

SUPPLEMENT DATED 2 JUNE 2020 TO THE PROGRAMME ADMISSION PARTICULARS DATED 24 SEPTEMBER 2019



LIVEWEST TREASURY PLC
(incorporated in England with limited liability
with registered number 06392963)
£1,000,000,000
Guaranteed Secured Note Programme

This Supplement (the **Supplement**) to the Programme Admission Particulars (the **Programme Admission Particulars**) dated 24 September 2019, which comprises programme admission particulars for the purposes of the International Securities Market Rulebook effective as of 25 February 2019 (the **ISM Rulebook**), constitutes supplementary admission particulars for the purposes of paragraph 5 of section 3 of the ISM Rulebook and is prepared in connection with the £1,000,000,000 Guaranteed Secured Note Programme (the **Programme**) established by LiveWest Treasury plc (the **Issuer**).

Terms defined in the Programme Admission Particulars have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Programme Admission Particulars.

The Obligors accept responsibility for the information contained in this Supplement. Having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of the knowledge of each Obligor, in accordance with the facts and contains no omission likely to affect its import.

The figures referred to and information contained in the Updated Valuation Report (as defined below) prepared by Savills (UK) Limited (the **Valuer**) in the sections entitled "*Market Commentary*" and "*Valuation Advice*" were obtained from Oxford Economics, HM Land Registry, the Bank of England, Social Housing, Registers of Scotland, the Royal Institution of Chartered Surveyors (**RICS**), Nationwide Building Society and the Office for National Statistics (the **ONS**) respectively. Each Obligor confirms that such figures and information have been accurately reproduced and that, as far as such Obligor is aware and is able to ascertain from information published by Oxford Economics, HM Land Registry, the Bank of England, Social Housing, RICS, Nationwide Building Society and the ONS, no facts have been omitted which would render the reproduced figures and information inaccurate or misleading.

The Valuer accepts responsibility for the information contained in the section headed "*Valuation Report Update*" below. Having taken all reasonable care to ensure that such is the case, the information contained in the section headed "*Valuation Report Update*" is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import into this Supplement. With the exception of the information contained in the section headed "*Valuation Report Update*", the Valuer does not accept any liability in relation to the information contained in this Supplement or any other information provided by the Obligors, the Note Trustee, the Security Trustee, the Joint Arrangers and the Dealers in connection with the offering of the Notes.

Purpose of the Supplement

The purpose of this Supplement is:

- (a) to update the section of the Programme Admission Particulars entitled "*Risk Factors*" to include a risk factor relating to the impact of COVID-19 on the Obligors; and

- (b) to update the section of the Programme Admission Particulars entitled "*Valuation Report*" to reflect the Updated Valuation Report.

Risk Factor Update

1. The following shall be included as an additional risk factor under the heading "*Factors that may affect the Guarantors' ability to fulfil their obligations under the Guarantee*" in the section headed "*Risk Factors*":

"Disruption due to outbreak of coronavirus (COVID-19)

The outbreak, or threatened outbreak, of any severe communicable disease such as COVID-19 (commonly referred to as coronavirus), and regulators' or market fears about the same, may adversely affect the Guarantors' businesses or the businesses of other members of the LiveWest Group. As at 2 June 2020, the Initial Guarantor is not aware of the full extent of the outbreak, or the impact on its operations, but has taken, and continues to take, preparations and precautions to address the potential impact of the disease on its workforce and residents. The Initial Guarantor will continuously monitor the situation to ensure those preparations and precautions are regularly updated as necessary having regard to national scientific and health advice. Where possible employees are currently working from home and the Initial Guarantor will continue to monitor Government guidance on the safe return to work. In the current environment critical activities are being prioritised and employees deployed in order to limit the impact on service and compliance. A prolonged pandemic could result in national and international supply chain shortages for materials which could cause a significant interruption to the LiveWest Group's business.

In addition, if any of the tenants of the Initial Guarantor (and the tenants of any Additional Guarantors) contract or are suspected of contracting COVID-19, this may result in the need to take sickness leave which may result in a reduction in their income and have an adverse impact on their ability to pay rent. Similarly, if any of the tenants of the Initial Guarantor (and the tenants of any Additional Guarantors) are made redundant or are otherwise unable to continue to work then, unless that tenant is able to access any relevant form of Government support, this also may result in a reduction in their income and have an adverse impact on their ability to pay rent. Similarly, there is a risk that the outbreak of the virus in one or more supported or sheltered homes could have an impact on occupancy levels. If any of these occur, this may adversely affect the ability of the Guarantors to meet their obligations under the Guarantee and ultimately the ability of the Issuer to meet its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market."

Valuation Report Update

1. The fourth paragraph on page 3 of the Programme Admission Particulars shall be deleted and replaced with the following:

"The figures referred to and information contained in the Valuation Report (as defined below) prepared by Savills (UK) Limited (the *Valuer*) in the sections entitled "*Market Commentary*" and "*Valuation Advice*" were obtained from Oxford Economics, HM Land Registry, the Bank of England, Social Housing , Registers of Scotland, the Royal Institution of Chartered Surveyors (*RICS*). Nationwide Building Society and the Office for National Statistics (the *ONS*), respectively. Each Obligor confirms that such figures and information have been accurately reproduced and that, as far as such Obligor is aware and is able to ascertain from information published by Oxford Economics, HM Land Registry, the Bank of England, Social Housing, RICS, Nationwide Building Society and the ONS, no facts have been omitted which would render the reproduced figures and information inaccurate or misleading."

2. The paragraph headed "*Summary of valuations*" in the section entitled "*Valuation Report*" in the Programme Admission Particulars shall be deleted and replaced with the following:

"Summary of valuations

A summary of the values of the Charged Properties in the total shared security pool set out in the Valuation Report is set out below:

EUV-SH or, where appropriate, MV-ST Total*				Total
Units	Valued on EUV-SH basis	Units	Valued on MV-ST basis	
6,633	£378,161,000	3,957	£402,737,000	£780,898,000

* An additional 208 units have been given a nil value."

3. The Valuation Report set out on pages 351 to 552 (inclusive) of the Programme Admission Particulars shall be deleted and replaced with the Valuation Report (the **Updated Valuation Report**) set out in the Appendix to this Supplement.

General

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Programme Admission Particulars by this Supplement and (b) any other statement in or incorporated by reference in the Programme Admission Particulars, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Programme Admission Particulars since the publication of the Programme Admission Particulars.

Appendix

Updated Valuation Report

LiveWest Treasury plc

Valuation of housing stock relating to the £1,000,000,000
Guaranteed Secured Notes Programme of LiveWest Treasury
plc

As at 2 June 2020

File Reference: 461876

2 June 2020

The Savills logo, featuring the word "savills" in a red, lowercase, sans-serif font, positioned within a yellow rectangular background.

To: **LiveWest Treasury plc**

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Clyst Honiton

Exeter EX5 2FZ

(the "Issuer")

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and: **Banco Santander, S.A.**

Barclays Bank PLC

Lloyds Bank Corporate Markets plc

MUFG Securities EMEA plc

NatWest Markets Plc

and any further dealers appointed from time to time

under the Programme Agreement in respect of the

Programme (as defined below)

(each a "Dealer")

and: **Prudential Trustee Company Limited**

10 Fenchurch Avenue

London EC3M 5AG

(as "Note Trustee" and "Security Trustee")

Dear Sirs

CLIENT: LIVEWEST TREASURY PLC The "Issuer"

GUARANTOR: LIVEWEST HOMES LIMITED The "Initial Guarantor"

**PROPERTY: VALUATION OF HOUSING STOCK OF LIVEWEST HOMES LIMITED (THE "INITIAL GUARANTOR")
RELATING TO THE £1,000,000,000 GUARANTEED SECURED NOTE PROGRAMME (THE
"PROGRAMME") OF LIVEWEST TREASURY PLC (THE "ISSUER")**



In accordance with your instructions, and our subsequent confirmation of instructions letter, we have inspected The Properties and made such enquiries as are sufficient to provide you with our opinion of value on the basis confirmed within our report. Copies of your instruction letter and of our letter of confirmation are enclosed in the Appendices. The date of the valuation is **2 June 2020**.

We draw your attention to our accompanying report together with the General Assumptions upon which our Valuation has been prepared, details of which are provided at the rear of our report.

We trust that our report meets your requirements. However, should you have any queries, please do not hesitate to contact us.

Yours faithfully

For and on behalf of Savills (UK) Limited

A handwritten signature in black ink, appearing to read "A Shippey", written in a cursive style.

Adrian Shippey MRICS
Associate Director
RICS Registered Valuer

A handwritten signature in blue ink, appearing to read "N Williams", written in a cursive style.

Nigel Williams FRICS
Director
RICS Registered Valuer

Contents

1.	Instructions and Terms of Reference	3
1.1.	Instructions & Terms of Reference	4
1.2.	Basis of Valuation - General	4
1.3.	Basis of Valuation MV-STT - Unencumbered Properties	5
1.4.	Basis of Valuation EUV-SH - Encumbered Properties	5
1.5.	Definition of Basis of Valuations	6
1.6.	Freehold & Long-Leasehold Properties	6
1.7.	General Assumptions and Conditions	6
1.8.	Valuation Date	6
1.9.	Purpose of Valuation	7
1.10.	Proposed Loan Terms	7
1.11.	Conflicts of Interest	7
1.12.	Valuer Details and Inspection	7
1.13.	Extent of Due Diligence Enquiries and Information Sources	8
1.14.	RICS Compliance	8
2.	Executive Summary Of Valuation	9
2.1.	Valuation of All Property	10
3.	The Properties, Statutory and Legal Aspects	11
3.1.	The Properties	12
3.2.	Environmental Considerations	17
3.3.	Energy Act 2011	17
3.4.	Town Planning	17
3.5.	Title and Tenure	17
3.6.	Tenancies	18
3.7.	Lotting	18
3.8.	Rental Income	18
4.	Market Commentary	20
4.1.	General Summary	21
4.2.	Local Market Conditions	22
4.3.	Vacant Possession Values and Market Rents	24
4.4.	Market Rental Commentary	25
5.	Valuation Advice	27
5.1.	Existing Use Value For Social Housing - Valuation Approach	28
5.2.	Market Value Subject to Tenancies (MV-STT) - Valuation Approach	33
5.3.	Valuation of Large Scale Voluntary Transfer Properties at Market Value	35
5.4.	Shared Ownership - Valuation Approach	36
5.5.	Valuation Considerations	37
6.	Valuations	37
6.1.	Valuations	38
6.2.	VPGA 10: Material Valuation Uncertainty - COVID-19	39
6.3.	COVID 19: Sensitivity Analysis	39

6.4.	Additional Advice	40
6.5.	Lotting and Value Apportionment.....	41
7.	Suitability & Verification	42
7.1.	Suitability as Loan Security.....	43
7.2.	Verification	43
APPENDICES		45
Appendix 1 - Executive Summary of Valuation		46
Appendix 2 - Market Commentary		49
Appendix 3 - Schedule of Properties		50
Appendix 4 - Property Location Plan		51
Appendix 5 - Confirmation of Instructions and General Assumptions		52

1. Instructions and Terms of Reference

1.1. Instructions & Terms of Reference

This Report is required in connection with the Programme and the proposed issue of notes thereunder (the Notes) by the Issuer.

Further to instructions received from the Initial Guarantor as confirmed by the Terms of Business Letter dated 4th July 2019 which confirmed our instructions updated 18th May 2020 we now have pleasure in reporting the following valuations and advice.

The schedule of properties which are the subject of this valuation (the "Properties") with apportioned values is attached at **Appendix 3** and relates to 10,590 properties (excl. 208 nil value units) units the portfolio 10,798 units in total.

In completing this exercise, we have:

- a) agreed a full set of property schedule data with the Issuer and the Initial Guarantor;
- b) discussed details as to our approach and methodology; and
- c) completed our own inspections, research and analysis.

The above has enabled us to arrive at the valuation assumptions that have enabled us to carry out our valuations and final reported figures herein.

For the avoidance of doubt, we confirm that it would not be appropriate or possible to compare this valuation with any values appearing in the Initial Guarantor's annual accounts. This Report has been prepared in accordance with the RICS Red Book (as defined herein). The valuations are prepared on this basis so that we can determine the value recoverable if the charges over the Properties were enforced as at the Effective Date (as defined herein). We understand that the values given in the accounts of the Initial Guarantor are prepared on an historic cost basis, which considers how much the properties have cost and will continue to cost the Initial Guarantor. This is an entirely different basis of valuation from that used for loan security purposes. Moreover, the figures in the Initial Guarantor's latest published annual accounts represent a valuation based on the going concern of the whole stock, in contrast with the valuation for the Notes which only represents the value to a funder in possession of a portion of the stock. As such different assumptions would be applied. Consequently, in addition to being impractical, any comparison would not be an accurate comparison.

Our valuations have been carried out on the basis of the General Assumptions and Standard Conditions set out in **Appendix 5**.

1.2. Basis of Valuation - General

For the purposes of this Report, we have valued the Properties either on the basis of Market Value, subject to tenancies ("MV-STT") or Existing Use Value for Social Housing ("EUV-SH") as the RICS Red Book requires valuers to apply these valuation methodologies when valuing properties of Registered Providers of Social Housing for loan security purposes. In the case of the Properties which have been valued on an MV-STT basis, we have also provided a valuation in respect of such properties on the basis of EUV-SH for information purposes only in paragraph 6.2 below (as explained at paragraph 1.3 below).

MV-STT is a valuation made on the basis of the Market Value of the relevant properties for loan security purposes reflecting the fact or (where not the case) making an assumption as to the fact that the properties are subject to existing tenancies that grant security of tenure to the occupational tenant (see paragraph 1.3 below). Market Value is defined in VS 3.2 of the RICS Red Book (see paragraph 1.5 below).

In accordance with the RICS Red Book, we have valued on an MV-STT basis the Properties which may be disposed of by a mortgagee in possession on an unfettered basis (meaning subject to tenancies but otherwise vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use). Properties which may be valued on an MV-STT basis are those which are capable of being let on a market rent and disposed of free from restrictions to the open market. Where certain restrictions apply, such as restrictions in title, planning conditions, section 106 agreements pursuant to the Town and Country Planning Act 1990 or nomination agreements which limit disposal to Registered Providers of Social Housing and which would be binding upon a mortgagee in possession, the correct valuation basis may be EUV-SH and not MV-STT. For further information in relation to MV-STT as a valuation methodology, see paragraphs 5.2 and 5.3 below.

EUV-SH is a valuation made on the basis of existing use value for social housing (see paragraph 1.4 below) and is defined in UKVS1.13 Valuations for Registered Providers of Social Housing of the RICS Red Book (see paragraph 1.5 below).

In accordance with the RICS Red Book, we have valued on an EUV-SH basis only Properties which may not be disposed of by a mortgagee in possession on an unfettered basis (meaning subject to tenancies but otherwise vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use) and the retained ownership in shared ownership properties. EUV-SH is the relevant valuation methodology where a property may only be disposed of to another Registered Provider of Social Housing and not to the open market. For further information in relation to EUV-SH as a valuation methodology, see paragraphs 5.1 and 5.4 below.

We would also draw your attentions to the fact the appropriate basis of value for Shared Ownership in bond or note valuation is EUV-SH for Shared Ownership which equates to the MV for Shared Ownership equivalent.

1.3. Basis of Valuation MV-STT - Unencumbered Properties

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

- i. The Market Value of such properties for loan security purposes firstly reflecting the fact or (where not the case) making an assumption as to the fact that the properties are subject to existing tenancies that grant security of tenure to the occupational tenant. Our valuation will refer to this basis of value as “MV–STT” or “market value, subject to tenancies”.
- ii. The Existing Use Value – Social Housing (“EUV-SH”) of such properties for loan security purposes attributable to the same unencumbered Properties.

1.4. Basis of Valuation EUV-SH - Encumbered Properties

- iii. In relation to Properties other than those specified in paragraph 1.2 above that have restrictions on title or in planning and the retained equity in shared ownership properties:-
- iv. The Existing Use Value for Social Housing (“EUV-SH”) of such properties for loan security purposes.

1.5. Definition of Basis of Valuations

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

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

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

Market Value is defined by the Royal Institution of Chartered Surveyors at VPS4 4 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.”

1.6. Freehold & Long-Leasehold Properties

We have valued the freehold and long-leasehold property and listed these separately at **Appendix 3**, splitting the schedules between those valued at EUV-SH and MV-STT.

We confirm that there will be no material difference in the valuations between freehold and long-leasehold interests; and the latter equates to less than 1.5% of the total portfolio, (on either basis; MV-STT and EUV-SH).

1.7. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Standard Conditions set out in within the appendices of this report.

1.8. Valuation Date

Our opinions of value are as at the date of this report. The importance of the valuation date must be stressed as property values can change over a relatively short period of time.

1.9. Purpose of Valuation

We understand that our valuation is required for loan security purposes in connection with the Programme and the proposed issue of Notes by the Issuer. The Properties are or will be charged pursuant to a Fixed Charge by the Initial Guarantor as security in favour of the Security Trustee and held by the Security Trustee on the basis of a Security Trust Deed for the benefit of, inter alios, itself, the Note Trustee and the holders of the Notes.

1.10. Proposed Loan Terms

This Report is issued for the benefit of the Addressees and for the inclusion in the Supplement to the Programme Admission Particulars (the "Supplement" and the "Programme Admission Particulars", respectively) for the Programme and the Notes to be issued by the Issuer and may only be used in connection with the transaction referred to in this Report and for the purposes of the Supplement and the Programme Admission Particulars. We hereby give consent to the publication of this Report within the Supplement and the Programme Admission Particulars and accept responsibility for the information contained in this Report. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information given in this Report is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.11. Conflicts of Interest

We are independent valuers and are not aware of any conflict of interest, either with the Properties, the Issuer or the Initial Guarantor, preventing us from providing you with an independent valuation of the Properties in accordance with the RICS Red Book. We will value the Properties as External Valuers, as defined in the Red Book.

