

The heart of  
student living

UNITE

# The UK's leading developer and manager of student accommodation

**Interim Results**

Six months ended 30 June 2011



# Highlights

- **Adjusted NAV up 5% to 310pps**
  - Stabilised portfolio values up 2.1%
  - £6m of development profit recognised
- **Net Portfolio Contribution increased to £7.2m**
  - Rental and occupancy growth
- **Good development progress**
  - All funding and planning in place for 2012 and 2013 schemes
  - Accretive to future NAV and earnings
- **Strong reservations position for 2011/12**
  - 89% as at 23 August
  - 3% - 4% rental growth expected for full year
- **Dividend re-instated**
  - Interim payment 0.5pps

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Adjusted NAV	310p	286p	295p
NPC	£7.2m	£4.3m	£4.1m
Reservations*	89%	87%	n/a
Secured beds:			
- 2011	1,277	1,158	1,277
- 2012-14	3,283	2,300	2,793
	4,560	3,458	4,070
Adjusted gearing	78%	89%	71%

\* Reservations as at 23 Aug

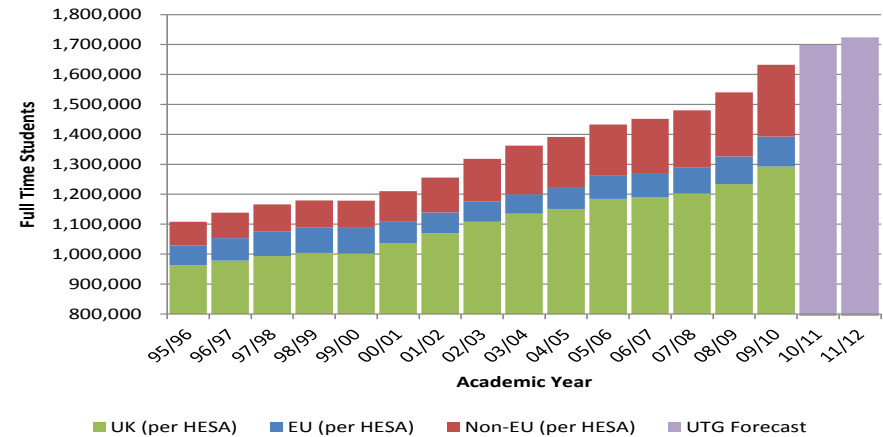


## Strategy and market

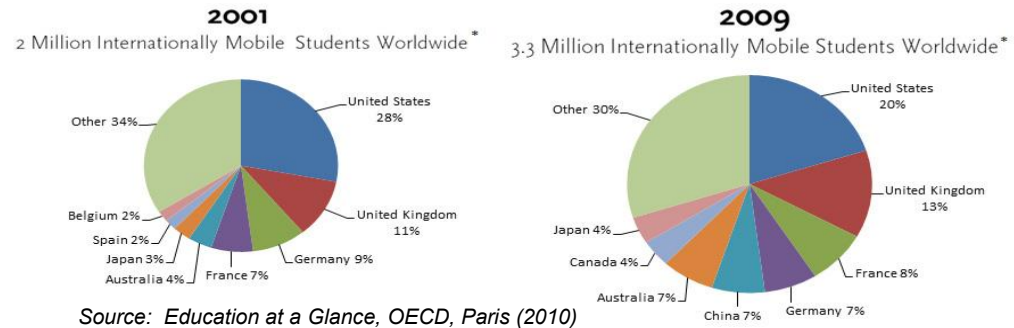
# Market view

- Demand for purpose built accommodation will remain strong for foreseeable future
  - >200,000 more applicants than places 2011
  - Capital and planning constraints limiting new supply
  - Variations at city/university level
- UNITE customer base particularly resilient to funding changes
  - >46% of customers non-UK
  - UK customer base affluent
- International student numbers continue to rise
  - Immigration controls no real impact on degree-level study
  - Global trend for studying abroad increasing
  - UK market share increasing
  - UNITE brand has strong appeal

