Trading Update

Thursday, 26 April 2018

Introduction

Pete Redfern

CEO, Taylor Wimpey

Thank you. Morning, everybody and thanks for joining us. Obviously, this is an AGM trading update call, so it's a relatively short statement, you know, sort of with, particularly with our Capital Markets Day in two and half weeks' time, where we'll be with you face-to-face, so we see it as very much a flash update, so we're happy, obviously, to take any questions, but there's not an enormous amount of new news. Chris Carney is obviously with me for the first time, and you know, sort of, I'm sure if there are questions for him, he can pick those up as well, but if I give you just the usual overview to begin with.

Underlying trading has been very solid, you know, I'm not going to sort of labour the strong comparisons for last year, but if you look at the sales rate of 0.85, it is probably our second-highest for this sort of period of the year that we have ever recorded, so we feel pretty comfortable with that. I think that gives us a sense of underlying market conditions where, despite the interest rate movements at the back end of last year, interest rates that people are paying have continued to fall a little, so underlying market conditions remain very solid. I don't think we feel the market has got, you know, sort of a sudden resurgence and bounce sort of coming; it feels solid and stable, but, you know, sort of certainly pretty comfortable with where that sits. I think, you know, and we've obviously flagged it in the statements, and probably the one kind of bit of different kind of commentary, the impact of weather, which is very unusual, I don't think in kind of my time in the business we've ever made a comment on weather. But it was particularly unusual, and just does slightly distort some of the statistics. Particularly on build, which I'll come back to. But on sales, we effectively had two very poor weeks in March and you can see from that sort of sales rate net of that effect, it didn't have a massive overall effect, and does pretty quickly catch up. So, weather effect on sales, not particularly significant; weather effects on build, a little bit more meaningful, which I'll come back to. This is the main reason that we've touched on it.

Overall, our guidance for the year remains the same, but there is a more to do in the second half. And just to give you a sense of that, if you look at the range of completion sort of splits, first half, second half, over the years, so the worst case has been 40:60, the best case has been about 46:54. I'm slightly nervous as I go through this, because some of these numbers don't add up to 100, but I know they do. And I think my best sense at the moment is we are about in the middle of that range, so about 43% in the first half, give or take. I know there could be spurious accuracy in that, but it gives you a sense of what we mean when we say second half weighted.

So, it does give us a more to do, particularly on construction. I think on sales, we feel, you know, there is a lot of room in the order book. Pretty happy with where the orderbook is overall. But on construction, you know, sort of losing 20 days, you know, which is more or less on average across the country what we've sort of lost this year compared to a more normal, you know, sort of six-ish makes a difference. It's perfectly catchable though over the course of the year, but I think, you know, we can map out detail of how an individual site catches up, and that can be done relatively quickly. Where we get a little bit more cautious is when the whole industry is trying to catch up in the same way, and that just stretches the supply chain and the skills base. So, you know I don't see that as being a big concern for 2018 as a whole, but it does, you know, just push that first half, second half weighting. And we remain absolutely committed to making sure that the homes we hand over are fully complete and have had the time after they are complete to really be properly checked and tested. Because, you know, you've seen elsewhere some of the pain where, where that goes wrong. So, you know, that also colours our commentary. It is better for us to identify that now, rather than, you know, sort of have our teams battling in June to hand over homes that are not quite ready.

Not a huge amount to add on the land market and on sort of build costs. The land market is similar, you know, you can see we continue to add plots through the year. Our landbank is slightly higher than it was at the end of the year, and that's sort of consistent with the signalling that we gave you at the prelim stage. You know, sort of the financial metrics, very, very similar.

I think the one sort of new comment I would make is that we are seeing the planning regime in London being tougher than it's been historically, and I think, you know, if you sort of see a new mayor kind of flexing his own sort of commitments, then that doesn't make it easier. It makes – makes sites that already have a planning consent actually more valuable and more important. And I think as we look ahead at the next 2 to 3 years, it is actually probably going to have a measurable impact on supply in London, because it will take time for that to work through and then work back. I think, we're kind of used to that; it's life. You know, you shouldn't read into that me signalling anything about our, you know, sort of, our, you know, sort of position in London going forward, but it's definitely a sort of dynamic that we are looking at, at the moment, on new sites that are going to be put through, the planning is tending to take longer as it goes through that process in London, specifically. I think generally, across the country still, there is the view that the planning environment is better than we have been used to, and you know, it is reasonably positive.

