



# 3 Months Grace, 12 Months Free

Home REIT's response is a shot in the foot.

## PLEASE READ IMPORTANT DISCLAIMER – PAGE 7

**November 30, 2022** –Home REIT today published its response to Viceroy's report: *"No Place Like Home REIT"*. This response all but confirms round-tripping of revenues to tenants via vendor agreements, low tenant quality and related party structures between major tenants.

This document will address Home REIT's response under specific "allegation" groupings assigned by Home REIT. Home REIT's response is available here:

[https://otp.tools.investis.com/clients/uk/home\\_reit\\_plc1/rns/regulatory-story.aspx?cid=2604&newsid=1648105](https://otp.tools.investis.com/clients/uk/home_reit_plc1/rns/regulatory-story.aspx?cid=2604&newsid=1648105)

## 1. Tenants

Home REIT confirms that some tenants are related parties and dismisses concerns of bad actors based on post-hoc statements from the alleged bad actors themselves.

- Home REIT claims its tenants receive exempt housing benefits directly from the Local Authorities and maintain that these benefits are regulated. As we have already shown: Home REIT tenants appear to have very little, if any, exempt housing grants per their own financial statements which we have published.
  - The illusion that Home REIT's rent is somehow government backed is completely falsified by the bankruptcy administration of one of its major clients: Circle Housing & Support.
- Home REIT confirms Big Help, CG Community Council and Dovecot & Princess Drive are all related parties run by the same senior team. This is also true of Lotus Sanctuary and Redemption Project.
  - Home REIT dispute that these technicalities may exceed their exposure to certain counterparties. This response is, by definition, a technicality.
- Interviews observed by Viceroy state that Noble Tree Foundation intended to sue Home REIT for non-payment of a management fee. We note that Noble Tree allegedly agreed to take over management or leases of certain properties tenanted by Big Help **when Big Help could not meet rent payments**.
  - Home arranged for the change in management and promised >£1m to Noble Tree in assistance. As of Friday, November 25, 2022, this had not been paid. Noble Tree have since denied these events. We understand a recording of these interviews have nevertheless been sent to the Metropolitan Police.
- Home REIT rebuts our analysis that tenants are nascent and financially fickle because latest accounts have not been lodged. Precisely our concern is that these tenants are nascent and have no financial background to speak of.
- Home REIT claims one of its former tenants, Circle Housing & Support is in "**Solvent Administration**". This is a completely made-up term. A company cannot go into administration unless it is insolvent or likely to become insolvent.
  - Administrators CBW state that "Following a change in the Charity's management and after seeking advice, it was determined that leases for certain locations are onerous and that without a restructuring of the portfolio, the Charity would be unable to pay its ongoing liabilities in the not-too-distant future."
  - This speaks volumes of other nascent tenants who have subscribed to 25-year leases.
- Home REIT has addressed concerns about bad actors by simply asking the parties in question if they are bad actors, and passing their denials along to investors. Never have we seen this lack of care in KYC.
  - Home REIT insists that they conduct extensive due diligence on these clients.



## Financial Analysis

Home REIT claim that the first 12 weeks of rent are invoiced after 3 months. This is inconsistent with previous financial results.

Home REIT Receivables analysis	HY 2022	FY 2021	Delta
Trade & other receivables	6,961	1406	5,555
Rental income (actual)	17,505	11755	23,255
Rental income (pro-rata)	20,089	18275	21,903
<b>Accounts receivable days (actual)</b>	<b>73</b>	<b>44</b>	<b>87</b>
Accounts receivable days (pro-rata)	63	28	93

Figure 1 – Viceroy Analysis

Home REIT suggest that substantially all new property purchased in the HY 2022 was skewed to the last 3 months. We do not dispute a 3-month grace period exists for new leases, but we cannot substantiate the extent of outstanding receivables based on a 3-month grace period.

Further, we note that Home REIT’s transaction diligence data provided in its response shows that tenants are granted 12 months rent in cash by the *vendors*. This is totally inconsistent with Home REIT’s reasoning and need to provide 3 months grace period for rent.

