


Smart Housing 2022

Savills Housing Valuation

Valuation of Modern Methods of Construction

16 May 2022



Savills Housing Valuation- who we are & what we do

Who we are



- Affordable Housing Valuation Team
- Over 35 years experience in the sector
- Leading the charge on the valuation of MMC



- Andrew Smith MRICS
- Savills Affordable Housing spokesperson on MMC
- Prepared the first MMC test case valuation
- MMC Info Standard

Who We Are



Housing Valuations
22 RICS Registered Valuers
UK National Coverage



Catherine Wilson
Director & Head of Team



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Director



Andy Garratt
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Andrew Smith
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Graduate Surveyor



Sarah Browne
Graduate Surveyor



Toby Parsloe
Graduate Surveyor

Affordable Housing

Housing Consultancy
RP & LA

Stock Rationalisation

Housing Development
and Regeneration

Procurement

Cost Consultancy

Surveying

Financial Consultants

MMC

Valuation of bulk portfolios for lenders to RP Sector



I am not concerned about procurement, cost, grant, product, stage payments – all that has gone when I get involved.



Our Client is NOT the RP Borrower, It's the "Lender"; Bank, Bond Manager or Investor



The Lender Asks;
1. "what's it worth?" and 2. "can I get my money back?"



MMC is Coming... and in Bulk !



Banks/Lenders diligence is ramping up – they need to know if its MMC



Thinking - How are we going to value it? How are we going quantify the risk of something with no track record...?

MMC is coming

WHY?

- Big push by Government & Industry for MMC
- Registered Providers are being pushed towards MMC
 - Speed of delivery & cheaper (?)
 - Green agenda (build and energy use)
 - Planning approval & Grant specify MMC
- Matching RP development ambition with lenders caution
- Its coming in bulk! Not 10% of new-build...



Is MMC Capable of Supporting Long Term Debt ?

YES

- It will trade
- It has value
- Can be put in to charge to support debt
- It should support debt at MVSTT – not limited to EUV-SH
- Evidence of lending: retail mortgages, PRS & student

And... GOOD NEWS!! Several new loans
Including MMC Going Through



Evidence of lending on MMC

Retail lending is one unit, to one owner occupier, one mortgage

Many MMC / Offsite products have pre-arranged retail mortgagees

Test case Valuation & MMC Standard

Valuers actively working with lenders

Establish systems to assess value and risk

Bulk valuation of tenanted social rent IS different:

Student & PRS plans MMC

Previous PRC / Post War – mostly good security

Risk is concentrated for an RP

Challenging client group

Landlord repairs

How will the valuer report MMC?

MMC information standard

Treat as identical from day 1

Monitor the product going forward

Maintenance schedule check

We will report value identically to traditional if:

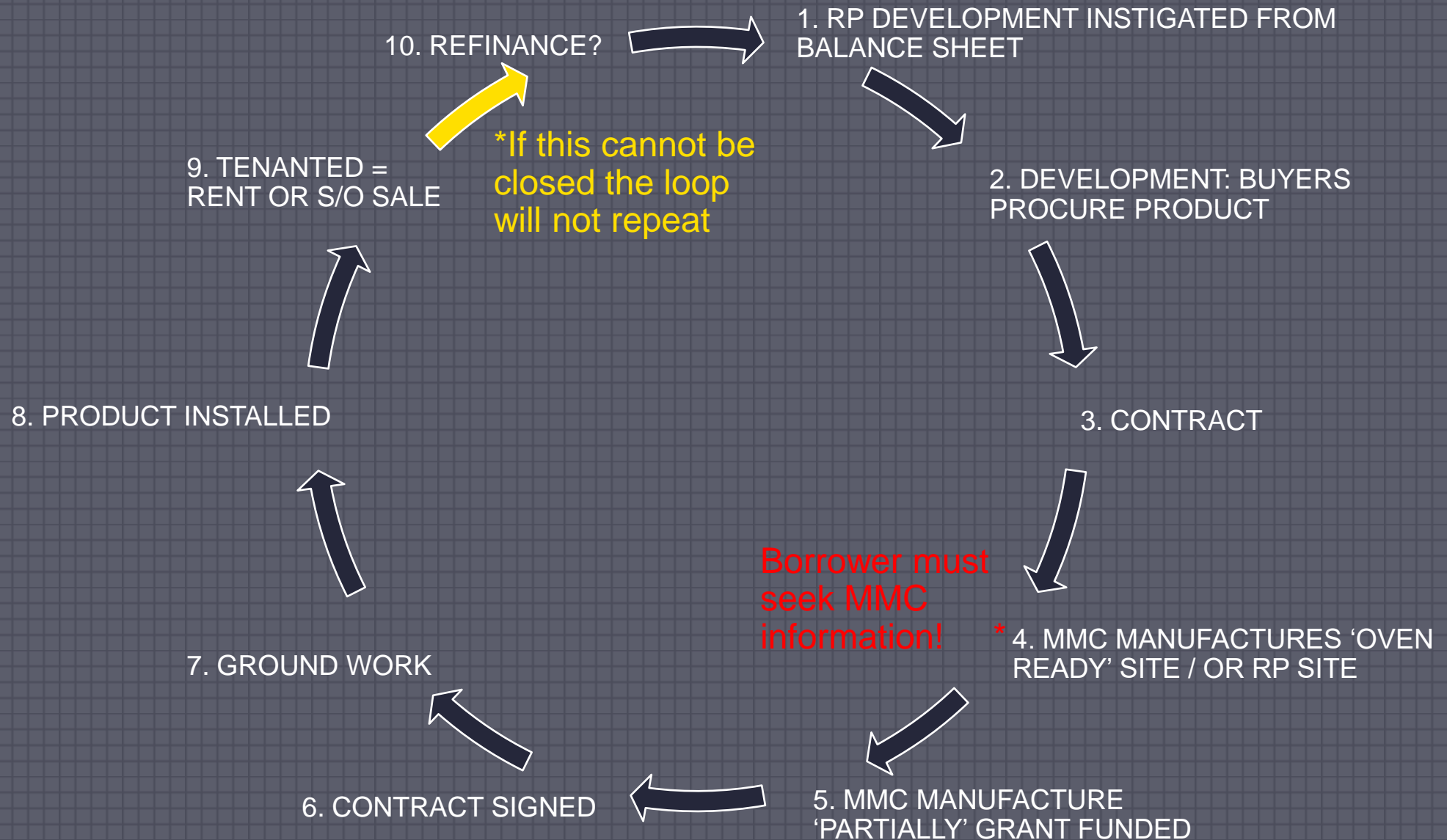
MMC Info Standard is provided & satisfactory