As I say, not a lot to add on costs. I think we've literally repeated verbatim our guidance, and still a review that with, you know, sort of small selling price increases of the kind of order of 1.5 to 2%, and you know, sort of cost inflation of 3 to 4%, they more or less wash their face. So, you know, sort of net/net, the market impact on margin is pretty neutral. So no I don't think there's anything – anything new in that, but you know, sort of important to restate it for your confidence.

I'm not sure there's anything else I want to sort of highlight, so if we open up for questions. As I say, you know, sort of, if you want to particularly ask Chris a question, that's great, or, you know, sort of, you know, kind of, I can pick up the general questions and feed them to Chris if it makes sense.

Q&A

Operator: And we shall take our first question from Aynsley Lammin from Canaccord. Please go ahead.

Aynsley Lammin (Canaccord): Just two from me please. Firstly, I just wondered if you could comment on pricing. I didn't see any comment in the update. Just any comment with regard to, you know, regional pricing, and also maybe sales incentives, any changes there? And then secondly, in the comment on the land, you kind of say that, you know, operating margin is similar to those achieved in recent years. I just wondered, is that a slightly more cautious tone there, in terms of what you'll find in land in the market, or we shouldn't read too much into that? Thanks.

Pete Redfern: Okay. I think on, you know, pricing and sales incentives, you're right, there's nothing in the statement, but I did touch on, we still see, you know, 1.5 to 2% price inflation. You know, and as always, that comment is net of any sales incentives. So, you know, no increase in sales incentives at all. Where I don't think, yeah, the sales rate that you see, you know, sort of, as I say, which we would feel pretty comfortable, isn't, you know, it's not something we had to sort of drive hard to get to; it is the natural level of the natural rate, and that kind of underlines our relative, you know, sort of comfort with the sales position as we go through the year.

I think on operating margin, no, absolutely not, I think our words were exactly the same. They are certainly supposed to be. There is – there is no change; it's still very much the same level. There's not kind of any softening of our view on what the acquisition kind of metrics are on new sites. I mean I don't know, Chris, you've been sort of close to that? So I was just going to open up that second bit to Chris, Aynsley, just to see if he had a view, and you know sort of the, from his time in the South-East.

Chris Carney: Yeah, well just going to back to pricing, actually, the only thing I'd add to that is Central London is probably a bit flatter than the balance, so I definitely agree with Peter, you know, 1.5 to 2% on the balance. But, yeah, the guidance on the operating margins in land acquisitions just hasn't changed. It's exactly the same wording that we've used in previous years, and it reflects, you know, a comparison to the 2017 data that I think we produced at the prelims. So we are very much at that level.

Aynsley Lammin: That's great. Thank you very much.

Operator: Thank you. We can now take our next question from Gavin Jago from Peel Hunt. Please go ahead.

Gavin Jago (Peel Hunt): Morning Pete, morning Chris. A couple from me if I could, please. The first one is just on outlook numbers. I don't if you're going to give any guidance on what you expect these to be for the full year, and, maybe just pad out a little bit where you might be having any other pressures besides London, in terms of getting those out in the open. And second was just around kind of what your kind of central assumptions are at the moment with the future of Help to Buy, and what might come out of the Letwin Review, just kind of what you're working on, assumption wise at the moment.

Pete Redfern: So, just on outlook numbers, you know, where we are at the moment is pretty much bang on our budget. I think if I remember right, it's actually two ahead of our budget. So, you know, we are not particularly surprised where we are. I think we will spend, you know, and we are not going to give you guidance for the year; we are always reticent about giving kind of outlook guidance anyway, but what we will do in the Capital Markets Day, is spend quite a lot of time talking through the structure of our outlet, scale and size. Because our view, which you've heard me touch on before is that, you know, sort of where the scale and the nature of the land bank and the sites we acquire have changed so much in terms of the scale over the last few years that a simple outlook number doesn't give you a particularly good sense of what the potential of the business is. So we'll try and break that down a little bit more for you, so you can see what the sales and the build potential is, and how the two match up. But nothing really new to say at the moment.

