SEE A BRIGHTER WAY

Value and Risk Advisory

Valuation report

Property Valuation: 8,765 Affordable Housing units owned by Southern Housing

May | 2025

Contents

Appendices

To:
M&G Trustee Company Limited
10 Fenchurch Avenue
London EC3M 5AG
(as "Security Trustee")

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

31 May 2025

Job Ref: SM/MB/FH

Dear Sirs

8,765 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).

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, our written approval as to the form and context of such publication must be obtained.

Yours faithfully

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For and on behalf of
Jones Lang LaSalle Limited

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Yours faithfully

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Yours faithfully

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Executive Summary

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

Introduction

The date of this report is 31 May 2025.

Jones Lang LaSalle Limited has been instructed to value a portfolio of 8,765 properties for loan security purposes.

Properties

The portfolio comprises 7,976 social housing units located across Greater London, East of England and the South East. 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 767 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, and comprising 23 units, that we have 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 31 May 2025.

Our valuation of the 2,972 properties being valued on the basis of Existing Use Value for Social Housing ("EUV-SH"), in aggregate, at the valuation date is:

£243,330,000
(two hundred and forty-three million, three hundred and thirty thousand pounds)

Our valuation of the 5,004 properties being valued on the basis of Market Value subject to Tenancies ("MV-T"), in aggregate, at the valuation date is:

£1,018,520,000
(one billion, eighteen million, five hundred and twenty thousand pounds)

For information purposes only, our valuation of the 5,004 MV-T Properties valued on the basis of EUV-SH, in aggregate, at the valuation date is:

£358,990,000
(three hundred and fifty-eight million, nine 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	198	EUV-SH	£27,530,000	-
GN Affordable Rent	278	MV-T	£30,265,000	£49,670,000
GN Social Rent	2,144	EUV-SH	£147,585,000	-
GN Social Rent	4,234	MV-T	£297,225,000	£903,985,000
HOP self-contained	66	EUV-SH	£2,495,000	-
HOP self-contained	387	MV-T	£22,200,000	£49,130,000
Intermediate Rent	58	EUV-SH	£10,150,000	-
Intermediate Rent	26	MV-T	£3,685,000	£5,010,000
Supported self-contained	3	EUV-SH	£100,000	-
Supported self-contained	11	MV-T	£870,000	£1,350,000
Shared Ownership	348	EUV-SH	£44,040,000	-
Total	**7,753**		**£586,145,000**	**£1,009,145,000**

Leasehold Properties

Category	Units Count	Basis of Valuation	EUV-SH	MV-T
GN Affordable Rent	3	EUV-SH	£335,000	-
GN Affordable Rent	2	MV-T	£175,000	£250,000
GN Social Rent	66	EUV-SH	£4,205,000	-
GN Social Rent	58	MV-T	£3,705,000	£8,065,000
HOP self-contained	26	EUV-SH	£1,000,000	-
Intermediate Rent	26	EUV-SH	£3,025,000	-
Intermediate Rent	8	MV-T	£865,000	£1,060,000
Shared Ownership	34	EUV-SH	£2,845,000	-
Total	**223**		**£16,155,000**	**£9,375,000**

Portfolio 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 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; and
- 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.

There is excess demand for affordable housing properties across the localities within the portfolio as summarised by the following data.

Households on local authority waiting lists:

Region	Waiting list
East of England	108,000
South East	150,000
Greater London	244,000

Based on current levels of affordable housing supply (new build) across the localities within the portfolio, the following table summarises the number of households on the waiting list for every new property being built:

Region	No. of Households
East of England	39
South East	28
Greater London	45

Weaknesses:

- the age 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.

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.

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;
- There is an increased focus both within the sector and the media on tenant safety and service delivery. Failure to deliver quality services or engage with tenants effectively can harm tenants and damage reputation.

