

31 January 2019

# Net Asset Values, Investment and Market Update

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CIVITAS SOCIAL HOUSING PLC  
("Civitas" or the "Company")

The Board of Civitas Social Housing PLC ("Board"), the first London listed Real Estate Investment Trust ("REIT") dedicated to investing into regulated social housing in England and Wales, is pleased to announce its quarterly net asset value ("Net Asset Value" or "NAV") as at 31 December 2018.

## Highlights:

- IFRS NAV per share up 0.4% to 106.5p during the quarter (30 Sept 106.1p), including recognition of two dividends in the quarter.
- 36 additional properties acquired during the period.
- A number of existing leases have seen rental increases from indexation. Annualised rent roll £40.5 million at 31 December 2018.

## Net Asset Values:

### IFRS NAV

The unaudited IFRS NAV, disclosed below, reflects an independent RICS "Red Book" valuation prepared on an individual asset basis by Jones Lang LaSalle Ltd. During the quarter ended 31 December 2018 the C Shares of the Company converted to Ordinary Shares as announced on 20 December 2018 and are represented within the Ordinary NAV as at 31 December 2018.

	31 December 2018	30 September 2018
IFRS NAV		
Ordinary NAV (£'000)	663,091	371,209
Ordinary NAV per share (pence)	106.5	106.1

In the period to 31 December 2018 a C Share dividend of 0.75p per share was declared and paid amounting to £2.3 million, and an Ordinary Share dividend of 1.25p per share was declared and paid amounting to £4.4 million.

In addition to the dividends noted above and exceptionally for this quarter (as a result of the conversion of the C Shares), a further Ordinary dividend of 1.11p per share worth £3.9 million and a C Share dividend of 0.67p per share worth £2.0 million were announced, accrued and reflected in the Ordinary NAV figure above for the quarter to 31 December 2018.

### Portfolio NAV

The unaudited Portfolio NAV, disclosed below, reflects an independent RICS "Red Book" valuation prepared on a portfolio basis by Jones Lang LaSalle Ltd.

	31 December 2018	30 September 2018
PORTFOLIO NAV		
Ordinary NAV (£'000)	716,567	403,245
Ordinary NAV per share (pence)	115.1	115.2

As noted above the additional dividends accrued in the quarter have reduced the NAV.

The Portfolio valuation incorporates two additional assumptions when considering the Red Book valuation. First that the portfolio is sold rather than individual properties making it better suited to a wider group of institutional buyers and so attracting more competitive prices (5.01% cap rate as opposed to 5.21% under IFRS) which is supported by transactional evidence.

Secondly the assumed sale costs (from Civitas to a subsequent buyer) are reduced as the portfolio is assumed to be sold (with all properties within SPVs) with stamp duty being charged at 0.5% on the sale of shares in SPVs as opposed to 5.0% for the sale of each underlying property.

These two assumptions have broadly the same positive financial impact each representing approximately 50% of the difference between the IFRS NAV and the Portfolio NAV.

### Investment Update

During the period, 36 additional properties were acquired and a number of the existing leases entered into by the Company have seen their rental income increase as a result of annual indexation, which taken together has resulted in a run-rate of rental income at 31 December 2018 of £40.5 million. This is expected to grow further as the Company moves towards target leverage levels of 35% over the coming months, enhancing shareholder return and supporting the Company's target dividends.

In the period since IPO, the Company has made the following investments and created a quality, nationally-based, diversified portfolio of regulated social housing in England and Wales as well as partnering with new housing associations and care providers in new local authorities:

Period	31-Mar 2017	30-Jun 2017	30-Sept 2017	31-Dec 2017	31-Mar 2018	30-Jun 2018	30-Sept 2018	31-Dec 2018
Investment* (£m)	106	206	284	431	472	508	619	674
Properties	82	167	282	384	414	440	521	557
Tenancies	487	1,130	1,820	2,405	2,621	2,845	3,440	3,746
Local Authorities	32	68	82	99	109	123	140	144
Housing Associations	5	7	10	10	11	12	15	15
Care Providers	25	42	50	59	64	71	93	98

\*excluding purchase costs

The Company is targeting 35% leverage, which would provide approximately £170 million of further funds in addition to the £100 million HSBC facility announced last year, giving the company available resource to invest of approximately £270 million.

### Market Update

The UK Housing market continues to feature prominently on the national agenda, with all major political parties indicating the provision of housing, particularly affordable housing, is a priority. There is broad consensus that the UK requires a significant number of new homes each year, accounting for new households and an existing backlog of need.

The government has continued to take steps to provide funding certainty to the social housing sector in its September 2018 green paper titled 'A New Deal for Social Housing'. Through Homes England it announced its intention to enter into strategic partnerships with housing associations and others aimed at accelerating the delivery of affordable housing.

In December 2018, the Regulator of Social Housing ("RSH") published the 2017/18 global accounts for the sector's larger providers which included The Value for Money annex outlining compliance with the new Value for Money (VfM) Standard. The RSH's new VfM Standard came into effect from 1st April 2018 and aims to drive improvements in providing value for money in the sector. At the heart of the revised Standard are expectations about the quality of governance, the development of organisational strategies and their translation into strategic objectives that can be measured.

The RSH also continues to discuss with the estimated 30+ lease-based providers of Specialist Supported Living their compliance with the Governance and Viability Standards an exercise that has been underway since May 2018 and this may lead to the announcement of further grading under review notices.

As part of this process where improvements are required, a regulatory grading will be issued and a narrative judgment will be provided outlining the concerns the regulator has and the improvements it wishes to see made. Civitas will, on a timely basis, respond to such notices and provide an update to Shareholders.

The regulator also commented on the growth of housing associations who are entering into contracted lease arrangements for property. The RSH acknowledges lease arrangements and index linked finance are not new to the sector, it reminds Boards of the need to maintain a long-term perspective on managing risks in this context.

