

1st October 2018

EXETER - 7 Verney Street\2018 Update\Update Valuation letter.doc



The Directors
PPNL SPV B47 – 1 Limited and PPNL SPV B47 Limited
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London
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For the attention of: Robert Weaver

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Dear Sirs

PROPERTY: 7 VERNEY STREET, EXETER EX1 2AW

In accordance with your instructions to provide an updated “desktop” valuation, we have not re inspected the Property and we are informed that it remains unchanged from our previous inspection in August 2017. We have carried out a desktop revaluation exercise and comment as follows.

This updated report is to be read in conjunction with our previous report dated 30th August 2017 “the Earlier Report” and is subject to the terms, conditions and assumptions contained therein.

We are instructed to provide our opinion of the Market Value of the freehold interest in the Property with vacant possession subject to the lettings, details of which you have supplied to us.

By its nature this update valuation does not comply with the RICS definition of a Red Book report for accounting purposes, however, it is provided with commitment and has been prepared in a diligent and professional manner. The Earlier Report was however prepared in accordance with the provisions of the Red Book.

We confirm that we are not aware of any conflict of interest preventing us from providing you with an independent valuation of the Property. We have of course reported to you previously on the date set out above. At that time we reported a Market Value of £3,600,000.

We can confirm that the valuer has the pre-requisite experience to undertake a valuation of the nature and that we are not aware of any constraints or restrictions which are likely to apply to our valuation. We can also confirm that we hold the necessary Professional Indemnity Insurance cover to undertake a valuation of this type and magnitude.

Background

The property is a terraced four storey building which provides a total of 29 self-contained student apartments.

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

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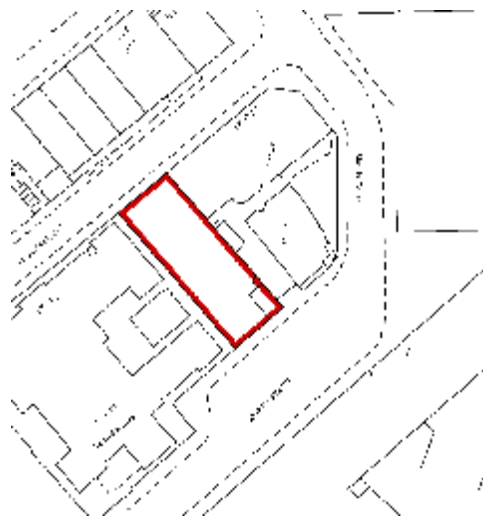




Main entrance to the building is from the Verney Street frontage (with secondary access from Red Lion Lane) to a communal lobby. On the ground floor are five studio apartments, bin and bike store, communal lounge opening onto an enclosed paved courtyard, plant room and luggage store. The first floor has eight studio apartments, gym and laundry. The second and third floors each have eight studio apartments. There are communal staircases at front and rear connecting all floors.

Tenure

We have valued the freehold interest in the property outlined on the Ordnance Survey extract below:



Lettings

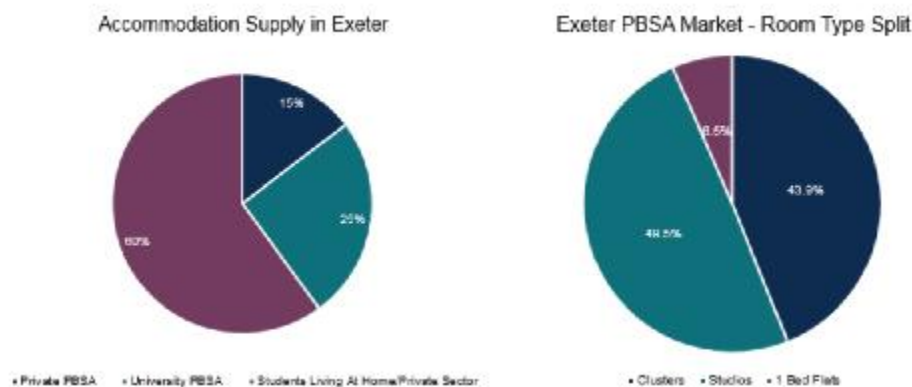
We are informed that the property is now fully let for 2018/2019 at a total rent of £275,647 per annum as shown below. We note that eight of the units are let on 44 week agreements which allows for potential summer letting income in addition to the above.

Number of Units	Room Type	Tenancy Length	Weekly Rent	Annual Rent
3	Standard Studio	44	£169	£22,308
3	Standard Plus Studio	44	£189	£24,948
1	Standard Plus Studio	51	£179	£9,129
1	Standard Plus Studio	51	£189	£9,639
1	Premium Studio	44	£209	£9,196
1	Premium Studio	44	£219	£9,636
7	Premium Studio	51	£179	£63,903
4	Premium Studio	51	£199	£40,596
1	Premium Studio	51	£229	£11,679
7	Premium Studio	51	£209	£74,613
29				£275,647

Property Market Overview

Demand for UK Higher Education remains strong despite uncertainty over EU funding and the inclusion of international students in government migration targets. Student property investment totalled £4bn in 2017, up 25% on the previous year. This strong performance looks set to continue, despite the current uncertainty surrounding Brexit. The enduring strength and quality of the UK's Higher Education sector remains the key driver. The number of students accepting places at UK institutions has increased over the long-term. In 2017/18, over 200,000 18-year olds and 70,000 students from outside the UK accepted places, the highest number on record.

Current supply of student accommodation in Exeter is summarised below:



We understand that there is still unsatisfied demand for new student accommodation within the city, especially in locations which are close to the main colleges and city centre. There are a number of schemes which are either being brought forward or are in the planning process which may come to the market in the future, although student development schemes and investments are expected to remain a popular investment in the future, despite increased provision within the city. Some forthcoming schemes of which we are aware are as follows:

- Mary Arches Street – 127 student flats and studios – under construction.
- St Germans Road – 131 student bedrooms – status unknown.
- Bonhay Road – 154 student units – currently not in progress.
- Mary Arches Street – 31 student bedrooms – not commenced.
- Paris Street – 125 student bedspaces – under construction.
- Frog Street – 98 student units – under construction.
- Sidwell Street – 88 student bedspaces – under construction.

In reaching our opinion of value for the Property we have had regard to a number of lettings of comparable properties both in the vicinity and in Exeter generally, and discussions with both our own agents and local agents.

We consider that the good evidence of value is provided by the rents achieved at the subject property, but we have also had regard to the following:

ADDRESS	TYPE	TERM (WEEKS)	RENT PER WEEK
Printworks	Cluster	51	£125 - £170
	Studio	51	£200 - £240
Cricket Field Court	Cluster	51	£160 - £168
	Studio	51	£205 - £215
Library Lofts	Cluster	51	£155 - £185
	Studio	51	£160 - £187
The Kingfisher	Studio	51	£196 - £212
Picturehouse Apartments	Cluster	51	£139 - £185
	Studio	51	£190 - £287

On this basis and given the quality of the accommodation and location we are of the opinion that the current rents are conservative and there is potential for increased rental levels in future years. We note also that some of the current lettings are on the basis of a 44 week year which is clearly out of step with current market practice.



There is limited evidence of sales of single blocks of accommodation, as most recent investment transactions in the student sector have been of portfolios, with the most recent being the sale of a Unite portfolio comprising 14 buildings across 6 towns and cities in the U.K. with a total capacity of 3,436 beds for student accommodation. The properties include 10 freehold assets and 4 leasehold assets, and are situated in established university towns and cities with large full-time student populations, including two properties in Bristol and five in Plymouth. The purchase price shows a net initial yield of 6.3%.

We are however also aware of the following student investment transactions to which we have had regard in arriving at our opinion of value:

Dean Clarke Lofts, Southernhay East, Exeter

Development of 36 student units arranged as studio apartments with no communal areas located over a restaurant. The units were direct let and the freehold investment sold in 2015 showing a net initial yield of 7.25%.

The Printworks, Exeter

Blackrock UK Property Fund acquired the high specification student accommodation scheme in Exeter comprising 492 bedrooms. The scheme was developed by Campus Development Management and Moorfield and opened in September 2013. The Printworks is situated directly opposite the subject property and was sold for £40m reflecting 6.10% NIY.

31-33 Corn Street, Bristol

This was a small 24 apartment scheme near Bristol University which sold in August 2015 for £1.6m (66,667 per bed). This was developed by First Step Homes and showed a 6.5% NIY.

Exeter University

Five blocks of student accommodation and a 36,000 sq ft teaching facility at the University of Exeter have been acquired for a total of £76m by Legal & General. The student accommodation totals 517 rooms comprising a combination of 160 studio rooms, 355 en-suite cluster rooms and two staff rooms across five blocks. They are let to INTO University of Exeter on a 35-year lease. The blocks have been acquired by Legal & General's UK Property Fund for £49.6m, representing an initial yield of 5.78 per cent.

Typically we see larger student investments in the city achieving between 6 - 6.5% NIY with smaller developments achieving yields above this.

Valuation Approach

We have approached the valuation of the Property by adopting the investment method of valuation. To arrive at our opinion of MV we have valued the property using the traditional "all risks" yield method of valuation, having regard to comparable evidence and current investment market sentiment. The key driver for investors will be the sustained rental income provision, reflecting both the current and future demand for high quality student accommodation within the city, along with the rental levels being achieved.

We have based our calculations on the current rental level of £275,647. We have made further allowances for the potential to generate additional income through summer lettings, or to increase the term of the lettings in future years to arrive at a total gross income of £280,000 p.a.

From this we have made allowance of 27.5% for voids, management and running costs. To this we have applied a gross yield of 5.5% which having made allowance for purchasers costs of 6.4% gives a net initial yield of 6.25%.



This calculation produces a valuation of £3,500,000, about 2.7% lower than that provided in the Earlier Report which is the result of letting income achieved at the property being slightly lower than that projected in our earlier valuation.

Valuation

Market Value:

Taking the above into account we write to confirm that in our opinion the current Market Value of the Freehold interest in the above Property on the following basis are as follows:

The Current Market Value of the Freehold interest in the Property as described above is in the order of:

£3,500,000
(THREE MILLION FIVE HUNDRED THOUSAND POUNDS)

We consider a period of six months is a reasonable period within which to negotiate the completion of sale by private treaty of the Property at the level of our valuation, taking into account the nature of the Property and state of the market.

CONFIDENTIALITY AND RESPONSIBILITY

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

We trust that this brief update is sufficient for your purposes; however, should you have any queries or wish to discuss the Property further, then please do not hesitate to contact us.

Yours faithfully

For and on behalf of Savills (UK) Ltd

Hugh Neason FRICS
Director

Craig Brooks MRICS
Associate Director

Report & Valuation

9 Verney Street, Exeter EX1 2AW

Report & Valuation

9 Verney Street, Exeter EX1 2AW



30th August 2017

Ref: ETDV/HJN

The Directors
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Dear Sirs,

PROPERTY: 9 VERNEY STREET, EXETER EX1 2AW

In accordance with the instructions contained in your email to us dated 19th August 2017 as confirmed in our letter to you dated 24th August 2017, we have inspected the property and made such enquiries as are sufficient to provide you with our opinion of value on the bases stated below. A copy of our letter of confirmation is enclosed at **Appendix 1**.

