

Segmental Review

Land Promotion



Nick Duckworth
Hallam Land Management Limited

HLM performed well, achieving a £14.2m operating profit (2019: £31.0m) from selling 2,000 plots (2019: 3,427 plots), at an average of £6,456 per plot (2019: £10,000 per plot).

During 2020, UK greenfield land values remained relatively stable with a decline of 0.6% in the year according to Savills Research. After suspending land buying in H1, the majority of the major national and regional housebuilders re-entered the market in H2 with land values increasing by 0.3% in Q4. This followed a strong recovery in new housing sales, leading to continued demand for our land, where encouragingly we received bids at pre-CV-19 prices.

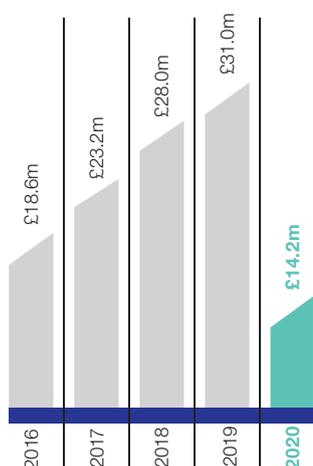
In 2020, disposals were made at various locations including, Wellingborough (600 plots), Lubbethorpe (258 plots), Hatfield (189 plots), Ripley (200 plots) and Warton (109 plots). In addition, we also sold land in Buckingham for a Care Home and Doctors' Surgery, and in Faversham for a Care Home and food store. Later in the year, we also disposed of an interest in a joint venture site in the Midlands, which made a major contribution to HLM's performance.

Significant strides forward were achieved at Didcot with Oxfordshire County Council securing an important infrastructure funding package which enabled it to reaffirm its support for our 2,170-plot scheme. We are hopeful that the final planning consent will be secured in 2021. Furthermore, we continued to make good progress at Eastern Green, Coventry where in November a resolution to permit planning permission was secured for 2,400 plots, 37 acres of commercial development, plus a primary school and community centre. This scheme requires a grade separated junction on the A45 to effect access, and a loan from the Homes and Infrastructure Fund (HIF) has been secured, with delivery expected during 2021/22.

HLM secured further opportunities in its land bank during the year, increasing it to 16,607 acres (2019: 14,898) with just under 60% located in prime market areas in the Midlands and the South of England. Exciting new projects were secured including at Bicester with potential for c.2,300 plots, community centre and ancillary uses, Milton Keynes, Thirsk, Selby, Worksop, New Ash Green and Whitstable. In total, we invested £10m on acquiring positions in new sites and at the year-end held interests in land capable of delivering just over 88,000 potential residential plots.

Region	Plots
Scotland	8,855
North	7,260
North Midlands	20,929
South Midlands	17,646
South East	11,782
South West	21,598
Total	88,070

Operating profit
£14.2m



Profit per plot £'000s
£6.5k



The pandemic did slow the preparation of local plans which, in turn, slightly delayed some projects, as local authorities were unable to process plans through to publication and public consultation. Nonetheless, planning authorities transitioned to virtual Committee meetings during the year, allowing HLM to continue to make progress on planning applications.

We secured new planning consents (or consents subject to s106 Agreements) for a total of 2,708 plots during the year, which resulted in our consented portfolio increasing to 15,421 plots at the year-end (2019: 14,713 plots) and we also had 8,312 plots the subject of planning applications (2019: 10,665 plots). By the year end, our housebuilder customers had returned to the acquisition trail, so that we entered 2021 with 1,744 plots unconditionally exchanged for 2021/22 completion (2019: 1,268 plots).



Pictured top: Hallam Land Management's New Lubbethorpe site, located in the Blaby District on the edge of Leicester. The site has planning permission for 4,250 plots, schools, community facilities and employment, and Hallam have promoted the site alongside Barratt, David Wilson, Davidsons and landowners the Drummond Family and Trustees. A further sale of 258 plots were completed in 2020.

