SEE A BRIGHTER WAY

Valuation Advisory

Client: M&G Trustee Company Limited

Property: 4,845 Affordable Housing units owned by Futures Housing Group

April | 2024

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M&G Trustee Company Limited
10 Fenchurch Avenue
London
EC3M 5AG

FAO: Harriet Roy

03 April 2024

Job Ref: 920000000372210

Dear Harriet

4,845 Affordable Housing units owned by Futures Housing Group

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 Jennifer Fay (jennifer.fay@jll.com; 07707 268734).

This report is confidential to the parties to which this report is addressed and to their professional advisors and is for the use of those parties only. Consequently, no responsibility is accepted to any third party in respect of the whole or any part of its contents.

Before the 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 sincerely

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Yours sincerely

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Yours sincerely

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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 03 April 2024.

Jones Lang LaSalle Limited has been instructed to value a portfolio of 4,845 properties for loan security purposes.

Properties

The portfolio comprises 4,743 social housing units located across the South East and East Midlands. From our research, the properties are primarily of post-war build and are of traditional brick or concrete 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 102 units in the portfolio which either form ancillary accommodation, or have been sold on long leases or fully staircased. Futures Housing Group'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. Furthermore, please note that these properties have not been included in any unit counts or other statistics in this report.

In accordance with our instructions, we have carried out a desktop valuation of this stock and have not inspected the properties (section 2).

Valuations

The valuation date is 03 April 2024.

Our valuation of the 1,990 properties being valued on the basis of Existing Use Value for Social Housing (“EUV-SH”), in aggregate, at the valuation date is:

£115,580,000
(one hundred and fifteen million, five hundred and eighty thousand pounds)

Our valuation of the 2,753 properties being valued on the basis of Market Value subject to Tenancies (“MV-T”), in aggregate, at the valuation date is:

£326,090,000
(three hundred and twenty six million, ninety thousand pounds)

Our indicative valuation of the 4,743 properties on the basis of Market Value subject to Vacant Possession (“MV-VP”), in aggregate, at the valuation date is:

£758,850,000
(seven hundred and fifty eight million, eight hundred and fifty thousand pounds)

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

Category	Units Count	Basis of Valuation	EUV-SH	MV-T	MV-VP
GN Affordable Rent	5	EUV-SH	£270,000	-	£615,000
GN Affordable Rent	9	MV-T	£1,050,000	£1,510,000	£1,945,000
GN Social Rent	1,230	EUV-SH	£74,810,000	-	£191,980,000
GN Social Rent	1,704	MV-T	£124,340,000	£236,750,000	£347,725,000
HOP self-contained	754	EUV-SH	£40,450,000	-	£85,480,000
HOP self-contained	1,038	MV-T	£67,000,000	£87,670,000	£130,715,000
Temporary Accommodation	1	EUV-SH	£50,000	-	£140,000
Temporary Accommodation	2	MV-T	£130,000	£160,000	£250,000
Total	**4,743**		**£308,100,000**	**£326,090,000**	**£758,850,000**

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;
- 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
South East	150,000
East Midlands	72,000

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
South East	28

Region	No. of Households
East Midlands	31

Weaknesses:

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

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 current cost of living crisis could result in changes in government policy or further interventions, such as the introduction of a rent freeze, a further period of rent cuts or changing the Rent Regime;
- as a result of the Hackitt Review and other influences, the social housing sector is undertaking extensive investigations and works around fire and building safety, and the required scope of such works might change over time; and
- current high levels of global inflation could have a prolonged effect on the cost of materials and labour required to carry out any repairs and maintenance work on existing stock.

Suitability of Security

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

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 M&G Trustee Company Limited is applying in making this assessment.

However, we confirm that, in our opinion, should M&G Trustee Company Limited 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.

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 M&G Trustee Company Limited that this portfolio is suitable for security purposes.

Lender Action Points

We have relied upon the rent and tenancy information provided by Futures Housing Group as being accurate. If required, we would recommend that the tenancy agreements and current rental income information provided therein is verified for accuracy by a solicitor.

From our previous inspections, there are no blocks of 6 storeys or above in the portfolio nor any other blocks where we have deemed it necessary to query the construction of the external wall system and whether potentially combustible cladding or timber balconies are present.

