

George Wimpey Plc

A Tale of Two Markets: UK and US

Panmure Gordon Investor Presentation
Thursday 21 April 2005

Agenda

- The Business environment: UK and US
- The market outlook: UK and US
- Managing the market: UK and US
- The George Wimpey strategy



The Business environment

Business environment

UK

- Market has slowed down
 - lower sales rates
 - broadly stable prices
 - limited long term growth
- Increased Govt regulation
 - planning no better
 - limited action on Barker
 - increased costs
 - increased regulation
- Land market
 - competitive

US

- Market remains strong
 - high sales rates
 - price momentum
 - long-term growth
- Pro-development culture
 - supports growth
 - limited taxes and regulation
- Land market
 - competitive
 - but good availability



The market outlook



UK market: short-term

Sales rates

- **Recent trends**
 - 2004: a year of two halves
 - Jan-Feb 05: encouraging recovery
 - Mar/Apr 05: stable below strong Q1 04 but above H2 04
- **Underlying causes**
 - political / economic uncertainty
 - second hand market
- **Outlook positive**
 - underlying supply/demand balance
 - Consumer confidence/visitor levels
- **Independent evidence**
 - RICS survey

RICS Survey: 19 April 2004

“Purchase enquiries and sales showed no movement in March with continued uncertainty over interest rate prospects also limiting activity.

Newly agreed sales showed little change in March having risen over the prior two months, showing an uneven recovery. Surveyors are commenting that unrealistic pricing by sellers is restricting sales activity. However, surveyors are still envisaging an upturn in sales as underlying economic conditions are improving with household confidence in the early months of 2005 at the highest levels in more than six years.”

UK market: short-term

Selling prices

- **Recent trends**

- grew strongly to Q1 04 in north: in south flat since Q2 03
- headline prices broadly stable since September 2004
- increased use of incentives to support sales momentum
- impact circa 2%

- **Underlying factors**

- need to preserve sales momentum
- some statistics distorted by mix changes

- **Outlook**

- slow volume recovery
- stable pricing/incentives will decline

UK market: long-term

- **Demand continues to exceed supply**
 - population growth/household formation exceeding forecasts
 - c17,000+ demolitions / removals p.a.
- **Barker**
 - Government has restated commitment to Barker agenda
 - but planning environment has deteriorated
 - and there is no indication of time-line for implementation
 - Conservatives now committed to more housing
- **Regulation**
 - impact on cost and risk: ability to respond to market