Residential Land Plots

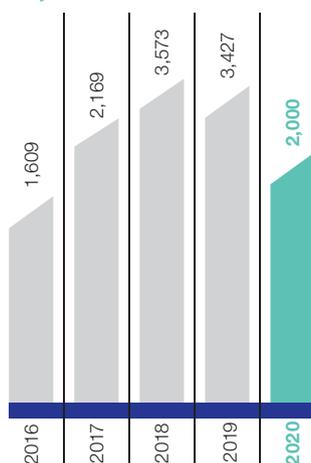
	With Permission				In Planning	Future	Total
	b/f	Granted	Sold	c/f			
2020	14,713	2,708	(2,000)	15,421	8,312	64,337	88,070
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469
2017	16,417	4,281	(2,169)	18,529	7,982	40,844	67,355
2016	12,043	5,983	(1,609)	16,417	10,452	32,630	59,499

At Chatteris (1,000 plots), which previously had received a minded to grant permission, we signed the s106 and secured outline planning consent. Bridport, which also had previously achieved Outline Planning Consent, cleared a Judicial Review in relation to our 760 plot and 10-acre commercial scheme, this site now being the subject of sale negotiations. Planning applications covering a further 1,171 plots were also submitted during the year.

2021 has started well. In addition to the 1,744 plots exchanged, we have also unconditionally exchanged 450 plots at Worcester to Taylor Wimpey and Redrow, and completed the disposal of 115 plots at Warton, Fylde. During January 2021, the Government published its next steps on the enhancement of Building Regulations, the Future Homes Standard, and this will doubtless feature in future land negotiations. Nevertheless, as evidenced by our Worcester transaction where returns were in line with expectations, plus the high element of forward sales, we are confident about our prospects for 2021.

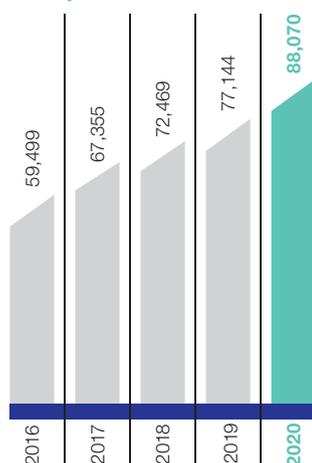
Plots sold

2,000



Residential land plots

88,070



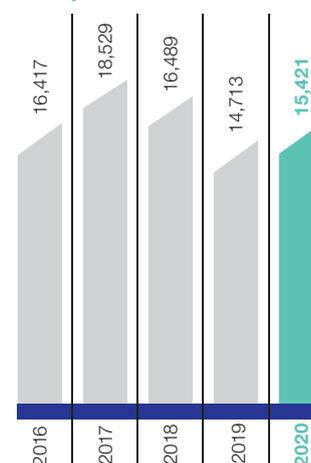
Plots in planning process

8,312



Plots with planning permission

15,421



Segmental Review

Property Investment and Development



Edward Hutchinson

Henry Boot Developments Limited

Darren Stubbs

Stonebridge Homes Limited

Property Investment and Development delivered a combined operating profit of £4.9m (2019: £17.8m).

In 2020, there was an acceleration in the recent divergence in property market performance with non-food retail and leisure assets severely impacted by trading restrictions for much of the year. According to the CBRE UK Monthly Index, commercial property values declined by 7.6% in 2020. Industrial was the only sector to deliver positive capital returns with investors attracted by secure income and continued rental value growth.

In 2020, Henry Boot Developments completed on developments with a GDV of £58m (Henry Boot Developments share £55m), with £41m of these schemes having been sold and £17m having been let and retained in the Group's investment portfolio. Industrial & logistics development formed 90% of our completed schemes and despite the pandemic, the UK market experienced high demand throughout 2020 with record

annual take up. We have responded to this demand by committing to speculatively develop a total of 206,100 sq ft at Luton, Preston and Enfield. Additionally, we exchanged contracts on two new projects Phoenix 10; Walsall, which has the potential to deliver industrial and logistic units ranging from 21,000 to 415,000 sq ft, and Wakefield Hub, to jointly develop a 2,000,000 sq ft occupier led distribution depot, which is subject to planning.

In total, the committed development pipeline includes nine schemes with a GDV of £312m (Henry Boot Developments share £85m) and 2,611,000 sq ft, of which 88% is either pre-sold or pre-let. This includes our 533-unit BTR scheme in Manchester known as Kampus, which is due for completion in Q3 2021 as well as approximately £67m (Henry Boot Developments share £52m) of new industrial & logistics space. All of the schemes are either already on site or are expected to commence in Q1 2021 and are all due for completion before the end of 2021.

