



Desktop Report & Valuation

30 July 2025

M&G Trustee Company Limited/ Southern Housing - Bond Valuation 2025

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Executive Summary

Portfolio Details	
Project Name	M&G Trustee Company Limited/ Southern Housing - Bond Valuation 2025
Borrower	Optivo Finance Plc c/o Southern Housing
Description	Housing stock in the Midlands, South East and London regions
Background and Proposal	Loan Security Valuation - Desktop Valuation
Tenure	Freehold/Long Leasehold
Number of Properties	2291
Principal Valuation Considerations	1. We have applied remediation costs provided by the Issuer in respect of Fire Safety works to 37 properties at 70 Upper North Street London E14 6EW. Please refer to Section 2.5. where we make further comment. 2. We understand that there are 4 properties with an 'F' or 'G' rated EPC. Please refer to Section 2.7.1 where we make further comment. 3. Please refer to Section 2.6.4 where we provide detail with regard to flooding.
Suitability as Loan Security	Overall, we consider that the Properties provide suitable security for a loan secured upon it, which reflects the nature of the Properties, our reported opinions of value and the risks involved.

Valuation Summary

MV-STT £429,477,500	Property Count 1861
EUV-SH £205,424,000	Property Count 318
EUV-SH SO £12,220,000	Property Count 61
Operative Value £473,928,500	Property Count 2,240
Nil Value £0	Property Count 51

Figures above show:

- MV-STT for properties unrestricted by title
- EUV-SH - Rented properties only (excluding SO)
- EUV-SH SO - Shared Ownership properties only
- Operative value for all properties

Remedial costs are included in the figures provided above.

1.

Instructions and Terms of Reference

1.1 Client

M&G Trustee Company Limited
10 Fenchurch Avenue, London, EC3M 5AG
FAO: Uwaila Avan-Nomayo

1.2 Property

M&G Trustee Company Limited/ Southern Housing - Bond Valuation 2025

1.3 Borrower

Optivo Finance Plc c/o Southern Housing

1.4 Addressee Language

This Report is addressed to and capable of being relied upon by:

- i. M&G Trustee Company Limited, London EC4R 0HH; and
- ii. Optivo Finance Plc as Issuer c/o Southern Housing, Grosvenor House, 125 High Street, Croydon CR0 9XP

(together, the **Addressees**) provided that, in relying on this report, each of the Addressees acknowledges and agrees that:

- a. this report refers to the position at the date it was originally issued and, unless otherwise confirmed by us in writing, we have taken no action to review or update this report since the date it was originally issued;
- b. our aggregate liability to any one or more or all of the Addressees in respect of this report shall be limited to the lower of 33.00% of the amount of the investment to be secured against the Properties (to be confirmed by M&G Trustee Company Limited/ the Issuer) and £75,000,000; and
- c. this report is subject to the terms and conditions set out in our letter of engagement with M&G Trustee Company Limited dated 29 April 2025.

1.5 Instructions and Basis of Valuation

In accordance with the instructions contained in our letter dated 23 April 2025, as confirmed by you dated 29 April 2025, we have made such enquiries as are sufficient to provide you with our opinion(s) of value stated below. A copy of our instruction letter is enclosed at **Appendix 1**.

You have instructed us to provide our opinions of value on the following bases:

- The Market Value ("MV") of the properties subject to the tenancies /and shared ownership leases ("**Market Value**")
- Existing Use Value for Social Housing ("**EUV-SH**") of the tenanted properties

Unencumbered Properties – MV-STT

In relation to Properties which may be disposed of by a mortgagee in possession on an unfettered basis (meaning subject to tenancies but otherwise vacant possession and not subject to any security interest option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use):

The Market Value of such properties for loan security purposes firstly reflecting the fact or (where not the case) making an assumption as to the fact that the properties are subject to existing tenancies that grant security of tenure to the occupational tenant. Our valuation will refer to this basis of value as "MV-STT" or "Market Value, Subject to Tenancies".

Encumbered Properties – EUV-SH

In relation to properties other than those specified above that have restrictions on title or in planning:

The Existing Use Value for Social Housing ("EUV-SH") of such properties for loan security purposes.

1.6 Definition of Bases of Value

In undertaking our valuations, we have adopted the definitions of Market Value and Market Rent as defined in the RICS Valuation – Global Standards ("the Red Book"), and as detailed in our General Conditions to this report.

Existing Use Value for Social Housing is defined by the Royal Institution of Chartered Surveyors ("RICS") at UK VPGA 7 as:

"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. a willing seller
- b. 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 in terms and for the completion of the sale
- c. 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
- d. that no account is taken of any additional bid by a prospective purchaser with a special interest
- e. that both parties to the transaction had acted knowledgeably, prudently and without compulsion
- f. that the property will continue to be let by a body pursuant to delivery of a service for the existing use
- g. that 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

- h. 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*
- i. that any subsequent sale would be subject to all the same assumptions above"*

1.7 Additional Advice

Indicative Aggregate Vacant Possession Value

In accordance with your instructions we have calculated the indicative aggregate Market Value of the housing stock, assuming vacant possession, as at the date of this report.

Please note that this figure cannot be regarded as a valuation since in practice the housing stock, which is subject to tenancies, could not be sold to another RP for this amount. The figure is provided for illustrative purposes only and is given with on a non-reliance and without liability basis.

1.8 Background

We have been instructed to provide a desktop revaluation of the properties currently charged to the lender.

1.9 Conflicts of Interest

In accordance with the RICS professional standard on Conflicts of Interest (1st Edition, March 2017), we are required by our professional body, the Royal Institution of Chartered Surveyors, to inform you of certain matters that could be perceived as a conflict prior to confirming our valuation appointment.

We confirm that Savills (UK) Ltd does not have an involvement with the property and there are no other factors that could limit our ability to provide an impartial and independent valuation. Accordingly, we are reporting on an objective and unbiased basis.

1.10 Date of Valuation

Our opinion(s) of value are as at 30 July 2025. The importance of the date of valuation must be stressed as property values can change over a relatively short period.

1.11 Purpose of Valuations

You instruct us that our valuations are required for loan security purposes in accordance with VPGA 2 of the RICS Valuation – Global Standards and UK VPGA 11 Valuation of UK residential property of the RICS Valuation – Global Standards: UK national supplement, in respect of a review of the existing facility.

1.12 Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by Katrina Maclean MRICS. The valuations have also been reviewed by Andrew Garratt FRICS and Catherine Wilson MRICS.

As a desktop instruction, we have not inspected nor measured the properties for the purposes of this valuation.

1.13 Loan Terms

You have not provided us with details of the proposed loan terms. Although we comment on the suitability of the property as loan security we do so generally, and in the absence of any specific loan terms, as we are not qualified to do so.

1.14 Liability Cap

Our aggregate liability to any one, or more, or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Report under or in connection with this agreement and our Valuation, however that liability arises (including, without limitation, a liability arising by breach of contract, arising by tort, including, without limitation, the tort of negligence, or arising by breach of statutory duty) shall be limited to the lower of:

- 33.00% of the amount of the investment to be secured against the Properties (to be confirmed by M&G Trustee Company Limited/ the Issuer); and
- £75,000,000

Value means:

1. where more than one value is stated for the same property on different bases, the highest valuation figure recorded in our Report; and
2. in the case of valuations of portfolios, estates, shopping centres and other multi-unit properties within one Report, the aggregate of our valuations included in the one Report.

Nothing shall exclude or limit our liability for death or personal injury caused by our negligence or for any other liability that cannot be excluded by law.

1.15 RICS Compliance

This report has been prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2025 together, where applicable, with the UK National Supplement effective 1 May 2024, together the "Red Book". We have also had specific regard to the requirements of VPGA 2 Valuation of interests for secured lending.

1.16 Verification

This report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this report.

We recommend that you satisfy yourself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuations. Our valuations should not be relied upon pending this verification process.

1.17 Extent of Due Diligence Enquiries and Information Sources

Where possible in the time available, we have verified and supplemented information provided to us. However, if further information becomes available of which we are not currently aware, we reserve the right to amend our valuation accordingly to take this into account.

The extent of the due diligence enquiries we have undertaken and the sources of the information we have relied upon for the purpose of our valuation are stated in the relevant sections of the report.

