

Value and Risk Advisory

Valuation report

Property Valuation: 10,388 Affordable Housing units owned by Southern Housing

May | 2026

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To:
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and:
Southern Housing
Fleet House, 59-61 Clerkenwell Road
London EC1M 5LA
(as “Borrower”)

26 May 2026

Job Ref: 920000000716666

Dear Sirs

10,388 Affordable Housing units owned by the Borrower

We are pleased to attach our Report in connection with the above.

If you have any questions about this Report or require any further information, please contact Shuab Mirza (shuab.mirza@jll.com; 07525 911977).

This Report is issued for the benefit and use of the Addressees and for inclusion in the admission particulars for the issue of the Bonds (the “Admission Particulars” and the “Bond Issue”) and may only be used in connection with the Admission Particulars and the Bond Issue. We hereby give our consent to the publication of this Report within the Admission Particulars and accept responsibility for the information contained in this Report.

Having taken all reasonable care to ensure that such is the case, the information given in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Before this Report or any part of it is reproduced or referred to in any document, circular or statement (other than the Admission Particulars in respect of the Bonds), our written approval as to the form and context of such publication must be obtained.

Yours faithfully



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Executive Summary

This summary should be read in conjunction with the main body of this Report. Section numbers are supplied where relevant.

Introduction

The date of this Report is 26 May 2026.

Jones Lang LaSalle Limited has been instructed to value a portfolio of 10,388 properties for loan security purposes.

Properties

The portfolio comprises 9,392 social housing units located across Greater London, East of England, the South East, East Midlands and West Midlands. From our inspections and research, the properties are a mixture of ages (from pre-1919 through to 2010s) and of traditional brick and brick/concrete and steel construction.

The portfolio contains a mixture of different tenures as summarised in the table overleaf and set out in greater detail in section 3 of this Report.

In addition, there are 974 units in the portfolio which either form ancillary accommodation, or have been sold on long leases or fully staircased. The Borrower's interest in these units is considered to be de minimis for the purpose of this exercise and so they have been included at nil value. Also, there is one scheme, The Round House, Gunwharf Quay, Portsmouth PO1 3SG, comprising 22 units, that has been included at nil value until further fire safety information is provided by the Borrower. Furthermore, please note that these properties have not been included in any unit counts or other statistics in this report.

We have inspected 20% of the portfolio externally and 5% of this sample internally. The remaining 80% of the portfolio has been valued on a desktop basis (section 3).

Valuations

The valuation date is 26 May 2026.

Our valuation of the 3,802 properties being valued on the basis of Existing Use Value for Social Housing ("EUV-SH"), in aggregate, at the valuation date is:

£379,740,000

(three hundred and seventy-nine million, seven hundred and forty thousand pounds)

Our valuation of the 5,590 properties being valued on the basis of Market Value subject to Tenancies ("MV-T"), in aggregate, at the valuation date is:

£1,130,190,000

(one billion, one hundred and thirty million, one hundred and ninety thousand pounds)

For information purposes only, our valuation of the 5,590 MV-T Properties valued on the basis of EUV-SH, in aggregate, at the valuation date is:

£460,190,000

(four hundred and sixty million, one hundred and ninety thousand pounds)

The following table summarises our opinions of value (section 6):

Freehold Properties

Category	Units Count	Basis of Valuation	EUV-SH	MV-T
GN Affordable Rent	376	EUV-SH	£59,155,000	-
GN Affordable Rent	341	MV-T	£38,165,000	£59,325,000
GN Social Rent	2,417	EUV-SH	£195,060,000	-
GN Social Rent	4,690	MV-T	£383,690,000	£998,675,000
HOP self-contained	131	EUV-SH	£8,485,000	-
HOP self-contained	444	MV-T	£26,720,000	£55,280,000
Intermediate Rent	81	EUV-SH	£15,860,000	-
Intermediate Rent	26	MV-T	£4,240,000	£5,030,000
London Living Rent	62	EUV-SH	£15,390,000	-
Supported self-contained	3	EUV-SH	£120,000	-
Supported self-contained	11	MV-T	£1,380,000	£1,230,000
Shared Ownership	578	EUV-SH	£73,340,000	-
Total	9,160		£821,605,000	£1,119,540,000

Leasehold Properties

Category	Units Count	Basis of Valuation	EUV-SH	MV-T
GN Affordable Rent	3	EUV-SH	£350,000	-
GN Affordable Rent	3	MV-T	£255,000	£365,000
GN Social Rent	66	EUV-SH	£5,000,000	-
GN Social Rent	67	MV-T	£4,760,000	£9,290,000
HOP self-contained	26	EUV-SH	£1,125,000	-
Intermediate Rent	26	EUV-SH	£3,275,000	-
Intermediate Rent	8	MV-T	£980,000	£990,000
Shared Ownership	33	EUV-SH	£2,580,000	-
Total	232		£18,325,000	£10,645,000

Portfolio Analysis

Location

- the properties within the Portfolio are located across Greater London, East of England, the South East, East Midlands and West Midlands.

Description

- the Portfolio comprises 7,240 general needs, 723 affordable rent, 615 sheltered/supported, 203 intermediate and London Living rent, and 611 shared ownership units;
- the property types are a mixture of houses, bungalows and flats; and
- the properties are a mixture of ages, predominantly comprised of solid brick and brick/concrete cavity, and steel construction, with pitched/ slate clad roofs, with the majority of windows of UPVC casement and being double glazed.

Tenure

- unless otherwise stated in this Report, we understand that the Borrower holds the freehold interest in 9,160 properties and the long leasehold interest in 232 properties, and for the leasehold properties we have assumed that there not less than 80 years unexpired in the properties.

Tenancy Summary Income Profile

- there are 8,515 rented properties let on assured tenancies;
- there are 266 units let on secure tenancies;
- the Portfolio includes 611 properties that are subject to Shared Ownership leases; and
- the total annual income that the Borrower receives from the Portfolio is £67,041,269.

Analysis

Strengths

- given the divergence between property prices and local average earnings, demand for these properties should be sustainable in the medium to long term;
- the level of rental income for all areas is broadly in line with other Registered Providers of social housing (“RPs”) in the respective areas;
- the level of rental income is, in aggregate, below the relevant levels of Local Housing Allowance (LHA) for each region;
- the EUV-SH and MV-T values per unit and percentage relationships to MV-VP, are at levels

Weaknesses

- the age of some of the properties mean they require continued investment in order to be able to maintain the same level of rental income in the long term;
- downward pressure on house prices in the medium-term and falling transaction volumes could impact upon values going forward; and
- there are short-term risks for RPs’ income not supported by housing benefit and a greater number of voids and arrears.

appropriate to the current climate, having regard to the Portfolio's location and composition;

- we have made conservative assumptions with regard to the respective rent and sales contributions to the valuations of the shared ownership units and they are not overly dependent on proceeds from sales;
- EUV-SH values are likely to maintain their current levels as stock transactions within the sector and access to debt markets continue to take place, albeit with more hesitancy due to market fluctuations; and
- based on local authority waiting lists, there is excess demand for affordable housing properties across the localities within the Portfolio.

Threats

- the social housing sector's financial performance is weakening due to increased spending on existing homes and higher interest rates;
- the strongest financial pressures are seen in London and other urban areas with large numbers of flats still needing building safety works.
- RPs' spending on repairs and maintenance is at record levels and development plans are being scaled back due to financial constraints; and
- there is an increased focus both within the sector and the media on tenant safety and service delivery, and failure to deliver quality services or engage with tenants effectively can harm tenants and damage reputation.

Opportunities

- increased efficiencies are continuing to be driven by mergers between RPs;
- rationalisation of RPs' stock allowing for more efficient asset management;
- investment of REITs and other funds into the sector as whole; and
- reactive changes to working conditions and government policy could drive further efficiencies in the sector and wider economy in the longer-term.

Suitability of Security

Your instructions require us to comment on whether the properties we have valued provide adequate security for the issue.

It is difficult for any valuer, without being asked to consider a specific credit or risk assessment policy, to make an absolute, unqualified statement that those assets will provide suitable security because our instructions do not explain what criteria the Security Trustee is applying in making this assessment.

However, we confirm that, in our opinion, should the Security Trustee become a mortgagee in possession of this portfolio of properties, then it would be possible to achieve a sale to another RP that would be at a price at least equivalent to our valuation on the basis of EUV-SH or, in principle, to a private purchaser at a price equivalent to our valuation on the basis of MV-T as set out in this Report. However, the valuation assumes implicitly that a purchaser could obtain debt finance on commercially viable terms to facilitate a purchase of the portfolio.

Based on the sample of inspections undertaken as a part of this valuation exercise, we are satisfied that the properties are being maintained to an acceptable social housing standard in line with the Regulator of Social Housing (“RSH”) regulatory requirements and commensurate with the likely demands of the target tenant group.

Overall, we have assumed that each property has a useful economic life of at least 50 years provided that the properties continue to be properly maintained in the future.

Please see section 3.4 in terms of our approach relating to any potential remedial works in the wake of the Grenfell Tower disaster of June 2017. We have assumed that all properties conform to the Fire Precaution Regulations and any other statutory requirements.

With the above factors in mind, and with specific regard to the continuing need for well-maintained social housing accommodation, we believe it reasonable to conclude an acceptable demand for a portfolio of this nature from commensurate social housing landlords and private institutional investment firms.

Subject to the information presented within this Report, and at the values formally reported, we are satisfied to recommend to the Security Trustee that this portfolio is suitable for security purposes.