I think it would be wrong to read my comments on planning in London as factoring into our sort of short-term view of outlets. It's not, you know, I'm not particularly linking the two. I'm honestly just saying to you that we think that the planning environment in London is a bit slower and a bit tougher, not that it causes a particular issue sort of this year, or expected to in the next few months. But it's definitely something that, buying new sites in London, we're aware of, and as I say, for, you know, sort of the two large sites we built last year, actually, being able to progress, particularly the Mount Pleasant site which has a detailed planning permission and not have that risk. You know, we always knew the simplicity of that planning position was a key part of the value, so you know, sort of arguably, you know, there's a net positive there.

Chris Carney: I think I could probably go one step further and say that we don't have a site in terms of London without planning consent. Obviously, there are sites that are going to need a planning process within the wider London region, but if that gives you an indication.

Pete Redfern: Yeah. You shouldn't take it as softening guidance, it's just honest information about how we see the sort of forward position. And then, you know, going back to sort of politics, you know, helped by Letwin Review, we are not seeing an imminent decision on Help to Buy. You know, sort of now, you know, there have been odd occasions when, you know, the sort of decision like that has suddenly popped out and there hasn't been, you know, any kind of consultation or discussion. But it's not been the norm. And, you know, there hasn't been a large amount of consultation and focus on it in our dialogue with government over recent times.

Our sense is the view of Help to Buy, particularly within Treasury, which is important, has softened slightly. And I mean softened in a positive way, in the sense of, I think there was a fairly hard line that had developed of it, and actually, as, you know, the second-hand market is, you know, sort of has been, sort of tougher and some of the other kind of uncertainties of Brexit have materialised, I think, you know, the view of it is that it's a little bit more positive than it was maybe six months ago. But as I was saying, it just doesn't feel like there's a decision just around the corner. Now of course, there will be an announcement tomorrow, now I've said that. But, you know, it's – our just underlying sense is that there is a point where there was a reasonable chance it would be sort of toned down before 2021. I don't think the chance of that is zero, but I think it has reduced rather than grown over the last couple of months. And, you know, our base case is probably still, but with a little bit more confidence, that it will be extended past 2021, but probably with some changes. And as you've heard me say before, we think that would be the right answer anyway. We would never be an advocate of it being carried on at this current level, you know, sort of ad infinitum.

In terms of Letwin, in terms of Oliver Letwin's review, you know, sort of quite a lot of conversation and dialogue going on. You know, it's looking at individual components of the kind of barriers to delivery, you know, sort of, so there was a meeting on skills, you know, sort of, the availability of trade skills last week or the week before. I know he's had meetings with the CPA and, you know, sort of the likes. So, you know, kind of having reached some broader overall conclusions, he is then kind of testing some of the other sort of barriers. I think what's very unclear at the moment is where the recommendations head. I think we are fairly clear what his gut sense is from the, you know, sort of summary letter that he wrote just before Easter. You know, and actually, broadly, I agree with the principle, although I think it oversimplified things, but, yeah, if the land environment is better, the long-term limiting factor is local market absorption. And, you know, there are lots of other barriers, but, you know, sort of over the long term, they can be sort of gradually ground down. I fear slightly that his view about how easy it is to grind down those sort of barriers to skills, to production limitations and, like, it is possible, but it's not quick, so I fear a slightly over-simplistic conclusion, but we'll see.

Gavin Jago: Thank you.

Operator: Thank you. We can now take our next question from Will Jones from Redburn. Please go ahead.

Will Jones (Redburn): Thanks. Morning, guys. A couple from me, please. First is a two-part question.

Pete Redfern: Morning Will.

Will Jones: Morning. Just a two-part question on London. I think back at the results, you talked about only needing something like a 0.3 sales rate per site per week to hit your kind of targets for this year, so, perhaps an update on that and just the market in general in London? And then allied to that, where are you on the kind of rebuild of the London land bank? Obviously we knew about Mount Pleasant last year, but any other steps on that front?

And then, the second one's just generally on the sales rate, when we look at, I guess the first half, second half last year, you had a very strong first half, I think it was 0.87 in the end, and then 0.66 in the second, so seasonally more skewed than normal. I guess when you look at the second half of this year, with what you've, I think you've described in the past as larger, higher-quality sites coming through, if the market is – remains stable, would you think that you could – you stand a good chance of potentially beating that sales rate, I guess, on a year-on-year basis in the second half, just given that it is that – it does look an easier comp versus what's been a more challenging base in the first half? Thanks.

