



# H+H UK Limited

10<sup>th</sup> December 2020



**H+H**  
PARTNERS IN WALL BUILDING

# Agenda

- History of UK Housing Market
- Current Situation
- Market Fundamentals
- Trends in the Market
  - Challenges and Opportunities
- How do the Government achieve their 300k homes per annum target?

## OUR BRAND & PROMISE



## WHAT WE DELIVER

**We deliver wall building solutions for any wall.**  
From internal and external walls to high-rise and low-rise buildings we have the wall solution our customers need.

## OUR BRAND CHARACTERS

### Integrity and Quality

We provide high-quality wall solutions, from material selection to delivery at the building site. We focus on long-term quality relationships and mutual respect, so our partners can trust us for planning advice and total transparency.

### Process Expertise

We make the building process simple, fast and hassle-free. We are experts in optimising wall building processes and we pass that knowledge onto our partners as we work together to streamline workflows and create total wall solutions.

### Masonry Specialists

We are dedicated to masonry solutions. Over the years, we've gained a deep know-how of building with a variety of wall materials. While building methods may vary from country to country, our expertise doesn't.

### Better Living

We believe better living and a better planet go hand-in-hand. Our range of sustainable solutions improve indoor climates, offer better acoustics and enhance energy efficiency in homes, flats and offices.

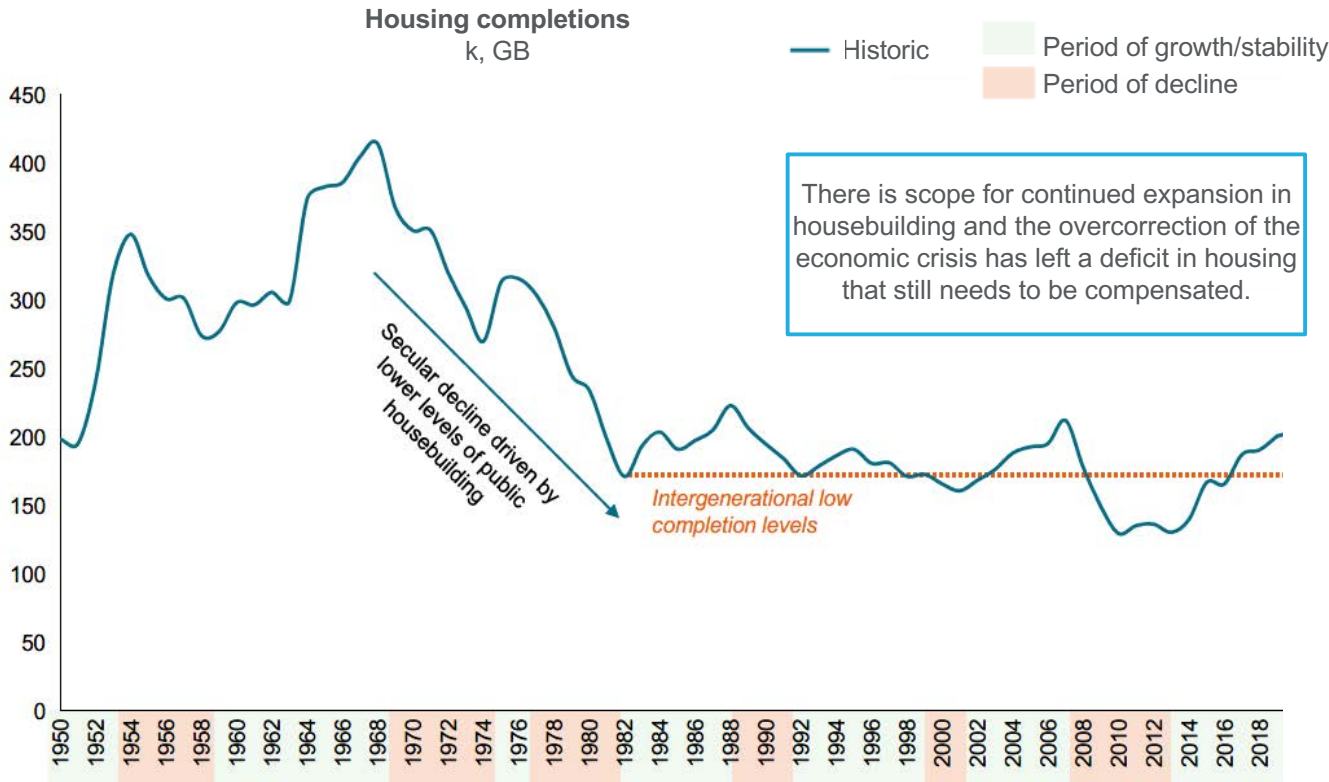
## OUR INTERNAL VALUES

We have defined four key internal values we want to be known for:  
**professional, trusted and reliable, quality-focused, and customer-oriented.**

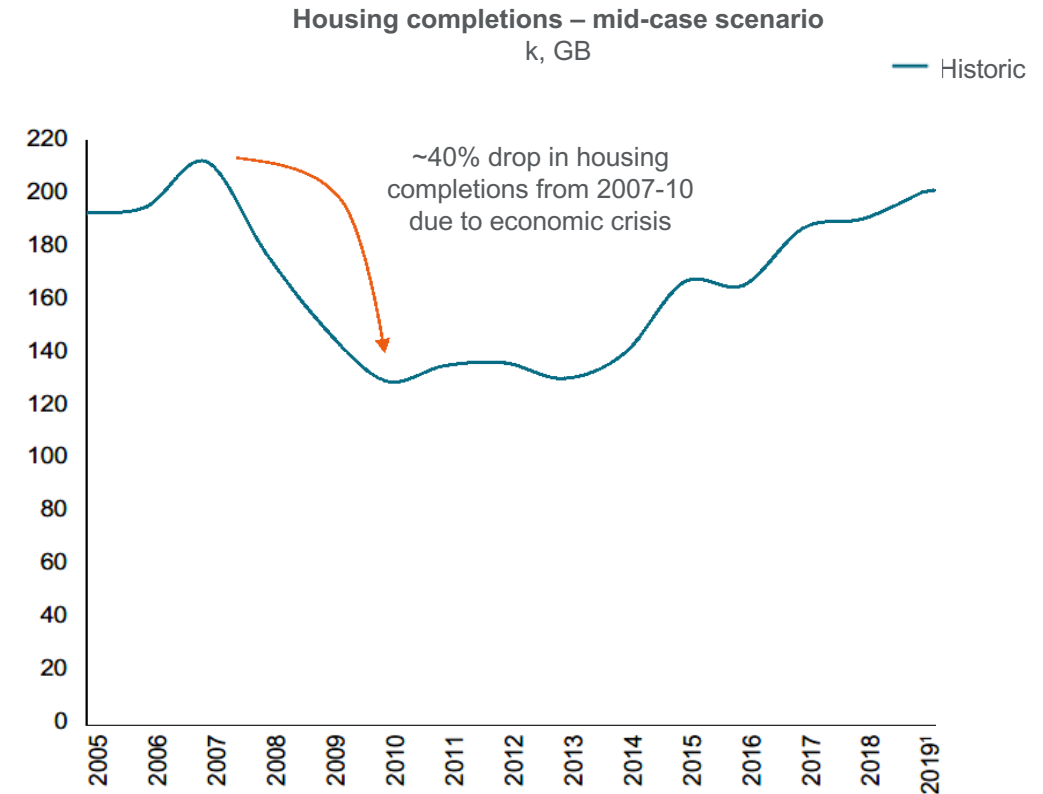
# History of UK Housing Market

# History of UK Housing Market

Current completions are still at intergenerationally low levels, leaving scope for future growth in the housebuilding market.