The RICS from 1st January 2018 have introduced new conflict of interest requirements which require us to obtain "Informed Consent" from Lenders' where we have had prior involvement with the Issuer or the Initial Guarantor or valued the properties previously.

You are aware that we have previously provided loan or other debt financing security valuations for another lender in respect of the subject properties. This means that, in accordance with our professional rules, there is a perceived Conflict of Interest for my firm. There is a 'Party Conflict', which happens when the duty owed by a professional firm to one client conflicts with the duty owed to another client. Our duty to you is to provide a valuation of the properties referred to above for loan or other debt financing security purposes.

In this case, we are satisfied that it is in your interests and that of the Issuer and the Initial Guarantor that our firm should proceed with the loan security valuation as the properties are no longer charged to that lender.

1.12. Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by **Adrian Shippey MRICS**. The valuations have also been reviewed by **Nigel Williams FRICS** and **Andy Garratt MRICS**.

COVID-19

Please note that due to the coronavirus outbreak this report and valuation has been completed without any inspections of the properties. We can confirm employees of Savills have previously inspected representative sample inspections of schemes and geographical clusters of individual street properties within the portfolio in June 2019 and July 2019 sufficient for us to undertake a desktop revaluation this year.

Our valuations are on the assumption that the properties are maintained to Decent Homes Standards and that the properties are managed and maintained in accordance institutionally acceptable asset management strategies.

All those above with MRICS or FRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VPS 3.7, we confirm that the aforementioned individuals have sufficient current local and national knowledge of the particular market and the skills and understanding to undertake the valuation competently.

1.13. Extent of Due Diligence Enquiries and Information Sources

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

We have also reviewed the final form certificates of title prepared by Trowers and Hamlins LLP (the "Certificates of Title") to be dated on or about the date of this Report and can confirm that our valuations fully reflect the disclosures contained therein. We have reviewed current Batch 1, 2 & 3 Certificates of Title for the new security, along with the Short Form Certificates of Title for the existing charged stock and confirm we have had regard to disclosures material to the valuation.

1.14. RICS Compliance

This report has been prepared in accordance with RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14th January 2019, together the "Red Book".

In particular, where relevant, our report has been prepared in accordance with the requirements of Valuation Professional Standards and Valuation Practice Guidance Applications: VPS 1 Terms of Engagement, VPS 3 Valuation Reports, UK VPGA 1 Valuations for Financial Reporting, UK VPGA 7 Valuations for Registered Social Housing Providers' Assets for Financial Statements, UK VPGA 11 Valuations for Residential Mortgage Purposes, UK VPGA 18 Affordable Rent and Market Rent under the Housing Acts in a Regulatory Context, and UK VPGA 14 Valuation of Registered Social Housing for Loan Security Purposes.

This report also complies with the International Valuation Standards where applicable.

2. Executive Summary Of Valuation

2.1. Valuation of All Property

Based on the schedule of Properties provided by the Initial Guarantor and upon assumptions detailed in this Report, our opinions of value on the bases indicated as at the date of this Report are as follows:

Our opinion of value, in aggregate, of the **3957** rented dwellings excluding retained equity in shared ownership dwellings as mentioned at **1.3** above, on the basis of;

- **Market Value - Subject to Tenancies (MV-STT) (excl. SO) is;**

£402,737,000

(FOUR HUNDRED AND TWO MILLION SEVEN HUNDRED AND THIRTY SEVEN THOUSAND POUNDS)

Our opinion of value, in aggregate, of the **5829** rented dwellings excluding retained equity in shared ownership dwellings as mentioned at **1.4** above, on the basis of;

- **Existing Use for Social Housing (EUV-SH) (excl. SO) is;**

£321,235,000

(THREE HUNDRED AND TWENTY ONE MILLION TWO HUNDRED AND THIRTY FIVE THOUSAND POUNDS)

Our opinion of value, in aggregate, of the **804** rented dwellings of the retained equity in shared ownership as mentioned at **1.4** above, on the basis of;

- **Existing Use for Social Housing (EUV-SH) for the Shared Ownership units is;**

£56,926,000

(FIFTY SIX MILLION NINE HUNDRED AND TWENTY SIX THOUSAND POUNDS)

Note: The value of the EUV-SH for Shared Ownership is effectively the same as the MV

There are **208** properties which have been ascribed a nil value.

A detailed breakdown of the categories of property concerned and their respective values is given at **Section 3** below.

A summary of the valuations split between Freehold and Leasehold property is set out at section 6.1 of the report. A full property schedule with apportioned values is provided at **Appendix 3**.

3. The Properties, Statutory and Legal Aspects

3.1. The Properties

3.1.1. Summary

There are 10,590 properties (excl. 208 nil value units) units the portfolio. They are all located in The South West of England, along with parts of the portfolio comprising Large Scale Voluntary Transfer ("LSVT") units of ex-local authority housing properties spread across 12 Local Authority areas, shown in **Table 1** below.

The former LSVT properties equate to some 4,824 units (excl. nil value units) (45%) of the 10,590 (excl. nil value units), dispersed in (Cornwall 2,010, Plymouth 6, South Hams 2,798 and Torbay 10) assembled through transfer and acquisition.

The properties are situated in predominantly residential areas, with pockets of commercial and local authority housing nearby. Services and amenities are within reasonable distance, although some schemes could be considered remote, as are access routes to larger settlements where the full range of services and amenities can be found.

The stock is a mixture of houses, bungalows and flats, made up of street properties, infill development, purpose built social estates and S106 style developments on larger residential schemes. The street properties are generally post-war, the majority being built 1980 - 2017.

There are 7,542 houses & bungalows and 3,048 purpose-built/converted flats & maisonettes, excluding nil Value units, of which 70% comprise houses/bungalows with the remainder 28% being flats.

These were mostly groups and clusters of houses and flats with individual street properties that were noticeable as being of a fairly common style or appearance for the age and design and generally the units have off street parking/street parking/garages/carports/no parking

All of the Properties are believed to be mainly of modern construction, having brick elevations, tiled roofs and double glazing within timber or UPVC casements.

The portfolio is considered lower secondary/ secondary/ with some above secondary grade but below prime residential investment.

3.1.2. Location and Description

In total there are **10,798 (incl. 208 nil value units)** properties comprised in the instruction, valued in **8** value groups, which are spread across the local the authorities as detailed in the table below.

Table 1: Stock Location by Value Group

Local Authority	GN	GN - Designated	Affordable Rent	Sheltered	Supported	Market Rent	Shared Ownership	Nil Value	Total Units	% Spread
Cornwall	3140	29	124	269	26	2	184	75	3849	36%
East Devon	315		35		4		65	19	438	4%
Exeter	173		5		6		35	1	220	2%
Mid Devon	142		9				9	2	162	2%
North Devon	352		13				28		393	4%
Plymouth	637		45	160	21	2	101	27	993	9%
Somerset West and Taunton	24						19	2	45	0%
South Hams	2623		67	274			221	77	3262	30%
Teignbridge	280		59		16		76		431	4%
Torbay	269		9		30		19	5	332	3%
Torridge	384		19	61	13		42		519	5%
West Devon	111		14	24			5		154	1%
TOTAL	8450	29	399	788	116	4	804	208	10798	100%
% Spread	78.3%	0.3%	3.7%	7.3%	1.1%	0.0%	7.4%	1.9%	100.0%	

Source: The Initial Guarantor

3.1.3. Location

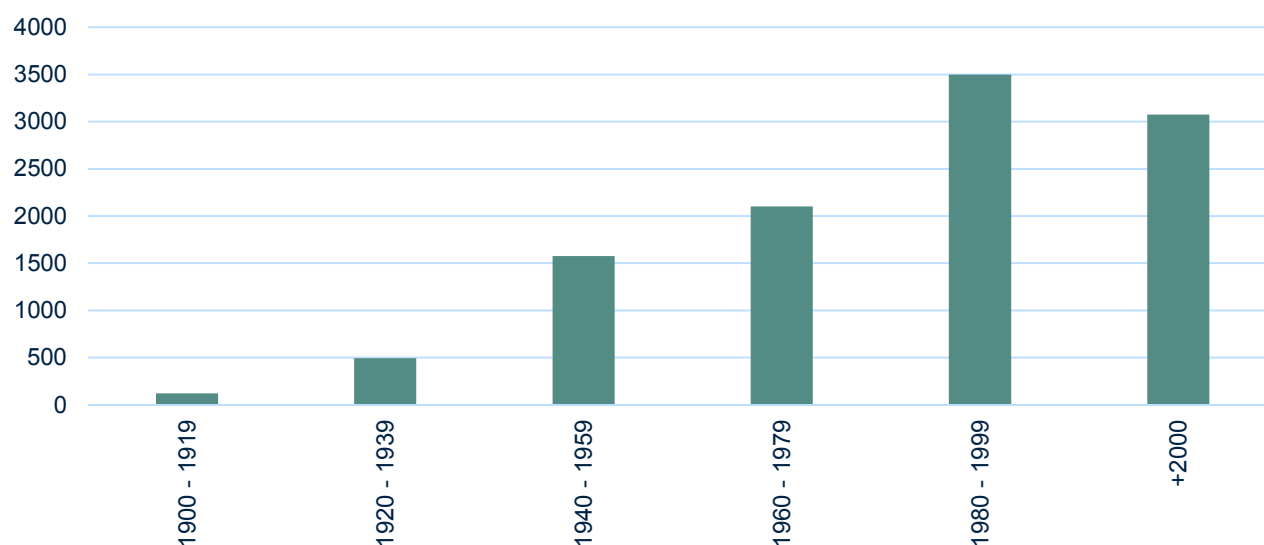
The portfolio stretches from Taunton in the north east, Ilfracombe in the north west, Penzance in the south west, Kings Bridge in the south east.

The majority of the portfolio is located in areas of established Residential/Local Authority housing of traditional type or including non-traditional build. The areas can be described as a mix of urban, suburban, semi-rural and rural

The highest concentration of properties are located in the larger and more established towns and Cities including, Plymouth, Penzance, Totness, Exeter with the least number of properties, which includes in some cases single schemes are located in the smaller and generally rural/semi-rural settlements. In terms of spread the highest concentration is between Plymouth and Newton Abbot, with the lowest density being across mid Cornwall and mid Devon.

3.1.4. Age

Chart 1: Age Profile



The properties fall within an age group of circa 1900 to 2018, the majority being circa 1980 - 2000.

The spread of the stock is shown by the map at **Appendix 4** and a selection of photographs is at **Appendix 5**.

3.1.5. Property Types

The properties can be summarised by value group and type as follows:

Table 2: Property Value Groups and Types

Value Group	Houses & Bungalows	Flats & Maisonettes	Total	% of Total
General Needs	6489	1961	8450	78.3%
General Needs - Designated	29		29	0.3%
Affordable Rent	314	85	399	3.7%
Sheltered	60	728	788	7.3%
Supported	14	102	116	1.1%
Market Rent	1	3	4	0.0%
Shared Ownership	635	169	804	7.4%
Nil Value			208	1.9%
Total	7542	3048	10798	100.0%

Source: *The Initial Guarantor*

Table 3: Breakdown of the stock by property type and number of bedrooms

Value Group	Type	0	1	2	3	4	5	6	Total
General Needs	Flat	4	1021	870	66				1961
	House		723	2680	2777	301	7	1	6489
Total		4	1744	3550	2843	301	7	1	8450
General Needs - Designated	House			13	12	4			29
Total				13	12	4			29
Affordable Rent	Flat		35	47	2	1			85
	House		22	158	128	6			314
Total			57	205	130	7			399
Sheltered	Flat	14	606	106	2				728
	House		27	32	1				60
Total		14	633	138	3				788
Supported	Flat	27	68	7					102
	House		14						14
Total		27	82	7					116
Market Rent	Flat		1	2					3
	House			1					1
Total			1	3					4
Shared Ownership	Flat		42	125	2				169
	House		9	338	285	3			635
Total			51	463	287	3			804
Nil Value									208
Grand Total		45	2568	4379	3275	315	7	1	10798

Source: The Initial Guarantor

Please refer to **Appendix 3** for a full list of the properties, including a breakdown of the schemes and property types, together with summary rental income data.

3.1.6. Sheltered or Specialised Schemes

The portfolio includes sheltered and supported housing amongst the properties that were viewed which include communal and support facilities and typically are subject to occupancy restrictions in terms of age or support needs

The spread and density of the Properties is shown by the map(s) at **Appendix 4**.

3.1.7. Condition

As confirmed previously we have completed this valuation on a desktop basis due to Covid-19 restrictions. Inspections of the portfolio will be completed as part of the 2021 revaluation as agreed and we shall ensure we have inspected all properties within the 5 year revaluation cycle.

The construction type varies across the portfolio, most are considered to be of conventional construction for their age and category. Houses are mainly of solid brick and block, cavity brick or timber frame construction with roofs being mainly pitched and covered in slate or tile. Some of the more modern flats are mainly of cavity brick or timber frame construction with roofs being pitched and covered in tile or flat and believed to have an asphalt or metal type covering.

The majority of the Properties have double glazed windows of timber, or UPVC casement type. The majority of the Properties benefit from all mains services and gas fired central heating systems supplying radiators. The more remote schemes may include solid or oil fired heating and may be connected to private drainage.

As instructed, we have not carried out a structural survey. However, we would comment, without liability, that during the course of our inspections for valuation purposes, we observed that the Properties appear to be generally in reasonable condition, commensurate with their age, upkeep and renewal programmes.

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

The portfolio includes non-traditional construction and traditionally built houses and flats. The non-traditional build are typically post-war local authority type properties. These include 29 Type 1 Cornish Units defined which are designated defective under the Housing Act and which are in their original construction form although other have been repaired over time as part of the Initial Guarantor's ongoing asset management plan. While these appear maintained to the same standards as the rest of the portfolio, we have valued them as a separate asset group and included additional contingency for future works. It should be noted that this represents just 0.3% of the total portfolio.

3.1.8. Asbestos and Deleterious Materials

We have prepared our valuation on the assumption that in the construction or alteration of the properties no use was made of any deleterious or hazardous materials or techniques. We recommend that your legal advisors confirm that any deleterious materials, including asbestos, that may have been present, have either been removed or safely encapsulated in accordance with relevant legislation.

3.1.9. Services

No detailed inspections or tests have been carried out by us on any of the services or items of equipment, therefore no warranty can be given with regard to their purpose. We have valued the Properties on the assumption that all services are in full working order and comply with all statutory requirements and standards.

3.2. Environmental Considerations

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

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

3.3. Energy Act 2011

The provisions of the Energy Act 2011 make it unlawful to sell or let commercial or residential properties without an EPC rating, or with an EPC rating of F or G (the lowest 2 grades of energy efficiency).

Properties classified as low cost rental accommodation under section 69 of the Housing and Regeneration Act where the Landlord is a private registered provider of social housing, or where the landlord is a body registered as a social landlord under Chapter 1 or Part 1 of the Housing Act 1996, fall under the exemptions for the legislation.

However the properties would be required to be compliant in the event that they were in private ownership following enforcement of the security. We therefore recommend your solicitors confirm that the properties are compliant. We have valued on the assumption that this is the case.

3.4. Town Planning

The "Property Documents" means the Certificates of Title and copies of standard tenancy agreements and various planning agreements in respect of the Properties valued in this Report.

We have not made specific planning enquiries for each site. We have therefore assumed for the purposes of this Report, save as set out in the Property Documents, that there are no planning conditions that would adversely affect the valuation.

3.5. Title and Tenure

3.5.1. Title

Our valuation reflects our opinion of value in aggregate of the freehold or long-leasehold interests (in each case) of the Properties owned by the Initial Guarantor, including 146 leasehold units, identified by the subject of this Report and scheduled at **Appendix 3**.

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

Where properties are consider restricted to EUV-SH due to planning, restrictions, other binding covenants or design, following our review of the certificates these are identified on the attached property stock list at **Appendix 3**.

The portfolio includes 5029 properties where the market value i.e. best price is considered EUV-SH (excl. SO & nil value units) either due to title or market for the properties.

3.6. Tenancies

3.6.1. Social and Affordable Rented Tenancies

We have seen the sample of the Initial Guarantor's standard assured agreements for the subject stock (we have not reviewed all tenancies which are likely to be in various form over the years). We assume these are in a fairly typical format and that there are no rent restrictions or occupancy restrictions that could limit a mortgagee in possession from realising MV-STT. We have taken into account any disclosure referred to us as part of the legal due diligence.

Under the assured tenancy agreement, rent can be reviewed once a year to an open market level. The tenant has the usual rights of appeal to the Rent Assessment Committee.

The Affordable Rent tenancy is, essentially, the same as the assured tenancy excepting that the rent is set at 80% of Market Rent.

3.6.2. Starter Tenancies

This tenure types is essentially an Assured Shorthold Tenancies ("AST"), with rent being charged at a social rent level. The AST starter tenancies are expected to roll over into a full Assured Tenancy within 12 months.

3.6.3. Shared Ownership Leases

The Initial Guarantor's shared ownership leases are likely to follow a standard template, with a lease of 99 or 125 years at an initial rent based on a percentage of the share retained by the Initial Guarantor. The rent is typically inflated by RPI plus 0.5%. The lessee has the right to staircase to 100% ownership.

We have been supplied with a copy of the standard shared ownership lease which is granted for a term of 99 years. The leaseholder is responsible for all repairs. The leases allow staircasing by the leaseholders whereby they can purchase additional blocks of equity at market value.