Sensitivity Analysis

The table below shows the potential effect on value of a 0.5% increase in discount rate on each of our valuations:

Category	Basis of Value	EUV-SH	MV-T
GN Affordable Rent	EUV-SH	£240,000	-
GN Affordable Rent	MV-T	£960,000	£1,470,000
GN Social Rent	EUV-SH	£68,410,000	-
GN Social Rent	MV-T	£113,130,000	£225,930,000
HOP self-contained	EUV-SH	£36,960,000	-
HOP self-contained	MV-T	£60,960,000	£82,680,000
Temporary Accommodation	EUV-SH	£40,000	-
Temporary Accommodation	MV-T	£120,000	£150,000
Total		**£280,820,000**	**£310,230,000**

We have also provided an indication of the impact on each of our valuations of:

- Costs of management increasing by 10.0%; and
- Costs of all repairs increasing by 10.0%.

These are set out in the following table:

Category	Basis of Value	Management plus 10% (EUV-SH)	Management plus 10% (MV-T)	Repairs plus 10% (EUV-SH)	Repairs plus 10% (MV-T)
GN Affordable Rent	EUV-SH	£250,000	-	£240,000	-
GN Affordable Rent	MV-T	£1,030,000	£1,500,000	£1,000,000	£1,490,000
GN Social Rent	EUV-SH	£73,090,000	-	£68,820,000	-

Category	Basis of Value	Management plus 10% (EUV-SH)	Management plus 10% (MV-T)	Repairs plus 10% (EUV-SH)	Repairs plus 10% (MV-T)
GN Social Rent	MV-T	£121,800,000	£235,620,000	£115,380,000	£232,840,000
HOP self-contained	EUV-SH	£39,380,000	-	£36,550,000	-
HOP self-contained	MV-T	£65,450,000	£86,610,000	£61,320,000	£84,380,000
Temporary Accommodation	EUV-SH	£50,000	-	£40,000	-
Temporary Accommodation	MV-T	£130,000	£160,000	£120,000	£150,000
Total		**£301,180,000**	**£323,890,000**	**£283,470,000**	**£318,860,000**

Furthermore, we have provided an indication of the impact on each of our MV-T valuations of:

- Market Value with Vacant Possession reducing by 10.0%;
- Market Rents ("MR") falling by 10.0%; and
- Market Value with Vacant Possession and Market Rent falling by 10.0%.

These are set out in the following table:

Category	Basis of Value	10% fall in MV-VP	10% fall in Market Rent	10% fall in MV-VP and Market Rent
GN Affordable Rent	MV-T	£1,400,000	£1,460,000	£1,350,000
GN Social Rent	MV-T	£224,230,000	£224,700,000	£211,540,000
HOP self-contained	MV-T	£84,690,000	£79,560,000	£76,580,000
Temporary Accommodation	MV-T	£160,000	£140,000	£140,000
Total		**£310,480,000**	**£305,860,000**	**£289,610,000**

Stock

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

Property Type	Units
Studio flat	53
1 bed flat	636
2 bed flat	339
3 bed flat	10
1 bed house	1
2 bed house	522
3 bed house	1,910
4 bed house	128

Property Type	Units
5 bed house	5
6 bed house	1
1 bed bungalow	458
2 bed bungalow	674
3 bed bungalow	6
Total	**4,743**

Locations

The properties within the portfolio are located across the South East and the East Midlands as shown in the table below:

County	Units
Buckinghamshire	156
Derbyshire	2,916
Leicestershire	537
Northamptonshire	1,134
Total	**4,743**

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)	2.0% - 2.5%
Management costs (average per unit)	£725
Management cost growth inflator	0.50%
Total repairs costs (Year 1)	£2,060 - £2,300
Repair cost growth inflator	1.00%
Discount rate (income)	5.25% - 5.75%

MV-T Assumptions: Rented Properties

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

Assumption	MV-T
Rental income growth - houses (Year 1)	15.4% - 17.6%
Rental income growth - flats (Year 1)	14.7% - 18.8%
Sales rate (houses)	2.0% - 25.0%
Sales rate (flats)	2.0% - 25.0%
Bad debts and voids (Year 1)	8.0%
Management costs	9.0%
Total repairs costs (Year 1)	£3,950 - £4,400
Repair cost growth inflator	1.00%
Discount rate (income)	7.00% - 7.25%
Discount rate (sales)	7.50% - 7.75%

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

1 Introduction

1.1 Background

M&G Trustee Company Limited (the "Security Trustee") (hereafter "Security Trustee") has instructed Jones Lang LaSalle Limited ("JLL") to prepare a valuation of 4,845 properties owned by Futures Housing Group (the "Borrower") ("Futures"). This valuation report will be relied upon by Security Trustee to help determine whether the properties continue to provide suitable and adequate security for a loan.

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 Jennifer Fay MRICS (Valuer Number: #6632841) and countersigned by James Massey MRICS (Valuer Number: #5036140), Fiona Hollingworth MRICS (Valuer Number: #0099707) and Marc Burns, Director's of JLL.

