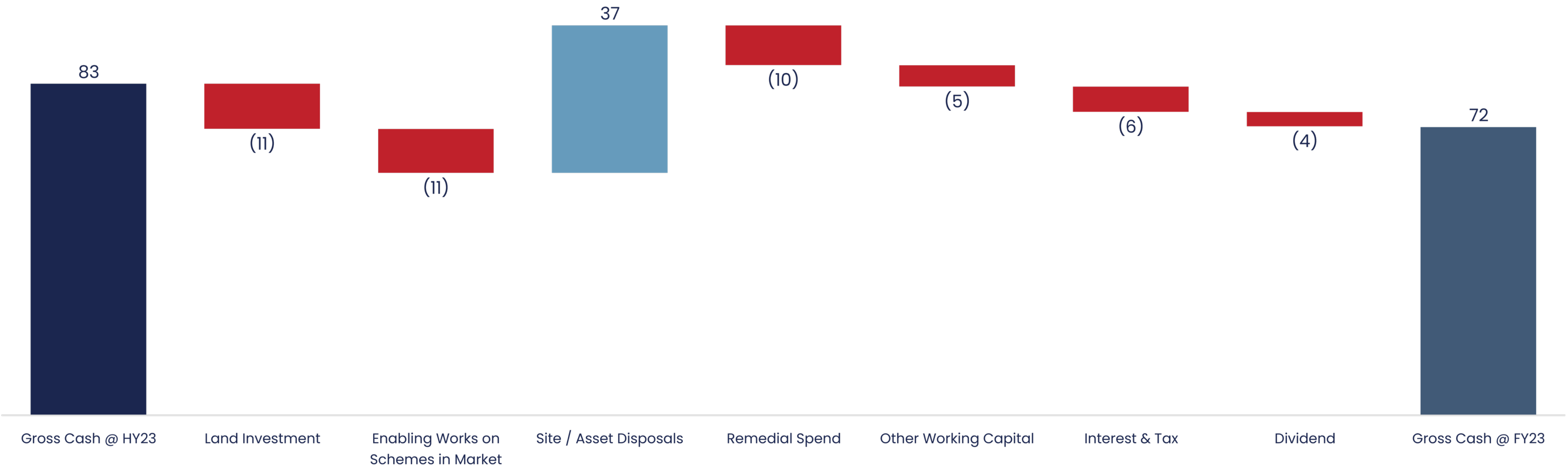
- Net cash outflow of **£31.5m** predominantly reflects investment in new land sites of £11m and £15m provision spend on remedial works
- Strong liquidity position, with gross cash of £72m and available facilities of £31.2m, totalling **£103.6m**
- RCF facility recently extended with HSBC until November 2025; to allow debt and forward sales market time to stabilise
- Borrowings flat year on year and in line with FY22
- Total dividends of **£15m** paid in the year (FY22 FY £11.5m, FY23 Interim £3.6m)
- Board has decided not to recommend a final dividend in respect of FY23

| | FY23 | FY22 | Movement |
|---|---|---|---|
| **Net Cash From Operating Activities** | (31.5) | (26.9) | (4.6) |
| **Gross Cash** | 72.4 | 110.8 | (38.4) |
| **Borrowings** | (28.5) | (28.2) | (0.3) |
| **Net Cash** [1] | 43.9 | 82.6 | (38.7) |
| **RCF Headroom** | 21.2 | 75.2 | (54.0) |
| **Overdraft Facility** | 10.0 | 10.0 | - |
| **Cash & Available Facilities** | 103.6 | 196.0 | (92.4) |
| **Dividend** [2] | 15.1 | 21.8 | (6.7) |

Notes
1. Net cash is stated after deducting interest bearing loans and borrowings, but before deducting IFRS 16 operating lease liabilities
2. Dividend paid in the year

# Cashflow Bridge – Strong Year End Cash Position

£M




We have maintained a strong year end cash position despite market conditions and delays in our anticipated forward sales:

- **£11m** (net of RCF drawdown) investment in land for two PBSA schemes in the South
- **£11m** WIP investment on enabling works on sites secured in the market
- **£37m** cash inflow in H2 from disposals: Metal Works, Bristol £25m (May), Titanic Quarter, Belfast (June) £1m and 3 PRS Properties (Aug) £11m
- **£10m** remedial spend in the period

# FY23 Financial Highlights - Balance Sheet

£M

- Inventory and WIP decrease throughout the year due to impairment of land assets and PRS disposal
- Increase in other current assets due to timing of BTR scheme completions in FY24
- Strong year end gross and net cash position of **£72m** and **£44m**, respectively
- Net Provision balance of **£55m**
  - £66m gross liability, less £11m reimbursement asset included within Current & Non-Current Assets
  - Includes the additional £35m provision booked in FY23 for potential remedial works for building safety
- Net Assets **£130m** vs £177m PY

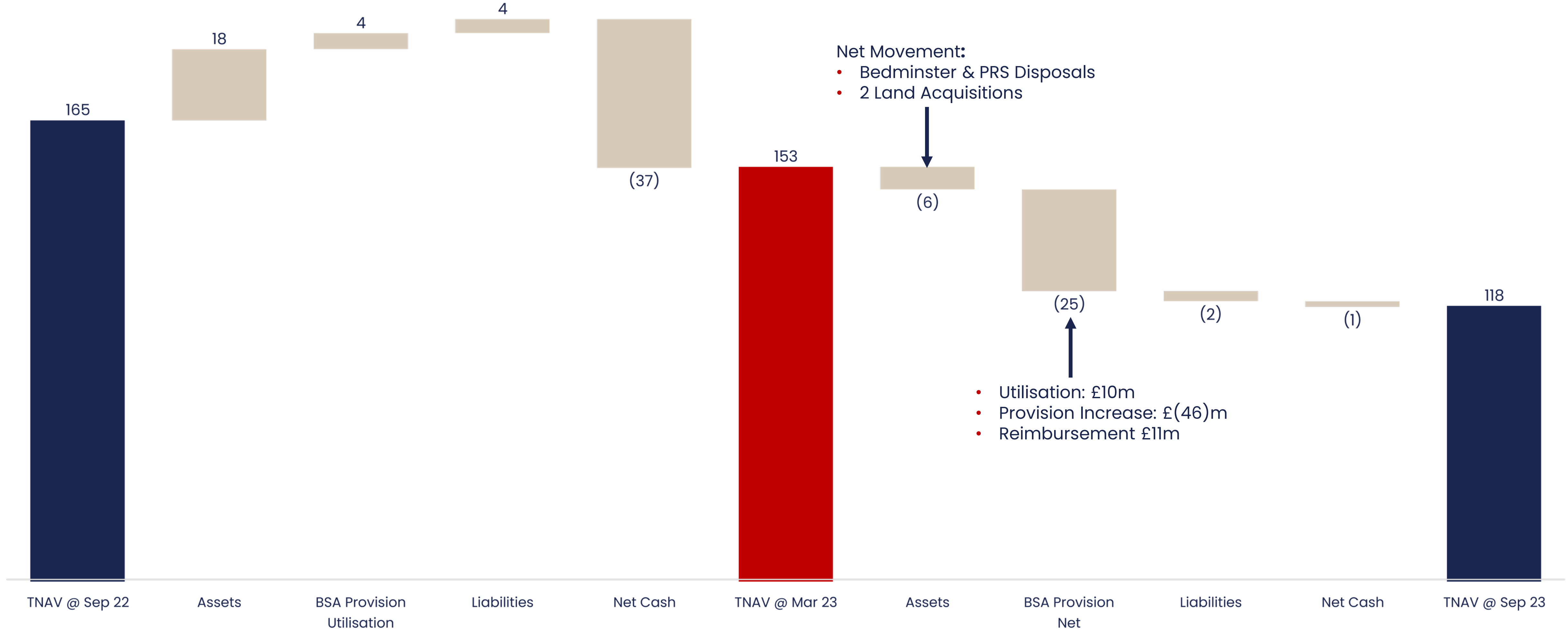
| | FY23 | FY22 |
|---|---|---|
| ROU & Leased Assets | 29.5 | 32.1 |
| Other Non-Current Assets | 30.6 | 17.5 |
| Total Non-Current Assets | 60.2 | 49.6 |
| Inventory & WIP | 123.5 | 147.1 |
| Other Current Assets | 115.4 | 79.4 |
| Cash | 72.4 | 110.8 |
| Current Assets | 311.4 | 337.4 |
| Total Assets | 371.5 | 387.0 |
| Trade & Contract Liabilities | 102.2 | 94.8 |
| Provisions | 65.6 | 33.4 |
| Current Tax Liabilities | - | 4.4 |
| Borrowings | 28.5 | 28.3 |
| Lease Liabilities | 45.2 | 49.1 |
| Total Liabilities | 241.5 | 210.0 |
| Net Assets | 130.0 | 177.0 |

# Provision for Legacy Building Safety

- Further provision of **£35m** recognised for legacy building safety
- Recognised as a result of:
  - Introduction of secondary legislation and evolution of government initiatives during 2023; signing of the Government's Responsible Actors' Scheme
  - Changes in scope and cost estimates following intrusive surveys and fire safety reports
  - Evolution and conclusion of settlement and contribution agreements with building owners
- Appropriate contingency included
- Net provision at 30/9/23 is **£55m**; will be spent over the next 5 years

