



**NATIONAL  
HOUSING  
FEDERATION**



## **Covid-19 Crisis – Valuation Update**

Our joint statement on 29 April sought to consider and explain the impact of the Covid-19 crisis on valuations of affordable housing stock. This note provides an update on the use of the Material Uncertainty Clause (MUC) and our intentions for inspections now that restrictions have eased.

### **1. Material Uncertainty Clause**

Since the middle of March, valuation reports have been issued subject to an MUC. This has been true across all asset classes in both commercial and residential property and has been common across all major firms, on the basis of RICS guidance. However, the position has been kept under regular review, especially in markets that continue to see some transactions.

It has been apparent from early in the crisis that transactions of tenanted social housing are continuing at normal levels with no evidence of price chipping. Activity levels remain high, with a number of RPs bringing portfolios to the market. In addition, we see evidence of strong investor sentiment in the interest shown in the public issuances by Registered Providers which have come to the market since 23 March, and the pricing achieved.

Although RPs report some impact on rent collection, the mitigation measures evident in the sector appear sufficient to address any loss of income and increase in risk, and we remain of the opinion that EUV-SH values for the vast majority of stock are unaffected.

As a result of these factors, we no longer consider that there is material uncertainty when valuing on the basis of Existing Use Value for Social Housing (EUV-SH) and the RICS Material Uncertainty Leaders' Forum have agreed that the MUC be lifted with effect from 26 May for:

*“All types of rented social housing or leased shared ownership, owned by housing associations and valued on the basis of Existing Use Value for Social Housing (EUV-SH) only, and therefore assuming that all homes remain within the regulated, Registered Provider sector (but excluding social housing owned by local authorities where valued for Housing Revenue Account purposes under government guidance).”*

Please note that the MUC remains applicable to valuations undertaken on the basis of Market Value – Subject to Tenancies (MV-STT). Our reports will continue to make this clear.

### **2. Inspections**

Both Savills and JLL ceased to conduct internal inspections on 16 March and, following the announcement of lockdown, stopped external inspections from close of business on 23 March with any valuations since conducted on a desktop basis.

Following the lifting of some movement restrictions on 13 May, the Government and the RICS have issued guidance and recommendations concerning working in other people's homes, including

surveyors undertaking property inspections. The guidance issued is largely aimed at stimulating the property market and, in particular, the domestic mortgage market.

The relaxation of the restrictions enables us to confirm that JLL and Savills are resuming external inspections of social housing and development sites, in line with government and RICS guidance.

However, for the time being we will not be conducting internal inspections of tenanted properties for valuation purposes. Most valuations of social housing can be undertaken with a combination of external inspection and available technology, and we consider internal inspection to be non-essential at this stage.

The exception to this could be single residential assets, if the property cannot be valued without an internal inspection, and both firms have put protocols in place for inspections in such circumstances. Indeed, protocols have been drawn up to enable inspections across other asset classes.

However, it is likely to be some considerable time before we are able to conduct internal inspections of properties housing more vulnerable residents, such as sheltered schemes or care homes. We will only do so when government guidance allows.

If you have any queries, please do not hesitate to contact either of us or your usual contact.

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**Savills & JLL**  
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