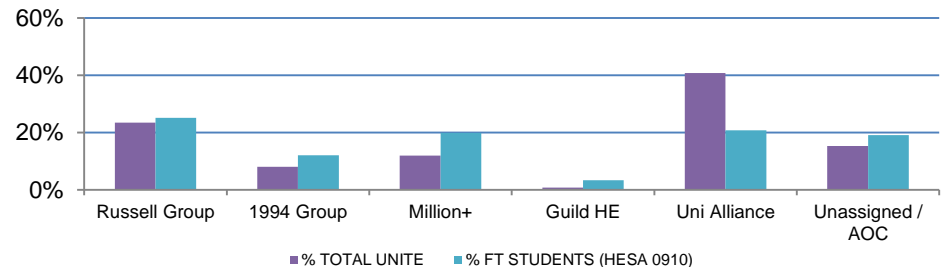
Full time student number growth



International student mobility



UNITE customer base by university grouping



Target low double-digit total returns, with modest risk



## Development

- London focus – 4,000 beds 2012-14
- Mix of product, price point and location
- 9% yield on cost target
- Planning further £100m-£150m developments from 2012
  - Funded from disposals



## Capital growth

- London focus
- Quality portfolio and universities
- Asset management
- Brand platform
- Rental growth 3-4%



## Income growth

- Rental growth
- Operating efficiencies
- Completion of development pipeline
- Increasing ownership stake
- Reinstatement of dividend



## Financial review

# Financial highlights

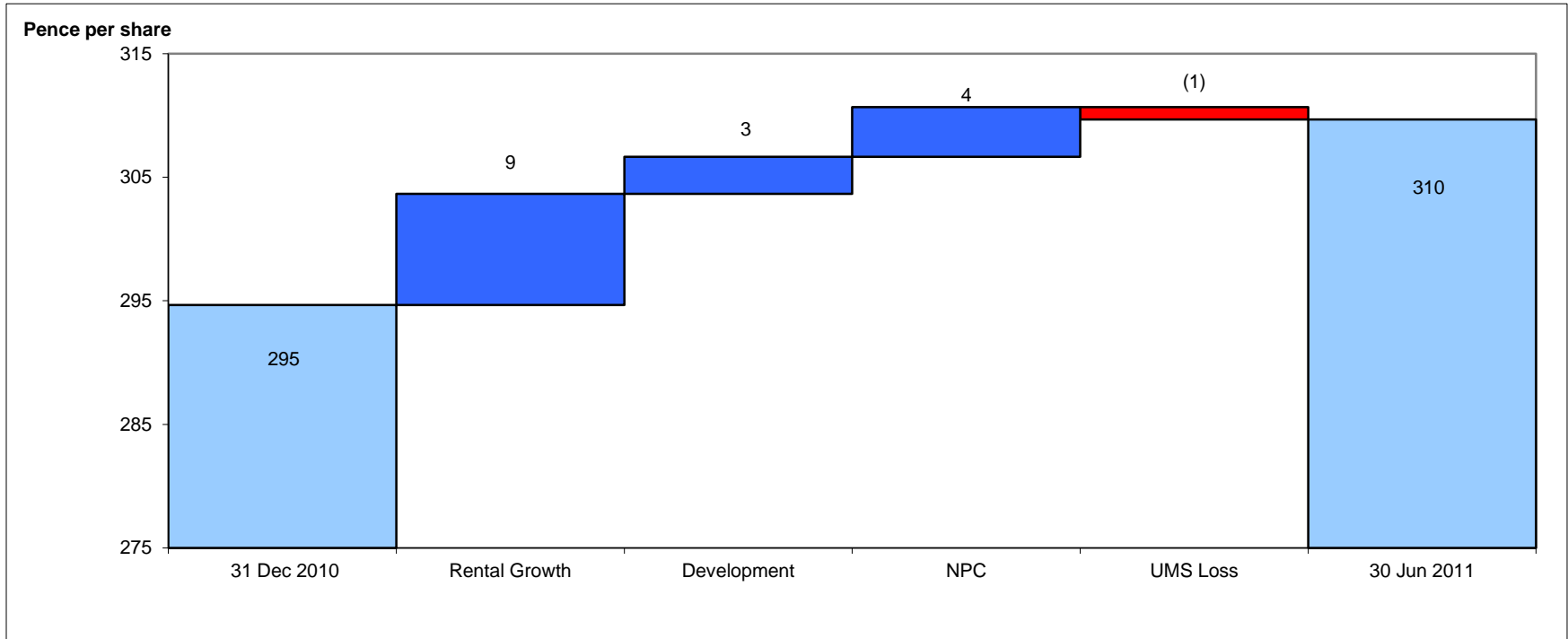
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	6 months to Jun 2011	6 months to Jun 2010	12 months to Dec 2010
<b>Income Statement</b>			
Net portfolio contribution	£7.2m	£4.3m	£4.1m
Adjusted profit /(loss)	£4.6m	(£4.0m)	£2.4m
Profit / (loss) before tax	£15.3m	£9.8m	£19.6m
<b>Balance Sheet</b>			
NAV (adjusted, fully diluted per share)	310pps	286pps	295pps
Adjusted net debt	£391m	£409m	£335m
Adjusted gearing	78%	89%	71%
See-through gearing	120%	128%	115%