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

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

The valuation date is 03 April 2024.

1.3 Instructions

Our report is prepared in accordance with Security Trustee's standard instructions, and our General Terms and Conditions of Business (Appendix 1).

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

- Existing Use Value for Social Housing ("EUV-SH");
- Market Value subject to existing Tenancies ("MV-T");
- Market Value assuming Vacant Possession ("MV-VP") – on a non-reliance basis;

We have valued on these bases, unless otherwise stated in this report.

1.4 Certificates of Title

We have not yet reviewed the Certificate of Title for the portfolio but would be happy to do so once this becomes available. We therefore cannot confirm that our valuations fully reflect any disclosures that may be contained therein. In particular, in respect of each unit that we have valued on the basis of MV-T, we have assumed that such units may be disposed of by or on behalf of the Security Trustee on an unfettered basis (meaning subject to existing tenancies disclosed in the Certificate but not subject to any security of interest, option or other encumbrance or to any restriction preventing or restricting its sale to, or use by, any person for residential use).

We have been provided with the basis of valuation for each property at the date of original charge to Security Trustee by Futures, which we have relied upon as being accurate for the purposes of this valuation.

1.5 Professional Indemnity Insurance ("PII")

Save in respect of our liability for death or personal injury caused by our negligence, or the negligence of its employees, agents or subcontractors or for fraud or fraudulent misrepresentation (which is not excluded or limited in any way):

- we shall under no circumstances whatsoever be liable, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, loss of revenue or loss of anticipated savings, or for any indirect, special or consequential loss arising out of or in connection with this report; and
- our total liability in respect of all losses arising out of or in connection with this report whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall not exceed £75,000,000. This amount shall be an aggregate cap on our liability to all relying parties together.

1.6 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).

1.7 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 regulator to prevent asset management actions.

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

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.

1.8 Market Conditions

Transactions across markets and sectors remain low, for a variety of reasons. The full implications of wars in the Middle East and Ukraine are unknown. Instability in these regions and beyond may compound already difficult real estate market conditions. This is likely to be exacerbated when coupled with inflationary pressures and other factors impacting the global economy, including the cost and availability of debt. The combination heightens the potential for volatility and quick changes in consumer and investor behaviours.

In recognition of the potential for market conditions to change rapidly, we highlight the critical importance of the valuation date and confirm the conclusions in our report are valid at that date only and advise you to keep the valuation under regular review.

For the avoidance of doubt, due to the functioning nature of the market, our valuation is NOT reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and 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.

In accordance with section 1.6, whilst we recognise that there is a growing active market for the sale of tenanted stock between RPs, we have not split the portfolio into 'lots' to reflect this and have, in accordance with our instructions, valued the properties as a single portfolio.

Copies of each of our cashflow summaries are attached to the report at Appendix 3.

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; and day-to-day repairs. 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 Futures. 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 4.

2.3 Inspections

We have carried out a desktop valuation of this stock in accordance with our instructions.

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 Futures' rents; and
- analysing data provided by Futures.

3 General Commentary

Schedules summarising the following data for each property within the portfolio form Appendix 2 of this report:

- address;
- unit type and bedroom number;
- tenancy type;
- title number;
- EPC rating; and
- net weekly rent.

3.1 Locations

The properties within the portfolio are located across the South East and the East Midlands as shown in the table below:

County	Units
Buckinghamshire	156
Derbyshire	2,916
Leicestershire	537
Northamptonshire	1,134
Total	**4,743**

A location plan of the portfolio is provided at Appendix 4.

3.2 Property Types

The following table summarises the unit types within the portfolio.

Property Type	Units
Studio flat	53
1 bed flat	636
2 bed flat	339
3 bed flat	10
1 bed house	1
2 bed house	522
3 bed house	1,910
4 bed house	128
5 bed house	5

Property Type	Units
6 bed house	1
1 bed bungalow	458
2 bed bungalow	674
3 bed bungalow	6
Total	**4,743**

There are 1,792 housing for older persons units, more detailed information on the schemes that provide management support and amenities is provided in the table below and overleaf:

Scheme	Age	Configuration	Management	Amentities
Roper Avenue, Heanor, Derbyshire, DE75 7BZ	1965	40 bungalows. Built in 1965. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Garden, Community centre
Castle Drive, Somercotes, Alfreton, DE55 4LN	1970	12 bungalows. Built in 1970. Sizes 1 bedroom.	Careline alarm service	Garden
Mayfield Avenue, Kilburn, Derbyshire, DE56 0NJ	1975	18 bungalows. Built in 1975. Sizes 1 bedroom.	Careline alarm service	Both cats & dogs generally accepted.
Pennytown Court, Somercotes, Alfreton, DE55 4TB	1977	33 flats. Built in 1977. Sizes 1 bedroom.	Careline alarm service	Laundry, Garden, Community centre
Firs Gardens, off Rodgers Lane, Alfreton, DE55 7FU	1986	56 flats. Built in 1986. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Laundry, Garden, Community centre
Providence Place / Nuttall Close, Alfreton, Derbyshire, DE55 7AZ	1991	38 flats, bungalows. Built in 1991. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Lounge, Community centre
Ecclesbourne Close, Duffield, Belper, DE56 4GJ	1992	30 bungalows. Built in 1992. Sizes 1 bedroom.	Careline alarm service	Lounge, Laundry, Garden, Community centre
Hathersage Drive, Leabrooks, Derbyshire, DE55 1LR	1993	33 bungalows. Built in 1993. Sizes 1 bedroom. Includes wheelchair standard properties.	Careline alarm service	Garden, Community centre
Chappell House, Northampton Lane North, Moulton, NN3 7QS	1960	22 flats. Sizes studio, 1 bedroom.	Careline alarm service	Lift, Lounge, Dining room, Laundry, Garden, kitchen
Saxon House, Brampton Way, Brixworth, NN6 9NJ	1980	30 flats. Sizes studio, 1 bedroom. Includes mobility standard properties.	Careline alarm service	Lift, Lounge, Laundry, Garden, Conservatory, kitchen
Station Court, Station Road, Woodford Halse, NN11 3RB	1970	24 flats. Sizes studio, 1 bedroom. Includes mobility standard properties.	Careline alarm service	Lift, Lounge, Laundry, Garden, Conservatory, kitchen

Scheme	Age	Configuration	Management	Amentities
Stephenson Court, Devon Ox Road, Kilsby, CV23 8XG	-	30 flats. Sizes studio, 1 bedroom. Includes mobility standard properties.	Careline alarm service	Lift, Lounge, Laundry, Garden, Conservatory, kitchen
Andrews Drive, Langley Mill, Nottingham, NG16 4GG	1971	14 bungalows. Sizes 2 bedroom.	Careline alarm service	Laundry, Garden, Community centre
Baker Avenue, Heanor, Derbyshire, DE75 7DL	1953	4 bungalows. Sizes 2 bedroom.	Careline alarm service	Garden
Belfield Court, Loscoe, Heanor, DE75 7LB	1974	24 bungalows. Sizes 1 bedroom.	Careline alarm service	Laundry, Garden, Community centre
Canterbury Close, New Zealand Lane, Duffield, DE56 4DL	1989	20 flats. Sizes 1 bedroom.	Careline alarm service	Garden
Church View, Loscoe, Heanor, DE75 7RT	1955	4 bungalows. Sizes 2 bedroom.	Careline alarm service	Garden
Colin Street, Alfreton, Derbyshire, DE55 7HT	-	14 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
Danesby Rise, Denby, Ripley, DE5 8RG	1967	24 flats, bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
Deepdale Court, Heanor, Derbyshire, DE75 7EN	1977	10 flats. Sizes 1 bedroom.	Careline alarm service	Garden
Douglas Avenue, Somercotes, Alfreton, DE55 4LL	1959	8 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
East Crescent, Holbrook, Belper, DE56 0TS	1967	12 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
Fleet Park, The Fleet, Belper, DE56 1PJ	1985	18 flats. Sizes 1 bedroom.	Careline alarm service	Laundry, Garden
Frederick Street, Riddings, Alfreton, DE55 4EG	1984	14 flats. Sizes 1 bedroom.	Careline alarm service	Garden
Highfields, off Field Street, Codnor, DE5 9SB	1970	37 flats, bungalows. Sizes 1 bedroom.	Careline alarm service	Laundry, Garden, Community centre
Jessop Lodge, Jessop Street, Codnor, DE5 9SW	1983	6 flats. Sizes 1 bedroom.	Careline alarm service	Housing Authority: Amber Valley
Lime Avenue, Langley Mill, Nottingham, NG16 4AU	1932	2 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
Main Road, Leabrooks, Alfreton, DE55 1LA	-	4 flats. Sizes 1 bedroom.	Careline alarm service	Garden
Manor Farm, off New Breck Road, Belper, DE56 1PH	1968	18 flats. Sizes 1 bedroom.	Careline alarm service	Laundry, Garden, Community centre