Stock

The stock is summarised by count of unit type as follows:

Property Type	Units
Studio flat	172
1 bed flat	2,542
2 bed flat	2,476
3 bed flat	478
4 bed flat	36
5 bed flat	7
6 bed flat	1
1 bed house	40
2 bed house	1,233
3 bed house	1,830
4 bed house	288
5 bed house	29
6 bed house	3
1 bed bungalow	151

Property Type	Units
2 bed bungalow	97
3 bed bungalow	7
4 bed bungalow	2
Total	9,392

Locations

The properties within the portfolio are located across Greater London, East of England, the South East, East Midlands and West Midlands, as shown in the table below:

County	Units
Bedfordshire	9
Berkshire	548
Buckinghamshire	22
East Sussex	1,401
Essex	70
Greater London	3,549
Hampshire	309
Isle of Wight	503
Kent	2,171
Leicestershire	8
Northamptonshire	30
Surrey	198
West Midlands	71
West Sussex	503
Total	9,392

EUV-SH Assumptions: Rented Properties

The following table provides a summary of the assumptions made in our rented valuations:

Assumption	EUV-SH
Rental income growth - (Year 1)	1.0%
Bad debts and voids (Year 1)	2.3% - 3.0%
Management costs (average per unit)	£942
Management cost growth inflator	0.5%

Assumption	EUV-SH
Total repairs costs (Year 1)	£1,794 - £3,324
Repair cost growth inflator	0.5%
Discount rate (income)	5.00% - 5.75%

MV-T Assumptions: Rented Properties

The following table provides a summary of the assumptions made in our rented MV-T valuations:

Assumption	MV-T
Rental income growth - houses (Year 1)	15.1% - 19.6%
Rental income growth - flats (Year 1)	1.7% - 20.6%
Sales rate (houses)	3.0% - 50.0%
Sales rate (flats)	3.0% - 50.0%
Bad debts and voids (Year 1)	7.50% - 8.25%
Management costs	9.0% - 10.0%
Total repairs costs (Year 1)	£3,294 - £4,824
Repair cost growth inflator	0.5%
Discount rate (income)	7.00% - 7.75%
Discount rate (sales)	7.00% - 8.25%

Assumptions: Shared Ownership

The following table provides a summary of the assumptions made in our shared ownership valuation:

Assumption	EUV-SH
Discount rate (income)	5.25%
Discount rate (sales)	7.75%
Management Costs	5.0%
Yrs 0-2 Sales Rate	1.0%
Yrs 3-15 Sales Rate	1.5%
Yrs 16-30 Sales Rate	1.0%
Yrs 31-50 Sales Rate	0.5%
Rental growth (all years)	0.5%

This summary should be read in conjunction with the remainder of this Report and must not be relied upon in isolation.

1 Introduction

1.1 Background

Jones Lang LaSalle Limited (hereafter “JLL”) has been instructed to prepare a valuation of 10,388 properties owned by Southern Housing Group (the “Borrower”).

1.2 Compliance

Our valuations have been prepared in accordance with the current RICS Valuation – Global Standards, incorporating the IVS, and the RICS Valuation – Global Standards – UK National Supplement published by the Royal Institution of Chartered Surveyors (commonly known as the “Red Book”).

Our valuations may be subject to monitoring by the RICS and have been undertaken by currently Registered RICS Valuers.

This Report has been prepared by Shuab Mirza MRICS (Valuer Number: #0103367) and countersigned by Fiona Hollingworth MRICS (Valuer Number: #0099707), Vacar Zeb (Valuer Number: #00118896), and Marc Burns (Head of Affordable Housing at JLL).

In accordance with PS 2.3 of the Red Book, we confirm that we have sufficient knowledge and skills to undertake this valuation competently.

We can confirm that no conflict of interest has occurred as a result of our production of this Report.

The valuation date is 26 May 2026.

For the avoidance of doubt, we confirm that it would not be appropriate or possible to compare this valuation with any values appearing in the Borrower’s accounts. This Report has been prepared in accordance with the Red Book. The valuations are prepared on this basis so that we can determine the value recoverable if the charges over the properties were enforced at the date of this Report. We understand that values given in the Borrower’s accounts are prepared on an historic cost basis which considers how much the properties have cost and will continue to cost the Borrower. This is an entirely different basis of valuation from that used for loan security purposes.

This valuation qualifies as a Regulated Purpose Valuation (“RPV”) as defined by the Red Book. A RPV is a valuation which is intended for the information of third parties in addition to the Addressees. It is a requirement of UKVS 4.3 of the Red Book in relation to disclosures that we declare our prior involvement with the Borrower, or the properties being valued, to ensure that there is no conflict of interest.

We confirm that the total fee income earned from the Borrower is substantially less than 5% of the fee income earned by JLL in our last financial year (ending 31 December 2025) and that we do not anticipate this situation changing in the foreseeable future.

1.3 Instructions

This Report is prepared in accordance with the Borrower’s formal instructions.

We have been instructed to prepare our valuations on the following bases:

- Existing Use Value for Social Housing (“EUV-SH”); and
- Market Value subject to existing Tenancies (“MV-T”).

Please note that the properties that have been valued on the basis of MV-T have also been valued on the basis of EUV-SH, for information purposes only.

1.4 Status of Valuer

In preparing this valuation we have acted as external valuer as defined by RICS, subject to any disclosures made to you.

In accordance with RICS guidance, and our own rotation policy, we recommend that a rotation of overall responsibility within JLL is considered no later than the end of 2030.

1.5 The Stock Rationalisation Market – EUV-SH Transactions

As you will be aware, an active market exists for the sale of tenanted stock between Registered Providers (“RPs”). This can be driven by strategic decisions about the type and location of accommodation that RPs wish to provide, and the viability of investing in properties to bring them up to the required standards.

Where competition is generated, a market has emerged in which RPs bid against one another on price. The resulting values, even though presented on an EUV-SH basis, tend to be in excess of base EUV-SH values that might be expected for balance sheet or loan security purposes.

Although this may appear hard to justify, the underlying rationale is as follows:

- the bidding price is still much less than the cost of development;
- the marginal cost of taking additional units into management, in an area where the acquiring RP already has stock, justifies a financial model based on relatively low costs for management, repairs and maintenance;
- the judgement of all-round risk formed by the acquiring RP, as reflected in the discount rate, is often lower (and the rate therefore keener) than would be acceptable to either a funder or an auditor in a balance sheet context;
- the price is worth paying to achieve strategic objectives around increasing a presence in a particular area or market; and/or
- the price may be supported by future void sales and/or changes of tenure (for example, from Social Rent to Affordable Rent).

1.6 Regulation

The Borrower is regulated by the Regulator of Social Housing (“RSH”). The RSH is a non-departmental public body that oversees social housing providers in England. It was established in 2018 and is sponsored by the Ministry of Housing, Communities and Local Government. The RSH's primary responsibilities include monitoring and regulating registered social housing providers to ensure they meet certain standards of governance, financial viability, and value for money. It also provides guidance and support to social housing providers and publish information on the performance of the sector.

The RSH in England provides ratings to social housing providers based on their financial viability, governance and (from 1 April 2024) consumer standards. The Borrower is currently rated as follows:

Registered Provider	Governance Rating	Viability Rating	Consumer Regulation Rating	Last Update
Southern Housing Group	G1	V2	C2	2024

A package of deregulatory measures for which the primary legislation was the Housing & Planning Act 2016 came into force on 6 April 2017. These were very significant for the UK social housing sector, as they gave RPs greater freedom in terms of commercial decision making than they have ever previously enjoyed in terms of the reduced ability of the regulator to prevent asset management actions.

The deregulatory measures introduced, give RPs the freedom to dispose of assets without the regulator's consent, either with or without tenants in place. Disposals include the grant of leases and the creation of charges when assets are pledged as security for loan security purposes.

Since the commencement of this legislation, RPs have adapted their business plans and have adopted a more commercial approach to asset management as one of the tools at their disposal to respond to the greater financial pressures and expectations upon them. For example, this is now a key part of asset management decisions, around investment, remodelling and sale; and an element of sales being built into some stock rationalisation bids.

To be clear this does not mean that RPs have in any way sacrificed their fundamental social ethos. Rather, it is a recognition that, as for any charitable organisation, making best use of its assets to enable it to meet its charitable objectives is an obligation rather than an option; and that commercial behaviour is not at all incompatible with a strong social ethos, within a framework of strong governance.

Whilst this is now a common part of RP asset management strategy, in accordance with our instructions, we have not considered or built in any rate for sales of void properties within our EUV-SH valuations.

1.7 Market Conditions

Macro events such as geo-political disputes, wars or acts of aggression, and restrictions on trade can cause market conditions to change quickly thereby impacting real estate values. Specifically, events in Iran and the wider Middle East region may have global repercussions resulting in increased oil prices, market stagnation and general uncertainty.

In recognition of this, we highlight the importance of the valuation date and confirm the conclusions in our report are valid at the time of reporting only. We advise you to keep the valuation under regular review. For the avoidance of doubt, we are not reporting Material Uncertainty.

2 Methodology

2.1 Valuation Model

We have undertaken our valuation of the portfolio using fully explicit discounted cashflow models, over a 50-year period, with the net income in the final year capitalised into perpetuity.

For the purposes of our valuation, we have split this portfolio by tenure in order to reflect the different risks and opportunities associated with each business stream. We have further split the portfolio geographically by region to reflect the different markets in which the properties are located and the associated risks and opportunities.

In accordance with section 1.5, whilst we recognise that there is a growing active market for the sale of tenanted stock between RPs, we have not split the portfolio into 'lots' to reflect this and have, in accordance with our instructions, valued the properties as a single portfolio.

Against the income receivable for each property, we have made allowances for voids and bad debts; the costs of management and administration; major repairs; cyclical maintenance; day-to-day repairs; and for future staircasing. We have assumed an appropriate level of future growth in these costs (expenditure inflation).

We have then discounted the resulting net income stream at an appropriate rate which reflects our judgement of the overall level of risk associated with the long-term income. A more detailed explanation of the discount rate is included in section 4.

2.2 Information Provided

The principal source of background data for the portfolio has been the rent roll for each property provided by the Borrower. This detailed the number and type of units, the rent payable, tenancy type, and equity retained by the association (where applicable).

This information was supplemented with our market research and other data we have gathered from similar instructions undertaken recently and involving comparable stock. From these sources we have collated information on the following:

- rents;
- bad debts, voids and arrears;
- cost of maintenance and repairs; and
- management and administration expenses.

A location plan of the portfolio is provided as Appendix 2.

2.3 Inspections

We derived our inspections strategy by giving full regard to:

- the geographical spread of the stock;
- the concentration (and thereby its exposure to risk); and
- the property types.

We have satisfied ourselves as to the quality of location and the general condition of and level of fixtures and fittings provided to the properties, and we have derived our valuation assumptions accordingly.

In accordance with our instructions, we have inspected all schemes externally and a representative sample of 5.0% of the stock was inspected internally. Our inspections were carried out between 01 September 2025 and 12 September 2025, and then between 11 May 2026 and 29 May 2026.

A representative selection of photographs is provided as Appendix 3.

2.4 Market Research

In arriving at our valuation, we have undertaken a comprehensive programme of research to supplement our knowledge and understanding of the properties. This has included:

- researching local vacant possession values through conversations with local estate agents together with internet research and using RightmovePlus, a bespoke tool for comparable evidence;
- examining local benchmark affordable rents and comparing these with the Borrower's rents; and
- analysing data provided by the Borrower.

3 General Commentary

Schedules summarising the following data for each property within the portfolio form Appendix 1 of this Report:

- address;
- unit type;
- title number; and
- tenure.