We draw your attention to our accompanying Report together with the General Assumptions and Conditions 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 "Hugh Neason".

Hugh Neason FRICS
RICS Registered Valuer
Director

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

Craig Brooks MRICS
RICS Registered Valuer
Associate

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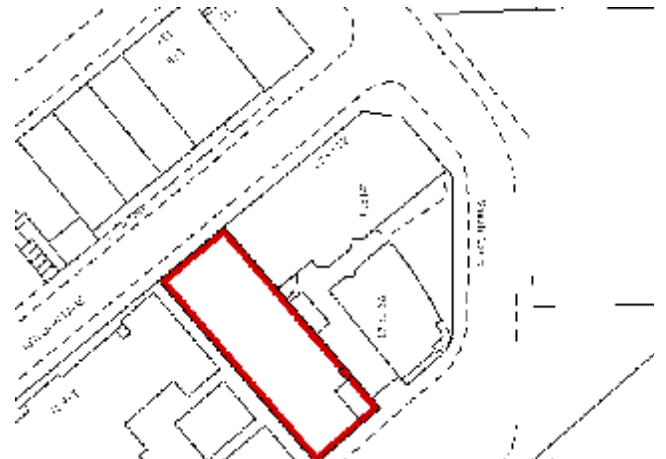
9 Verney Street, Exeter EX1 2AW



Executive Summary

Report & Valuation

9 Verney Street, Exeter EX1 2AW



Report & Valuation

9 Verney Street, Exeter EX1 2AW



Address	9 Verney Street, Exeter
Use	Student housing investment
Location	The property occupies a prime student housing location close to the City centre and University
Description	The property comprises a new block of 29 studio apartments.
Tenure	Long leasehold
Tenancies	To be let to students on Assured Shorthold tenancies on an individual basis.
Market Rent (Gross)	£300,000 p.a.
Market Rent (Net)	£225,000 p.a.
Market Value	£3,600,000. Our valuation at this level shows a net initial yield of 6.25% net of purchaser's costs of 6.4%
Strengths	<ul style="list-style-type: none">▪ Prime location▪ Modern good quality, low maintenance accommodation
Weaknesses	<ul style="list-style-type: none">▪ No established occupational history▪ Competition from other new developments in the City.



1. Instructions and Terms of Reference

Report & Valuation

9 Verney Street, Exeter EX1 2AW



1.1. Instructions

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

- The current Market Value of the long leasehold interest, subject to and with the benefit of the existing leases;
- The current Market Rent ("MR");
- Indication of Reinstatement Cost.

1.1.1. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Conditions set out in the relevant section towards the rear of this report.

1.1.2. Date of Valuation

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

1.1.3. Definition of Market Value and Market Rent

In undertaking our valuations, we have adopted the RICS definitions of Market Value and Market Rent, as detailed below:

Valuation Standard VPS 4 1.2 of the Red Book defines Market Value (MV) 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."

Valuation Standard VPS 4 1.3 of the Red Book defines Market Rent (MR) as:

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

1.1.4. Purpose of Valuations

You instruct us that our valuations are required in connection your purchase of the property.

1.1.5. Conflicts of Interest

We are not aware of any conflict of interest, either with the property or with the Borrower, preventing us from providing you with an independent valuation of the property in accordance with the RICS Red Book. We will be acting as External Valuers, as defined in the Red Book.

1.1.6. Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by Hugh Neason FRICS. The valuations have also been reviewed by Craig Brooks MRICS.

Report & Valuation

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The property was inspected on 8th August 2017 by Hugh Neason FRICS in the company of the Borrower. We inspected a representative sample of the flats both externally and internally, but limited to those areas that were easily accessible or visible. The weather on the date of our inspection was dry.

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, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake the valuation competently.

1.1.7. 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.

Where reports and other information have been provided, we summarise the relevant details in this report. We do not accept responsibility for any errors or omissions in the information and documentation provided to us, nor for any consequences that may flow from such errors and omissions.

1.1.8. Liability Cap

Our letter confirming instructions at **Appendix 1** includes details of any liability cap.

1.1.9. RICS Compliance

This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards January 2014 (the "RICS Red Book") published in November 2013 and effective from 6 January 2014, in particular in accordance with the requirements of VPS 3 entitled Valuation reports and VPGA 2 Valuations secured lending, as appropriate.

Our report in accordance with those requirements is set out below.

1.1.10. 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 Bank satisfies itself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuations. Our valuations should not be relied upon pending this verification process.

1.1.11. Confidentiality and Responsibility

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



2. The Property, Statutory & Legal Aspects

Report & Valuation

9 Verney Street, Exeter EX1 2AW



2.1. Location

The subject Property is located within the City of Exeter in the county of Devon. The City is situated on the River Exe approximately 45 miles north east of Plymouth and 75 miles south west of Bristol. It has a population of approximately 117,773 (2011 census) and is the regional service centre for the county of Devon. Exeter has a comprehensive range of educational, ecclesiastical, employment, shopping and leisure facilities/amenities, including a John Lewis department Store and the 'Princesshay Shopping Centre'.

Principal road access to the City is via the M5 motorway with Junctions 29, 30 and 31 all within three miles of the city centre. In addition there are a number of trunk roads serving the city including the A30, A38 and A377. There are main line rail services with a fastest journey time to London Paddington of about 2.5 hours. Exeter Airport lies about five miles east of the City and provides a range of domestic and international flights.



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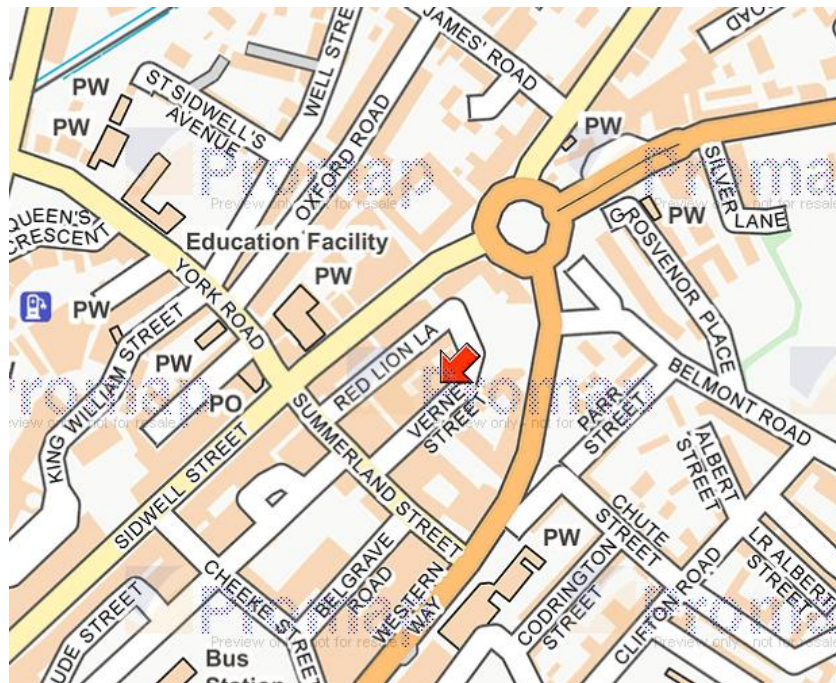


2.2. Situation

The subject property is situated about 500 metres north of the City centre and 800 metres east of the main campus of Exeter University and so is well placed for its proposed use as student accommodation.

The property occupies a rectangular plot with frontage to Verney Street and Red Lion Lane. The area in which the property is historically one of mixed commercial uses which have given way to residential redevelopment over the past 10 years and there are modern apartment schemes on either side and a modern student housing scheme on the opposite side of Verney Street.

We have provided a Local Street Map below.



2.3. Description

2.3.1. Overview

The property is a terraced four storey building which at the inspection was still under construction with a target date for completion at the end of August. Our valuation is on the assumption that the scheme is fully complete in accordance with the details supplied to us.

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The lower part of the building is of conventional construction with brick faced or rendered elevations. The building has been extended vertically in two sections to front and rear with weatherboard elevations and flat roof. The windows are powder coated double glazed units.

Main entrance to the building is from the Verney Street frontage (with secondary access from Red Lion Lane) to a communal lobby. On the ground floor are five studio apartments, bin and bike store, communal lounge opening onto an enclosed paved courtyard, plant room and luggage store. The first floor has eight studio apartments, gym and laundry. The second and third floors each have eight studio apartments. There are communal staircases at front and rear connecting all floors.

Photographs of the property taken on the date of our inspection are provided below.



Verney Street frontage



Red Lion Lane frontage



Verney Street



Side elevation

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9 Verney Street, Exeter EX1 2AW



2.3.2. Interior

Internally, the property is being finished and fitted to a very high standard with good en suite shower rooms, double beds, smart TVs with in-built DVD players, well fitted kitchen areas with refrigerators (with freezer boxes), halogen hobs and combination microwave/convection ovens. The studios will be fitted with blackout blinds and will have electric heating (including instantaneous water heater for each unit) and double glazing.



Kitchen/shower room



Living area



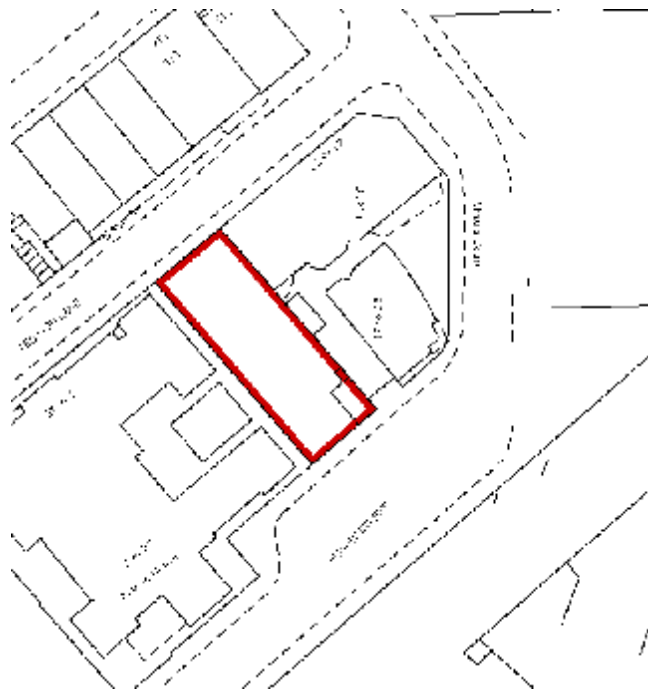
Living area



Study area

2.3.3. Site Area

The site of the property is roughly rectangular. By reference to the Ordnance Survey Extract, we calculate that the property has an area of 0.041 hectares (0.1 acres). We attach an extract from the Ordnance Survey sheet showing the property edged in red and its immediate vicinity.



2.4. Accommodation

We have valued the property on the basis of the floor area figures set out in **Appendix 2**, which were taken from the approved drawings with check measurement taken on site and we assume are complete and correct and are the gross internal floor areas measured in accordance with the RICS Property Measurement 1st Edition (May 2015) as updated.