Scheme	Age	Configuration	Management	Amentities
Maple Drive, Belper, Derbyshire, DE56 1LR	1957	18 bungalows. Sizes 1 bedroom.	Careline alarm service	Both cats & dogs generally accepted.
Meadow Vale, Duffield, Belper, DE56 4DG	1940	6 bungalows. Sizes 2 bedroom.	Careline alarm service	Garden
Neal Court, Andrews Drive, Langley Mill, NG16 4HQ	1970	31 bungalows. Sizes 1 bedroom.	Visiting management staff (Floating support covered by Emergency Response services) and Careline alarm service	Laundry, Garden, Community centre
Nether Close, Swanwick, Alfreton, DE55 1EA	1979	10 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
Park Avenue, Ripley, Derbyshire, DE5 3FD	1947	40 flats. Sizes 1 bedroom.	Careline alarm service	Garden
Queen Street, New Breck Road, Belper, DE56 1PH	1968	6 flats. Sizes 1 bedroom.	Careline alarm service	Laundry, Garden, Community centre
Reynolds Avenue, Ripley, Derbyshire, DE5 3FD	1947	12 flats. Sizes 1 bedroom.	Careline alarm service	Garden
Riber Avenue, Somercotes, Alfreton, DE55 4LL	1959	6 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
Ridgeway, Heanor, Derbyshire, DE75 7BU	1950	8 bungalows. Sizes 2 bedroom.	Careline alarm service	Garden
Shaw Wood View / Parks Avenue, South Wingfield, Derbyshire, DE55 7NP	1956	36 flats, bungalows. Sizes 1 bedroom.	Visiting management staff and Careline alarm service	Lounge, Garden, Community centre
St Alkmunds Close, Milford Road, Duffield, DE56 4ED	1962	20 bungalows. Sizes 1 bedroom.	Visiting management staff and Careline alarm service	Garden
Sunningdale Avenue, Heanor, Derbyshire, DE75 7BS	1948	5 bungalows. Sizes 2 bedroom.	Careline alarm service	Garden
Sycamore Close, Mapperley, Ilkeston, DE7 6JL	-	6 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden
The Gardens, Loscoe, Heanor, DE75 7ND	1982	12 flats. Sizes 1 bedroom.	Careline alarm service	Laundry, Garden, Community centre
Thurston Avenue, Somercotes, Alfreton, DE55 4JP	1970	24 flats. Sizes 1 bedroom.	Careline alarm service	Garden
Turner Avenue, Langley Mill, Nottingham, NG16 4GE	1959	18 bungalows. Sizes 2 bedroom.	Careline alarm service	Housing Authority: Amber Valley
Victoria Crescent, Ironville, Nottingham, NG16 5NX	1968	18 bungalows. Sizes 1 bedroom.	Careline alarm service	Garden

Scheme	Age	Configuration	Management	Amentities
Western Drive, Heanor, Derbyshire, DE75 7DP	1947	2 bungalows. Sizes 2 bedroom.	Careline alarm service	Garden
Wilson Avenue, Loscoe, Heanor, DE75 7RU	1954	13 bungalows. Sizes 2 bedroom.	Careline alarm service	Garden
Greenhill Court, Ryehill Close, Long Buckby, NN6 7PG	-	24 flats. Sizes 1 bedroom. Includes mobility standard properties.	Careline alarm service	Lift, Lounge, Laundry, Garden, kitchen, quiet room
Amber Court, Mayfield Avenue, Heanor, DE75 7EN	1977	11 flats. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Garden
Holmesfield Drive, Heanor, Derbyshire, DE75 7BT	1949	30 flats. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Garden
Ladywell Court, Belper, Derbyshire, DE56 1LE	1976	28 flats, bungalows. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Garden, Community centre
New Breck Road, Belper, Derbyshire, DE56 1PH	1968	14 flats. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Laundry, Garden
Park Crescent, Downmeadow, Heage, DE56 2UT	-	28 flats, bungalows. Sizes 1 bedroom, 2 bedroom.	Careline alarm service	Garden, Community centre
Mayfield Avenue, Heanor, Derbyshire, DE5 8RG	1967	9 flats. Sizes 1 bedroom, 3 bedroom.	Careline alarm service	Garden
Bown Close, Kilburn, Derbyshire, DE56 0NJ	1975	30 flats, bungalows.	Careline alarm service	Laundry
Gladstone Avenue, Heanor, Derbyshire, DE75 7SL	-	32 flats, bungalows.	Careline alarm service	Lounge, Dining room, Garden, Community centre

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	299	14	57	**370**
1920-1949	875	27	75	**977**
1950-1979	1,280	551	900	**2,731**
1980s	99	393	78	**570**
1990s	1	23	27	**51**
2000s	3	30	-	**33**

Age	House	Flat	Bungalow	Total
2010s	10	-	1	**11**
Total	**2,567**	**1,038**	**1,138**	**4,743**

From our previous inspections the properties are a mixture of traditional brick, concrete, steel and non-traditional construction under pitched, tile or slate-clad roofs. Windows are predominantly uPVC casement and the majority of the properties appear to be double-glazed.