Information	Source
• Full Address of the properties including Postcodes • Property Types and number of bedrooms • Whether any of the properties are of non-traditional construction or a Modern Method of Construction (MMC) • Whether there are multi storey or multi occupied residential buildings within the portfolio that have either ACM or Non ACM external wall systems • For the multi storey residential buildings, whether the Borrower has conformed with the External Wall Fire Review process and, for any buildings with potentially combustible external wall systems, have obtained relevant risk assessments • Current Rent 52 Week basis (net of Service Charges) • Tenancy Types and Letting Categories • Shared Ownership % Retained Equity • EPC Rating where available	Optivo Finance Plc c/o Southern Housing

1.18 Market Conditions

The political and economic environment continues to evolve rapidly, creating a complex and uncertain landscape. President Trump's introduction of tariffs has caused considerable disruption to the global economy, further straining the already challenging economic outlook for the UK. Ongoing geopolitical tensions worldwide add to the uncertainty, with the possibility of sudden escalation that could significantly affect global trade, economies and property values.

Some confidence has returned to the UK's residential markets, against a backdrop of continued falls in the underlying rate of inflation. This has resulted in greater competition in the mortgage markets and more stability in the housing markets, despite continued underlying economic uncertainty. The mainstream UK property market has held up relatively well.

There has however, been a mixed reaction to some of the proposals detailed in the October 2024 Budget, particularly those which are likely to impact the high end London residential property market. These include:

- Confirmation of the abolition of the non-dom tax status from April 2025 and changes to the domicile rules to bring those resident for 10 out of the last 20 years into the IHT remit on their global assets could increase sales and reduce demand in prime central London properties.
- Significant changes to offshore trusts, excluded property and business property relief which will take effect between April 2025 and April 2027. These changes will bring more assets and property into the IHT regime.
- New FIG (Foreign income and Gains) regime which will bring clarification to a non-dom regime that had become very complicated, and there are significant benefits through the new four year regime. Those markets reliant on overseas buyers could be negatively impacted.
- Proposed taxing of pension pots from April 2027 and income tax to be levied on the beneficiaries of pensioners who live beyond 75, may result in downsizing by longstanding property owners.
- Additional 2% added to SDLT will curtail the buying power of BTL investors and second home owners.

Transaction levels have reduced over the last 12 months in the UK prime markets, particularly in London. The Budget, together with the higher-than-expected inflation rate, mean the financial markets revised their predictions as to how quickly the base rate will be reduced which continues to impact on transaction levels.

Our Residential Research department's mainstream house price forecasts for the UK are in the region of 1% for 2025, with a 5 year forecast of 24.5% for the UK and 15.3% for London. For the Prime Central London market we are forecasting a 5 year growth of just under 10%, albeit with a fall in prices this year of 4% (principally due to the tax changes from the October Budget). Outer prime London will perform better with a 5 year forecast of just under 15% and little movement through 2025. The outlook for the UK rental market continues to be positive however, we do not foresee the strong growth (over the last couple of years) in rents to continue. The impact of the Renters Reform Bill and the increasing environmental costs upon landlords are beginning to be felt, but there is also a rebalancing of supply and demand following a period of abnormal growth in the post-covid environment.

It is important to recognise therefore, that our valuation has been prepared against the backdrop outlined above. Investor behaviour can change quickly during such periods of volatility. As such, the conclusions set out in this report are only valid at the valuation date and we would recommend that the value of the property is kept under regular review. For the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards.

1.19 General Assumptions and Conditions

All valuation advice has been carried out on the basis of the General Assumptions and Conditions set out in **Section 6**.

1.20 Confidentiality

The valuations herein are provided for you for loan security purposes in connection with a loan to the Borrower. **They cannot be relied upon for any other purpose**, including accounts valuations, disposal, stock swap, or the calculation of 1999 valuations for rent restructuring purposes.

In accordance with the recommendations of the RICS, this report is provided solely for the purposes stated above. It is confidential to and for the use only of the party to whom it is addressed and no responsibility whatsoever is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

1.21 Signatories

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RICS Registered Valuer

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For and on behalf of Savills (UK) Ltd, a subsidiary of Savills Plc.

Regulated by RICS

Registered in England No. 02605138

Registered Office: 33 Margaret Street, London, W1G 0JD

2.

The Property, Statutory and Legal Aspects

2.1 Location

The properties to be valued comprise 2,240 properties in the local authority areas detailed in the table below. We have excluded 51 properties which are considered to be of Nil Value.

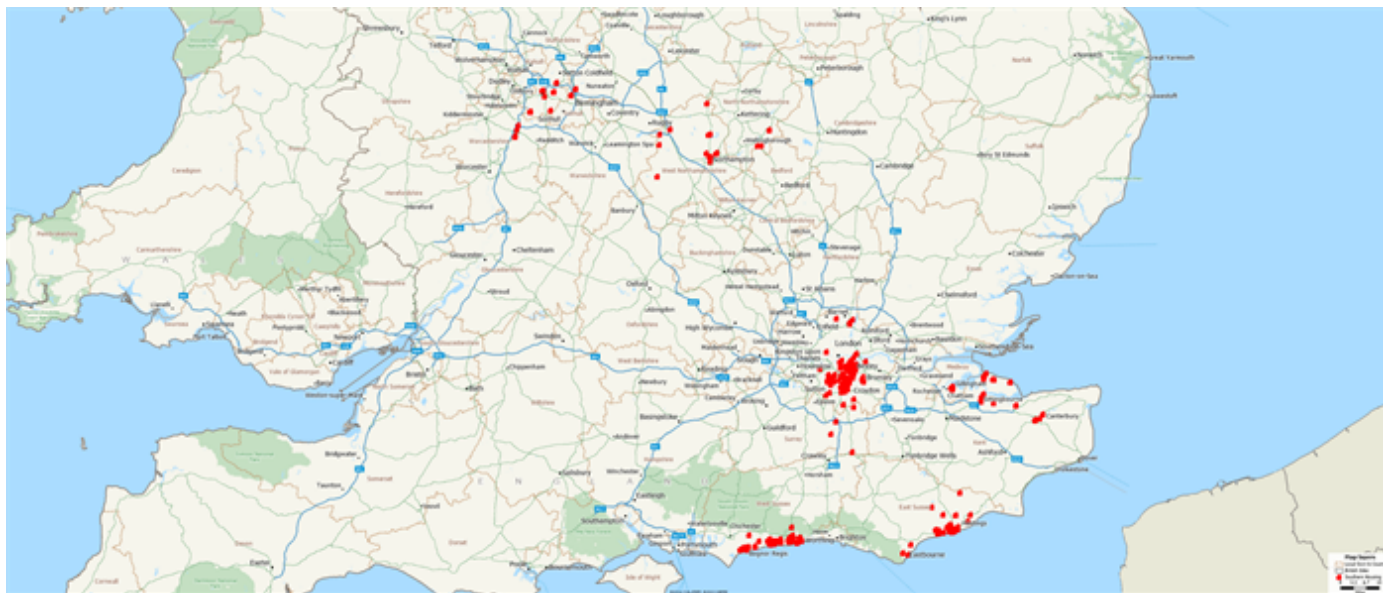
Location	Flats & Maisonettes	Houses & Bungalows	Total	% of Total
Arun	25	161	186	8.3%
Birmingham	106	70	176	7.9%
Bromley	58	17	75	3.3%
Bromsgrove		17	17	0.8%
Canterbury	5	42	47	2.1%
Croydon	197	47	244	10.9%
East Northamptonshire	24	39	63	2.8%
Eastbourne	18	14	32	1.4%
Enfield	54	39	93	4.2%
Greenwich	82	12	94	4.2%
Hastings	64	102	166	7.4%
Lambeth	81	26	107	4.8%
Lewisham	59	17	76	3.4%
Medway		7	7	0.3%
Merton	45	40	85	3.8%
North Warwickshire		10	10	0.4%
Reigate and Banstead		6	6	0.3%
Rother		111	111	5.0%
Solihull		11	11	0.5%
Southwark	73	35	108	4.8%
Sutton	35	16	51	2.3%
Swale	43	147	190	8.5%
Tandridge	12	12	24	1.1%
Tower Hamlets	58		58	2.6%
Wandsworth	41	5	46	2.1%
Westminster	8		8	0.4%
Worthing	53	96	149	6.7%
TOTAL	1141	1099	2240	100%

There are 2,240 properties made up of 1,099 houses & bungalows (50%) and 1,141 flats & maisonettes (52%). The stock is a mixture of houses, bungalows and flats dating from Pre-1920s to Post-2000.

The following table lists the properties by regions and settlements, with the majority of the properties being located in London (46.7%) and south east cities and towns (37.8%). 39 properties (2%) are located in villages, hamlets or are isolated dwellings which have arterial roads into neighbouring towns and/or cities. Whilst locations vary, many properties are located within good proximity of amenities.