# Adjusted NAV bridge

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# Net Portfolio Contribution

	Jun 2011 £'m	Jun 2010 £'m	Dec 2010 £'m	% change
Total income	112.5	96.0	188.9	17%
UNITE share of rental income	48.8	46.2	89.0	6%
<i>UNITE's share</i>	<i>43%</i>	<i>48%</i>	<i>47%</i>	
UNITE's share of operating costs	(14.0)	(12.4)	(26.9)	13%
UNITE's NOI	34.8	33.8	62.1	3%
Fees from JVs	5.0	3.9	8.4	28%
Overhead	(10.7)	(9.6)	(19.6)	11%
Finance costs <sup>1</sup>	(21.9)	(23.8)	(46.8)	(8%)
<b>NPC</b>	<b>7.2</b>	<b>4.3</b>	<b>4.1</b>	<b>67%</b>

- Rental growth and additional beds driving top line growth
- Lower finance costs reflect USAF sales, lower cost of debt and use of cash to pay down debt
- Growth in fee income with assets under management of £1.9bn for full period
- Overhead less fees 120bps of GAV annualised
  - Target 80bps by 2014

<sup>1</sup>Finance costs include net interest of £15.7m and lease payments of £6.2m on sale and leaseback assets

# Income Statement

	Jun 2011 £'m	Jun 2010 £'m	Dec 2010 £'m
<b>Net Portfolio Contribution</b>	<b>7.2</b>	<b>4.3</b>	<b>4.1</b>
Development pre-contract costs	(1.5)	(1.2)	(3.2)
Development trading profits/write-downs	2.0	(2.9)	6.9
UMS loss due to surplus capacity	(2.3)	(4.6)	(4.8)
Other	(0.8)	0.4	(0.6)
<b>Adjusted profit/(loss)</b>	<b>4.6</b>	<b>(4.0)</b>	<b>2.4</b>
Valuation movement / loss on disposal	9.8	27.8	29.3
Mark-to-market movement	0.3	(11.8)	(7.9)
Deferred tax	0.6	(2.2)	(4.2)
<b>IFRS reported profit / (loss)</b>	<b>15.3</b>	<b>9.8</b>	<b>19.6</b>



## See-through Balance Sheet and Income Statement

	Wholly owned £'m	USAF £'m	Joint Ventures £'m	Total £'m
<b><i>Balance sheet</i></b>				
Rental Properties	519	204	191	<b>914</b>
Properties under development	203	-	-	<b>203</b>
Net debt	(391)	(92)	(119)	<b>(602)</b>
Other assets/(liabilities)	(9)	(3)	(3)	<b>(15)</b>
<b>Adjusted net assets</b>	<b>322</b>	<b>109</b>	<b>69</b>	<b>500</b>
<b>Adjusted LTV</b>	<b>54%</b>	<b>45%</b>	<b>62%</b>	<b>54%</b>
<b><i>Income statement</i></b>				
Net operating income	22.2	6.9	5.7	<b>34.8</b>
Overheads less management fees	(5.1)	(0.1)	(0.5)	<b>(5.7)</b>
Finance costs	(15.7)	(2.7)	(3.5)	<b>(21.9)</b>
<b>Net Portfolio Contribution</b>	<b>1.4</b>	<b>4.1</b>	<b>1.7</b>	<b>7.2</b>