# NAV – Bridge to FY23

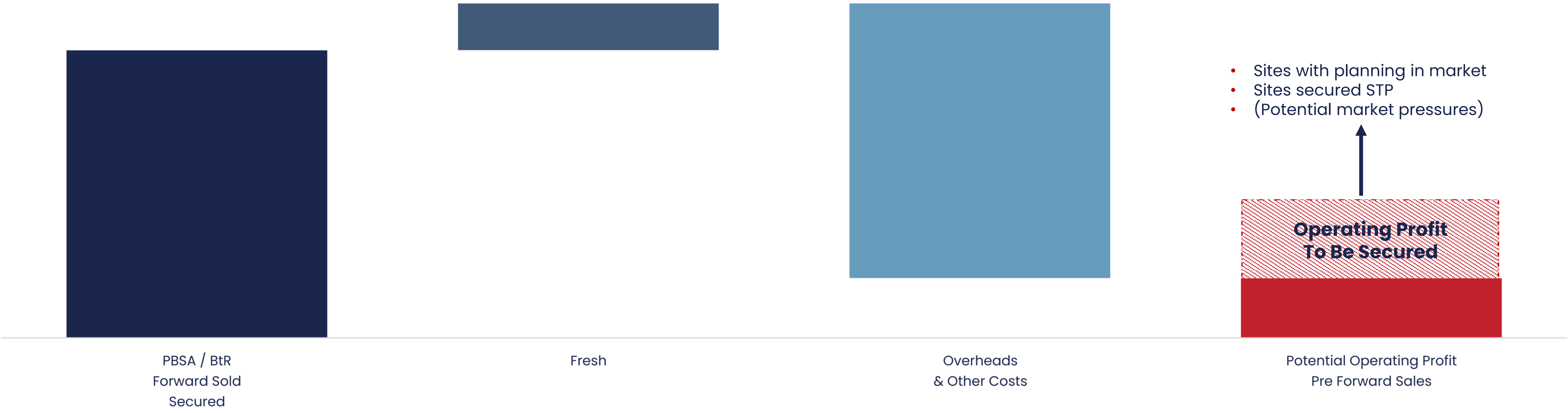
£M



The Gorge Exeter

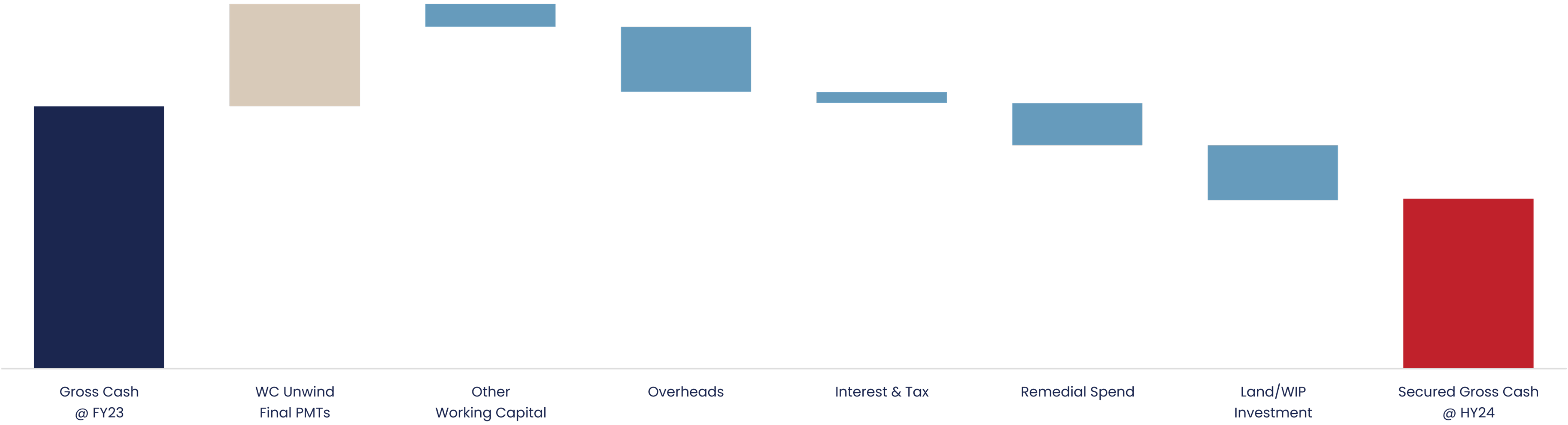
# FY24 & Outlook

# FY24 Operating Profit Outlook – No change to previous guidance




- Guiding to **£15m** > **£20m**
- Positive potential operating profit forecast pre any further forward sales
  - Forward sold revenue of **c.£300m** @ **c.10%** gross margin
  - Fresh gross margin contribution
- Sites with planning which are currently being marketed: four schemes
- Further secured sites which we are progressing through planning, with potential forward sales in H2 FY24
- But potential further market pressures with forward sales

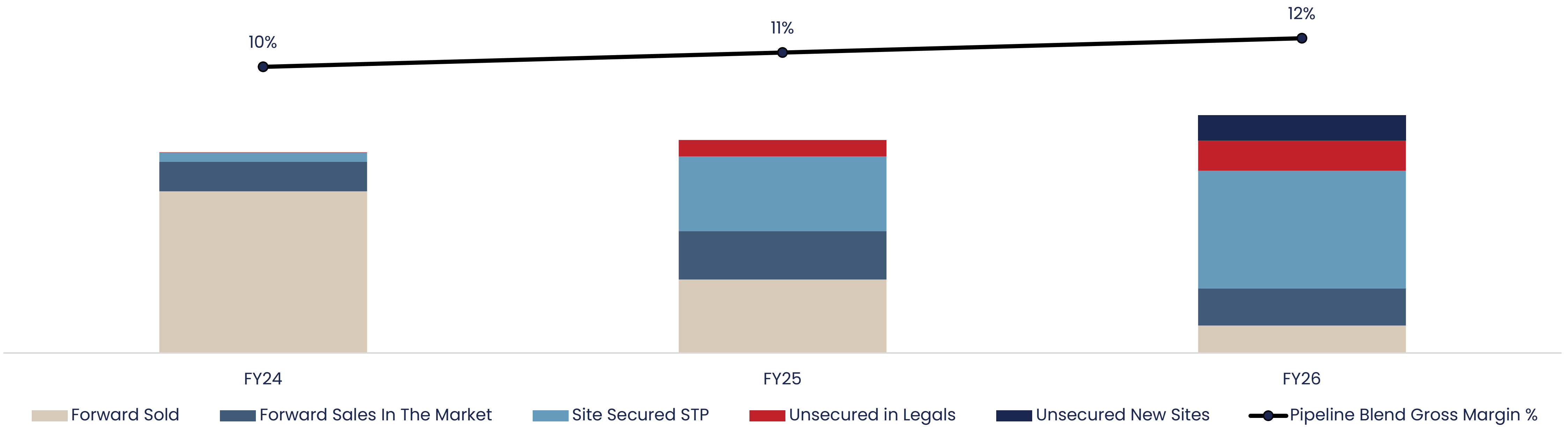
# Cashflow – Strong secured cash position for HY24




- Strong secured cash position forecast for HY24, before any further forward sales or land acquisitions
- Secured unwind of working capital from final bullet payments on sites which have / are due to complete in FY24: **c.£25-30m** in H1
- Minimal net outflow from other working capital movements on live schemes within H1

# Illustrative Recovery Profile - Pipeline Outlook

Revenue Mix & Gross Margin % Blend: FY24 > FY26




*NB: Excludes Fresh Gross Margin Contribution*

- Good confidence in rebuild of business to profitability
- Anchored on our forward sold secured revenue of **c. £500m** and sites in the market worth **c. £300m**
- Forecast revenue of **c. £700m** from sites secured and in planning
- Sites in legals and under offer totalling **c. £400m**
- Margin drag from schemes forward sold in FY22 and FY23 will continue through to FY26
- Margin on new assets building back to more normalised position, assuming a blended **12%** in FY26

# Fresh – A key differentiator and part of our end-to-end proposition

Fresh.

## Review of FY23

- ✓ Strong retention in year; some churn in UUM, but opportunities to offset with new growth
- ✓ Best Private Housing Provider for 3rd year in a row, rated as a Platinum Provider
- ✓ 2023/24 bookings returned to pre-covid levels

## Looking ahead to FY24

- Active potential pipeline of c. 7,000+ units
- Blend of in year & future years - focus on long hold clients across PBSA & BTR
- Development of additional income streams through bolt on services around core offer:
  - Design advisory service
  - Lifecycle services
  - White label business partnerships

## Innovation

- Dynamic Pricing - developed inhouse & now in action
- Next generation PBSA product research with the wider Group
- AI adoption improving online marketing performance / analytics & reducing cost

**23,064**
total units under management

**28**
Individual clients

**35**
operational cities

**71**
Individual schemes

**+35**
Student Net Promoter Score

**7%**
Av. rental growth (3-20% range)

**+37**
Client Net Promoter Score

**97%**
Occupancy 23/24

# ESG – Progress made across People, Places, Planet

**Review of FY23**

- Excellent health & safety performance; incident rate 4.9% of the national industry average
- All sites submitted for planning met BREEAM Excellent standards
- Over 98% diversion of waste from landfill, ahead of 2025 target
- Continued to explore ways to reduce our carbon emissions:
  - Successful trial of hydrotreated vegetable oil (HVO) fuel* in place of diesel
  - Procurement strategy developing direct relationships with domestic suppliers of products, e.g. steel, to reduce Scope 3 emissions


Birmingham City College students visiting the Sherlock Street development as part of a work experience programme

**Looking ahead to FY24**

- Formal submission of our Science Based Targets to the SBTi for validation
- Review suitability of lower carbon products (blended concrete & 75% recycled window frames)
- Partnering with our supply chain to enhance understanding of environmental management & use of materials from sustainable / recycled sources


WJ Tough Mudder team in support of Hope House Children's Hospice

FUTURE FOUNDATIONS

Future people. Future places. Future planet.