Suitability of Security

Your instructions require us to comment on whether the properties we have valued continue to 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 our 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	131
1 bed flat	2,197
2 bed flat	2,158
3 bed flat	421
4 bed flat	35
5 bed flat	7
6 bed flat	1
1 bed house	32
2 bed house	1,007
3 bed house	1,520
4 bed house	222
5 bed house	26
6 bed house	2
1 bed bungalow	137
2 bed bungalow	72
3 bed bungalow	6
4 bed bungalow	2
Total	**7,976**

Locations

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

County	Units
Berkshire	556
East Sussex	1,323
Essex	70

County	Units
Greater London	2,691
Hampshire	310
Isle of Wight	503
Kent	2,072
Surrey	199
West Sussex	252
Total	**7,976**

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% - 3.3%
Management costs (average per unit)	£822
Management cost growth inflator	0.5%
Total repairs costs (Year 1)	£2,110 - £3,052
Repair cost growth inflator	1.0%
Discount rate (income)	5.0% - 6.0%

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)	18.4% - 23.1%
Rental income growth - flats (Year 1)	11.5% - 23.3%
Sales rate (houses)	3.0% - 50.0%
Sales rate (flats)	2.0% - 50.0%
Bad debts and voids (Year 1)	7.50% - 8.25%
Management costs	8.0% - 10.0%
Total repairs costs (Year 1)	£3,220 - £5,050
Repair cost growth inflator	1.0%
Discount rate (income)	7.0% - 7.5%
Discount rate (sales)	7.25% - 9.50%

Assumptions: Shared Ownership

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

Assumption	EUV-SH
Discount rate (income)	5.0%
Discount rate (sales)	8.0%
Management Costs	10.0% of Gross Income
Sales rate (yrs. 0-2)	0 tranche sales p.a.
Sales rate (yrs. 3-15)	7 tranche sales p.a.
Sales rate (yrs. 16-35)	3 tranche sales p.a.
Sales rate (yrs. 36-50)	1 tranche sale p.a.
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 8,740 properties owned by Southern Housing (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 Marc Burns and Fiona Hollingworth MRICS (Valuer Number: #0099707), both Directors within the JLL Affordable Housing team.

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 31 May 2025.

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 2024) and that we do not anticipate this situation changing in the foreseeable future.

1.3 Instructions

Our 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 2029.

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 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 Deregulatory Measures

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

The deregulatory measures introduced, give RPs the freedom to dispose of assets without the RSH'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.

There are already early signs that these measures are having an effect on RPs' thinking, and on their business plans, as they begin to adopt 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, through our day to day work, we are beginning to see more analytical requirements in terms 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 are in any way sacrificing 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.

As mentioned, some RPs are steadily starting to build in an element of void sales into some stock rationalisation bids, however 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

In light of the recent decisions made by the United States' government to impose varying import tariffs on all countries globally, there is a degree of uncertainty as to how this will impact the wider economy both globally and in the UK, and real estate markets. In recognition of the potential for market conditions to change rapidly as a result of these recent and emerging policy decisions, we highlight the critical importance of the valuation date. We confirm that the conclusions in our report are valid at that date only, and advise that you should keep the valuation under regular review.

For the avoidance of doubt, due to the functioning nature of the residential investment market, please note that our valuation is not reported as being subject to 'material valuation uncertainty' as defined by RICS in VPGA 10 of the RICS Valuation - Global Standards.

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.

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 20% of the portfolio externally and have inspected a representative sample of 5.0% of those properties internally. Our inspections were carried out between 01 May 2025 and 23 May 2025.

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 and the South East, as shown in the table below:

County	Units
Berkshire	556
East Sussex	1,323
Essex	70
Greater London	2,691
Hampshire	310
Isle of Wight	503
Kent	2,072
Surrey	199
West Sussex	252
Total	**7,976**

34% 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.

65% is in the South East (with a small parcel of 1% in East of England), 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	131
1 bed flat	2,197
2 bed flat	2,158
3 bed flat	421
4 bed flat	35
5 bed flat	7
6 bed flat	1
1 bed house	32
2 bed house	1,007
3 bed house	1,520
4 bed house	222
5 bed house	26
6 bed house	2
1 bed bungalow	137
2 bed bungalow	72
3 bed bungalow	6
4 bed bungalow	2
Total	**7,976**