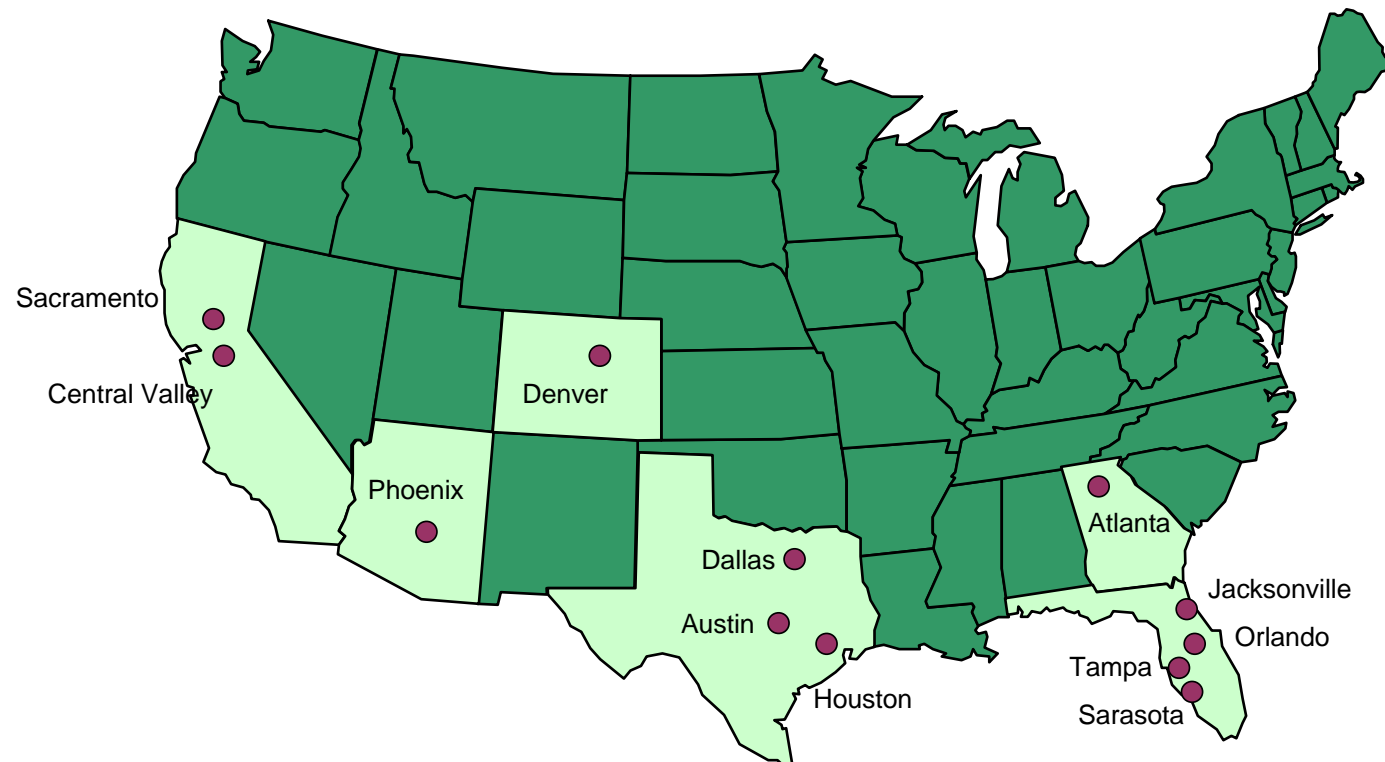
US market: short-term

US economy key indicators	2004	Q1 2005	Forecast 2005
GDP growth	4.4%	4.0%	3.5%+
Job growth	2.2m	0.5m	2.0m
30-yr fixed mortgage rate	5.75%	6.00%	6.5%

- 2004 another record year
 - 1.6m Single Family starts, 1.2m New Home sales
 - nationally prices up c.5-7% but 15-20% in some markets
- 2005 outlook
 - 1.55m SF starts, 1.15 NH sales; moderate price growth
 - strongest Q1 for 15 years
 - sales, prices and margins all ahead of 2004

US market: short-term

Morrison markets



US market: short-term

Outlook particularly good for Morrison markets

2004 (000s)	Job growth	Rank	SF permits	Rank
Florida	281	1	185	1
California	217	2	147	3
Texas	121	3	148	2
Arizona	88	4	81	5
Colorado	47	9	39	12
Morrison markets	754		600	
Total US	2,200		1,600	
Morrison markets	34.3%		37.5%	



US market: long-term Fundamentals very strong

- 1.2M new household formations projected through 2020
 - strong population growth
 - sustained immigration
 - “echo-boomers” reaching peak home ownership age
 - affordability remains good
 - employment growth
 - more flexible mortgage market
 - growing owner occupation
- Increasing benefits for larger homebuilders
 - access to finance
 - best land deals
 - procurement

Market summary

UK

- Short-term: challenging – but downside risk limited
- Medium-term: positive, but timing of improvement uncertain
- Long-term: positive

US

- Short-term: very strong
- Medium-term: strong: Morrison markets to outperform
- Long-term: strong: Morrison markets to outperform