3.1 Locations

The properties within the portfolio are located across Greater London, East of England, the South East, East Midlands and West Midlands as shown in the table below:

County	Units
Bedfordshire	9
Berkshire	548
Buckinghamshire	22
East Sussex	1,401
Essex	70
Greater London	3,549
Hampshire	309
Isle of Wight	503
Kent	2,171
Leicestershire	8
Northamptonshire	30
Surrey	198
West Midlands	71
West Sussex	503
Total	9,392

38% of the portfolio is in London and mainly formed from pre-1919 through to post-1990s modern schemes. The properties are located within built up urban areas, but in established residential positions. A further 60% of the portfolio is located in the South East, with the balance 2% made up from small parcels in East of England, and East and West Midlands, with the majority being a relatively even mix of properties in 1950-1979 Local Authority estates and 1980s cul-de-sac type developments, together with some post-1990s modern schemes. It is dominated by estates, but these are generally established and in more suburban areas (comparative to the London stock). The bulk of the portfolio will have acceptable access to transport and general amenities.

A location plan of the portfolio is provided at Appendix 2.

3.2 Property Types

The following table summarises the unit types within the portfolio.

Property Type	Units
Studio flat	172
1 bed flat	2,542
2 bed flat	2,476
3 bed flat	478
4 bed flat	36
5 bed flat	7
6 bed flat	1
1 bed house	40
2 bed house	1,233
3 bed house	1,830
4 bed house	288
5 bed house	29
6 bed house	3
1 bed bungalow	151
2 bed bungalow	97
3 bed bungalow	7
4 bed bungalow	2
Total	9,392

3.3 Condition

We have not carried out a condition survey, this being outside the scope of our instructions.

The properties within the portfolio are a mixture of ages as shown in the table below:

Age	House	Flat	Bungalow	Total
Pre-1919	88	584	19	691
1920-1949	23	412	2	437
1950-1979	996	982	79	2,057
1980s	420	1,282	73	1,775
1990s	1,187	770	68	2,025
2000s	467	806	14	1,287

Age	House	Flat	Bungalow	Total
2010s	237	864	2	1,103
Post 2020	5	12	-	17
Total	3,423	5,712	257	9,392

The property ages and construction methodology have been factored into the assumptions we have made regarding voids, discount rates and repairs and maintenance.

Based on our inspections, we are satisfied that the properties we inspected internally, are being maintained to an acceptable social housing standard, in line with RSH regulatory requirements and commensurate with the likely demands of the target tenant group.

Overall, we have assumed that each property has a useful economic life of at least 50 years provided that the properties continue to be properly maintained in the future.

3.4 Fire Safety

Our valuations have been provided in accordance with the RICS' Guidance Note: "Valuation approach for properties in multi-storey, multi-occupancy residential buildings with cladding, 2nd Edition December 2023" (the 'Guidance Note'), effective from 1 January 2024.

The purpose of the Guidance Note is to help valuers undertaking valuations of domestic residential blocks of flats in the UK for secure lending purposes. It sets out criteria for buildings of different heights that can be used to identify where possible remediation work to cladding for fire safety purposes is likely to be required and may materially affect the value of the property.

From information provided to us by the Borrower and our inspections, there are eighteen blocks of 6 storeys and above and a further eleven blocks below 6 storeys where we have queried the construction of the external wall system and whether potentially combustible cladding or timber balconies are present. We understand that Fire Risk Assessments have been carried out and – with consultation with the Borrower and previous engagement with our Building Consultancy Team – we have reviewed the information provided and allocated estimated budgeted costs yet to be expended for the remedial works within our valuations, as detailed in the table below.

Block	Postcode	Units	Age	Storeys	Estimated Remedial Costs Per Unit
Reginald Court	BN12 6FD	4	2010s	2	Works complete
83 Pankhurst Court	BN2 9AD	27	1950-1979	5	£31,000
85 Pankhurst Court	BN2 9AE	24	1950-1979	5	£35,000
87 Pankhurst Court	BN2 9AF	15	1950-1979	5	£56,000
89 Pankhurst Court	BN2 9AG	13	1950-1979	4	£65,000
3 Cyprus Street	E2 0PD	21	1950-1979	8	-
7 Cyprus Street	E2 0PE	21	1950-1979	8	-

Block	Postcode	Units	Age	Storeys	Estimated Remedial Costs Per Unit
26 Bolinder Way	E3 3UA	17	2010s	8	-
4 Nicholson Square	E3 3UB	17	2010s	9	-
15 Culvert Drive	E3 3UF	23	2010s	9	-
7 Culvert Drive	E3 3UG	26	2010s	8	-
5 Bolinder Way	E3 3UH	10	2010s	9	-
25 Bolinder Way	E3 3UL	3	2010s	9	-
11 Dallington Street	EC1V 0BG	28	1980s	6	£30,000
Domecq House	EC1V 0BJ	4	1980s	3	£100,000
Church House	EC1V 0BL	18	1980s	4	£37,000
Jacobs House	ME12 1UZ	27	1990s	6	-
Stamford Hill Estate	N16 6RR	336	1920-1949	6	-
Chris Pullen Way	N7 9FG	21	2010s	6	-
Drovers Way	N7 9FN	9	2010s	6	-
Unicorn House	PO1 3GE	12	2010s	4	£25,000
Mermaid House	PO1 3GF	15	2010s	4	£35,000
Ramillies House	PO1 3GH	12	2010s	4	£40,000
The Round House	PO1 3SG	13	2010s	10	Nil Value
The Round House	PO1 3SH	10	2010s	10	Nil Value
Luscinia View	RG1 8AF	16	2000s	6	-
Luscinia View	RG1 8AG	31	2000s	6	-
Luscinia View	RG1 8AQ	23	2000s	6	-
Bell House	RM17 6PJ	10	1980s	3	-

3.5 Energy Performance Certificates (EPCs)

We have not been provided with copies of any Energy Performance Certificates by the Borrower. The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 make it unlawful for landlords in the private rented sector to let properties that have an EPC rating of F or G, from 1 April 2018. The Regulations do not apply to the majority of properties owned by RPs.

However, the Borrower has confirmed the EPC rating applicable for 8,781 properties in the portfolio which are summarised in the table overleaf:

EPC Rating	Units
A	2
B	837
C	5,936
D	1,888
E	91
F	27
Unknown	611
Total	9,392

We note that some of the properties have an EPC rating below C which falls below the minimum EPC threshold required for lettings in the private rental market. However, we have valued these properties on the basis of EUV-SH or MV-T (where appropriate). In respect to these properties we have made an allowance of between £4,086 and £11,028 in our cashflow to bring the properties up to EPC standard C by 2030.

3.6 Climate Change Risk and Net Zero Carbon

Global warming targets set in the Paris Agreement are 1.5-2.0° Celsius above pre-industrial levels. Even the lower end of this range will produce significant changes to global climate systems, including extreme heat or cold events, higher frequency and severity of precipitation or drought, and sea level rise. Therefore, the level of physical climate-related risk of the subject property is likely to fluctuate over its useful life. High levels of climate risk could affect occupier and investor demand, as well as ability to obtain building insurance.

There is an increased focus on Environmental, Social & Governance (ESG) criteria for investment across all asset classes, including real estate. There are also various new, ESG-focused funds entering the real estate market. As a result, the value of property assets of all types is likely to be increasingly affected over time by long term, sustainability challenges. We note that, under the Paris Agreement, the 2050 vision is for all buildings, both new and existing, to be net zero carbon across the whole life cycle. As an interim ambition, the agreement envisages that all new buildings should be able to achieve zero carbon in operations, and aim to reduce carbon emissions by 40%, by 2030.

To achieve the best sustainability credentials and, in particular, to achieve Net Zero Carbon specification, the cost of a refurbishment of a building is currently higher than it would be for a refurbishment which fell short of the standards. However, given the speed at which both the legislation and ESG requirements are advancing, there is a risk that, within the next ten years, further capital expenditure will be required. However, such costs may be mitigated in the future through the principles of the Circular Economy, with a greater focus on recycling materials, and the development of more flexible buildings which can be refurbished and adapted to alternative uses more economically.

Therefore, in terms of cashflow, we anticipate that the technological advances, combined with the increased supply of products and competition, will lower these costs over time and we have not, at this stage, included in our valuation any additional allowance for costs to support the move to net zero carbon over the period covered by our valuation models.

4 Valuation Commentary – Rented Stock

4.1 Introduction

There are 8,781 rented affordable housing properties in the portfolio. These are summarised in the table below.

Category	Units	% of the Portfolio
GN Affordable Rent	723	8.0%
GN Social Rent	7,240	82.5%
HOP self-contained	601	7.0%
Intermediate Rent	141	1.5%
London Living Rent	62	<1%
Supported self-contained	14	<1%
Total	8,781	100%

4.2 Tenancies

The majority of the rented properties (circa 96.9%) are let on assured tenancies. We have assumed that these are 'standard' assured tenancies although we have not seen example tenancy agreements. The remaining 266 units are let on secure tenancies.

4.3 Rental Income

The following table summarises the total income that the Borrower receives from the portfolio annually:

Category	Annual Income	Average Rent
GN Affordable Rent	£7,051,004	£187.55
GN Social Rent	£49,969,511	£132.73
HOP self-contained	£3,633,326	£116.26
Intermediate Rent	£1,652,952	£225.44
London Living Rent	£898,879	£278.81
Supported self-contained	£115,069	£158.06
Total	£63,320,742	£138.68

The Statistical Data Return ("SDR") is an annual online survey completed by all private RPs of social housing in England. The latest return for 2024/25 provides the average social rents charged by all RPs for general needs and sheltered/supported properties. The following table compares the Borrower's average rents with the average sector rents in the same localities:

Region	Average Sector Rent - General Needs	Borrower General Needs	Average Sector Rent – Affordable Rent	Borrower Affordable Rent	Average Sector Rent - Supported	Borrower Supported
East Midlands	£99.40	£122.45	£140.48	-	£104.57	-
West Midlands	£103.67	£134.00	£141.87	-	£111.19	-
East of England	£118.31	£116.68	£178.19	£157.37	£114.65	-
Greater London	£140.70	£153.14	£236.61	£234.43	£133.96	£135.27
South East	£126.64	£120.28	£200.40	£159.78	£119.62	£113.23

According to the Valuation Office Agency, LHA is set at the 30th centile point between what in the local Rent Officer's opinion are the highest and lowest non-exceptional rents in a given Broad Rental Market Area. This analysis looks at local properties and differentiates by bedroom number but not by property type (i.e. houses and flats). These statistics are used as a reference for housing benefit and are a good indication of rent levels which are affordable in a given area.

The following table sets out a comparison of the Borrower's average rents with the average LHA in the portfolio and also our opinion of Market Rents for comparable properties in the same areas (rents are shown on the basis of 52 weeks).

Category	Average Passing Rent	Average LHA	% of LHA	Average Market Rent	% of Market Rent
GN Affordable Rent	£187.55	£258.24	72.6%	£282.24	66.4%
GN Social Rent	£132.73	£282.65	47.0%	£351.85	37.7%
HOP self-contained	£116.26	£204.79	56.8%	£233.68	49.8%
Intermediate Rent	£225.44	£217.95	103.4%	£255.71	88.2%
London Living Rent	£278.81	£251.48	110.9%	-	-
Supported self-contained	£158.06	£144.41	109.5%	£192.48	82.1%

We are unable to verify the accuracy of the rent roll provided to us by the Borrower.