Location	Location	Flats & Maisonettes	Houses & Bungalows	Total	% of Total
East Midlands	City and Town	16	10	26	1.2%
	Town and Fringe	8	26	34	1.5%
	Village		3	3	0.1%
London	Major Conurbation	791	254	1045	46.7%
South East	City and Town	204	642	846	37.8%
	Town and Fringe	4	32	36	1.6%
	Village	4	24	28	1.3%
	Hamlets and Isolated Dwellings	8		8	0.4%
West Midlands	Major Conurbation	106	81	187	8.3%
	City and Town		17	17	0.8%
	Town and Fringe		10	10	0.4%
TOTAL	TOTAL	1141	1099	2240	100%

Please see spread of stock in Map below:



2.2 Tenure and Tenancy

The properties can be summarised by type and tenancy type/tenure as follows:

Value Group	Flats & Maisonettes	Houses & Bungalows	Total	% of Total
GN Affordable	100	31	131	5.8%
GN Social	765	1,043	1,808	80.7%
GN Social	15	4	19	0.8%
HOPS	179	7	186	8.3%
SO	48	13	61	2.7%
Supported	34	1	35	1.6%
Total	1,141	1,099	2,240	100.0%

Please refer to **Appendix 2** for a full Stocklist with details of the rental income, tenures and property types.

2.2.1 Tenancies

We have not been supplied with copies of the Issuer's standard tenancy agreements, but assume all are in a standard format. Under the assured tenancy agreement rent can be reviewed once a year to an open market level. The tenant has the usual rights of appeal to the local Rent Assessment Committee.

Under the secure tenancy agreement rent is reviewed every 2 years with reference to the local Rent Officer.

2.2.2 Shared Ownership Leases

We have not been supplied with the a copy of the standard shared ownership lease which is granted for a term of 99 -125 years. The leaseholder is responsible for all repairs. The leases allow staircasing by the leaseholders whereby they can purchase additional blocks of equity at market value.

The clauses of most importance to the valuer are the level of specified rent, which is set at the leases inception, and the rent review provisions. The rent review provisions in the shared ownership leases have a variety of provisions, generally following accepted norms; older leases have an RPI plus 2%, RPI plus 1%. More modern leases will specify RPI or RPI plus 0.5%.

Full details of the rents payable, the equity held by the Issuer are set out in **Appendix 2**.

2.3 Title

2.3.1 Report on Title

As previously reported, we have not been provided with details of title in respect of the 1185 units originally charged and valued by another valuation firm. We have assumed for the purposes of this report that each property has good and marketable title and that there are no restrictions or covenants that would adversely affect our opinion of value.

For the 1120 properties we have reviewed historic certificates of title from the date of original charge and reflected our opinion of the disclosures in our valuations. Appendix 2 provides details of the properties that we consider should be restricted.

Further to the above, in July 2025, we received a copy of the Deed of Variation (to the S106 Agreement) for 3 - 15 (odds only) Gardiner Close, Ponders End, London EN3 4GF dated 14 January 2025, and have therefore valued these properties at MV-STT.

2.4 Condition

2.4.1 General Condition

As instructed, we have not carried out a structural survey, nor have we tested any of the services.

Apart from any matters specifically referred to in this report, we have assumed that the properties are free from structural faults or other defects and are in a good and lettable condition internally. The report is prepared on this assumption.

2.4.2 Mould and Damp

In 2022 Registered Providers were required by the Regulator of Social Housing to submit evidence about the extent of damp and mould in tenants' homes, providing information and evidence about the process of identifying, reviewing, and responding to issues of Mould and Damp within their housing stock. Although the review wasn't compulsory the majority of RPs responded, and the regulator concluded that while the picture is incomplete, the estimate is that less than 0.2% of social homes have the most serious damp and mould problems, 1-2% have serious damp and mould problems.

We have made enquiries of the Issuer who have confirmed that there no properties within the portfolio where remedial action is required.

2.5 Multi-Storey, Multi-Occupancy Buildings

Following the Grenfell Fire in June 2017 there has been an extensive review of building safety in multi-storey, multi-occupancy buildings. This has led to new legislation, including the Fire Safety Act 2021 which became law in May 2022, and a number of Government and other professional publications and recommendations, including publications and advice from the RICS, which we have had regard to in forming our opinion of value.

The Building Safety Act 2022, which came into force in October 2023, is a new regulation that aims to put the safety of building occupants at the forefront of the building process. All aspects of the building process are covered by the Act, from building design to construction and management, to ensure residents and homeowners are safer, have more rights and live in higher-quality homes. It also holds those responsible for safety defects to account.

Under the new law, the Building Safety Act applies to Higher-Risk Buildings (HRBs). These include buildings that:

- Contain at least two residential dwellings, and
- Are over 18 meters or 7 storeys in height.

As of 2024, the Act only applies to high-rise buildings. However, the government aims to extend requirements to include all buildings in upcoming legislation.

The UK government set out plans to protect leaseholders and ensure those responsible are aware of their duties for remediating buildings with fire safety concerns in relation to the building remediation works crisis. The proposals included:

- Opening up the next phase of the Building Safety Fund to drive forward the removal of dangerous cladding from high-rise residential buildings 18m+/7 storeys or more
- New protections for leaseholders living in their own flats with a commitment of no or limited bills (subject to individual lease qualification) for unsafe cladding and new statutory protections for leaseholders within the Act
- The Consolidated Advice Note (CAN) in relation to building safety advice (including fire doors), aimed at building owners, was withdrawn with immediate effect (but remains available as a historical reference document), and
- BSI PAS 9980:2022 Fire risk appraisal of external wall construction and cladding of existing blocks of flats, code of practice was published (and came into force on 31 January 2022) to help fire risk assessors take a proportionate approach to the assessment of external walls and avoid wholesale cladding replacement where safe to do so.

The PAS 9980:2022 code of practice for external walls is for building surveyors and fire engineers who need to carry out mandatory external wall fire risk assessments on buildings as part of the Fire Safety Act 2021 amendments. The Fire Risk Appraisals of External Walls (FRAEW) must include an assessment of the external wall system by a suitably qualified practitioner. The FRAEW must also have an executive summary that the mortgage valuer can use to ascertain whether remediation works are needed or not along the lines of an EWS1 form.

In time an FRAEW will be carried out for all blocks with cladding (where appropriate), and RICS envisages the need for an EWS1 form will then reduce.

The RICS Professional Standard - Valuation of properties in multi-storey, multi-occupancy residential buildings with cladding sets out the RICS' requirements in respect of undertaking valuations of domestic residential flats, within residential blocks of 5 or more storeys or 11 metres or more tall, in line with the remediation schemes and qualifying lease protections.

Whilst the Professional Standard is applicable to England and Wales only, we adopt these requirements in respect of all valuations undertaken in the UK.

The RICS Professional Standard provides guidance to valuers undertaking valuations for secured lending purposes on qualifying domestic residential flats, in buildings of 4 storey and below and/or within blocks of 5 or more storeys and/or 11 metres or more in height and/or where relevant, identifies blocks defined as of greater fire risk.

The table below reflects this categorisation as applied to the subject portfolio.

Block Type	Properties	Percentage Spread
1-4 Storeys	897	87.3%
5+ Storeys/ 11 metres +	131	12.7%
Total	1028	100.0%

70 Upper North Street, London E14 6EW

Southern have previously informed us that this building comprises 5 storeys of concrete frame and contains ACM, MCM or HPL panels. We have not been provided with an EWS1 form but have been provided with remediation costs in respect of Fire Safety works. The cost per property is £27,568, which amounts to £1020,016 for all 37 properties, and which has been applied to our valuation. We reserve the right to review our valuation should any further information come to light.

2.6 Environmental Considerations

2.6.1 Ground and Soil Conditions

We have valued the properties on the assumption that they have not suffered any land contamination in the past, nor are they likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the properties, or on any neighbouring land, then we may wish to review our valuation advice.

We have assumed there to be no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the building constructed thereon.

2.6.2 Japanese Knotweed

Identifying Japanese knotweed is problematic and cannot be guaranteed. This is partly because during the early stages of its annual life cycle some of the classic visual characteristics are not distinctive and during the winter months the plant sheds its leaves and suffers die back. It is also possible that Japanese knotweed has received a herbicide-based treatment which has removed all visible above ground signs but may not have killed the below ground rhizome (root) which, in turn, may lead to new growth and the spread of the plant in time.

As far as Southern Housing are aware, no invasive plants are present at the properties.

2.6.3 Asbestos and Deleterious Materials

We have prepared our valuation on the assumption that in the construction or alteration of the properties no use was made of any deleterious or hazardous materials or techniques, and we have not carried out any investigations into these matters. We have assumed further that either there is no asbestos present within the building(s) or if there is asbestos present this is recorded and managed within an Asbestos Register in accordance with the Control of Asbestos Regulations 2012.

2.6.4 Flooding

In terms of surface water risk, there are 492 properties with surface water risk, which accounts for 22% of the total stock. Of these properties 83 are classed as 'high', 64 classed as 'medium', and 345 classed as 'low' risk.