The clauses of most importance to the valuer are the level of specified rent, which is set at the leases inception, and the rent review provisions. The rent review provisions in the Initial Guarantor's shared ownership leases provide for annual increases linked to RPI.

Full details of the rents payable and the equity held by the Initial Guarantor are set out in **Appendix 3**.

3.7. Lotting

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

3.8. Rental Income

The gross rental income (excluding Service Charges) currently produced by the properties, before deductions, is shown in the following table broken down by tenure.

Table 4: Gross Rental Income

Value Group	Gross Rent £ pa
General Needs	£39,447,701
General Needs - Designated	£132,235
Affordable Rent	£2,376,539
Sheltered	£3,189,519
Supported	£418,058
Market Rent	£32,160
Shared Ownership	£2,426,765
Total Rental Income	£48,022,977

Source: The Initial Guarantor

Average net rent levels, on a 52 week year basis, are shown below, as derived from the property schedule sent to us by the Initial Guarantor:

Table 5: Rent Levels (£ per week net)

Value Group	Current Rent £	Target Rent £	Comparative Local Rent	Local Housing Allowance	Market Rent	Current as % of Market
General Needs	£89.78	£85.08	£87.96	£133.41	£160.46	56%
General Needs - Designated	£87.69	£83.09	£88.86	£150.07	£175.27	50%
Affordable Rent	£114.54	£86.61	£86.79	£134.92	£163.03	70%
Sheltered	£77.84	£72.53	£76.26	£106.04	£127.64	61%
Supported	£69.31	£66.25	£70.69	£95.93	£109.51	63%
Market Rent	£154.62	£154.62	£76.29	£122.53	£162.12	95%
Average	£89.60	£83.93	£86.76	£130.87	£157.37	57%

Source: The Initial Guarantor

The average current rents are similar to average general needs social rents charged by other RP's operating in the same geographical areas as the subject portfolio, weighted to bedroom. This is indicative of the characteristics of the subject portfolio and sits within expectation.

4. Market Commentary

4.1. General Summary

COVID-19: Market Commentary

4.1.1. Economy

The coronavirus pandemic will affect all aspects of the UK housing market with a negative impact on earnings, employment and wealth generation. The UK Government has responded with extensive support measures for the economy and business including grants, low cost loans and liquidity injections. This should reduce some of the impact of the pandemic and enable a swift economic recovery.

The central scenario of most economic forecasters is a short sharp economic contraction in Q2 of 2020. Oxford Economics ('OE') are predicting UK GP will fall -2.5% in Q2 2020 and rebound +1.8% in Q4. The Bank of England reduced base rates to 0.1% in March and OE forecast base rates will remain at this level until Q3, only reaching 1.5% by the end of 2024. Unemployment is likely to rise in the short term and return to pre-pandemic levels by Q3 2021.

4.1.2. Housing Market - General

The coronavirus pandemic will affect all aspects of the UK housing market – transaction levels, values, rents and development. Transactions levels will be significantly impacted over the next three months as peoples movements are restricted. In China property transactions were at or around zero for three weeks following lockdown but have since recovered (two months later) to 50% of the four year average. Suppressed transaction levels are likely to lead a build-up of latent demand in the market.

Based on the expected pace of post-recession recovery predicted by Oxford Economics, Savills Research expect the pandemic to have a more limited and shorter lived impact on the economy than after the Global Financial Crisis. They expect short term price falls to be of the order of 5%-10% on a very low level of transactions. The pace of recovery from that point will depend on the state of the wider economy but on balance Savills expect the five year outlook for prices to remain as predicted last November at around +15%, albeit with a different distribution of growth year to year.

The Government has announced measures to support those in rented housing including a moratorium on evictions for three months, however no direct support for tenants has been given to date. There may be modest falls in private sector rents paid as landlords act to assist tenants in financial difficulty. However for the majority rental payments will continue as normal with no significant short term impact on rent levels. Rental growth, which generally shows a correlation with income growth, is likely to slow over the next year, with growth accelerating again as income growth returns.

4.1.3. Social Housing and Residential Investment

It is too early to assess how sales transactions between Registered Providers will be affected by the coronavirus pandemic. Registered Providers are working hard to support and safeguard their tenants and staff at this time. RPs have paused their repairs and development programmes and stress testing is being carried out with particular focus on rent arrears and bad debts, voids and operational costs. Sales transactions are unlikely to be a priority, nevertheless we are aware of transactions which are proceeding towards completion and we will monitor these closely for evidence of an impact on pricing.

The response of investors in the residential investment market to date has been mixed – although some transactions agreed prior to ‘lockdown’ have been halted, others are still proceeding with a number of investors keen to deploy capital. A small number of transactions have completed recently at the pricing expected before the crisis. It is possible that a widespread expectation of house price falls will feed through into investment yields but at present it is too early to tell how pricing will be affected.

4.1.4. Residential Property Forecasts

After steady house price growth in 2019 Savills’ most recent house price forecasts show continuing house price growth over 2020-2024. However following a strong start to 2020 it is likely that much of the recent momentum in the market will be dampened by the impact of the coronavirus COVID-19, the extent of which is difficult to predict. The pre-coronavirus forecasts for the mainstream UK, is shown in the table below together with Savills most recent forecast scenarios taking COVID-19 into account:

Table 6: Nominal House Price Forecasts – Mainstream Markets

Region	2020	2021	2022	2023	2024	5-year compound
UK	1.00%	4.50%	3.00%	3.00%	3.00%	15.30%
North West	-2.00%	1.50%	1.00%	1.00%	2.50%	4.00%
Yorks & Humber	0.00%	3.00%	2.50%	2.50%	2.50%	10.90%
East Midlands	0.00%	3.00%	2.50%	2.50%	2.50%	10.90%
West Midlands	0.50%	4.00%	3.00%	2.50%	2.50%	13.10%
North East	3.00%	5.00%	3.00%	3.00%	3.00%	18.20%
South West	3.00%	5.00%	3.00%	3.00%	3.00%	18.20%
South East	2.00%	6.00%	4.00%	4.00%	4.00%	21.60%
East of England	2.50%	6.50%	4.50%	4.50%	4.00%	24.00%
London	1.50%	5.00%	4.00%	4.00%	4.00%	19.90%
Scotland	2.00%	6.00%	3.50%	3.50%	3.50%	19.90%
Wales	2.00%	6.00%	3.00%	3.00%	3.00%	18.10%
UK (reflects COVID19) - scenario 1	-5.00%	5.00%	8.00%	4.00%	3.00%	15.30%
UK (reflects COVID19) - scenario 2	-10.00%	4.00%	12.00%	6.50%	3.00%	15.00%

**Source Savills Research * Note These forecasts apply to average prices in the secondhand market. New Build prices may not move at the same rate*

Please refer to **Appendix 2** for a full, detailed market commentary.

4.2. Local Market Conditions

In common with most of the UK, the local housing market suffered difficult market conditions and falling values after the economic downturn of 2007. The market rallied in 2009, only to fall back again, with more sustainable growth from 2013. Average prices paid are now around **14% & 28%** above their pre-downturn peak, with 10 year average year on year price movement at around **2.8%**. Sales volumes are around **18% & 34%** below their pre-downturn peak. This is illustrated by the Land Registry data shown in the table and chart below.

The table below shows year on year growth in average prices paid. Years where the house price growth > 5% are in green text and years where house price falls > 5% are in orange text.

Table 7: Year on Year Growth in Average Prices Paid

Local Authority	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	10 Year Average
Cornwall	6.5%	-2.8%	0.0%	0.4%	3.5%	4.5%	1.6%	3.9%	4.6%	2.3%	2.4%
East Devon	6.1%	-1.4%	0.5%	1.0%	3.6%	3.4%	3.2%	5.9%	5.1%	2.0%	2.9%
Exeter	7.1%	-1.0%	2.1%	0.1%	6.2%	5.8%	4.2%	4.5%	4.1%	1.6%	3.5%
Mid Devon	5.9%	-2.0%	-0.7%	4.1%	1.1%	5.6%	3.1%	5.4%	4.0%	1.7%	2.8%
North Devon	5.2%	-0.7%	0.1%	-2.3%	7.8%	4.8%	2.3%	3.6%	-0.2%	8.8%	2.9%
Plymouth	5.5%	-3.6%	1.7%	2.3%	5.6%	3.7%	3.3%	4.1%	2.8%	1.0%	2.6%
Somerset West & Taunton	5.1%	-3.1%	0.1%	1.5%	4.4%	3.5%	3.4%	5.1%	4.2%	1.7%	2.6%
South Hams	10.9%	-0.9%	-0.7%	-0.3%	6.6%	3.4%	4.1%	-0.5%	4.5%	2.7%	3.0%
Teignbridge	7.5%	-2.6%	0.0%	2.5%	4.4%	3.5%	5.1%	4.4%	3.4%	1.0%	2.9%
Torbay	5.1%	-2.8%	-0.2%	1.0%	3.4%	5.2%	5.4%	4.2%	3.6%	0.1%	2.5%
Torridge	5.8%	-3.1%	0.7%	0.1%	4.1%	7.2%	1.1%	4.2%	4.2%	3.1%	2.7%
West Devon	4.0%	-1.2%	3.1%	-1.3%	3.1%	5.2%	3.5%	3.1%	4.3%	3.7%	2.8%
Total	6.2%	-2.1%	0.6%	0.8%	4.5%	4.6%	3.4%	4.0%	3.7%	2.5%	2.8%

Chart 2: Average Price Paid and Sales Volume

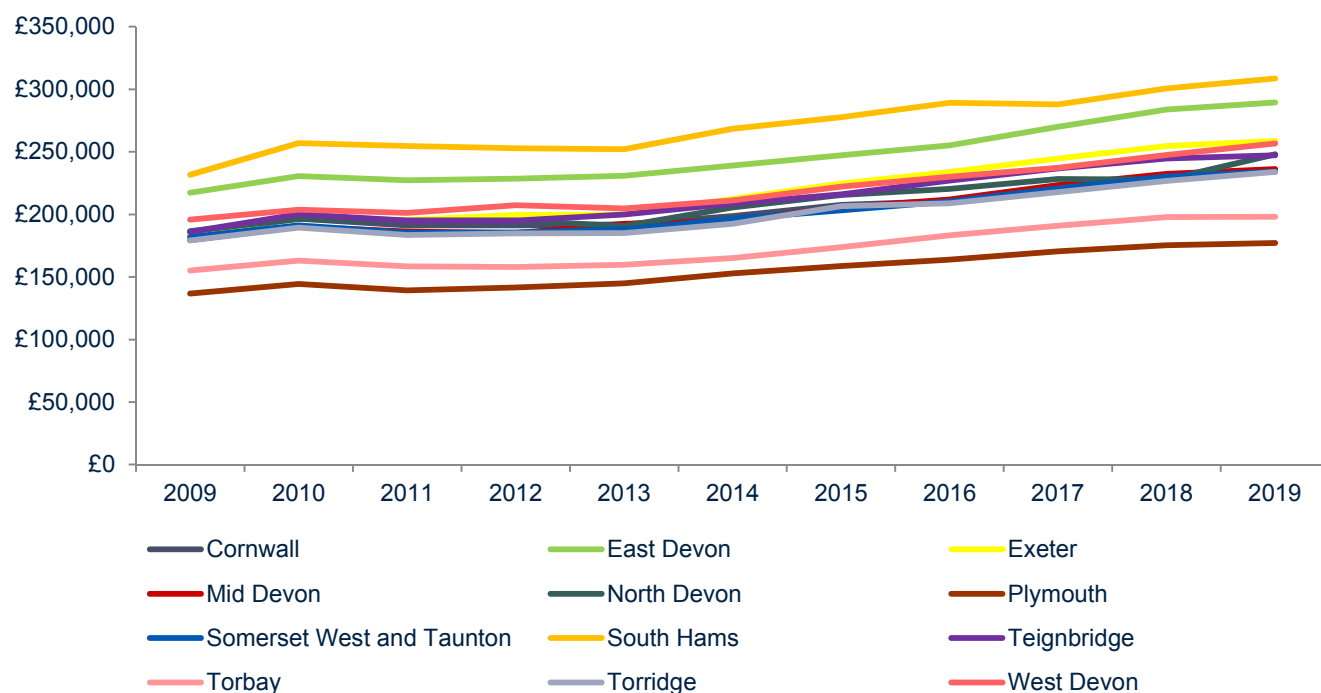
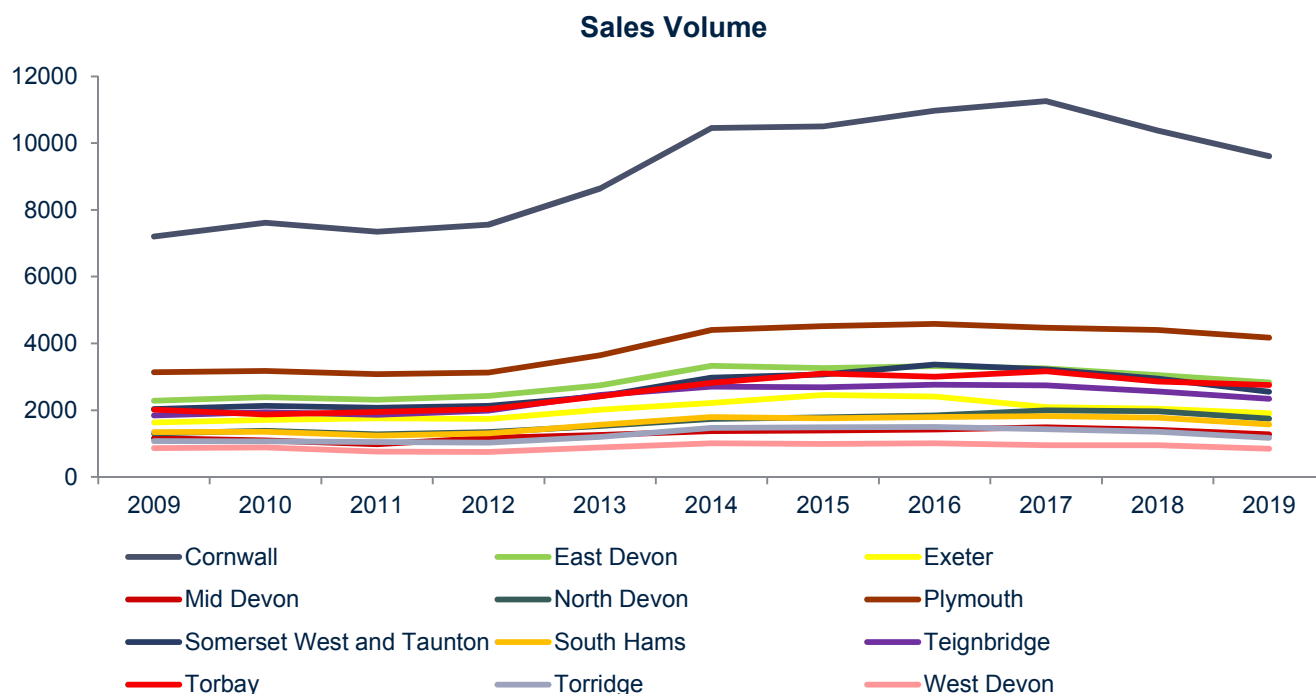


Chart 3: Sales Volume



The subject properties are readily saleable and lettable and we would anticipate good levels of demand, assuming appropriate marketing.

Our local research revealed that sales volumes are low, supporting the information from the Land Registry and likely to be a result of constraints on lending, coupled with economic uncertainty. Reduced supply is generally helping to maintain prices agreed and there is continued buyer appetite for properties locally at the right price.

4.3. Vacant Possession Values and Market Rents

In the absence of current transactional evidence we have had to rely on evidence from before March in order to assess current values and rent. The Table below shows the pre-COVID-19 average vacant possession values for the properties included within the valuation summarised by type and bedroom number less 5%. As discussed above it is likely values will have reduced 5%-10% when the crisis is over.

It is expected that rental levels at the lower end of the market will be less affected than vacant values by the COVID-19 crisis, because they are underpinned by a shortage of accommodation and various Government interventions to support incomes.

Table 8: Vacant Possession Values and Market Rents

Type	Bedrooms	Number of Units	Average Indicative 100% VP	Average Weekly Market Rent
Flat	0	45	£54,000	£90
	1	1773	£105,000	£120
	2	1157	£124,000	£145
	3	72	£128,000	£145
	4	1	£223,000	£195
Flat Total		3048	£112,000	£130
House	1	795	£146,000	£135
	2	3222	£169,000	£160
	3	3203	£192,000	£185
	4	314	£222,000	£210
	5	7	£276,000	£240
	6	1	£218,000	£210
House Total		7542	£179,000	£170
Grand Total		10590	£159,000	£160

Source: Savills

Further detail of vacant possession values can be found on the property schedule at **Appendix 3**.

4.4. Market Rental Commentary

Savills in the most recent Market Forecast bulletin 2019 to 2023 commented:

Historically, rents have moved in line with household earnings. After all, landlords can only charge what tenants are able to pay. So, with weak earnings growth since the end of 2016, the sluggish rental growth of the last two years should come as no surprise. Earnings fell in real terms in 2017 and 2018, as inflation ran above the Bank of England's target of 2%.

In the past, rental growth in London has been able to outperform earnings, as renters formed larger households with friends to split their rental bill. This trend seems to have reached its limit. London rents are now seeing a slowdown, with rents falling by 0.3% in the year to August 2018. With rental affordability in London stretched, weaker growth is likely in the short term.

However, tightening access to mortgage finance, changing lifestyles and demographics is driving demand for privately rented homes at all price points. That mismatch in supply and demand has attracted a new kind of investor to the market.