Committed Schemes

Scheme	GDV (£m)	Share of GDV (£m)	Commercial (sq ft)	Residential (units)	Status
Industrial					
Enfield	16	8	56	–	Speculative
Markham Vale, Orion	22	22	297	–	Pre-sold
Wakefield Hub, Kitwave	8	4	65	–	Pre-let
Preston	7	4	67	–	Speculative
Luton	14	14	82	–	Speculative
	67	52	567	–	
Residential					
Manchester, Kampus	216	11	44	536	Pre-sold
	216	11	44	536	
Land and other					
Wakefield Hub, Mountpark	15	8	2,000	–	Pre-sold
Skipton,	14	14	–	184	Pre-sold
	29	22	2,000	184	
Total for year	312	85	2,611	720	
% sold or pre-let	88%	69%			

Despite the challenges of CV-19, we have been successful in securing a number of new development opportunities. We have acquired sites at Mabgate in Leeds and St John's College in Manchester for a combined price of £12.6m with existing buildings of 60,000 sq ft and 27,000 sq ft respectively. Both sites are fully occupied and offer good short-term income returns whilst providing excellent medium-term redevelopment opportunities in strong urban regeneration settings. Adding to our industrial & logistics pipeline we have secured a position on 83 acres of land at Todwick just off J31 of the M1. The site has been secured under a promotion agreement with a view to creating over 1,000,000 sq ft of space, with a GDV of approximately £90m.



In addition to our committed schemes, we have a short to medium-term development pipeline with a total GDV of £1.4bn (Henry Boot Developments share - £1.1bn). All of these opportunities sit within our three core sectors of industrial & logistics (78%), urban residential (11%) and urban commercial (11%). The immediate focus on our development pipeline will be to commence remediation works at Phoenix 10, Walsall, capable of delivering 620,000 sq ft of industrial space and starting construction of our 95-unit build for sale residential scheme in Birmingham known as Cornwall House. At Wakefield Hub, we have submitted a joint application with our development partner to develop a 2,000,000 sq ft unit that will be pre-let prior to start on site, which we anticipate commencing on site in Q3 this year. Also, on this scheme post year-end, we will deliver a 260,000 sq ft pre-let industrial unit on behalf of a German pharmaceutical company. Subject to securing planning in mid-2021, work is expected to start on site in the second half of 2021 with the total GDV in excess of £30m.

Having successfully sold the majority of the retail assets from our investment portfolio in 2019, we have made further progress against our revised strategy. The year-end value of the portfolio was £82.7m (2019: £70.0m), which reflected a modest 2.3% valuation decline on a like-for-like basis, outperforming the CBRE monthly index (-7.6%). The increase

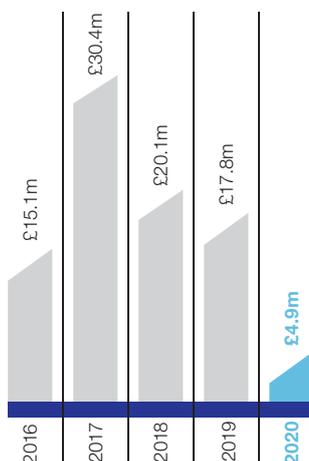
was principally as a result of retaining two completed assets amounting to £17.0m pre-let at Eden Farm, Luton (73,500 sq ft industrial unit) and Huyton (19,000 sq ft foodstore). Rent collection finished the year at 88% with the portfolio weighted average unexpired lease term now 12.9 years. Occupancy was at 84% as at 31 December 2020, although this has subsequently increased to 94% following post period end lettings at Blake House, Uxbridge and MV55, Markham Vale. We are confident of being able to continue to grow the investment portfolio from both retained developments and selective acquisitions with the objective of increasing the overall value to around £100m in 2021 and to approximately £150m over the medium term with a continued focus on the industrial & logistics sector.

Our jointly owned housebuilder, Stonebridge Homes, had a successful year, performing ahead of targets after achieving 115 house completions (90 private/25 affordable) (2019: 159), at an average selling price for private units of £368k (2019: £268k). As many households re-evaluated their housing needs, there was high demand from house buyers in H2 and we maintained a strong sales rate of 0.61 units per week per site over the year. Excluding April and May, when we temporarily closed all our construction sites and sales centres, the sales rate rises to 0.71. A price uplift of 2.7% was achieved over anticipated budget prices on the 90 private units sold in the year. We also secured a further 211 plots in the land bank including a key site in Wakefield in December, which has outline planning permission for 149 plots. The total owned and controlled land bank is now 1,119 plots, which at the current sale rates is a ten-year supply or four to five years supply, at our two-year forward forecast sales rate.

We begin 2021 in good shape and, to date, have secured 69 reservations (40 private/29 affordable) out of a delivery target of 120 plots (75 private/45 affordable). With home reservations currently running ahead of the comparable period last year, we continue to see positive signs that the market remains stable, leaving Stonebridge positioned to perform well and achieve its growth aspirations.