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	81	595	19	**695**
1920-1949	15	368	2	**385**
1950-1979	903	929	74	**1,906**
1980s	355	1,214	73	**1,642**
1990s	862	606	33	**1,501**
2000s	393	730	14	**1,137**
2010s	200	508	2	**710**
Total	**2,809**	**4,950**	**217**	**7,976**

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 and research, 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 2025
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	-
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	-

Block	Postcode	Units	Age	Storeys	Estimated Remedial Costs Per Unit 2025
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	-

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 7,594 properties in the portfolio which are summarised in the table below:

EPC Rating	Units
A	2
B	552
C	5,047
D	1,868

EPC Rating	Units
E	92
F	33
Unknown	382
Total	**7,976**

We note that some of the properties have an EPC rating of F or G 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 properties that have been valued on the basis of MV-T, we have made an allowance of between £2,070 and £4,080 in each of the first 2 years of our cashflow to bring the properties up to the minimum regulatory EPC standard (E) that must be achieved before they can be let as Market Rent.

3.5 Climate Change Risk and Net Zero Carbon

Global warming targets set in the Paris Agreement are 1.5-2.0^{o} 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 7,594 rented affordable housing properties in the portfolio. These are summarised in the table below.

Category	Units	% of the Portfolio
GN Affordable Rent	481	6.5%
GN Social Rent	6,502	85.5%
HOP self-contained	479	6.5%
Intermediate Rent	118	1.5%
Supported self-contained	14	0.0%
Total	**7,594**	**100%**

4.2 Tenancies

The majority of the rented properties (circa 97.4%) are let on assured tenancies. We have assumed that these are 'standard' assured tenancies although we have not seen example tenancy agreements. The remaining 198 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	£4,541,991	£181.59
GN Social Rent	£43,517,510	£128.71
HOP self-contained	£2,818,172	£113.14
Intermediate Rent	£1,358,855	£221.46
Supported self-contained	£94,771	£130.18
Total	**£52,331,299**	**£132.52**

The Statistical Data Return ("SDR") is an annual online survey completed by all private RPs of social housing in England. The latest return for 2023/24 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 of England	£102.38	£112.13	£151.68	£176.74	£97.86	-
Greater London	£121.09	£148.11	£206.48	£245.71	£113.92	£126.81
South East	£109.77	£117.77	£172.23	£160.89	£101.06	£112.27

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	£181.59	£251.44	72.2%	£291.51	62.3%
GN Social Rent	£128.71	£281.12	45.8%	£355.83	36.2%
HOP self-contained	£113.14	£200.10	56.5%	£238.24	47.5%
Intermediate Rent	£221.46	£216.61	102.2%	£257.92	85.9%
Supported self-contained	£130.18	£144.41	90.1%	£197.20	66.0%

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

4.4 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 2023 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 of England	£509.50	£112.13	22.0%	£176.74	34.7%	-	-
Greater London	£677.84	£148.11	21.9%	£245.71	36.2%	£126.81	18.7%
South East	£534.51	£117.77	22.0%	£160.89	30.1%	£112.27	21.0%

4.5 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.

4.6 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.

The average increases we have modelled per year for houses in each of our valuations range from 18.4% - 23.1% and from 11.5% - 23.3% for flats.

4.7 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. In regard to 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% - 3.6%
Flat	4.5% - 5.6%
Room	4.5% - 5.6%

4.8 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 overleaf:

Category	Annual Sales Rates	Sales (Year 1)
Sales rate (houses)	3.0% - 50.0%	93
Sales rate (flats)	2.0% - 50.0%	142

The above figures equate 5,744 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.

4.9 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.

4.10 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.

4.11 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 2023 Global Accounts data provided by the Regulator of Social Housing and are similar to allowances used by other RPs providing a management and maintenance service in the areas where the properties are situated.

The 2023 Global Accounts data shows that across the whole affordable housing sector, RPs have lost approximately 0.66% of their gross income through bad debts and 1.77% through void losses. The void losses reflect an increase from 0.55% in the 2022 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	481	3.00%	8.0%
GN Social Rent	6,502	2.75%	8.0%
HOP self-contained	479	2.25%	7.50%
Intermediate Rent	118	3.25%	8.25%
Supported self-contained	14	3.00%	8.25%

4.12 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 1.0% (real) for the duration of the cashflow reflecting long-term earnings, growth predictions and potential management savings.