*HVO fuel has up to 90% less carbon emissions than traditional diesel

Sherlock Street Birmingham

# Market Review

# Market Summary - Excellent operational fundamentals underpin a positive market outlook

## Positive Supply Demand Characteristics

- Strong growing occupational demand for both PBSA & BTR
- Supply constrained due to a range of market challenges

## Underpinning Strong Operational Performance for Asset Owners

- Driving strong rental growth PBSA **8%**[12] & BTR **10.9%**[13] in 2023
- Occupancy at record levels

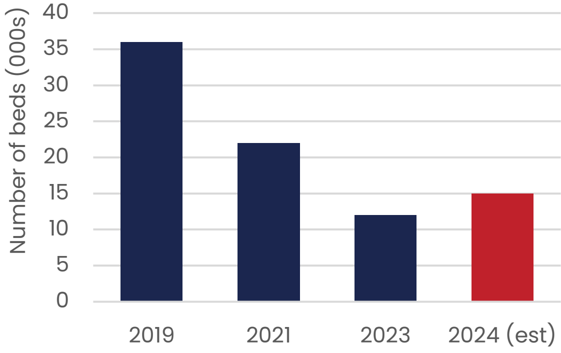
## Driving Asset Performance & Increasing Investor Allocations

- Residential for rent outperforming other property sectors
- Capital continuing to increase allocations into the UK Living sectors, from **£7.6bn** (2018) to **£15.1bn** (2022)[13]

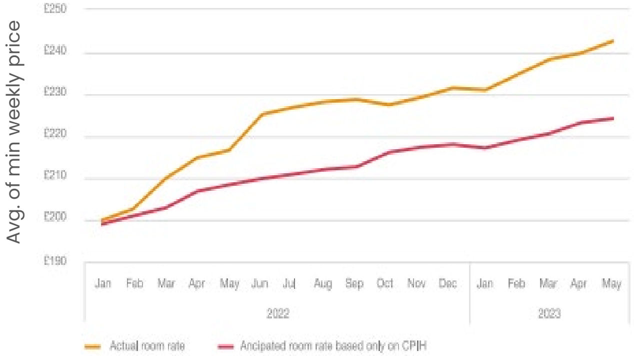
## Forward Funding Remains a Key Conduit for Investors

- Limited BTR existing stock & supply shortfalls in PBSA
- Increased ESG & Building Safety focus enhances new build appeal
- Challenging development environment – limits competition

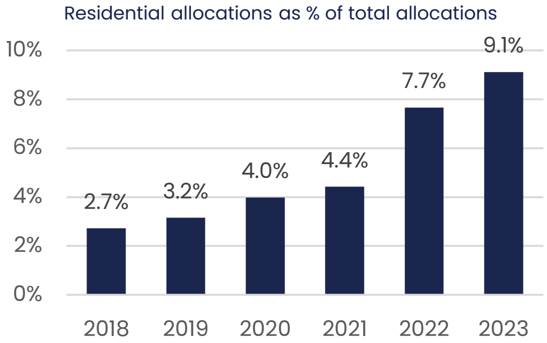
*PBSA delivery has declined over the past 5 years* [2]



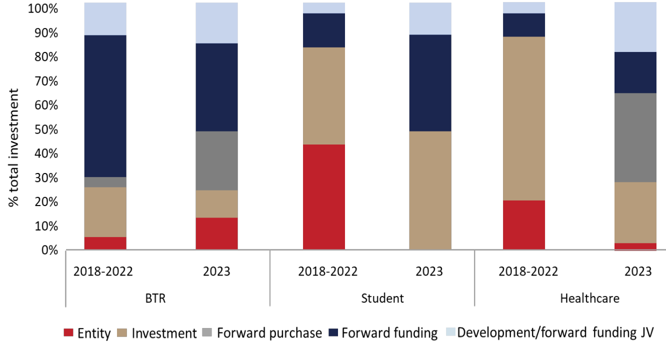

*PBSA rental growth outstripping inflation, driven by lack of supply*[3]




*Residential allocations have increased from 2.7% to 9.1% over the past 6 years*[6]



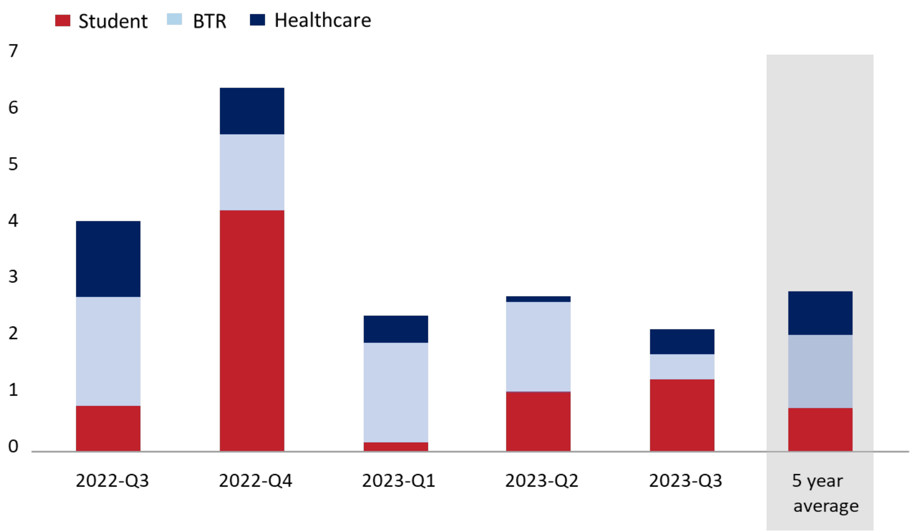

*Investment in standing assets has fallen across all living sectors this year*[9]



# Investment Market – Constrained but emerging signs of liquidity returning

- UK Living investment reduced in 2023 though only slightly below 5-year average
- Investment activity, BTR c. **£2.9bn** and PBSA c. **£3.2bn**[9] (vs £11.5bn in 2022)
- Watkin Jones achieved sales across PBSA / BTR / Residential & Affordable **c. £250m**
- Emerging signs of market liquidity improving
- c. **£1.06bn** of sales in Q4 2023 across 9 BTR and PBSA schemes

Total living investment (£bn)[9]




- Metal Works, Bristol
- 819 PBSA Beds
- c £100m
- Vendor: Watkin Jones
- Purchaser: KKR

- Titanic Quarter, Belfast
- 708 BTR & Affordable Units
- c £155m
- Vendor: Watkin Jones
- Purchaser: L&G / Clanmil HA

# Titanic Quarter, Belfast – A Case Study in Urban Regeneration

## Transaction overview

- BTR and Affordable Homes Regeneration scheme

| | |
|---|---|
| **Tenure Type** | Build to Rent |
| **Acquisition Structure** | Subject to planning and funding - Dec 2020 |
| **Planning Permission** | April 2022 |
| **Residential Units** | 708 (627 BTR Units and 81 Affordable Homes) |
| **Funder** | L&G and Clanmil Housing Association |
| **Price** | **c. £155m** |
| **Funding** | May 2023 |
| **Target PC** | July 2026 |

**"Northern Ireland Property Deal of the Year"**
Belfast Telegraph Property Awards

## Strengths & capabilities demonstrated

- **Urban Regeneration**: first BTR scheme in NI, catalysing one of Europe's largest waterfront regeneration sites
- **Transaction Structure**: partnership led JV & flexible conditional deal structure – ensured alignment between parties
- **Planning Expertise**: large scale & mixed tenure development with multiple stakeholders & significant public and political interest
- **Strong Funder Relationships**: fourth transaction with L&G pioneering in new market for both parties

# Metal Works, Bristol – A Case Study in Partnerships unlocking value

## Transaction overview

- 819 unit PBSA regeneration scheme with 15-year lease agreement to University of Bristol

| | |
|---|---|
| **Tenure Type** | PBSA |
| **Site Acquired** | Feb 2022 |
| **Planning Permission** | June 2021 |
| **Residential Units** | 819 PBSA Beds |
| **Tenant** | University of Bristol – 15 years |
| **Funder** | KKR |
| **Price** | **c. £100m** |
| **Funding** | May 2023 |
| **Target PC** | Aug 2024 |

CGI graphic of Metal Works, Bristol

## Strengths & capabilities demonstrated

- **Urban Regeneration**: keystone site in Bristol Council's regeneration of the Bedminster Green area of Bristol
- **Planning Expertise**: effective re-work and value engineering of consent for design and cost efficiencies
- **University Relationships**: successful regear of University Lease to support scheme viability
- **Strong Funder Partnerships**: transaction execution with existing capital partner KKR closed in 10 working days

# Land & Planning - Increased opportunity & margins building back to long run targets

## Land acquisition activity and pricing reducing

**-39%** YoY land sales for Q3 2023

**-8.7%** urban land price reduction in the 12 months to Sept 2023

## Planning – barriers to entry remain high

Planning applications & consents falling across UK

National elections and emerging manifestos delay clarity on national policy

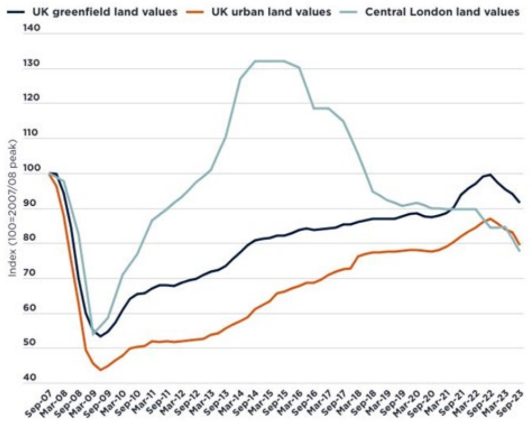
WJ's model aligns well with high density, brownfield regeneration policies

## Taking advantage of the land market dislocation

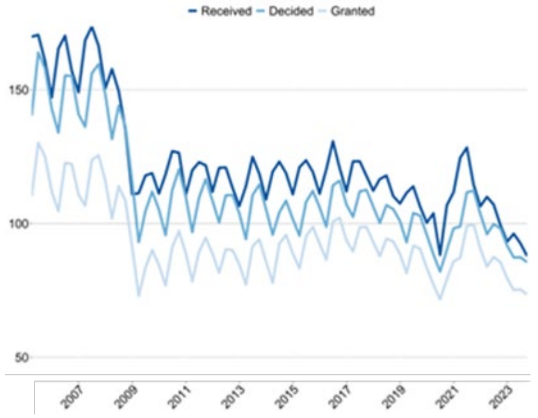
Strategic initiatives implemented increasing opportunity volumes:

- Exchanged **1** site since year end
- Under offer on **3** PBSA sites
- Total NDV **c. £500m**

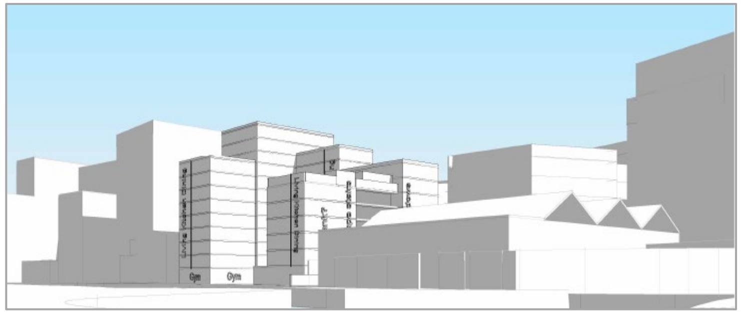
Further softening in residential development land values[6, 10, 11]




Planning applications and consents falling across England[4]