# Investment portfolio

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## Valuation factors

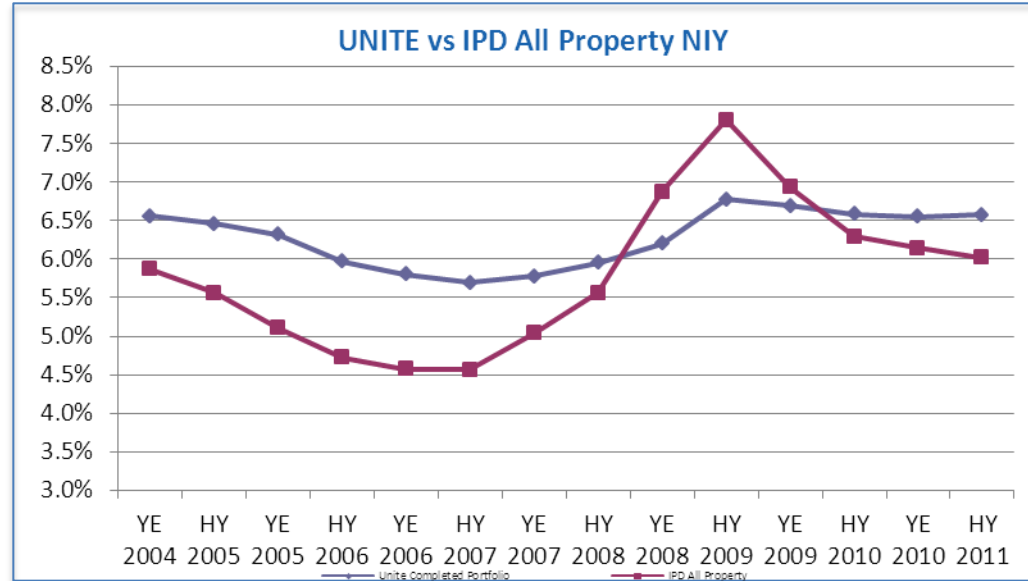
- Rental growth of 2.1% in H1 on stabilised portfolio (£730m)
- Average yields: 6.6%
  - Stable for last 18 months
- £154m of stabilising assets
  - Half to stabilise by December 2011

## London focus

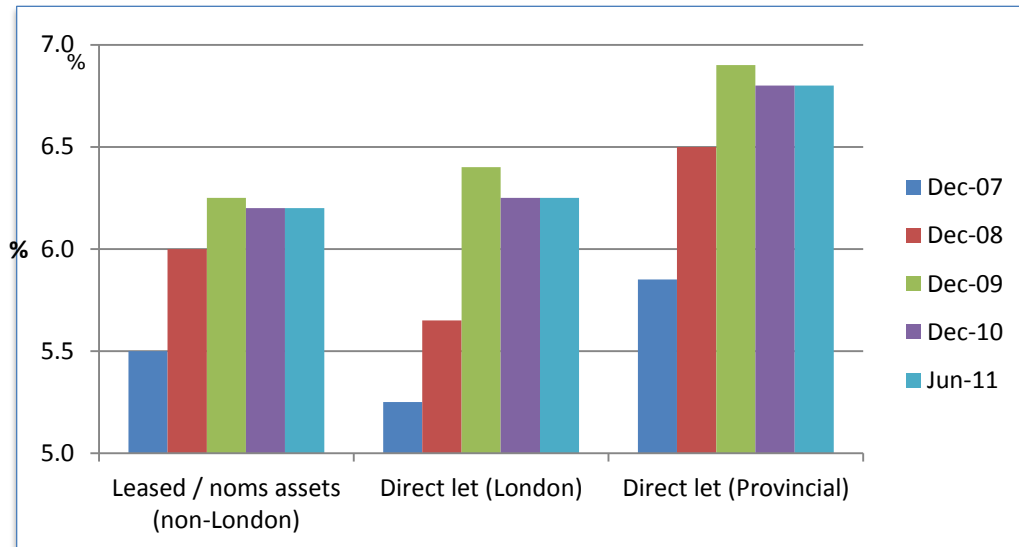
- 38% of capital invested in London
- Doubled since December 2007
- Will grow to c. 50% by December 2013