4.4 Rent Convergence

On 28 January 2026, the government confirmed updates to the rent standard allowing properties with rents currently below formula rent to increase by an additional £1 per week from April 2027, rising to £2 per week from 2028 until formula rent is reached.

The rent convergence provisions will not apply to all properties. The following accommodation types are specifically excluded from the updated Rent Standard: shared ownership low cost rental accommodation, intermediate rent accommodation, specialised supported housing, relevant local authority accommodation, student accommodation, PFI social housing, temporary social housing, and care homes.

To accurately model rent convergence within our valuation methodology, we require Registered Providers to confirm the formula rent for each eligible property in the portfolio. This enables property-by-property assessment of whether current passing rents fall below formula rent levels.

SHG was unable to provide formula rent data for this portfolio. Consequently, we have assumed that passing rents are already at formula rent levels and have not incorporated additional rent convergence into our valuation model.

4.5 Affordability

In addition, we have looked at the passing rents as a proportion of local net weekly earnings as reported by the Office of National Statistics in its provisional 2025 Annual Survey of Hours and Earnings. The results for each of the regions in our valuations are shown in the table below and, in our opinion, demonstrate that the rents being charged by the Borrower are affordable.

Region	Average Weekly Earnings	General Needs	General Needs as %	Affordable Rent	Affordable Rent as %	Supported	Supported as %
East Midlands	£517.23	£122.45	23.7%	-	-	-	-
West Midlands	£548.71	£134.00	24.4%	-	-	-	-
East of England	£557.42	£116.68	20.9%	£157.37	28.2%	-	-
Greater London	£763.46	£153.14	20.1%	£234.43	30.7%	£135.27	17.7%
South East	£576.25	£120.28	20.9%	£159.78	27.7%	£113.23	19.7%

4.6 EUV-SH Rental Growth

We have modelled rental growth of 1.0% in the first year of our cashflow, and rental growth of CPI plus 1% in all years thereafter into perpetuity.

4.7 MV-T Rental Growth

Passing rents are currently below market levels, resulting in good prospects for future rental growth when considering the market value of the portfolio.

We have assumed that it will take between 2 and 7 years for assured rents to increase to market levels and thereafter for rents to rise at 1% (real) per annum. In making our assumptions regarding the number of years and annual increases, we have had regard to typical gross and net yields on private residential portfolios of a similar age profile and in comparable locations.

4.8 Relet Rates

Our EUV-SH model allows for a rate at which secure tenancies are relet as assured tenancies. The annual rates of tenancy turnover experienced by housing associations vary considerably between localities and between different property types. Regarding assured tenancies, national turnover rates are typically within the range of 5.0% to 11.0%, with higher rates of turnover in the North than in the South.

The rates that we have adopted are set out in the table below and have assumed that those properties will be relet at the prevailing average target rent. In addition, we have included an allowance for incidental voids as outlined in section 4.11.

Property Type	Relet Rate
House	2.5% - 3.3%
Flat	4.5% - 5.3%
Room	4.5% - 5.3%

4.9 Sales Rates

In accordance with section 1.6, we have not included the sale of any void units under the deregulatory measures introduced by the Housing and Planning Act 2016 in any of our EUV-SH valuations.

In our MV-T cashflows we have assumed that some of the units which become void are sold on the open market. In establishing the sales rates, we have had regard to Land Registry's information on the number of sales and average prices across the same localities over the past 12 months.

The average sales rates we have applied per annum for houses and flats are shown in the table below:

Category	Annual Sales Rates	Sales (Year 1)
Sales rate (houses)	3.0% - 50.0%	69
Sales rate (flats)	3.0% - 50.0%	74

The above figures equate 4,423 sales in total over 50 years. This, in our view, is a sustainable level of sales which would not adversely impact local house prices or marketability.

4.10 Right to Buy

We anticipate that the tenants of some of the properties within the portfolio may have either the Right to Buy ("RTB") or the Right to Acquire ("RTA"). However, we consider it imprudent to reflect additional value from capital receipts and we have therefore assumed that neither RTB nor RTA will be available to exercise at the date of valuation.

4.11 Outgoings

In forming our opinion of the net rental income generated by the portfolio, we have considered the following outgoings:

- bad debts, voids and arrears;
- cost of maintenance and repairs; and
- management and administration expenses.

We emphasise that, under the definitions of the bases of valuation we have been instructed to adopt, we are not valuing the Borrower's stewardship of the stock, rather we are assessing what a hypothetical purchaser in the market would pay for the stock, based on the market's judgement of the capabilities of the portfolio.

The assumptions we have made in our appraisal reflect our opinion of the view the market would adopt on the future performance of the portfolio. In forming our opinion, we have had regard to other recent valuations we have undertaken of comparable stock.

4.12 Bad Debts and Voids

We have incorporated into our valuations the potential for future voids and bad debts. Any loss of income for both void properties and bad debts is reflected in a deduction made from the gross rental income.

The rates applied take into consideration the figures in the 2025 Global Accounts data provided by the RSH and are similar to allowances used by other RPs providing a management and maintenance service in the areas where the properties are situated.

The 2025 Global Accounts data shows that across the whole affordable housing sector, RPs have lost approximately 0.59% of their gross income through bad debts and 1.76% through void losses. The void losses reflect a decrease from 0.66% in the 2024 data whilst bad debts have remained at similar levels over the same period.

In our MV-T valuations we are assuming greater increases in rents than a social landlord would impose. In our opinion, these rent increases would inevitably be reflected in a higher level of voids and bad debts than would otherwise be the case. The associated risk has been factored into our MV-T discount rate.

The rates we have adopted for bad debts and voids as a percentage of gross income for each of our EUV-SH and MV-T valuations are summarised in the table below:

Category	Units Count	Bad debts & voids Year 1 (EUV-SH)	Bad debts & voids Year 1 (MV-T)
GN Affordable Rent	723	3.00%	8.25%
GN Social Rent	7,240	2.75%	8.00%
HOP self-contained	601	2.25%	7.50%
Intermediate Rent	141	3.00%	8.00%
London Living Rent	62	3.00%	-
Supported self-contained	14	3.00%	8.25%

4.13 Management Costs

We have adopted rates for management and administration based on our experience of other RPs operating in similar areas to the Borrower. Our rates are subject to an annual inflator of 0.5% (real) for the duration of the cashflow reflecting long-term earnings, growth predictions and potential management savings.

From the information provided in the 2025 Global Accounts, the average cost of management across the sector is £1,363 per unit and the average management cost for SHG is £1,348 per unit.

In arriving at our opinion of value, we are assessing what a hypothetical purchaser in the market would pay for the properties, and in our experience, bids are likely to reflect a marginal approach to management costs. That is, the incremental cost to the organisation of managing the acquired stock is likely to be significantly less than the organisation's overall unit cost. Furthermore, a growth in stock numbers could give rise to potential economies of scale, rationalisation of services and other efficiencies which would reduce unit costs.

Taking the above into account, we have adopted an average rate of £942 per unit for management and administration in our valuations on the basis of EUV-SH.

We have assumed that a mortgagee in possession would expect to spend between 9.0% and 10.0% of rental income on management and administration in our valuations on the basis of MV-T.

4.14 Repairs and Maintenance

Although the majority of the properties are generally in a reasonable or good condition, renewal, day-to-day and cyclical maintenance will be required to keep the stock in its present condition.

From the information provided in the 2025 Global Accounts, the total average cost of carrying out major repairs, planned and routine maintenance across the sector is £3,330 per unit and the average maintenance cost for the Borrower is £4,592 per unit. The Global Accounts average figure for the sector is an increase of 10.0% on the 2024 Edition.

The above figures are broad averages; costs will vary according to a property's age, type, size and form of construction. In particular, the profile of expenditure will be different for a newly built property compared to an older property. The former should only require modest routine maintenance over the first 5 to 10 years of its life, with major repairs only arising from years 15 to 20. Hence there is a low start cost profile, rising steeply in the medium term, whilst an older property is likely to have a flatter profile with a higher starting point.

In accordance with section 3.3 we have had due consideration to the age and construction type for each of the tenure types in our valuations.

The following table sets out the average cost assumptions we have made in the first year of our EUV-SH cashflows. All of our appraisals assume that these costs will inflate at 0.5% (real) per annum.

Category of Expenditure	Period	Rented Properties
Major repairs and renewals	Year 1	£1,942
Cyclical repairs	Year 1	£466
Day-to-day repairs	Year 1	£681
Total Average Costs	Year 1	£3,089

We have adopted higher costs for major repairs in the first 2 years of our MV-T valuations as some of the properties will require refurbishment and redecoration in order to attract buyers or to be let in the private residential market. After this initial period, our costs settle to a lower level similar to the costs used in our EUV-SH valuation.

4.15 Discount Rate

Our cashflow valuations are based on constant prices and therefore explicitly exclude inflation. The chosen discount rate reflects our judgement of the economic conditions at the time of the valuation and the level of risk involved in each cashflow, taking all factors and assumptions into account. To determine the risk involved we have looked at:

- the sustainability of the existing rental income;
- the likely rate of future rental growth;
- the condition of the portfolio;
- the level of outgoings required to maintain the maximum income stream;
- the likely performance of the portfolio in relation to its profile and location;
- the real cost of borrowing; and
- the long-term cost of borrowing.

For our EUV-SH valuations of the rented properties we have adopted real discount rates of between 5.00% and 5.75% on net rental income.

In our MV-T model we have adopted a higher rate on rental income to reflect additional risk resulting from the significant rental growth that we have assumed during the first 2-7 years. In addition, we have adopted a higher rate on income from sales to reflect the additional premium on the yield which an investor would expect from a sales income stream.

We have adopted real discount rates of between 7.00% and 7.75% (rental income), and between 7.00% and 8.25% (sales) for our MV-T cashflows.

5 Valuation Commentary - Shared Ownership

5.1 Introduction

There are 611 shared ownership properties within the portfolio. The Borrower currently owns 58.7% of the equity in the units and a rent is charged on this percentage.

5.2 Rental Levels

According to the information provided by the Borrower, the average gross weekly rental level is £117.10 against the average retained equity. All rents are expressed on the basis of 52 rent weeks per year.

We have not included the value of any current or future ground rent income in our valuations.

5.3 Rental Growth

The RSH's restriction on future rental growth through section 2.4.5 of the Capital Funding Guide allows a maximum of 0.5% real growth per annum only. The imposition of this formula effectively constrains the net present value of the cashflow to the basis of EUV-SH.