The remaining 1,748 (78%) properties have no overlap with surface water data.

Surface water risk class	No. of Properties	% of Total
Duplicate coverage, max risk=High	5	0.2%
High flood risk	78	3.5%
Medium flood risk	64	2.9%
Low flood risk	345	15.4%
No overlap with surface water data	1748	78.0%
Grand Total	2240	100%

There are 398 properties with river and coastal risk, which accounts for 18% of the total stock. Of these properties 29 are classed as 'high', 57 classed as 'medium', 162 classed as 'low', and 150 classed as 'very low' risk.

The remaining 1,842 (82%) properties have no overlap with river and coastal data.

River and Coastal risk class	No. of Properties	% of Total
High flood risk	29	1%
Medium flood risk	57	3%
Low flood risk	162	7%
Very low flood risk	150	7%
No overlap with river and coastal data	1842	82%
Grand Total	2240	100%

2.7 Sustainability and ESG

For the purposes of the report, we have made enquiries to ascertain relevant ESG and Sustainability factors which are likely to impact on value. Our comments below do not constitute an ESG risk assessment or ESG rating.

Investors may have diverse investment strategies to drive returns, but ESG is an increasingly critical influence on investment and management decision-making throughout the industry. ESG assessment looks at the impact of the physical building (base specification and in-use) on the environment, and investment criteria may cover everything from carbon emissions, asset-level certifications, be they environmental or health and wellbeing accreditations, energy and utility management and deployment of technology to monitor and measure compliance.

Social and community benefits and the nature of tenant operations may also be considerations, and importantly, the costs of transition to make buildings compliant are key.

Investors are also recognising that ESG is changing what tenants want, driving their current and future occupational needs, and that buildings must accommodate these needs.

2.7.1 Energy Performance Certificates (EPCs)

The UK Government views the improvement in Energy Performance Certificate (EPC) ratings as key to achieving net-zero carbon by 2050. Current EPC ratings run from A to G, with buildings that are rated "A" considered the most energy efficient, and those rated "G", the least efficient.

The provisions of the Energy Act 2011 make it unlawful to sell or let commercial or residential properties without an EPC rating, or to let them with an EPC rating of F or G (the lowest 2 grades of energy efficiency). However, properties classified as low cost rental accommodation under section 69 of the Housing and Regeneration Act where the Landlord is a private registered provider of social housing, or where the landlord is a body registered as a social landlord under Chapter 1 or Part 1 of the Housing Act 1996, are exempt from the legislation.

However, the properties would be required to be compliant in the event that they were in private ownership following enforcement of the security. We have valued on the assumption that the properties are compliant.

EPC Rating	SAP Score	Properties	Percentage Spread
B	81 - 91	141	6.3%
C	69 - 80	1,543	68.9%
D	55 - 68	470	21.0%
E	39 - 54	21	0.9%
F	21 - 38	3	0.1%
G	1 - 20	1	0.0%
Not Needed (SO)		61	2.7%
Total		2,240	100.0%

Where available, Southern Housing have provided us with EPC ratings. 97.1% of the stock have an EPC rating of B - E. There are 3 properties with an EPC rating of an 'F' and 1 property with a rating of 'G'. For properties with EPC ratings of E - G, Southern have provided us with modelled costs to get to Band C, and which range between £3,566 - £102,801. We have adopted these costs within our valuation and have listed these costs in Appendix 2.

The remaining 2.7% are Shared Ownership and therefore we have not been provided with the EPC ratings.

2.8 Fire Risk Assessments

We assume that, where applicable, Fire Risk Assessments ('FRAs') have been undertaken where required and are within date, and that the properties comply with all relevant standards and regulations. Our valuation is prepared on this assumption.

We have applied remediation costs provided by the Issuer in respect of Fire Safety works to 37 properties at 70 Upper North Street London E14 6EW.

2.9 Planning Enquiries

In the context of this valuation it is not practical to make planning enquiries for all the properties. We have therefore assumed that there are no pending planning applications or other planning issues likely to adversely affect the subject properties. We have not made specific planning enquiries for each site.

We have also assumed that the relevant consent for any extensions and alterations works to the properties have been obtained and fully complied with. We recommend that your solicitors confirm the properties are currently being used in line with their consented planning use and that construction fully met building regulation requirements.

2.10 Lotting

You have instructed us to value the properties as a portfolio assuming disposal as a single lot.

2.11 Rental Income

The Net Annual Rent and Net Average Weekly Rent for the portfolio is broken down by tenure type below:

Tenure Type	Unit Count	Net Annual Rent (£)	Net Average Weekly Rent (£)
GN Affordable	131	£1,407,603	£207
GN Social	1827	£13,303,396	£140
HOPS	186	£1,132,770	£117
SO	61	£514,404	£162
Supported	35	£220,520	£121
Total	2240	£16,578,693	£142

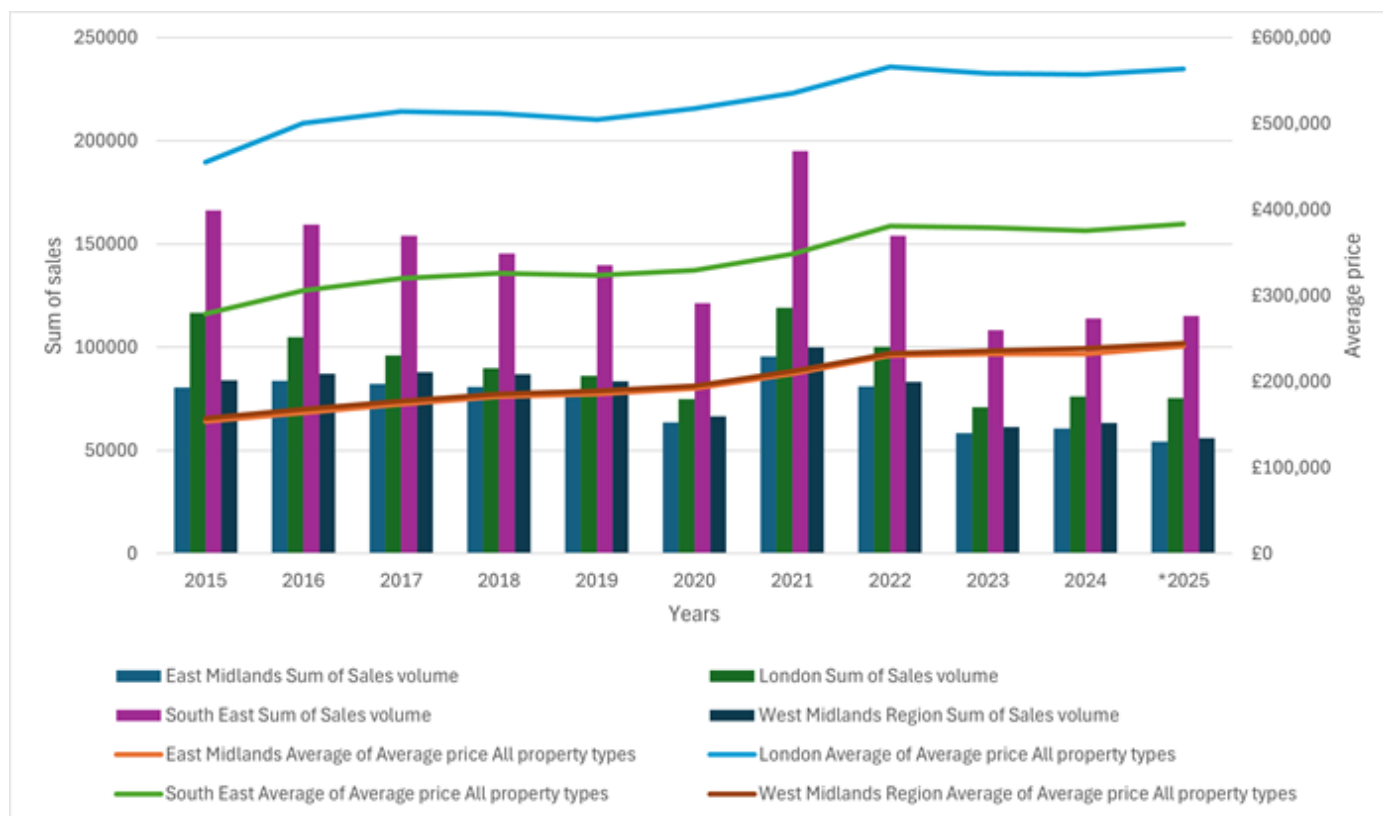
3.