Pete Redfern: I think Chris is going to take the first one, and I'll take the sales rate one.

Chris Carney: Yeah, so I think you're asking about the London sales rate, with reference to the 0.3 from the prelims. You know, we've said pretty consistently that our acquisition strategy in London is very localised. You know, we are very careful about the way we select our sites, the locations that they appear in, and as a consequence, you see that our sales rates are actually pretty good compared to the market. So, you know, we have, to give you an example, a site in King's Cross that since the turn of the year has performed fantastically well, and as a consequence, if you look overall, clearly, there are some that perform better than others, but certainly, we are pretty pleased with where we are since the start of the year and slightly ahead of that rate that you mentioned. So, yeah, in terms of sales, pretty happy with that.

In terms of the rebuild landbank, you know, we are opportunity led. We don't feel the need to have a business that is contributing exactly the same amount to the Group every year, because it just makes more sense for that business to buy land when the right opportunities come along. We were very pleased with the opportunity at Mount Pleasant, and, I think as Pete said, you know, with the central London market, sort of where it is at the moment, and the amount of capital coming in from overseas potentially being reduced, and certainly some of our competitors having pulled out of that market, the land market in London is more attractive, and as a consequence, you know, we are looking to take advantage of that as and when the opportunity arises.

Will Jones: Great. Thank you.

Pete Redfern: Thanks, Chris. And Will, if I pick up the second one on second half sales rates. Yeah, I think we think you're right. You know, sort of if you look at our sales rates over the last two or three years, the last year was particularly, you know, sort of differentiated between first and second half. You know, sort of, there are obviously two factors, the sort of, the ability to sell, and having product available that's close enough to delivery to make sense to sell. And there is no doubt over the last two years, the second half sales rate has been, you know, sort of limited, in part, at least, by the ability to deliver products on, you know, quite a lot of sites. So, at the very least, that gives us the resilience in the second half sales rate, if, you know, sort of you have a period where, you know, you don't have the real, the sort of very unusual strength you had in the first quarter of last year. So, it certainly gives us confidence that the second half is a lot easier to match on sales rate than the first half and that, by definition, then gives the potential for upside. That doesn't then come through to volumes for the year, because it is build that is really the limiting factor there, but it does come through into the order book for the year end. So, you know, it is that that has always made us more, you know, sort of sanguine about the exact sort of balance and mix, and you know, sort of we do see the third quarter of last year as being particularly unusual. So, you know, sort of by definition you would expect the sales rate this year to be a bit more balanced between the two halves.

If we look at the sales rate we need to, you know, sort of sell this year's completions, it's about 0.64 through to what we would see as the perfect cut-off point, where we are not selling for this year again, which is about week 39. That is pretty normal. In fact, it is low by long-term standards and only sort of slightly higher than last year. And so, you know, again, you put all those together, and, you know, sort of it's not something that is giving us a huge amount of concern.

Will Jones: Great. Makes sense. Thank you.

Pete Redfern: Thanks.

Operator: Thank you. We can take our next question from Jon Bell from Barclays. Please go ahead.

<u>Jon Bell (Barclays):</u> Yeah, morning, gents. I think I've got two. Just firstly if you could elaborate – morning – on the London planning comment. Is it about length of the process, or is it about affordable homes within the mix? Maybe if you could just kind of prioritise those two. And then I wondered whether, you know, your kind of internal view is whether this might help to unwind some of the surpluses, certain types of product that we've probably got in the London market at the moment? And then secondly, I just wondered whether you could briefly update us on your views on PRS?

Pete Redfern: Yeah. I'm afraid I'm going to duck the last part, Jon, and we can talk about that in two-and-a-half weeks' time, you know, sort of, because I think it's more appropriate to the sort of Capital Markets Day context.

Jon Bell: Yes.