2.5. Condition

2.5.1. General Condition

As instructed, we have not carried out a structural survey, nor have we tested any of the services. However, we would comment, without liability, that during the course of our inspection for valuation purposes, we observed that the property appears to be in good condition throughout with no defects or items of disrepair likely to have an adverse effect on value. We assume that all works will be completed to a good standard

2.6. Environmental Considerations

2.6.1. Informal Enquiries

As instructed, we have not carried out a soil test or an environmental audit. Following informal enquiries, we understand that the property was previously in commercial use and on the basis of our informal enquiries, it would appear unlikely that land contamination exists. This comment is made without liability.

2.6.2. Assumption

As our informal enquiries have suggested that land contamination is unlikely, we have valued the property on the basis that it has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the property, or on any neighbouring land, then we may wish to review our valuation advice.

2.6.3. Flooding

We have made enquires with regard to potential flooding at the Environment Agency website, www.environment-agency.gov.uk and note that, the Property is not considered to be in an area that may be potentially affected by flooding.

2.7. Town Planning

2.7.1. Statutory Background

We have made informal enquiries of the local planning authority, Exeter City Council, who advised us that the statutory plan covering planning policy and development control for the area is the Exeter City Local Plan, which was adopted in March 2005. In accordance with recent changes to planning legislation, the Exeter City Council Core Strategy Development Plan Document (DPD) has been adopted, but policies in the 2005 Local Plan will not be fully replaced until the Site Allocations and Development Management DPD has been adopted.

The area in which the property is situated is not allocated for any particular purpose.

The property is not Listed but is within a Conservation Area. We are informed that it is not directly affected by any highway, town planning or other schemes or proposals.

Report & Valuation

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2.7.2. Planning History

Planning decisions of note revealed by our enquiries are as follows:

Reference	Description of Development	Decision	Date
16/0894/03	Change of use from mixed use to sui generis (student studios. Partial demolition, alterations and extensions with associated works.	Approved	21 st October 2016
16/1599/03	Variation of Condition 2 to add one additional studio unit and minor elevation revisions and removal of Condition 11 of Planning Application 16/0894/03	Approved	20 th June 2017

Copies of the decision notices are attached at **Appendix 3**.

2.7.3. s.106 Agreement

We understand that consent was also granted subject to a s106 agreement restricting occupation to students except for a period of two weeks in July and August. Students are defined in the agreement which definition includes persons in full time employment who are training towards a qualification.

2.7.4. Community Infrastructure Levy (CIL).

The Community Infrastructure Levy (CIL) is a planning charge introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It was adopted on 6 April 2010. CIL is chargeable on the net additional floorspace of all new development of more than 100 sq m GIA, or more than one dwelling.

We have been informed by the Borrower that the CIL liability due for the development is £17,862.70. We have assumed that this has been paid.

2.7.5. Summary

During the course of our inspection of the property, we did not observe anything which would indicate that the any of the above planning permissions are being contravened. In valuing the property we have assumed that the building is used in accordance with its present lawful uses and that the building complies with current planning laws and building regulations and that it is not subject to any adverse proposals or possible enforcement actions.

2.8. Taxation

2.8.1. Council Tax and Business Rates

From informal enquiries of Valuation Office Agency Internet Rating List www.voa.gov.uk, we understand that the property is not currently assessed for Council Tax or Business Rates.

Report & Valuation

9 Verney Street, Exeter EX1 2AW



2.8.2. VAT

Our valuation is exclusive of VAT.

2.9. Tenure

We have valued the head leasehold interest in the property as outlined in red on the Ordnance Survey Extract above. We understand that the property is held under the terms of a head lease from Exeter City Council for a term of 125 years from 21st October 2016 at a peppercorn ground rent. We have not inspected a copy of the head lease and we strongly recommend that your legal advisers confirm our understanding to be correct.

We assume that full rights of access are enjoyed, and that no third parties enjoy any rights over the subject property. Your solicitors should confirm that there are no onerous restrictions or obligations as part of the due diligence process.

2.9.1. Occupational Leases

The property is to be sub-let to students on an individual basis for 48 weeks out of 52 on an 'all inclusive' basis. Current asking rents range from £200 to £220 per week with gross income when fully let of £299,520 p.a. At the date of this report we understand that lettings have been agreed of 8 units at a total rent of £80,640 and that a further nine lettings are currently being processed.



3. Market Commentary

3.1. Property Market Overview

We enclose a National Student Housing Market Overview at **Appendix 5**

3.2. Student Housing Market in Exeter

The student investment market experienced an exceptionally strong year in 2016, with 74,500 beds traded at a total value of £5.9bn. This investment activity was due to a surge in the number of large portfolios traded in the first quarter of 2015 and much higher levels of consolidation in the sector than we have seen in the past.

With the large inflow of investment in 2016, yields on student accommodation across all locations and lease types compressed by 50-75 basis points (excluding portfolio premiums of up to 75 basis points). We expect yields to remain static during 2017 and, with rental growth averaging out at 3.5%, our forecast is for average total returns of 9.5%.

Savills estimate of prime student accommodation yields is below:

	Lease	Nomination Agreement	Direct Let
Prime London	4.00%	4.50%	4.75%
Super Prime Regional	4.25%	4.75%	5.50%
Prime Regional	4.50%	5.25%	6.00%
Secondary Regional	5.00%	5.75%	6.75%

Lease: 25 year lease to institutional grade university covenant on annual RPI linked increases with a cap and collar Nomination Agreement: 15 years+ nomination agreement to institutional grade university covenant on annual RPI linked increases with a cap and collar

Source: Savills Research

Full-time student numbers increased for the 2014/15 academic year and are nearly back at 2010/11 numbers. But it is not good news everywhere as total student numbers fell by 1.4%. This overall fall reflects students' search for quality and value for money in the higher fee environment.

As in previous years, the 1.4% fall in total student numbers in the 2014/15 academic year hides a wide variation in performance. The majority of the decline (91%) was due to fewer UK part-time undergraduates and this trend has continued to affect student numbers at lower ranking institutions hardest. Meanwhile, the higher ranked institutions have continued to attract overseas students, but UK undergraduate numbers at the top 20 institutions (according to the Complete University Guide) were only up by 1.4% on the previous year.

Looking ahead it is always worth noting that the HESA data provides a view of the market last year. Our analysis of other indicators suggests that there was a 20,000 increase in number of first year full-time undergraduates for this academic year (2015/16). However, early indicators from UCAS applications suggests that student numbers for the 2016/17 academic year may be static, with applications from UK and non-EU students similar to last year and a 6% increase in applications from the EU.

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The UK is globally recognised for its higher education, and attracts large numbers of students from the UK and across the world. Overall student numbers look set to be broadly static for the 2016/17 academic year, but this will hide substantial variation in city and institution level trends. The purpose built student accommodation market saw record-breaking investment in 2015 and remains a highly attractive asset. Although investment is unlikely to hit last year's highs (£5.9bn) and Brexit remains a risk, we expect total investment in 2016 to hit £4bn, well above 2013-14 levels.

The challenge for investors is obtaining stock at a sufficient scale. With the majority of purpose built beds owned in small portfolios, we are likely to see further consolidation in the sector. Increased investment appetite brings the risks of a shift to speculative development in weaker markets.

Provision of purpose built accommodation remains low in most markets and many students are reliant on HMOs. However, there are risks in developing too many premium schemes and a more affordable product offers the greatest potential for growth. There have been concerns over potential over-supply of student accommodation in Exeter although these have proved to be unfounded with continued developer interest in the City and 62% of the student population estimated to not have access to purpose built student accommodation and relying on HMO provision.

We understand that there is unsatisfied demand for new student accommodation within the city, especially in locations which are close to the main colleges and city centre. There are a number of schemes which are either being brought forward or are in the planning process which may come to the market in the future, although student development schemes and investments are expected to remain a popular investment in the future, despite increased provision within the city. Some forthcoming schemes of which we are aware are as follows:

- Mary Arches Street – 127 student flats and studios – under construction.
- St Germans Road – 131 student bedrooms – status unknown
- Bonhay Road – 154 student units – currently not in progress
- Mary Arches Street – 31 student bedrooms – not commenced
- Paris Street – 125 student bedspaces – not commenced
- Frog Street – 98 student units – under construction
- Eagle Yard – 27 studio apartments – under construction
- Sidwell Street – 88 student bedspaces – under construction

3.3. Student Letting Comparables

In reaching our opinion of value for the Property we have had regard to a number of lettings of comparable properties both in the vicinity and in Exeter generally, and discussions with both our own agents and local agents. We consider that the best evidence of value is the rents achieved at the subject property, but we have also had regard to the following:

Thornton Court

Modern small student development arranged as nine flats, each having four to six en suite bedrooms with shared kitchen/living areas. All rooms are let for a 48 weeks on all inclusive basis at £145 per room per week. The room sizes vary from 10.3m² to over 20m² and average around 12.5m².

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Dean Clarke Lofts

36 varied high quality apartments which include a number with mezzanine sleeping areas. The average apartment size is around 40m² with some rents in excess of £300 per week, averaging around £250 - £270 per week on an all inclusive basis.

Iron Bridge Studios

This large modern converted building and offers a range of differing apartment styles ranging in size from 18m² (studio) to 21m² (Premium Plus Studio). The rents vary if adopting 44 or 51 week letting periods and range from £176 - £215 per week on an all inclusive basis.

Printworks

This large modern student accommodation opposite the subject property offers a range of accommodation styles with their classic studio (19.5m²) and premier studios (25m²) being let at £200 and £205 per week respectively. This is on a 51 week all inclusive basis.

Kingfisher

New purpose build student accommodation adjoining the Printworks. Studios (with kitchen and shower room) and shared communal areas. Room rates for bronze studio (18 sq.m.) start at £186 per week with gold studios (25 sq.m.) from £207 per week.

Artful Dodger

Student accommodation arranged as cluster flats similar to the subject property with en suite bedrooms and shared kitchen/living room. Rooms are available for 2017/18 at £130 per week.

Exeter Trust House

Converted former office building. En suite rooms in cluster flats are available for 2017/18 at £157 per week.

On this basis and given the quality of the accommodation and location we are of the opinion that the current rents are conservative and there is potential for increased rental levels in future years.

3.4. Investment Transactions

There is limited evidence of sales of single blocks of accommodation, as most recent investment transactions in the student sector have been of portfolios, with the most recent being the sale of the Argent portfolio amounting to 25 properties around the UK with a total of 5,500 beds – having sold in March 2016 for £417 m. showing a yield of about 6%. We are however aware of the following student investment transactions to which we have had regard in arriving at our opinion of value:

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Dean Clarke Lofts, Southernhay East, Exeter

Development of 36 student units arranged as studio apartments with no communal areas located over a restaurant. The units were direct let and the freehold investment sold in 2015 showing a net initial yield of 7.25%

The Printworks, Exeter

Blackrock UK Property Fund acquired the student accommodation scheme in Exeter directly opposite the subject property comprising 492 bedrooms. The scheme was developed by Campus Development Management and Moorfield and opened in September 2013. The Printworks was acquired for £40m reflecting 6.10% NIY.

31-33 Corn Street, Bristol

This was a small 24 apartment scheme near Bristol University which sold in August 2-15 for £1.6m (66,667 per bed). This was developed by First Step Homes and equated to a 6.5% NIY.

Typically we see larger student investments in the city forming between 6-6.5% NIY with smaller developments achieving yields above this.