Changes to tax relief on buy to let mortgage interest payments have made many private investors take a second look at their portfolios. With less tax relief and rising interest rates, many have chosen to consolidate or leave the sector. Depending on how policy evolves on longer-term tenancies and rent regulations, the pace of flight may accelerate further.

While putting pressure on buy to let, the Government has shown growing support for the institutional build to rent sector (BTR). Purpose-built rental blocks that are managed by professional landlords could help raise standards across the rental market and increase the supply of rented properties in areas of high demand. BTR is already gaining momentum, making up 8.7% of new housing starts in 2016/17. However, while BTR is gathering pace, it isn't yet delivering enough homes to counter the flight of buy to let investors. From Q1 2017 to Q2 2018, there were just under 10,000 build to rent completions. In the same period, 72,000 buy to let landlords redeemed their mortgages.

Until the supply of BTR properties increases dramatically, we will remain reliant on cash investors to bring more stock into the rental market. As a result, we're likely to see demand grow faster than supply over the next five years, driving rental value growth.

Table 9: Savills Five-year forecast Market Rents

	2019	2020	2021	2022	2023	2019-2023 inclusive
UK	1%	2%	3%	4%	4%	14%
Mainstream London	1%	2%	4%	5%	5%	16%
UK excl. London	2%	2%	3%	3%	3%	12%

**Source Savills Research & Oxford Economics*

Yields, annual gross rent as a proportion of the house price, have historically been lowest in London and the South. Since 2013, yields have decreased across the country, but have fallen fastest in London, where the mismatch between rental and house price growth was greatest. By contrast, yields in the Midlands and the North have fallen much less. Our forecasts show these yields converging.

We predict that as rents grow faster than house prices in the affordability constrained South, yields will rise. In the Midlands and North, where house price growth will outpace rental values, we expect to see yields sharpen and move closer to those in the South.

5. Valuation Advice

5.1. Existing Use Value For Social Housing - Valuation Approach

5.1.1. Approach to EUV-SH

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

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

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

5.1.2. COVID-19: Impact on DCF Variables

Registered providers are expecting void loss to rise in 2020/21 due to the practical difficulties of reletting property that falls vacant while restrictions persist. A counter-balance to this will be that fewer properties are likely to relet. Arrears and bad debts are also likely to rise as some tenants are unable to pay their rent.

We have modelled a doubling in bad debts over 2020/21 returning to our long term assumption in 2021/22. We have also modelled a reduction of 50% in turnover and an increase in void loss of 50%.

Most RPs are only undertaking emergency repairs, and capital programmes and cyclical repairs have been put on hold while the restrictions last. We have assumed that 50% of all repairs spend and is deferred until 2021/22.

Management costs could reduce as a number of employees are furloughed and repairs/regen programmes paused, however a counterbalance to that is the increased support needed by tenants and the practical difficulties in providing such support. We have modelled a 5% increase in management costs in 2020/21 only.

5.1.3. Principal DCF Variables

The DCF assumptions are derived from information received from the RP and economic data. The table below sets out our principal assumptions. More detailed discussion on discount rate, adopted rent levels and rental growth is contained in the following sections.

Table 10: DCF Variables

EUV-SH DCF Variable	Assumption	Year	Variable Amount	Source
Current rent	£69.31 - £154.62	Current	Average £ Per Week	HA
Convergence Rent	£79.44 - £154.62	Current	Average £ Per Week	Savills
Voids and bad debts	3.13% - 4.55%	Average	% Real	Savills
Turnover	4.75% - 5.70%	Average	% Real	Savills
Management costs	£651 - £801	Average	Average per unit/pa	Savills
Cyclical, Void & Responsive Maintenance	£575 - £800	Average	Average per unit/pa	Savills
Programmed Maintenance	£800 - £1,100	Average	Average per unit/pa	Savills
Rental Inflation	1.00% - 3.00%	Year 1	% Real	Savills
	1.00% - 3.00%	Year 2		
	1.00% - 3.00%	Year 3		
	1.00% - 3.00%	Year 4		
	1.00% - 1.27%	Long Term		
Maintenance cost inflation	2.75% - 1.00%	Year1 - Long Term	% Real	Savills
Management cost inflation	1.00% - 1.00%	Year1 - Long Term	% Real	Savills
Discount rate	5.00% - 5.75%	All Years	% pa Real	Savills

5.1.4. Discount Rate

There is no hard-and-fast rule for determining the most appropriate rate to be adopted in a discounted cash flow. The discount rate is probably the most important variable in the model since it determines the net present value of future predicted income and expenditure flows for the property in question. Our role as valuers is to interpret the way in which potential purchasers of the stock would assess their bids. The market for this stock will be within the RP sector.

Effectively, the discount rate is representative of both the long-term cost of borrowing for an acquiring organisation and the risks implicit in the property portfolio concerned. The current level of long-term interest rates and the overall cost of funds must be reflected in our valuation. In addition to considering the cost of funds, we also need to make an allowance for the risk which attaches to our cashflow assumptions - some of which may be subject to a higher degree of risk than those generally made in the business plans. The margin for risk needs to be considered on a case-by-case basis, having regard to the nature of the stock.

Table 11: Gilt Rates as at 11th May 2020

Maturity	Current Yield	% Change	1 month ago
10 year	0.23%	0.000%	0.23%
15 year	0.41%	0.060%	0.35%
20 year	0.52%	0.100%	0.42%
30 year	0.56%	-0.020%	0.58%

Currently, the yield on 30 year Gilts is around 0.56%. This is in effect the risk free discount rate. Yields on Housing Association long dated, rated and unrated bonds were running typically around 2.0% to 2.75% (Source: Social Housing, May 2020).

Activity in the bond market over the past year includes the public rated issues in October 2019 of Sovereign 2.375% (1.27% spread), Wrekin Housing Group 2.50% (1.48% spread) and LiveWest 2.25% (1.40% Spread). Accent Group in July 2019 2.625% (1.30% spread), Home Group in March 2019 3.25% (1.70% spread), Incommunities in March 2019 3.29% (1.57% spread), Futures Housing Group (with a coupon of 3.375% (1.68% spread)) in February 2019 and Notting Hill Genesis (with a coupon of 2.875% (1.73% spread)) and Clarion ((with a coupon of 2.625% (1.47% spread)) both in January 2019. The MORHomes aggregator also issued its first series of bonds in February 2019 (with a coupon of 3.476% (1.90% spread)).

Since the COVID-19 crisis began there have been a handful of transactions: Optivo issued a 15 year fixed rate bond with an all-in coupon of 2.857% (2.3% spread), and Sanctuary a 30 year bond at a coupon of 2.375% (1.7% spread).

The supply of traditional long term (25 or 30 year) funding has diminished and is only available from a handful of lenders. Shorter term traditional funding (5–7 years) and funding with in-built options to re-price margins at a future date are commonplace, introducing a new level of re-financing risk to business plans.

Notwithstanding this, many business plans are typically being run at nominal interest rates at 'all-in' long term (30 year) cost of funds including margin of around 5%, reflecting the availability of long term finance from the capital markets but also future refinancing risk.

Given the sustained reduction in funding costs our view is that for good quality, generally non-problematical stock, a discount rate between 4.75% and 5.5% real is appropriate (over a long-term CPI inflation rate of 2%). A greater margin for risk will be appropriate in some cases. We would expect to value poorer stock at rates around 5.5% to 6.25% real. On the other hand, exceptional stock could be valued at rates around 4.25% to 4.75% real. We would stress our cashflows are run in perpetuity and not over 30 years.

For your information our valuation implies a real discount rate over a 30 year cashflow of **2.56% to 3.58%**.

5.1.5. Social Rents - Savills "Convergence" Rents and Rental Growth

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

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

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

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

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

Table 12: Current, Formula and Convergence Rents

Type	Estimated Income	Net Rent	Formula Rent	Savills Convergence Rent (SCR)	SCR Affordability Ratio %	Market Rent
House	£423.04	£93.82	£87.91	£106.52	25.19%	£169.06
Flat	£335.11	£79.49	£74.37	£89.51	26.72%	£129.31
Total	£397	£90	£84	£102	25.59%	£157

Source: The Initial Guarantor & Savills

We have assumed all rents will converge to our convergence rent in **2 to 10** years.

In the long term, in order to maintain consistent levels of rent affordability, we have had regard to growth in local household incomes which is shown in the table below. We have therefore assumed that after they have converged rents will increase at approximately 3% or CPI + 1% (assuming a CPI base of 2%) per annum.

Table 13: Household Income Growth Estimates

Year	Household Income Growth Forecast % (Nominal)
2020	-0.32%
2021	2.03%
2022	3.14%
2023	3.07%
2024	3.13%
10 Year Average to 2029	2.65%

Source: Oxford Economics

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

5.1.6. Affordable Rents

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

There are currently **399** Affordable Rent units within the stock. The current average rent for these units is **£114.54** per week. This is about **32%** higher than the target rents on the same properties. These units have been included in our valuation at their current Affordable Rent levels.

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

Market rents tend to increase in line with household incomes. Income growth forecasts for the portfolio weighted by Local Authority are currently **-0.48%** per annum with 10 year average **2.59%**. We have therefore assumed that rents will increase at **CPI plus 1.0% pa**.

5.1.7. Sales Between Registered Providers – Transactional Evidence

Until recently evidence of sales between RPs was extremely limited – most transactions were simple transfers of engagements. However in recent years there has been a growing body of transactional evidence from competitive sales between RPs of tenanted stock. The evidence confirms RPs have a consistent tendency to pay a higher sums for some social housing portfolios than would be suggested by traditional, purely cashflow driven, EUV-SH valuations. We have been heavily involved in this emerging market and have a database of bids and transactions covering in excess of 56,000 units.

The body of evidence is relatively small compared to the total RP stock in the UK and the market is still immature, furthermore the data is heavily influenced by geography and use type, with significant variation from London out into the regions and from General Needs stock to Supported Housing. Notwithstanding these limitations, for General Needs only stock, the data suggests average gross yields of approximately 7.25% and average unit prices £95,000 inside London and average gross yields of approximately 8.75% and average unit prices £65,000 outside London.

In contrast it is apparent that for lots exceeding around 200 properties the prices achieved appear to be in line with the traditional, cashflow approach to EUV-SH.

Gross yields and average unit values of the subject portfolio are summarised in the table below:

Table 14: EUV-SH Gross Yields and Average Values

Value Group	Gross Yield	Average Value
General Needs	8.31%	£56,196
General Needs - Designated	11.19%	£40,755
Affordable Rent	8.92%	£66,743
Sheltered	9.42%	£42,969
Supported	13.27%	£27,164
Market Rent	8.93%	£89,995
Shared Ownership	4.26%	£70,804
Average	8.17%	£56,371

Having regard to the geography and use types of the subject portfolio and the transactional data recorded by Savills, we are of the opinion that the gross yields and individual unit values sit within expectation.

In this case you have instructed us to value the properties assuming a sale as a single lot valued by asset class and our valuations do not therefore reflect the higher bids that can be received for small portfolios.

The lots and their valuations are set out in **Appendix 3**.

5.2. Market Value Subject to Tenancies (MV-STT) - Valuation Approach

5.2.1. Valuation Methodology - MV-STT

We assess the MV-STT in two ways; firstly by applying a discount to Market Value with Vacant Possession ("MV-VP") and secondly by applying a yield to rental income.

The valuation of properties and portfolios subject to Assured and Secure tenancies is carried out with reference to comparable evidence from the sales of similar tenanted portfolios and individual units, and sold subject to Protected Tenancies or Assured Shorthold Tenancies. There is an established body of evidence from portfolios traded on the open market to which we can refer.

Investors tend to base their bid on their ability to "trade out" individual units at Market Value assuming vacant possession over time. In locations where there is a limited market or where a property is difficult to trade, owing to style or market conditions, investors will base their bid on rental return compared to capital cost.

The discount to MV-VP ranges from 10% for prime property to 50% where market conditions are difficult. Typical rates are around a 20% to 30% discount to MV-VP for properties subject to AST tenancies.

The yield applied to net income varies from 5% or less for prime property, to 7% or more for poorer locations. This equates to a yield on gross income (after deductions for management, maintenance & voids) of between 7% to 10% and possibly higher for Sheltered accommodation.

The Residential Investment market is currently slow although it is anticipated the market will improve over the next 12 months and having discussed the portfolio with agents active in the market we would anticipate good demand if brought to the market at the right price and following an appropriate marketing strategy.

Recent sales evidence which is relevant to this valuation includes the following transactions:

Table 15: Residential Investment Sales Evidence

Location	Number of Units	Date of sale	Price per unit achieved	Average Passing Rental £pa	Gross Yield %	Net Yield %
South West	300	Dec-19	£253,268	£14,499	5.7%	3.7%
South West	22	Oct-18	£214,430	£10,336	4.8%	3.1%
South West	16	Jun-18	£52,813	£5,156	9.8%	6.3%
South West	13	Oct-18	£67,692	£5,760	8.5%	5.5%
South West	3	Jun-18	£70,000	£5,800	8.3%	5.4%
South West	9	Jul-19	£141,000	£9,300	6.6%	4.3%
Average	61		£133,201	£8,475	7.3%	4.7%

Source: Savills

The comparable properties are residential investments typically let on ASTs where an investor can sell or let off units as required. The subject properties are typically let on Assured Tenancies and while a receiver/3rd party is assumed to be able to increase rents to market there is a deferment in the Market Rent.

There would, depending on how this process is managed, be additional management issues throughout the transition process. We would anticipate a short term spike in management costs/voids/void repairs and bad debts. Furthermore an investor could not obtain vacant possession until the units naturally turn over or tenants default and are removed due to the Assured Rents.

Owing to the above considerations an adjustment to yields applied is anticipated, somewhere in the order of 0.5% - 1.5% for typical general needs stock, further adjustment will be needed for different investment categories

5.2.2. COVID-19: Impact on MV-STT Assumptions

The COVID-19 crisis means that less weight can be placed on evidence of individual property or residential investment sales which completed prior to March 2020. As discussed in Section 4 above, markets have largely stalled at present and vacant values are expected to fall in the short term. We have adopted a cautious approach and have reduced our assessed vacant values in line with the Savills central forecast of a 5% reduction in 2020.

Void loss and management costs are likely to rise in the short term, although we expect this to be balanced as landlords take mitigating action and reduce repairs expenditure. We have assumed a modest increase in outgoings of 0.25% of rent debit.

We consider it likely that in the short term yields will be affected and our valuation reflects an increase in net initial yield adopted of 0.25%.

5.2.3. Principal Assumptions – MV-STT

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

Table 16: MV-STT Assumptions

Variable	Unit of Cost	Variable Amount
Gross Annual Rental Income*	£	£31,345,452
Voids	% of Rent Debit p.a.	5%
Management	% of Rent Debit p.a.	15%
Maintenance	% of Rent Debit p.a.	15%
Net Yield	%	3.85% - 7.31%
Gross Yield	%	5.92% - 11.25%

Source: Savills *Note: market rent assumed

5.3. Valuation of Large Scale Voluntary Transfer Properties at Market Value

5.3.1. Background – Valuing LSVT Property at Market Value

The Housing and Planning Act 2016 ("HPA 2016") contains provisions to deregulate the social housing sector which give much greater freedom to housing providers to dispose of and manage their property assets. The deregulation provisions came into effect on 6 April 2017. As a result s.133 of the Housing Act 1988, which required consent to be obtained prior to disposal of property previously transferred from a local authority, is no longer effective.

The HPA 2016 therefore allows valuers to consider transferred stock on the basis of Market Value rather than Existing Use Value for Social Housing – EUV-SH, removing the assumption that the stock can only be sold to another RP and will remain subject to regulatory control. Valuers can therefore now assume that the stock could be sold to a private investor and take into consideration transactions of private residential portfolios in order to inform their opinion of value.

No large scale disposals of LSVT social housing have taken place since the HPA 2016 came into force and direct transactional evidence is therefore not yet available. Nevertheless, we can consider the growing institutional interest in larger scale residential purchases in order to assess how the freedoms of the HPA 2016 will affect the Market Value of social housing stock. The principal drivers of value for private investors in residential property are the ability to achieve sales of void properties and the scope for rental growth. The normal approach to assessing MV-STT for general non-LSVT stock involves analysing comparable evidence from similar portfolios. This includes looking at the yield achieved and the percentage of vacant value the price achieved represents.

Valuations are then derived by firstly applying an appropriate discount to Market Value with Vacant Possession ("MV-VP") and secondly by applying a suitable yield to rental income. However, this is not applicable to LSVT stock as at the time of writing, there is no direct evidence of investor bids. The market has had little time to respond to the new freedoms and given the lack of direct transactional evidence for an LSVT portfolio of this size and type, our approach to the Market Value is to use Discounted Cash Flow analysis to derive our opinions of value to gauge how a market investor in LSVT stock would set their bid. In order to construct the cash flows we have detailed regard to the characteristics of stock at the local "neighbourhood" (in this case sub-postcode)

level. This allows consideration of the potential for sale of void units in a given locality and also the potential to increase rent in relation to household income and across a large stock.

The application of MV-STT to LSVT stock might not be applicable if other over-riding restrictions exist within the legal title, planning within transfer agreements and warranties or even where geographical concentrations could impact the market and limit the purchasers to bidding RPs.

We understand that Initial Guarantor has elected not to undertake a market assessment of their LSVT stock but for funding have nominated the LSVT stock to be included at EUV-SH only.

5.4. Shared Ownership - Valuation Approach

5.4.1. General

The Borrower has a portfolio of **804** properties subject to Shared Ownership leases in charge. They retain around **59%** of the equity in their units, overall. Please see **Appendix 3** for details of the properties, shares held and rental income produced.

