

Watkin Jones Group
13 October 2022



Creating the future of living



Current business model in structural growth markets

Business model



- PBSA and BtR are structural growth areas in residential for rent
- Track record as an end-to-end developer
- Forward sale model to institutional investors
- Seen as a “one stop shop” and partner of choice
- Strong brand, skill set and platform
- Dedicated property management platform Fresh is scalable across both PBSA and BtR
- High levels of repeat customers
- Strong ESG credentials

Example WJ customers



Customer recognition



“AIG have funded 5 WJ projects – 1,885 PBSA and 395 BtR units. All projects, including the tallest tower in Cardiff, have been delivered on time and budget. Watkin Jones stand out for their professionalism, & understanding of the investor perspective. When issues emerge, they mobilise additional resources to ensure all problems are addressed/ We hope to work further with Watkin Jones in the future”

Naveen Patha, Managing Director, AIG

UK residential-for-rent: rerating for investors – crucial for residents

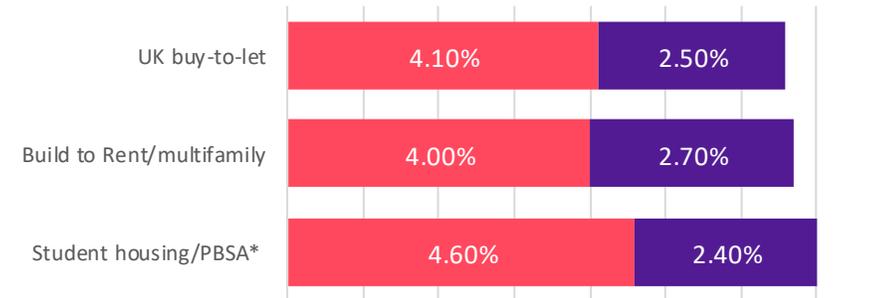
UK rental market supply/demand imbalance greater than sales⁴

- 227,000 new rental homes needed per year² v current total BTR homes under construction at c.46,000⁵
- Supply likely to drop further with small BTL landlords exiting²
- 50% of renters expect to continue renting for the next 15 years³
- UK student numbers rising and demand for quality increasing⁶
- Market demonstrating consistent resilience in volatile macro environment

Investor Momentum carried over from record 2021¹

- £3.5bn invested in living sectors in Q1 2022¹
- Continued targeting of operational assets as hedge against inflation

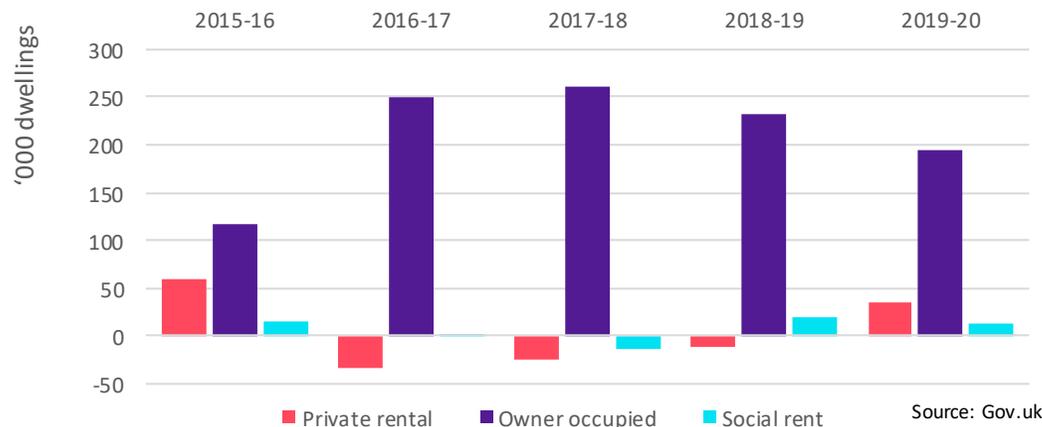
Projected annualised returns (2022 to 2026 inclusive)