Market Commentary

3.1 Local Market Conditions

The average property price has increased over the last 10 years in the following four locations: the East Midlands, London, South East and the West Midlands. Average prices paid are now around 57% above prices recorded in 2015 for the East Midlands; 24% above prices recorded in 2015 for London; 37% above prices recorded in 2015 for the South East; and 55% above prices recorded in 2015 for the West Midlands.

Sales volumes are around 83% below the rate recorded in 2015 for the East Midlands; 35% below the rate recorded in 2015 for London; 31% below the rate recorded in 2015 for the South East; and 33% below the rate recorded in 2015 for the West Midlands. This is illustrated by the Land Registry data shown in the chart below.



Property prices in East Midlands have an overall average of £272,713 over the last year. The majority of properties sold in East Midlands during the last year were detached properties, selling for an average price of £376,319. Semi-detached properties sold for an average of £233,497, with terraced properties fetching £192,520. Overall, the historical sold prices in East Midlands over the last year were similar to the previous year and 1% up on the 2022 peak of £269,462.

Property prices in London have an overall average of £675,549 over the last year. The majority of properties sold in London during the last year were flats, selling for an average price of £545,997. Terraced properties sold for an average of £765,279, with semi-detached properties fetching £774,229. Overall, the historical sold prices in London over the last year were 7% down on the previous year and 6% down on the 2022 peak of £720,017.

Property prices in South East have an overall average of £469,952 over the last year. The majority of properties sold in South East during the last year were terraced properties, selling for an average price of £410,948. Semi-detached properties sold for an average of £467,895, with detached properties fetching £711,708. Overall, the historical sold prices in South East over the last year were similar to the previous year and 3% down on the 2022 peak of £482,539.

Property prices in West Midlands have an overall average of £288,809 over the last year. The majority of properties sold in West Midlands during the last year were semi-detached properties, selling for an average price of £263,657. Detached properties sold for an average of £442,123, with terraced properties fetching £217,126. Overall, the historical sold prices in West Midlands over the last year were 2% up on the previous year and 3% up on the 2022 peak of £281,179.

See **Appendix 3** for Macro Market commentary and our latest Housing Research documents and forecasts.



3.2 Indicative Vacant Possession Values and Indicative Market Rents

The table below shows the average indicative Vacant Possession Values and indicative Market Rents that we have adopted for the properties included within the valuation, summarised by type and bedroom number.

Type	Bedrooms	Number of Properties	Average Indicative 100% VP	Average Weekly Indicative Market Rent
Flat	0	6	£125,833	£187
	1	595	£218,950	£253
	2	443	£309,020	£338
	3	85	£441,353	£449
	4	12	£532,083	£551
Flat Total		1,141	£273,292	£304
	1	22	£193,636	£218
	2	369	£297,415	£293
	3	613	£345,380	£350
	4	77	£471,364	£458
	5	14	£518,929	£523
	6	4	£761,250	£687
House Total		1,099	£338,789	£339
Grand Total		2,240	£305,426	£321

Further details of indicative Vacant Possession Values can be found on the property schedule at **Appendix 2**.

4.

Valuation Advice



4.1 Existing Use Value for Social Housing

4.1.1 Approach to EUV-SH

EUV-SH for loan security assumes the properties will be disposed of by a mortgagee in possession to another Registered Provider ("RP") who will continue the use of the properties for social housing. These organisations will calculate their bid according to their projected income and outgoings profile which they would estimate the properties would produce under their management. This basis assumes rents will remain affordable to those in low paid employment and that all vacant properties will be relet on the same basis.

We consider that the appropriate method of valuation is to use a discounted cash flow ("DCF"). The DCF allows us to project rental income and expenditure over the term of the cash flow to arrive at an annual surplus or deficit, which is then discounted to a net present value.

However, it is also necessary to consider comparable transactional evidence where available.

4.1.2 Principal DCF Variables

The DCF assumptions are derived from information received from Optivo Finance Plc c/o Southern Housing and our specialist sector knowledge. The table below sets out our principal assumptions. More detailed discussion on discount rate, adopted rent levels and rental growth is contained in the following sections.

EUV-SH DCF Variable	Assumption	Year	Variable Amount	Source
Current rent - Social only	£140	2025/26	Average £ Per Week	Southern
Convergence Rent	£153	2025/26	Average £ Per Week	Savills
Voids and bad debts	2.50%	2025/26	% Real	Savills
Turnover	5 - 8%	All Years	% Real	Savills
Management costs	£1,000	All Years	Average per unit/pa	Savills
Cyclical, Void & Responsive Maintenance	£1,100	All Years	Average per unit/pa	Savills
Programmed Maintenance	£1,400	All Years	Average per unit/pa	Savills
Discount rate	5.00 - 5.75%	All Years	% pa Real	Savills

4.1.3 Inflation Assumptions

Many of our assumptions are derived from the rate of inflation. These include house price, rental growth, building and maintenance cost inflation. It is essential for us to adopt a long-term underlying rate of inflation which will be acceptable to alternative landlords. We carry out our assessment of cashflow assumptions on a quarterly basis with reference to materials produced by numerous sources. The assumptions stated in this report and used in this cashflow are based on evidence available at the time of the valuation.

Consumer Price Index ('CPI') inflation was 1.7% in September 2024. This is the rate of CPI which has been used to determine rent increases effective from 1 April 2025. The average of new Independent Forecasts – as produced by HM Treasury in February 2025 – indicates that CPI is expected to be 2.8% on average in 2025 and 2.3% in 2026. In the medium term CPI is expected to run at around 2.20% per annum. Our long term assumption remains at 2.00% per annum.

BCIS Tender Price forecasts – which we use to predict changes in major works costs – currently predicts that prices will be lower than inflation during the 2025/26 period, and then run slightly ahead of inflation for the following three years. Our long term assumption is 0.50% real growth per annum.

BMI Maintenance Cost forecasts are showing annual real growth of around 0.48% in 2025/26 before growing further above inflation in the following 3 years. In the long term maintenance costs tend to run ahead of inflation mainly because the work is more labour intensive and therefore more closely linked to wage inflation. Our long term assumption is 1.00% real per annum.

Year	CPI General % pa	CPI Rental % pa	Programmed Cost % (real) pa	Maintenance % (real) pa
2025/26	2.75%	2.80%	-0.30%	0.48%
2026/27	2.30%	2.30%	0.40%	0.80%
2027/28	2.20%	2.20%	0.65%	0.90%
2028/29	2.20%	2.20%	0.55%	0.80%
2029+	2.00%	2.00%	0.50%	1.00%

CPI saw a steady decrease over the course of 2024, starting at a high point of 4%. It slowly dropped to a rate fluctuating around 2% for most of the year, with September seeing CPI at its lowest point of 1.7%. The last three months of the year saw CPI begin to climb again to a rate of 2.5% in December. Inflation has continued to creep up in 2025 with 3% confirmed for CPI in January.

Currently we have adopted a figure of 2.8% for our September 2025 CPI in line with current average estimates from independent forecasters.

The current Rate of CPI at the time of the Report is 3.6% (June 2025).

4.1.4 Social Rents – Savills “Convergence” Rents and Rental Growth

Registered Providers are required to set their Social Rents in accordance with Rent Standard Guidance issued by the Regulator of Social Housing. The Guidance sets out a formula for calculating most Social rents which reflects property values, local earnings and bedroom size. From April 2020 the Rent Policy Statement applies which allows for existing rents to rise at CPI+1%.

Some latitude is given in that rents for new lettings can be no more than 5% higher than their formula level. For sheltered and supported properties the margin is extended to +10%. The rents produced by the formula are net of service charges. Service charges are expected to be charged over and above the rents and to reflect what is actually being provided to tenants.

Mortgagees in possession and their successors in title are not bound by the provisions of the Rent Standard. In theory, therefore, a purchaser could base a bid for the properties on rents up to open market levels as permitted under the terms of the tenancy agreements. However any RP purchaser would need to set rents that are consistent with its objectives as a social housing provider.

We therefore believe that a purchaser in a competitive transaction is likely to set rents at a level they consider to be the maximum affordable rent to those in low paid employment locally. We assume they would intend to charge such rents for new tenants and increase existing rents to a sustainable and affordable rent over a reasonable period.

The average rents across the General Needs Social charged stock are set out below, along with our assessed sustainable affordable rent or “convergence” rent. We have adopted the convergence rents in our valuation.

Type	Estimated Tenant Household Incomes	Net Rent	Savills Convergence Rent	Savills Convergence Rent Afford. Ratio	Market Rent	Local Housing Allowance
House	£733	£145	£158	22%	£336	£261
Flat	£644	£133	£146	23%	£319	£284
Average	£695	£140	£153	23%	£329	£271

We have relied on the current rents supplied by the Borrower in carrying out this valuation. We have not carried out any validation of or research into the rents supplied.