4. Valuation Advice

4.1. Principal Valuation Considerations

The principal matters that impact on the value of the property are as follows:

4.1.1. Location and Situation

The property occupies a good position in the City for a private student housing scheme, being within easy reach of both the City centre and the University and this is likely to underpin occupation levels for the foreseeable future.

4.1.2. Building Quality and Condition

The property is purpose built for its use and provides a good standard of accommodation with low ongoing maintenance requirement.

4.1.3. Accommodation

The accommodation is well suited to its purpose and compares well with other student schemes in the City.

4.1.4. Tenure

Leasehold.

4.2. Approach To Valuation

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

- The current Market Value of the head leasehold, subject to and with the benefit of the existing leases;
- The current Market Rent ("MR");
- Indication of Reinstatement Cost;

4.2.1. Market Value (MV)

We have approached the valuation of the Property by adopting the investment method of valuation.

To arrive at our opinion of MV we have valued the property using the traditional "all risks" yield method of valuation, having regard to comparable evidence and current investment market sentiment.

The key driver for investors will be the sustained rental income provision, reflecting both the current and future demand for high quality student accommodation within the city, along with the rental levels being achieved.

We have capitalised the projected rental level of £300,000. From this we have made allowance for a 20% void for the first 12 months and 25% for management and running costs. To this we have applied a gross yield of 5.5% which having made allowance for purchasers costs of 6.4% gives a net initial yield when fully let of 6.25%.

Copies of our valuation calculations are at **Appendix 6**.

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4.3. Valuation

4.3.1. Current Market Value

Having carefully considered the property, as described in this report, we are of the opinion that the current Market Value of the head leasehold interest, in its present state and with the benefit of the existing lettings, is in the order of:

£3,600,000
(THREE MILLION SIX HUNDRED THOUSAND POUNDS)

We consider that a period of up to six months is a reasonable period within which to negotiate completion of a sale by private treaty of the property at the level of our valuation, taking into account the nature of the property and the state of the market.

4.3.2. Current Market Rent

As stated above and on the basis outlined above, in our opinion the current Market Rent of the property is:

£300,000 per annum
(THREE HUNDRED THOUSAND POUNDS PER ANNUM)



5. Risk Analysis

5.1. Suitability As Security

5.1.1. Lender's Responsibility

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

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

5.1.2. Strengths and Weaknesses

Strengths
<ul style="list-style-type: none">Well located student block.Good quality low maintenance accommodation.Good initial letting activity
Weaknesses
<ul style="list-style-type: none">Leasehold interest.Amount of potential competition coming forward.

5.1.3. Property Market and Property Specific Risks

Property Market Risks

These are particular risks applied to the property market within the context of the wider economic environment, some of which are highlighted above. These include:

i. Future Economic Environment

The value of the property on the assumption that it has been completed is sensitive to changes in the economic environment. Changes to the macro and micro economic environment directly impact on the value of investment property, particularly any movements within the money markets. In particular, any interest rate movements beyond those currently anticipated by the wider market may have a detrimental impact on value, although purchasers at this level of the market are less affected by minor fluctuations in interest rates.

Changes to the macro and micro economic environment directly impact on the value of investment property, particularly any movements within the money markets and/or the relative returns available from competing investments. In particular, any interest rate movements beyond those currently anticipated by the wider market may have a detrimental impact on the investment value. Our valuations are made against the present economic background which, barring any external shocks, we consider to be relatively stable in the medium term, notwithstanding the volatility in the world's equity markets and the ongoing threats of terrorism and instability in the Middle East. Indeed, the volatility in the equity markets has indirectly benefited property as an asset class where there has been a flight to quality in uncertain times, particularly to those buildings which produce strong bond style income returns such as that provided by the retail element of the property.

One of the key drivers of value is the cost of finance, and the value of the property can be expected to rise and fall depending on movements in interest rates. The asset will be competing against other investment media and this may influence yield expectations, both positively and negatively.

ii. Future Changes in Property Taxes

Property as an asset class has always attracted the interest of incumbent Chancellors of the Exchequer as an avenue for raising increased taxation. Any future increase in Stamp Duty may impact on value.

iii. Liquidity

The student investment market remains extremely strong with a wide range of purchasers active in the market, although they are being frustrated by a shortage of investment stock. The weight of money into property has encouraged greater liquidity with pressure applied by vendors for rapid exchange and completion of sale contracts. In a more shallow market place, the period needed for disposal may increase.

iv. Pricing

Property as an asset class is not a homogeneous product and pricing has traditionally been linked to historic evidence from relevant comparable transactions. Such evidence can be scarce and this, coupled with liquidity issues, may affect the pricing of an asset. This is mitigated to an extent in this instance, as there is a reasonable body of evidence in the locality which allows greater pricing accuracy in support of our opinion of Market Value.

Property Specific Risks

The specific property risks in this instance include:

v. Market Risks

There is a risk that the economy falters, leading to a reduction in capital and rental values as a result of weakening business confidence and purchaser/tenant demand. This would adversely affect the residential property market. The occupational and letting market has improved considerably in recent months with strong rental growth forecast. Therefore, we do not foresee a fall in rental levels.

We are not aware of any Property specific risks likely to have a material or significant effect upon the value of the property.



5.1.4. Suitability as Security

In conclusion, most of the market and property specific risks in this instance are capable of identification and measurement and/or may be considered acceptable in the context of the property sector.

We would comment that we have considered each of the principal risks associated with this property within the context of the wider investment market and that they are reflected in our valuation calculations and reported figures as appropriate.

Overall, we consider that the property provides reasonable security for a loan secured upon it, which reflects the nature of the property, our reported opinions of value and the risks involved.

6. General Assumptions & Conditions to Valuations

6.1. General Assumptions and Conditions

6.1.1. General Assumptions

Unless otherwise stated in this report, our valuation has been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuation, as there may be an impact on it.

1. That the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing contained in the Long leasehold 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 has been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).
4. That the property is not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building is 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 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 this report do not constitute a building survey.
6. That in the construction or alteration of the building 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.
7. That the property 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.
8. That the property either complies with the Disability Discrimination Acts and all other Acts relating to occupation, or if there is any such non-compliance, it is not of a substantive nature.
9. That the property does not suffer from any ill effects of Radon Gas, high voltage electrical supply apparatus and other environmental detriment.

6.1.2. General Conditions

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

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1. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property.
2. Our valuation is exclusive of VAT (if applicable).
3. No allowance has been made for any expenses of realisation.
4. Excluded from our valuation is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
5. Our valuation is based on market evidence which has come into our possession from numerous sources. That from other agents and valuers is given in good faith but without liability. It is often provided in verbal form. 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, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.



Appendix 1 - Instructions

30th August 2017

The Directors
PPNL SPV B47 – 1 Limited and PPNL SPV B47 Limited
71 Queen Victoria Street
London
EC4V 4AY



Hugh Neason
E: hneason@savills.com
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F: +44 (0) 1392 455701

For the attention of: Rob Weaver

The Forum
Barnfield Road
Exeter EX1 1QR
T: +44 (0) 1392 455 700
savills.com

Dear Rob

PROPERTY / PROJECT NAME: 9 VERNEY STREET, EXETER EX1 2AW

Confirmation of terms of engagement for the provision of valuation advice

1. Thank you for your email to us dated 19th July 2017. We are grateful to you for your kind instructions to advise and now write to confirm the terms upon which Savills (UK) Limited (**Savills, we or us**) will provide Property Partner (**you**) with a valuation report (the **Valuation or Report**) in respect of the above property or properties (each being a **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 7 - 11.
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.

RICS Red Book

6. We shall prepare our Valuation in accordance with the RICS Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the "**Red Book**") using the reasonable skill, care and diligence to be expected of a properly qualified and competent valuer. In addition, and in accordance with the requirements of Valuation Practice Statement 1 of the Red Book, we confirm the following:
 - (a) Identification and status of the Valuer
 - (i) The Valuation will be undertaken, and the Report will be signed by Hugh Neason FRICS (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) We are not aware of any conflict of interest in us accepting your instruction to value the Property and the Valuer is in a position to provide an objective and unbiased valuation;

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

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



(iii) The Valuer has the necessary market knowledge, skills and understanding to undertake the Valuation competently.

(b) Identification of the client and other intended users

The client is the addressee of this letter. We will address our Report to PPNL SPV B47 – 1 Limited and PPNL SPV B47 Limited 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 Market Value of the Property as stated in the report and £75 million; and
- (c) this report is subject to the terms and conditions set out in this letter of engagement with dated 9th August 2017"

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

- (i) The Property address is 7 Verney Street, Exeter EX1 2AW
- (ii) The interest to be valued is freehold. The Property will be valued subject to the occupational leases / licences and / or with vacant possession, details to be confirmed in our Report.
- (iii) The interest to be valued comprises a new block of student accommodation to be held for investment purposes.

(d) The valuation will be in pounds sterling

(e) Purpose of the valuation

The Valuation is required for internal and also for Loan Security – new lending 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 (f) below.

(f) Basis of value

The basis of our Valuation will be Market Value, Market Rent and Investment Value, the definitions of which are set out at **Appendix 1** (attached).

(g) Valuation date

The Valuation date will be the date of our report. You will appreciate that in providing you with our Valuation, we shall have regard to market conditions as at the Valuation date. Naturally, these are subject to change and it is therefore important that the Addressees take account of any such change in conditions that may occur from the Valuation date before making any binding decision in relation to the Property. Please do not hesitate to contact us ahead of making any binding decision which takes account of our Valuation if you have any concerns in this respect.



(h) Extent of investigation

We will carry out an inspection of the Property and or 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) Nature and source of information to be relied upon

(i) We will carry out our Valuation on the information supplied to us and revealed by our enquiries which will be set out in our report.

(ii) To the extent that you have provided us with information and / or instructed us to obtain it from a third party you agree, unless it is otherwise agreed by us in writing, that we can safely rely upon the accuracy, completeness and consistency of this information without further verification and that you will not hold us responsible in the event that any dispute regarding the Valuation arises from the accuracy of such information.

(iii) Floor areas (where appropriate) will be reported in accordance with RICS Property Measurement 1st edition, published in May 2015, which updated the RICS Code of Measuring Practice 6th Edition and incorporates International Property Measurement Standards (IPMS).

(iv) 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.

(v) 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.

(vi) For the avoidance of doubt, we accept no liability for any inaccuracy or omission contained in information disclosed by you or any other 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.

(j) 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**.

(k) Format of Report

Our Report will meet the requirements of VPS 3, Valuation Reports, which sets out the mandatory minimum terms of reporting and includes all the matters addressed in this confirmation of instruction letter. [If it is agreed that the report will cover other matters, then these need to be recorded here as well.]



- (l) Restrictions on use, distribution or publication
- (i) Our Report shall be confidential to, and for the use only of, the Addressee(s) 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) 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).
 - (iv) 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.
- (m) 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.
- (n) The basis on which the fee will be calculated
- (i) The agreed fee for the provision of the Valuation is £4000 plus VAT.
 - (ii) 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.
 - (iii) 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.
 - (iv) 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.
 - (v) 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.



(vi) 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 (n).

(o) Savills Complaints Handling Procedure

Savills (JK) 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.

(p) 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

7. Subject to paragraph 11 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) £75M.

8. 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.

9. 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.

10. 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.

11. 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

12. 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 7 above and shall, on your request, produce confirmation of the same from our insurance broker.