■ Net income yield ■ Capital growth

Source: Savills, UK cross sector

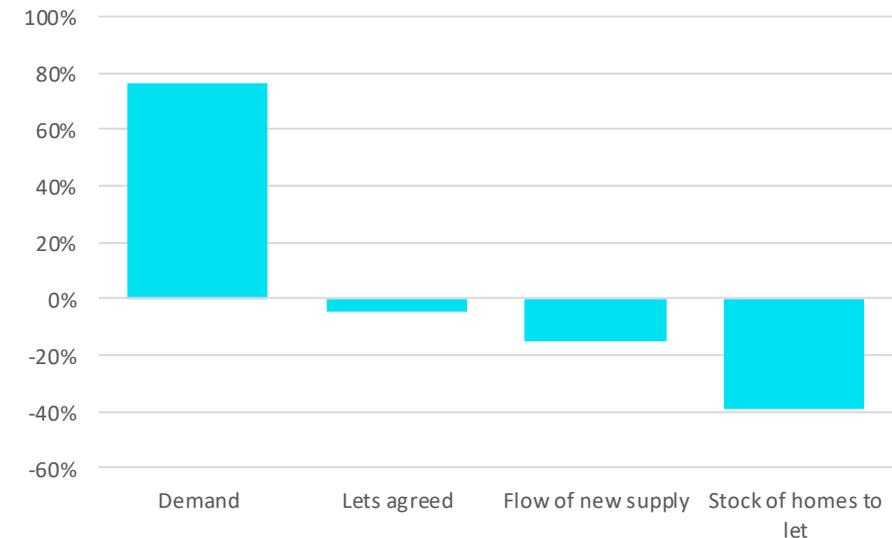
Net additions to housing stock by tenure



Source: Gov.uk

Demand continues to outstrip supply of homes to let

(% change 28 days to 30 Jan 2022 vs same period in 2018-21)



Source: Zoopla

¹ JLL: UK build-to-rent investment surges 50% in Q1 2022
² Capital Economics: Challenges and opportunities for the private rented sector
³ Social Market Foundation: Where next for the private rented sector?

⁴ Zoopla: UK rental market report Q4 2021
⁵ BPF/Savills Q1 analysis 2022
⁶ JLL: UK Living Capital Markets Q4 2021

BTR reaches mainstream

Renters report satisfaction with renting

- 81% of renters are happy with their current property, and 85% say they are satisfied with their landlord⁶

Delivery evening out across London and the regions⁴

BTR now considered a mainstream investment class¹

BTR investment increased by 50% from 2021¹

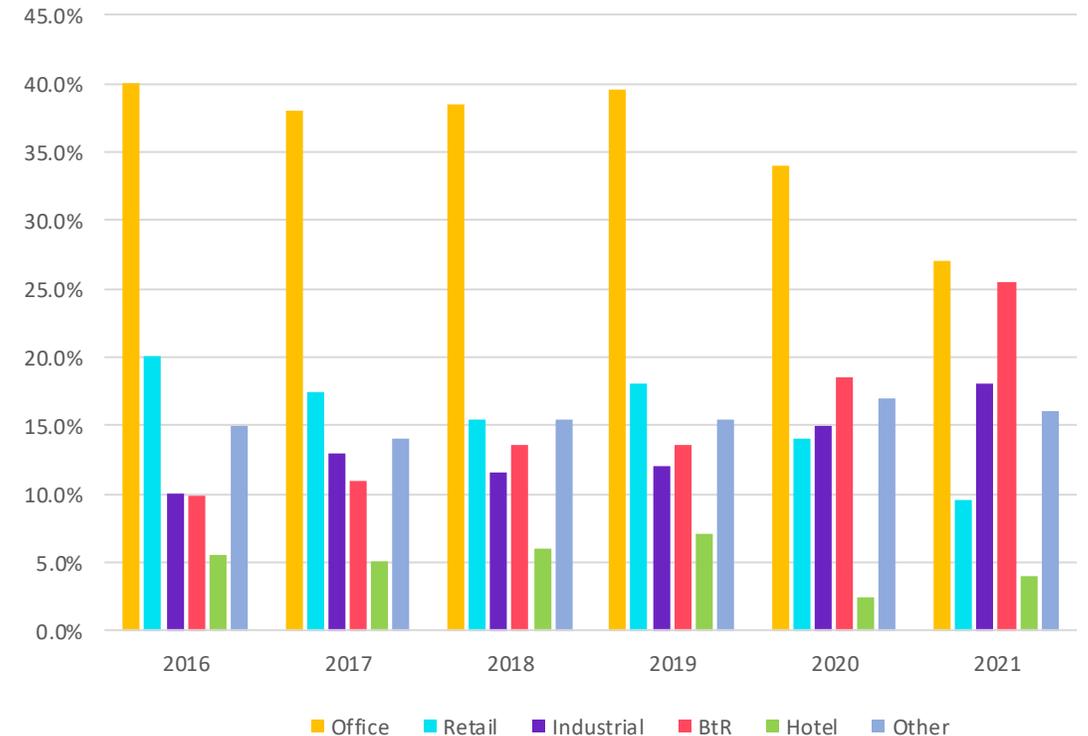
- £1.7bn in deals agreed in Q1 2022

Coliving gaining momentum as supply increases²

Record investment demand driving continued yield compression³

- 10 bps YoY in Q1 2022 to reach 3.50%³
- Further compression expected as competition for assets increases in places with supply-demand imbalances⁴

Investment per asset class (Europe)



1 JLL: UK build-to-rent investment surges 50% in Q1 2022
2 JLL: UK Living Capital Markets Bulletin Q4 2021
3 Savills: European Investment - Q1 2022 preliminary figures
4 Savills: Spotlight: European Multifamily – February 2022
5 BPF/Savills Q1 analysis 2022
6 Social Market Foundation: Where next for the private rented sector?