## Valuation & Alleged Conflict

Home REIT have intentionally misdirected response to semantics in relation to concerns on property valuation.

- Viceroy state that Home REIT value its properties via Investment Method. We highlight these valuations are conducted by Knight Frank. Home REIT misconstrued this as an allegation that property valuations are conducted internally. This is misdirection.
- We reiterate that Knight Frank conduct 25-year yield valuations without having looked at the leases or inside of the properties, according to its own valuation report.
- We defer to **NAV Inflation** and **Financial Analysis** sections for further comment on Valuations.

## Outsourcing

In a long-winded and completely irrelevant plea, Home REIT attempts to justify Alvarium’s NAV fee, claiming there is a strong alignment between a NAV performance metric and shareholder interests. A more appropriate measure is Market Cap.

- Home REIT claim that Alvarium is subject to KPIs which don’t impact their fees in the slightest.
- The management engagement committee of Home REIT (appointed by Alvarium) reviews the performance of Alvarium to ensure Alvarium’s engagement is in the best interest of the company.
- Home REIT dabbles in semantics, stating that they have no CFO, and that only the CFO function at Alvarium has only been passed around 3 times.



## NAV Inflation

Home REIT's new transparency in relation to its asset purchases are incredibly damning.

- Home REIT attempts to justify its insane purchase prices against original vendor prices and “deductions”, including funding for the tenants (i.e. rent round tripping) and sink fund contributions for the tenants.
  - Home REIT's attempted justification of “Vendor Original Purchase Prices” does not consider that these portfolios changed hands 3 times within in the same day. We fail to understand how anyone can refurbish dozens of properties in a single portfolio in one day, pocketing millions of pounds.
  - Home REIT has zero documentation to show refurbishment on any properties, and result in estimated refurbishments completed and their costs.
- Home REIT claims to have paid for EPC upgrades and proclaims to improve all EPC ratings to C+ within six months of any property acquisitions.
  - A casual search of Home REIT's properties show that many certificates are expired, and substantially all valid certificates show D-E ratings. What work has been done?

Below, Viceroy will detail timelines of transaction events to demonstrate that insanely high vendor profits disclosed by Home REIT appear to be achieved overnight. We further note that given the number of times these portfolios change hands, it is insufficient to know who the direct vendor was. A full KYC investigation should be requested and scrutinized.

### Stoke-on-Trent Portfolio

Home REIT claims that the £5.9m transfer price is the price between SPV1 (Pathway Homes Group SPV1 Limited) and SPV2 (Pathway Homes Group Stoke Limited). There are several key issues with this line of reasoning.

Home REIT gross purchase price	£7,271,333	A
Less SDLT and LR Fees	(£174,200)	
Home REIT net purchase price	£7,097,133	B
Deductions:		
Vendor original acquisition price	(£3,201,250)	
Estimated original acquisition costs (6%)*	(£192,075)	
Refurbishment cost estimate**	(£950,000)	
Sinking fund contribution	(£46,000)	
Tenant additional funding (12 months' rent)	(£460,000)	
Estimated Survey, legal and agent fees (2%)*	(£145,427)	
Total deductions	(£4,994,752)	C
Estimated Vendor profit	£2,102,381	B + C = D
Estimated Vendor profit on cost	42%	D / C

Figure 2 – Extract from Home REIT response

1. The £3.2m “Vendor Original Acquisition Price” is the aggregate of all the Stoke on Trent properties price paid on **December 2 - 3, 2020** and the Birches Head Road Property on **October 14, 2020**.
2. Excepting 144 Birches Head Road, all other properties in the portfolio were acquired by SPV 2 on **December 2, 2020**.
3. Home Holdings 1 became the owner of SPV 2 on December 2, 2020.
4. The blistering speed of Home REIT's legal team notwithstanding, this raises questions on how £950k in improvements could have been done in that time.
5. The transfer classifications for most transfer are listed as type “A” for standard price paid as opposed to type “B” which includes transfers to non-private individuals and companies. This implies **a private individual sold their property to SPV 1 on the same day that it was then sold to SPV2 and finally to Home REIT<sup>1</sup>**.