Pete Redfern: So you know, sort of, apologies for that, but I think it makes more sense. Soon London, it is both length of time and, you know, sort of, affordable focus, so, you know, it's no surprise and it's not anything new. You know, every time you have a new Mayor, there tends to be a sort of, you know, a set of criteria and principles and 'I'm going to try and do this', and you know. Boris had his own affordable housing criteria and they mellowed over time as he realised that actually delivery wasn't quite as guaranteed as he thought it was, and I think you see that same process happening to a degree. I think what's slightly different – and there's good and bad in this, if you look from a business point of view over the long term, unfortunately it's not good for London housing supply, but you know, from a business point of view it's kind of both. You know, there's a desire from the Mayor and the Mayor's team to increase affordable housing numbers and make sure that the sort of land value gain to the community is as strong as possible, but it's coming at a point when, as Chris touched on and as we've talked about before, the level of new capital and investment in land, coming in is lower and the caution in people investing in land and the amount is also lower, so, you know, sort of people – and I'm not particularly talking about us here, but people are more likely to dig in and say, 'well, actually, I'm kind of, I'm more nervous than I was about the sales prices I'm going to get'. You know, people haven't necessarily bought a site unconditionally and so are more likely to dig in, and that then affects the timing, so it is both, but I think, you know, you're inevitably right over time that, you know, sort of that affects any surplus of supply. I think we've not felt generally, with one or two local exceptions like the obvious sort of Batterseas and the like, that there is a massive oversupply problem. There might be a sort of affordability and pricing problem, but there is demand for the homes that are being built, you know, we're not in the situation we were in Spain or in parts of the US, or even in some of the, kind of, high-rise buildings in Leeds at the turn of the – or Manchester at the turn of the last market. Yeah, the underlying demand in London is very strong. So we haven't really seen there being a big issue with surplus stock.

And the other – the other problem it creates from an overall market health point of view for London housing is, you know, sort of is, you end up with it being lumpy, because if you don't have a new flow of supply, you know, you don't end up with a steady stream of work for, you know, sort of, contractors and the like, so it does impact over time. You know, so I would say from a business point of view, it's kind of balanced. It's not something that – we're not looking at specific sites and being concerned, as Chris said, you know, we don't have central

London sites that don't have planning. But it definitely is one component that, you know, he is not going to deliver the volumes he wants to deliver and by some way. In fact, they're probably going to go backwards because he's trying to make changes, you know, sort of, that are economically challenging at a point when the market is nervous about its investment.

Jon Bell: Okay, thank you.

Pete Redfern: Does that answer – apart from the PRS, does that answer the other questions?

Jon Bell: It does, yes, thank you.

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Operator: Thank you. Thank you. We can now take our next question from Gregor Kuglitsch from UBS. Please go ahead.

Gregor Kuglitsch (UBS): Hi, good morning. Got a couple of questions. The first one is just on –

Pete Redfern: Morning, Gregor.

Gregor Kuglitsch: Hi, good morning. On margins. So I think you were, sort of, earlier in the year speaking about some progress this year. Now, obviously, the build is I guess becoming a little bit less even as a result of the weather conditions, so I want to understand if there's any cost attached to kind of trying to catch up from kind of having lost, say, three weeks of build and whether we should be thinking about any margin impact as a result of that.

And then could you just remind us, on the volumes, because obviously I think early in the year you were kind of talking low single-digit growth, whether that's really what you're still talking about when you're trying to hit the targets so we can be clear about also your comment about the second half/first half split, which has been helpful, by the way. That would be helpful. Thank you.

Pete Redfern: I think on, you know – I think our guidance on both of them isn't changing, and I think actually if there was one after the other, our margins – you know, our guidance was for small, you know, sort of movement – you know but - small but positive movement year on year and it still is, and I don't think at the moment we see, you know, sort of that build catch-up as coming at a measurable cost. It just takes time, you know, sort of, so I don't think that changes the balance on margin really at all, and as I say, there's nothing, you know, sort of in terms of incentive on pricing.

I think on volumes, we're not changing our guidance, but by definition, having a bigger second-hand weighting and that pressure on volumes, you know, does mean there is slightly more risk in the second half, so we're not changing our guidance. We still think low single-digit growth is the right place for us to be aiming, but I would say it's just slightly more uncomfortable than it was three months ago and I'd, you know, be misleading you not to say that that was the case. So we're not changing it, but you know, we would be uncomfortable with, you know, sort of, it being upgraded past that and for people at the high end of that range, you know, sort of, that's not where we're targeting and I, you know, I'll repeat again, we're very committed that, you know, sort of the houses that we hand over are handed over right, so that does mean that, you know, sort of that build piece does just sort of mean we've got to get them right in a shorter period of time. So no change, but just slightly more risk on the volume number. I think that's the fairest way of putting it.

Gregor Kuglitsch: Excellent, and then maybe a final question in terms of the Capital Markets Day?