Within the portfolio, there are a number of non-traditional built properties which are summarised in the table below:

Construction Type	Units
Airey	6
Bacal (timber framed)	2
Bison	109
Former Airey	5
Gilbert Ash	26
Mowlem (timber framed)	117
Smith	3
Swedish	3
Trussed Steel	128
Vic Hallam	19
Total	**418**

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

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

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

3.4 Fire Safety

Our valuations have been provided in accordance with the RICS' Guidance Note: "*Valuation of properties in multi-storey, multi-occupancy residential buildings with cladding, 1st Edition March 2021*" (the 'Guidance Note'), effective from 5 April 2021.

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 our previous inspections there are no blocks of six storeys or above in the portfolio or any blocks under six storeys where we have queried the construction of the external wall system and whether potentially combustible cladding or timber balconies are present.

3.5 Energy Performance Certificates (EPCs)

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

However, Futures has confirmed the EPC rating applicable for 4,743 properties in the portfolio which are summarised in the table below:

EPC Rating	Units
B	44
C	2,220
D	2,298
E	172
F	8
G	1
Total	**4,743**

These ratings are included in the valuation schedule at Appendix 2.

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 £3,000 and £3,500 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.

3.6 Climate Change Risk and Net Zero Carbon

Global warming targets set in the Paris Agreement are 1.5-2.0° Celsius above pre-industrial levels. Even the lower end of this range will produce significant changes to global climate systems, including extreme heat or cold events, higher frequency and severity of precipitation or drought, and sea level rise. Therefore, the level of physical climaterelated 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 4,743 rented affordable housing properties in the portfolio. These are summarised in the table below.

Category	Units	% of the Portfolio
GN Affordable Rent	14	0.5%
GN Social Rent	2,934	62.0%
HOP self-contained	1,792	38.0%
Temporary Accommodation	3	0
Total	**4,743**	**101%**

4.2 Tenancies

All of the rented properties are let on assured tenancies. We have assumed that these are 'standard' assured tenancies although we have not seen example tenancy agreements.

4.3 Rental Income

The following table summarises the total income that Futures receive from the portfolio annually:

Category	Annual Income	Average Rent
GN Affordable Rent	£101,468	£139.38
GN Social Rent	£17,471,192	£114.51
HOP self-contained	£10,205,464	£109.52
Temporary Accommodation	£16,968	£108.77
Total	**£27,795,091**	**£112.70**

The Statistical Data Return ("SDR") is an annual online survey completed by all private RPs of social housing in England. The latest return for 2022/23 provides the average social rents charged by all RPs for general needs and sheltered/supported properties. The following table compares Futures' 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 Sheltered & Supported
East Midlands	£86.05	£114.34	£119.12	£140.63	£87.99	£109.06
South East	£109.77	£119.63	£172.23	-	£101.06	£122.54

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 Futures' 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). A breakdown per property is included within the schedule at Appendix 2.

Category	Average Passing Rent	Average LHA	% of LHA	Average Market Rent	% of Market Rent
GN Affordable Rent	£139.38	£168.33	82.8%	£224.78	62.0%
GN Social Rent	£114.51	£169.45	67.6%	£222.21	51.5%
HOP self-contained	£109.52	£129.94	84.3%	£164.93	66.4%
Temporary Accommodation	£108.77	£136.93	79.4%	£166.00	65.5%

We have relied upon the rental information provided by Futures.

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 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 Futures are affordable.

Region	Average Weekly Earnings	General Needs	General Needs as %age	Affordable Rent	Affordable Rent as %	Sheltered & Supported	Sheltered/Supp as %
East Midlands	£479.06	£114.34	23.9%	£140.63	29.4%	£109.06	22.8%
South East	£534.51	£119.63	22.4%	-	-	£122.54	22.9%

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 1 and 6 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 number of years' growth and average increases we have modelled per year for houses and flats in each of our valuations are shown in the cashflow summaries at Appendix 3.

4.7 Sales Rates

In accordance with section 1.7, we have not included the sale of any void units under the deregulatory measures introduced by the Housing and Planning Act 2016 in any of our EUV-SH valuations.