CGI massing graphic – site exchanged Dec 2023



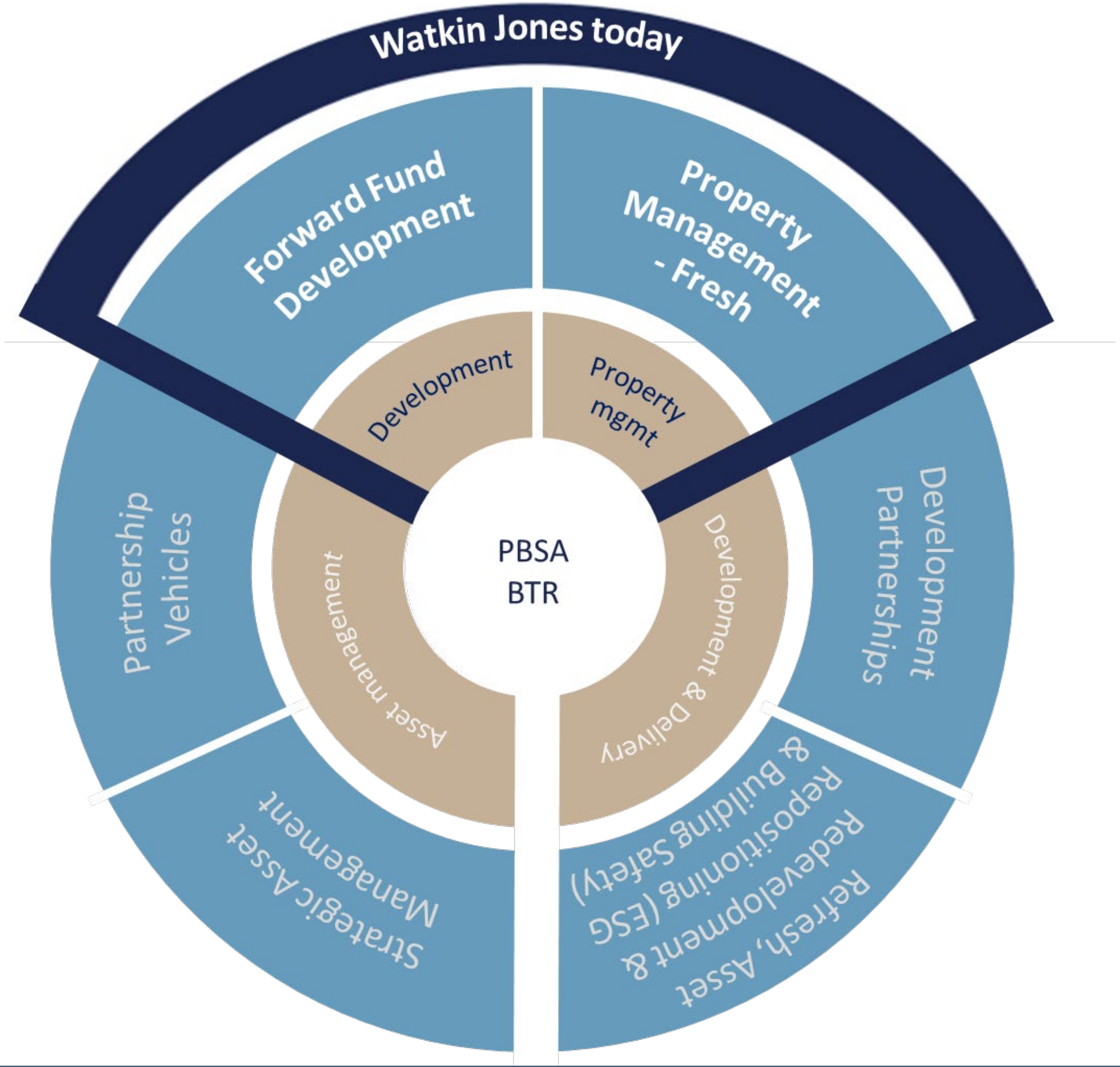
# Broadening the Earnings base

Cathedral Street, Glasgow

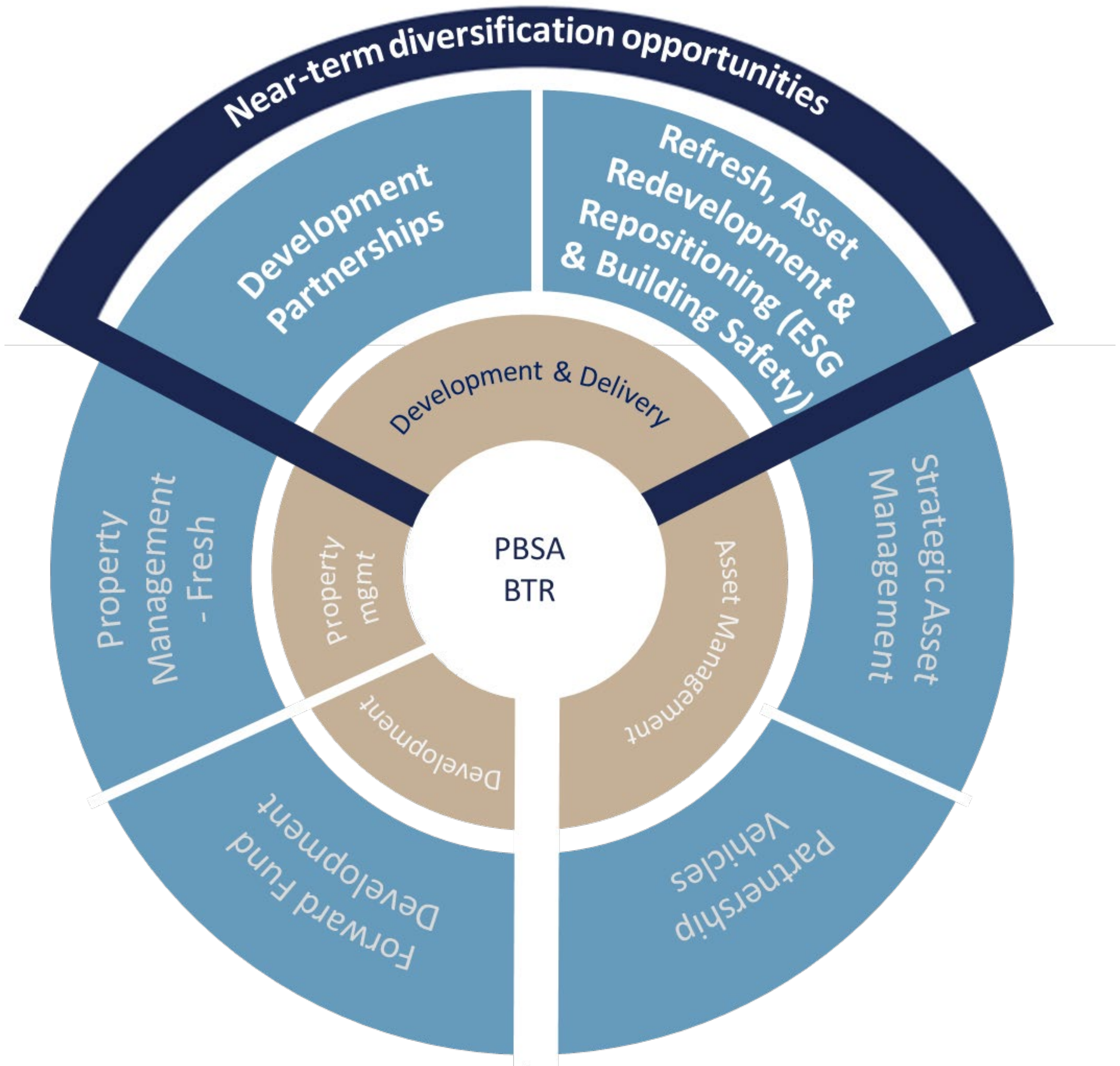
# Existing In-house Delivery & Operational expertise – Offers key differentiators & adaptability

| In-house Delivery team | Central Pre-Construction & Procurement | Building Improvement Team & Refresh | Fresh |
|---|---|---|---|
| Speed of mobilisation & overall build programme<br><br>Competitiveness / margin – Buying power<br><br>Control & consistency of delivery process<br><br>Ability to adapt strategy | Project Management Capability<br>• Efficient transition - Development to Delivery<br>• Risk Management - Golden thread<br>• 3rd Party management & monitoring<br><br>Enhancing Outperformance<br>• Supplier rationalisation<br>• Partnership Frameworks<br>• Estimate **4%** betterment on market inflation (BCIS Index)<br>• Design & product specification | Converting a threat to an opportunity<br><br>Specialist & scarce skillset<br><br>Expert knowledge of new & emerging standards & legislation<br><br>Full development & delivery service<br><br>Building the foundations for Refresh / Redevelopment opportunities | Deep customer & product knowledge & insight<br><br>Market performance & analytics<br><br>Rental & market repositioning<br><br>Brand Performance – Buildings & white label<br><br>Operational compliance / ESG / Health & Safety |

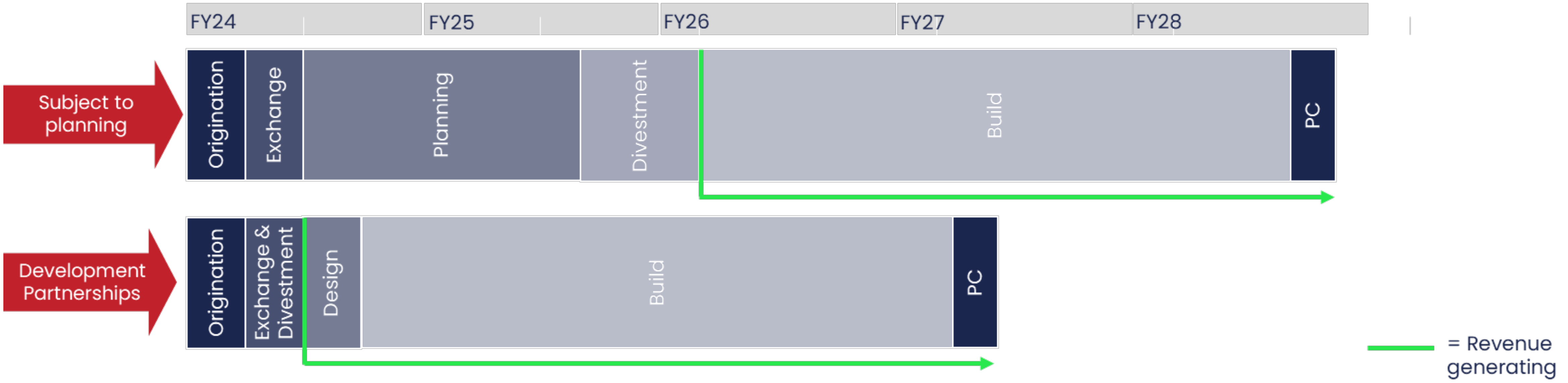
# Where a broadened earnings base might evolve



