



HMI Conference

Pete Redfern
October 2016

Agenda

-
- —● Post Referendum housing market summary
 - —● Taylor Wimpey strategic priorities
 - —● Redfern Review, Decline of Home Ownership

Post Referendum housing market

Post Referendum market summary

- Underlying fundamentals remain good, critically mortgage lending remains stable
- Customer confidence in the housing market and house prices for the medium term remains strong everywhere but prime central London
- Stamp duty rather than the consequences of Brexit is the prime driver of slowness at the highest price brackets
- Other potential long term implications such as labour cost and material availability are hard to call, but will be slow to impact
- Land environment remains very encouraging, strategic land strong

Taylor Wimpey strategic priorities

Taylor Wimpey strategic priorities

- Steady sustainable growth, above previous expectations, particularly on large sites
- Careful monitoring of cyclical risk in the medium term, particularly around long term mortgage cost and existing Government support
- Continual improvement in landbank quality
- Maximisation of short term operational excellence and discipline
- Invest in long term value added programs
 - Project 2020 on production
 - Employee recruitment, development and engagement
 - Customer service and product quality
 - Placemaking and product aspiration

Customer Service changes – 2015 reminder

Already happened	Happening now	Future plans
New Customer Director	New customer relationship manager role	Product and production changes
More empowerment of Customer Teams	Enhanced Head of Customer Service role	Changes in completion timing
Change of Bonus structures	New Home Quality Inspection report	'Wow factor' spec changes
Customer focus groups with existing customers	Reinforcement of consistency of process	Customer portal
Changes in spec to make sure 'fit for purpose'	Enhanced training and development	
New attitude	Putting customers at the heart of the business	

Customer Service changes

■ Key progress made

- All 24 regional businesses will have transitioned to new customer approach model and using our new Home Quality Inspection (HQI) process before end of year
- All 24 businesses now have a 'new model' Head of Customer Service
- Training rolled out to all customer facing staff
- Total buy in from all staff