## Market factors

- Investor appetite strongest for prime assets
  - London
  - University agreements
  - 50-75 basis points keener yields than provincial direct let
- Demand for investment assets strong
  - £360m of transactions in last 12 months up from £125m



## Typical stabilised yields

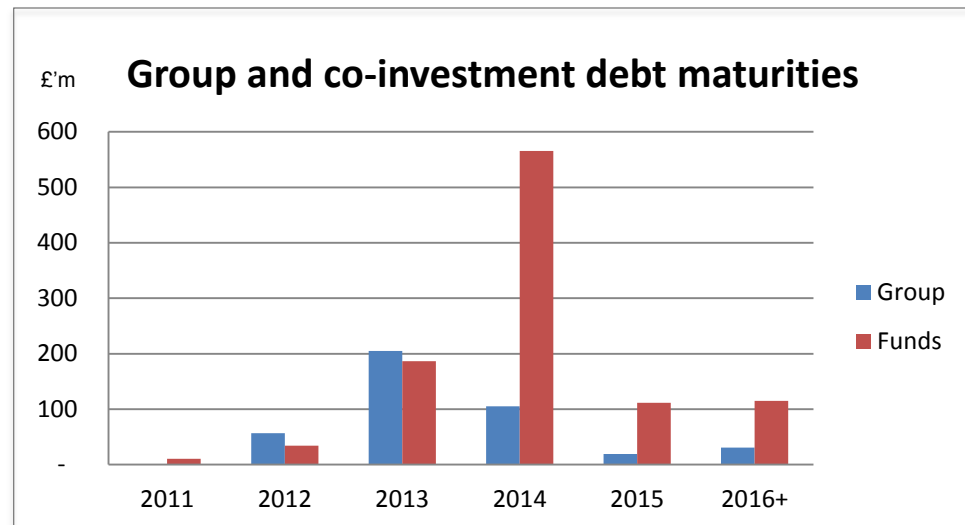


# Capital structure

- Financing position remains robust
  - Reduced average cost of debt
  - Net debt and gearing at sustainable levels
- New bank facilities extending debt maturity
  - Group - £50m new development facility
  - Co-investment - £180m extensions/new investment facility
- Covenant headroom for 20% valuation declines

## Key debt statistics

	Jun 11	Jun 10	Dec 10
Net debt	£391m	£409m	£335m
Net gearing	78%	89%	71%
See through gearing	120%	128%	115%
Adjusted LTV	54%	59%	53%
Average see through cost of debt	6.0%	5.5%	6.2%
Investment debt hedged	89%	71%	97%



# Built-out Balance Sheet

- Balance sheet headroom to complete development plan
- Significantly accretive to NAV and earnings
  - £62m NAV (39pps)
  - £15m NPC
- Debt facilities in place to complete secured pipeline – £200m of undrawn capacity
- Completing development programme will keep gearing within target range
  - Secured pipeline 104%
  - Target pipeline (+1,200 beds) 117%
- Further development beyond 4,000 bed target will be funded by recycling capital through selective disposals

	30 Jun 2011	Development pipeline	Built out
	£'m	£'m	£'m
Property	722	258	980
Share of JVs NAV	178	-	178
Cash headroom	74	(27)	47
Borrowings	(465)	(169)	(634)
<b>Net debt</b>	<b>(391)</b>	<b>(196)</b>	<b>(587)</b>
Other	(9)	-	(9)
<b>NAV</b>	<b>500</b>	<b>62</b>	<b>562</b>
NAV per share	310p	39p	349p
<i>Adjusted gearing</i>	78%		104%

# Co-investment vehicles

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- USAF: established track record, size, diversification
  - Portfolio valued £1.25bn
  - £57m units traded at premium to NAV
- Agreeing longer term strategies for JVs remains a priority for 2011
  - Active dialogues with all JV partners
- Good progress extending debt maturities on key facilities during 2011

<b>30 Jun 2011</b>				
	USAF	UCC	USV	OCB
	£'m	£'m	£'m	£'m
GAV (£'m)	1,250	390	58	180
Borrowing / others (£'m)	(584)	(251)	(43)	(102)
<b>Adjusted NAV (£'m)</b>	<b>666</b>	<b>139</b>	<b>15</b>	<b>78</b>
Adjusted LTV	45%	63%	71%	61%
UNITE stake	16%	30%	51%	25%
Management fees (£'m)	3.2	1.3	-	0.5
Maturity	Infinite	2013	n/a	2014