Source: ONS, CIL market model



Source: ONS, CIL market model

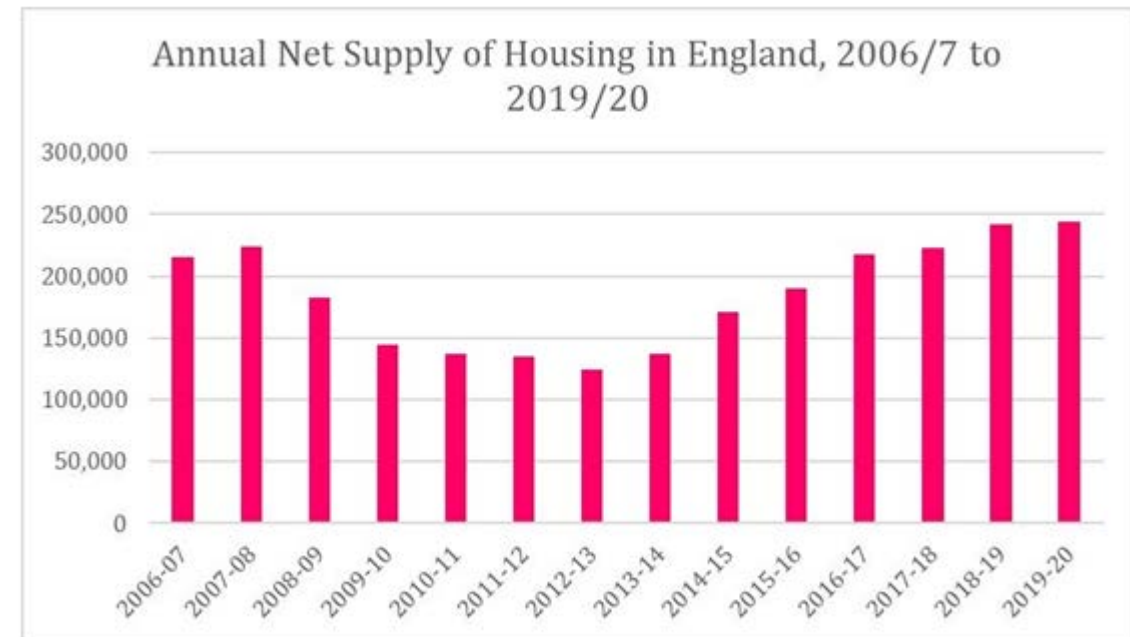
# Current Situation

# Net additions to Housing Stock

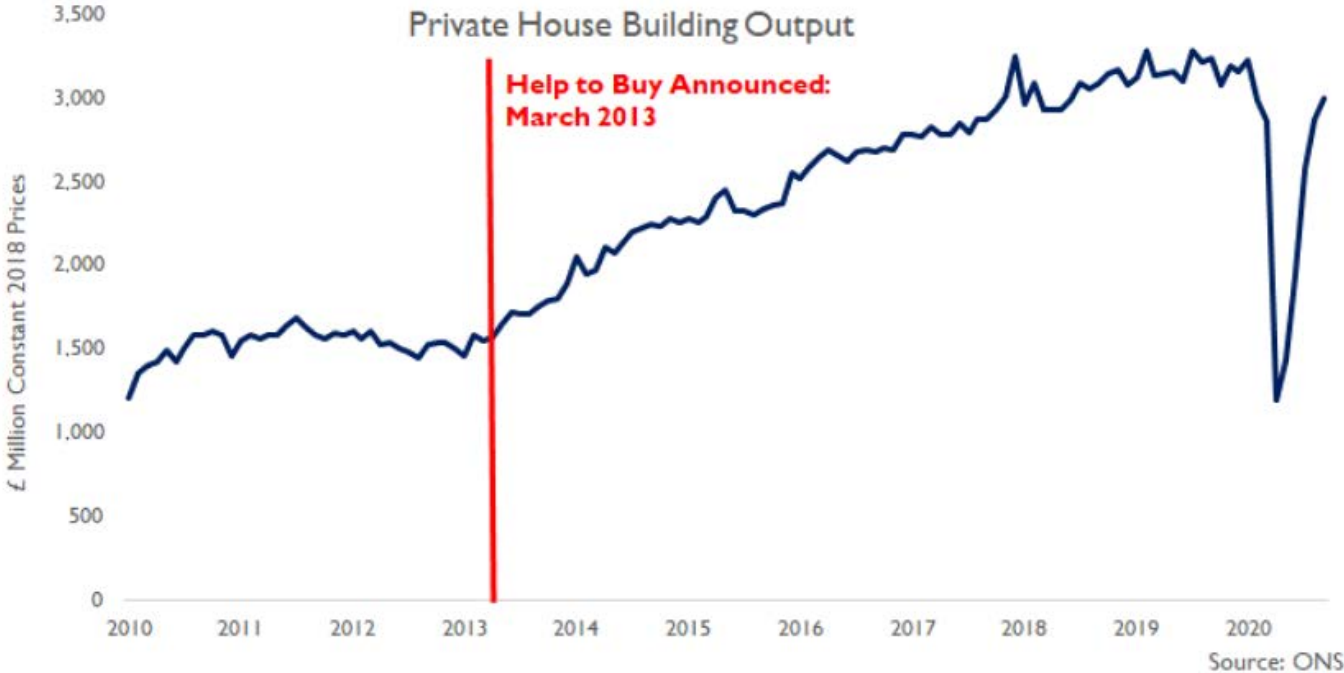
## Net housing supply in 2019/20 at highest level for more than 30 years

- The Ministry of Housing, Communities and Local Government has today published annual housing supply statistics showing that net housing supply in England reached **243,770** in 2019/20.
- The figures confirm that the Government's pre-2015 target of one million additional homes in the five years to 2020 was comfortably achieved as **1,115,000 new homes** were added to the housing stock during the period.
- In the 12-months to the end of March 2020 a **total of 252,790 new homes were completed**. These comprised:
  - 220,600 new build completions (up by 3% year-on-year)
  - 26,930 changes of use (down 8% y-o-y)
  - 4,340 conversions (down 16% y-o-y)
  - 930 other gains (down 4% y-o-y)