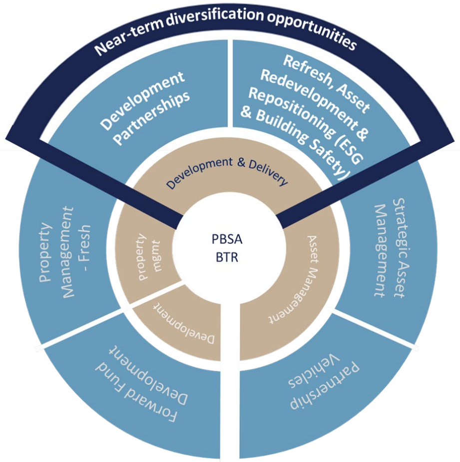
# Where a broadened earnings base might evolve



# Strategic Development Partnerships – De-risked balance sheet & earlier recognition of revenue




- Partnership acquisition & development strategy with investors to secure good quality consented land
- Levers Watkin Jones' existing development and delivery skillsets into incremental earnings
- Strategic approach to take advantage of land market conditions
- Minimal Watkin Jones balance sheet impact and risk
- Delivers revenue & margin recognition significantly quicker, reducing transaction & planning timeframes



# 'Refresh' – Redevelopment opportunities emerging leveraging WJ expertise

## What is it?

Redevelopment, refurbishment & repositioning of existing stock in the market

A full development service offering

ESG & Building Safety led redevelopment initiatives


## Scale of opportunity?

Potentially significant

Of 719,000 UK PBSA beds, **538,000**[1] are 8 years+, poorer quality, 1st gen schemes

University & Institutional PBSA portfolios

PRS residential schemes looking to upgrade to BTR

ESG & Building Safety non-negotiables for investors

## WJ well placed to deliver

Existing In-house Teams

Fresh – customer, rental & product insight

Investment - Substantial development & investor track record

Delivery - Scale & buying power of existing team

Building Improvement team - Specialist works expertise

## Why do it?

Limited like-for like competition

Wide spectrum of projects allowing scalability

Diversified income streams

Swifter revenue generation

Discussions with **7** clients

Works ranging **£0.5m to £30m+**

# Case Study - Refresh

**Live Refresh project:** Existing University PBSA Halls of Residence

**Units:** 700+

**Status:** Under negotiation with WJ consortium

**Watkin Jones role:** Development / Delivery

*Works comprise:*

**Building Safety**

- Full recladding / Firestopping
- Correct inherent building defects to current Building Regs
- General repair / re-roofing / re-commission M&E

**ESG**

- Targeting to reinstate to 'BREEAM Excellent' rating

**Repositioning**

- Refurbishment of bedrooms / kitchens / communal Areas

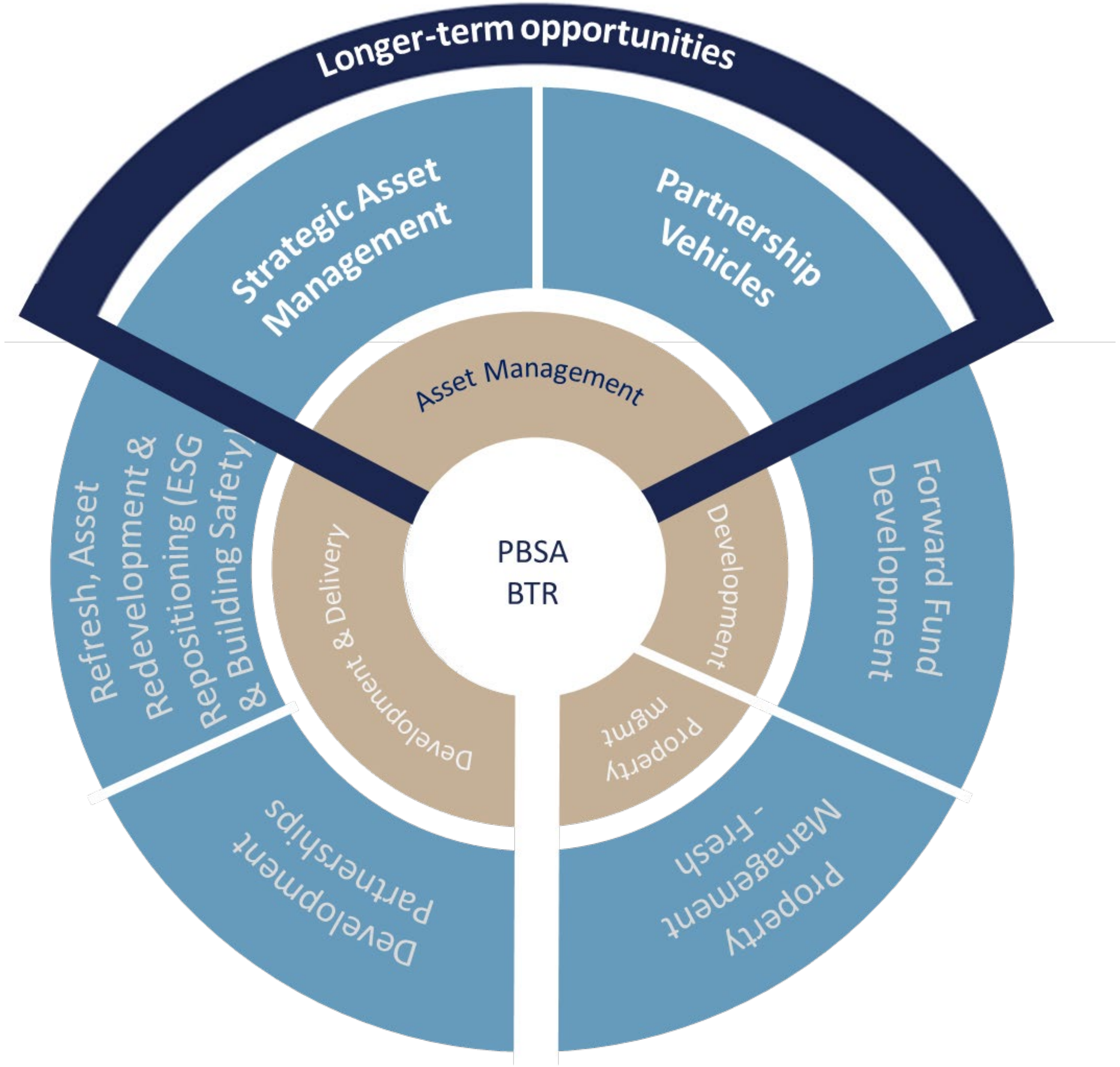
**Forecast programme**

- Acquisition 4-6 months / lead-in 6 months / 15-month program works

**Estimated revenue: £35m+**



# Where a broadened earnings base might evolve




# Summary

# Summary

1. Market leading business
2. Resilience and agility
3. High performing operational sectors
4. Controlling the controllables
5. Depth of expertise and knowledge of markets
6. Broaden and diversify earnings

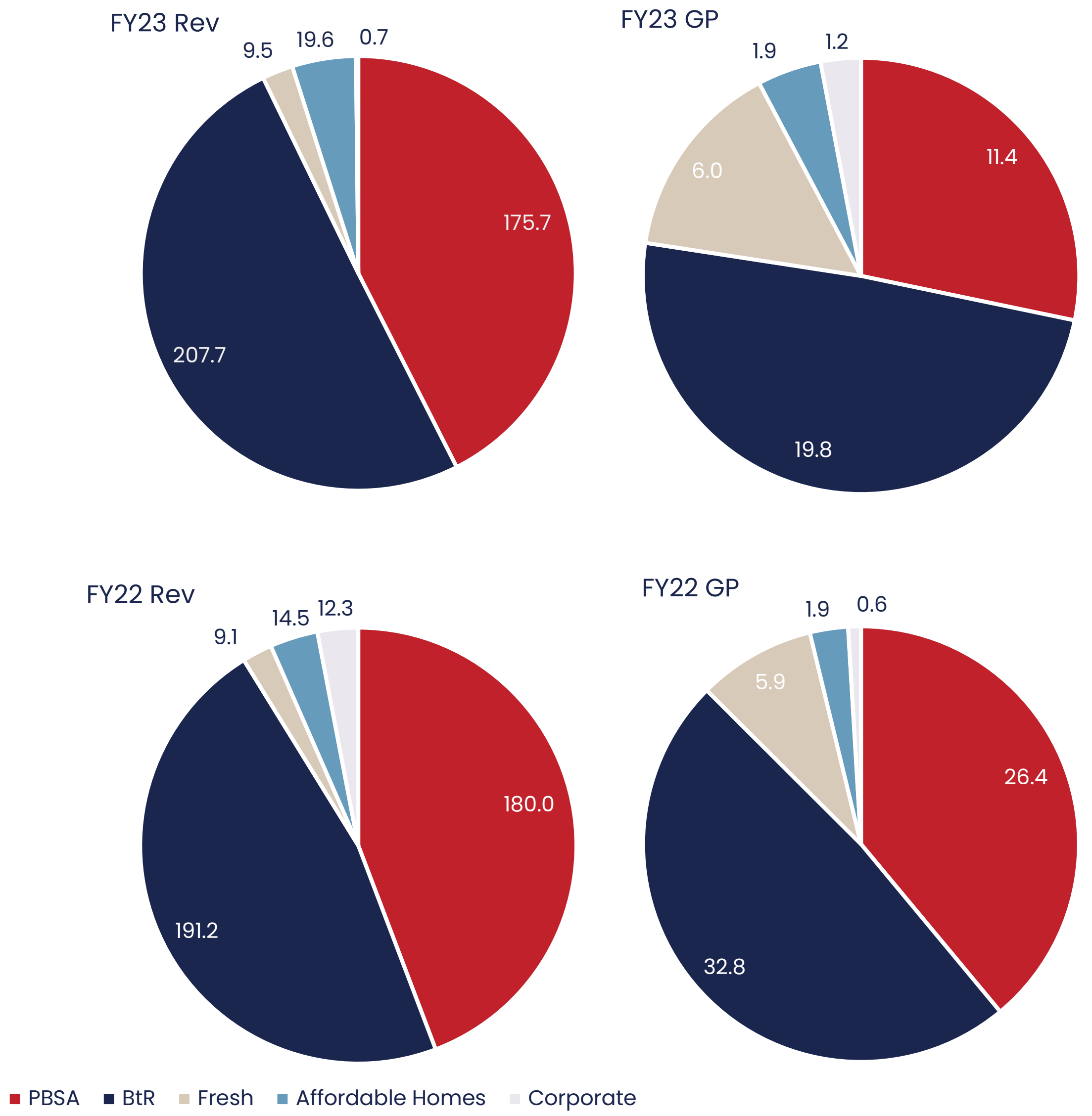
# Q&A

Metal Works, Bristol

# Appendix

# Segmental Review: Revenue & Gross Profit

£M




**BTR**

- Growing contribution from BTR, 9% increase in Revenue to **£208m** / **9.5%** GM
- Good progress from developments in build at Cardiff, Birmingham, Leatherhead, Bath and Lewisham
- Alongside forward sale and ongoing build of our Titanic Quarter site in Belfast