In the long term, in order to maintain consistent levels of rent affordability, the maximum possible rate of rent growth will be growth in local household incomes which is currently predicted to be around 3% pa over the next 10 years in this area. We have therefore assumed that after they have converged rents will increase at CPI + 1% per annum.

4.1.5 Affordable Rents

In certain circumstances, RPs are able to offer new assured tenancies at intermediate rents at up to 80% of the market rent – such rents are known as ‘Affordable’ as opposed to ‘Social’ rents. The ability to charge the higher rents is dependent upon the RP having a Development Framework contract with the HCA or a Short Form Agreement where they are not in the Development Framework.

There are currently 131 Affordable Rent properties within the stock. The current average rent for these properties is £206.64 per week. These properties have been included in our valuation at their current Affordable Rent levels.

Under the Rent Standard the rents payable for Affordable Rent tenancies increases annually by CPI plus 1% per annum. Rents are rebased to market rent upon the granting of a new tenancy. We have assumed that a purchaser from a mortgagee would increase existing Affordable Rents in line with movements in market rents over the long term.

Market rents tend to increase in line with household incomes. Income growth forecasts for the relevant locations are currently around 4% per annum. We have therefore assumed that rents will increase at CPI + 1% pa.

4.1.6 Discount Rate

The discount rate is probably the most important variable in the model since it determines the net present value of future predicted income and expenditure cashflows. There is no fixed rule for determining the most appropriate rate to be adopted in a discounted cash flow, but the rate will consider two elements; the cost of funds to acquire the stock and risk/reward appetite of the bidder. The market for this stock will be within the RP sector.

The discount rate is a combination of an expression of the long-term cost of borrowing for an acquiring organisation, the availability of free funds for purchase purposes and the risks implicit in the property portfolio concerned, along with the return requirements of the purchaser. The average cost of long-term borrowing in the RP sector has been relatively stable over the last ten years or so, moving from 4.50% to 4.10%, as reported in accounts and reflecting borrowing from a range of sources at various rates. The accounts of RPs give us a useful benchmark for costs of funds, but we must also acknowledge market practices, particularly for smaller and more attractive acquisitions. In

such circumstances, where strategic acquisition of stock is weighed against factors such as cost of construction and the aims and objectives of the provider, implied discount rates are significantly below average costs of borrowing.

In addition to considering the cost of funds, we also need to make an allowance for the risk which attaches to our cashflow assumptions – some of which may be subject to a higher degree of risk than those generally made in the business plans. The trend in the risk profile is considered on a case-by-case basis, having regard to the attractiveness of the stock for investment purposes.

Risk is factored in two principal areas; the market and the individual cashflows. The market element will reflect the macro-economic landscape, the market for social housing stock to be traded and the availability of housing stock at the rents being charged, whereas the individual cashflow element will reflect the confidence the valuer has in the assumptions adopted.

Having regard to the above, our view is that a discount rate in the range of 4.75% - 5.75% real is generally appropriate, +/- 0.50% for particularly risky or attractive acquisitions respectively.

We have adopted a discount rate of 5.00 - 5.75% real over an assumed CPI inflation rate of 2.0% (Long Term Bank Of England Target Rate). This is the rate applied over the cashflow run in perpetuity.

4.1.7 Existing Use Value for Social Housing (EUV-SH) – Rented Properties

The aggregate EUV-SH of the 2,179 properties for loan security purposes is:

£205,424,000

(Two Hundred and Five Million Four Hundred and Twenty Four Thousand Pounds)

4.2 Market Value Subject to Tenancy (MV-STT)

4.2.1 Approach to MV-STT

MV-STT is the price an investor would pay for tenanted properties. We primarily assess MV-STT by capitalising the net operating income, after costs and voids, at a yield, this is known as the investment method of valuation.

Valuations within the residential investment market have historically been undertaken by adopting a discount to break-up, with consideration to the initial yield. This resulted in UK values being influenced by the owner occupier market therefore, the primary consideration has always been the capital value of the asset.

Over recent years, there has been a transition in the residential market, with more of the population seeing renting as a viable long-term option. This has led to major investors now considering residential investment on a long-term basis. The break-up value is a secondary consideration, with stable income and the internal rate of return being the key drivers of investment decisions.

The net yield we apply is derived from comparable evidence of market transactions of tenanted portfolios. We apply a suitable discount to reflect the quality and tenure of properties, compared to the institutional residential developments from which most evidence is available.

The yield applied to net income varies from 5% or lower for prime property, to 7% or higher for low quality property in more challenging locations. This equates to a yield on gross income (after deductions for management, maintenance and voids) of between 7% to 10%.

We benchmark the capitalised MV-STT against the Market Value with Vacant Possession ("MV-VP"), in line with investor behaviour in a bidding scenario, to check the values sit at realistic levels. This is particularly important in secondary and tertiary markets where MV-VP's are relatively low and the capitalisation method could provide an inflated value.

4.2.2 Principal Assumptions – MV-STT

We have considered the above in arriving at our valuation. The yield and other principal assumptions adopted are set out below.

Variable	Unit of Cost	Variable Amount
Gross Annual Rental Income*	£	£30,883,500
Voids	% of Rent Debit p.a.	5-7%
Management	% of Rent Debit p.a.	10.00%
Maintenance	% of Rent Debit p.a.	12-15%
Net Yield	%	5.35%
Gross Yield	%	7.65%

4.2.3 Renters' Rights Bill

The Renters' Rights Bill is expected to be introduced in Summer 2025. Assured Shorthold Tenancies (ASTs) will be replaced with 'Assured Periodic Tenancies'. The first 12 months of any new tenancy will be a protected period, with landlords prevented from regaining possession or disposing of the property. The new legislation abolishes Section 21 notices therefore, Landlords must use a Section 8 notice instead, citing a specific ground for possession. Annual rental increases remain permitted, with the usual tenant right to appeal.

These reform will limit the speed at which an investor could re-let or sell the properties at market value. The comparable evidence referred to in our valuations primarily relate to sales of AST portfolios, so any future changes to investor behaviour as a result of the reform will need to be considered once the market adapts to these reforms. As referenced above however, we do not consider that institutional investor behaviour will significantly change, given their desire for long-term, stable investment returns, rather than short term value-add from realising vacant possession of individual properties.

4.2.4 Market Value – Subject to Tenancies (MV-STT) – Rented Properties

The aggregate MV-STT of the 1,861 properties for loan security purposes is:

£429,477,500

(Four Hundred and Twenty Nine Million Four Hundred and Seventy Seven Thousand Five Hundred Pounds)

The MV-STT figure must not be used as a basis for lending until your lawyers have confirmed clear title to us.

4.3 Shared Ownership

4.3.1 General

The Borrower has a portfolio of 61 properties subject to Shared Ownership leases in charge. They retain around 64% of the equity in their properties, overall. Please see **Appendix 2** for details of the properties, shares held and rental income produced.

4.3.2 Valuation Approach

Shared Ownership property produces a rental income dependant on the percentage owned by the leaseholder and the percentage retained by the lessee. As leaseholders have a stake in the property, arrears and default are comparatively rare and landlords can retrieve management costs. Maintenance does not erode rental income as the leaseholder is responsible.

Shared Ownership property thus produces good quality, low risk rental income on the share retained. In addition capital receipts can arise when the leaseholder decides to acquire the whole or a portion of the remaining equity, which usually happens when they decide to sell and move on, or on the occurrence of default.

We use a discounted cashflow model designed for the valuation of Shared Ownership property which projects future rent and outgoings to arrive at a net present value. This cashflow can be tested with a variety of staircasing and default scenarios.

In this case we have assumed that all service costs can be recouped through service charges and that management income and the management charge equals the management expenditure.

We have applied a discount rate of 5.00 - 5.25% real reflecting the very secure nature of Shared Ownership income.

4.3.3 Shared Ownership Valuations Principal DCF Assumptions

Our principal valuation assumptions are as follows:

Variable	Assumption	Year	Unit of Cost
Current rent	£162	Current	Average £ Per Week
Management costs	£200	All Years	Average per unit/pa
Retained share	64%	Current	Average per unit
Current Indicative 100% MV-VP	£399,754	Current	Average £ per unit
Discount rate for rental income	5.00 - 5.25%	All Years	% pa Real

4.3.4 Existing Use Value Social Housing – Shared Ownership Leases

EUV-SH of the 61 Shared Ownership properties is:

£12,220,000

(Twelve Million Two Hundred and Twenty Thousand Pounds)

For the avoidance of doubt the EUV-SH of shared ownership properties is equivalent to their MV.