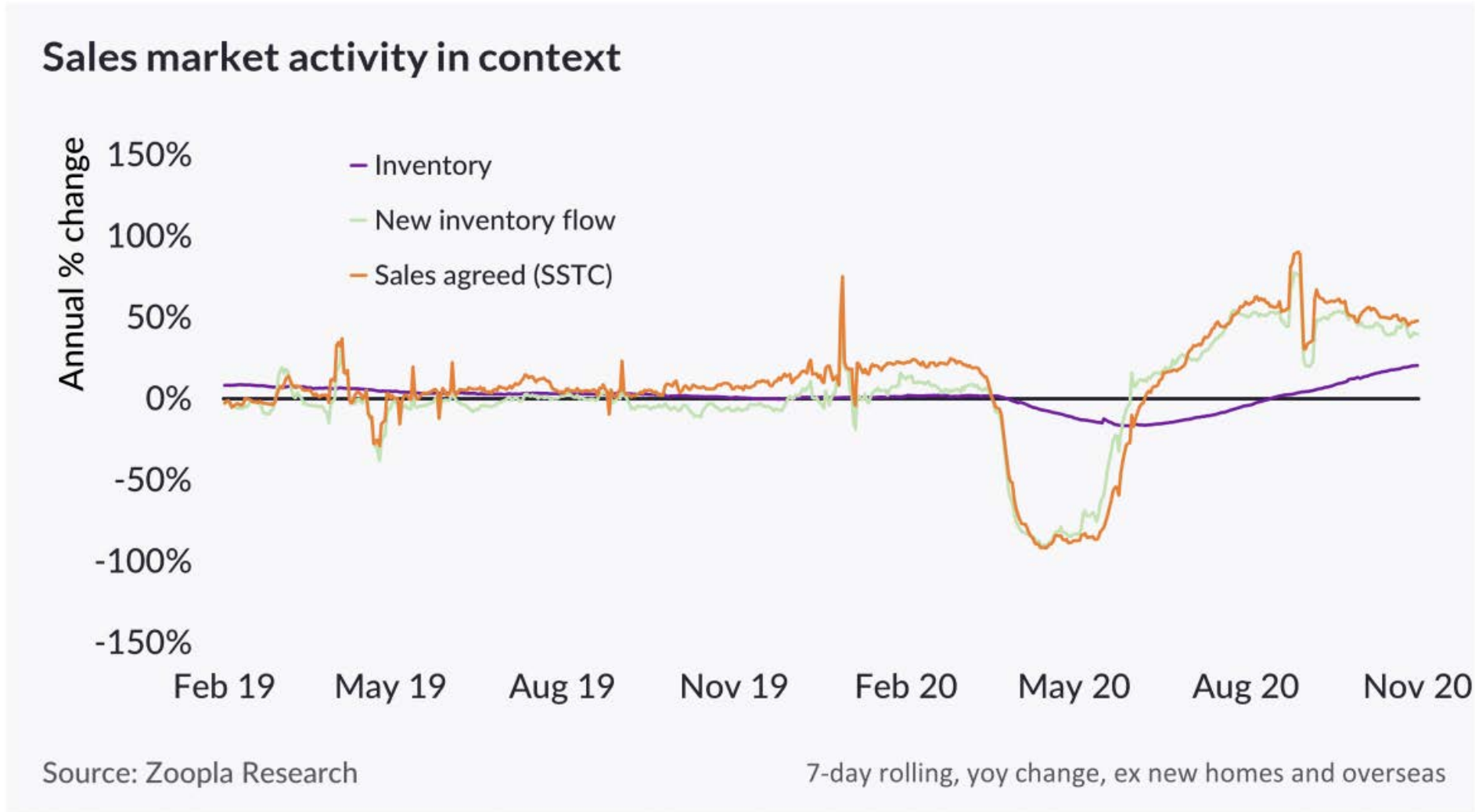
**9,020 demolitions were recorded, giving a net supply figure of 243,770**



# Private House Building Output



# Housing Market Activity

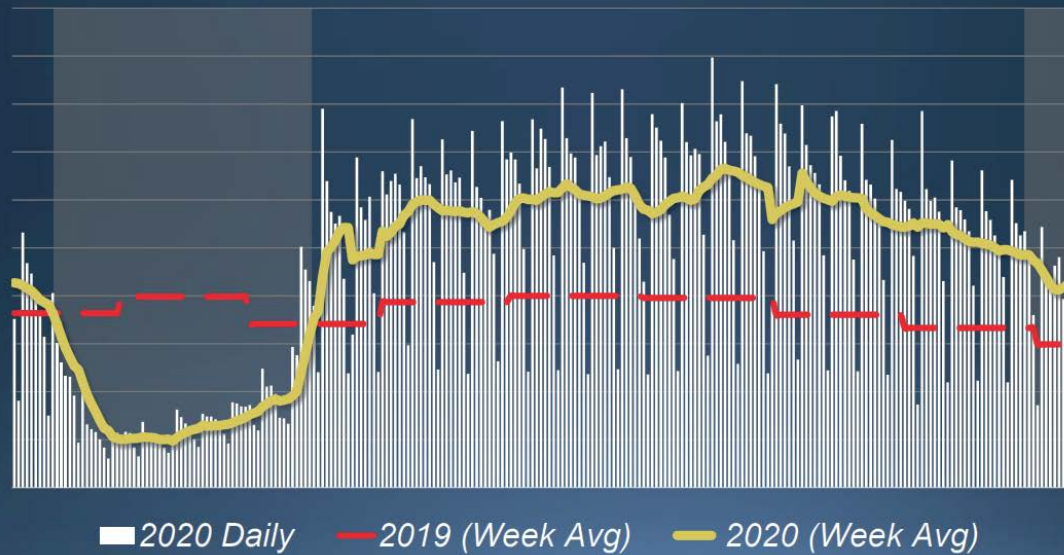




# Housing Market Activity

## Strong & Sustained Demand

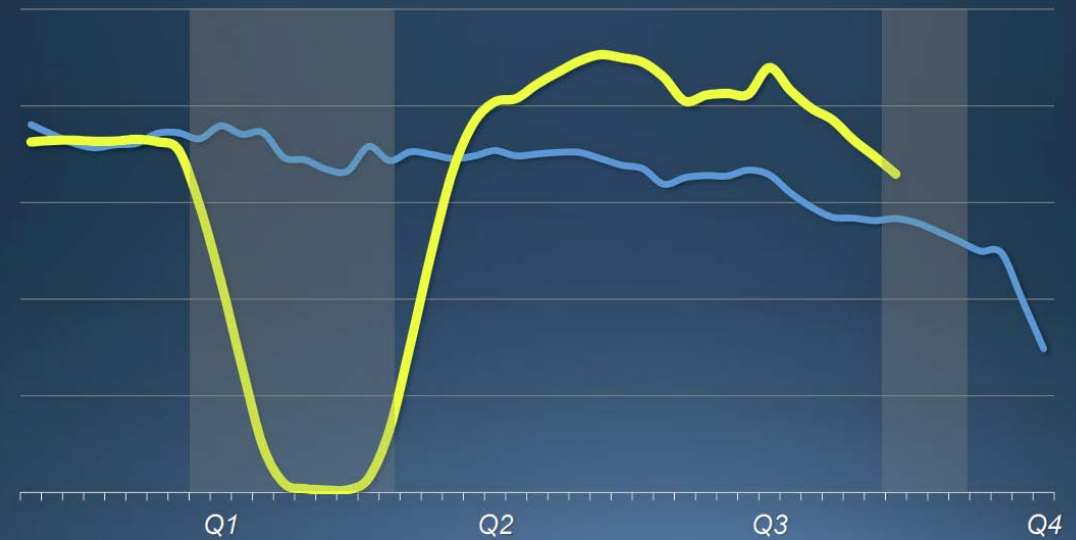
Portal enquiries



Source: Connells Group

## New Instructions

—2019 —2020



Source: Connells Group

# Housing Market Activity

## Buyer Registrations – October 2020 vs 2019

	First-time buyers
Scotland / North	↑ 18%
Midlands	↑ 26%
Wales / South West	↑ 8%
East	↑ 24%
London	↑ 8%
South East	↑ 18%