- **PBSA**
- Relative flat YoY due to the deferral of forward sales, now expected in the coming years, 2% decrease in Revenue to **£176m** / **6.5%** GM
- Revenue/GM also reflects works for our ongoing developments in build at Bath and Nottingham, alongside the forward sale of Bedminster
- GM drop vs prior year due to the impact of the main contractor liquidation at Exeter as well as acceleration costs to PC two schemes in the summer
- Gross Margin excluding Exeter: **9.4%**

**Affordable Homes**

- Increase in Revenue to **£19.6m** as we further progress works at Crewe
- Gross Margin: **10%**, dilution in GM vs prior years as we move further into our affordable homes scheme at Crewe vs previous open market only margins

**Fresh**

- Relative flat YoY, small increase in Revenue to **£9.5m** / **63%** GM
- Units under management remain flat in year as wider economic factors affected clients acquisition plans in year

# NAV Bridge

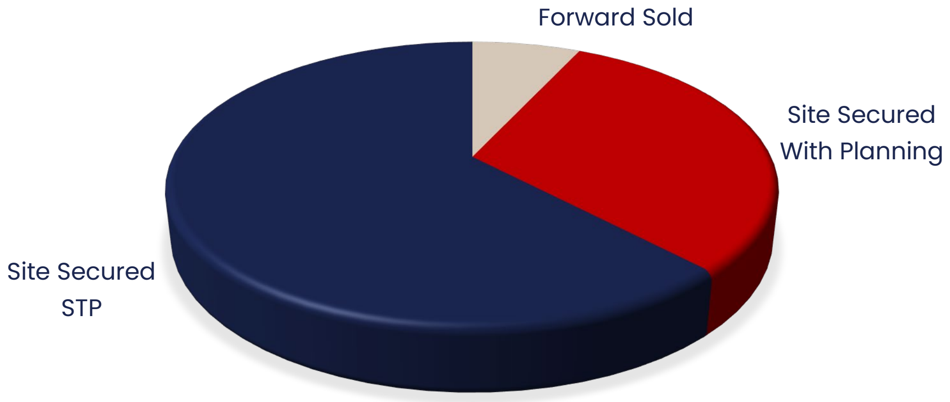
£M

| | Sep-22 | WIP Investment | Dividend | Remedial Spend | Other | Mar-23 | Land Acquisitions | Disposals | Dividend | Remedial Spend | BSA Provision | Other | Sep-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non Current Assets** | **50** | | | | (2) | **48** | | | | | 4 | 8 | **60** |
| **Land & WIP** | **147** | | | | 2 | **160** | 27 | | | | | 2 | **124** |
| *Bedminster* | | 10 | | | | | | (44) | | | | | |
| *PRS Properties* | | | | | | | | (20) | | | | | |
| **Other Current Assets** | **79** | | | | 7 | **86** | | | | | 7 | 22 | **115** |
| **Assets** | **276** | | | | | **294** | | | | | | | **299** |
| | | | | | | | | | | | | | |
| **Other Liabilities** | **(99)** | | | | 2 | **(97)** | | | | | | (5) | **(102)** |
| **Debt IFRS 16** | **(49)** | | | | 2 | **(47)** | | | | | | 2 | **(45)** |
| **Provisions** | **(33)** | | | 4 | | **(29)** | | | | 10 | (46) | | **(66)** |
| **Liabilities** | **(182)** | | | | | **(174)** | | | | | | | **(213)** |
| | | | | | | | | | | | | | |
| **Gross Cash** | **111** | | (12) | (4) | (12) | **83** | (11) | 37 | (4) | (10) | | (23) | **72** |
| **Debt** | **(28)** | (10) | | | | **(38)** | (16) | 25 | | | | | **(29)** |
| **Net Cash** | **83** | | | | | **45** | | | | | | | **44** |
| | | | | | | | | | | | | | |
| **Net Assets** | **177** | | | | | **165** | | | | | | | **130** |
| | | | | | | | | | | | | | |
| **TNAV** | **165** | | | | | **153** | | | | | | | **118** |

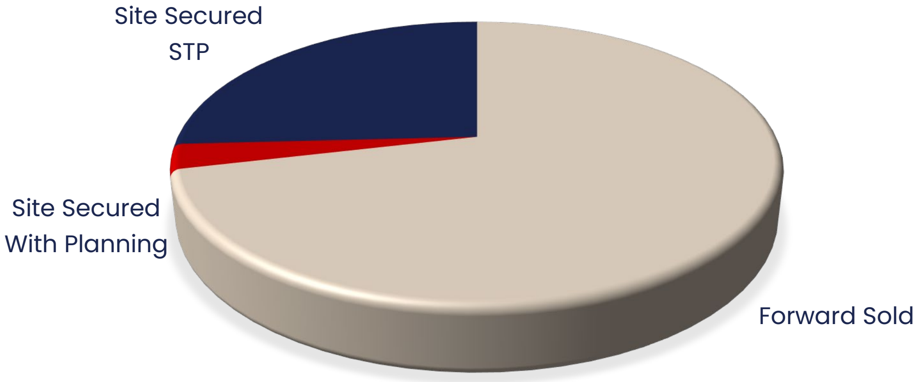
# Secured Development Pipeline: PBSA & BTR

£M

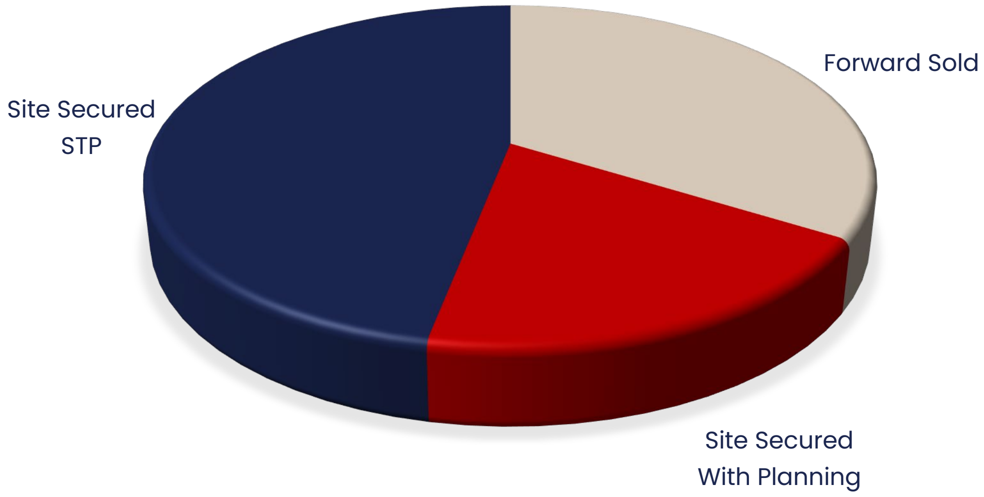
PBSA £0.9BN SECURED PIPELINE




BTR £0.6BN SECURED PIPELINE

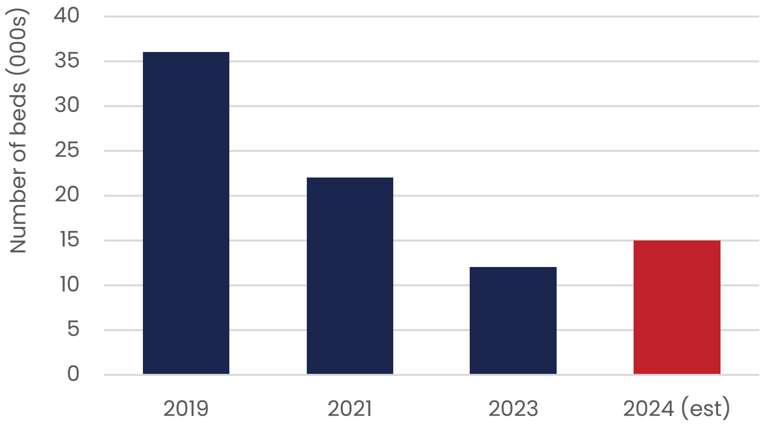



WJ £1.5BN SECURED PIPELINE

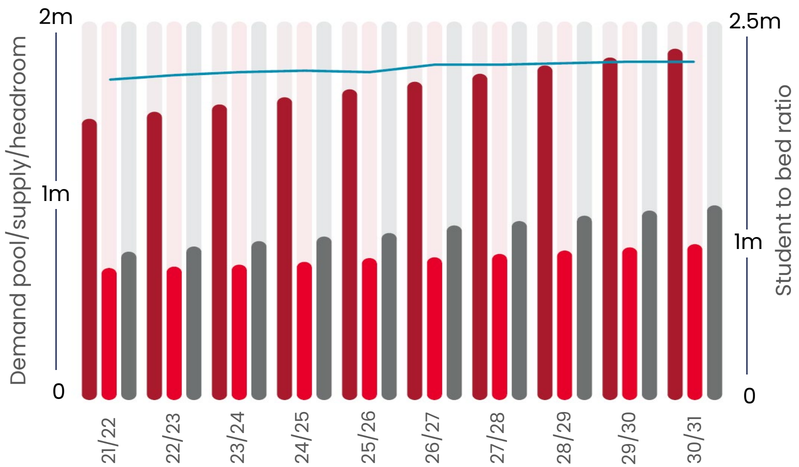


# PBSA - Supply/Demand imbalances drive operational performance

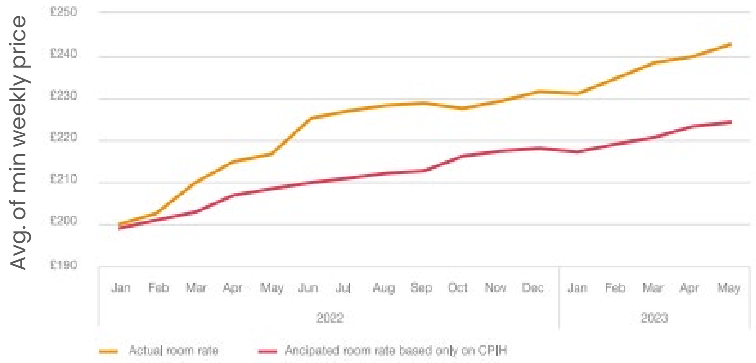
PBSA Delivery has declined over the past 5 years [2]