It should also be noted that although, in general, rents in the sector will be linked to CPI, the rents for shared ownership properties will grow as set out in the signed leases for each property. We have not had sight of these leases and assume that they have the standard rent review provisions (upwards only, indexed linked at RPI plus 0.5%) set out in the model shared ownership lease, published by the National Housing Federation.

We have grown rents at a rate of RPI plus 0.5% in line with this guidance and the terms of the existing leases.

5.4 Outgoings

In forming an opinion of the net rental income generated by the portfolio, we have allowed 5.0% of gross rental income for management.

5.5 Voids and Bad Debts

We understand that all of the properties are now let and so we would not expect any voids going forward. We have allowed for the incidence of bad debts in the discount rate.

5.6 Repairs and Maintenance

We have assumed any repair obligations will lie with the leaseholders. We would expect that repair/renewal, day-to-day and cyclical maintenance would be required to keep the stock in its present condition. However, we have assumed that, where appropriate, service charge income fully covers expenditure.

5.7 Discount Rate

For our EUV-SH valuation we have adopted a discount rate of 5.25%% on the rental income and 7.75%% on sales.

5.8 Market Value subject to Vacant Possession (MV-VP)

The average MV-VP of the retained equity in the shared ownership properties in the portfolio is £182,500.

5.9 Rate of Sales

We have adopted what we would expect to be a long-term sustainable rate of sales of further tranches over the 50 years of our cashflow model. We have assumed that equity is sold in 1.0% tranches.

The rates we have adopted in our cashflow are as follows:

Years	Tranche Sales p.a.
Yrs 0-2	1.00%
Yrs 3-15	1.50%
Yrs 16-30	1.00%
Yrs 31-50	0.50%

It is difficult to judge when tenants will purchase additional tranches so the income from sales proceeds has been discounted at a higher rate, in line with section 5.7, to reflect the additional risk of realising the value. However, it should be noted that in our valuation, the majority of the value (circa 74.1%) is attributed to the rental income.

6 Valuation

6.1 Background

We have prepared our valuations on the following bases:

- Existing Use Value for Social Housing (“EUV-SH”); and
- Market Value subject to existing Tenancies (“MV-T”).

Our valuations have been prepared in accordance with the RICS Red Book.

Apportionments of the valuations have been calculated as arithmetic apportionments and are included in the schedules at Appendix 1. This is a portfolio valuation, and no valuation of individual properties has been performed.

In forming our opinion of the value of the portfolio as a whole, we have neither applied a discount for quantum nor added a premium to reflect break-up potential.

The definitions of the bases of valuation are set out in full in section 7 of this Report.

6.2 Asset Value for Loan Security Purposes

Our valuation of the 3,802 properties being valued on the basis of Existing Use Value for Social Housing (“EUV-SH”), in aggregate, at the valuation date is:

£379,740,000

(three hundred and seventy-nine million, seven hundred and forty thousand pounds)

Our valuation of the 5,590 properties being valued on the basis of Market Value subject to Tenancies (“MV-T”), in aggregate, at the valuation date is:

£1,130,190,000

(one billion, one hundred and thirty million, one hundred and ninety thousand pounds)

For information purposes only, our valuation of the 5,590 MV-T Properties valued on the basis of EUV-SH, in aggregate, at the valuation date is:

£460,190,000

(four hundred and sixty million, one hundred and ninety thousand pounds)

Freehold Properties

Our valuation of the 3,648 freehold properties being valued on the basis of Existing Use Value for Social Housing (“EUV-SH”), in aggregate, at the valuation date is:

£367,420,000

(three hundred and sixty-seven million, four hundred and twenty thousand pounds)

Our valuation of the 5,512 freehold properties being valued on the basis of Market Value subject to Tenancies (“MV-T”), in aggregate, at the valuation date is:

£1,119,540,000

(one billion, one hundred and nineteen million, five hundred and forty thousand pounds)

Leasehold Properties

Our valuation of the 154 leasehold properties being valued on the basis of Existing Use Value for Social Housing (“EUV-SH”), in aggregate, at the valuation date is:

£12,330,000

(twelve million, three hundred and thirty thousand pounds)

Our valuation of the 78 leasehold properties being valued on the basis of Market Value subject to Tenancies (“MV-T”), in aggregate, at the valuation date is:

£10,650,000

(ten million, six hundred and fifty thousand pounds)

6.3 Asset Value by Tenure

Our valuation of each individual tenure is shown in the following table:

Category	Units Count	Basis of Valuation	EUV-SH	MV-T	MV-VP Retained Equity
GN Affordable Rent	379	EUV-SH	£59,510,000	-	£115,175,000
GN Affordable Rent	344	MV-T	£38,420,000	£59,690,000	£81,615,000
GN Social Rent	2,483	EUV-SH	£200,060,000	-	£754,540,000
GN Social Rent	4,757	MV-T	£388,450,000	£1,007,970,000	£1,503,185,000
HOP self-contained	157	EUV-SH	£9,610,000	-	£31,990,000
HOP self-contained	444	MV-T	£26,720,000	£55,280,000	£77,600,000
Intermediate Rent	107	EUV-SH	£19,130,000	-	£24,810,000
Intermediate Rent	34	MV-T	£5,220,000	£6,020,000	£7,970,000
London Living Rent	62	EUV-SH	£15,390,000	-	£17,150,000
Supported self-contained	3	EUV-SH	£120,000	-	£470,000
Supported self-contained	11	MV-T	£1,380,000	£1,230,000	£1,905,000
Shared Ownership	611	EUV-SH	£75,920,000	-	£111,535,000
Total	9,392		£839,930,000	£1,130,190,000	£2,727,945,000

7 Bases of Valuation

Our valuations have been prepared in accordance with the RICS Red Book.

7.1 Existing Use Value for Social Housing

The basis of Existing Use Value for Social Housing is defined in UK VPGA 7 of the RICS Valuation Global Standards – UK National Supplement as follows:

“Existing use value for social housing (EUV-SH) is an opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:

- *a willing seller;*
- *that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale;*
- *that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation;*
- *that no account is taken of any additional bid by a prospective purchaser with a special interest;*
- *that both parties to the transaction had acted knowledgeably, prudently and without compulsion;*
- *that the property will continue to be let by a body pursuant to delivery of a service for the existing use;*
- *the vendor would only be able to dispose of the property to organisations intending to manage their housing stock in accordance with the regulatory body’s requirements;*
- *that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and*
- *that any subsequent sale would be subject to all the same assumptions above.”*

7.2 Market Value

The basis of Market Value is defined in VPS 4.4 of the Red Book as follows:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market Value subject to Tenancies is in accordance with the above definition, with the addition of the point below:

“That the properties would be subject to any secure or assured tenancies that may prevail, together with any other conditions or restrictions to which property may be subject.”

7.3 Expenses

No allowance is made in our valuations for any expenses of realisation.

7.4 Tax

No allowance is made in our valuations for any liability for payment of Corporation Tax, or for any liability for Capital Gains Tax, whether existing or which may arise in the future.

The transfer of properties between RPs is exempt from Stamp Duty Land Tax (“SDLT”). Our MV-T valuations include fees of 3.0% on individual unit sales, however we have not included SDLT or other costs of acquisition within our valuation.

7.5 VAT

Our valuations are exclusive of VAT on disposal.

8 Sources of Verification of Information

8.1 General

We have relied upon the description, tenancy type and current rental income provided to us by the Borrower and we have been unable to verify the accuracy of that data.

8.2 Tenure

Unless otherwise stated in this Report, the Borrower holds a freehold interest or long leasehold interest with not less than 80 years unexpired in respect of its properties. We confirm that there will be no material difference in the MV-T and EUV-SH cashflow valuations between these two holding interests.

8.3 Title

We reviewed – at the time of initial charging in 2024 – the final Certificate of Title (prepared by Devonshires Solicitors LLP and Bevan Brittan LLP) and the accompanying Overview Report on Title and the Overview Report of Material Disclosures (prepared by Addleshaw Goddard LLP) for the portfolio and forwarded to us by Addleshaw Goddard LLP between 08 May and 16 May 2024 and then – for additional stock – on 08 December 2025 (respectively “the Certificate” and “the Overview Report”), and can confirm that our valuations fully reflect the disclosures contained therein..

In respect of each property that we have valued on the basis of MV-T we confirm that we have reviewed the Certificates and confirm that each such property can be disposed of on an unfettered basis (subject only to existing tenancies disclosed in the Certificates but not subject to any security interest, option of other encumbrance or to any restriction preventing or restricting its sale to or use by any person for residential use).

8.4 Nomination Agreements

Our valuations are prepared on the basis that there are no nomination agreements. If any nomination rights are found to be in existence, they are assumed not to be binding on a mortgagee in possession unless otherwise stated in this Report.

8.5 Measurements/Floor Areas

We have not measured the properties, this being outside the scope of a valuation of a portfolio of this nature, unless otherwise stated in this Report.

However, where measurements have been undertaken, we have adhered to the RICS Code of Measuring Practice, 6th edition, except where we specifically state that we have relied on another source. The areas adopted are purely for the purpose of assisting us in forming an opinion of capital value. They should not be relied upon for other purposes nor used by other parties without our written authorisation.

Where floor areas have been provided to us, we have relied upon these and have assumed that they have been properly measured in accordance with the Code of Measuring Practice referred to above.

8.6 Structural Surveys

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we, therefore, do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention. Otherwise, we assume that each building is structurally sound and that there are no structural, latent or other material defects.

In our opinion the economic life of each property should exceed 50 years providing the properties are properly maintained.

8.7 Deleterious Materials

We do not normally carry out or commission investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

8.8 Reinforced Autoclaved Aerated Concrete (“RAAC”)

The presence of RAAC in buildings and its potential to fail with little or no warning is receiving media attention at the moment following the closure of schools which are considered to be at risk.

RAAC is a lightweight form of concrete commonly used in construction between the 1950s and mid-1990s. It is predominantly found as precast panels in roofs, commonly flat roofs, and occasionally in floors and walls.

Although the majority of reported cases are within education and public sector buildings, there is potential for RAAC to be present in other property types and sectors. Whether this poses a risk will depend on several factors including location, condition and quality of the original installation and each case will need to be assessed on its own merits.

Within the residential sector, the RICS advise that they expect the exposure to be low. The RSH has also said that it believes RAAC is not widespread in social housing.

We have not carried out or commissioned investigations on site to ascertain whether any building was constructed using RAAC. Unless we are otherwise informed, our valuations are provided on the basis that no such material has been used.

8.9 Site Conditions

We do not normally carry out or commission investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses, delays or restrictions will be incurred during the construction period due to these matters.