From the information provided in the 2023 Global Accounts, the average cost of management across the sector is £1,191 per unit and the average management cost for the Borrower is £1,178 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 £822 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 8.0% and 10.0% of rental income on management and administration in our valuations on the basis of MV-T.

4.13 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 2024 Global Accounts, the total average cost of carrying out major repairs, planned and routine maintenance across the sector is £3,029 per unit and the average maintenance cost for the Borrower is £1,548 per unit. The Global Accounts average figure for the sector is an increase of 13.8% on the 2023 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 1.0% (real) per annum.

Category of Expenditure	Period	Rented Properties
Major repairs and renewals	Year 1	£1,830
Cyclical repairs	Year 1	£434
Day-to-day repairs	Year 1	£634
Total Average Costs	**Year 1**	**£2,898**

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.

4.14 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 6.00% 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 7.50% (rental income), and between 7.25% and 9.50% (sales) for our MV-T cashflows.

5 Valuation Commentary - Shared Ownership

5.1 Introduction

There are 382 shared ownership properties within the portfolio. The Borrower currently owns 58.9% 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 £121.97 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 10.0% 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 5.0% on the rental income and 8.0% 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 £189,800.

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 25.0% tranches.

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

Years	Tranche Sales p.a.
Sales rate (yrs. 0-2)	0
Sales rate (yrs. 3-15)	7
Sales rate (yrs. 16-35)	3
Sales rate (yrs. 36-50)	1

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 89.4%) 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 2,972 properties being valued on the basis of Existing Use Value for Social Housing ("EUV-SH"), in aggregate, at the valuation date is:

£243,330,000
(two hundred and forty-three million, three hundred and thirty thousand pounds)

Our valuation of the 5,004 properties being valued on the basis of Market Value subject to Tenancies ("MV-T" and the "MV-T Properties"), in aggregate, at the valuation date is:

£1,018,520,000
(one billion, eighteen million, five hundred and twenty thousand pounds)

Freehold Properties

Our valuation of the 2,817 freehold properties being valued on the basis of Existing Use Value for Social Housing ("EUV-SH"), in aggregate, at the valuation date is:

£231,900,000
(two hundred and thirty-one million, nine hundred thousand pounds)

Our valuation of the 4,936 freehold properties being valued on the basis of Market Value subject to Tenancies ("MV-T"), in aggregate, at the valuation date is:

£1,009,145,000
(one billion, nine million, one hundred and forty-five thousand pounds)

Leasehold Properties

Our valuation of the 155 freehold properties being valued on the basis of Existing Use Value for Social Housing ("EUV-SH"), in aggregate, at the valuation date is:

£11,410,000
(eleven million, four hundred and ten thousand pounds)

Our valuation of the 68 freehold properties being valued on the basis of Market Value subject to Tenancies ("MV-T"), in aggregate, at the valuation date is:

£9,375,000
(nine million, three hundred and seventy-five 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	201	EUV-SH	£27,870,000	-	£57,895,000
GN Affordable Rent	280	MV-T	£30,440,000	£49,920,000	£69,010,000
GN Social Rent	2,210	EUV-SH	£151,790,000	-	£677,020,000
GN Social Rent	4,292	MV-T	£300,930,000	£912,050,000	£1,367,790,000
HOP self-contained	92	EUV-SH	£3,500,000	-	£15,830,000
HOP self-contained	387	MV-T	£22,200,000	£49,130,000	£72,850,000
Intermediate Rent	84	EUV-SH	£13,180,000	-	£20,275,000
Intermediate Rent	34	MV-T	£4,550,000	£6,070,000	£8,020,000
Supported self-contained	3	EUV-SH	£100,000	-	£490,000
Supported self-contained	11	MV-T	£870,000	£1,350,000	£1,980,000
Shared Ownership	382	EUV-SH	£46,890,000	-	£69,500,000
Total	**7,976**		**£602,320,000**	**£1,018,520,000**	**£2,360,660,000**

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 8 May and 16 May 2024 (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 research 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 our 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 our 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.

Value and Risk Advisory

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

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