Source: Connells Group

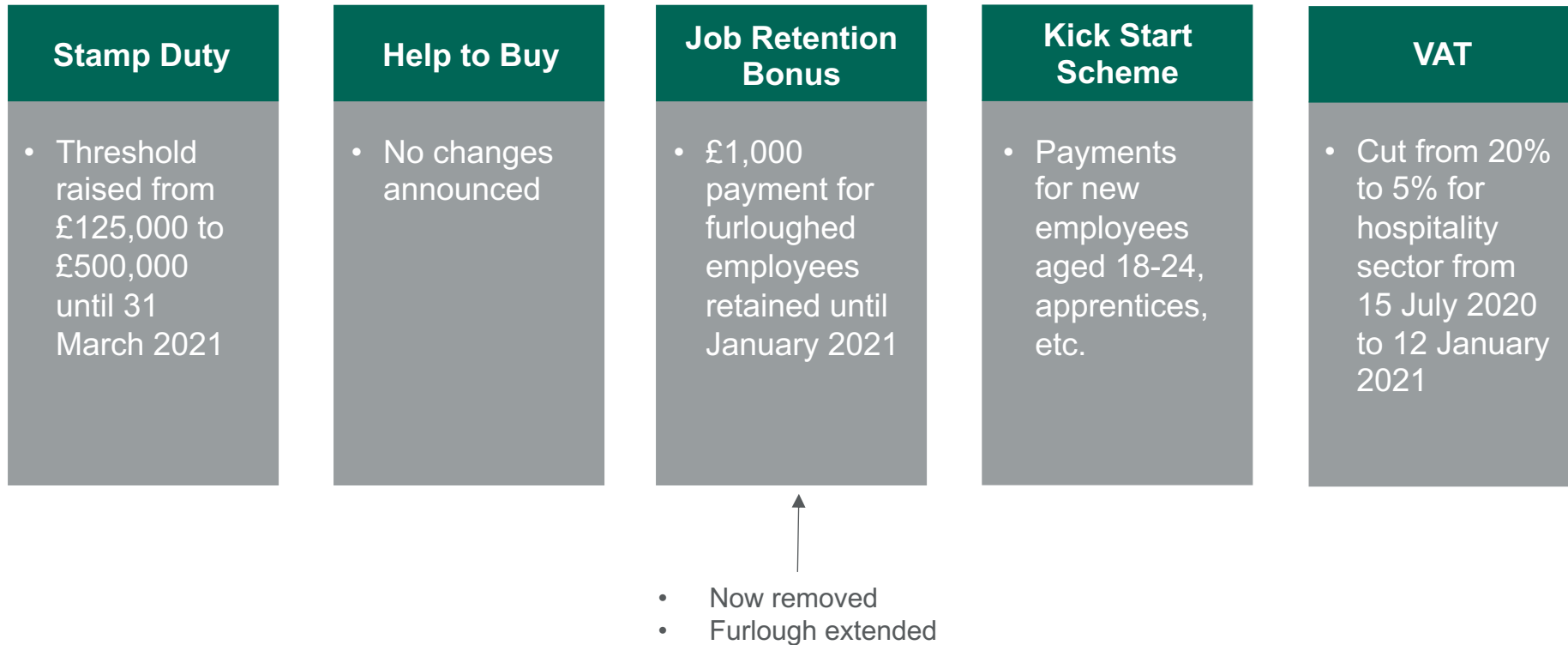
## Sales Pipeline



Source: Connells Group

- Record pipeline still growing by the day
- Deadline looming for new sales to be agreed
- Pressure in the system, delays with
  - Searches
  - Conveyancing
  - Lenders
  - Chains

# Chancellor's summer statement



# Help to Buy

## The future of Help to Buy

- 1 In its current form the scheme ends in April 2021
- 2 A “new” scheme will operate for 2 years until March 2023
- 3 which will only be available to first time buyers
- 4 ....and subject to regional value caps