4.4 Valuations

4.4.1 Summary of Reported Valuations

Basis of Valuation	Value	Comments
EUV-SH – Rented Properties	£205,424,000	2,179 properties (excluding SO)
EUV-SH – SO Properties	£12,220,000	61 properties
MV-STT – Rented Properties	£429,477,500	1,861 properties
Operative Value for Loan Security	£473,928,500	2,240 properties

The valuation figures above take into account the remediation costs as per sections 2.5 and 2.7.1., regarding MSMO and EPC ratings.

4.5 Additional Advice

4.5.1 Lending Against MV-STT

It is essential that before lending on MV-STT your lawyers confirm that the properties are capable of being let at a Market Rent, or disposed of free from restrictions, should you take possession. If there are enforceable “Housing Restrictions” in title, planning approval, s.106 agreements or by separate Nomination agreements, that, for example, limit disposal only to Registered Providers or contain binding contractual nominations, then the correct valuation basis is EUV-SH and not MV-STT.

We must also stress that it is up to you to assess the terms of the loan and the amount of lending based on the valuations herein. We have set out the current rental income at **Appendix 2** but make no warranty that the current income is sufficient to support lending against MV-STT either on individual valuation groups or against the whole portfolio.

4.5.2 Indicative Aggregate Market Value assuming Vacant Possession

The indicative aggregate Market Value of 2,240 properties is £684,155,000. This assumes the properties are available with vacant possession, but in fact, the properties are subject to tenancies and shared ownership leases. This figure cannot therefore be regarded as a valuation suitable for lending. It is thus provided for illustrative purposes only and given with nil reliance.

4.5.3 Lotting and Value Disaggregation

We have valued the properties as a single lot. As a result **we have not assessed individual valuations for each property.** We have, however, provided a disaggregation of the overall valuation figures by reference to the appropriate rent and these figures are shown on the property schedule at **Appendix 2**.

It is very important to note that the per unit figures shown in the schedule should not be regarded as individual valuations of the properties. They are provided as indicative figures for administrative purposes only. They should not be used for any other purpose, including disposals or re-assessment of security, without our prior written approval.

5.

Loan Security

5.1 Lender's Responsibility

It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture or mortgage. However, it is a matter for the lender to assess the risks involved and make its own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.

In the report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk. In assessing the nature of the risk we would draw your attention to the matters highlighted in the following paragraphs.

We have made subjective adjustments during our valuation approach in arriving at our opinion and whilst we consider these to be both logical and appropriate they are not necessarily the same adjustments which would be made by a purchaser acquiring the properties.

Where we have expressed any reservations about the properties we have reflected these in the valuation figure reported. However it may be that the purchasers in the market at the time the property is marketed might take a different view.

Loan Security Assessment		
Property Market Risks	 Satisfactory	Registered providers are operating in a challenging environment, facing high borrowing costs, high material and labour costs and increasing regulatory demands. There is an increased pressure on landlords to comply with the Decent Homes Standard, in particular with identifying and tackling damp and mould. Fire safety also remains a key priority. While the sector has made good progress, around a quarter of buildings with identified life-critical fire safety defects have unsatisfactory remediation plans in place. However, skilled labour shortages continue to impact repairs and maintenance programmes with demand keeping costs at a premium. While the sector continues to retain many sources of financial strength, including a strong liquidity position, the sector's interest cover performance has declined steadily since 2018. Constrained financial headroom reduces the capacity for the sector to manage downside risk from external sources. In response to weakened financial capacity the sector has been pulling back on development plans, with forecast over the next five years 12% lower than in 2023. On a more positive note, the rent settlement for the next 5 years has been confirmed at CPI+1. This offers providers some long-term certainty, enabling business planning and funding strategies as well as boosting investment in existing stock
Suitability for Loan Security	 Satisfactory	Overall and subject to the comments outlined within our report, we consider that the property provides / properties provide suitable security for a loan secured upon it, which reflects the nature of the property, our reported opinion of value and the risks involved.
Key Lender Action Points	See Comments	• We have applied remediation costs provided by the Issuer in respect of Fire Safety works to 37 properties at 70 Upper North Street London E14 6EW. Please refer to Section 2.5. where we make further comment. • We understand there are 4 properties with an EPC rating of an 'F' or 'G'. Please refer to Section 2.7.1 where we make further comment. • Please refer to Section 2.6.4 where we provide detail with regard to flooding.

6.

General Assumptions & Conditions

6.1 Overview

Unless otherwise stated in this report, our Valuation has been carried out on the basis of the following general assumptions and conditions in relation to each property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

6.2 General Assumptions

That we have been supplied with all information likely to have an effect on the value of the property(ies), and that the information supplied to us and summarised in this report is both complete and correct.

Legal

1. That the property(ies) is/are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the title. Should there be any mortgages or charges, we have assumed that the property(ies) would be sold free of them. Unless provided to us by your legal advisors, we have not inspected the relevant title documents.
2. That the property abuts an adopted highway maintainable at public expense. We assume that full rights of access are enjoyed, and that no third parties enjoy any rights over the property. This should be confirmed by your legal advisers prior to relying on our report.
3. That where there are tenants, they are capable of meeting their obligations and there are no arrears of rent or undisclosed breaches of covenant.

Legislative and Statutory Compliance

4. That the building(s) has/have been constructed and used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control or building regulations. Likewise, that any future construction or use will be lawful (other than those points referred to above).
5. That the property(ies) is/are not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
6. That the property(ies) either complies/comply with the Equality Act 2010 and all other Acts relating to occupation, or if there is any such non-compliance, it is not of a substantive nature.
7. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation.

The Property

8. That the property(ies) has/have been measured in accordance with the Code of Measuring Practice (6th Edition) and we have valued on the basis of the floor areas stated in our report. Whilst the 6th Edition has been superseded by RICS Property Measurement (2nd Edition) which outlines the International Property Measurement Standards (IPMS) for offices and residential property, this basis of measurement has yet to be adopted by market participants. Where we have been provided with floor areas, we assume these floor areas are complete and correct, and are the net/gross internal/external or net saleable floor areas measured in accordance with the Code of Measuring Practice (6th Edition).

9. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in the parts we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the property(ies) and our Report do not constitute a building survey or any warranty as to the state of repair or refurbishment of the property(ies). Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our valuation materially.
10. That there is unrestricted access to the property(ies) and that the site(s) is/are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
11. Sewers, mains services and roads giving access to the property(ies) have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.
12. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
13. That either there is no asbestos present within the building(s) or if there is asbestos present this is recorded and managed within an Asbestos Register in accordance with the Control of Asbestos Regulations 2012.
14. Unless stated otherwise, our valuation will be reported on the basis that the property(ies) falls/fall outside the RICS Professional Standard on the *Valuation approach for properties in multi-storey, multi-occupancy residential buildings with cladding*.

Environmental

15. That the property(ies) has/have not suffered any land contamination in the past, nor likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination. Should it subsequently be established that contamination exists at the property(ies), or on any neighbouring land, then we may wish to review our valuation advice.
16. That, unless otherwise stated in the report, the property(ies) has/have an EPC rating of 'E' or above. As part of the Minimum Energy Efficiency Standards 2015 (MEES) that were passed by law in April 2015, from April 2018 it has been a legal requirement for residential or commercial properties to have a minimum EPC rating of 'E' in order to be subject to a new letting. From 1 April 2023, this has applied to all lettings, including lease renewals.
17. The Scottish legislation covering EPCs is contained in the Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016 [AEP Regulations]. The legislation captures existing buildings (or units within a building) which are over 1,000 sq m and are either sold or leased to a new tenant. On a sale/lease of a property which is over 1,000 sq m which is not built to 2002 Building Regulation Standards, a seller is legally obliged to provide an "Action Plan" to a purchaser. The Action Plan will identify emissions and energy improvement targets for a building and the improvement measures that the owners needs to implement to meet these targets. Owners have two options, either carry out the improvement works detailed in the recommendations report within three and half years, or, defer carrying out the works by providing annual report on the operational ratings of the property. The Action Plan will state

which option has been chosen. Responsibility for complying with the AEP Regulations and completing the works and reporting on operational ratings rests with the owners of the property.