Pete Redfern: Right.

Gregor Kuglitsch: So I think you've communicated in the past you may talk about next year's dividend. Previously, obviously, given margin targets and rocky targets, is that basically the plan to refresh those for the next, say, whatever – three years? I guess it was over a three-year period. Or will you try to do it different? Or is it going to – you just want to keep this as a surprise?

Pete Redfern: We want you to come, Gregor, so you know, we can't tell you it all on a call in advance.

Chris Carney: Yeah, I want to meet you.

Pete Redfern: That's it. It's also – I know most of you have met Chris, but it gives you a chance to meet him. You know, look, we're not trying to be cloak and dagger and there's a risk if we are that you read too much into it and then we disappoint you by not telling you enough, so I will try and give you a sense. You know, we have been operating to our current strategy for, you know, certainly in our minds, a good seven years plus, and from a sort of market point of view, you know, at least six. We've felt there's been real virtue in not, you know, sort of, tweaking and changing it all of the time, so – but even our current three-year targets, we wouldn't have viewed at the time as a new strategy. They were just, you know, sort of a way of giving you a structure and a guidance within the existing strategy. This is a chance for us to stand back and map out a longer-term view for you of where the business goes next, so we will be giving you a view about what we can achieve financially – you know, sort of, but it isn't just a rerun of rolling forward three-year targets and giving you a view of what next year's dividend is.

You know, we see it as a more fundamental mapping out of what has changed in our environment, how we see that environment developing over the long term, some things with a ten-year view of things that we really want to focus on and some things with a, you know, more mathematical view of this is what we think we can do over the next three, four, five years'. You know, but it's very much focused on those kind of time lines rather than the next year or two, you know, but it's more that than it is just a mapping out of, you know, what the next dividend is and three-year targets. So, you know, it probably is more interesting in terms of, you know, our views of the long-term capacity of the business and where we want to take it, but perhaps marginally less interesting in terms of filling in numbers in a spreadsheet, if that makes sense.

Gregor Kuglitsch: All right, okay. Thank you.

Operator: Thank you. We can now take our next question from Clyde Lewis from Peel Hunt. Please go ahead.

<u>**Clyde Lewis (Peel Hunt):**</u> Morning, Pete. Morning, Chris. Three, if I may. I've got one on leaseholds. Is there any sort of update on where you are in terms of sort of the settlement of those issues? Secondly, on build cost, we've heard from a couple of others that maybe some of the trends on build cost inflation have been easing a little bit. Is that what you've been seeing or does that vary a fair bit across the country? And in terms of sort of spreads across the country, I mean, you've obviously given us an indication of pricing in London. Can you give us an idea of the sort of range of pricing inflation you are seeing around the rest of the UK, ex-London, I suppose, just to get a better sense of how wide the spread is at the moment?

Pete Redfern: Okay. I think I got all three of those. On build cost – I mean, do you want to take the build cost trends one, Chris, and I'll take f I pick up leaseholds and the range of pricing, that gives you a second to think about it. On leasehold, not a massive update or we would have put it in there. We have signed up, I think, two further freeholders since the interim, so the number's now at about 94% of the total signed up and we're, you know – all the remaining tail are small, so that's just a process of chipping away at them. You know, I think we are confident that we will get there with all of them and still have the view that, you know, if we have the odd one that we don't, we've got, you know, sort of other routes, and still remain very confident that the provision is enough to cover the costs of doing that. I would say the noise has died down substantially as well, the process of taking individuals through the process has sort of settled down into a pattern and, you know, the sort of level of angst has fallen away. So no major new update but definitely, you know, sort of, progressing as we would have hoped.

And just in terms of range of pricing, I'd say it's pretty tight. As Chris said, you know, London is sort of flat average 1% to 2% – I'd say average 1% to 2% across, you know, sort of, the country including London, but the upper end is probably 2.5% and the lower end outside London is probably 1.5%, so it's – you know, we're not seeing big regional variations. It's positive but stable everywhere but London and flat in London, I think is probably a reasonable overview.

Chris, build cost?

Chris Carney: Yeah, I mean, we've already said that, you know, in terms of house price inflation it's running at 1.5% to 2% and then the build cost inflation guidance is really unchanged at 3% to 4%. The only thing I'd sort of add to that is, you know, if you look sort of more specifically at the, you know, London product whether it's a main contractor or a concrete frame, I can imagine that you would get a little bit softer in terms of the inflation in those particular markets, but the balance, you know, the normal Taylor Wimpey type of traditional timber-frame builds, then 3% to 4% is absolutely where it's at at the moment.