<sup>1</sup> <https://www.gov.uk/guidance/about-the-price-paid-data#explanations-of-column-headers-in-the-ppd>



Prior Transaction Code Analysis - Viceroy Research		
Plymouth Portfolio		
A	(Private sale)	24
B	(Other inc. non private individual)	3
NA	(No previous sale)	1
(Previous sale before Oct 2013)		15

Figure 3 – Prior Transaction Code Analysis – Viceroy Research

For the sake of completeness, we have included a count of properties for which the previous sale date is before October 2013 when the B category was added however considering Pathway Homes Group was only incorporated in October 2019, we doubt it acquired these properties earlier.

### Plymouth Portfolio

The same issues about with Home REIT's explanation of the Plymouth portfolio which sold by SPV 1 (Pathway Homes Group SPV5 Limited) to SPV 2 (Pathway Homes Group (Plymouth) Limited) for £11.7m.

Home REIT gross purchase price	£12,672,626	A
Less SDLT and LR fees***	N/A	
Home REIT net purchase price	£12,672,626	B
Deductions:		
Vendor original acquisition price	(£6,490,000)	
Estimated original acquisition costs (6%)*	(£389,400)	
Refurbishment cost estimate**	(£1,297,500)	
Sinking fund contribution	(£73,000)	
Tenant additional funding (12 months' rent)	(£730,000)	
Estimated Survey, legal and agent fees (2%)*	(£253,453)	
Total deductions	(£9,233,353)	C
Estimated Vendor profit	£3,439,273	B + C = D
Estimated Vendor profit on cost	37%	D / C

Figure 4 – Extract from Home REIT response

1. The £6.49m Vendor Original Acquisition Price is the sum of all the Plymouth properties' price paid data prices on **February 25, 2021**, presumably in the acquisition by SPV 1.
2. SPV 1 then transferred these properties to SPV for £11.657m on February 25, 2021.
3. Home Holdings 1 became the owner of SPV2 on February 25, 2021.
4. As with the Stoke on Trent portfolio, some of these properties' prior sales are classified as Price Paid type "A" implying that a private individual sold their property to SPV 1 on the same day it was sold to SPV 2 and finally to Home REIT. Once again, we include the number of sales prior to October 2013 despite Pathway Homes Group's October 2019 incorporation.

Prior Transaction Code Analysis - Viceroy Research		
Stoke on Trent Portfolio		
A	(Private sale)	20
B	(Other inc. non private individual)	8
NA	(No previous sale)	6
(Previous sale before Oct 2013)		23

Figure 5 – Prior Transaction Code Analysis – Viceroy Research

5. This again calls into question how £1.297m in improvement could have been done in that time.



## Peterlee Portfolio

Home REIT acknowledges that the vendor of the Peterlee portfolio AHG 1 Limited purchased the properties for £385k less than a year earlier but goes on to “diminish” the developer’s alleged profit through development estimations and, as stated, 12 months of funding provided to the tenants.

## EPC ratings

Another indication that little, if any, work was done on these properties in the hours they were held by the developer is an analysis of Energy Performance Certificates (EPCs) across these portfolios. In short EPCs grade a property’s energy efficiency on a grade of A through G with properties under E grade preventing sale or lease until they are improved.

An analysis of the portfolios from our original report shows the following:

<b>EPC Analysis - Viceroy Analysis</b>	
<b>Energy Rating</b>	<b>Number of properties</b>
<i>Stoke on Trent portfolio (acq. Dec 2020)</i>	
C	5
D	21
E	7
Expired	3
<i>Plymouth portfolio (acq. Feb 2021)</i>	
C	4
D	22
E	2
Expired	1
<i>Peterlee portfolio (acq. Nov 2020)</i>	
C	1
D	9
E	0
Expired	1

Figure 6 – EPC Analysis – Viceroy Research

Home REIT also committed to improving “all EPC E-graded properties within six months of acquisition” which, considering the Stoke-on-Trent portfolio was acquired in December 2020, puts them 18 months behind schedule as of the date of this report.