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

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

Category	Annual Sales Rates	Sales (Year 1)
Sales rate (houses)	2.0% - 25.0%	79
Sales rate (flats)	2.0% - 25.0%	16

The above figures equate 2,147 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.

4.8 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"). The National Housing Federation ("NHF") put an offer to Government in September 2015 in which it proposed the implementation of an extended RTB on a voluntary basis. The Voluntary Right to Buy ("VRtB") was described as a compromise with a view to securing the independence of housing associations and the best deal on compensation (for discounts) and flexibilities (the ability to refuse the VRtB in relation to certain properties).

The Government has funded two regional pilot schemes of VRtB for housing association tenants. The initial pilot scheme in 2016, involved five housing associations and was expected to offer 3,000 tenants the ability to buy their own home. A second pilot scheme across the Midlands ran for a period of two years from August 2018, aimed at testing two aspects of the voluntary agreement that the initial pilot scheme did not cover, namely:

- one-for-one replacement; and
- portability of discounts.

A full evaluation of the second pilot was published in February 2021. There were 44 housing associations involved in the pilot, resulting in a total of 1,892 homes being sold or sales in the final stages of completion by 30 April 2020. Data on the construction of replacement homes will be updated on an annual basis.

The government will now evaluate new pilot areas and announce more details in due course.

The wider terms of the overall extension of RTB and therefore any consideration of the impact of RTB or RTA on valuations would be speculative. 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.

4.9 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 Futures' 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.

4.10 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 shown in the cashflow summaries at Appendix 3.

4.11 Management Costs

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

From the information provided in the 2023 Global Accounts, the average cost of management across the sector is £1,191 per unit and the average management cost for Futures is £1,495 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 £725 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 9.0% of rental income on management and administration in our valuations on the basis of MV-T.

4.12 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 2023 Global Accounts, the total average cost of carrying out major repairs, planned and routine maintenance across the sector is £2,663 per unit and the average maintenance cost for the Borrower is £2,368 per unit. The Global Accounts average figure for the sector is an increase of 15.8% on the 2022 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	£1,271
Cyclical repairs	Year 1	£400
Day-to-day repairs	Year 1	£519
Total Average Costs	**Year 1**	**£2,190**

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.

The repairs and maintenance assumptions used in each of our valuations are shown in the cashflow summaries appended to this report.

4.13 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 5.25% and 5.75% on net rental income.

In our MV-T model we have adopted a higher rate on rental income to reflect additional risk resulting from the significant rental growth that we have assumed during the first 1-6 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 7.25% (rental income), and between 7.50% and 7.75% (sales) for our MV-T cashflows.

The discount rates we have used in each of our valuations are shown in the cashflow summaries at Appendix 3.

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

We have undertaken research into MV-VPs in locations covered by the portfolio. We have assessed the average value of dwellings on a property by property basis. The values adopted are based on comparable research and reflect the diversity of the stock and the different areas.

The average MV-VP of flats and houses in each of our cashflows are as shown in the table below:

Category	Average MV-VP (Houses)	Average MV-VP (Flats)	Average MV-VP (Bungalows)
GN Affordable Rent	£204,000	£114,000	£265,000
GN Social Rent	£195,000	£112,000	£240,000
HOP self-contained	£176,000	£75,000	£147,000
Temporary Accommodation	£140,000	£125,000	-

4.15 House Price Growth

We have included real house price growth in accordance with the rates set out in JLL's Residential Forecasts issued in November 2023. The rates are split by region and are shown in real terms in the following table:

Region	2024	2025	2026	20272	2028
United Kingdom	-5.9%	1.7%	2.5%	2.6%	3.1%
East Midlands	-4.9%	1.7%	2.5%	3.1%	3.1%
South East	-5.4%	2.2%	2.5%	2.6%	3.1%

5 Valuation

5.1 Background

We have prepared our valuations on the following bases:

- Existing Use Value for Social Housing ("EUV-SH");
- Market Value subject to existing Tenancies ("MV-T");
- Market Value assuming Vacant Possession ("MV-VP") – on a non-reliance basis;

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 2. 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.