We deem it a perpetuity product

The system is deemed robust

Report contents are always dependent on lender policy

MMC Delivery



MMC Information Standard

To facilitate the property security charging process for new or newly completed MMC homes, valuers, solicitors and lenders must be supplied with additional information from the Borrower and/or manufacturer (over and above normal DEV1 charging data). Please note that if comprehensive data is not available this may be detrimental to the valuation and may jeopardise acceptance as security and valuation quantum.

The full list of data required is as follows:

KEY CONTACTS

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ESSENTIAL	DESIRABLE
<ol style="list-style-type: none"> 1. State manufacturer, model type/version/code and date of manufacture; 2. Description, detail and specification of the MMC system; 4. Maintenance schedule, standard template to include: Comparative lifecycle replacement for building elements, compared to traditional; Additional Costs that do not arise with traditional/are unique to this product 5. New-build Insurance warranty. Provide detail of Insurers party to the warranty providers. Memorandum of Understanding (“MOU”) or other provider (also detail steps taken to achieve warranty provider approval); 	<ol style="list-style-type: none"> 3. Manufacturers’ warranty if available; 4. Maintenance schedule, standard template to include Costs of lifecycle for system 6. [If Timber Frame: Structural Timber Association accreditation] 7. NHBC Accepts – does the product have NHBC Accepts? 8. Has Product ever been refused a mortgage? 9. BOPAS Assurance (if available);
<ol style="list-style-type: none"> 10. Confirm identity of installation contractor; was it the manufacturer or approved contractor 12. Building Safety :FRA & EWS1 forms 	<ol style="list-style-type: none"> 11. EPC Rating 13. Does your Insurer have any MMC Criteria?

If any of the above data is lacking – are Building Surveyor recommendations available?

MMC Myths – Busted!

Perception

Reality

MMC cannot be re-financed, lenders wont lend on bulk RP MMC	Wrong: several new facilities including MMC are currently going through charging now
Timber Frame is not MMC	YES IT IS! it is caught by the definition, but is perfectly ordinary and we have valued it identically to traditional for decades
MMC is a short life product	No - post war Prefab and older timber frame - perpetuity products & perfectly serviceable.
Brick & Block traditional with extra insulation is just as good?	Sticking with what you know? Comforting... (till you release you'll have to retrofit within 15 years...)
Banks will not accept bulk MMC	Wrong; 5/6 mainstream banks will accept as security
Its only valued at EUV-SH	Wrong - Valuers have asserted that it will trade to investors at MVSTT
Mainstream banks are the only option for MMC charging	Wrong: Bond Market and ESG funding vehicles may be an option
MMC will be worth less than traditional	Mostly wrong; MMC will be treated identically unless defined as a short-life product
The Seven MMC "categories" are a rank of reliance & attract different valuations	Wrong: each system and each site will be assessed on its own merits and will attract an appropriate valuation
Defined life MMC (25 or 40 years) cannot be valued for loan security	Wrong: the valuation will look different, be discounted or will taper over the term.
MMC should have its own basis of valuation	NO. RPs already have their own basis & that is a big deal! MMC can support debt on MVSTT and EUV-SH
MMC will be more expensive to put into charge?	Potentially - to procure MMC Information Standard may take additional fees. Also at revaluation.

Brick & Block Vs. MMC

- Why build Brick & Block when you are going to have to retro-fit in <15 years !?
- Current Eco-Bling is Expensive
- Eco Bling now = Fewer or smaller units
- Get the Box Right =
- Fabric / Structure First



Thank you

Thank you from Savills. If we were unable to answer your questions during this session please email Andrew Smith: agsmith@savills.com