Help to Buy 1  
2013 - 2021

**£20bn**

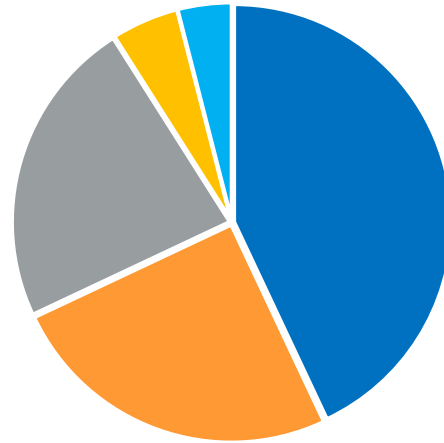
Help to Buy 2  
April 2021 – March 2023

**£8.7bn**

Available under the new scheme

# UK Aircrete Market

Aircrete Market Share 2020



- Market Size 2,000,000m<sup>3</sup>

■ H+H ■ Forterra ■ Tarmac ■ Xella (imports) ■ Other



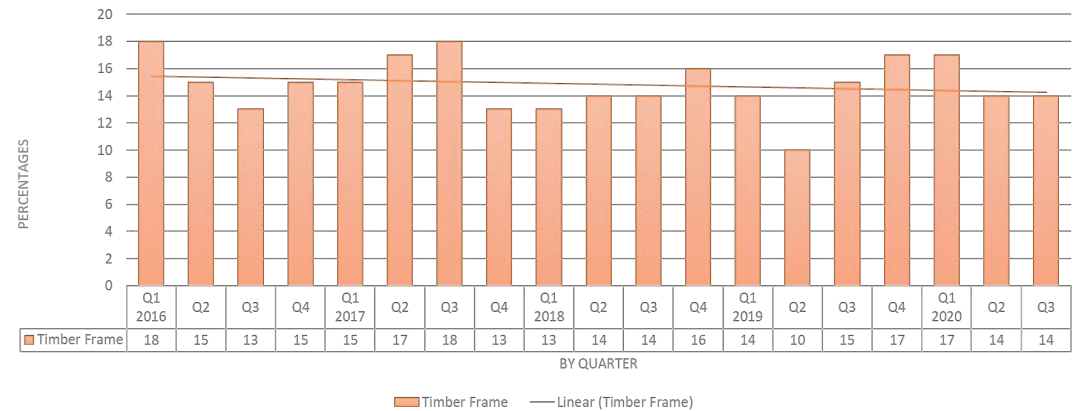
Floors

Foundations

Internal Walls

External Walls

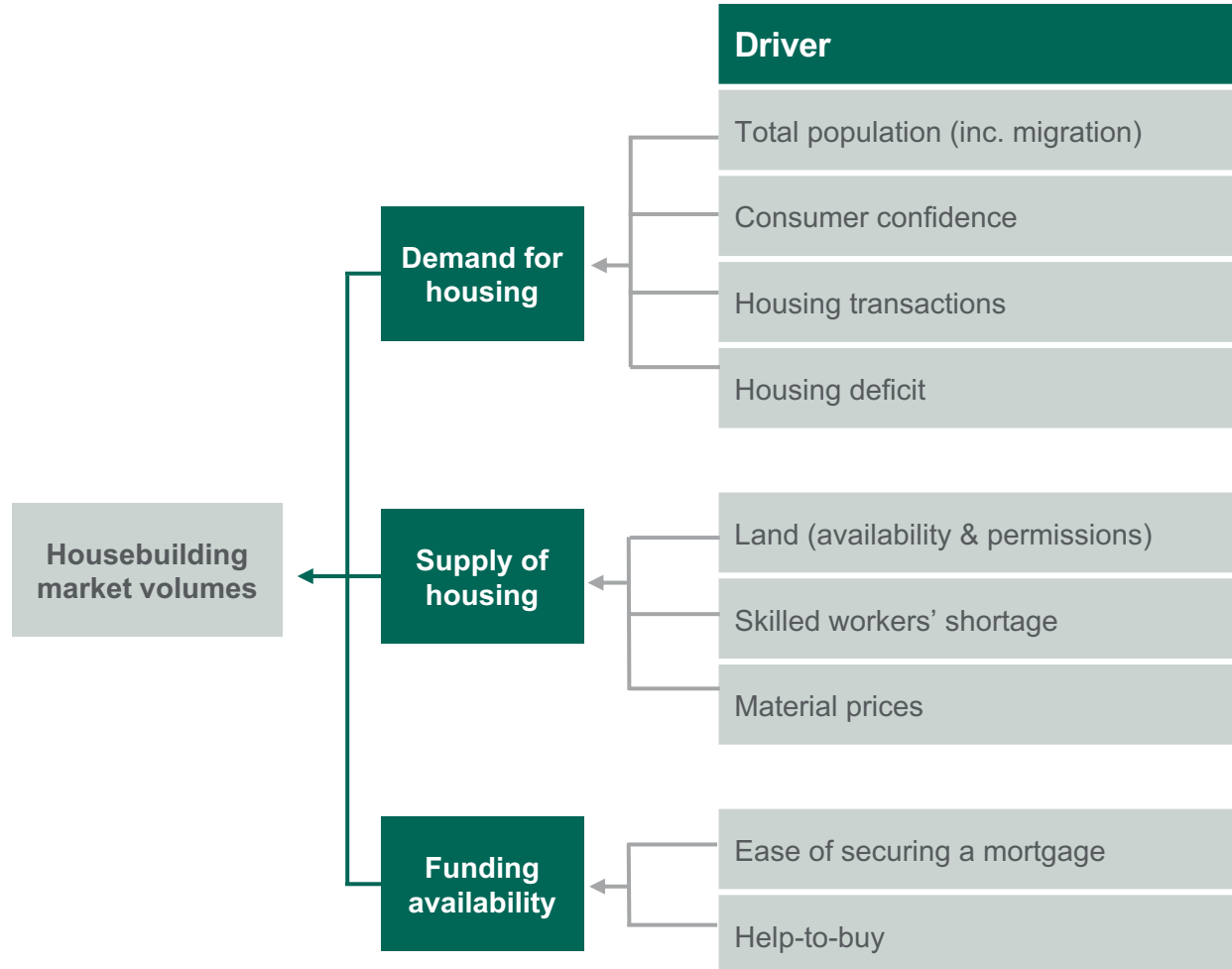
Timber Frame Market Share UK



# Market Fundamentals

# Market Fundamentals

Housebuilding market volumes are driven by various supply, demand and funding factors, which may be affected by relevant sub drivers.



# Market Fundamentals

## Economic benefits of housing market activity

The important contribution that the housing market makes to the UK economy is widely acknowledged, yet assigning a value to that contribution is complex. There is no single source of data providing comprehensive information about the total economic impact of a housing transaction.

### Housing transactions contributions to economic growth



**£9,559**

Net contribution to GDP per housing transaction (existing homes)



**£955,943,416**

Net contribution to GDP per 100,000 housing transactions (existing homes)

Source: Knight Frank Research

### Contributions to economic growth

Net impact per 100,000 transactions



**£538,961,848**

RENOVATIONS AND SPENDING ON HOUSEHOLD GOODS



**£72,095,058**

REMOVALS



**£30,592,848**

PROPERTY SURVEYS



**£314,293,622**

ESTATE AGENT AND LEGAL FEES



**11,557**

TOTAL JOBS SUPPORTED



# Trends in the Market

## Challenges and Opportunities

# Trends in the Market

## Challenges and Opportunities

- The impact of COVID-19
- Government support
  - Help to Buy
  - Stamp Duty
  - Planning Reform
  - Future Homes Standard
- Modern Methods of Construction
- Brexit
- H+H Strategic opportunities

# Trends in the Market

## Challenges and Opportunities

- The impact of COVID-19
- Government support
  - Help to Buy
  - Stamp Duty
  - Planning Reform
  - Future Homes Standard
- Modern Methods of Construction
- Brexit
- H+H Strategic opportunities

# The impact of COVID-19

## How have buyers' preferences changed?



**56%**

more inclined to **work from home** more regularly in the future (*49% in April*)



**62%**

said the **amount of garden or outside space** had become more important

**>80%**

Of those in the **finance & insurance services** or the **media, information & tech** sectors

**71%**

Of those in **London**

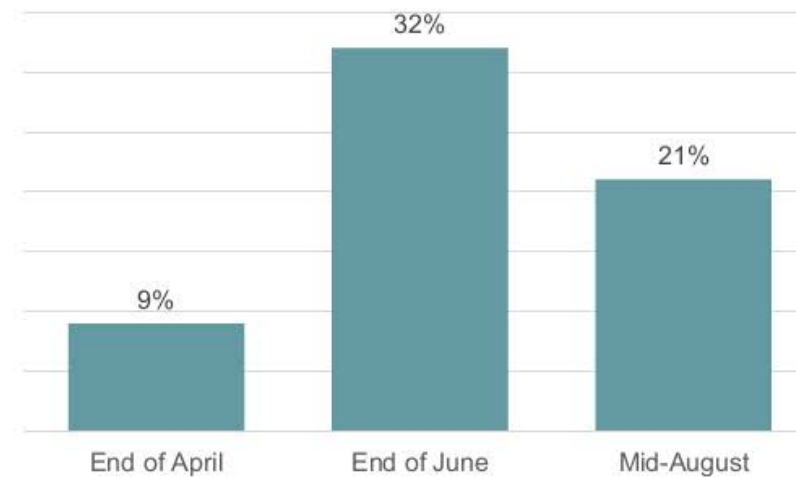
**57%**

said a **separate space to work from home** had become more important (*44% in April*)