■ Results

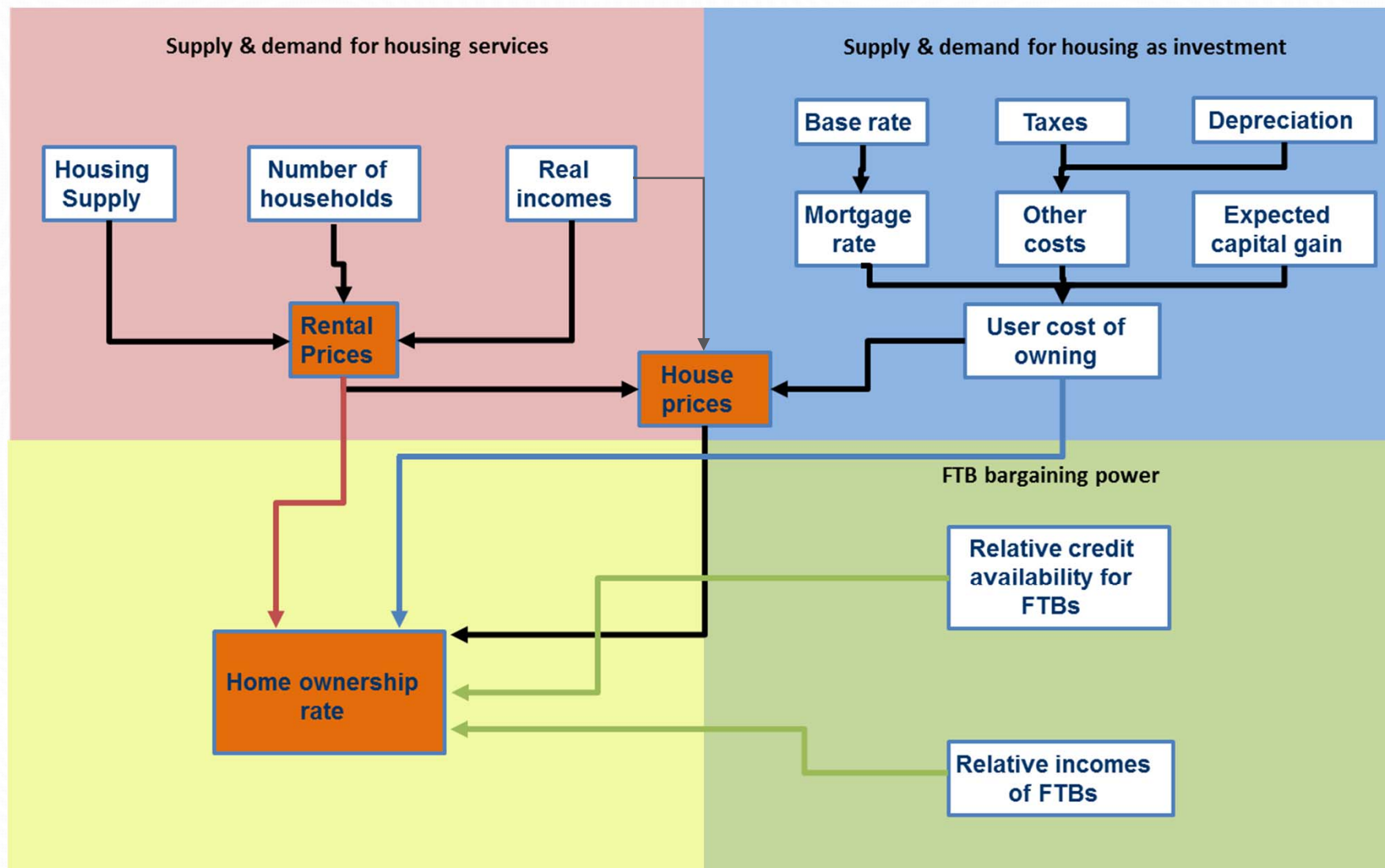
- HQI ensuring higher standard of finish – delivering up to a 70% decrease in defects during our Home Aftercare checks
- Increased positive feedback from customers
- Survey statistics bottomed and have turned
- However, we need to continue to focus on:
 - Delivering a consistent standard
 - Engaging contractors and suppliers
 - Managing customer expectations

