Press Release **11 October 2017**

Telford Homes Plc

('Telford Homes' or the 'Group')

Trading Update

Telford Homes Plc (AIM: TEF), the London focused residential property developer, is pleased to provide the following update on trading ahead of its interim results for the six months ended 30 September 2017 ('H1 2018' or the 'period'), which will be released on Wednesday, 29 November 2017.

Highlights

- The ongoing acute need for more homes to buy and rent in non-prime areas of London continues to underpin the Group's longer term growth plans
- Existing pipeline of over 4,000 new homes to be delivered across London
- Average expected price of open market homes in the Group's pipeline is £530,000
- Increasing emergence of institutional build to rent investment in the London housing market
- Telford Homes recognised as a desirable build to rent partner by multiple potential investors
- Already developing nearly 500 build to rent homes with around 900 more expected to be added to the pipeline following the pre-construction agreement signed with Greystar in June 2017
- As anticipated, due to programmed timing of development completions, pre-tax profit for H1 2018 expected to be significantly lower than H2 2018 and lower than last year
- All developments are on time and in accordance with the Board's expectations
- Interim dividend expected to increase in accordance with anticipated full year profits
- On track to exceed £40 million of profit before tax for the year to 31 March 2018 in accordance with market expectations
- Longer term strategy remains to continue to grow Telford Homes and deliver more of the homes that London needs

Current trading

There remains an ongoing and acute need for more homes to be built across London which is recognised by all political parties and the Mayor. This is particularly true for non-prime locations where homes can be developed at more affordable prices and rents. The imbalance between this need and the supply of new homes continues to underpin the Board's long term belief in growing Telford Homes and increasing the Group's development capacity.

The Group has a diverse mix of customers including housing associations, build to rent investors, individual investors and owner-occupiers. The underlying need for homes comes from owner-occupiers and an increasing number of prospective tenants for whom finding a property to rent is a significant challenge. Despite that underlying need the homes for sale market in London has been somewhat subdued by economic and political uncertainty around Brexit negotiations and the election outcome. This has mainly affected demand at higher price points and tax changes affecting buy to let investment have also reduced the number of UK based investors that are active in the market.

Telford Homes has experienced limited impact from market uncertainty to date due to the Group's lower average price point, strong forward sold position and in achieving sales to build to rent investors. The Group has a development pipeline of over 4,000 homes to be delivered across London and the average expected price of the open market homes in that pipeline is £530,000. Forward sales represent over £580 million of future revenue to be recognised from the year to 31 March 2018 onwards and the Board will continue to pursue a strategy of de-risking the business by securing early sales when possible and appropriate.

As anticipated, there have been no significant sales launches in the last nine months due to developments that would have launched being sold to institutional build to rent investors. However the Group has residual availability at a number of forward sold schemes and has recently opened furnished show homes at both Bermondsey Works, SE16, and Manhattan Plaza, E14. This has generated increased interest in both developments and the Group continues to make regular sales across a limited unsold portfolio. Despite the subdued market at higher prices the Group has achieved success with its handful of penthouse apartments securing three sales off-plan at Stratford Central each in excess of £1 million. Apartments at these price levels remain an area of limited exposure and the Group is targeting its land purchasing at its normal price points to ensure that does not change.

Telford Homes has successfully fuelled its recent growth with a number of high profile build to rent sales. The Group has positioned itself at the forefront of this rapidly expanding market through its transactions with blue-chip investors such as M&G Real Estate, L&Q and most recently, Greystar. A pre-construction contract was signed with Greystar in June 2017 with the Group expecting to develop just under 900 rental homes in Nine Elms alongside one of the sector's most active investors. Detailed planning consent is expected in early 2018.

The Group continues to progress discussions with a number of large-scale investors regarding individual deals and longer term partnerships. This level of engagement demonstrates Telford Homes' reputation as a highly skilled partner which is able to acquire land, achieve planning consents and build quality homes under the brand of a respected London developer. The strength of demand in this sector and the number of institutions looking to employ significant long term capital reinforces the Group's strategy to increase its build to rent activity.

Whilst build to rent is a strategic focus for Telford Homes, the Group will still be developing homes for open market sale and there are two development launches planned for the first quarter of 2018. The second phase of New Garden Quarter in Stratford is expected to be marketed to investors starting in the UK and then internationally where demand remains high for first class homes from a trusted developer in locations underpinned by a strong rental market. In addition, Bow Garden Square in Bow will be marketed from an on-site sales centre predominantly to owner-occupiers. The expected average price at New Garden Quarter is around £550,000 and at Bow Garden Square it is less than £500,000.

The Group is considering numerous opportunities to add to its substantial development pipeline both for build to rent and open market sale. Since 1 April 2017 the Group has acquired Stone Studios, E9, which will deliver 120 new homes and over 50,000 square feet of commercial space and has been selected as the preferred partner at South Kilburn, NW6, a redevelopment in partnership with the London Borough of Brent which will deliver 236 new homes. At South Kilburn the Group expects to take a full legal interest very soon and work is already underway on site.

Interim results and outlook

The Group's reported profits in any given period are driven by the number of open market completions achieved and there were far fewer of these in the first half of the year than the number expected in the second half. This is purely down to development timings which are all on track and in accordance with the original programmes but do not fall equally across the year. Completions of individual properties are proceeding exactly as planned with no unexpected delays.

As a result of the imbalance of completions across the year pre-tax profit for H1 2018 will be significantly lower than H2 2018 and also lower than the corresponding period last year but will be entirely in line with expectations. The interim dividend is proposed to increase in accordance with the anticipated full year profit growth. The Group is on track to deliver full year profit before tax in excess of £40 million in accordance with market expectations and the Board's longer term positive outlook is unchanged.

Jon Di-Stefano, Chief Executive of Telford Homes, commented:

"Telford Homes is operating in affordable locations across London and has an excellent reputation as a trusted partner delivering high quality homes. We are focused on reducing risk through forward sales, limiting our need for external debt finance and delivering higher capital returns and this fits perfectly with our strategic move into the build to rent sector. I expect more build to rent transactions as institutional demand continues to grow alongside continuing open market sales at our well located developments. Our ultimate belief in what we do is underpinned by a chronic lack of supply and we expect to deliver more of the homes that London needs in the coming years."

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