

Valuation Report.

GCP Student Living plc

Prepared for The Directors of GCP Student Living plc
Valuation date: 30 June 2021

GCP Student Living plc
51 Beaufort House
New North Road
Exeter
Devon
EX4 4EP

(the “Client”, “you”, “your”)

Jefferies International Limited
100 Bishopsgate,
London
England
EC2N 4JL

(“Jefferies”)

(the Client and Jefferies each an “Addressee” and together the “Addressees”)

Date of issue: 16 July 2021

Dear Sirs

Valuation Report – Assets of GCP Student Living plc as at 30 June 2021

Further to your instructions, we are pleased to provide our Valuation Report in respect of the properties set out in Section 2.22 below (“Properties”). If you have any queries regarding this report, please let us know as soon as possible.

Signed for and on behalf of Knight Frank LLP



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1. Terms of engagement

Engagement of Knight Frank LLP

- 1.1 This valuation report (the “Valuation”) has been prepared in accordance with our Terms of Engagement letter and General Terms of Business addressed to GCP Student Living plc dated 15 July 2021 (the “Agreement”).

Client

- 1.2 We have been instructed to prepare the Valuation by GCP Student Living plc (the “Client”).

Valuation standards

This valuation has been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. References to the “Red Book” refer to either or both of these documents, as applicable. As required by the Red Book, some key matters relating to this instruction are set out below.

This Valuation has also be undertaken and prepared in accordance with the requirements of Rule 29 of The City Code on Takeovers and Mergers (the “Takeover Code”).

Independence and expertise

Disclosure of any conflicts of interest

- 1.3 For the purposes of the Red Book, we are acting as External Valuers, as defined therein. Knight Frank LLP has acted as External Valuer to the Company for Net Asset Value and performance measurement since September 2013.

- 1.4 With the exception of the above, we confirm that we do not have any material connection or involvement giving rise to a potential conflict of interest and that we are providing an objective and unbiased valuation.

Valuer and expertise

- 1.5 The valuer, on behalf of Knight Frank LLP, with the responsibility for this report is Neil Armstrong MRICS, RICS Registered Valuer. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.6 We confirm that the valuer and additional valuers meet the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.7 This report has been vetted as part of Knight Frank LLP’s quality assurance procedures.

Independence

- 1.8 Knight Frank currently value the Properties for Net Asset Value and Performance Measurement purposes on behalf of GCP Student Living plc.
- 1.9 The total fees, including the fee for this assignment, earned by Knight Frank LLP (or other companies forming part of the same group of companies within the UK) from the Client (or other companies forming

part of the same group of companies) is less than 5.0% of the total UK revenues. It is not anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, by the Client.

Responsibility

- 1.10 We are responsible for this report and accept responsibility for the information contained in this report and confirm to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this report is in accordance with the facts and contains no omissions likely to affect its import.
- 1.11 This report may be relied upon by Jefferies International Ltd and GCP Student Living plc in connection with the Purpose (as defined in Section 1.12). No reliance may be placed upon the contents of this report by any other third party for any purpose other than the Purpose (as defined in Section 1.12).

Use of this Valuation

Purpose of valuation

- 1.12 This Valuation is provided for the purpose of assessing the Market Value of the freehold and long leasehold interests in the Properties as at 30 June 2021 for the inclusion in:
- (a) if released, a Public Opinion of Value Letter in connection with the Company's announcement to be released on or about 16 July 2021 of the Market Value of the Properties as at 30 June 2021 (the "RNS Announcement"); and
- (b) in the event that a firm intention to make an offer for the acquisition of the entire issued, and to be issued, share capital of the Company (the "Acquisition") is announced (the "Rule 2.7 Announcement"), the Rule 2.7 Announcement, and any scheme document or offer document to be published in connection with the Acquisition.
- (the "Purpose").