## Operational review

# Operations

- **Strong demand for 2011/12**
  - 89% reservations vs 87% last year (2,000 additional rooms sold year to date)
  - 35% increase in contact centre volumes and web traffic year on year (August)
  - London particularly strong
- **Range of service and efficiency improvements made in H1**
  - Upgrades to systems and on-line booking platform
  - Enhanced maintenance operations
  - Further efficiencies planned for 2012
- **Portfolio refurbishment programme continued**
  - £3m capex in period (UNITE share)
  - Will deliver c. £2m of NAV upside (UNITE share)

# Development pipeline

	Secured beds	Total completed value	Total development cost	Capex in period	Capex remaining	NAV remaining	Stabilised yield on cost
		£'m	£'m	£'m	£'m	£'m	
<b>London</b>							
2011	149	20	19	6	1	-	7.2%
2012	1,341	172	127	32	57	21	9.3%
2013	563	73	58	-	58	15	8.7%
2014	902	79	60	-	60	19	9.1%
	<b>2,955</b>	<b>344</b>	<b>264</b>	<b>38</b>	<b>176</b>	<b>55</b>	<b>9.0%</b>
<b>RoUK</b>							
2011	1,128	80	66	18	1	3	8.4%
2012	477	35	27	8	19	4	8.9%
	<b>1,605</b>	<b>115</b>	<b>93</b>	<b>26</b>	<b>20</b>	<b>7</b>	<b>8.5%</b>
<b>Total</b>	<b>4,560</b>	<b>459</b>	<b>357</b>	<b>64</b>	<b>196</b>	<b>62</b>	<b>8.9%</b>

- All funding and planning consents in place for 2012 and 2013 projects
- Exclusive negotiations on further 1,200 beds in London
- Plans to allocate further £100m to £150m in 2012, funded by disposals
  - £22m disposals exchanged or under offer, £50m being marketed

# UNITE Modular Solutions

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- £2.3 million loss in H1 due to surplus capacity
- Pipeline of third party opportunities enhanced
  - Four contracts secured (£21m value)
  - Healthy pipeline of other opportunities
  - Student accommodation, budget hotel and residential sectors
- Improved outlook for full year
  - Production weighted to second half
  - Forecast production of 2,000 modules for 2011
  - EBITDA neutral for full year
- Ownership stake under review in short to medium term



# Summary and outlook

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- Good progress against all strategic objectives
  - Growth in NAV and NPC
  - Development pipeline progressed
  - Effective capital management
- Outlook for remainder of 2011 is positive
- Re-instatement of dividend
- Business and strategy well positioned for future
  - London focus
  - University relationships
  - Established brand platform
  - Access to capital