**80%**

Of those **under 40**

Net balance of opinion on commitment to move in the next year



**56%**

Think house prices will fall in the next year

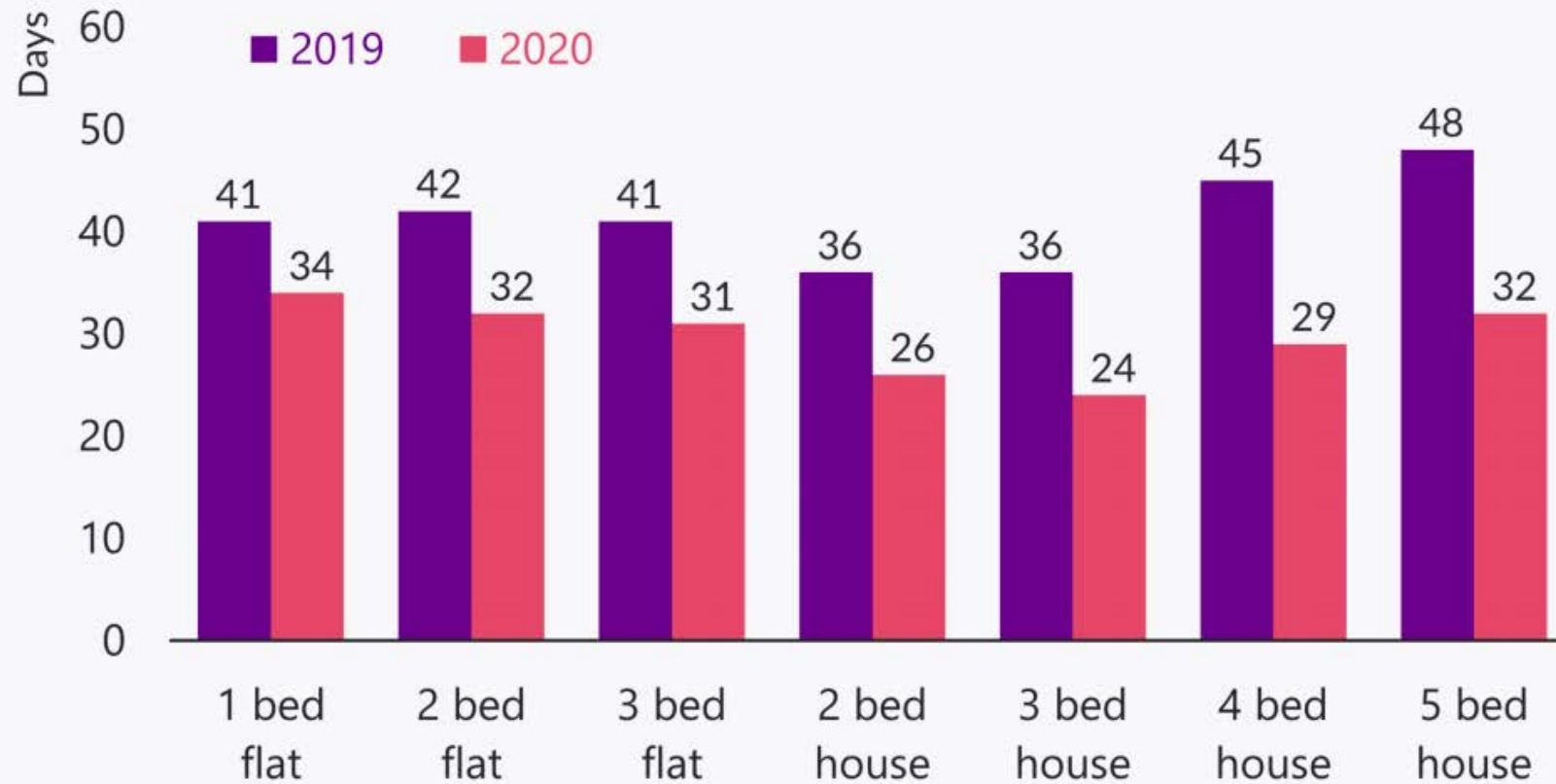
**69%**

Think house prices will increase in the next five years

# The impact of COVID-19

## Houses sell faster than flats as priorities change

Zoopla

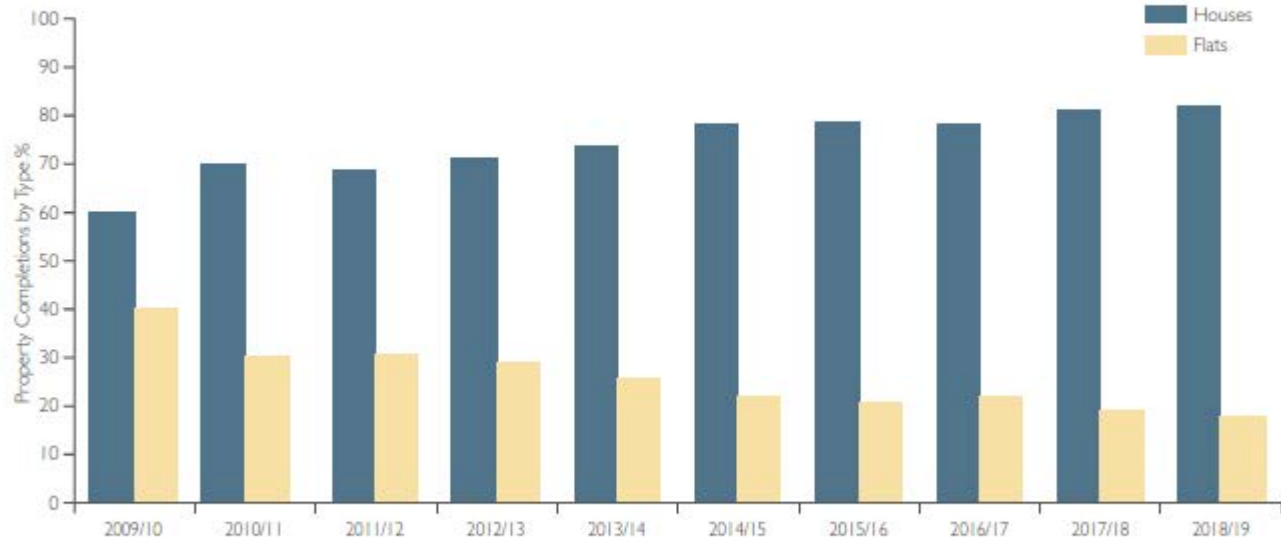


Source: Zoopla House Price Index

Time to sell for homes sold since 13/5/20 compared to same period in 2019

# Covid-19 Continues to influence the mix of Houses vs Flats

Private Housing Completions by Type (England)



Source: MHCLG

## Coronavirus: Rural markets boom as Brits flock to countryside

- Rural markets are booming as COVID-19 drives UK homebuyers to the countryside, with many happy to pay premium prices.
- Rural locations have hit a new level of popularity among home buyers, according to Zoopla.
- The rural district of Ryedale in North Yorkshire saw the highest boost in sales agreed – up 63% in the past six months, compared to the same period in 2019, data from property portal shows.
- Herefordshire, one of England’s most rural areas and well known for fruit and cider production, came in second, with an uplift of 46%.
- Meanwhile, Sevenoaks, which extends across Kent, otherwise known as the “Garden of England”, came in third, with sales agreed up 44%.
- “The growth in flexible working, combined with a search for more space, has led to some city-dwellers looking for a change in scenery,” said Zoopla.
- “It’s not just Londoners who are exiting the city limits – the uptick in demand for rural property extends to other regions in England.”