1.13 This report has been prepared under the requirements of Rule 29 of the Takeover Code.

1.14 The effective date of our valuation is 30 June 2021 as set out in Section 2.16.

Reliance

- 1.15 No responsibility is accepted to any third party for the whole or any part of the contents of this valuation report other than in connection with the Purpose.
- 1.16 We accept no liability to anyone for any improper or unauthorised reliance on this Valuation. Nothing in this valuation report excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law.

Disclosure & publication

- 1.17 The Valuation may be disclosed and relied upon as contemplated by Sections 1.11, 1.12 and 1.15 and on a non-reliance basis by the Client or Jefferies, as set out below:
- i. if the Valuation is publicly available or if any part is publicly available, only that part which is publicly available, in each case other than as a result of a breach of this Agreement;

- ii. in connection with any actual or potential legal or arbitration proceedings;
- iii. if requested or required by law or regulation or by any court of competent jurisdiction;
- iv. to any competent judicial, governmental, banking, taxation or other regulatory authority or supervisory body;
- v. to or pursuant to the rules of any stock exchange or listing authority or similar body; and
- vi. to any affiliate of the Client or Jefferies and to each of the Client's and Jefferies' respective affiliates' directors, officers, employees, members, professional advisors, auditors and/or insurers.

- 1.18 It is a condition of any disclosure pursuant to i. to vi. Above that each party in receipt of the Valuation agrees and acknowledges that the Valuation cannot be relied upon by them, and we do not accept any responsibility, duty of care or liability to them, whether in contract, tort (including negligence), misrepresentation or otherwise in respect of the Valuation and the information it contains.
- 1.19 Finally, we recognise and support the RICS Rules of Conduct and have procedures for identifying conflicts of interest.

Verification

- 1.20 We recommend that before any financial transaction is entered into based upon these Valuations, you obtain verification of any third-party information contained within our report and the validity of the assumptions we have adopted.
- 1.21 We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this Valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

Limitations on liability

- 1.22 Knight Frank LLP's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of the Agreement. Knight Frank LLP accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.23 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.24 No claim arising out of or in connection with this Valuation may be brought against any member, employee, partner or consultant of Knight Frank LLP. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank LLP.
- 1.25 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Scope of work

Information to be relied upon

- 1.26 We will rely on the information previously provided to us by you, Jefferies or a third party in respect of the 30 June 2021 valuation and will assume it to be correct for the purposes of the Valuation unless you or Jefferies inform us otherwise, subject only to any verification that we have agreed to undertake.
- 1.27 Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisers before any Valuation can be relied upon.

Inspections

- 1.28 In our ongoing role as External Valuers, we were instructed to carry out an external and internal inspection of the Properties. Our inspection of all the Properties was undertaken by Neil Armstrong MRICS, Sarah Jones MRICS and Lauren Mills MRICS from February 2019 to May 2021.

Information Provided

- 1.29 In this report we have been provided with information by the Client, its advisors and other third parties. We have relied upon this information as being materially correct in all aspects.
- 1.30 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.
- 1.31 We have not undertaken any building surveys or environmental audits and are therefore unable to report that the Properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of materials now suspect. No tests were carried out on any of the technical services. However, we have reflected any apparent wants of repair in our opinion of value as appropriate.
- 1.32 We have been supplied with and have reviewed Certificate on Titles prepared by Wragge Lawrence Graham & Co. LLP dated on or around 29 September 2015 which were prepared for Pricoa Mortgage Capital which state that the title to the Properties are freehold with the exception of Scape Greenwich which is held on a 250 year long leasehold interest at a peppercorn and Scape Shoreditch which is similarly held on a long lease. We understand that Scape Brighton and Circus Street are held on a long leases. The Properties have been valued on the basis that there are no undisclosed matters which would affect our valuation. The commercial units at Scape East are let to Espalier, Retail Unit West and INTO.
- 1.33 We understand that all direct let rooms are let on either licences or fixed terms assured short hold tenancy agreements under the Housing Act 1996. There are nominations agreements in part for Scape East and Scape Greenwich whereas there is a 21-year lease agreement in place over the student accommodation element at Circus Street, Brighton. Scape Shoreditch commercial space was historically let to WeWork. We understand that this lease has now been terminated and the unit is now vacant.
- 1.34 We have made oral enquiries where appropriate and have taken account, insofar as we are aware, of unusual outgoings, planning proposals and onerous restrictions or local authority intentions which affect the Properties.