18. EPCs are required for the sale, letting, construction, or alteration of all residential buildings in Scotland. The Scottish Government recently published its Energy Efficient Route Map which brought in The Energy Efficiency (Private Rented Property) (Scotland) Regulations 2019. Pre-COVID-19 it had been legislated that at the change in a tenancy of any private rented property it would need to meet an EPC of D by April 2022, with a backstop date of existing properties by 2025, this was then rescinded due to the pandemic. As a result of the SNP/ Green Alliance, the Scottish Government's "Heat in Buildings Strategy" was published on 7 October 2021, this now removes the single goal of achieving higher energy efficiency and links it with achieving net zero emissions. The regulations are due to be introduced in 2025 requiring all properties in the private rented sector to reach a minimum standard equivalent to an EPC of C, where technically feasible and cost effective, at change of tenancy, with a backstop date of 2028 for all remaining existing let properties. It is also proposed that the same will follow in the owner occupied sector by 2033.
19. That the property(ies) is/are free from environmental hazards.
20. That, unless otherwise stated within our report, the property(ies) does/do not suffer from any ill effects of Radon Gas, high voltage electrical supply apparatus or other environmental detriment.
21. We have made informal enquiries in respect of risk of flooding to the property. The Environment Agency/Scottish Environment Protection Agency (SEPA) (as appropriate) categorise the risk of flooding to a property from rivers or sea, and the Lead Local Flood Authority (LLFA)/Scottish Environment Protection Agency (SEPA) (as appropriate) categorise the risk of flooding to a property from surface water. The risk categories are defined as very low / low / medium / high risk and represent a less than 0.1% / 0.1% - 1% / 1% - 3.3% / 3.3% chance of flooding each year.
22. Where we have been asked to value the site under the special assumption that the property will be developed, there are no adverse site or soil conditions, that the property is not adversely affected an Environmental Impact Assessment, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.

6.2.1 Further General Assumptions applicable to residential valuations

The following general assumptions apply to residential property valuations and are in addition to the general assumptions as above.

23. Where the property comprises flats or maisonettes, unless instructed or otherwise aware to the contrary, we will assume that:
 - a. The costs of repairs and maintenance or the building and grounds are shared equitably between the flats and maisonettes.
 - b. There are suitable, enforceable covenants between all leaseholds, or through the landlord or the owner.
 - c. There are no onerous liabilities outstanding.
 - d. There are no substantial defects, or other matters requiring expenditure (in excess of the current amount or assumed amount of service charge payable on an annual basis), expected to result in charges to the leaseholder, or owner of the property, during the next five years, equivalent to 10% or more of the reported Market Value.

24. Where the dwelling is leasehold and it is not possible to inspect the lease or details have not been provided, the following further assumptions will be made, unless instructed to the contrary:

- a. The unexpired term of the lease is 85 years, and no action is being taken by any eligible party with a view to acquiring the freehold or to extending the lease term.
 - b. That there are no exceptionally onerous covenants upon the leaseholder.
 - c. The lease cannot be determined except on the grounds of a serious breach of covenant in the existing lease agreement.
 - d. If there are separate freeholders, head and/or other sub-head leaseholders, the terms and conditions of all the leases are in the same form and contain the same terms and conditions.
 - e. The lease terms are mutually enforceable against all parties concerned.
 - f. There are no breaches of covenants or disputes between the various interests concerned.
 - g. The leases of all the properties in the building/development are materially the same.
 - h. The ground rent stated or assumed is not subject to unreasonable review and is payable throughout the expired lease term.
 - i. In the case of blocks of flats or maisonettes of over six dwellings, the freeholder manages the property directly or there is an appropriate management structure in place.
 - j. There is a dutyholder, as defined in the Control of Asbestos Regulations 2012, and there are in place an asbestos register and effective management plan, which does not require any immediate expenditure, pose a significant risk to health or breach of the Health and Safety Executive (HSE) regulations.
 - k. Where the property forms part of a mixed residential or commercially used block or development, there will be no significant changes in the existing pattern of use.
 - l. Where the property forms part of a development containing separate blocks of dwellings, the lease terms of the property apply only to the block. There will be no requirement to contribute towards costs relating to the other parts of the development, other than in respect of common roads, paths, communal grounds and services.
 - m. Where the property forms part of a larger development, the ownership of which has since been divided, all necessary rights and reservations have been reserved.
 - n. There are no unusual restrictions on assignment or sub-letting of the property for residential purposes.
 - o. There are no outstanding claims or litigation concerning the lease of the property or any others within the same development.
 - p. Where the property benefits from additional facilities within a development, the lease makes adequate provision for the lessee to continue to enjoy them with exceptional restriction, for the facilities to be maintained adequately, and that there are no charges over and above the service charge for such use and maintenance.
25. In respect of insurance the following assumptions will be made, unless instructed otherwise:
 - a. The property can be insured under all-risks cover for the current reinstatement cost and is available on normal terms.
 - b. There are no outstanding claims or disputes.
 - c. Where individuals in a block makes separate insurance arrangements, the leases make provision for mutual enforceability of insurance and repairing obligations and

- d. Any landlord responsible for insurance is required to rebuild the property with the alterations that may be necessary to comply with current Building Regulations and planning requirements.

6.3 General Conditions

Our valuation has been carried out on the basis of the following general conditions:

1. In undertaking our valuations, we have adopted the definitions of Market Value and Market Rent as defined in the RICS Valuation – Global Standards (“the Red Book”), as detailed below: Market Value (MV) is defined in IVS 102 paragraph A10 as: “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 Rent (MR) is defined in IVS 102 paragraph A20 as: “The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”
2. Where relevant, we have adopted the definition of Fair Value as defined in the RICS Valuation – Global Standards (“the Red Book”) and the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13: “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”
3. Where relevant, we have adopted the RICS definition of Gross Development Value (GDV) as defined in the RICS Professional Standard on the Valuation of Development Property 2019: “The aggregate market value of the proposed development, assessed on the assumption that the development is complete at the date of valuation in the market conditions prevailing at that date”.
4. The importance of the date of valuation must be stressed as property values can change over a relatively short period.
5. All those involved in the production of the report with AssocRICS, MRICS or FRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VPS 3.2 of the Red Book, we confirm that the aforementioned individuals have sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
6. Where the report is addressed to multiple addressees under Addressee(s) at 1.1, it is capable of being relied upon provided that, in relying on the report, each of the Addressees acknowledges and agrees that:
 1. Our aggregate liability to any one or more or all of the Addressees in respect of the report shall be limited to the liability cap stated in Section 1 and the instruction documents in Appendix 1; and
 2. The report is subject to the terms and conditions set out in the instruction documents in Appendix 1.
 3. The report is given solely for the benefit of the Addressee(s) and for the purpose stated herein. No third party may rely on the report, and we shall have no liability in respect of any third parties unless otherwise agreed in writing.
7. Without prejudice to the generality of the foregoing, any party who is permitted to rely on the report (whether by our agreement, by an assignment, or who otherwise becomes entitled to rely upon the report) may only do so subject to the terms of the engagement letter between us and the Original Addressee(s). We shall have no liability that is greater, or for a longer duration, to any party than we have under the terms of the engagement letter. Without limitation to the terms of the engagement letter, any party purporting to rely on the report does so subject to the following:
 1. Our aggregate liability due to or under and/or arising out of or in connection with the report to any one or more or all parties relying on the report, however that liability arises (including, without limitation, liability arising by breach of contract, tort, including the tort of negligence, or breach of statutory duty) shall be limited to the liability cap stated above.
 2. The report is governed by and shall be construed in accordance with English law, and the English courts shall have exclusive jurisdiction over any claim or proceedings arising hereunder; and
 3. The report is confidential and may not be disclosed to any third party without our prior written consent.
8. In accordance with the recommendations of the RICS, we would state that the report is provided solely for the purpose stated. It is confidential to and for the use only of the party to whom it is addressed only, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon the report at their own risk. Neither the whole nor any part of the report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.
9. Where our valuation is provided for the purposes of secured lending, although we comment on the suitability of the property(ies) as loan security, we do so generally and not in the context of any specific loan terms as we are not qualified to do so.
10. Where we have provided an indication for insurance purposes of the current reinstatement cost of the property(ies) in its/their present form, it is given solely as a guide. A formal estimate for insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of replacement costs. We confirm that the property(ies) has/have not been inspected by such a person, and therefore any cost estimate is provided without liability.
11. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property(ies).
12. Our valuation is exclusive of VAT (if applicable).
13. No allowance has been made for any expenses of realisation.
14. Excluded from our valuation is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
15. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
16. In the case of a property(ies) where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the property(ies) in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.
17. The extent of the due diligence enquiries we have undertaken and the sources of the information we have relied upon for the purpose of our valuation are stated in the relevant sections of the report. Where reports and other information have been provided, we summarise the relevant details in the report. We do not

accept responsibility for any errors or omissions in the information and documentation provided to us, nor for any consequences that may flow from such errors and omissions.

18. The maps and plans detailed in the report are predominantly sourced from © Mapbox.
19. Where applicable, tenant covenant data is sourced from INCANS®, to which Savills subscribes.
20. Our valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our report, we are unable to warrant that the information on which we have relied is correct.
21. The report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of the report.
Where possible, we have sought to verify the information provided to us. However should further due diligence highlight inaccuracies in the data supplied to us, or new material information come to light, this may have an adverse impact on the valuations herein reported. In such cases, we would reserve the right to amend our advice accordingly.