# The impact of COVID-19

- Increase in home improvement sector (RMI)
  - Garage conversions +31%
  - Loft conversions +19%
  - Detached home offices +16%
  - Home extension +12%
  - Basement conversion +9%

(Sept 20 vs Sept 19)
- Increase in enquiries for Garden rooms



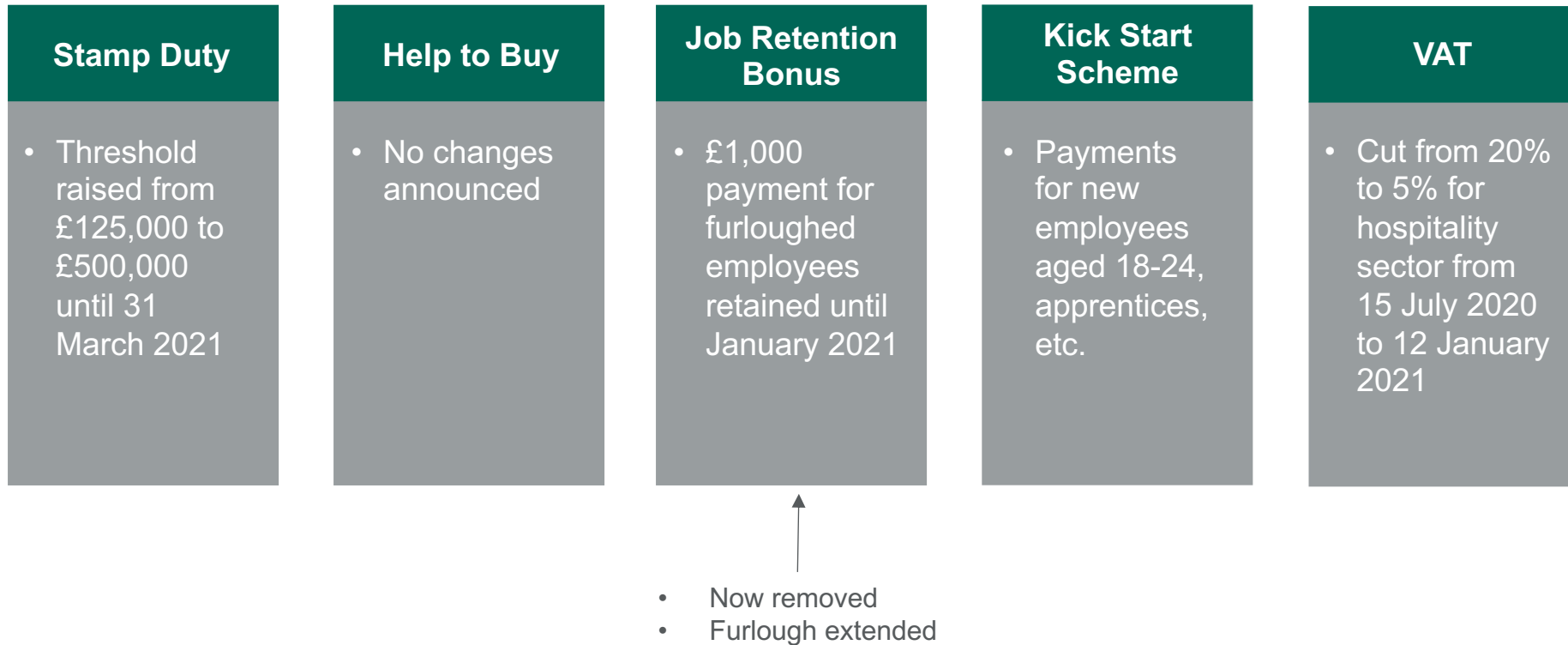


# Trends in the Market

## Challenges and Opportunities

- The impact of COVID-19
- Government support
  - Help to Buy
  - Stamp Duty
  - Planning Reform
  - Future Homes Standard
- Modern Methods of Construction
- Brexit
- H+H Strategic opportunities

# Chancellor's summer statement



# Help to Buy

## The future of Help to Buy

- 1 In its current form the scheme ends in April 2021
- 2 A “new” scheme will operate for 2 years until March 2023
- 3 which will only be available to first time buyers
- 4 ....and subject to regional value caps

Help to Buy 1  
2013 - 2021

**£20bn**

Help to Buy 2  
April 2021 – March 2023

**£8.7bn**

Available under the new scheme

## Future Homes Standard

- As part of the journey to 2050 Government is committed to introducing the Future Homes Standard by 2025. (This target will require the UK to bring all greenhouse gas emissions to net zero by 2050)
- It is expected that an average home built to this standard will have 75-80% less carbon emissions than current energy efficiency requirements.
  - Achieved through very high fabric standards and a low carbon heating system
- Favoured Government option is around 30% reduction in carbon emissions compared to current regulations
  - Installation of carbon-saving technology
    - PV (solar) panels and better fabric standards

## Changes to Part L anticipated in 2021

Making a significant interim step towards the Future Homes Standard through:

- Uplifting the minimum standard of whole building energy performance
- Improving the minimum insulation standards
- Future-proofing new dwellings to be ready for low carbon heating systems

## Benefits of using Aircrete

- There is less 'thermal leakage' with Aircrete
- Foundations blocks will be thicker on average
- Aircrete has the best performance in terms of heat conductance

## Other Regulation changes

### House Comfort

- As part of the energy reduction package, greater fabric (house envelope) airtightness is needed
- Aircrete is a high performing product, even more so with thin joint mortar or vertical aircrete panels
- With its thermal mass, aircrete has benefits in mitigating internal summer overheating

### Fire Regulations

- It is anticipated that the fire regulations will be tightened up and a recent Government consultation expressed a strong view that combustible materials should be banned for building over 11m high reduced from the current 18m. This would be a major benefit for masonry in general

# Trends in the Market

## Challenges and Opportunities

- The impact of COVID-19
- Government support
  - Help to Buy
  - Stamp Duty
  - Planning Reform
  - Future Homes Standard
- Modern Methods of Construction
- Brexit
- H+H Strategic opportunities

# Modern Methods of Construction (MMC)

- 7 Categories within the definition of the MMC
  - H+H have 2 systems approved
    - Large format block (Elements)
    - Thin joint