8.10 Environmental Contamination

Unless expressly instructed, we do not carry out or commission site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

8.11 Japanese Knotweed

Our inspections are for valuation purposes only and carried out on an external and internal sample basis only, therefore we cannot confirm whether invasive vegetation has been or is present on the site, our valuation assumes that none exists within the demise or proximity of any of the properties.

8.12 Energy Performance Certificates (EPCs)

We have not been provided with copies of any Energy Performance Certificates by the Borrower. The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 make it unlawful for landlords in the private rented sector to let properties that have an EPC rating of F or G, from 1 April 2018. The Regulations do not apply to the majority of properties owned by RPs.

Based on our inspections and our wider knowledge of energy ratings within the social housing sector, we do not consider this issue to present a material valuation risk.

8.13 Market Rental Values

Our assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of MV-T and is generally on the basis of Market Rent, as defined in the “the Red Book”. Such figures should not be used for any other purpose other than in the context of this valuation.

8.14 Insurance

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms.

8.15 Planning

We have prepared our valuations on the basis that each property exists in accordance with a valid planning permission.

8.16 The Equality Act

We have assumed the properties appear to comply with the requirements of the Equality Act 2010.

8.17 Outstanding Debts

In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

8.18 Services

We do not normally carry out or commission investigations into the capacity or condition of services. Therefore, we assume that the services, and any associated controls or software, are in working order and free from defect. We also assume that the services are of sufficient capacity to meet current and future needs.

8.19 Plans and Maps

All plans and maps included in this Report are strictly for identification purposes only, and, whilst believed to be correct, are not guaranteed and must not form part of any contract. All are published under licence and may include mapping data from Ordnance Survey © Crown Copyright. All rights are reserved.

8.20 Compliance with Building Regulations and Statutory Requirements

Our valuations have been provided in accordance with the RICS' Guidance Note: "Valuation approach for properties in multi-storey, multi-occupancy residential buildings with cladding, 2nd Edition December 2023" (the 'Guidance Note'), effective from 1 January 2024.

The purpose of the Guidance Note is to help valuers undertaking valuations of domestic residential blocks of flats in the UK for secure lending purposes. It sets out criteria for buildings of different heights that can be used to identify where possible remediation work to cladding for fire safety purposes is likely to be required and may materially affect the value of the property.

Unless otherwise stated in this Report none of the properties are of 18m or 6 storeys or more or are subject to any remedial works in the wake of the Grenfell Tower disaster of June 2017. We have therefore assumed that the properties conform to the Fire Precaution Regulations and any other statutory requirements.

8.21 Transfer Slabs

Transfer slabs are a floor arrangement where a column sits on top of a reinforced concrete slab without a supporting column directly underneath. The issue was first raised by the Institution of Structural Engineers in November 2024 due to a perceived lack of industry-wide guidance covering their design.

The Government has subsequently contacted landlords and building owners in December 2025 to highlight specific concerns about "punching shear in transfer slabs". While the Government is not aware of any building collapse caused by this in the UK, there is concern about the risk of a failure mechanism causing partial building collapse. The Government is currently recommending that where there are visible signs of distress, building owners should seek professional advice and RICS recommends the Institution of Structural Engineers are contacted for suitable competent engineers. The Building Safety Regulator commissioned research in late 2024 in order to establish structural risk, which is ongoing with MHCLG. Further advice is anticipated in due course, and building owners should remain informed.



Value and Risk Advisory

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Appendix 4

Housing Market Commentary

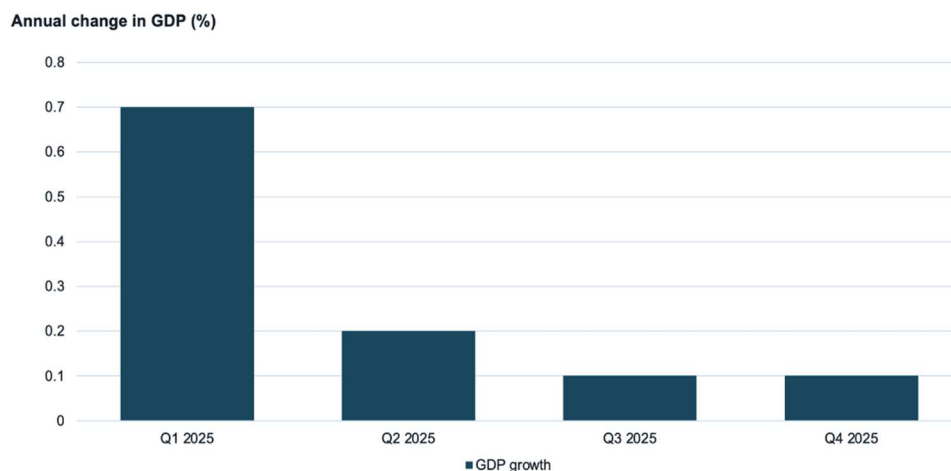
JLL Residential Market Commentary – February 2026

UK Economy

Following a surprise 0.3 per cent uptick in GDP in the three months to November, the December (Q4) figures came in at a somewhat underwhelming 0.1 per cent, the same as recorded in Q3. This took full-year 2025 growth to 1.3 per cent, notably above the figure most forecasters predicted earlier in the year.

Looking ahead, the OBR expects growth of 0.9 per cent in 2026, whereas consensus forecasts are a little higher at 1.0 per cent.

UK GDP rises 1.3% in 2025 but growth weighted to Q1



Source: ONS

The labour market has continued its gradual cooling from the post-pandemic tightness that characterised recent years. The unemployment rate remained at 5.1 per cent in the three months to November—October, the highest level since 2016 when excluding the pandemic disruption. But there are now 3.7 million more people in employment than when unemployment last reached this level. Job vacancies remained stable in November at 2.3 per 100 employee jobs for the fourth consecutive month, sitting modestly below the pre-pandemic average of 2.6.

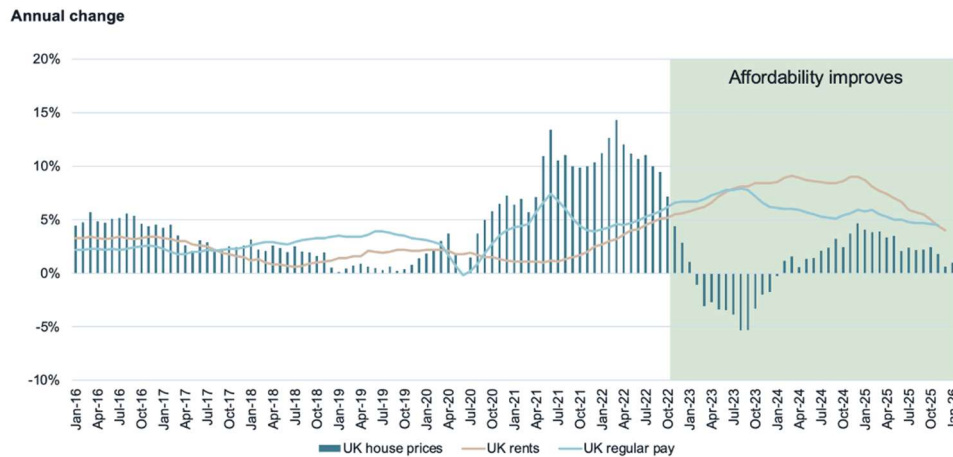
The inflation picture presents a much brighter outlook than we've seen over the past two years, despite some uneven progress. Core inflationary pressures, particularly in goods, continue to subside, and slower wage growth is expected to gradually filter through to services inflation.

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Most forecasters anticipate inflation will continue its downward trajectory throughout 2026, drawing closer to the Bank of England's 2 per cent target. Financial markets expect this will permit further gradual monetary easing as we move through 2026. The Bank of England maintained its policy rate at 3.75 per cent at the beginning of February but signalled the possibility of additional cuts. Markets and economists are forecasting up to two further 25 basis point reductions in the year ahead.

Wage growth outpaces house prices as affordability improves



Source: ONS, Nationwide, HMRC

UK wage growth dropped to its lowest level since 2022 in the three months to November, rising 4.5 per cent year-on-year. Yet despite the recent drop in the rate of wage inflation, increases in earnings have been outpacing house prices for some time now. This has resulted in house price to earnings ratio dropping from a high of 6.9 times earnings in Q2 2022 to 5.6 times in Q4 2025. This means house prices, when measured as a multiple of earnings are at their most affordable for over a decade.

London has followed a similar trajectory. Back in 2016 average London house price hit 11.7 times earnings but almost a decade on the ratio had fallen to 8.8. The last time London had a similar ratio was back in Q4 2013.

The challenge more recently has been around mortgage costs, with higher rates effectively wiping out affordability advantages. But rates are improving, best-buys are under 3.6 per cent and the effective interest rate on new mortgages edged down to 4.15 per cent in December from 4.20 per cent in the previous month.

Leasehold Reform

The government has finally published the Draft Commonhold and Leasehold Reform Bill. Reactions differ depending on which side of the leasehold fence one sits. Owners of freeholds bought as investments (which include individuals and larger institutions) will be assessing the implications for income. Developers too will be keen for more clarity on the impact of commonhold structures for future development. But for individuals owning leasehold properties or those looking to buy the reaction remains positive. The proposed capping of annual ground rents at £250 from 2028 (dropping to a peppercorn rent after 40 years) will mean existing homeowners who own properties with more complex ground rent structures (doubling ground rents being one of the most challenging) finding it easier to secure a mortgage or sell their homes. It also reassures prospective owners that costs will not escalate going forward, supporting increased activity in the market. With challenges around

escalating service charges, the greater transparency a commonhold structure brings may mean common holders have more control (or at least better oversight) of fees charged too.

Renters Rights Act

The Renters' Rights Bill gained Royal Assent on 27 October. With the bill now an Act, we have clarity on the content of the new legislation which will be phased in over months, or some cases years, rather than implemented immediately.

We do have timings for some of the major reforms. The first key date was 27 December 2025, when measures to strengthen the powers of local authorities came into force. Councils now have stronger powers to enforce housing regulations. They can request information from any landlord, letting agent, or property manager who has worked in the past 12 months and can visit properties to investigate suspected rule-breaking. They can also conduct more compliance checks, including verifying that letting agents have proper Client Money Protection schemes and by using tax and benefit databases to identify non-compliance.

From 1 May 2026, Section 21 no fault evictions will be abolished, and most new and existing tenancies will become Assured Periodic Tenancies. Landlords with unexpired Section 21 notices will only be able to make a valid possession claim for the first three months. Tenants will be able to stay in their property for as long as they want, or until a landlord serves a valid section 8 notice. Tenants will be able to end their tenancy by giving two months' notice. Landlords retain access to specific grounds for possession when they have legitimate reasons to reclaim their property. These include persistent rent arrears, anti-social behaviour, or a genuine need to sell or move back in.