All of the Company’s properties meet the Minimum Level of Energy Efficiency (EPC E). Even so, the Company aims to improve their energy efficiency and plans to improve all EPC E-graded properties within six months of acquisition and will monitor whether this is achieved.

Figures 7 – Home REIT Annual Report 2021

Ironically, the most expensive property in the Stoke-on-Trent portfolio, 144 Birches Head Road, has an expired EPC. Whether an EPC is needed for HMO housing is a gray area, however we believe this shows a lack of investment in properties and further calls into question whether Home REIT’s “Refurbishment cost estimate” means anything.



### Home Holdings 3

Previously Allerton SPV17, Home Holdings 3 was acquired by Home REIT on November 6, 2020. A title search shows 3 of these properties were acquired by the SPV on the same day of the acquisition from Benjamin Tregelles Green and Malaika Shola-Aaron Pereira and leased to Parasol Homes.

Entry date	
2020-11-13	PROPRIETOR: ALLERTON SPV17 LIMITED (Co. Regn. No. 12875762) care of Blick Rothenberg Limited, 1st Floor, 7-10 Chandos Street, London W1G 9DQ.
2020-11-13	The price stated to have been paid on 6 November 2020 was £230,000.
2020-11-13	A Transfer of the land in this title and other land dated 6 November 2020 made between (1) Benjamin Tregelles Green and Malaika Shola Aaron-
Pereira and (2) Allerton SPV17 Limited contains purchaser's personal covenants.	

Figure 8 – Title Register for 307 Beverly Road Hull

Parasol Homes was issued an RSH regulatory notice on December 15, 2021 for, among other things “enter[ing] into long-term lease agreements without demonstrating that it fully understands and can mitigate the associated risks.”<sup>2</sup>.

### Final Remarks

Viceroy Research has no ongoing financial relationship with Oasis.

<sup>2</sup> <https://www.gov.uk/government/publications/regulatory-judgement-parasol-homes-limited/regulatory-notice-parasol-homes-limited-15-december-2021>



### **Attention: Whistleblowers**

Viceroy encourage any parties with information pertaining to misconduct within Home REIT, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on [viceroy@viceroyresearch.com](mailto:viceroy@viceroyresearch.com).

### **About Viceroy**

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

### **Important Disclaimer – Please read before continuing**

This report has been prepared for educational purposes only and expresses our opinions. This report and any statements made in connection with it are the authors' opinions, which have been based upon publicly available facts, field research, information, and analysis through our due diligence process, and are not statements of fact. All expressions of opinion are subject to change without notice, and we do not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them. We believe that the publication of our opinions about public companies that we research is in the public interest. We are entitled to our opinions and to the right to express such opinions in a public forum. You can access any information or evidence cited in this report or that we relied on to write this report from information in the public domain.

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. We have a good-faith belief in everything we write; however, all such information is presented "as is," without warranty of any kind – whether express or implied.

In no event will we be liable for any direct or indirect trading losses caused by any information available on this report. Think critically about our opinions and do your own research and analysis before making any investment decisions. We are not registered as an investment advisor in any jurisdiction. By downloading, reading or otherwise using this report, you agree to do your own research and due diligence before making any investment decision with respect to securities discussed herein, and by doing so, you represent to us that you have sufficient investment sophistication to critically assess the information, analysis and opinions in this report. You should seek the advice of a security professional regarding your stock transactions.

This document or any information herein should not be interpreted as an offer, a solicitation of an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Any examples or interpretations of investments and investment strategies or trade ideas are intended for illustrative and educational purposes only and are not indicative of the historical or future performance or the chances of success of any particular investment and/or strategy. As of the publication date of this report, you should assume that the authors have a direct or indirect interest/position in all stocks (and/or options, swaps, and other derivative securities related to the stock) and bonds covered herein, and therefore stand to realize monetary gains in the event that the price of either declines.

The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.