**Site Based MMC- includes H+H thin joint aircrete masonry and Elements**



## 7 categories within the MMC Definition Framework

- Category 1 – Pre-Manufacturing – 3D primary structural systems
- Category 2 – Pre-Manufacturing – 2D primary structural systems
- **Category 3 – Pre-Manufacturing – Non systemised structural components**
- Category 4 – Pre-Manufacturing – Additive Manufacturing
- Category 5 – Pre-Manufacturing – Non-structural assemblies and sub-assemblies
- **Category 6 – Traditional building product led site labour reduction/productivity improvements**
- **Category 7 – Site process led labour reduction/productivity improvements**

# Trends in the Market

## Challenges and Opportunities

- The impact of COVID-19
- Government support
  - Help to Buy
  - Stamp Duty
  - Planning Reform
  - Future Homes Standard
- Modern Methods of Construction
- Brexit
- H+H Strategic opportunities



# Brexit

- Deal or No Deal
  - Impact on Consumer Confidence
- H+H Impact
  - 95% of our raw materials are UK sourced
  - Aluminium and Packaging
    - Holding 6 months stock across UK sites
    - Packaging can be sourced in UK if needed
- Customer (Housebuilder) impact
  - Increase of 1½% in material costs
    - Sanitary ware
    - White goods
    - Sourced from continental Europe
  - Impact on house price of ½%
  - No short term labour issues

# Trends in the Market

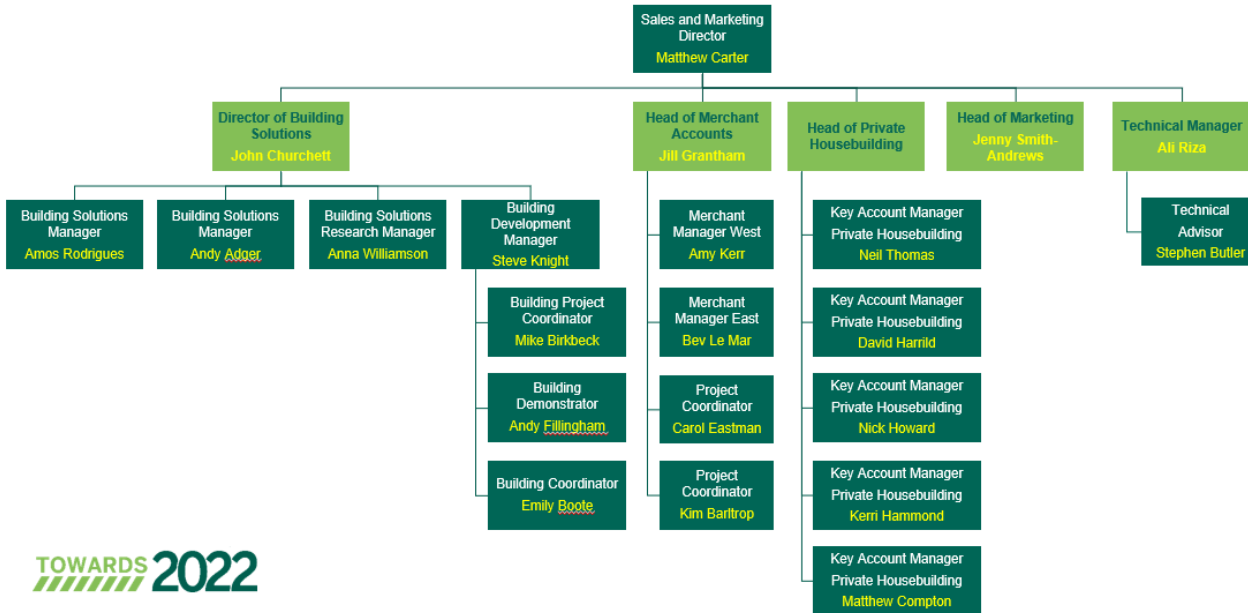
## Challenges and Opportunities

- The impact of COVID-19
- Government support
  - Help to Buy
  - Stamp Duty
  - Planning Reform
  - Future Homes Standard
- Modern Methods of Construction
- Brexit
- H+H Strategic opportunities

# H+H Strategic opportunities

- Refresh H+H Sales and Marketing approach

## New Sales, Marketing and Technical – January 2021



TOWARDS 2022

## Areas for change

- A more integrated approach
- Increased focus on housebuilders
- Adapt to less face-to-face meetings
- Prioritise our MMC solutions
- Identify key market concerns and develop our answers
- Support our trading partners
- Face-to-face vs Video calls

TOWARDS 2022

# H+H Strategic opportunities

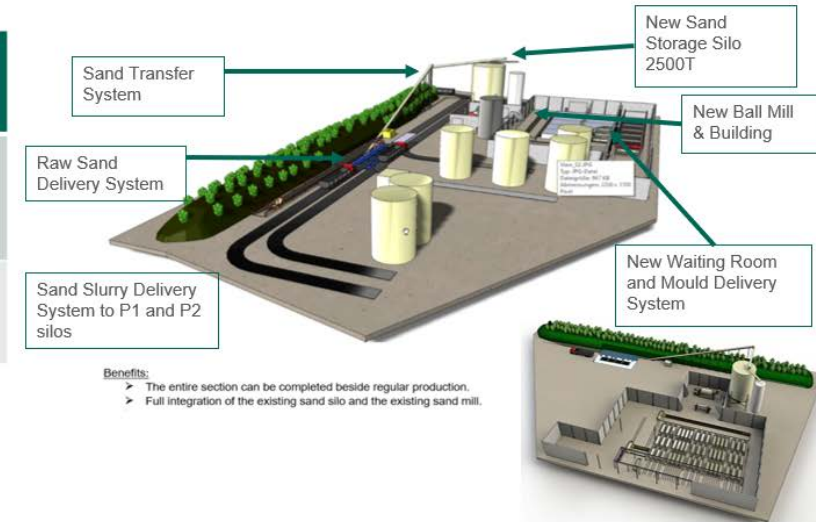
## H+H UK

- Aggregate supply
  - PFA and Sand
- Capacity expansion
  - 4 from 3
  - Continuous improvement (CI)
- Environmental / Sustainability

## Aggregate Strategy

### Pollington

Current Situation		What this project delivers
P2 limited sand capability: insufficient sand delivery capacity and ball milling capacity. P1 zero sand capability	Phase 1 Sand delivery and processing	50% Sand capability P1 and P2
Limited waiting room capacity for sand production in P2	Phase 2 Waiting room and Mould Transfer System 100% P2	100% Sand capability P2 and 50% P1



### Borough Green

Current Situation		5 Year Strategic Plan delivers
20% Sand capability		100% Sand capability

**How do the Government achieve their 300k homes per annum target?**

# How do the Government achieve their 300k homes per annum target?

- Planning in place to allow for 300k new homes
  - Increase land available with planning permission
  - System to deliver 300k
- LA plans in place robust enough to deliver 300k
  - Stand 'delivery test'
  - Broader number of sites to allow board supply base
    - Small developers
    - Retirement homes
- Demand / create more than just private Buy
  - Private for sale
  - Shared ownership
  - Private rented
  - Social rented

70/60% can afford to buy

30/40% need another route to afford to buy not traditional sale