5.4.2. Valuation Approach

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

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

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

In this case we have assumed that all service costs can be recouped through service charges and that management income and the management charge equals the management expenditure. We have excluded any staircasing receipts in our valuation of the Shared Ownership units.

We have applied a discount rate of **4%** real reflecting the very secure nature of Shared Ownership income and is informed by our recent experience of portfolio transaction of Shared Ownership units.

5.4.3. Shared Ownership Valuations Principal DCF Assumptions

Our principal valuation assumptions are as follows:

Table 17: Shared Ownership Assumptions



6. Valuations



Variable	Assumption	Year	Unit of Cost
Current rent	£58.05	Current	Average £ Per Week
Indicative 100% rent	£98.85	Current	Average £ Per Week
Management costs	£200.00	All Years	Average per unit/pa
Retained share	58.72%	Current	Average per unit
Current Indicative 100% MV-VP	£167,572	Current	Average £ per unit
Discount rate for rental income	4.00%	All Years	% pa Real

Source: Savills

5.5. Valuation Considerations

5.5.1. Housing and Planning Act 2016

The Housing and Planning Act 2016 contained proposals to deregulate the housing sector which will give much greater freedom to housing providers to dispose of and manage their property assets. The deregulation provisions came into effect on 6 April 2017. As a result s.133 of the Housing Act 1988, which requires consent to be obtained prior to disposal of transferred property, is no longer effective.

6.1. Valuations

6.1.1. Valuation of Freehold and Leasehold Property that may be disposed at MV-STT (£)

Properties that may be disposed of by a mortgagee in possession at MV-STT, that is on an unfettered basis (meaning subject to existing tenancies but otherwise with vacant possession and not subject to any security interest, option or other encumbrance or to any restriction preventing its sale to, or use by, any person for residential use) as referred to in paragraph 1.3 above.

Our opinion of value, in aggregate, of the **3957** dwellings as mentioned at 1.3 above, on the basis of

- **Market Value – Subject to Tenancies (MV-STT) is;**

£402,737,000

(FOUR HUNDRED AND TWO MILLION SEVEN HUNDRED AND THRITY SEVEN THOUSAND POUNDS)

Table 18: Valuation of Freehold and Leasehold Property that may be disposed at MV-STT (£)

Category of Property	Number of Dwellings	Market Value – Subject to Tenancies (MV-STT) £	Equivalent Existing Use Value – Social Housing (EUV-SH) £
Freehold	3907	£398,824,563	£215,983,365
Leasehold	50	£3,912,750	£2,819,910
Total	3957	£402,737,000	£218,803,000

6.1.2. Valuation of Freehold and Leasehold Property that may be disposed at EUV-SH (£)

Our opinion of value, in aggregate, of the **5829** rented dwellings and retained equity in shared ownership dwellings as mentioned at 1.4 above, on the basis of

- **Existing Use for Social Housing (EUV-SH) is;**

£321,235,000

(THREE HUNDRED AND TWENTY ONE MILLION TWO HUNDRED AND THIRTY FIVE THOUSAND POUNDS)

Table 19: Valuation of Freehold and Leasehold Property that may be only be disposed at EUV-SH

Category of Property	Number of Dwellings	Existing Use Value – Social Housing (EUV-SH) £
Freehold	5800	£319,767,673
Leasehold	29	£1,467,201
Total	5829	£321,235,000

6.1.3. Valuation of Freehold and Leasehold Property that may be disposed at EUV-SH for Shared Ownership (£)

Our opinion of value, in aggregate, of the retained equity in shared ownership dwellings for **804** rented dwellings as mentioned at 1.4 above, on the basis of

- **Existing Use for Social Housing (EUV-SH)** of the retained equity in shared ownership dwellings is;

£56,926,000 (FIFTY SIX MILLION NINE HUNDRED AND TWENTY SIX THOUSAND POUNDS)*

**For the avoidance of doubt, the MV for Shared Ownership is the equivalent of the EUV-SH*

Table 20: Valuation of Freehold and Leasehold Property that may be only be disposed at EUV-SH*

Category of Property	Number of Dwellings	Existing Use Value – Social Housing (EUV-SH) £
Freehold	737	£52,615,031
Leasehold	67	£4,311,181
Total	804	£56,926,000

**For the avoidance of doubt, the MV for Shared Ownership is the equivalent of the EUV-SH*

Component valuations are listed at **Appendix 3**.

6.2. VPGA 10: Material Valuation Uncertainty - COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

While for valuations on the basis of EUV-SH the RICS no longer considers there is a requirement to include a material uncertainty clause, our valuations reported at MV-STT are at the date of the valuation reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation of this property under frequent review.

6.3. COVID 19: Sensitivity Analysis

In the table below we consider the effect on the valuation figures of a number of variations to our assumptions. Each change has been made to the above base valuation figure in isolation.

Table 21: Sensitivity Analysis EUV-SH (Excluding Shared Ownership)

Valuation Basis/Variable	Change made	Resultant EUV-SH £ perp
EUV-SH All Stock Base Case		£540,038,000
Relet Rate	Reduced by 75% (Currently Reduced by 50%)	£540,149,000
Voids	Increase to 5% for Year 1	£539,045,000
Bad Debts	Increase to 5% for Year 1	£539,238,000
Management Costs	Increase to 10% for Year 1	£539,493,000
Maintenance Costs	75% Deferred to Year 2 (Currently Assumed 50%)	£540,131,000
Major Repairs Costs	75% Deferred to Year 2 (Currently Assumed 50%)	£540,152,000

Source: Savills

Table 22: Sensitivity Analysis MV-STT (Excluding Shared Ownership)

Valuation Basis/Variable	Change made	Resultant MV-stt
MV-STT Unrestricted Base Case		£402,737,000
Vacant Possession Value	10% Reduction	£389,507,000
Net Initial Yield	Increase by 0.5%	£390,619,000
Market Rents	5% Reduction	£389,213,000
Vacant Value, Net Initial Yield & Market Rents	As Above	£364,470,000

Source: Savills

6.4. Additional Advice

6.4.1. Aggregate value All EUV-SH units (Incl. SO).

Aggregate of 10590 units (excl. 208 nil value units) on the basis of EUV-SH (Incl. SO) is applicable for Loan Security

£596,963,000

(FIVE HUNDRED AND NINETY SIX MILLION NINE HUNDRED AND SIXTY THREE THOUSAND POUNDS)

6.4.2. Lending Against MV-STT

With reference to section 3.5 on Tenure and Tenancies, it is essential that before lending on MV-STT your lawyers confirm that the properties are capable of being let at a Market Rent, or disposed of free from restrictions, should you take possession. If there are enforceable "Housing Restrictions" in title, planning approval, s.106 agreements or by separate Nomination agreements, that, for example, limit disposal only to Registered Providers or contain binding contractual nominations, then the correct valuation basis is EUV-SH and not MV-STT.

We must also stress that it is up to investors to assess the terms of the Notes and the amount of lending based on the valuations herein. We have set out the current rental income at **Appendix 3** but make no warranty that the current income is sufficient to support lending against MV-STT either on individual valuation groups or against the whole portfolio.

6.4.3. Indicative Reinstatement Cost for Building Insurance Purposes

You have sought from us an indication for insurance purposes of the current reinstatement cost of the building(s) in an identical form using modern materials and techniques as if it was to be totally destroyed in accordance with current Building Regulations and other statutory requirements.

This we are pleased to provide below, but must state that this is given solely as a guide as a formal estimate for insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of replacement costs. We confirm that the property has not been inspected by such a person, and therefore the cost estimate below is provided without liability.

No allowance has been made for inflation over the policy, design or rebuilding periods, nor have we made any allowance for loss of rent. On this basis, therefore, we would estimate the reinstatement cost on a day-one basis as at the date of this report is as follows:

The indicative reinstatement cost for building insurance purposes of The Properties is **£1.115 Billion** (Excluding Shared Ownership and nil Value Units).

6.5. Lotting and Value Apportionment

We have valued the properties assuming a sale as a single lot valued by asset class. As a result **we have not assessed individual valuations for each property**. We have, however, provided apportionments of the overall valuation figures by reference to the appropriate rent and these figures are shown on the property schedule at **Appendix 3**.

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

7. Suitability & Verification

7.1. Suitability as Loan Security

7.1.1. Investor's Responsibility

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

In this report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.

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

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

7.1.2. Suitability as Security

We have considered each of the principal risks associated with the Properties within the context of the wider property market and these risks are reflected in our valuation calculations and reported figures as appropriate.

Overall, we consider that the Properties provide good security for notes secured upon it, which reflects the nature of the Properties, our reported opinions of value and the risks involved.

7.2. Verification

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

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

We trust the above is acceptable for your purposes. Should you have any queries, please do not hesitate to contact us.

Yours faithfully

For and on behalf of Savills (UK) Limited

A handwritten signature in blue ink, appearing to read "A Shippey".

Adrian Shippey MRICS
Associate Director
RICS Registered Valuer

A handwritten signature in blue ink, appearing to read "N Williams".

Nigel Williams FRICS
Associate Director
RICS Registered Valuer

APPENDICES

Appendix 1 - Executive Summary of Valuation

EUV-SH Applicable 5829 units £321,235,000
MV-STT Applicable 3957 units £402,737,000
EUV-SH Shared Ownership 804 units £56,925,000
Nil Value 208 units

Key Assumptions (EUV-SH)

1	Valuation Date	31-May-20	
2	Discount Rate	5% - 5.75%	% real, perpetuity
3	CPI Inflation	1.50%	year 1
		1.75%	year 1
		1.75%	year 3
		2.00%	year 4+
4	Stock Numbers	10798	
5	Average Net Social Rent	£89.60	(2020/21 52 weeks)
6	Savills Convergence Rent (Social)	£101.52	(2020/21 52 weeks)
7	Voids& Bad Debts	3.13% - 4.55%	% of Debit
8	Average Capital Values	£179,000	houses
		£112,000	flats
9	Average Market Rents	£130.00	per week - houses
		£170.00	per week - flats
10	Cyclical/ Responsive/ Void Repairs	£575 - £800	30 year Average per unit pa
11	Major Repairs	£800 - £1100	30 year Average per unit pa
12	Building Cost Inflation - major works	0.50%	real long term
13	Building Cost Inflation - responsive	1.00%	real long term
14	Management Costs	£651 - £801	30 year Average per unit pa
15	Management Cost Inflation	1.00%	real long term

Key Assumptions (MV-STT)

Variable Amount

1	Gross Rental Income (Market Rent)	£31,345,452	
2	Voids & Bad Debts	5%	% of Rent Debit per annum
3	Management Costs	15%	% of Rent Debit per annum
4	Maintenance & Repairs	15%	% of Rent Debit per annum
5	Gross Yield	5.92% - 11.25%	%
6	Net Yield	3.85% - 7.31%	%

Value Group	Units	Total Rent £pw (52 weeks)	Indicative 100% Vacant Possession Value	EUV-SH ALL	MV-STT Where applicable	EUV-SH Where applicable	Aggregate MV-STT & EUV-SH Applicable
General Needs	8450	£758,610	£1,387,597,500	£474,855,636	£345,317,875	£291,754,434	£637,072,309
General Needs - Designated	29	£2,543	£4,617,500	£1,181,884	£0	£1,181,884	£1,181,884
Affordable Rent	399	£45,703	£62,852,500	£26,630,479	£21,801,313	£13,217,646	£35,018,959
Sheltered	788	£61,337	£87,800,000	£33,859,181	£32,359,500	£13,406,128	£45,765,628
Supported	116	£8,040	£9,532,500	£3,150,990	£2,831,500	£1,674,782	£4,506,282
Market Rent	4	£618	£502,500	£359,979	£427,125	£0	£427,125
Sub-Total	9786	£876,850	£1,552,903,000	£540,038,000	£402,737,000	£321,235,000	£723,972,000
SO	804	£46,669	£134,727,500	£56,925,000	£0	£56,926,000	£56,926,000
Nil Value	208	£0	£0	£0	£0	£0	£0
							0
Total	10798	£923,519	£1,687,630,000	£596,963,000	£402,737,000	£378,161,000	£780,898,000

Appendix 2 - Market Commentary

UK Housing Market Update

The market begins to move, but constraints remain

The government has taken steps to reignite the housing market. In England estate agents can return to work and viewings are now permitted again, albeit under certain restrictions. People are also free to move house. This is the first step on the road to a recovery in activity, but the practicalities of buying and selling while social distancing will be a constraint for the time being. More on the reopening of the market [here](#).

Short term activity will be supported by a degree of pent up demand and some buyers may now have a greater inclination to move following lockdown. Towards the end of April we surveyed almost 700 prospective buyers and sellers. They were predictably cautious for the short term, but expressed a greater desire to move within the next 24 months than previously. There was particular emphasis on moving for more space, and to the countryside. You can read more results from the survey [here](#).

It is also possible that the new homes market may recover faster, due to it being easier to perform virtual and socially distanced viewings in new build homes.

While this bodes well for an increase in activity, it is starting from the exceptionally low levels observed during lockdown. Data from the main

property search portals suggests that sales agreed and new listings were at around 10 to 20% of the levels seen immediately before the lockdown, although buyer browsing levels have been higher. Almost all surveyors reported falling levels of activity in April, according to the RICS Survey. Both new buyer enquiries and new instructions fell in sync, so there is no immediate pricing pressure from a supply/demand mismatch. This may change if the measures recover at different rates. With the reopening of the market, most surveyors are likely to report rising activity next month.

Low activity levels are also reflected in mortgage lending data. New mortgage approvals fell to their lowest level in March since early 2013. The drop was particularly sharp as it followed an exceptionally strong February, which had been the strongest month since early 2014.

Longer term, the extent to which market conditions improve will depend on the wider economy. The phased release of lockdown restrictions point towards a more gradual recovery than had previously anticipated. Oxford Economics have signalled that they expect to revise down their current GDP forecasts for Q2 and full year 2020, which currently stand at -13.5% and -8% respectively.

Figure 1 Average price versus 2007/8 peak, Feb-20

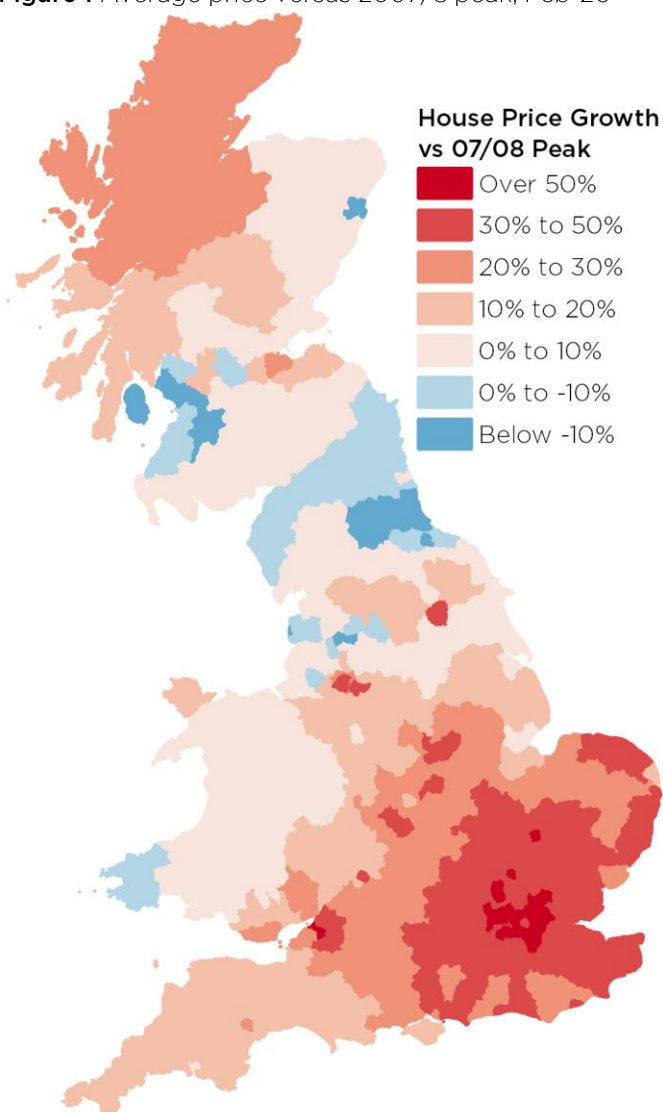
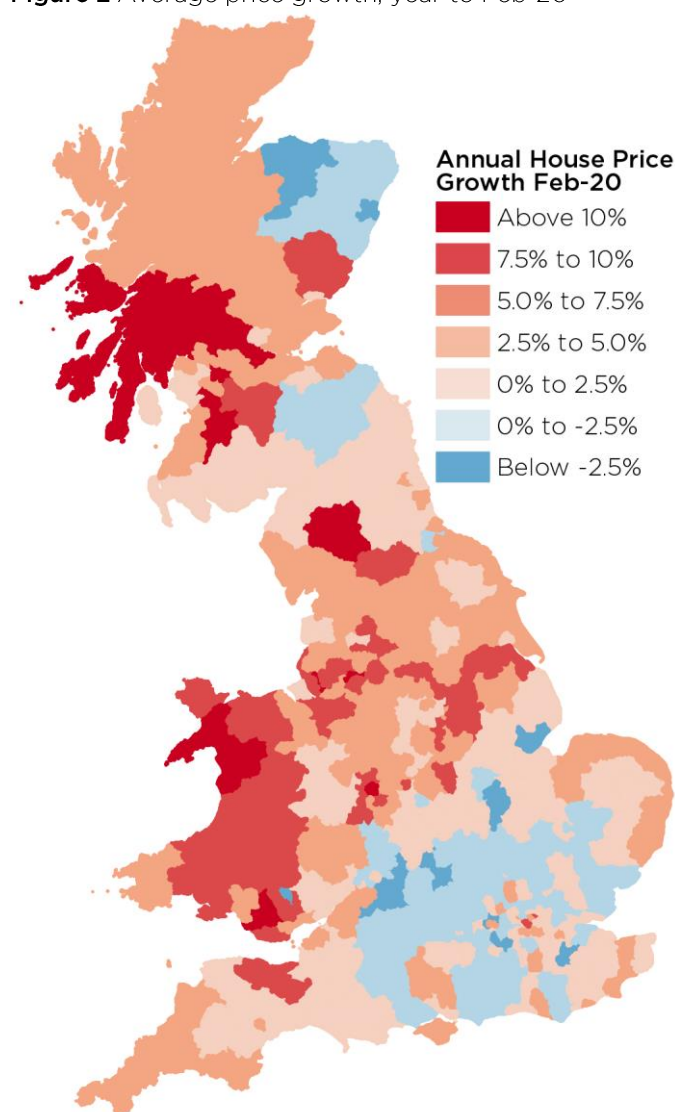