Reliance

13. 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

14. 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 disclosing 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).
15. 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 15 keeps the Report confidential and does not disclose it to any other party.

Reinstatement costs

16. 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

17. 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

18. You shall promptly, upon request, provide us with any information reasonably required to enable us to comply with our obligations under the Money Laundering Regulations 2007 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

19. 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

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

Appendices

21. 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 sincerely

**Hugh Neason FRICS
Registered Valuer
Director**

Client acceptance

I confirm PPNL SPV B47 – 1 Limited and PPNL SPV B47 Limited's agreement to this letter and the attached appendices and, in particular, confirm that the limitation on liability set out in paragraph 7 above is acknowledged, considered reasonable and accepted:

Signed by PPNL SPV B47 – 1 Limited
and PPNL SPV B47 Limited
by its duly authorised signatory

Name in capitals

Position

Date

ROBERT WEAVER

DIRECTOR

30TH August 2017



Appendix 1: Basis of Valuation - definitions

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.

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.

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 (International Financial Reporting Standard IFRS 13).

Gross development value (GDV) - The aggregate of the capital receipts from the sale of all the units on the Special Assumption that the proposed development (as described in our report) has been completed and 100% sold at today's date at current day values (whereby 'today's date' / 'current day' is the date of valuation).

Investment value: The value of an asset to the owner or prospective owner for individual investment or operational objectives.

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.

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.



Appendix 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 the Property is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. 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.
8. That the Property 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.
9. 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.



10. 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 2011 (as amended in 2015), 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.
11. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.
12. Our Valuation will be exclusive of VAT (if applicable).
13. No allowance will be made for any expenses of realisation.
14. 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.
15. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
16. In the case of a Property 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.
17. 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.
18. 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 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 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 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 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
 - (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.



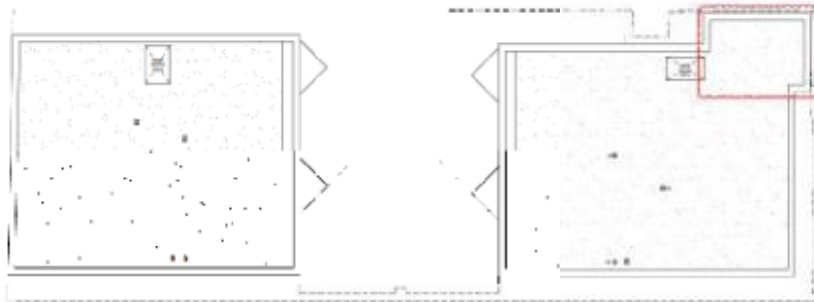
Appendix 2 – Schedule of Accommodation

Floor	Unit	GIA (sq.m.)	GIA (sq.ft.)	Asking weekly rent	
Ground	1	24.0	256	£710	
	2	32.0	344	£220	
	3	25.0	269	£220	
	4	28.0	301	£220	
	28	20.0	215	£200	
	Lounge	42.0	452		
	Luggage store	8.0	87		
	Bin/bike store				
First	5	25.0	269	£220	
	6	31.0	334	£220	
	7	25.0	269	£220	
	8	24.0	258	£220	
	9	24.0	258	£220	
	10	25.0	269	£220	
	11	25.0	269	£220	
	12	22.0	237	£210	
	Gym	11.0	118		
	Laundry	8.0	87		
	Second	13	21.0	226	£210
		14	20.0	215	£200
15		21.0	226	£220	
16		21.0	226	£220	
17		22.0	237	£220	
18		22.0	237	£220	
19		20.0	215	£200	
20		20.0	215	£200	
Third		21	23.0	248	£220
27		22.0	237	£210	
28	23.0	248	£220		
29	24.0	258	£220		
	25	22.0	237	£220	
	26	22.0	237	£220	
	27	20.0	215	£210	
	28	20.0	215	£210	
		739.0	7954.8	£299,520	



Appendix 3 – Scheme Plans

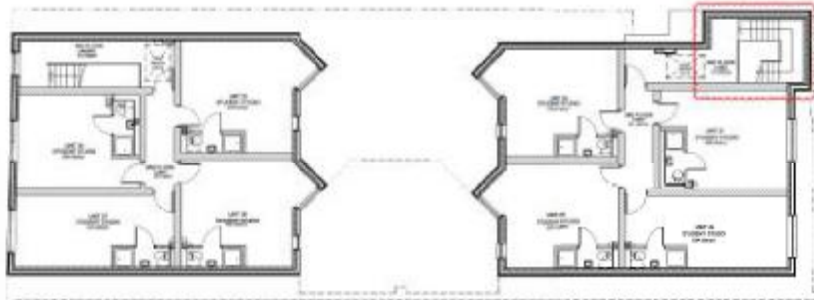
Note:
 ALL DIMENSIONS TO FACE UNLESS STATED OTHERWISE. THIS DRAWING IS THE PROPERTY OF BUN.



Proposed Roof Plan
 Scale 1:100



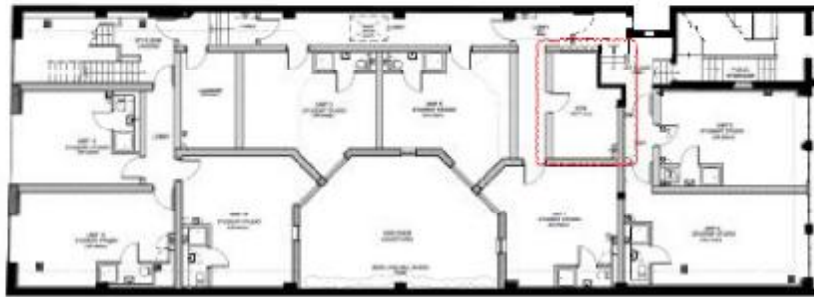
Looking South West



Proposed Third Floor Plan
 Scale 1:100



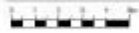
Proposed Second Floor Plan
 Scale 1:100



Proposed First Floor Plan
 Scale 1:100



Proposed Ground Floor Plan
 Scale 1:100



REVISIONS
 NO. DESCRIPTION
 01 SECOND FLOOR
 02 FIRST FLOOR
 03 THIRD FLOOR
 04 ROOF
 05 GROUND FLOOR

ISSUED BY: J. HAYES
 CHECKED BY: J. HAYES
 DATE: 01/06/16



H.C.K. Construction (SW) Ltd.

BODY 2000 BUILDING
 VERNEY STREET
 EXETER, EX1 2AW

PLANNING - Proposed
 Floor Plans

Date: 01/06/16

2014/16/010



Appendix 4 – Planning Consent



City Development
Exeter City Council
Civic Centre
Paris Street
Exeter EX1 1NN

Tel: 01392 265223
Website: www.exeter.gov.uk

Mr B Simons
Barrie Simons and Associates Ltd
90b South Street
Exeter
EX1 1EN

Mr O Kightley
H.O.K. CONSTRUCTION LTD.
52 Longbrook Street
Exeter
EX4 6AH

**Town and Country Planning Act 1990
Town and Country Planning (Development Management Procedure) (England) Order
2015**

VARIATION OF CONDITION GRANTED

LOCATION: 9 Verney Street, Exeter, EX1 2AW

PROPOSAL: Variation of Condition 2 to add one additional studio unit and minor elevation revisions and removal of Condition 11 of Planning Application 16/0894/03

APPLICATION NUMBER: 16/1599/03

The Local Planning Authority grants planning permission for the above development subject to the following conditions:-

- 1 The development to which this permission relates must be begun not later than the expiration of three years beginning with the date on which this permission is granted.
Reason: To ensure compliance with sections 91-92 of the Town and Country Planning Act 1990.
- 2 The development hereby permitted shall not be carried out otherwise than in strict accordance with the submitted details received by the Local Planning Authority on 6th April 2017 (*Dwg. Nos. 2014/16/010/C; 2014/16/011 and 2014/16/013/B*), as modified by other conditions of this consent.
Reason: In order to ensure compliance with the approved drawings.
- 3 The approved remediation scheme must be carried out in accordance with its terms prior to the commencement of development other than that required to carry out remediation, unless otherwise agreed in writing by the Local Planning Authority. The Local Planning Authority must be given two weeks written notification of commencement of the remediation scheme works.

Following completion of measures identified in the approved remediation scheme, a verification report (referred to in PPS23 as a validation report) that demonstrates the effectiveness of the remediation carried out must be produced, and is subject to the approval in writing of the Local Planning Authority.

Reason: In the interests of the amenity of the occupants of the building(s) hereby approved.

- 4 In the event that contamination is found at any time when carrying out the approved development that was not previously identified it must be reported in writing immediately to the Local Planning Authority. An investigation and risk assessment must be undertaken, which are subject to the approval in writing of the Local planning Authority. Where remediation is necessary a remediation scheme must be prepared, which is subject to the approval in writing of the Local Planning Authority.

Following completion of measures identified in the approved remediation scheme a verification report must be prepared, which is subject to the approval in writing of the Local Planning Authority prior to occupation of the development.

Reason: In the interests of the amenity of the occupants of the building(s) hereby approved

- 5 No part of the development hereby approved shall be brought into its intended use until the secure cycle parking facilities have been provided and maintained in accordance with details that shall have been submitted to, and approved in writing, by the Local Planning Authority and retained for that purpose at all times.

Reason: To ensure that adequate facilities are available at the site.

- 6 Travel Plan measures including the provision of sustainable transport welcome packs, shall be provided in accordance with the details hereby approved by the Local Planning Authority and Local Highway Authority in advance of occupation of the development.

Reason: To promote the use of sustainable transport modes, in accordance with paragraphs 32 and 36 of the National Planning Policy Framework

- 7 The applicant shall submit a scheme for protecting occupiers of the development from noise. This shall be submitted to and approved by the Local Planning Authority before construction commences and shall be implemented before any part of the residential accommodation is first occupied.

Reason: In the interests of the living conditions of future occupiers.

- 8 No development shall take place unless in accordance with the HOK Construction (SW) Ltd Construction and Environmental Management Plan (CEMP) dated September 2016. Notwithstanding the details and wording of the CEMP the following restrictions shall be adhered to:

a) There shall be no burning on site during demolition, construction or site preparation works;

b) Unless otherwise agreed in writing, no construction or demolition works shall be carried out, or deliveries received, outside of the following hours: 0800 to 1800 hours Monday to Friday, 0800 to 1300 on Saturdays, and not at all on Sundays and Public Holidays;

c) Dust suppression measures shall be employed as required during construction in order to prevent off-site dust nuisance;

d) Site Hoarding shall be kept clear of graffiti and fly posting.

The approved CEMP shall be adhered to throughout the construction period.

Reason: In the interests of the occupants of nearby buildings.

- 9 No development related works shall take place within the site until a written scheme of archaeological work has been submitted to and approved in writing by the Local Planning Authority. This scheme shall include on-site work, and off-site work such as the analysis, publication, and archiving of the results, together with a timetable for completion of each element. All works shall be carried out and completed in accordance with the approved scheme, unless otherwise agreed in writing by the Local Planning Authority.

Reason: To ensure the appropriate identification, recording and publication of archaeological and historic remains affected by the development.

Notes to Applicant:

In accordance with paragraphs 186 and 187 of the National Planning Policy Framework the Council has worked in a positive and pro-active way with the Applicant and has negotiated amendments to the application to enable the grant of planning permission.