Pete Redfern: Yeah. Agreed.

Clyde Lewis: Okay then. Okay, that's great.

Pete Redfern: Thanks.

Clyde Lewis: Pete, on the leaseholds, any sort of jungle drums in terms of what might come through in terms of changes there? I mean, in terms of, you know, are they going to ban it just on houses or do you think they'll ban leaseholds completely or impose sort of maximum ground rent limits at all?

Pete Redfern: Well, I think you'll have seen the sort of consultation that the government are running, which definitely lends towards, or leans towards, setting almost an absolute minimum level of ground rent that's just about enough to sort of cover the costs of administration, if you see what I mean, so, you know – but I think that's where they're heading. It's had some pushback and I think, as ever with these things, you know, there perhaps is a slight balance, but as we've touched on before, you know, as we look forward, you know, we've assumed and assume in our kind of guidance really no economic benefit from the sale of leaseholds anyway, so you know, in all honesty you know we feel sort of deeply uncomfortable with – from the history of the doubling ground rents, we've kind of felt our job is to sort that out and get on with it, so we're sort of – we don't see it as a big thing for us going forward and we've stopped selling houses on a leasehold basis, you know, kind of, going back, you know, kind of nearly 18 months now. So, you know, it, in all honesty, is not something we are sort of pushing on. I think obviously if you're in the retirement business it's a much more major issue for them at the moment, but for us we've sort of taken you know, kind of view that, you know, we won't be getting economic value from it and that's fine. Builds into what we've said.

Clyde Lewis: Okay, great. Thanks very much.

Operator: Thank you. We can now take our next question from Kevin Cammack from Cenkos. Please go ahead.

Kevin Cammack (Cenkos Securities): Morning to you chaps. On just one, just looking to square the circle that, you know, Gregor started off with. If I look at the, you know, simple arithmetic of the order book, your average selling price has actually gone up from where it was middle of February, Prelim stage, but actually year on year, you're slightly down on average selling price in the order book. Is there – I mean, are you in any sense tweaking guidance on ASP this year, or is that, you know, where we are, perfectly understandable, the movements that we've seen in the last couple of months?

Pete Redfern: Yeah. No. We're not changing guidance on, you know, sort of, average selling price. Yeah, I know, you know, you'll have heard loud and clear my comment on volume that we're not changing guidance on the volume but the risk is slightly different, but on selling price, you know, you shouldn't read anything into it. I suspect – you know, and without kind of just checking the work through the spreadsheet I can't be absolutely sure, but I suspect the dynamic you're talking about is more to do with the mix in central London which changed during the course of last year, so as we go through the year, the comparative gets slightly easier as the central London kind of volumes come out, rather than any underlying change in selling prices, and so you know, we tend to focus most closely on, sort of, selling price movements compared to the – you know, and we literally track it against the selling price expectation we had for that house as we set our various level of targets, and that's our, you know, our best short-term measure of market movements, you know, because it screens out mix, and that's where we, you know, tend to get the 1.5% to 2% from, and that's not softening and nor are we, sort of, sending any signals or seeing any signals from our business units about, you know, sort of, any kind of additional incentives or anything, so no. We really - we are overall pretty comfortable with where the market sits, and so, you know, we wouldn't be renewing that at this point. You know, sort of there's plenty to do but that's not really the case. It really is the maths of how the order book kind of works, not anything changing under the surface.

Chris Carney: Yeah, and from - I think Pete's absolutely right. From memory – and this is memory and it won't be an accurate number but it'll be order of magnitude right – I think the central London order book is down by about 50 to 60 units compared to that comparable. So, you know, when they've got an average selling price of, you know, £1.3 million, it has a small impact.

Kevin Cammack: All right, thank you.

Operator: There are no further questions on the phones at this time. I'll turn the call back to Pete Redfern for additional or closing remarks.

Pete Redfern: Thank you, and thanks everybody for joining us. No real major remarks to make except the obvious of look forward to seeing you in a couple of weeks' time and, you know, sort of taking you through our longer-term plans. Thanks very much. Bye-bye.

[END OF TRANSCRIPT]