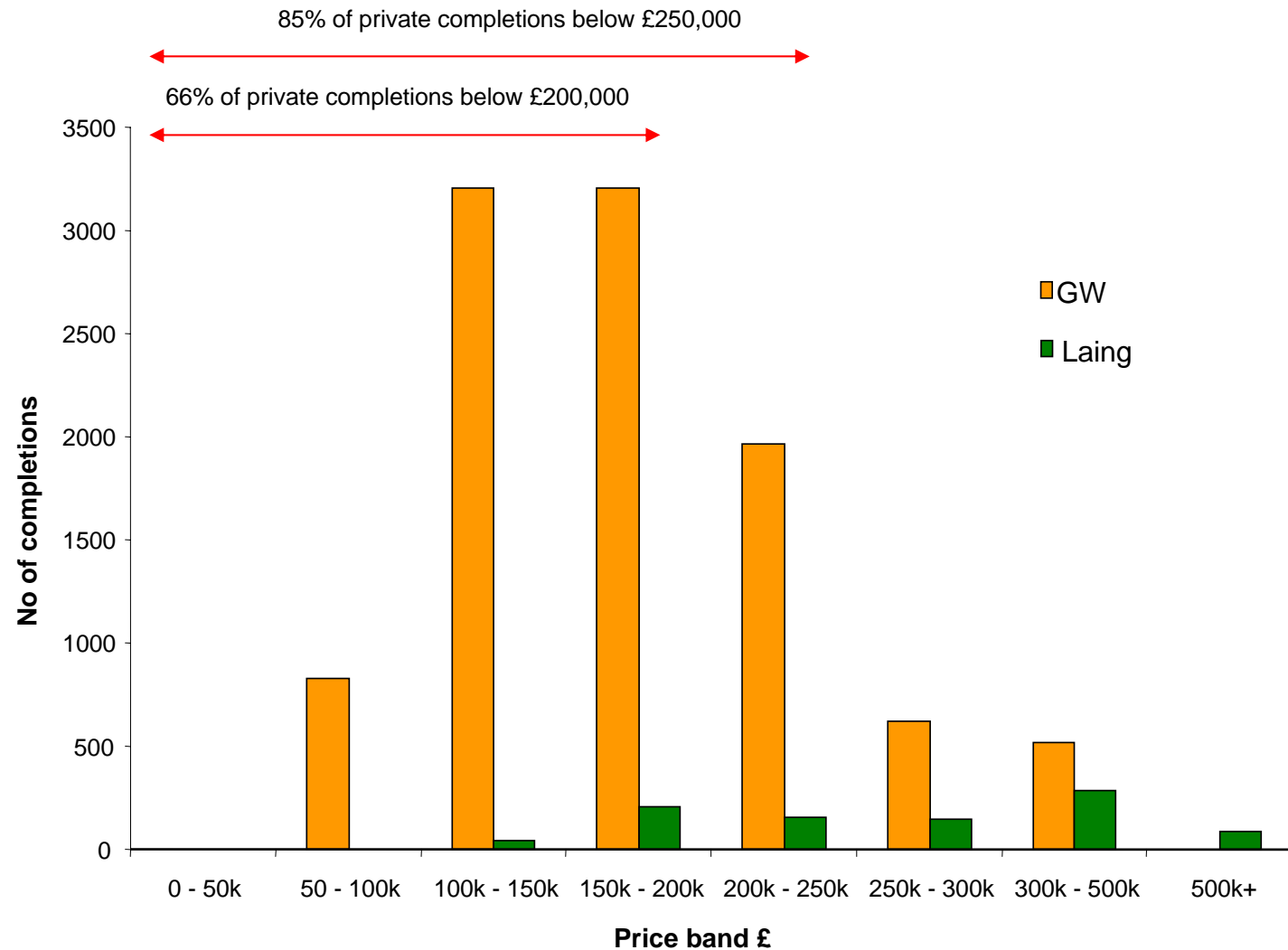
Managing the market

Managing the market: UK

- **Outlets**
 - +10-12%: mostly effect of slower selling rates
- **Incentives**
 - GW objectives: effective, measurable, controllable
 - incentives not used: part exchange, shared equity
 - used: £99 move in, mortgage subsidy, “Suremover”
- **Professional sales approach is key strength**
 - customer service and customer options
 - sales and site presentation
- **Product mix**
 - balance mix detached / compact / flats
 - 85% sales below £250,000; 66% below £200,000

Managing the market: UK

Maintaining good product affordability



Managing the market: US

4 strategies for growth

- **Well positioned in strong growth markets**
 - in states with highest population and permit growth
 - 2005 job growth of c50,000 in Phoenix, Houston & Dallas
- **Continue successful satellite growth model**
 - reduces overhead costs
 - manages land and market risk
 - develops management
- **Growth through product development**
 - Lower price points, townhomes, low-rise condominiums
- **Address underperforming businesses in Atlanta and Texas**

Managing the market: US

- **Well positioned in strong growth markets**
 - in states with highest population and permit growth
 - 2005 job growth of c50,000 in Phoenix, Houston & Dallas
- **Continue successful satellite growth model**
 - reduces o/head costs
 - manages land and market risk
 - develops management
- **Growth through product development**
 - lower price points, townhomes, low-rise condominiums
- **Address underperforming businesses in Atlanta and Texas**

Managing the market: US

Very good affordability



Managing the market: US

Growth through product development

Townhomes

- Product designed to maintain positioning in core price segments
- Opportunity to move into prime inner-city and infill locations
- Huge demand has led to controlled releases
- 17 further communities planned in Orlando and Tampa

Greystone development, Orlando Fl.

- 130 sales in 10 months – all through lottery
- Current sales at 40% margin





The George Wimpey strategy



Strategy: UK

Plan in place: implement as market permits

- Scope to expand within existing structure
 - most regions still below optimal scale
- Plans to grow regional structure
 - satellites include Scotland, East Midlands, Sussex
- Growth of Laing as second brand
 - new regions include East, SW England and Scotland
 - use of both brands from 2006 on larger sites
- Limit exposure to inner city developments, social housing

Strategy: US

Plan in place: maintain pace of growth

- **Maximise growth where**
 - land is available on right terms
 - underlying market and returns are sustainable
 - management team is strong
- **Build on scale and success in**
 - Central Florida: Orlando, Tampa, Sarasota
 - Northern California: expansion of Central Valley
 - Phoenix
- **Land in place to sustain organic growth at historic rate**

Strategy: Group

- **Target volume growth in both UK and US**
 - long-term aim 20,000 in UK
 - medium-term aim 10,000 in US
- **Pace and priorities driven by**
 - business and market environment
 - ability to sustain returns > cost of capital
- **Focus on areas of competitive advantage**
- **Maintain above average asset turns**
- **Provide shareholders with enhanced short-term returns through strong dividend growth**



George Wimpey