Figure 2 Average price growth, year to Feb-20



Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

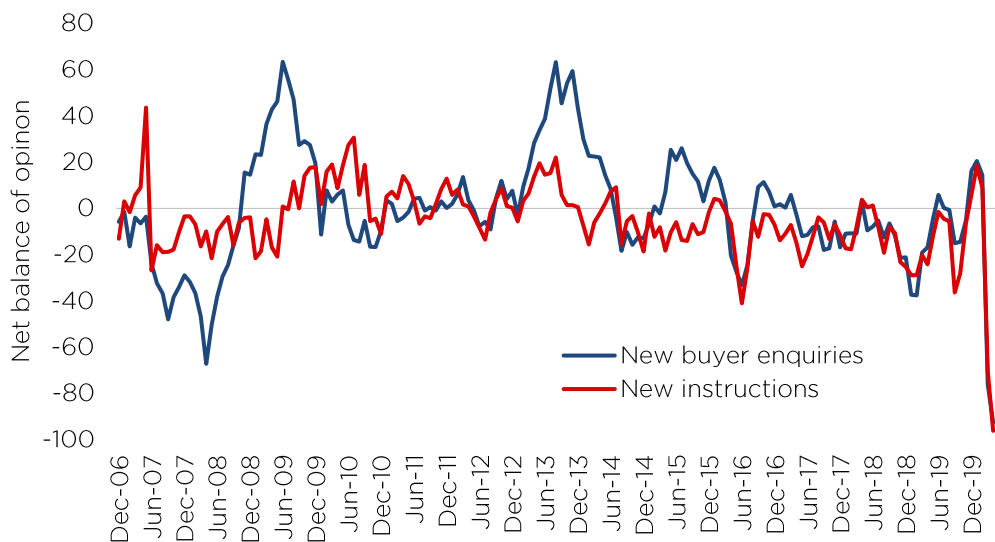
Almost all surveyors reported declines in activity between March and April.

Reports of new buyer enquiries and new buyer instructions fell together, to roughly the same levels.

If these measures recover at different rates, that could provide pressure on house prices.

A significant rise in both measures is likely next month. As the market begins moving again almost every surveyor is likely to see a rise in activity, albeit that rise may be muted.

Figure 3 Almost all surveyors report declining activity



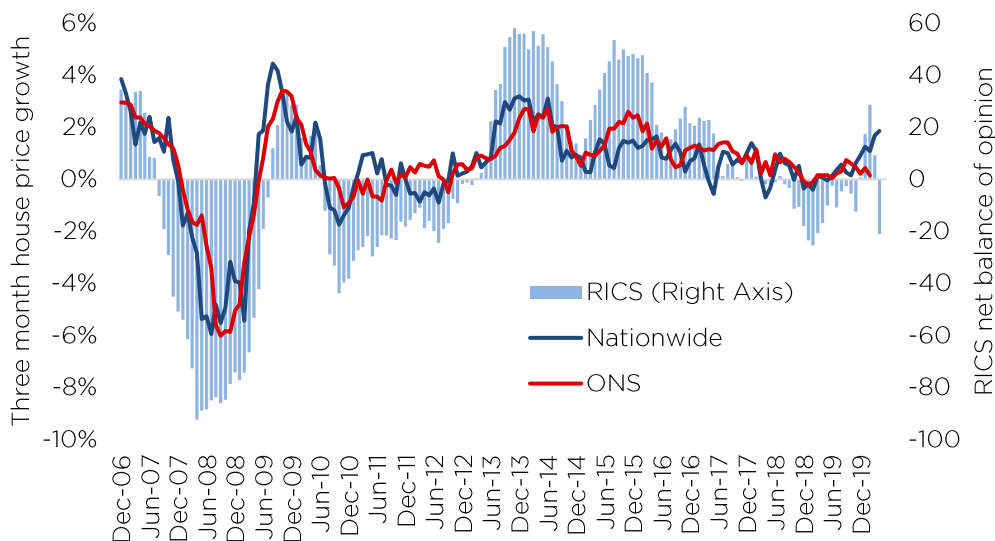
Source RICS (seasonally adjusted)

The RICS Survey can be a good indicator of house price movements, which are later picked up by the indices. But current events are moving at such a pace that it may only reflect what is happening now.

The significant drop in the RICS price indicator is at odds with Nationwide, which still reports strong growth.

We would expect Nationwide to dip in the coming months, as it typically lags behind the RICS data. Of the transactions contributing to the April Nationwide number, 80% were reported to have been agreed or exchanged before the lockdown.

Figure 4 Surveyors report price falls, while Nationwide shows growth for now

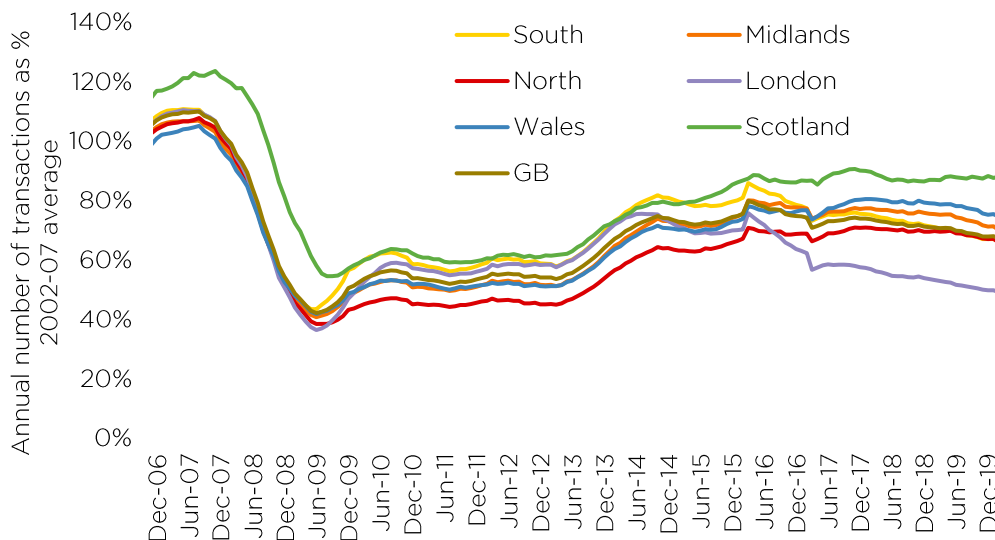


Source RICS, Nationwide, ONS

Transactions continued their general downward trend in March, according to HMRC figures. They show no significant change to completed sales volumes in March, despite the start of the lockdown.

Most sales underway were still able to complete at that point. We would expect to see more significant declines in transactions in next month's data.

Figure 5 No significant change in March transaction numbers



Source Savills using HM Land Registry (adjusted for count lag) and Registers of Scotland

House prices rose 0.7% in April, according to Nationwide. This is an annual growth of 3.7%, the strongest annual growth in three years. This may have been based on fewer transactions than normal however, which can lead to volatility in average price data. Nationwide also reported that 80% of the sales in the April figure were agreed/exchanged before the lockdown. That said, this strong growth is in line with trend, which has been rising since the general election last year.

Annual rental growth held at 1.4% in March, remaining largely steady for the past 5 months. Growth was the fastest in the South West, at 2.4%, and the lowest in Scotland, down -0.6%.

Annual house price growth was strongest in Knowsley, up 9.7%. It was followed closely by Rhondda Cynon Taf at 9.3%, and Falkirk at 7.6%. Aberdeen saw the weakest performance, falling -6.7%. It was followed by Boston and Moray, at -4.2% and -3.2% respectively.

Table 1 Recent house price growth

	Nationwide (to Mar-20 for regions, to Apr-20 for UK)			ONS (to Feb-20)			Savills (to Feb-20)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.7%	1.9%	3.7%	-0.3%	0.2%	1.2%	0.0%	0.3%	2.0%
London	-	1.3%	1.0%	0.5%	1.9%	2.3%	0.0%	0.3%	1.1%
South East	-	2.0%	1.7%	0.0%	0.1%	0.4%	0.0%	0.1%	0.2%
East of England	-	1.3%	1.3%	-0.5%	-0.4%	-1.0%	0.0%	0.0%	0.3%
South West	-	-0.5%	1.5%	0.6%	0.9%	1.1%	-0.1%	0.2%	1.4%
East Midlands	-	2.7%	3.6%	-1.5%	-0.5%	0.6%	-0.1%	0.3%	2.3%
West Midlands	-	0.5%	2.5%	-1.7%	-0.5%	0.6%	0.1%	0.5%	2.5%
North East	-	-0.9%	-0.4%	-1.3%	-1.3%	0.6%	-0.3%	-0.4%	1.7%
Yorks & Humber	-	2.5%	4.2%	-0.6%	0.1%	1.9%	0.0%	0.2%	3.3%
North West	-	2.9%	4.1%	-0.8%	-0.5%	0.9%	0.0%	0.6%	3.8%
Wales	-	2.7%	6.3%	1.3%	-1.5%	3.4%	0.1%	0.6%	4.3%
Scotland	-	-0.9%	0.9%	0.2%	0.8%	2.4%	-0.3%	0.0%	2.8%

Source Savills using HM Land Registry and Registers of Scotland*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Forecasts

House prices

Our expectation remains that house prices will fall by around -5% to -10% in the short term, as buyer confidence is weakened by the ongoing Covid-19 pandemic. That would be a smaller fall than either the early 1990s recession or the Global Financial Crisis.

The pace of recovery beyond the short term falls will depend on the state of the wider economy. The May forecast from Oxford Economics anticipates GDP being -0.7% lower by the end of 2024 than they expected in April, or -1.4% under their downside scenario. This will have a knock-on effect on household incomes.

But interest rates are also now expected to be lower for longer. Our November forecast for 15% UK house price growth over the five years to 2024 included an assumption that the Bank of England base rate would rise

to 2.0% by the end of that period. Oxford Economics' current forecast is for it to be 1.0% under both baseline and downside scenarios, remaining at their current level of 0.1% until Q1 2022 under the baseline or Q3 2023 under the downside.

The trade-off between borrowing costs and income rises will determine the medium term outlook for house prices, once the initial crisis has passed.

Transactions

The immediate impact of the lockdown has been on transaction numbers. Between 23rd March and 12th May, the physical restrictions of the lockdown prevented the majority of sales from proceeding. That restriction is now lifted in England, but constraints remain as a result of the social distancing and hygiene requirements around viewing

occupied homes.

The greater drag may simply be the reluctance of buyers to consider moving whilst other restrictions around schools, leisure and the workplace remain. Buyers of new homes may be less susceptible to such concerns.

Mortgage lenders are currently in a much better state than during the GFC and are likely to be keen to lend as the market unlocks. But higher loan to value products may be restricted, due to concerns around price stability, and lenders will be wary of borrowers' income security.

Therefore, although we do expect an immediate spike in activity levels, this will not be a full return to 'business as usual' in the short term. This will only come when buyer confidence returns and the employment market stabilises.

Savills team

Please contact us for further information

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Director
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0207 016 3881

*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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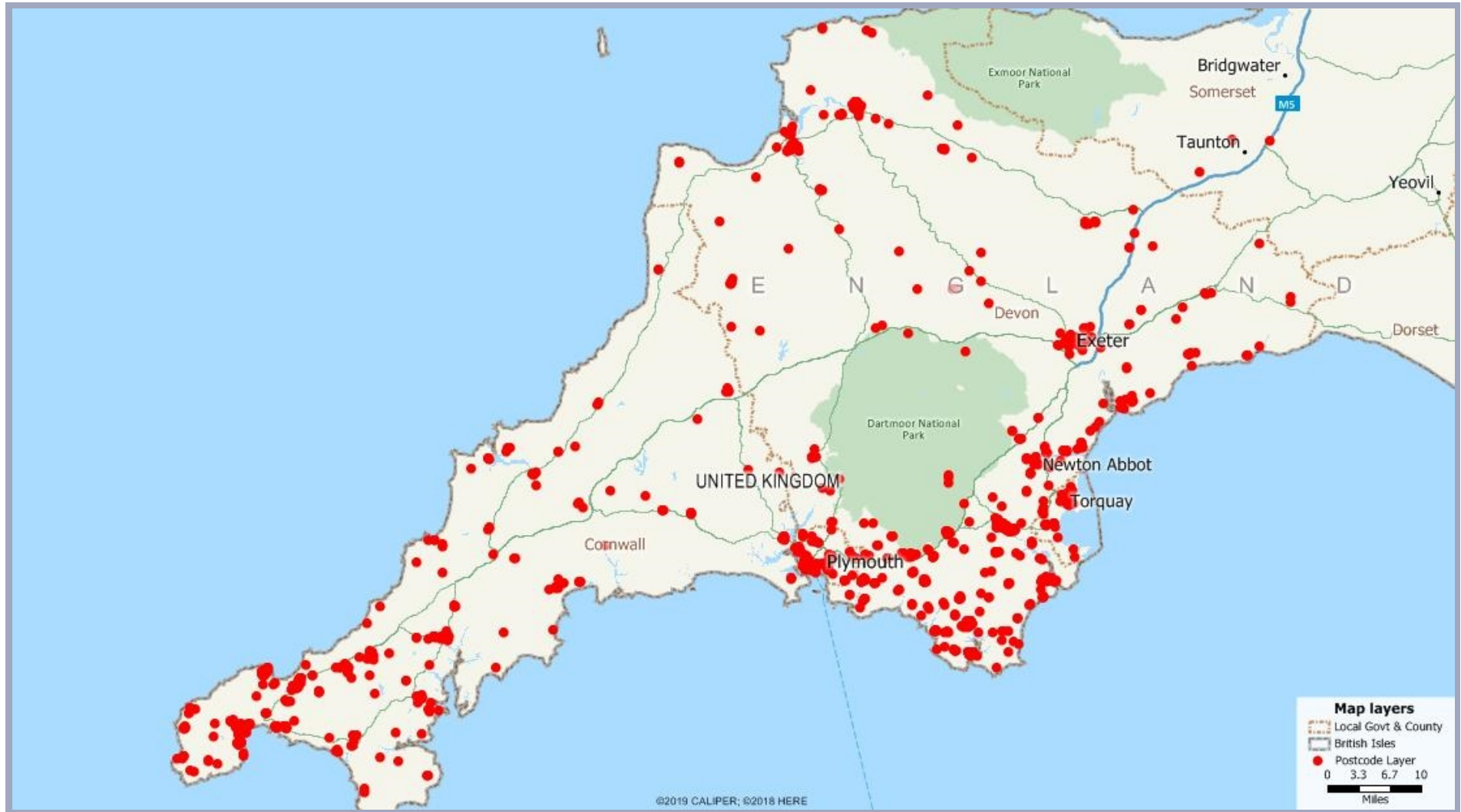


Appendix 3 - Schedule of Properties

Appendix 4 - Property Location Plan

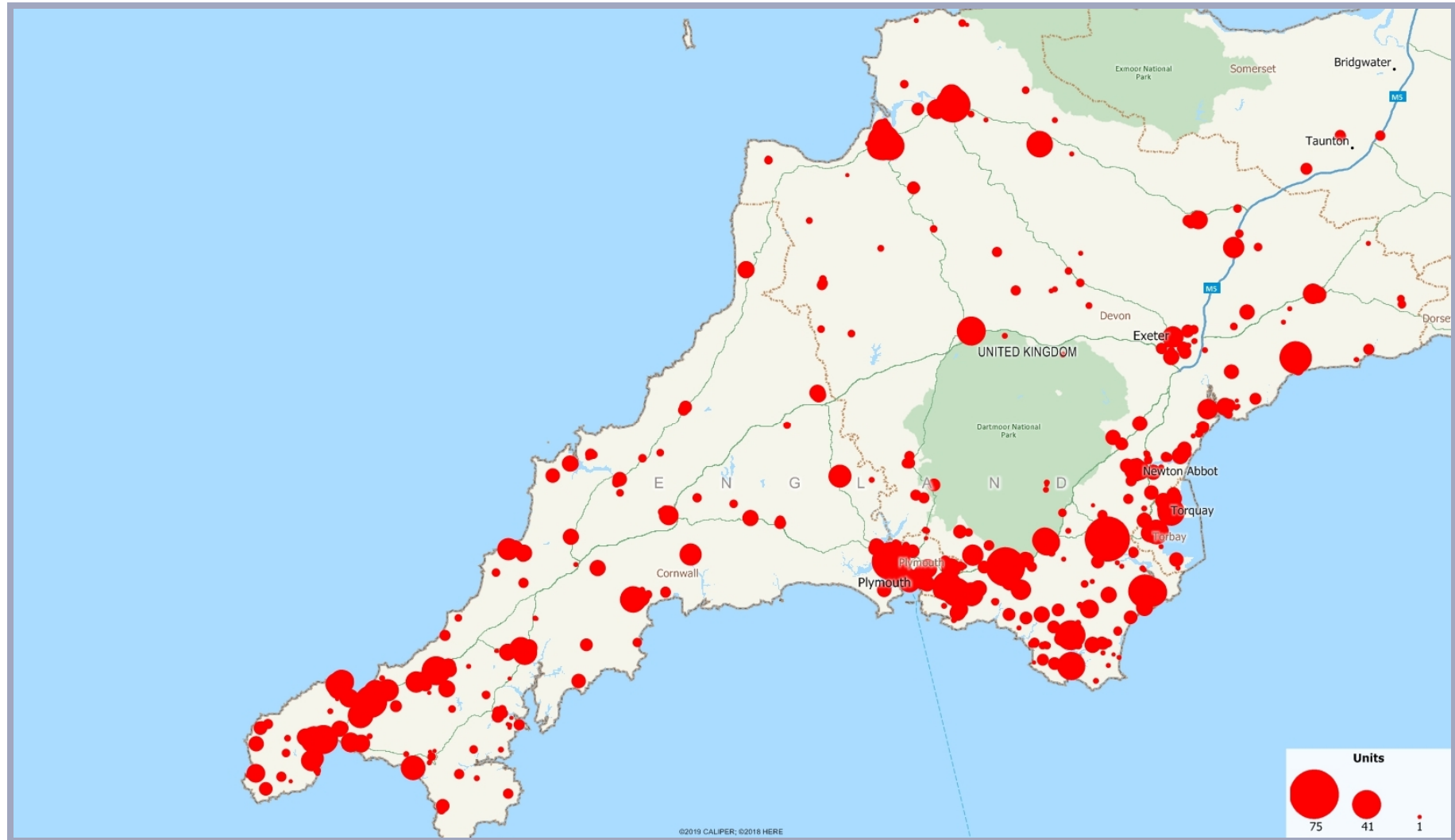
PROJECT BEACH

Portfolio Map – by Unique Postcode



PROJECT BEACH

Portfolio Map – by Density



Appendix 5 - Confirmation of Instructions and General Assumptions

18.05.20

To: **LiveWest Treasury plc**
Wellington Way Skypark
Clyst Honiton
Exeter
EX5 2FZ

(the "Issuer")

The Savills logo, consisting of the word "savills" in a lowercase, red, sans-serif font, set against a bright yellow rectangular background.