PBSA confidence recovers as students return

Rising applications and acceptances underpinned by demographics

- Applications up 7% on pre-pandemic levels for 2022/23²
- Full time student numbers in 2020/21 increased by 8% year on year, the highest increase in over 20 years¹

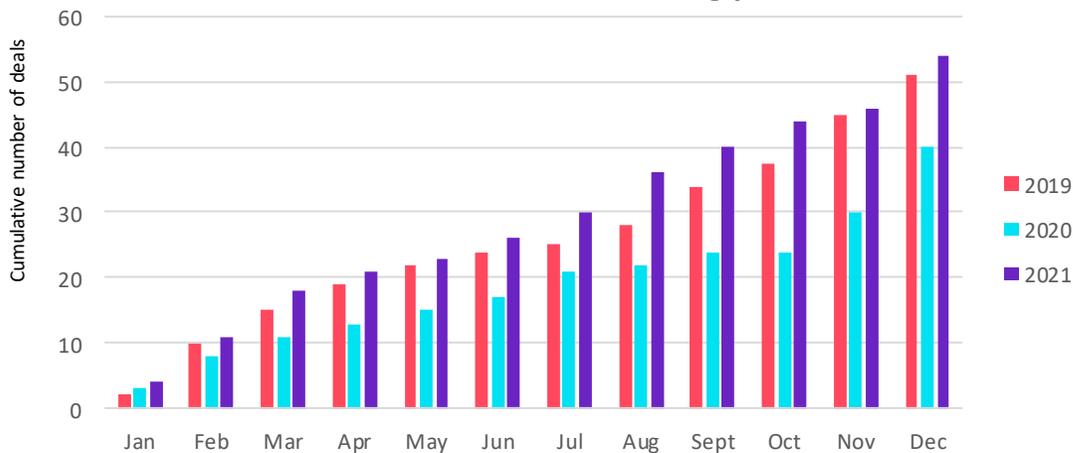
Bookings remain ahead for upcoming year

- Fresh direct-let bookings at April ahead by 14% YoY for 2022/23
- Unite reporting bookings of 77% (including nominations agreements)²