Redfern Review, Decline of Home Ownership

Review Preview

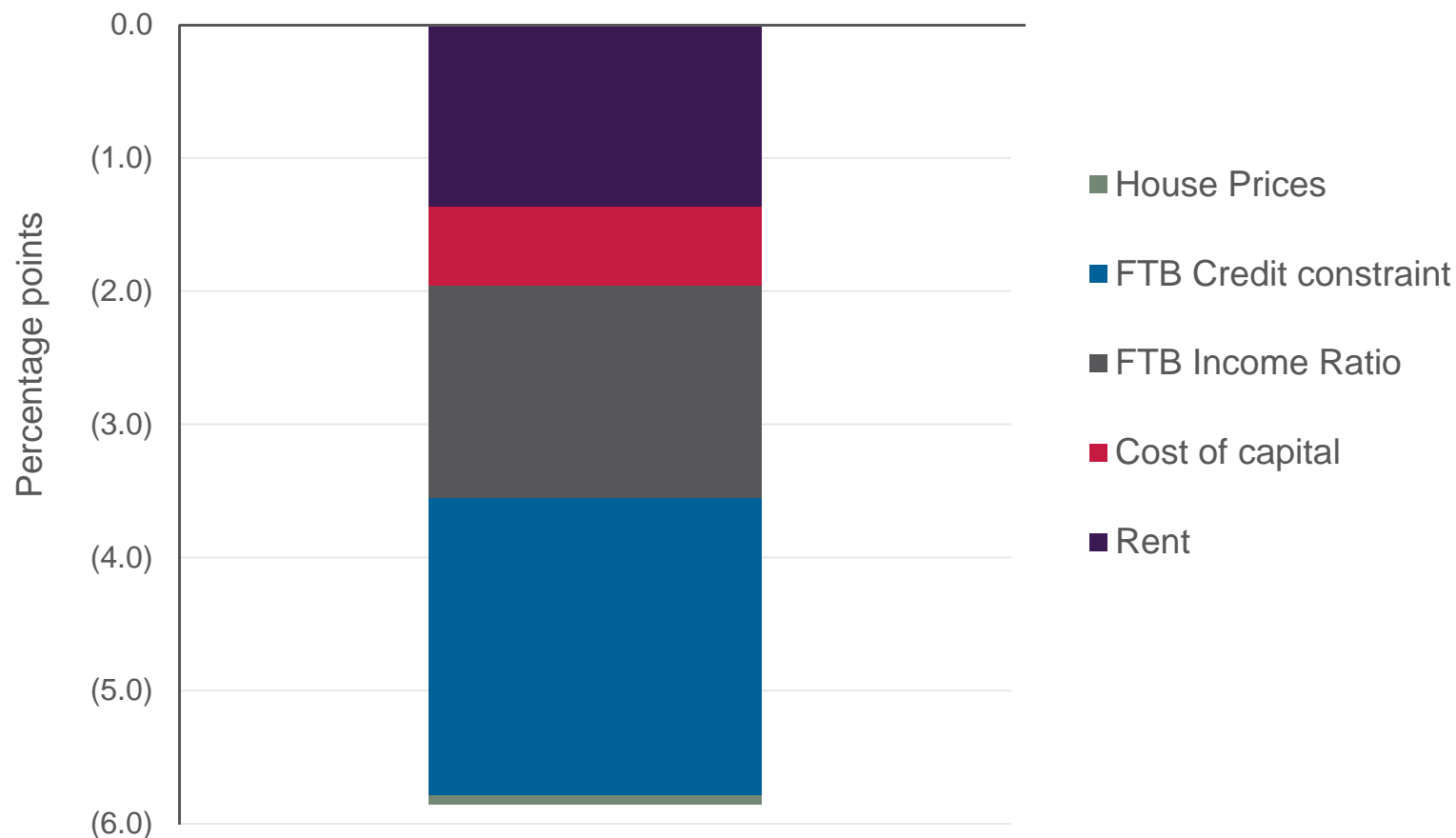
- Review into the decline of home ownership formally launched February 2015
- Review into the drivers behind the drop in home ownership since the peak of 71% in 2003 to 63% in 2014
- Work completed
 - New housing market model created by Oxford Economics
 - Call for evidence
 - Focus Groups with home owners and tenants
 - Roundtable discussions
 - Team 'mini-studies' of specific issues
 - RICS polling
- Focus is on understanding the decline and suggesting areas for review for improving **sustainable** home ownership in the context of a **healthy overall market**

The modelling base



The 'Exam Question' – Why has home ownership fallen?