Adrian Shippey BSc MRICS
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Dear Sirs,

PROJECT NAME: PROJECT BEACH
VALUATION OF HOUSING STOCK OF LIVEWEST HOMES LIMITED (THE "INITIAL GUARANTOR") RELATING TO THE £[*] GUARANTEED SECURED NOTE PROGRAMME (THE "PROGRAMME") OF LIVEWEST TREASURY PLC (THE "ISSUER")

CONFIRMATION OF TERMS OF ENGAGEMENT FOR THE PROVISION OF VALUATION ADVICE

1. Thank you for your email confirming your kind instructions to us. The purpose of this letter is to confirm the terms upon which Savills UK Limited (**Savills, we or us**) will provide The Addressees (**you**) with a valuation report (the **Valuation or Report**) in respect of approximately 10,801 (incl. 205 Nil Value units) units of rented and shared ownership stock owned by you (each being a **Property** and together the **Property**).
2. Our Valuation will be undertaken on the terms set out in this letter, including its appendices.
3. Please sign and return a copy of this letter to us to confirm your acceptance of the terms set out herein. In particular, we draw your attention to the fact that when signing this letter you are confirming your agreement to the limitation of our liability set out at paragraphs 9 - 14.
4. Please note we will be unable to formally issue our final Report to you, and you will be unable to rely upon the contents of our Report, until such time as we have received your signed copy of this letter.
5. To the extent that there is conflict or inconsistency between this confirmation of instruction letter and your letter referred to above, this confirmation of instruction letter will prevail.

CONFLICTS OF INTEREST

6. We confirm that Savills (UK) Limited does not have a material connection or involvement with the subject property or any other parties and there are no other factors that could limit the valuers' ability to provide an impartial and independent valuation. Therefore, the valuers' will report an objective and unbiased valuation.

COVID-19 MATERIAL VALUATION UNCERTAINTY

7. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

Savills (UK) Limited. Chartered Surveyors. Regulated by RICS. A subsidiary of Savills plc. Registered in England No. 2605138.
Registered office: 33 Margaret Street, London, W1G 0JD

Market activity is being impacted in many sectors. As at the valuation date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation of this property under frequent review.

RICS RED BOOK

8. We shall prepare our Valuation in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the “**Red Book**”. Accordingly, we confirm that:

- (a) Identification and status of the Valuer
 - (i) The Valuation will be undertaken, and the Report will be signed by Adrian Shippey MRICS (the **Valuer**). The Valuer will work with colleagues as appropriate, and the Report will be counter-signed by at least one other RICS Registered Valuer;
 - (ii) The Valuer has sufficient current knowledge of the particular market(s) and sufficiently developed skills and understanding to undertake the valuation competently.
 - (iii) We are acting as an “external valuer” as defined in the Red Book and within Appendix 1.

The clients are the addressees of this letter. We agree that the Report will be addressed as follows and that the following parties (together, **the Addressees**) shall be entitled to rely upon our Report:

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

(b) Identification of the client and other intended users

LiveWest Treasury plc
Wellington Way Skypark
Clyst Honiton
Exeter EX5 2FZ

(the "Issuer")

and: **LiveWest Homes Limited**
Wellington Way Skypark
Clyst Honiton
Exeter EX5 2FZ

(the "Initial Guarantor")

and: **Banco Santander, S.A.**
Barclays Bank PLC
Lloyds Bank Corporate Markets plc
MUFG Securities EMEA plc
NatWest Markets Plc
and any further dealers appointed from time to time
under the Programme Agreement in respect of the
Programme (as defined below)

(each a "Dealer")

and: **Prudential Trustee Company Limited**
10 Fenchurch Avenue
London EC3M 5AG

(as "Note Trustee" and "Security Trustee")

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

(a) this report refers to the position at the date it was originally issued and, unless otherwise confirmed by us in writing, we have taken no action to review or update this report since the date it was originally issued;

(b) our aggregate liability to any one or more or all of the Addressees in respect of this report shall be limited to the lower of 33% of the Value of the Property as stated in our report and £100 million; and

(c) this report is subject to the terms and conditions set out in our letter of engagement with LiveWest Treasury Plc dated 4th July 2019.

(c) Identification of the asset or liability to be valued

- (i) The Property to be valued comprises stock totalling around 10801 (Incl. 205 Nil Value units) units of rented and shared ownership stock.
- (ii) The interests to be valued are freehold / leasehold. The Property will be valued subject to the occupational leases / licences, details to be confirmed in our Report.
- (iii) The interests to be valued comprise social housing stock.
- (iv) The valuation will be in pounds sterling.

(d) Purpose of the valuation

The Valuation is required for Loan Security purposes. It is important that the Report is not used out of context or for the purposes for which it was not intended. We shall have no responsibility or liability to any party in the event that the Report is used outside of the purposes for which it was intended, or outside of the restrictions on its use set out at sub-paragraph (n) below.

(e) Basis of value

The basis of our Valuation will be Existing Use Value for Social Housing and Market Value Subject to tenancies, as appropriate, the definitions of which are set out at **Appendix 1** (attached).

(f) Valuation date

The Valuation date will be the date of our report or 31 May 2020.

Since the valuation date, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is/are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation of this property under frequent review.

(g) Extent of investigation

COVID-19 Inspection Limitations

Please note that due to the coronavirus outbreak this report and valuation has been completed without any inspections of the properties. We can confirm employees of Savills have previously inspected all schemes and geographical clusters of individual street properties within the portfolio in **June 2019 & July 2019**.

We would comment that as part of our Year 1 inspection requirements undertaken in 2019 we undertook a wide geographical spread for our sample inspections. This has enabled us with confidence to undertake this years revaluation without inspection. We will as agreed with the funders and in accordance with the loan agreement ensure we have inspected 100% of the stock over 5 year the revaluation cycle.

Our valuations are on the assumption that the properties continue to be maintained to Decent Homes Standards and that the properties are managed and maintained in accordance institutionally acceptable asset management strategies.

(h) We will carry out inspection of the Property and investigations to the extent necessary to undertake the Valuation. We will not carry out a structural survey or test the services and nor will we inspect the woodwork and other parts of the structures which are covered, unexposed or inaccessible.

(i) Lotting

When valuing two or more properties, or a portfolio, each scheme or property group will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.

(j) Nature and source of information to be relied upon

(i) We will carry out our Valuation on the information listed below:

- Stock list detailing the Property
- Tenancy/lease types
- Current and target rent levels
- Re-let rates
- Repair and maintenance costs
- Management, supervision and administrative costs
- Levels of voids, arrears and bad debts
- Other income
- Factual information contained in the Business Plan and the latest I&E documents

(k) Floor areas:

- (ii) We will not be measuring any part of the Property which we are unable to access. In such cases we may estimate floor areas from plans, or by extrapolation. Such measurements should not be relied upon for any other purpose.
- (iii) We will not make formal searches with local planning authorities, but shall rely on the information provided informally by the local planning authority or its officers. We recommend you instruct lawyers to confirm the position in relation to planning and that the Report is reviewed in light of advice from your solicitors in this respect.
- (iv) For the avoidance of doubt, we accept no liability for any inaccuracy or omission contained in information disclosed by you or any third party or from the Land Registry or any database to which we subscribe. We will highlight in our Report where we have relied on such information.

(l) Assumptions and Special Assumptions

Unless otherwise agreed, our Valuation will be reported on the basis of the general assumptions attached at **Appendix 2**, and the additional assumptions at **Appendix 3**.

(m) Assumptions and Special Assumptions

Unless otherwise agreed, our Valuation will be reported on the basis of the general assumptions attached at **Appendix 2** and, where the Property is residential, the additional assumptions set out at **Appendix 3**.

(n) Restrictions on use, distribution or publication

- (i) Our Report shall be confidential to, and for the use only of, the Addressee and no responsibility shall be accepted to any third party for the whole or any part of its contents.
- (ii) Neither the whole nor any part of our Report or any reference to it may be included in any published document, circular or statement, nor published, reproduced, referred to or used in any way without our prior written approval (with such approval to be given or withheld at our absolute discretion).

- (iii) Notwithstanding the foregoing, we confirm that we consent in principle to the Report or a summary of our Report being included in an offering document (the **Materials**) in connection with the Issue of Bonds, in September 2019 (the **Transaction**), provided that:
 - (A) the Report or any summary shall not be published until such time as we have first approved the form and context in which the Report or summary appears (such approval not to be unreasonably withheld or delayed) and are satisfied that the Report has been accurately reproduced or the summary is sufficiently accurate and comprehensive (as the case may be);
 - (B) the Materials shall make clear that, with the exception of the Report or summary, Savills does not accept any responsibility for any part of the Materials or any other information issued by LiveWest Homes Limited or any other person in connection with the Proposed Transaction;
 - (C) such Report or summary complies in all respects with the requirements of the Red Book and any applicable regulations or directives; and
 - (D) if, in our opinion, any part of our Report becomes misleading or inaccurate between the date of issue of the Report and the date of issue of any Materials we reserve the right to withdraw our consent to your use of our Report or the summary unless and until we have made such amendments to it as we (acting reasonably and without undue delay) deem necessary or desirable, notwithstanding that our doing so may necessitate deferral of publication of the relevant materials.
- (iv) Where any Addressee is a lender, in the event of a proposal to place the loan on the Property in a syndicate, you must notify us so that we can agree the extent of our responsibility to further named parties. If this is not done or we do not agree to be responsible to further named parties, we shall have no responsibility to any party other than the Addressee(s).
- (v) Draft reports, if provided, will be sent on the basis that they are provisional (i.e. subject to completion of our final report) and for your internal purposes only. They must not be published or disclosed and you will not be entitled to rely upon them for any purpose whatsoever. Savills neither owes nor accepts a duty of care to you in connection with any drafts and shall not be liable to you for any loss, damage, cost or expense of whatever nature caused by your use of or reliance on them. Should you choose to rely upon a draft you do so entirely at your own risk and you are responsible for carrying out your own independent investigations.
- (o) Confirmation that the Valuation will be undertaken in accordance with the International Valuation Standards (IVS)

We confirm that our Valuation will be carried out in compliance with the IVS and that the valuer will assess the appropriateness of all significant inputs.
- (p) Format of Report

As instructed, we will adopt your report template, together with any additional requirements needed to meet RICS reporting requirements.
- (q) Restrictions on use, distribution or publication
 - (vi) Our Report shall be confidential to, and for the use only of, the Addressee and no responsibility shall be accepted to any third party for the whole or any part of its contents.
 - (vii) Neither the whole nor any part of our Report or any reference to it may be included in any published document, circular or statement, nor published, reproduced, referred to or used in any way without our prior written approval (with such approval to be given or withheld at our absolute discretion).
 - (viii) Notwithstanding the foregoing, we confirm that we consent in principle to the Report or a summary of our Report being included in an offering document (the **Materials**) in connection with the Issue of Bonds, anticipated in September 2019 (the **Proposed Transaction**), provided that:

- (A) the Report or any summary shall not be published until such time as we have first approved the form and context in which the Report or summary appears (such approval not to be unreasonably withheld or delayed) and are satisfied that the Report has been accurately reproduced or the summary is sufficiently accurate and comprehensive (as the case may be);
 - (B) the Materials shall make clear that, with the exception of the Report or summary, Savills does not accept any responsibility for any part of the Materials or any other information issued by LiveWest Homes Limited or any other person in connection with the Proposed Transaction;
 - (C) such Report or summary complies in all respects with the requirements of the Red Book and any applicable regulations or directives; and
 - (D) if, in our opinion, any part of our Report becomes misleading or inaccurate between the date of issue of the Report and the date of issue of any Materials we reserve the right to withdraw our consent to your use of our Report or the summary unless and until we have made such amendments to it as we (acting reasonably and without undue delay) deem necessary or desirable, notwithstanding that our doing so may necessitate deferral of publication of the relevant materials.
- (ix) Where any Addressee is a lender, in the event of a proposal to place the loan on the Property in a syndicate, you must notify us so that we can agree the extent of our responsibility to further named parties. If this is not done or we do not agree to be responsible to further named parties, we shall have no responsibility to any party other than the Addressee(s).
- (x) Draft reports, if provided, will be sent on the basis that they are provisional (i.e. subject to completion of our final report) and for your internal purposes only. They must not be published or disclosed and you will not be entitled to rely upon them for any purpose whatsoever. Savills neither owes nor accepts a duty of care to you in connection with any drafts and shall not be liable to you for any loss, damage, cost or expense of whatever nature caused by your use of or reliance on them. Should you choose to rely upon a draft you do so entirely at your own risk and you are responsible for carrying out your own independent investigations.
- (r) Confirmation that the Valuation will be undertaken in accordance with the International Valuation Standards (IVS)
- We confirm we will prepare our Valuation in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, and where applicable, with the UK National Supplement effective 14 January 2019, together the “**Red Book**”.
- We also confirm that the valuers will assess the appropriateness of all significant inputs.
- (s) The basis on which the fee will be calculated
- (i) The agreed fee Year 1 (2019) for the provision of the Valuation is **£160,000** plus VAT, excluding expenses incurred and is payable by you in pounds sterling. In addition and as agreed with the client, we reserve the right to make additional charges if more stock is added to the agreed list up to either listing.
- The fee includes a full revaluation of at least 20% of the stock the balance 80% is on a desktop revaluation or sample inspections, where Savills have not previously inspected either uncharged or properties valued by others*.
- Tranche 1 in 2019, 20% Full Revaluation 80% Revaluation with sample inspections fee **£160,000 year 1**
 - Tranche 2-5 in 2020-2025, 20% Full Revaluation 80% Revaluation fee **£62,000 per annum**

***Please note our reference to inspections and Covid limitations for 2020 and subsequent revaluations where we confirm that we will ensure 100% of the locations are inspected over the 5 year valuation cycle, as agreed with the Funders**

- (ii) This fee is for one bond report in the Listing Document format at the envisaged listing date; Q3 2019. Any revision of the report at the behest of the solicitors or managers will incur an additional fee. The fee includes review of up to 500 titles. Additional / substitute units will be subject to additional fees at the greater of £225 per title or £15 per unit plus VAT.

Should a separate report be required to the lenders, this will be by separate agreement, depending on what is required; either a report charge will be agreed or a hourly rate at £150 + VAT.

- (iii) The fee does not cover additional charging work (valuation, reporting of title review) following these listing dates, security taps or addition tranches. The fee includes the review of certificates for up to 500 titles. If this is exceeded then we reserve the right to charge additional fees.
- (iv) Our agreed fee and any expenses, together with any VAT (at the prevailing rate) on such amounts, shall become due and payable by you to us within 30 days of us issuing you with a valid VAT invoice in respect of such amounts. In the event that our fee is not paid by the date for payment we reserve the right to charge default interest at a rate of 4% above the Barclays Bank base rate for payment.
- (v) In the event of our instructions being terminated at any time prior to completion of our work, a fee will become payable on a time basis (at our prevailing rates) for work carried out up to the date of termination, subject to a minimum of 50% of the agreed fee, together with all expenses incurred.
- (vi) If we incur any expenditure on solicitors or other third parties in order to recover the fee due, such amounts will be payable by you.
- (vii) If we perform any additional services for you, we will agree an additional fee with you in respect of such services and such fee shall be payable in the manner set out above.
- (viii) You acknowledge that you shall not be entitled to rely upon our Report until such time as our fees have been paid in accordance with this sub-paragraph (s).