Investor confidence returning rapidly

- £1.1bn deals secured in Q1 22³
- As much as £5bn in deals in the market¹

PBSA deal volumes bounce back strongly in 2021



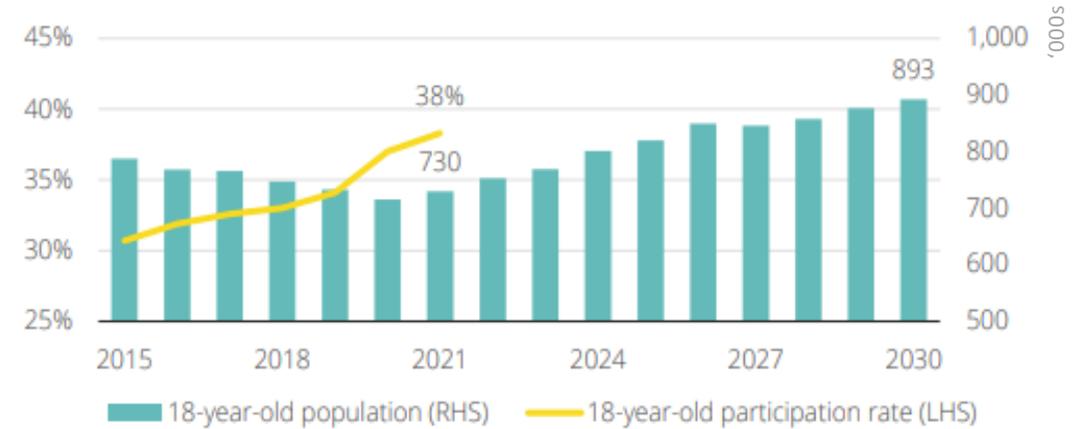
Source: Knight Frank

¹ JLL: UK Living Capital Markets Q4 2021

² Unite prelims presentation 2022

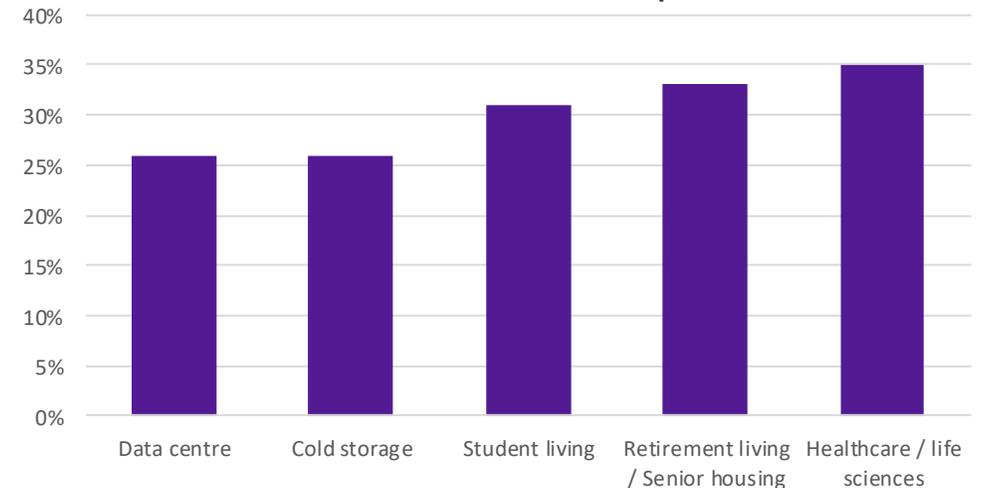
³ JLL: UK build-to-rent investment surges 50% in Q1 2022

18-year old population and participation rate



Source: Unite, UCAS, ONS

Alternative investment sector preference



Affordable homes an imperative for residents and authorities

Shortfall in affordable housing supply growing¹

- Shortfall compounds each year, with the current economic situation likely to increase need

Housing associations invested 20% less into new homes in 2021²

- Building safety costs reducing developing associations capacity³

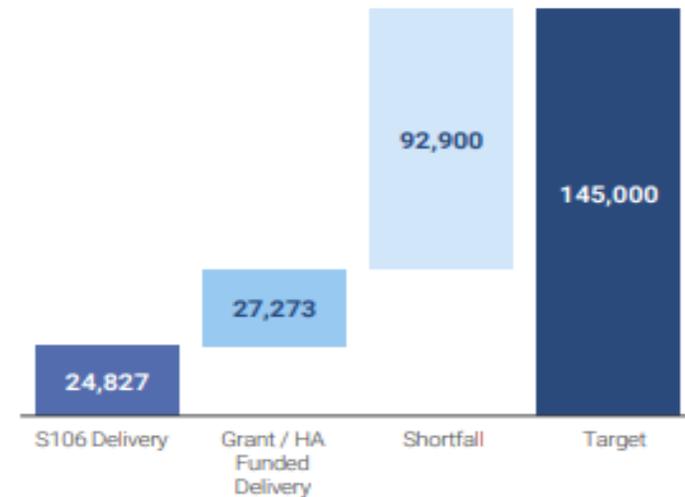
Level of private investment in affordable housing to reach £26.8bn and 140,000 homes by 2027 – 7x current levels⁴

- £34bn needed annually to meet demand

Right to buy proposals present replacement opportunity

- Recently announced government plans for right to buy are likely to require creative solutions to replacing supply – which has been the stumbling block to date

2020/21 Affordable Housing Completions



Annual capital funding



¹ BPF/L&G: Delivering a Step Change in Affordable Housing Supply

² RSH: 2021 Global Accounts of private registered providers

³ Inside Housing: G15 warns 'comprehensive solution' on building safety crisis still needed as fears over impact on social housing delivery persist

⁴ Savills: Equity investment in affordable housing – Summer 2022

Talking points – 4th October Trading Update

FY22

- Strong operational performance in H2 across both PBSA and BTR development pipelines
- Investor demand for assets remains strong
 - Forward sales of £0.6bn completed in H2, to bring the total for the FY to £0.9bn
- FY22 underlying PBIT expected to be c.10% below current market expectations:
 - Two forward sales deferred to FY23, impacted by recent market volatility
 - Impact of pricing and margin softness on H2 forward sales due to purchasers' increased funding costs
- Strong balance sheet at 30 September 2022 with gross and net cash of c. £105m and c. £75m respectively

Outlook

- Good revenue visibility into FY23 with £270m revenue secured
- Demand from institutional investors will remain robust but margin pressure will continue as a result of higher borrowing costs
- Continued balance sheet strength provides a distinct competitive advantage for the Group

Continued momentum in H2 FY22

Work on schedule

Across 15 sites
All WJ-self build schemes physically completed on time

Acquisitions

c.230-unit BTR scheme in Leeds

Planning Consents

c.400-unit PBSA scheme in Stratford
c.800-unit BTR scheme in Belfast's Titanic Quarter

Future Sales

1,045-unit PBSA portfolio (3 schemes), forward sold to EQT
214-unit BTR scheme in Leatherhead, forward sold to Get Living
316-unit BTR scheme in Bath, forward sold to DWS
715-unit DM wrap in Cardiff, for L&G

Demand for Resi-for-Rent

Consumer and investor demand continues to build

Continued investment in strategic initiatives

Fresh
Affordable Homes
ESG

Q&A