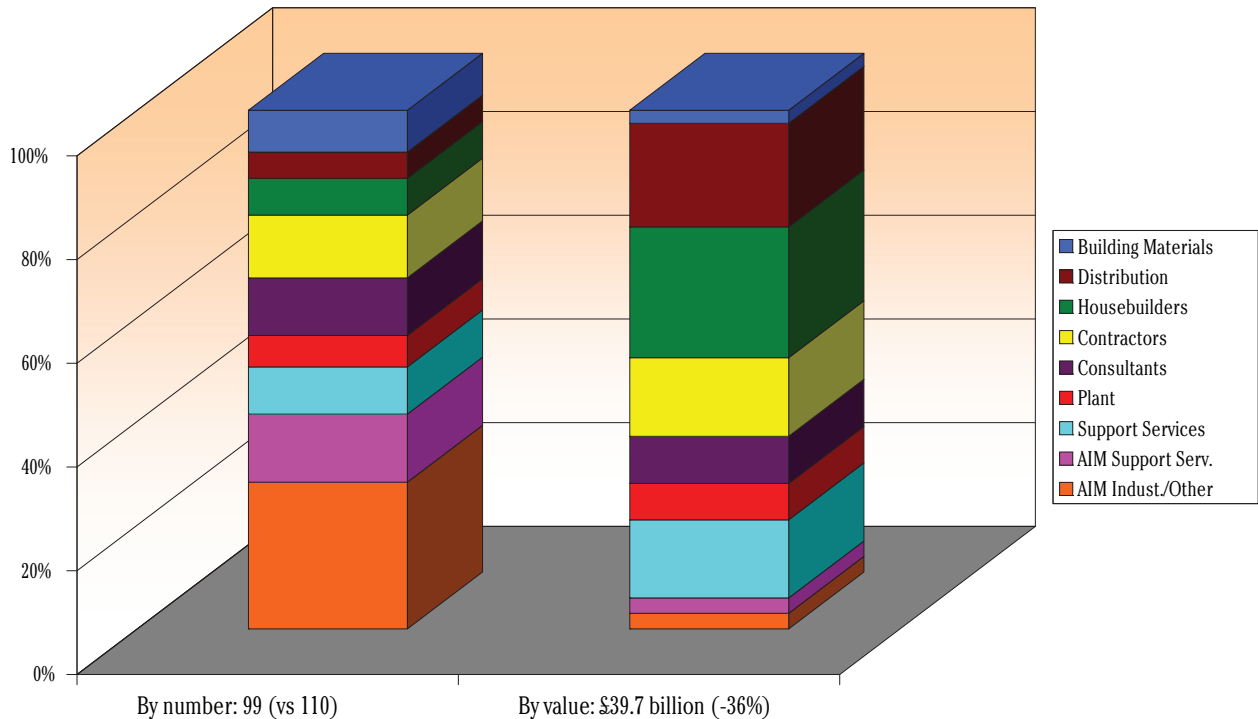


Building Value's UK Construction & Building Sector in 2008



No adequate representation of the listed companies which comprise the UK construction, housing and building materials industry exists anymore - so we invented one.

The Building Value UK Construction & Building Index comprised 99 stocks (down from 110) at the close of 2007 and was worth £39.7 billion – which marks a precipitous fall of 36% year on year (from £62.2 billion); and on a like for like basis – excluding all the mergers and acquisitions – it is still down 20%. This means that the entire industry is worth about the same as the single mining stock Anglo American plc.

Such a poor performance puts the Sector in the same bracket as REIT-beleaguered Real Estate shares, which also fell 36% last year (and tells you something). It also compares with a FTSE 100 which stayed in marginally positive territory (+2%), albeit that the FTSE All Share Index was flat and the FTSE 250 off 9%.

There were three FTSE 100 constituents in the Sector at the end of 2007: Persimmon (-48% in the year); the newly created Taylor Wimpey (-52%); and Wolseley (-40%). However, they may be at risk when the next FTSE review takes place; Barratt Developments (-63%), for example, dropped out in December. And there is even more drama when turning to the best and worst performers of the year – and this may well be a unique dichotomy: AMEC rose 99% while Erinaceous fell 99%.

In terms of the number of players, the Sector lost 13 constituents due to takeover bids worth a total of £15 billion on a weighted exit premium of 36%. Those disappearing (or about to) were: Baggeridge Brick; Ben Bailey; City Lofts; Crest Nicholson; Enterprise; Floors-2-Go; Hanson (£8bn); Inspace; Poole Investments; Jarvis Porter; Alfred McAlpine; Wilson Bowden; (£2.2bn) and George Wimpey (£2.5bn). Meantime going the other way were Norcros and Superglass with a combined value of just under £200 million.

12 companies (12% of constituents) have a market capitalisation in excess of £1 billion and together they account for 60% of the Sector's value; while 55 companies (55%) are valued at less than £100 million each and account for just 4% of value.

By activity, 'AIM Industrial and Other' stocks are the most numerous with 28% by number – but only 3% by value. Housebuilders, on the other hand, account for 7% of constituents and still 25% of value. Distributors are similarly rewarded with 5% by number and 20% by value, as are specialised Support Services purveyors with 9% and 15% respectively. Construction consultants, however, account for 11% by number but only 9% by value.

The Building Value Index excludes 14 non-UK registered groups (2006: 15) which have a London Stock Exchange listing and a total value of £30.8 billion (£34.4 billion). Most notable here are: Compagnie de Saint Gobain (£17.8bn and up 19% in 2007); and CRH (£9.6bn down 17%).



the independent strategic advisor to the building materials, construction and support services sectors

Happy New Year
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