PBSA headroom expected to continue to increase over the next 10 years [1]




PBSA rental growth outstripping inflation, driven by lack of supply [3]

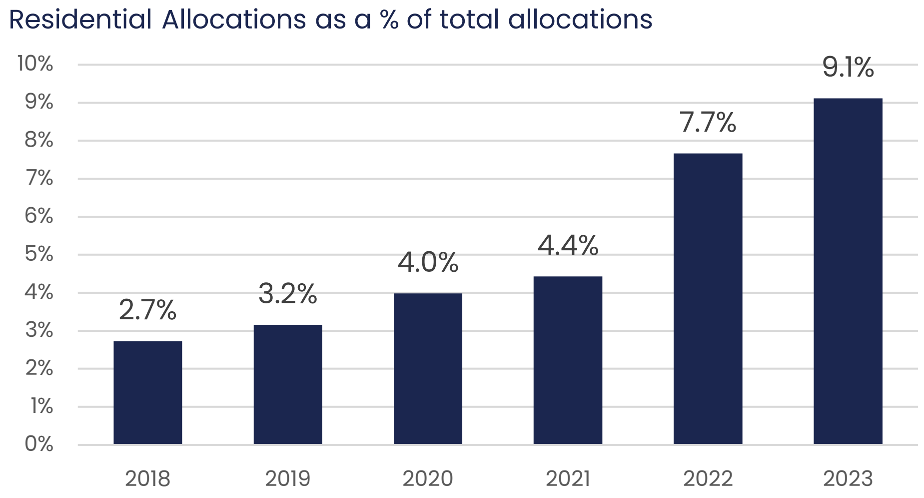



Price rises are seen against CPIH at a UK-wide level for private accommodation only at as Jan 2022-Apr 2023

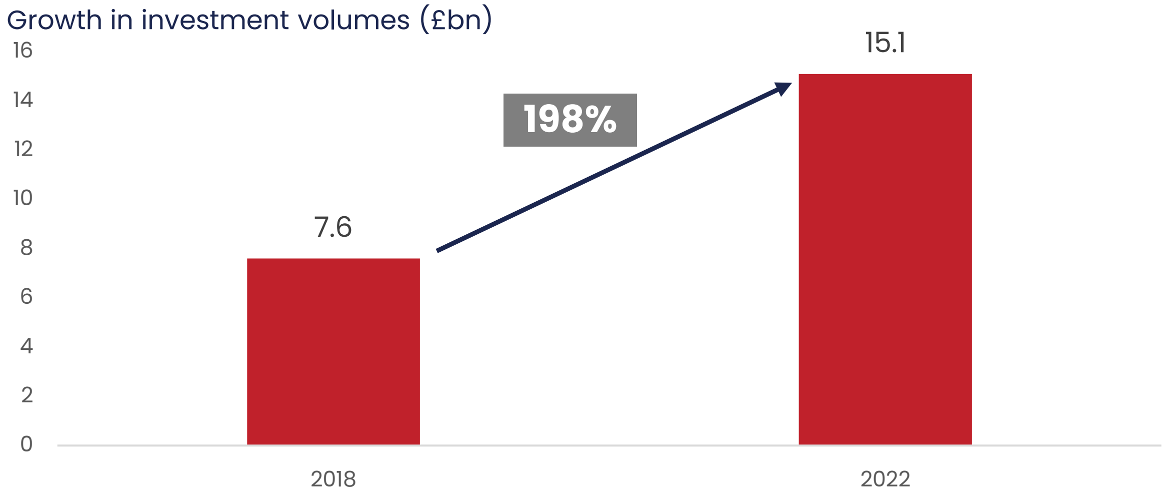
- PBSA bed supply has continued to decline driven by the challenging planning environment and increases to build costs
- Full-time student numbers continue to grow, projected to increase to **1m** by 2030
- Supply / demand imbalance has widened by c **100,000** beds over last ten years[1]
- Fuelling high levels of occupancy and rental growth of **8%** for the 2023/24 academic year across the UK[12]

# Residential for Rent performance driving growing interest and allocations from investors

Residential allocations have increased from 2.7% to 9.1% over the past 6 years [6]




UK Living sectors investment has increased rise from £7.6 billion in 2018 to £15.1 billion in 2022 [6]

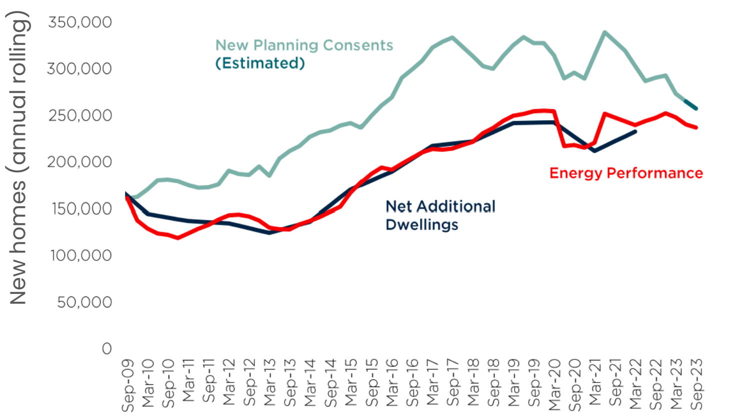



Allocation of total real estate investment (currently €1trn AUM) to the living sector [6]


- This is a **£70.9bn** increase over the next three years with the UK expected to account for 38% (£27bn)
- Number of BTR units & private PBSA units in the UK (c. 250,000 and 400,000 respectively) majority owned by long term capital
- Development will be the main conduit to meet demand

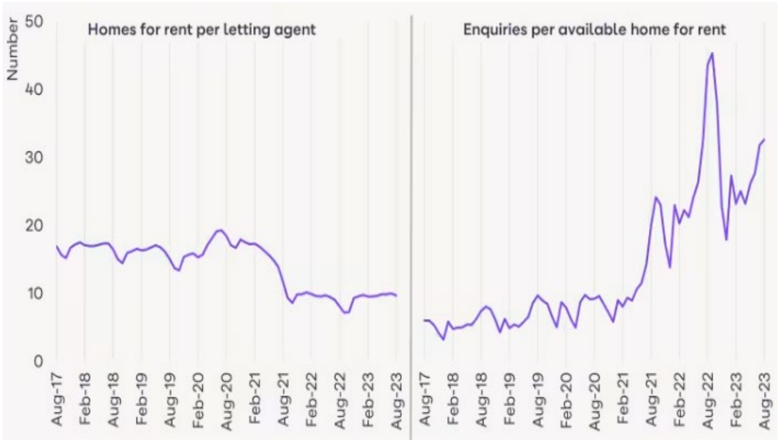
# BTR - Supply challenges failing to meet demand

New consents and supply (as measured by EPC issuances) are both decreasing [4]



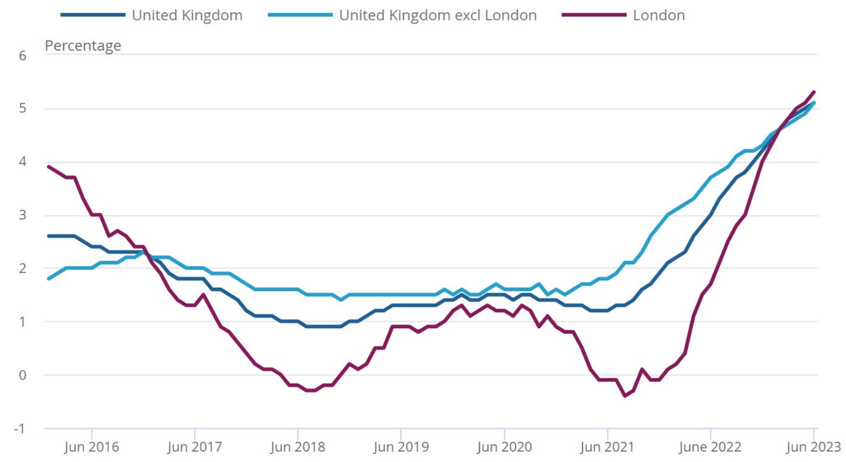

Delivery of new homes continues to fall with future supply under pressure

Homes available for rent has decreased whilst enquiries have substantially increased [5]




Major mismatch in rental supply and demand

Rental pricing continues to increase given the lack of supply [6]