Notes to Applicant:


The Local Planning Authority considers that this development will be CIL (Community Infrastructure Levy) liable. Payment will become due following commencement of development. Accordingly your attention is drawn to the need to complete and submit an 'Assumption of Liability' notice to the Local Planning Authority as soon as possible. A copy is available on the Exeter City Council website.

It is also drawn to your attention that where a chargeable development is commenced before the Local Authority has received a valid commencement notice (ie where pre-commencement conditions have not been discharged) the Local Authority may impose a surcharge, and the ability to claim any form of relief from the payment of the Levy will be foregone. You must apply for any relief and receive confirmation from the Council before commencing development. For further information please see www.exeter.gov.uk/cil.

Notes to Applicant:

A legal agreement under Section 106 of the Town and Country Planning Act 1990 relates to this planning permission.

Please note that this is not a decision under the Building Regulations.

Signed 
Andy Robbins
City Development Manager

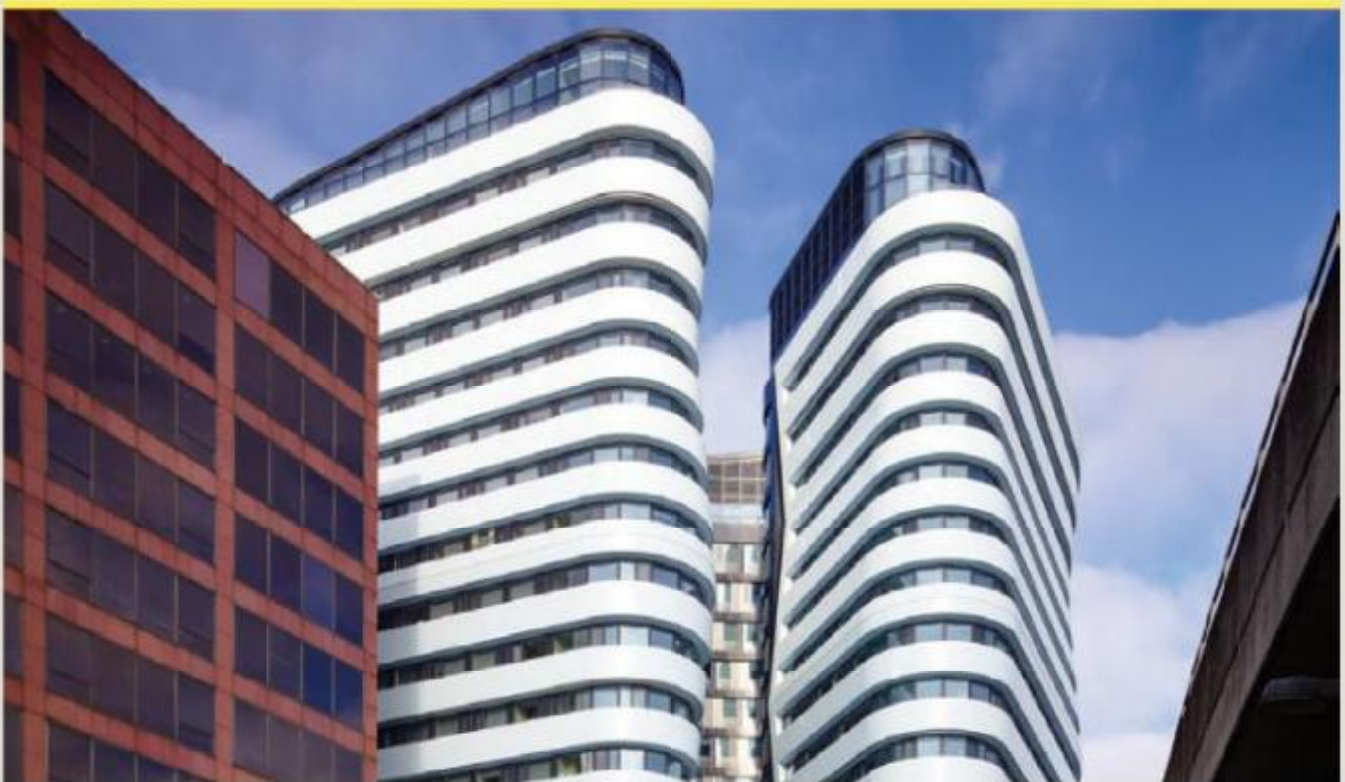
Dated: 20 June 2017



Appendix 5 – Student Market Overview

Spotlight UK Student Housing

2017



SUMMARY

Investors continue to pay premiums to aggregate greater student bed numbers

■ 68,000 beds traded last year with a total value of £4.5bn. In 2017 we expect this to rise to 75,000 beds trading for £5.3bn, a rise of 17% year on year.

■ Investors are willing to pay premiums for larger portfolios, driven by their need to allocate their investment capital and build scale quickly.

■ Investment from Singapore has grown massively, with GIC and Mapletree spending almost £1.2bn on UK student housing in 2016.

■ The General Election presents an opportunity for policy to become more welcoming to international students. If students are removed from migration targets, growth of overseas students in the UK could exceed worldwide growth of 6% per year.

■ Brexit may have intensified appetite for UK student housing. We saw over £2.1bn transacted after the referendum, compared to £1.9bn earlier in the year.

■ Development prospects are stronger this year in prime markets such as Exeter, Guildford and Leeds. They are weaker in cities such as Aberdeen and Liverpool.

Investment UNIVERSITY CHALLENGE

The UK student housing market performed well in 2016 despite a difficult set of circumstances

Words
Jacqui Day

However, the volume traded in 2016 was still 54% higher than the average for the last five years.

Many more of these deals took place in the second half of the year, as investors appear to wait for any market movement following the outcome of the EU referendum. The UK's decision to leave the EU does not seem to have affected investment appetite – in fact, it may have intensified it. With sterling now worth less relative to many other international currencies, deals are highly attractive to overseas investors.

The appetite for student housing assets has outpoken the supply of available stock. Of the £4.5bn traded in 2016, £1.1bn (25%) involved forward funding developments worth £220m (5%) were development sites. Existing stock made up 69% of trades, the lowest proportion on record.

We expect this higher level of investment in development to continue this year.

The trend towards consolidation has continued. This has led to a striking effort on our rankings of student housing investors. Two of our Top Ten investors by number of beds are now entrants to the list, having not invested in the UK student market at all until last year. This shows how student housing has established itself as an attractive asset class worldwide, even in the face of political risk.

Investors traded 66,000 student beds worth £4.5bn last year in the face of severe headwinds. We expect £5.3bn to trade in 2017, or 75,000 beds.

This represents 17% more money changing hands for just 10% more stock. There are some very large portfolios to come to market this year, which will trade at a premium to reflect their size. On the opposite page Brook Burton explains the portfolio premium in more detail.

2016's performance was slightly lower than the record set in 2015, which saw over £0bn worth of student housing change hands.

"We expect investment volumes to reach £5.3bn in 2017 as investor confidence returns after the EU referendum. This is a 17% increase on 2016"



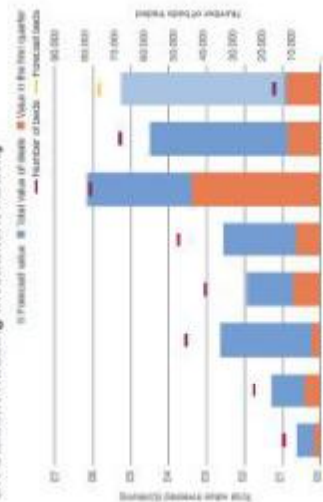
Jacqui Day, Savills Research

FIGURE 1
2017 Initial Yields

	Loans	Non-recourse A/R investment	Direct Let
Prime London	3.75%	4.25%	4.25%
Super Prime Regional	4.25%	4.75%	5.25%
Prime Regional	4.50%	5.00%	5.50%
Secondary Regional	5.00%	5.75%	6.50%

Source: Savills Research

FIGURE 2
UK Student Housing Investment Activity



Source: Savills Research

VIEW FROM VALUATIONS

Investors pay portfolio premiums to secure scale at speed

Average blended yield on large portfolios was **5.23%**

Value-weighted average portfolio premium is **38 bps**

Average cap value per bed of **£95,300**

Source: Savills Research, Domestic Valuations

Several larger investors have demonstrated they're willing to pay a premium on larger portfolios. This premium is driven by their need to allocate investment capital, achieve target scale / returns and secure an income stream quickly and efficiently.

Our tracking of deals suggests that these premiums tend to kick in on deals over £150m. The precise geography, location and composition of the portfolio appears to be less important.

We have observed premiums on regional, London, and recently even development funding deals where investors want to assemble a large-scale pipeline quickly.

Blended yields paid for portfolio ranged from 4.5% to 5.8% over the last two years, based on our analysis of all major portfolio trades. The portfolio premium in these deals represents a yield shift of 10 to 85 basis points relative to our bases schemes would be valued individually, or 38 bps on average. Premiums are particularly high for stabilized stock with a well-established cash flow.

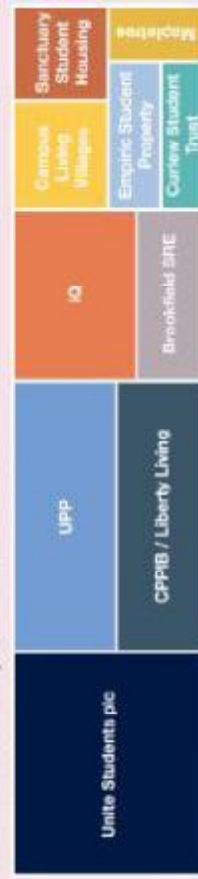
This is because investors tend to value portfolios on an IRR basis, targeting unpeeled returns of 6-7% and geared returns of 11-12%. Acquiring a portfolio quickly, even if a premium, allows investors to meet these targets much faster than through many years of organic growth.

FIGURE 3
Largest Private Sector Owners by Number of Beds

Investor	Beds	2016 Rank	2015 Rank
Unite Students plc	49,000	1	1
UPP	31,500	2	2
CPPPB / Liberty Living	27,000	3	4
IQ	23,500	4	3
Brookfield SRE	13,500	5	New
Campus Living Villages	11,600	6	6
Sanctuary Student Housing	10,000	7	5
Engelis Student Property plc	9,000	8	9
Curlew Student Trust	7,000	9	8
Mispelme	6,000	10	New

Source: Savills Research

FIGURE 4
Relative Sizes of the Top Private Sector Owners



Source: Savills Research

International GLOBAL INVESTMENT FLOWS

The Far East leads the way
in UK student investment

**Weekly
Paul Toddevin**

Last year, we saw UK student housing continue its evolution into a global investment market. The proportion of international investment flowing into the market has almost doubled in the last two years. Foreign investment grew from 36% of transactions in 2014 to 64% in 2016.

There was a big increase in Singaporean investment in 2016, up to \$1.05 billion (or just £29 million) the year before. Almost two thirds of this came from just one investor: a 29.3 percent Singaporean sovereign wealth fund GIC and GSA, who acquired over 7,000 units.