- 1.35 We have assumed, except where we have been informed to the contrary, that there are no adverse ground or soil conditions or environmental contaminations which would affect the present or future use of the Properties and that the load bearing qualities of the site of each property are sufficient to support the buildings constructed or to be constructed thereon.
- 1.36 The Properties have been valued individually, not as part of a portfolio.
- 1.37 Our report is subject to the letter of engagement dated 15 July 2021 and our General Terms of Business for Valuations.

2. Valuation

Valuation Bases

Market Value

2.1 Market Value is defined within RICS Valuation Professional Standards 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.”

Gross Development Value

2.2 For property in the course of development we provide our opinion of the Market Value as if the proposed scheme has been completed at the date of valuation. RICS Valuation Standards refer to a valuation on this basis as being the Market Value on the special assumption that “a building or other proposed development has been completed in accordance with a defined plan and specification”. This is colloquially known as the Gross Development Value.

2.4 Gross Development Value (GDV) is defined by Knight Frank LLP as Market Value for the proposed scheme at the property, on the special assumption that the proposed scheme is completed (having obtained all necessary permissions) including all services, connections, inventory consistent with the proposed letting to students. This also assumes that during the construction period a full marketing procedure has been carried out in order to fully let the rooms.

Direct Let Methodology

2.5 We have adopted a methodology that identifies gross income, deducts gross outgoings, and has regard to the potential for both these cash flows to change over the life of the asset.

Our valuation approach has been to specifically focus on the yield profile of the investment rather than just the net initial yield.

We have had close regard to three key variables. The yield profile, the internal rate of return and the rate per bedroom. These three key variables assist the valuer in providing relativity with market transaction. For assets that are stable the Internal Rate of Return becomes less important. For all assets the Capital Value per Bed is a sensible benchmark.

Leased Methodology

2.6 For Circus Street, Brighton, we have adopted a methodology that considers the income that will be generated under the terms of the lease and also the income on reversion to the property being direct let. The direct let methodology is as described above.

The commercial units have been valued considering the income generated under the lease capitalised at a Net Initial Yield derived from market evidence.

Investment method

2.7 Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.

Yield Choice

2.8 Our adopted net initial yields have been based on market transactions.

Within our cash flow we have adopted market rents and applicable tenancy periods over the term time and allowed for summer and sundry income to estimate our opinion of Gross Income. We assume that the occupancy level over the term time is 97% to 98%, in line with normal market assumptions. At Scape East we have had regard to the INTO agreement which has subsequently been underlet to Queen Mary University agreement and the income that this generates. At Scape Greenwich, we have had regard to the Nominations Agreement with Ravensbourne for a term of 15 years from September 2012.

We have deducted the cost of operating the property (the Facilities Management cost including Management Fee) to estimate the net income that the market would assume the property could generate. The equated yield is the discount rate that we apply to the cash flow over a 100 year period to target a market value having adjusted for purchasers costs at the relevant level (subject to multiple dwelling relief where appropriate) which results in a market view of the likely net initial yield based on the first years income.

2.9 We are provided with full Lifecycle Costs from the client in relation to each individual asset for specific planned required works. We therefore deduct these costs from the Market Value to reflect anticipated required spend. We have not been provided with updated costs for the valuation as at 30 June 2021, but reflect the life cycle costs we were provided with for the 31 March 2021 valuation. We have been advised that these costs have not materially changed since 31 March 2021

COVID – 19 Adjustment Methodology

2.10 Our approach to the valuations reflect the level of uncertainty existing within the wider macro markets and the student market from an accommodation and educational perspective. With uncertainty still surrounding international student travel the booking levels at the subject properties and competing schemes are below where we would expect for this time of year and we have sought to make two adjustments to the valuations as detailed below.