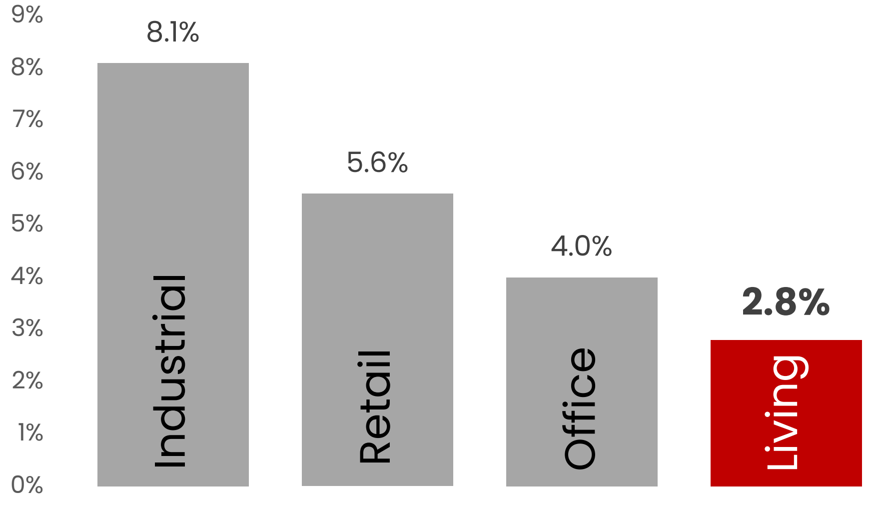

Index of Private Housing Rental Prices percentage change over 12 months, UK and London, Jan 2016-June 2023

- Both new consents and supply have fallen since March 2021
- This aligns with increases in rental pricing which has grown consistently since summer 2021
- Alongside new supply, existing supply for rent has decreased over the period, further exacerbating rental demand
- Forecast **800k-1m** new rental households needed by 2023[14]

Source: Savills

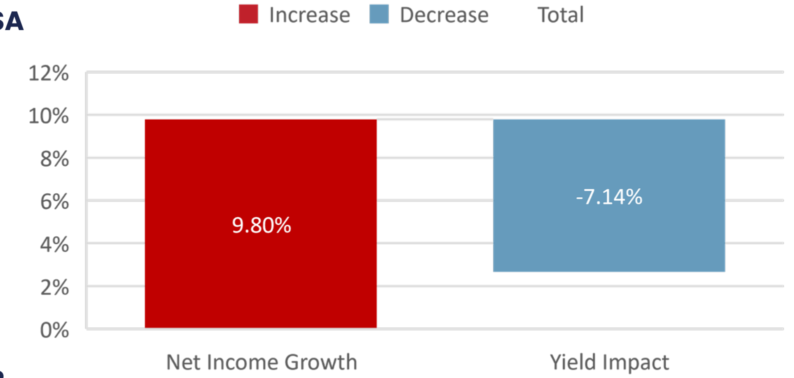
# Sector Performance and Returns

## Living sector capital values have been less volatile [7]

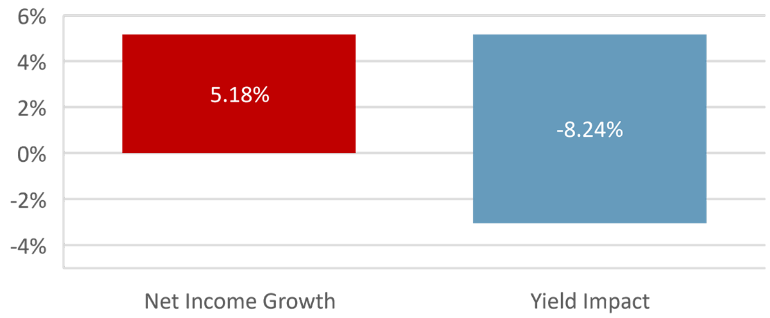



## Impact on Capital Values 2022-23 [8]

**PBSA**




**BTR**



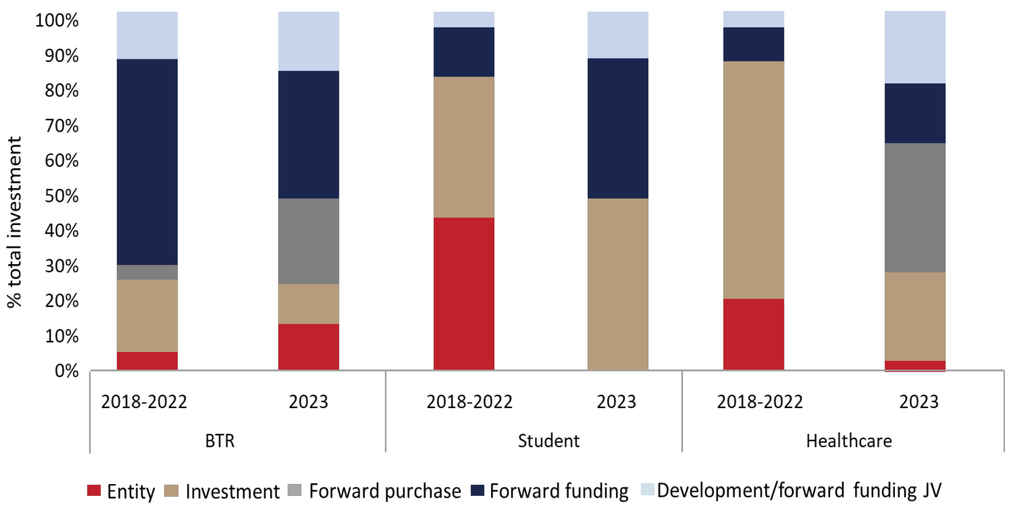

- Strong net operating income in both BtR and PBSA sectors
- To an extent off-set yield pricing pressure
- Further pressures on development debt costs have widened the gap for development funding opportunities
- One of the key attractions for investors is the lower volatility displayed by residential vs other asset classes given the high residual value
- This will help underpin values even in a higher interest rate environment

Source: Savills

# Forward fund - market

- Remains the key conduit for investment into BTR and will remain a key component of PBSA investment
- Strong operational performance limiting distress in existing assets
- Constrained supply not meeting investor demand
- Evolving fire safety and ESG requirements increase attractiveness of new build stock

Investment in standing assets has fallen across all living sectors this year [9]




*WJ well positioned to retain a market advantage:*

## Capital markets

- Established position as a market leader in Forward Funding
- Deep and longstanding relationships with capital
- Strong focus on ESG and design helps to retain our advantage

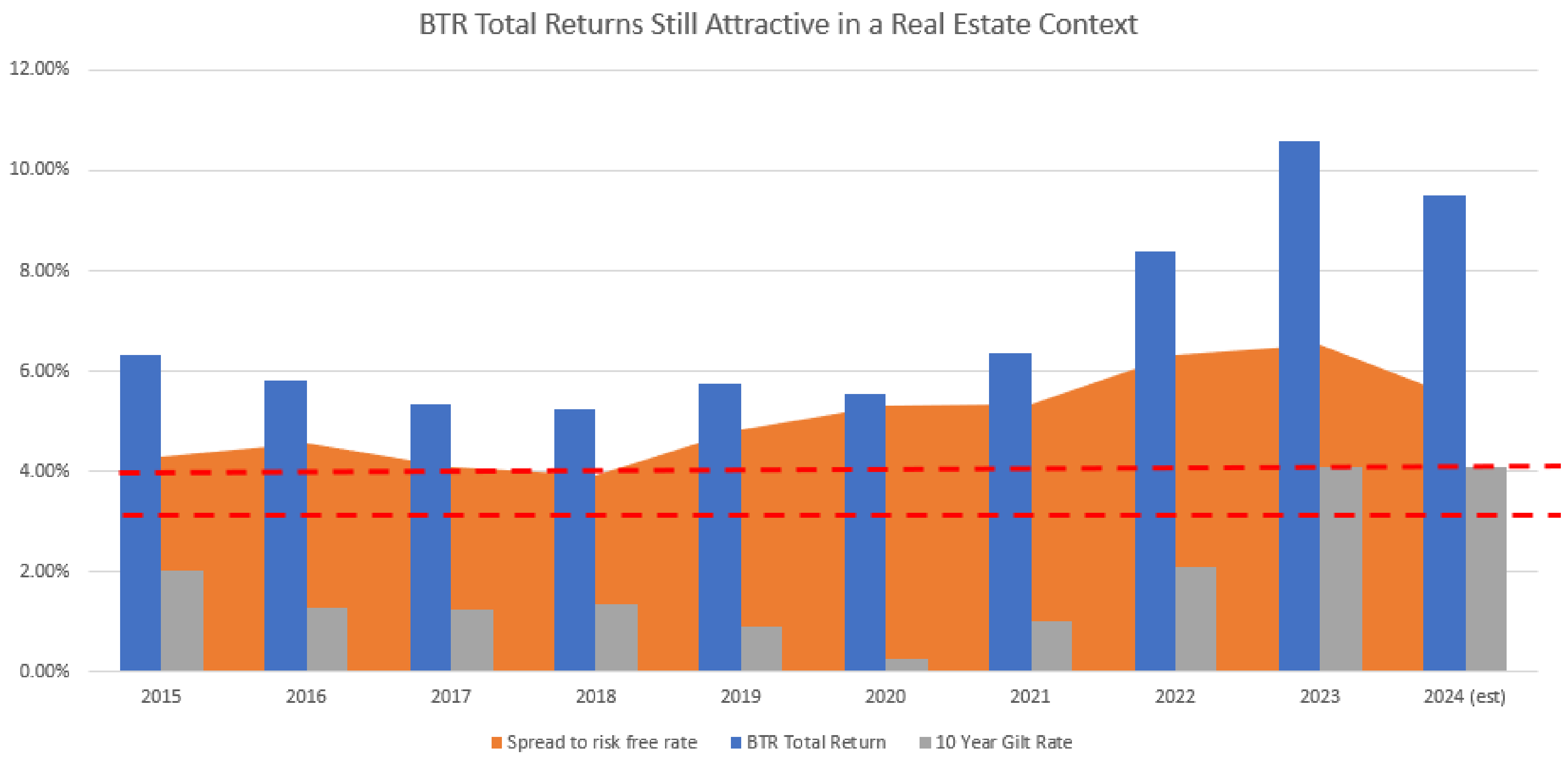
## In-house delivery

- Offers a competitive advantage in a challenged contracting market
- Established supply chain relationships built up over many years

## Fresh

- Offers strong operational knowledge of the markets we operate in
- Allows us to adapt our product to stay aligned with our customers

# BTL Total Return Spread to Gilts




- Spread to Gilts remains attractive on a long term basis, tracking above the 3-4% premium expected for Real Estate vs 10 year Government Gilts.
- With rental growth expected to be ca. 5% next year[5] and assuming yields remain static, spread to gilts will still remain at 5.4%.

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