"GIC's £700 million investment in UK student housing is a vote of confidence in the sector from one of its most experienced investors"

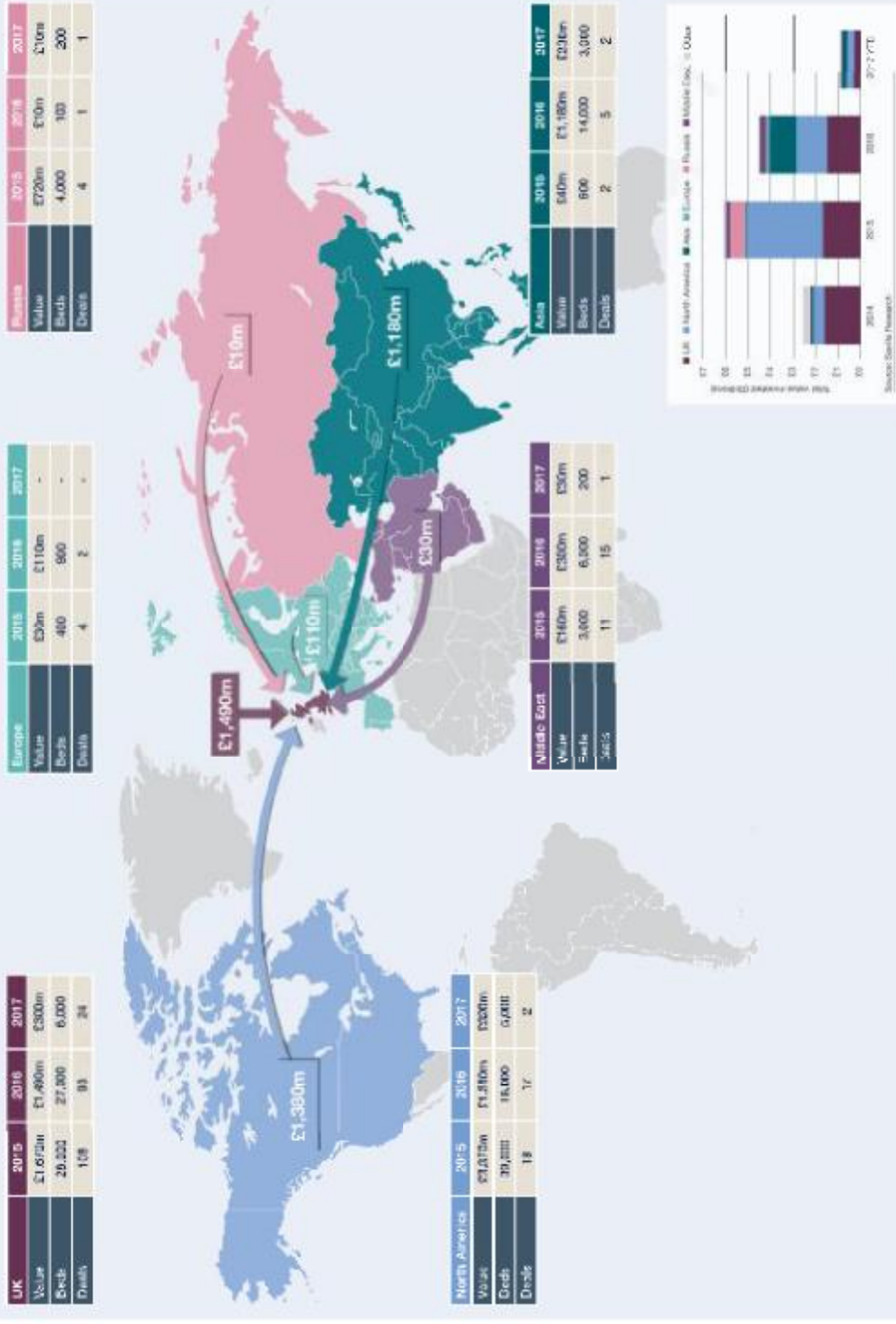
Paul Toddevin, Savills Research

And in Singaporean Yuan, Magalshes, also invested heavily in UK student last year. They acquired over 5,000 beds, we expect to see continued high transaction volumes from this part of the globe.

North America was the second largest source of capital into UK student housing in 2016, investing over £1.3 billion. The vast majority of that came from two Canadian investors: Brookfield BIC and CIPED.

The effect of the EU referendum has been mixed. Although the decision to leave the EU may affect universities' ability to attract valuable overseas students, the falling value of sterling makes the UK more attractive to international investors and students, the total over £2.1 billion transacted after the referendum compared to £1.9 billion in the year or part of the year.

FIGURE 5
Global Investment into UK Student Housing



Source: Savills Research

Development & Finance

IN A LEAGUE OF THEIR OWN

In a highly competitive market, developers will have to be careful when selecting sites

Keynote Address

Our analysis takes account of a range of factors such as current and future supply, demand, affordability and the potential for rental growth.

We combine this with our knowledge of working in these markets to create a simple, simple indicator of each city's development potential (see Figure 6).

Best in class

Each of our top cities is attractive for development because of strong economic characteristics, high occupancy levels, strong rental and good prospects for rental growth.

In 2017, it has now moved up to the first tier. Cost of materials and labour, continued strong demand in these markets, demonstrated by their success in attracting new students alongside limited supply, make these cities particularly attractive for new student development.

Our student housing development league table has changed substantially since last year. With more towns falling down the rankings than rising, it's more important than ever for investors to be selective.

Well-located assets in strong markets will enjoy high occupancy and rental growth. Zones in secondary locations could struggle with rental growth for occupancy and rental growth regardless of the university town.

See me after class
Liverpool has taken down the rankings to 4th this year. There are now 21,750 FBSA units in the city, meaning 2.1 students for each unit, with a pool of a further 17,400 units either under construction or with planning permission. The ratio just 1.4.

In a highly competitive market, we see little capacity for investment to drive rental growth unless they have the very best quality stock in the best location.

Another major city to watch is Plymouth. It has lost 5,300 FBSA units, putting its student to bed ratio at 3.7. However, the planning pipeline looks full, with a total 3,100 units committed. This amounts to 26% growth relative to existing supply.

With such a large concentration of supply in the pipeline, it could be challenging for operators to be their schools unless they are priced attractively relative to their competitors. ■

FINDINGS FROM FINANCE

More Lenders Compete to Fund Student Housing

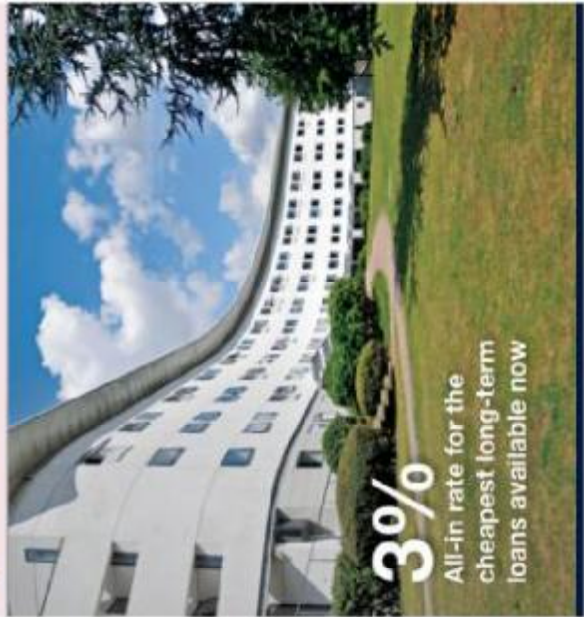
Workshop
Lead Analyst
Director, SPT

Lenders have seen student housing as a secure sector. We are seeing a growing number of lenders willing to step in the space, at higher cost to risk ratios and at longer financing rates than we've typically seen in the past.

Traditional lenders, including the UK and European Banks, are providing more commercial lending on a basis without a long-term umbrella of a non-institutional agreement. European banks tend to focus on longer loans over 200m and are usually more willing to finance operators over a longer term than their UK counterparts. As a consequence we have seen many more deals involve European lenders in the past 12 months and their appetite to fund student assets (private) is strong.

Other trends, including higher cost of longer tenors, have also been increasing their visibility in the student market. We have seen an increase in specialist debt finance with a pure focus on development finance. They often provide loans with term to cost ratio as high as 100%, which typically translates to a 70% loan to value (LTV) rate. However, these loans are only available as a short-term solution, so developers / investors need to refinance or self-fund assets even after construction is complete.

Interest rates are the lowest they have ever been, and we expect this low interest environment to continue over the next few years. Long-term loans can be secured at an all-in rate of just over 3%, the lowest rates we have seen.



3%
All-in rate for the cheapest long-term loans available now

FIGURE 5
Student Housing Development League Table

FIRST	UPPER SECOND	LOWER SECOND	THIRD	FIFTH
<ul style="list-style-type: none"> 1. Bath 2. Birmingham 3. Brighton 4. Bristol 5. Cardiff 6. Coventry 7. Dundee 8. Exeter 9. Exeter 10. Exeter 11. Exeter 12. Exeter 13. Exeter 14. Exeter 15. Exeter 16. Exeter 17. Exeter 18. Exeter 19. Exeter 20. Exeter 	<ul style="list-style-type: none"> 21. Exeter 22. Exeter 23. Exeter 24. Exeter 25. Exeter 26. Exeter 27. Exeter 28. Exeter 29. Exeter 30. Exeter 31. Exeter 32. Exeter 33. Exeter 34. Exeter 35. Exeter 36. Exeter 37. Exeter 38. Exeter 39. Exeter 40. Exeter 	<ul style="list-style-type: none"> 41. Exeter 42. Exeter 43. Exeter 44. Exeter 45. Exeter 46. Exeter 47. Exeter 48. Exeter 49. Exeter 50. Exeter 51. Exeter 52. Exeter 53. Exeter 54. Exeter 55. Exeter 56. Exeter 57. Exeter 58. Exeter 59. Exeter 60. Exeter 	<ul style="list-style-type: none"> 61. Exeter 62. Exeter 63. Exeter 64. Exeter 65. Exeter 66. Exeter 67. Exeter 68. Exeter 69. Exeter 70. Exeter 71. Exeter 72. Exeter 73. Exeter 74. Exeter 75. Exeter 76. Exeter 77. Exeter 78. Exeter 79. Exeter 80. Exeter 	<ul style="list-style-type: none"> 81. Exeter 82. Exeter 83. Exeter 84. Exeter 85. Exeter 86. Exeter 87. Exeter 88. Exeter 89. Exeter 90. Exeter 91. Exeter 92. Exeter 93. Exeter 94. Exeter 95. Exeter 96. Exeter 97. Exeter 98. Exeter 99. Exeter 100. Exeter

KEY
 ▲ Up 1 place this year
 ▼ Down 1 place this year
 ● Down 2 places this year
 ○ Down 3 places this year

Student Demand QUALITY OVER QUANTITY

Students are moving up the university rankings for extra cash

Words: Lawrence Banks

Our research shows a link between graduate earnings and university entry requirements. We expect continued growth in the demand for places at more selective institutions, while demand weakens further at lower ranked universities.

In 2015-16, the UK Government completely lifted the restrictions on student recruitment, allowing universities to bring in more undergraduate students to help boost their finances.

Initially this was advertised as a way to increase student numbers, but in reality the effect has been very different: rather than more students enrolling at university, similar numbers of students have applied but to a smaller range of higher ranked institutions.