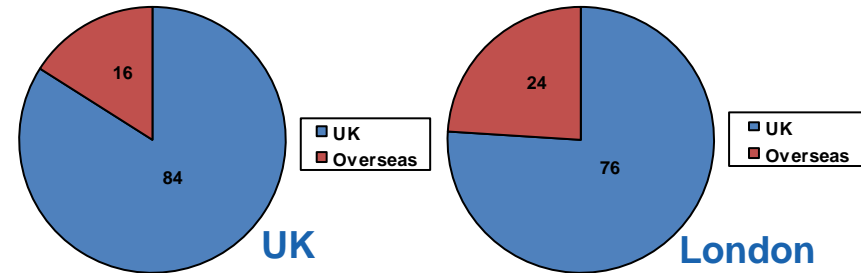




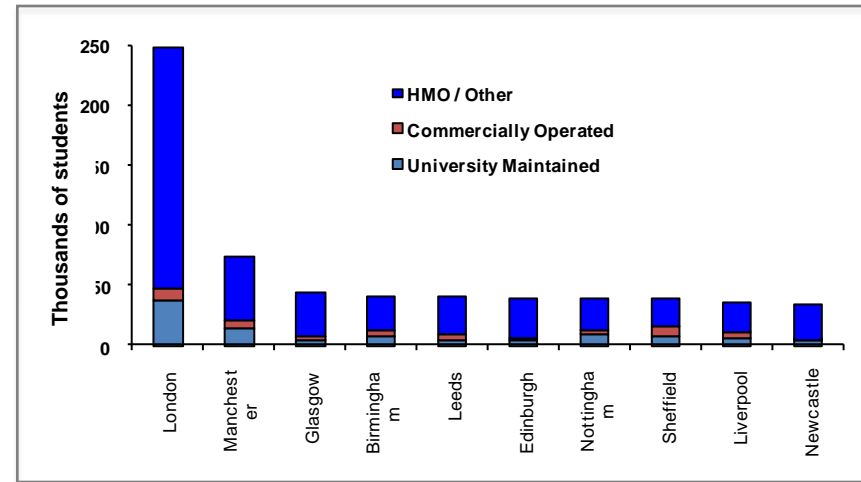
# The London student market

- London has three important characteristics that distinguish it from the wider UK market
  - A full time student population (284,000) that is larger than the next five largest student markets combined
  - A very low supply ratio. London's universities can only supply 30% of the bed spaces required to meet their accommodation 'guarantee' (all first year and international students) compared to a national average of c. 65%
  - A large international student population (c. 100,000) with high accommodation requirements and expectations
- UNITE has built a substantial London student accommodation business in recent years.
  - For academic year 2011/12 UNITE will operate over 6,000 bed spaces in London

Proportion of International Students  
HESA 09/10 – All Students



Top 10 UK Markets



# Differentiating the student experience

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## UNITE's accommodation and offer

- Prime student locations
- Online booking and payment
- Multi-lingual telephone booking line
- Flat shares for up to 8 people
- Single & double occupancy studios
- Group booking facility
- Dedicated management teams
- No hidden costs (rents inclusive of utilities, internet & insurance)
- Student welfare

## Brand value

- Dedicated sales & marketing functions
- Strong relationships with 50+ universities
- Affinity partnerships with leading student brands
- Award winning research
- Strong on-line booking system



# Our top 10 markets

2011 Rank	2010 Rank	City	Completed Beds (11/12)	Completed Beds (10/11)	FT Student Numbers (09/10)	Projected Market Share
1	1	London	6,729	6,586	283,531	2.4%
2	2	Sheffield	3,731	3,731	46,325	8.1%
3	3	Liverpool	3,372	3,372	40,920	8.2%
4	4	Leeds	3,138	3,138	52,371	6.0%
5	5	Bristol	2,858	2,858	38,561	7.4%
6	6	Manchester	2,716	2,597	79,406	3.4%
7	8	Aberdeen	1,837	1,817	21,735	8.5%
8	7	Birmingham	1,832	1,832	53,148	3.4%
9	9	Leicester	1,685	1,685	28,588	5.9%
10	12	Glasgow	1,672	1,269	50,157	3.3%



## See-through Balance Sheet and Income Statement

	Wholly owned £'m	USAF £'m	UCC £'m	USV £'m	OCB £'m	Total £'m
<b>Balance sheet</b>						
Rental Properties	519	204	117	29	45	<b>914</b>
Properties under development	203	-	-	-	-	<b>203</b>
Net debt	(391)	(92)	(74)	(20)	(25)	<b>(602)</b>
Other assets/(liabilities)	(9)	(3)	(1)	(1)	(1)	<b>(15)</b>
<b>Adjusted net assets</b>	<b>322</b>	<b>109</b>	<b>42</b>	<b>8</b>	<b>19</b>	<b>500</b>
<b>Income statement</b>						
Rental income	32.7	9.3	3.9	1.5	1.4	<b>48.8</b>
Costs	(10.5)	(2.4)	(0.5)	(0.4)	(0.2)	<b>(14.0)</b>
Net operating income	22.2	6.9	3.4	1.1	1.2	<b>34.8</b>
Management fees	5.4	-	(0.4)	-	-	<b>5.0</b>
Operating/corporate expenses	(10.5)	(0.1)	(0.1)	-	-	<b>(10.7)</b>
Finance costs	(15.7)	(2.7)	(2.0)	(0.6)	(0.9)	<b>(21.9)</b>
<b>Net portfolio contribution</b>	<b>1.4</b>	<b>4.1</b>	<b>0.9</b>	<b>0.5</b>	<b>0.3</b>	<b>7.2</b>
Development segment & other	(2.6)	-	-	-	-	<b>(2.6)</b>
<b>Adjusted profit</b>	<b>(1.2)</b>	<b>4.1</b>	<b>0.9</b>	<b>0.5</b>	<b>0.3</b>	<b>4.6</b>