Landlords who already have a written tenancy agreement in place do not need to change it or issue a new one. They will be required to provide tenants with a copy of the government 'Information Sheet' on or before 31 May 2026 – this will be published online in March 2026. For new PRS tenancies created after 1 May 2026, Landlords will need to provide tenants with a written tenancy agreement. Details on the exact information to include will require secondary legislation, with a draft expected in January 2026 to allow landlords and their agents to prepare new tenancy agreement templates in advance of 1 May.

Rent increases will be limited to one a year, with landlords being required to follow a revised section 13 procedure. Notice of rent increases must be given at least two months before it is due to take effect. From 1 May all rent increases can be challenged by tenants at the Property Tribunal. Properties must be advertised at a specific asking rent and offers above this amount cannot legally be accepted. Landlords or their agents can no longer request more than one month's rent in advance.

Tenants have strengthened rights to request pets, which must be considered within 28 days. Landlords must provide a valid reason to refuse. In addition, it will be illegal to discriminate against tenants with children or those receiving benefits. Landlords and letting agents cannot take any action to discourage or prevent these groups from renting, including hiding property information, refusing viewings, or denying tenancies based on having children or receiving benefits.

Phase 2 of the Act is to be rolled out in two stages beginning from late 2026. This will include a PRS Landlord Database which will be a legal requirement for all PRS landlords, who will be required to pay an annual fee – cost yet to be confirmed. It is expected that landlords will need to provide contact details, details on the property and its inhabitants alongside safety information including Gas, Electric and EPC certificates. To allow time for landlords to comply, Stage 1 will be introduced 12-18 months

before implementation. It is expected that the completion of Phase 1 and commencement of Phase 2 will not occur until 2028.

Stage 2 of Phase 2 is the Public access to the Database will be introduced, with a fully operational Database a pre-requisite for the introduction of the PRS Landlord Ombudsman who will handle tenant complaints, provide binding resolutions, as well as support landlords with tools and guidance on handling tenant complaints. The implementation of the Ombudsman will only take place once the Database is fully operational.

Stage 3 are plans to extend the Decent Homes Standard to private rentals, requiring landlords to maintain properties to specific safety and quality benchmarks. No date has been set, with a consultation still to take place.

Housing Delivery

The government's commitment to 1.5 million homes appears unwavering, however 18 months from coming to power the delivery of new homes has reached near record lows. The government will welcome some positive headlines, with an 18 per cent annual increase in housing starts in the year to September 2025. However, changes to building regulations meant starts spiked and then dropped back in Q2 2023, meaning the hike in starts comes off an abnormally low base.

In London Molior's latest release was mixed too. The number of starts totalled just over 5,500 in 2025 - it was 34,000 a decade earlier - meaning Molior's London starts in 2025 were just 6 per cent of London's 88,000 housing needs target. But there was a glimmer of hope, with Q4 starts rising, accounting for 41 per cent of the albeit low 2025 total.

Affordable Housing – Rent Convergence

The government has set out the detail behind rent convergence for social housing. The announcements are designed to address the difference in rents charged for some social homes and formula rents for comparable properties. This means more fairness for tenants who won't pay vastly different rates for similar homes just because they've lived in a property for longer or have a different social landlord. From April 2027 affordable housing providers will be able to increase rents by £1 per week over and above CPI plus 1 per cent rising to £2 per week above CPI+1 from April 2028. Rent convergence can run for up to ten years, or until they reach parity. London has the widest gap and is expected to take the longest with some regional markets needing only a year or so to regain lost ground. The announcements on rent convergence are seen as key in underpinning providers' balance sheets and ensuring they have the confidence and financial ability to deliver more homes.

Details were also shared on the £2.5bn of low-cost loans for housing associations announced at the spending review. The 25-year loans will have an interest rate of 0.1 per cent. £250m will be set aside to support section 106, with the remaining 90 per cent supporting the delivery of social housing through grant-funding.

UK Investment – Living Sector

A record £22.8bn was invested in UK Living in 2025, with healthcare contributing more than half of the total as it ended the year with several £1bn+ M&A deals. Excluding healthcare, investment grew a more modest 2 per cent to £10.1bn, rising for the second year running from the trough in 2023 (£8.9bn). Single family investment overtook multifamily in 2025 with £2.6bn invested, accounting for just over half of all build-to-rent investment last year.

The 2024/25 student data released by HESA gives us a glimpse at the first full year impact of restrictions on international students brought in at the start of 2024. The number of international students has fallen 10 per cent from its 2022/23 peak, totalling 686,000 in 2024/25. Though still above the UK's (now scrapped) 600,000 target, it does represent a significant fall at a time that universities remain reliant on international tuition fees. The slowdown among international students resulted in a marginal 1 per cent decline in total university students. Despite a degree of uncertainty, investors were still active in the student market, with £4.6bn of investment completing across the year, up 22 per cent annually.

JLL data on UK real estate investment volumes (all sectors), shows volumes increased 64 per cent quarter on quarter to £16.4bn in Q4, from £10.0bn in Q3. This represented a 28 per cent increase on 2024 where volumes reached £12.8bn in Q4. Growth also remained higher than the long-run average, at 10 per cent above the 10-year Q4 average.

A strong Q4 means total 2025 volumes rose to £49.0bn, 27 per cent above 2024 volumes of £38.7bn and 2 per cent above the 10-year average.

Forecasts

Following the 2025 Budget and with a positive response from the bond markets and the Bank of England in rate cutting mode means we are seeing more competitive mortgage rates enter the market, which will, we expect, support activity and price growth over the next five years, albeit at the lower end of historic norms.

The High Value Council Tax Surcharge is perhaps the least damaging to market activity of the proposed 'mansion' taxes floated pre-budget. And while we expect that it may impact some buyers and homeowners' decision to purchase, the annual charge is more likely to be begrudgingly absorbed rather than directly impacting decision-making.

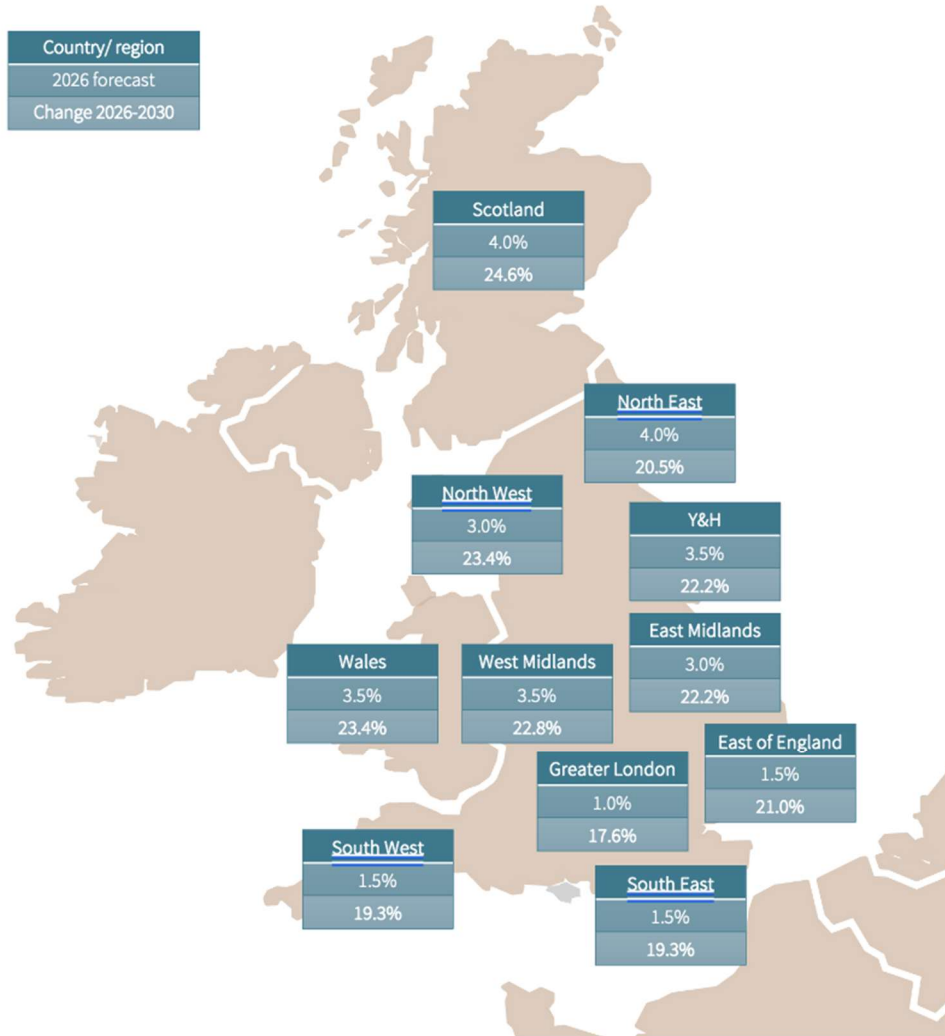
The 2% additional tax rate for property income also hits smaller landlords, many of whom have seen profit margins shrink and are facing additional regulatory hoops with the introduction of the Renters' Rights Act.

We expect this will further encourage landlords on the fence to exit, constraining supply and putting upward pressure on rents.

The Budget contained many references to growth, but there were few clear policies that signalled it, a view shared by the OBR in their downbeat forecast for growth and productivity.

So, in the absence of any demand side incentives for housing we are relying on an improvement in wider market conditions to support growth. Here there is some more positive news, with the Bank of England now in the rate cutting phase of the cycle, and expectation for up to three further cuts to the Base Rate by next summer. An easing in rates and some improvements in housing affordability, with house prices having underperformed wage growth, will help here too. But we expect this will mean a recovery to long term norms, rather than any significant outperformance.

House price forecasts



Source: JLL

House Prices

JLL forecast house prices will rise by 20% over the next five years UK-wide. More affordable regions are expected to outperform in the near-term, with London and southern England forecast to see stronger growth towards the back end of our five-year period.

Overall, we expect growth of 17.6% across Greater London between 2026 and 2030, compared with 23.4% in the strongest performing English region the North West. Scotland and Wales, usually seeing stronger growth at the tail end of the housing cycle are expected to see prices rise by 24.6% and 23.4%, respectively.

For central London, clarity around taxation, and the absence of some of the more draconian policies floated pre-Budget will confine the most significant price falls to 2025. JLL's central London sales business had its busiest month in 17 months in November, with anxious central London buyers holding off until the Budget now transacting.

Price falls in central London are expected to bottom out in H1 2026, as fears of more onerous tax changes subside post-Budget. But with a more domestic focussed buyer pool still looking for value we don't expect this will translate into meaningful price increase until later in the five-year forecast period. Meaning prices ending 2026 flat and rising 17% in the five years to 2030.