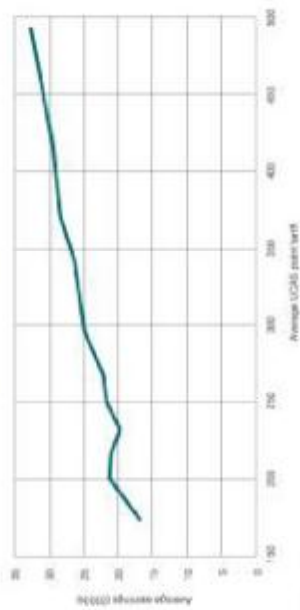
This makes a lot of economic sense. With tuition fees stilling £9,250 in the 2017/18 academic year and living costs also on the rise, students want to ensure they get a

"Average annual graduate earnings increase £930 for each 20 UCAS points"



Lawrence Banks, Savills Research

FIGURE 7
Average Graduate Earnings by University UCAS Point Tariff



Source: FTS

good return on their investment in education.

Of course there's a huge range of benefits from going to university, from learning from world-leading academics to meeting your future partner.

The Student Room reports 20% of students meet the love of their life on campus. But in purely monetary terms, the easiest way to assess the impact is to analyse typical graduate salaries.

A report from the Institute for Fiscal Studies released earlier this year identified a clear correlation between university entry requirements and graduate earnings. For every 20 UCAS points required – the difference between two A level grades – students can expect to earn an extra £300 per year once they graduate.

Graduate surveys tell a similar story. Our analysis of HESA's graduate survey shows an even steeper difference, with graduates earning £1,200 more per year for every 20 point difference in UCAS entry tariff. With such a clear route to higher potential earnings, it's no wonder that students are applying to more selective universities.

With university fees so high, students want to feel certain that the large investment of time and money will pay off in the long term.

With increased government support for apprenticeships and vocational qualifications – which have much lower fees than universities, or may even be paid – we expect students to become even more selective in their university choices.

FIGURE 8
UCAS Points by A Level Grade^a

Grade	Points for full A level
A*	140
A	130
B	100
C	80
D	60
E	40

^aUCAS will only charge fees for 100 candidates each year. We expect demand to outstrip this.

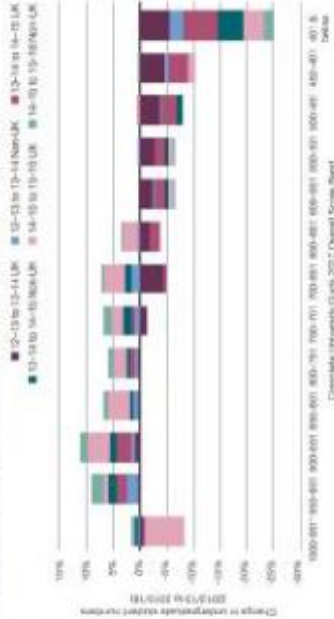
Source: UCAS

FIGURE 9
First Year Undergraduate Numbers

Year	First Year Full Time Undergraduates
2010-11	599,065
2011-12	621,605
2012-13	466,560
2013-14	502,200
2014-15	513,285
2015-16	525,459
2016-17*	531,900
2017-18*	523,900

Source: HESA, UCLAF, Savills
^{*}Forecasts

FIGURE 10
Change in Full Time Student Numbers by University Rank



Source: HESA
*2017/18 and 2018/19 are estimated values until Oxford University publishes its 2018 figures
Complete University Guide 2017 Overall Score Band

"International students contribute tens of billions to the economy each year"

Jacquel Dells, Savills Research

A VITAL EXPORT

International student numbers may rise after the General Election

Assuming students are excluded from immigration targets in party manifestos, we forecast international student numbers to rise by 6% per year over the next three years.

This reflects the growth in the number of students worldwide who study overseas (OECD). In reality, growth may be much higher than this as access to UK higher education has been restricted to overseas students for so long.

SHOW ME THE MONEY: The UK attracted 112,000 full-time students from the EU and 285,000 from other countries last year, making up just under 23% of the full-time student population. These students contribute £25bn (Universities UK) to the UK economy each year through tuition fees and other spending such as accommodation and services.

They are also a key asset contributing to the UK's "soft power" – our ability to influence and negotiate with other nations. According to research from the British Council, one in seven world leaders has studied in the UK. With Brexit brokering and trade talks on the horizon, international relations more important than ever. Maintaining these links will be absolutely vital.

CHINESE SATELLITES: University applications from Chinese students have almost doubled over the last decade, to 14,000 in 2016. With the sterling – year exchange rate 0%

lower than it was before the EU referendum, we can expect this demand growth to continue.

Peking University's satellite campus in Oxford marks an exciting step forward for education links between the two countries, further to increased student numbers. Having a ranked 27th in the world on the Times Higher Education University Guide, making it highly competitive with many UK institutions. It will allow students to spend their first year in Oxford, before continuing the rest of their course in Shenzhen, China.

MANIFESTO MADNESS: Any hope for a just, post-politics-free summer was smothered last month with the announcement of a June General Election. There are many reasons we should be welcoming – international students into the UK. With students out from government immigration targets, UK universities could open their arms to overseas markets and drive growth in international student numbers.

Politicians of all parties must recognise that international students make an enormous cultural and economic contribution to the UK – to the tune of tens of billions of pounds each year. This election presents them with the chance to reflect this in their manifestos.

Alternative tenures VALUES BEGIN TO CONVERGE

Can student operators deliver and operate Build to Rent?

Words
Lawrence Bowles

“There may be opportunities for developers and investors to switch delivery from student to BTR”

Lawrence Bowles, Savills Research

While some markets look less attractive for the delivery and development of new student housing, our analysis of values across a number of alternative sectors shows that values have converged in many markets.

For example, while the student pipeline looks full in Plymouth, there has been little if any development of new Build to Rent (BTR) types. The value differential between BTR and student in Plymouth is negligible and running a case flow shows that the PR derived from BTR is highly competitive with student, especially in markets that are looking less favourable to absorb new student supply.

It's a similar story in Liverpool but there is more evidence for demand for BTR. Liverpool has seen the delivery of a number of

BTR schemes, and take up rates are high. We believe the market is well placed to absorb new BTR while student looks less attractive.

Can student operators stretch to BTR?

We have been saying on record for some time that student operators are well placed to deliver and operate BTR. They have vast amounts of experience of developing purpose built stock, establishing brands that attract students and operating a business that meets investors' return requirements.

So what's holding back the Student Players?

Fresh Student Living has around 14,000 student beds under management and they have recently set up The Nine Living to deliver management solutions on PRG / BTR schemes.

The only real difference between operating student and BTR is the profile of set up and stabilisation. Instead of one selling cycle per year, there is constant letting and churn in a BTR scheme. Evidence shows that the typical tenancy length of an occupier in a purpose built professionally managed unit is three years.

So while the let up profile might be different, the longer occupancy length means that cash flows should be roughly equivalent over the long term.

What is clear from other markets like the US is that there is a key demographic group that want purpose built accommodation.

These occupiers are willing to pay for the services and amenities that go with this type of stock and they typically start their journey in PBSA. What's more, student demand has eroded demand for multifamily in America. It can do the same for BTR here in the UK.

FIGURE 11
The Build to Rent Life Cycle



ALTERNATIVE PROPERTY LADDER

Purpose built rental products span the whole range of age groups from students through graduates and professionals to family housing.

For operators working in both the student housing and BTR markets, this presents an opportunity to build cohorts of lifetime customers. By providing a 'bi-ethnic' experience for students at university and earning their customer's loyalty, they can continue to house those people through their time as young professionals and when they move to start a family.

HIGHER EXPECTATIONS

Student housing used to be seen as a rite of passage. Young people would spend three or four years in gritty, over-crowded flats while barely scraping enough money together to afford instant noodles and a night out.

Those days are long gone. Now, student accommodation is some of the highest quality housing in the country. New, purpose-built blocks have facilities and amenities designed to accommodate every need. This raises the question: why would graduates want to leave?

Of course, nobody is suggesting graduates should stay living in student housing forever. But they can experience the same quality and level of service elsewhere, namely in co-living or Build to Rent homes.

DIFFERENT PRODUCT, SAME EXPERIENCE

For those still happy living the communal student lifestyle, co-living spaces such as the Collective at Old Oak Common offers a similar experience to student housing. The private living space is similar to PBSA, but residents can also access all sorts of shared spaces such as kitchens, gardens, a games room and even a spa.

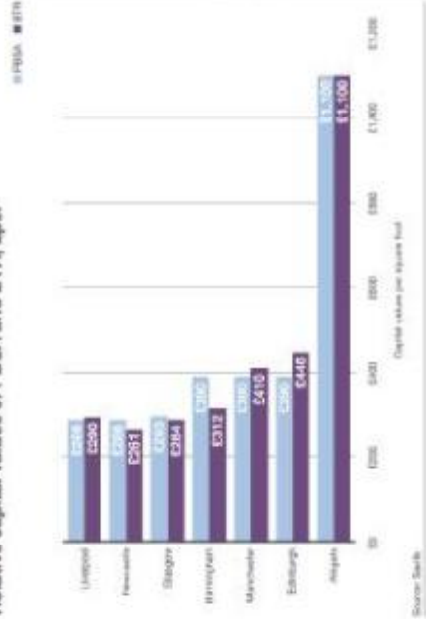
Following on from this, those graduates can move on to a more private space in a build to rent scheme with more traditionally sized apartments such as those at Village Point or East Village, both in London. Another option further up the ladder is BTR housing designed with families in mind – such as offered by Signis.

Beyond that, we have started to see companies such as Hamover and Gairings involving in rental accommodation for senior or retirement living. This accommodation provides the space and amenities valued by older people while providing additional support with daily tasks and medical care as people age and their needs evolve.

“New, purpose-built blocks have facilities and amenities optimised to attract demand”

Lawrence Bowles, Savills Research

FIGURE 11
Relative capital values of PBSA and BTR, £psf



Source: Savills

OUTLOOK

Yields in prime locations will sharpen in 2017

■ **We forecast there will be £5.3bn traded in 2017, or 75,000 beds.**

■ **Brexit will drive international investment** because of currency discount due to fall in value of sterling.

■ **Investors are becoming pickier.** Yields in prime locations will sharpen this year. In the weakest markets they will soften.

■ **This year's development league table has more fallers than risers.** Developers will have to be careful when selecting sites.

■ **There will be more sites switching from PBSA to Build to Rent.** There are opportunities for investors that can adopt a flexible delivery approach in over supplied markets.

■ **If the Government removes students from its immigration targets, we expect international student numbers to grow 6% per annum.**

■ **There is an even greater opportunity for diversification,** with the same investor providing rented housing for students, young professionals, families and older people.

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Appendix 6 – Valuation Calculations

Capital Valuation

ERV					£300,000	
Less:						
	Void at	20.00%			£60,000	
	Management costs at	25.00%			£75,000	
					£165,000	
Years Purchase	1	years at	5.50%			
					0.940	
				Term Value:		£156,398
ERV					£300,000	
Less:						
	Management costs at	25.00%			£75,000	
					£225,000	
YP in perp def	1	years at	5.50%		17.734	
PV of £1	1	years at	5.50%		0.95	
				Reversion Value:		£3,675,487
						£3,831,889
Less purchase's costs:		6.40%				
						£3,601,398
						Say £3,600,000
						NIY 6.25%

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