# Debt facilities

## On-balance sheet

	Facility Amount	Drawn	Maturity	LTV @ 30 Jun
<i>Investment</i>	£'m	£'m		
Bank of Ireland	100	100	2013	56%
Nationwide	100	39	2014	37%
HSH / Nordbank	77	77	2014	75%
BNPP/Fortis	29	29	2016	70%
Others	66	65	2012-22	75%
	<u>372</u>	<u>310</u>		
<i>Development</i>				
BNPP/Fortis	71	7	2016	
HSH / Nordbank	72	5	2014	
Barclays	67	12	2015	
RBS	71	57	2013	
Others	27	27	2012-18	
Total	<u>308</u>	<u>108</u>		
Investment & Development	<u>680</u>	<u>418</u>		

## Co-investment vehicles

	Facility £'m	Drawn £'m	Maturity	LTV
<u>USAF</u>				
Lloyds*	115	115	2012	50%
HSH / Abbey	106	106	2013	48%
CMBS	280	280	2014	51%
Santander	63	50	2015	49%
HSBC	75	62	2015	50%
	<u>639</u>	<u>613</u>		50%
<u>UCC</u>				
- HSH	75	63		
- BNP Paribas	100	84		
- OCB	92	78		
- Maybank	33	28		
Syndicated facility	<u>300</u>	<u>253</u>	2014	65%
<u>OCB</u>				
Barclays*	33	27	2011	55%
RBS	35	31	2013	65%
HSH	50	50	2013	61%
	<u>118</u>	<u>108</u>		61%
<u>USV</u>				
Natixis	12	10	2011	82%
Lehmans CMBS	34	34	2012	75%
	<u>46</u>	<u>44</u>		77%

\* Credit approved terms agreed to extend /replace

# Co-investment vehicles – key terms

## USAF

## UCC

## OCB JV

History:	Multi investor fund formed Dec 06	JV with GIC formed March 05	JV with OCB formed August 09
Strategy:	<ul style="list-style-type: none"> <li>▪ UK direct let student accommodation</li> <li>▪ Exclusivity over UNITE pipeline</li> </ul>	<ul style="list-style-type: none"> <li>▪ London &amp; Edinburgh focus</li> <li>▪ Build a £350m+ portfolio</li> <li>▪ Development led</li> </ul>	<ul style="list-style-type: none"> <li>▪ Build and operate 3 London assets</li> </ul>
Capitalisation:	<ul style="list-style-type: none"> <li>▪ £1.25bn</li> <li>▪ 50-60% LTV</li> </ul>	<ul style="list-style-type: none"> <li>▪ Target £350m+ GAV</li> <li>▪ 70% LTV</li> </ul>	<ul style="list-style-type: none"> <li>▪ Target c. £200m GAV</li> <li>▪ 60% LTV</li> </ul>
Format:	Open ended, infinite life	Closed ended, 8 year fund matures 2013	Closed ended, 5 year JV matures 2014
UNITE stake:	16.3%	30%	25%
UNITE role:	Co-investing property & asset manager	Co-investing property, asset, and development manager	Co-investing property, asset and development manager
Fees:	AM fee: 60bps of GAV	AM fee : 50 bps GAV	AM fee: 70bps GAV DM fee: 5% build cost
Promote:	25% over 9% total return payable annually in units	20% over 15% total return payable at exit	Capped at £2.5m payable at exit based on milestone achievements

# NNNAV

	Jun 2011 £m	Jun 2010 £m	Dec 2010 £m
Net assets	404	372	387
Valuation gains not recognised on properties held at cost	48	30	37
Fair value of fixed rate debt	(5)	(8)	(6)
Deferred tax	-	-	-
NNNAssets	<u>447</u>	<u>394</u>	<u>418</u>
NNNAV per share	279pps	246pps	261pps