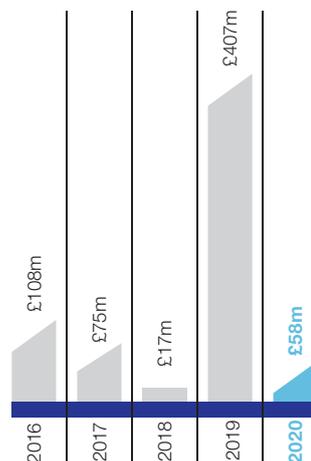
Operating profit

£4.9m



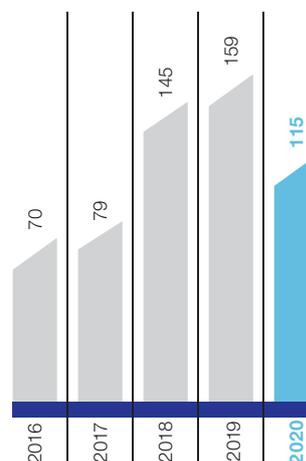
Completed developments GDV

£58m



Stonebridge Completions

115



Pictured top: Located in Manchester city centre, Kampus is a £250m BTR scheme. The site, is comprised of apartments, shops, restaurants and bars, and is set to complete in 2021.

Segmental Review

Construction



Simon Carr
Henry Boot Construction Limited

Giles Boot
Banner Plant Limited

Trevor Walker
Road Link (A69) Limited

Despite the challenging operating environment, the Group’s construction segment, which also includes Banner Plant and Road Link (A69), achieved a combined operating profit of £6.5m (2019: £9.0m).

Henry Boot Construction performed ahead of expectations, with turnover of £86.2m (86% in public sector), against a total UK construction output decrease of 12.5% in 2020. The Office for National Statistics showed a record 40.7% monthly decline in April 2020, UK construction activity recovered during the remainder of the year with December 2020 output only 3.5% below the pre-CV-19 February 2020 level. These national trends were broadly reflected in both Henry Boot Construction and Banner Plant where, after a brief pause due to the first national lockdown, year-end activity levels had both recovered to 95%.

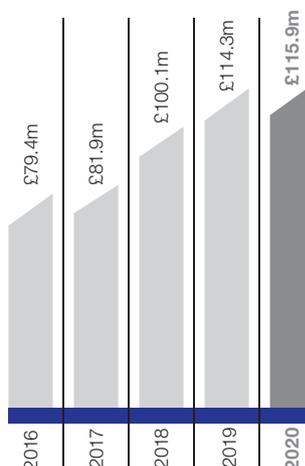
Our major £88.0m urban development scheme at The Glass Works, Barnsley, continued to progress at pace and is on schedule for handover this summer and works also continued on the £12.3m contract to transform the existing Opera North facilities in Leeds city centre, which is set for completion in 2021. Additionally, we signed a £40.0m contract to deliver the Kangaroo Works, a 364-unit residential BTR scheme and began works on a £42.5m mixed use urban development project, Heart of Sheffield, Block H. Both projects are located in the centre of Sheffield and start on site in Q2 2021. Unfortunately, our affordable housing business, Starfish Commercial, was materially impacted by CV-19 and we made the decision to place it into creditors’ voluntary liquidation in H2.

Across several public sector frameworks, we completed three schemes with a total contract value of £8.2m, and throughout 2020 were active on a further six schemes at a total contract value of £35.5m. We secured our first project through the PAGABO framework and are taking another scheme through the pre-construction stage. We also secured a place on the new Crown Commercial Services framework in the North of England for projects up to £30.0m and a place on the NHS shared business services framework for projects up to £15.0m across our operational area.

We have had a good start to the year securing new opportunities and are now ahead of our expectations having already secured a full orderbook for 2021. We are still receiving good tender opportunities and are well placed as the economy recovers through our presence on nine public sector national and regional frameworks, where we expect spend on construction projects will be maintained by the Government’s Build Back Better policy.

Banner Plant’s performance was impacted by the pandemic, but after the initial pause to readjust our operations to CV-19, all the depots continued to trade and remained profitable. With activity levels stabilising towards the end of the year, we are optimistic trading will be in line with our expectations for 2021. Due to CV-19 travel restrictions, Road Link (A69) traffic levels have been impacted resulting in a decrease in returns in 2020 and whilst we expect traffic levels to recover through 2021, we anticipate they will not fully return to pre-pandemic levels. With five years remaining on the contract, the hand back process will commence shortly to return the management of the A69 to Highways England.

Total turnover
£115.9m



Operating profit
£6.5m