JLL house price forecast

	2025	2026	2027	2028	2029	2030	Change 2026-2030
UK	1.5%	2.0%	4.0%	4.5%	4.5%	3.5%	19.9%
Greater London	-1.0%	1.0%	2.5%	3.5%	5.0%	4.5%	17.6%
Central London	-5.0%	0.0%	2.0%	4.0%	5.0%	5.0%	17.0%

Source: JLL Research

Rental Market

The additional tax burden for landlords post-Budget, alongside concerns over the implementation of the Renters' Rights Act will mean constrained supply continues, as more landlords exit than enter the sector, supporting rental growth.

We forecast rents will rise at marginally above wage growth over the next five years, with 15.9% growth between 2026 and 2030 nationally. A more settled outlook for inflation and wages means our expectations on rental growth are more muted than recent highs. However, this reflects a return to pre-pandemic norms rather than a fundamental shift in market dynamics. Rental growth is forecast to be marginally higher in London, with growth of 17% across Greater London and 16.5% in central London over the same period.

JLL rental growth forecast

	2025	2026	2027	2028	2029	2030	Change 2026-2030
UK	3.0%	2.5%	2.5%	3.0%	3.5%	3.5%	15.9%
Greater London	3.5%	2.0%	3.0%	3.5%	4.0%	3.5%	17.0%
Central London	2.5%	1.5%	3.0%	3.0%	4.0%	4.0%	16.5%

Source: JLL Research

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UK Social Housing Market Commentary

Demand

There were over 1.33 million households on local authority waiting lists as at 31 March 2024ⁱ. This represents an increase of 50,000 households (3.9%) compared to 31 March 2023. This is the highest number of households on the waiting list since 2014.

Waiting list data is summarised by government office region (GOR) in the table below:

Region	Waiting list as at 31 March 2023
South West	130,120
East of England	94,406
South East	118,420
North West	207,173
North East	68,183
East Midlands	87,001
Greater London	336,357
West Midlands	116,565
Yorkshire and The Humber	172,377
England	1,330,602

Housing Starts

According to the government's *Affordable housing supply in England: 2023 to 2024* data published by the Ministry of Housing, Communities & Local Government (MHCLG) on 26 June 2025, there were c.63k affordable homes delivered (completions) in England in 2023-24, on par with the previous year.

65% of new affordable housing completions were for rent (including social, affordable and intermediate rent), similar to the previous 4 years.

45% of all affordable homes delivered in 2023-24 were funded through Section 106 (nil grant) agreements, compared to 47% in the previous year.

94% of affordable homes delivered in England were new build (excluding unknowns), the same percentage as the previous year.

58,409 of affordable homes delivered in England were new build in 2023-24, the highest number of new build affordable housing on record.

There were 44,027 starts on site in England in 2023-24, a fall of 38% compared to the previous year and the lowest number since this data started being collected in 2015-16.

The following table summarises the total additional affordable housing dwellings by GOR – Completions for the last 5 years published by MHCLG on 26 June 2025:

Region	2019/20	2020/21	2021/22	2022/23	2023/24
South West	6,677	5,084	5,875	6,326	5,466
East of England	7,774	6,617	7,205	6,951	8,217
South East	11,354	9,274	11,138	11,369	10,872
North West	5,850	5,383	6,288	7,078	7,207
North East	2,587	1,751	2,275	1,868	2,061
East Midlands	4,494	3,831	4,755	4,461	5,507
Greater London	10,897	10,863	11,889	15,768	12,719
West Midlands	5,630	5,666	6,107	5,791	6,413
Yorkshire and The Humber	3,701	3,603	3,638	4,297	5,281
England	58,964	52,072	59,170	63,909	63,743

MHCLG - A New Plan

On 2 July 2025, MHCLG announced the following five step plan to deliver a decade of renewal for social and affordable housing:

- Step 1 - Deliver the biggest boost to grant funding in a generation
- Step 2 - Rebuild the sector's capacity to borrow and invest in new and existing homes
- Step 3 - Establish an effective and stable regulatory regime
- Step 4 - Reinvigorate council housebuilding
- Step 5 - Forge a renewed partnership with the sector to build at scale.

Unprecedented Investment in Social and Affordable Housing

The UK government has announced the largest long-term investment in social and affordable housing in recent memory launching a new 10-year £39 billion Social and Affordable Homes Programme (SAHP) running from 2026-2036. This programme aims to maximize housing supply with an ambitious target of delivering around 300,000 social and affordable homes, with at least 60% designated as Social Rent properties. If successful, this would deliver approximately 180,000 Social Rent homes - six times more than the grant-funded Social Rent homes delivered in the previous decade. The programme is designed to be flexible, supporting diverse housing types including council-built homes, supported housing, and rural developments, while maintaining value-for-money assessments.

Financial Capacity Restoration and Investment Support

Recognising that housing associations and councils have weakened financial capacity due to building safety requirements, rising costs, and previous rent cuts, the government is implementing comprehensive financial reforms. Social housing rents will be permitted to increase by CPI+1% annually from April 2026, with this settlement extended to 10 years for greater certainty.

A consultation on a rent convergence mechanism has recently closed. Such a mechanism will allow below-formula rents to increase gradually to standard levels by either £1 or £2 per week until the formula rent is reached. Additionally, £2.5 billion in low-interest loans will be made available to complement commercial lending, while social landlords will gain equal access to government building safety remediation funding for the first time, receiving over £1 billion between 2026-30.

Modernized Regulatory Standards and Safety Requirements

The government is establishing updated regulatory standards to ensure the 4 million existing social homes are safe, decent, and warm. Key safety measures include implementing Awaab's Law with strict timeframes for addressing damp, mould, and emergency hazards, and new electrical safety requirements mandating 5-yearly installation checks. The government is currently consulting on revised Decent Homes Standards that will be implemented by 2035, incorporating updated Minimum Energy Efficiency Standards requiring EPC band C by 2030. New professional competence requirements will come into force in 2026, alongside improved tenant access to information and a £1 million Resident Experience Innovation Fund.

Council Housebuilding Revival and Right to Buy Reforms

To reinvigorate council housebuilding, which has averaged only 8,000 homes annually over the past five years, the government is implementing comprehensive Right to Buy reforms. These include extending the eligibility period from 3 to 10 years of public sector tenancy, reducing discounts to start at 5% rising to a maximum 15%, and exempting newly built social homes from Right to Buy for 35 years. The government is also reviewing Housing Revenue Account thresholds, launching a £12 million Council Housebuilding Skills and Capacity Programme, and establishing a new Association of Directors of Housing to facilitate collaboration and best practice sharing among councils.

Sector-Wide Partnership and Delivery Commitment

The government is issuing a "call to arms" to all stakeholders in the social and affordable housing sector, including local authorities, housing associations, investors, developers, and regulators, to collaborate in delivering this ambitious renewal programme. The focus extends beyond new construction to include upgrading existing homes and unlocking Section 106 affordable housing agreements, which historically contribute nearly half of all affordable homes annually. The government will work intensively with providers over the coming months to agree joint delivery ambitions and will actively engage with tenant groups through their Resident Panel to ensure voices are heard throughout this transformational decade-long initiative.

JLL Research Analysis on the New Affordable Homes Programme

JLL Research has conducted an analysis of the government's new £39 billion Affordable Homes Programme (AHP), finding that while it represents the largest government commitment to affordable housing in half a century, significant challenges remain in meeting national housing targets. Our research suggests the programme could potentially deliver up to 500,000 affordable homes over the next decade - approximately 50,000 homes per year at a stretch - but this would still fall short of the government's ambitious 1.5 million new homes target for this parliament.

Funding Gap and Private Finance Requirements

The core challenge is a substantial viability gap that would require approximately £100 billion in additional private finance to bridge. While £39 billion sounds substantial, if used purely for full funding, it could only cover around 130,000 three-bedroom homes over the decade when accounting for land, build costs, and other expenses. The grant money is not designed to cover the full cost of affordable homes, meaning the social housing sector - already operating near its borrowing limits - would need to secure significant additional private investment to make the programme viable.

Structural and Market Challenges

Beyond funding constraints, there are several systemic challenges that could impact delivery. The construction industry faces a severe workforce shortage, with 200,000 fewer workers than pre-pandemic levels and 500,000 fewer than before the global financial crisis. Additionally, the success of planning reforms in delivering increased permissions remains uncertain. Our research emphasises the critical importance of the 10-year rent settlement and rent convergence in addressing these viability challenges, alongside the expectation that a significant portion of affordable housing delivery will continue through Section 106 agreements.

Market Optimism and Additional Investment

Despite the challenges, we've identified positive market trends that could support the programme's success. Confidence is gradually improving in the UK housing market, with the Bank of England expected to continue reducing interest rates. This improved affordability environment benefits not only first-time buyers but also landlords, with JLL's Landlord Survey revealing that half would consider expanding their portfolios if rates fell below 3%. The Spending Review's allocation of

£10 billion for financial investments, with roughly half going to Homes England, is expected to unlock new homes across all tenures, particularly private rental housing.

Stock Rationalisation Market

As you will be aware, an active market exists for the sale of tenanted stock between RPs. This can be driven by strategic decisions about the type and location of accommodation that RPs wish to provide, and the viability of investing in properties to bring them up to the required standards.

Where competition is generated, a market has emerged in which RPs bid against one another on price. The resulting values, even though presented on an EUV-SH basis, tend to be in excess of base EUV-SH values that might be expected for balance sheet or loan security purposes.

Although this may appear hard to justify, the underlying rationale is as follows:

- the bidding price is still much less than the cost of development;
- the marginal cost of taking additional units into management, in an area where the acquiring RP already has stock, justifies a financial model based on relatively low costs for management, repairs and maintenance;
- the judgement of all-round risk formed by the acquiring RP, as reflected in the discount rate, is often lower (and the rate therefore keener) than would be acceptable to either a funder or an auditor in a balance sheet context;
- the price is worth paying to achieve strategic objectives around increasing a presence in a particular area or market; and/or
- the price may be supported by future void sales and/or changes of tenure (for example, from Social Rent to Affordable Rent).

Since 2020, trades of general needs and shared ownership homes among Registered Providers have topped £3.6bn, with transaction volumes growing in recent years and in the last 12 months our Portfolio Transactions team has been directly involved in £900m of affordable housing transactions.

Portfolios have ranged in size between c.150 to over 1,000 homes, and £10m and £100m, with larger portfolios being lotted according to interest from RPs in each area. These prices represent a gross yield range between 5.0% and 8%. In the majority of cases these portfolios have been marketed via competitive tender process and have received multiple bids. Premiums on these transactions have ranged between having no premium and trading at EUV-SH to c.135% of EUV-SH.

ⁱ Local Authority Housing Statistics dataset, England 2023-24



Value and Risk Advisory

We are value and risk advisory experts supporting you through the changing world of real estate.

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