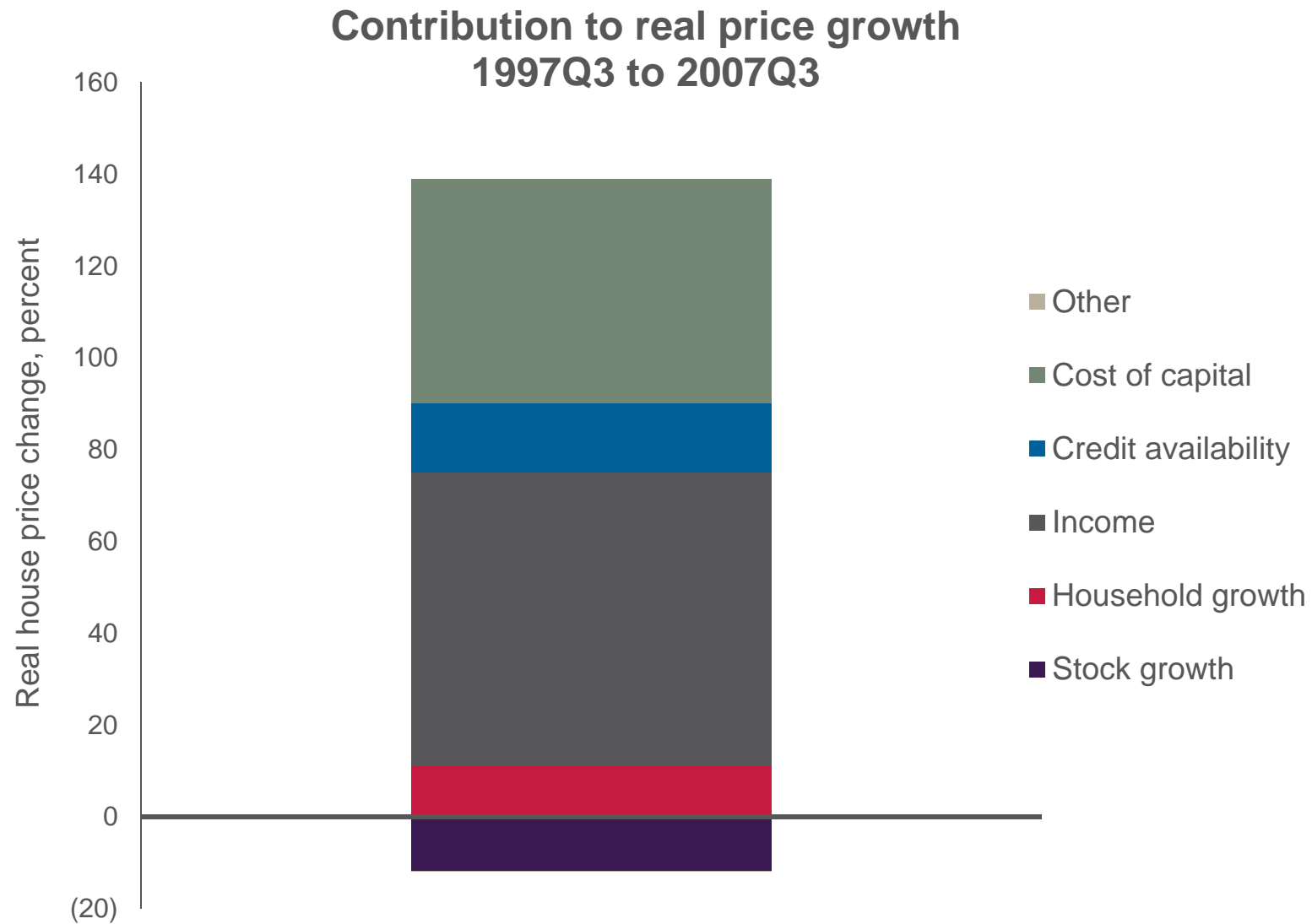
Contribution to Change in Home Ownership Rate 2003
Q4 to 2014 Q1



Drivers of falling home ownership

- Modelling has shown that the main drivers of falling home ownership are
 1. Decreasing relative income of the FTB age group
 2. The introduction of more differentiated lending post crisis
 3. A reduction in the real cost of renting
- Net new supply and household formation have broadly offset each other
- We believe that, other things remaining equal, it is likely we have now reached a floor in home ownership levels

A more important question? – why such strong growth in prices



The underlying issues around house prices

- Prices have been driven by income growth and falling cost of borrowing
- Again, net new supply and household formation have broadly offset each other
- Post 2008, price falls recovered to pre-crisis levels more quickly than in most cycles
- High house prices in capital terms, sustained by low cost of credit
- Rent and house prices can be brought down by increased supply but only over a long period of time

Early broad conclusions

- Ownership is important, both for individuals and society, however, it can only be sustainable in a healthy overall market with multiple tenures
- Chasing high levels of home ownership in isolation can lead to unbalanced policies, lack of support for the most vulnerable and the creation of unsustainable markets
- Real change to quality, affordability and availability is long term business – we are creating only around 1% of stock pa – doubling supply would only have a c 1.25% pa affect on long term prices

Early broad conclusions

- The only way to improve the overall position, is for a long term supply focused strategy that is not subject to short termism, and is balanced between:
 - Private home ownership
 - Private rented sector
 - Subsidised affordable housing
- This needs to be supplemented on the demand side with support for only the most disadvantaged
- It is critically important that both the supply and demand strategies acknowledge and planning for market cyclicity



HMI Conference

Pete Redfern
October 2016