5.2 Asset Value for Loan Security Purposes

Our valuation of the 1,990 properties being valued on the basis of Existing Use Value for Social Housing ("EUV-SH"), in aggregate, at the valuation date is:

£115,580,000
(one hundred and fifteen million, five hundred and eighty thousand pounds)

Our valuation of the 2,753 properties being valued on the basis of Market Value subject to Tenancies ("MV-T"), in aggregate, at the valuation date is:

£326,090,000
(three hundred and twenty six million, ninety thousand pounds)

Our indicative valuation of the 4,743 properties on the basis of Market Value subject to Vacant Possession ("MV-VP"), in aggregate, at the valuation date is:

£758,850,000
(seven hundred and fifty eight million, eight hundred and fifty thousand pounds)

5.3 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
GN Affordable Rent	5	EUV-SH	£270,000	-	£615,000
GN Affordable Rent	9	MV-T	£1,050,000	£1,510,000	£1,945,000
GN Social Rent	1,230	EUV-SH	£74,810,000	-	£191,980,000

Category	Units Count	Basis of Valuation	EUV-SH	MV-T	MV-VP
GN Social Rent	1,704	MV-T	£124,340,000	£236,750,000	£347,725,000
HOP self-contained	754	EUV-SH	£40,450,000	-	£85,480,000
HOP self-contained	1,038	MV-T	£67,000,000	£87,670,000	£130,715,000
Temporary Accommodation	1	EUV-SH	£50,000	-	£140,000
Temporary Accommodation	2	MV-T	£130,000	£160,000	£250,000
Total	**4,743**		**£308,100,000**	**£326,090,000**	**£758,850,000**

5.4 Reinstatement Cost

We have also prepared a broad indication of the aggregate reinstatement cost of the portfolio of 4,743 properties, as guidance for insurance purposes. It should not be used directly to calculate the premium that would be paid to insure this portfolio of properties.

We consider the aggregate reinstatement cost of the portfolio to be in the order of:

£948,420,000
(nine hundred and forty eight million, four hundred and twenty thousand pounds)

6 Bases of Valuation

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

6.1 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."*

6.2 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."

6.3 Expenses

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

6.4 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.

6.5 VAT

Our valuations are exclusive of VAT on disposal.

7 Sources of Verification of Information

7.1 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.

7.2 Tenure

Unless otherwise stated in this report, we have assumed the Borrower holds a freehold interest or a long leasehold interest with not less than 80 years unexpired in the properties.

7.3 Title

We have not carried out our own investigations of title and our valuations have assumed good title, free from onerous covenants and other encumbrances other than as set out in this report.

We assume unless informed to the contrary or unless otherwise stated in this report, that each property has a good and marketable title; that all documentation is satisfactorily drawn; and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation, we recommend that reliance should not be placed on our interpretation without verification by your lawyers. We have assumed that all information provided by the client, or its agents, is correct, up to date and can be relied upon.

7.4 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

7.5 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.

7.6 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 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.

7.7 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.

7.8 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 Regulator of Social Housing (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.

7.9 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.

7.10 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, 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.

7.11 Japanese Knotweed

Our valuation assumes that no invasive vegetation exists within the demise or proximity of any of the properties in the valuation.

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

7.13 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.

7.14 Insurance

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

7.15 Reinstatement Value

The figure provided in section 5.4 is a broad indication of the cost of reinstating the property to the current specifications provided without liability. The floor areas we have adopted in order to arrive at these figures are an average for each type of dwelling only. We have neither measured the property for this purpose nor been provided with floor areas.

Our figures for reinstatement cost assessment have been derived by reference to the BCIS Guide to Building Prices. To this figure a regional variation adjustment has been made then an amount has been added for professional fees, demolition, site clearance and VAT.

Our figures are based on general prices and indices at the date of valuation which are subject to fluctuation. Reinstatement figures should be therefore reviewed at regular intervals to allow for any inflationary tendencies. No allowance has been made in our figures for inflation during the insurance year or any subsequent construction period. Similarly, we have not included an allowance for any loss of rent during the reconstruction period.

Our figures do not include any allowances for any items which might more appropriately be considered to be plant and machinery.

Unless otherwise stated, we have assumed the properties are neither Listed buildings nor located in a Conservation Area. If they were found to be either of these, the reinstatement value reported may be subject to a higher level of uncertainty than would generally be the case due to possible requirements of reconstructing a Listed building or building in a Conservation Area.

We have not considered details of the insurance policy in place. Our figure should not be relied upon. If reliance is required it will be necessary for our building surveyors to be instructed to undertake a detailed inspection and consideration of the structure and form of construction of the buildings, and to provide a specific report.

7.16 Planning

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

7.17 The Equality Act

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

7.18 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.

7.19 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.

7.20 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.

7.21 Compliance with Building Regulations and Statutory Requirements

Our valuations have been provided in accordance with the RICS' Guidance Note: "*Valuation of properties in multi-storey, multi-occupancy residential buildings with cladding, 1st Edition March 2021*", effective from 5 April 2021.

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.

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