- (t) Savills complaints handling procedure

Savills UK Limited is registered for regulation by the RICS and a copy of our client complaints handling procedure can be made available to you on request.

- (u) Monitoring under RICS conduct and disciplinary regulations

Compliance with the standards set down in the RICS Red Book may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

LIMITATIONS ON LIABILITY

9. Subject to paragraph 14 below, our aggregate liability to any one or more or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Report under or in connection with this agreement and our Valuation, however that liability arises (including, without limitation, a liability arising by breach of contract, arising by tort, including, without limitation, the tort of negligence, or arising by breach of statutory duty) shall be limited to the lower of:

- (a) 33% of the Value (as defined below) of the Property stated in our Report; and
- (b) £100M,

10. In paragraph 7, **Value** means:

- (a) where more than one value is stated for the same Property on different bases, the highest valuation figure recorded in our Report; and
 - (b) in the case of valuations of portfolios, estates, shopping centres and other multi-unit properties within one Report, the aggregate of our valuations included in the one Report.
11. You acknowledge and agree that we shall not be liable under or in connection with this agreement and the provision of our Valuation in tort (including negligence), breach of contract, breach of statutory duty or otherwise due to, under and/or arising out of or in connection with this agreement to the extent such loss or damage is consequential, indirect, special or punitive.
 12. If you suffer loss as a result of our breach of contract or negligence, our liability shall be limited to the lesser of the limitation of liability set out above at paragraph 9 or a just and equitable proportion of your loss having regard to the extent of responsibility of any other party. Our liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an agreement between you and them, your difficulty in enforcement, or otherwise.
 13. You acknowledge and agree that none of our employees, partners or consultants individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring a claim against any such individuals personally in connection with our services.
 14. Nothing in this agreement shall exclude or limit our liability for death or personal injury caused by our negligence or for any other liability that cannot be excluded by law.

INSURANCE

15. During the period that we are producing our Valuation and for a period of six years thereafter, we will maintain in force, with insurers or underwriters approved by the RICS, professional indemnity insurance in an amount not less than the amount of our liability cap, as calculated pursuant to clause 9 above and shall, on your request, produce confirmation of the same from our insurance broker.

RELIANCE

16. As stated above, we accept responsibility for our Report only to the Addressees and no third party may rely on our Report. We do not accept any responsibility to, and shall have no liability in respect of, any third parties unless otherwise agreed writing even if that third party pays all or part of our fees, or is permitted to see a copy of our Valuation. In addition, the benefit of our Report is personal and neither you nor any other Addressee may assign the benefit of our Report to any third party without our prior written consent (with such consent to be given or withheld at our absolute discretion). You acknowledge that if we agree to extend reliance on our Report to any third party or to the benefit of our Report being assigned, we will require the relevant third party or assignee to enter into a reliance letter before such party is entitled to rely upon our Report. We will provide you with a copy of our reliance letter on request. If we agree to any such extension or assignment, we may charge you an additional fee.

CONFIDENTIALITY

17. Neither party shall disclose any confidential information relating to the affairs, business, customers or clients of the disclosing party to any other party without the disclosing party's prior written consent except to those of the receiving party's employees, officers, representatives and/or advisors who need to know the information for the purposes of carrying out the receiving party's obligations under this agreement (save to the extent that the receiving party is compelled to disclose such information by law).
18. Our Report is confidential to and for the use only of the Addressees, but the Addressees may disclose the Report on a non-reliance and without liability basis to their directors, officers, employees and professional advisers provided the relevant Addressee procures any person to whom our Report is disclosed pursuant to this paragraph 18 keeps the Report confidential and does not disclose it to any other party.

DATA PROTECTION

19. We may use your personal information in our provision of services to you. Please see our Privacy Notice for details of how your personal information will be used. Our Privacy Notice can be found at the following web address: <http://www.savills.co.uk/footer/privacy-policy.aspx>

REINSTATEMENT COSTS

20. If you have instructed us to report on the reinstatement cost of the Property for insurance purposes, we will provide you with an approximate opinion of such cost only. You acknowledge and agree that the provision of our opinion of the reinstatement cost is provided to you strictly without liability and on a non-reliance basis. If you require a reinstatement cost figure on which you may rely, please let us know and we will ask our building surveying colleagues to provide a fee estimate.

SUB-CONTRACTING

21. We may sub-contract the provision of any services to be performed by us pursuant to this agreement (including, without limitation, to other companies that are direct or indirect subsidiaries of Savills plc) provided that we will remain responsible to you for the provision of those services and the provision of our Report. We may request that you pay any sub-contractor directly for those of our fees which relate to work carried out by the sub-contractor. In these circumstances, the fees in question are to be paid by you directly to the sub-contractor and we will be entitled to assign to the sub-contractor any rights that we have in respect of those fees.

MONEY LAUNDERING

22. You shall promptly, upon request, provide us with any information reasonably required to enable us to comply with our obligations under the Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 and our internal compliance policies relating to the same. For the avoidance of doubt, searches may also be conducted on your directors and "beneficial owners" as is required by the legislation. You agree that we may retain such information and documentation for these purposes and make searches of appropriate databases electronically. If such information is not provided within a reasonable time or you do not meet the requirements set out in our relevant internal policies, we may terminate this instruction immediately upon written notice to you.

HEALTH AND SAFETY

23. If we are undertaking physical inspections of the Property, you shall take reasonable steps to procure that the owner and/or occupier of the Property:
- (a) advises us of any hazards to which our staff may be exposed at the Property;
 - (b) provides us with any relevant health and safety policies; and
 - (c) arranges for any site visits to the Property to be hosted by a representative of the owner/occupier of the Property.

JURISDICTION

24. This agreement and any dispute arising from the Valuation is subject to English jurisdiction and law.

APPENDICES

25. Your attention is drawn to the attached appendices which form part of the agreement between us and on which our Valuation will be reported. By signing a copy of this letter you are also confirming your agreement to them.

Yours faithfully

A handwritten signature in black ink, appearing to read "Adrian Shippey", written in a cursive style.

Adrian Shippey MRICS
Associate Director
RICS Registered Valuer
For and on behalf of Savills UK Limited



Client acceptance

We confirm our agreement to this letter and the attached appendices and, in particular, confirm that the limitation on liability set out in paragraph 9 above is acknowledged, considered reasonable and accepted:

Signed by **LiveWest Treasury Plc**
by its duly authorised signatory

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Appendix 1: Definitions and Bases of Valuation

Assumption

A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true (RICS Valuation – Global Standards, 2020).

Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (RICS Valuation – Global Standards, 2020).

Equitable Value

The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 104 – Bases of Value), (RICS Valuation – Global Standards 2020).

Existing Use Value

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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost (RICS Valuation – Global Standards 2017, UK national supplement).

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

Existing Use Value for Social Housing (EUV-SH)

An opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:

- a) a willing seller
- b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale
- c) that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation
- d) that no account is taken of any additional bid by a prospective purchaser with a special interest
- e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion
- f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use
- g) that the vendor would only be able to dispose of the property to organisations intending to manage their housing stock in accordance with the regulatory body's requirements
- h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and
- i) that any subsequent sale would be subject to all the same assumptions above. (UK VPGA 7)

External Valuer

A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment. (RICS Valuation – Global Standards 2020). Unless otherwise stated, External Valuer does



not refer to the role of an external valuer within the context of the Alternative Investment Fund Managers Directive 2011/61/EU and its implementing provisions in the United Kingdom unless agreed otherwise in writing.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (RICS Valuation – Global Standards 2020).

Gross Development Value (GDV)

The aggregate market value of the proposed development, assessed on the assumption that the development is complete at the date of valuation in the market conditions prevailing at that date.

Investment Value (or Worth)

The value of an asset to a particular owner or prospective owner for individual investment or operational objectives (RICS Valuation – Global Standards 2020).

Market Rent

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (RICS Valuation – Global Standards 2020).

Market Value

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 (RICS Valuation – Global Standards 2020).

Special Assumption

An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date (RICS Valuation – Global Standards 2020).

Appendix 2: General assumptions and conditions applicable to all valuations

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

1. That the Property(ies) is/are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. Should there be any mortgages or charges, we have assumed that the property(ies) would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Property(ies), and that the information supplied to us and summarised in this Report is both complete and correct.
3. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
4. That the Property(ies) is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property(ies) and our Report do not constitute a building survey or any warranty as to the state of repair or refurbishment of the Property(ies). Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our Valuation materially.
6. That there is unrestricted access to the Property(ies) and that the site(s) is/are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. Sewers, mains services and roads giving access to the Property(ies) have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.
8. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
9. That the Property(ies) is/are free from environmental hazards and has/have not suffered any land contamination in the past, nor is likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. That any tenant(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
11. In the case of a Property(ies) where we have been asked to value the site under the special assumption that the Property(ies) will be developed, there are no adverse site or soil conditions, that the Property(ies) is/are not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.
12. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property(ies).

13. Our Valuation will be exclusive of VAT (if applicable).
14. No allowance will be made for any expenses of realisation.
15. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
16. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
17. In the case of a Property(ies) where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property(ies) in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.
18. No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation, insofar that the latter is applicable.
19. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

Appendix 3: Further General Assumptions applicable to residential valuations

The following general assumptions apply to residential property valuations and are in addition to the general assumptions at Appendix 2.

1. Where the Property comprises flats or maisonettes, unless instructed or otherwise aware to the contrary, we will assume that:
 - (a) The costs of repairs and maintenance of the building and grounds are shared equitably between the flats and maisonettes.
 - (b) There are suitable, enforceable covenants between all leaseholds, or through the landlord or the owner.
 - (c) There are no onerous liabilities outstanding.
 - (d) There are no substantial defects, or other matters requiring expenditure (in excess of the current amount or assumed amount of service charge payable on an annual basis), expected to result in charges to the leaseholder, or owner of the Property, during the next five years, equivalent to 10% or more of the reported Market Value.
2. Where the dwelling is leasehold and it is not possible to inspect the lease or details have not been provided, the following further assumptions will be made, unless instructed to the contrary:
 - (a) The unexpired term of the lease is 85 years, and no action is being taken by any eligible party with a view to acquiring the freehold or to extending the lease term.
 - (b) That there are no exceptionally onerous covenants upon the leaseholder.
 - (c) The lease cannot be determined except on the grounds of a serious breach of covenant in the existing lease agreement.
 - (d) If there are separate freeholders, head and/or other sub-head leaseholders, the terms and conditions of all the leases are in the same form and contain the same terms and conditions.
 - (e) The lease terms are mutually enforceable against all parties concerned.
 - (f) There are no breaches of covenants or disputes between the various interests concerned.
 - (g) The leases of all the properties in the building/development are materially the same.
 - (h) The ground rent stated or assumed is not subject to unreasonable review and is payable throughout the expired lease term.
 - (i) In the case of blocks of flats or maisonettes of over six dwellings, the freeholder manages the property directly or there is an appropriate management structure in place.
 - (j) There is a dutyholder, as defined in the Control of Asbestos Regulations 2012, and there are in place an asbestos register and effective management plan, which does not require any immediate expenditure, pose a significant risk to health or breach of the Health and Safety Executive (HSE) regulations.
 - (k) Where the Property forms part of a mixed residential or commercially used block or development, there will be no significant changes in the existing pattern of use.
 - (l) Where the Property forms part of a development containing separate blocks of dwellings, the lease terms of the Property apply only to the block. There will be no requirement to contribute towards costs relating to the other parts of the development, other than in respect of common roads, paths, communal grounds and services.

- (m) Where the Property forms part of a larger development, the ownership of which has since been divided, all necessary rights and reservations have been reserved.
 - (n) There are no unusual restrictions on assignment or sub-letting of the Property for residential purposes.
 - (o) There are no outstanding claims or litigation concerning the lease of the Property or any others within the same development.
 - (p) Where the Property benefits from additional facilities within a development, the lease makes adequate provision for the lessee to continue to enjoy them with exceptional restriction, for the facilities to be maintained adequately, and that there are no charges over and above the service charge for such use and maintenance.
3. In respect of insurance the following assumptions will be made, unless instructed otherwise:
- (a) The Property can be insured under all-risks cover for the current reinstatement cost and is available on normal terms.
 - (b) There are no outstanding claims or disputes.
 - (c) Where individuals in a block makes separate insurance arrangements, the leases make provision for mutual enforceability of insurance and repairing obligations and
 - (d) Any landlord responsible for insurance is required to rebuild the Property with the alterations that may be necessary to comply with current Building Regulations and planning requirements.

BASES OF VALUE & GENERAL ASSUMPTIONS AND CONDITIONS

1. Basis of Valuation - definitions

Assumption: A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true (RICS Valuation – Global Standards, 2020).

Depreciated Replacement Cost: The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Existing Use Value: 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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost (RICS Valuation – Global Standards 2017, UK national supplement).

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

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

- (a) a willing seller
- (b) that prior to the *valuation date* there had been a reasonable period (having regard to the nature of the property and the state of the market) for the property marketing of the interest for the agreement of the price in terms and for the completion of the sale
- (c) that the state of the market, level of values and other circumstances were on any earlier assumed data of exchange of contracts, the same as on the date of valuation
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion
- (f) that the 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 requirement
- (g) that the vendor would only be able to dispose of the property to organisations intending to manage their housing stock in accordance with the regulatory body's requirement and
- (h) that any subsequent sale would be subject to all the same assumptions above.

Equitable Value: The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 104 – Bases of Value), (RICS Valuation – Global Standards 2020).

Fair Value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (RICS Valuation – Global Standards 2020).

Gross development value (GDV) - The aggregate Market Value of the proposed development assessed on the special assumption that the development is complete as at the Valuation date in the market conditions prevailing at that date.

Investment value: The value of an asset to a particular owner or prospective owner for individual investment or operational objectives (RICS Valuation – Global Standards 2020).

Market Rent: The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (RICS Valuation – Global Standards 2020).

Market Value: 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 (RICS Valuation – Global Standards 2020).

Special Assumption: An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date (RICS Valuation – Global Standards 2020).

2. General assumptions and conditions applicable to all valuations

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

1. That the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Property, and that the information supplied to us and summarised in this Report is both complete and correct.
3. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
4. That the Property is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property and our Report do not constitute a building survey or any warranty as to the state of repair of the Property.

6. That there is unrestricted access to the Property and that it is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. Sewers, mains services and roads giving access to the Property have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.
8. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
9. That the Property is free from environmental hazards and has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. That any tenant(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
11. In the case of a Property where we have been asked to value the site under the special assumption that the Property will be developed, there are no adverse site or soil conditions, that the Property is not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.
12. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.
13. Our Valuation will be exclusive of VAT (if applicable).
14. No allowance will be made for any expenses of realisation.
15. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
16. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
17. In the case of a Property where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.
18. No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.

19. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

3. Further General Assumptions applicable to residential Valuations only

The following general assumptions apply to residential property valuations. For the avoidance of doubt, these are in addition to the general assumptions at Appendix 5.

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

- 2 Where the dwelling is leasehold and it is not possible to inspect the lease or details have not been provided to us, the following further assumptions will be made, unless instructed to the contrary:
 - (a) The unexpired term of the lease is 70 years, and no action has been taken by any eligible party with a view to acquiring the freehold or to extending the lease term.
 - (b) That there are no exceptionally onerous covenants upon the leaseholder.
 - (c) The lease cannot be determined except on the grounds of a serious breach of covenants in the existing lease agreement.
 - (d) If there are separate freeholders, head and/or other sub-head leaseholders, the terms and conditions of all the leases are in the same form and contain the same terms and conditions.
 - (e) The lease terms are mutually enforceable against all parties concerned.
 - (f) There are no breaches of covenants or disputes between the various interests concerned.
 - (g) The leases of all the properties in the building/development are materially the same.
 - (h) The ground rent stated or assumed is not subject to review and is payable throughout the expired lease term.
 - (i) In the case of blocks of flats or maisonettes of over six dwellings, the freeholder manages the property directly or there is an appropriate management structure in place.
 - (j) There is a dutyholder, as defined in the Control of Asbestos Regulations 2006, and there are in place an asbestos register and effective management plan, which does not require any immediate expenditure, pose a significant risk to health or breach of the Health and Safety Executive (HSE) regulations.
 - (k) Where the Property forms part of a mixed residential or commercially used block or development, there will be no significant changes in the existing pattern of use.

- (l) Where the Property forms part of a development containing separate blocks of dwellings, the lease terms of the Property apply only to the block. There will be no requirement to contribute towards costs relating to the other parts of the development, other than in respect of common roads, paths, communal grounds and services.
- (m) Where the Property forms part of a larger development, the ownership of which has since been divided, all necessary rights and reservations have been reserved.
- (n) There are no unusual restrictions on assignment or sub-letting of the Property for residential purposes.
- (o) There are no outstanding claims or litigation concerning the lease of the Property or any others within the same development.
- (p) Where the Property benefits from additional facilities within a development, the lease makes adequate provision for the lessee to continue to enjoy them with exceptional restriction, for the facilities to be maintained adequately, and that there are no charges over and above the service charge for such use and maintenance.

3 In respect of insurance the following assumptions will be made, unless instructed otherwise:

- (a) The Property can be insured under all-risks cover for the current reinstatement cost and is available on normal terms.
- (b) There are no outstanding claims or disputes.
- (c) Where individuals in a block makes separate insurance arrangements, the leases make provision for mutual enforceability of insurance and repairing obligations

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

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