2.11 The first adjustment reduces the Market Value of the property by discounting for income from additional summer income where rooms are booked on less than 51 week tenancy periods. This is only relevant to Scape Bloomsbury and Scape Wembley.

2.12 The second adjustment reduces the Market Value of the property by considering the risks to the stabilised income in 2021/22 either caused by a fall in income due to the Pandemic during 2021/22 or where full occupancy may not be achieved for the start of the 2021/22 academic year. The capital deduction is driven from a percentage adjustment of the estimated 2021/22 term income at a percentage ranging from 10% to 40%. This second adjustment to the valuations stems from continued uncertainty surrounding international student numbers residing within the UK, particularly London.

2.13 These adjustments are then deducted from the stabilised value of the asset which is driven from advertised and achieved rents at the asset for the 2021/22 academic year. The capital deduction method detailed above is adopted based on current market conditions, whereby assets trading tend to do so with a rental guarantee in place, with any shortfall in revenue paid by the vendor.

2.14 The total Covid-19 adjustment adopted is £17,594,061.

Assets Under Construction

2.15 For Circus Street, Brighton our approach to the valuation takes construction costs left to spend, adding standard market overheads of Project Monitoring, Management, Insurance, Acquisition, Stamp duty, Survey on Site Purchase and Completed Development Disposal Letting, Sales and Legal Fees. Finance across the remaining development period and a developer profit determined based on the perceived risk associated to complete the scheme on-time.

Valuation Date

2.16 The Valuation Date is 30 June 2021 (“Valuation Date”)

COVID-19 Uncertainty Clause

2.17 The COVID-19 uncertainty clause was removed from Student Accommodation valuations on 11 July 2020. However we include the following the advisory note:

2.18 Market Conditions explanatory note

2.19 The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

2.20 The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the Valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, 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.

2.21 For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the Valuation date. These adjustments are then deducted from the stabilised value of the asset which is driven from advertised and achieved rents at the asset for the 2021/22 academic year. The capital deduction method detailed above is adopted based on current market conditions, whereby assets trading tend to do so with a rental guarantee in place, with any shortfall in revenue paid by the vendor.

Market Value

2.22 We are of the opinion that the aggregate Market Value of the freehold and leasehold interests in the Properties as detailed in this report as at 30 June 2021 is:

£1,137,290,000

(One Billion One Hundred and Thirty Seven Million Two Hundred and Ninety Thousand Pounds)

Schedule of Properties and Values: Investment Properties

Asset	Tenure	Market Value
The Podium, Egham	Freehold	£32,890,000
The Pad, Egham	Freehold	£35,340,000
Scape East, London	Freehold	£181,570,000
Scape Greenwich, London	Long Leasehold	£66,660,000
Scape Shoreditch, London	Long Leasehold	£227,250,000
Scape Surrey, Guildford	Freehold	£29,820,000
Waterlane Apartments, Bristol	Freehold	£24,730,000
Scape Wembley, London	Freehold	£127,240,000
Scape Bloomsbury, London	Freehold	£219,630,000
Scape Brighton, Brighton	Long Leasehold	£107,150,000
Total		£1,052,280,000

Development Property

2.23 In accordance with Note 3 of Rule 29.4 of the Code, please find additional figures relating to the Development asset. The property is due to practically complete by 30 July 2021.

Asset	Tenure	Gross Development Value	Estimated Cost of Completing The Development	Market Value
Circus Street, Brighton	Long Leasehold	£89,150,000	£4,140,000	£85,010,000
Total Development Property				£85,010,000

Portfolio Total	£1,137,290,000
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2.24 For the purposes of Rule 29.4 of the Takeover Code there is no material difference between the values stated in this valuation report and the values that would be stated were the valuation date the date of this valuation report.