



Capital Markets Day
Aston Student Village, Birmingham

26 September 2017

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Richard Smith, Chief Executive
2. **The Higher Education landscape**
Dr Diana Beech, HEPI
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Darren Ellis, HE Engagement Director
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10. **Tour of ASV and drinks**





Welcome and introduction

Richard Smith, Chief Executive



The higher education landscape

Dr Diana Beech, HEPI



Higher Education Policy Institute



The continuing strength and resilience of the UK higher education sector – some key observations and trends

Dr Diana Beech

Director of Policy and Advocacy

About HEPI

- **UK's only specialist higher education think tank.**
- **Supported by 115 universities in all four parts of the UK, plus around 10 corporates.**
- **We organise conferences and seminars – usually with Vice-Chancellors and key influencers in the sector.**
- **We try to join up policymakers and the world outside Whitehall by tackling a variety of policy areas.**
- **Partner with Unite Students on insight and HE sector engagement.**

****www.hepi.ac.uk (Twitter @hepi_news)****

About me

- **Joined HEPI in March as the new Director of Policy and Advocacy.**
- **Previously Programme Manager at the DfE with responsibility for setting up the Office for Students (OfS).**
- **Experienced in researching HE issues (employability, open access policy and EU science and research funding).**
- **Early career background in academia (PhD + 3 post-docs).**

****d.beech@hepi.ac.uk (Twitter @dianajbeech)****

UK HE: going from strength to strength

Oxford and Cambridge top world university rankings

By Judith Burns
Education reporter

5 September 2017 | Education & Family

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Oxford is the world's best university, according to the ranking

Two UK universities occupy the top spots in a global ranking for the first time.



The UK's only independent think tank devoted to higher education.

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UK is (just) number 1 for educating the world's leaders

A new study by the Higher Education Policy Institute (www.hepi.ac.uk) reveals the UK's higher education sector has educated more of the world's leaders than any other.

Among 377 serving heads of state and heads of government, 58 attended universities and colleges in the UK. This places the UK just ahead of the United States (57) but far ahead of all other countries. France is in third place, with 33 world leaders, ahead of Russia (9) and Australia (8).



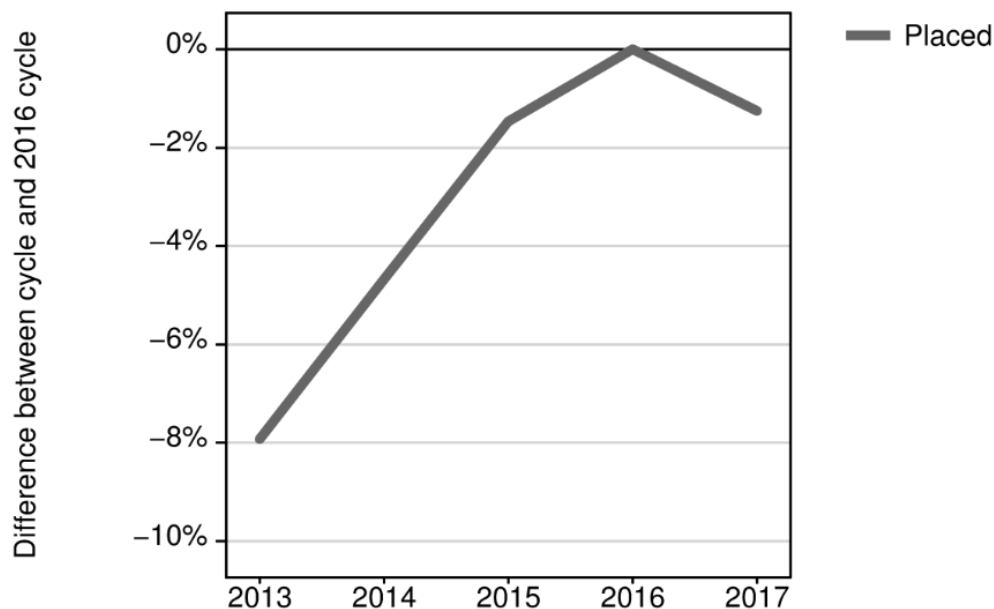
Recent

2017 HEPI Annual Lecture by Professor Chorh Chuan Tan, President of the National University of Singapore
7 December, 2017

HEPI Roundtable Dinner in partnership with PwC 'The Changing Global Environment for UK Universities' with guest speaker Professor Sir Alan Langlands, Vice-Chancellor, University of Leeds
9 November, 2017

A closer look at domestic demand

Figure 1: Proportional change in all acceptances to UK higher education providers, four weeks after A level results day



- **4 weeks after A-Levels, 505,680 acceptances on FT UG courses at UK providers.**
- **This is 1% lower than at the equivalent point last year BUT higher than at the equivalent point in 2015.**

Source: Interim assessment of UCAS acceptances for the 2017 cycle, four weeks after A level results day – released on 18 September 2017

Reasons behind the drop in applicants



- **6% drop in numbers on UG nursing programmes in England (19,670 in 2017 compared to 20,880 in 2016) due to changes in finance options for these subjects.**

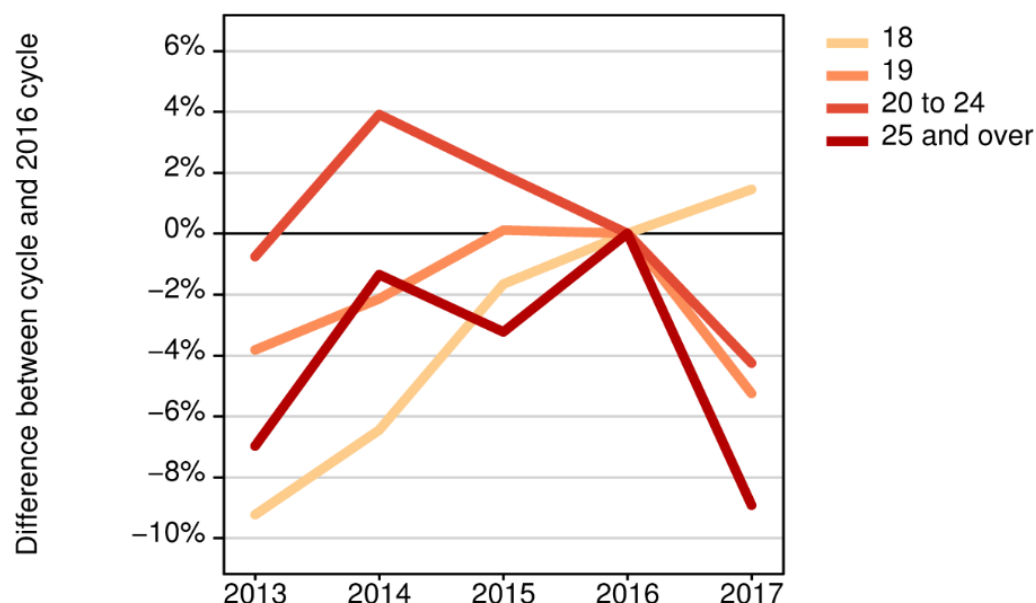


- **56% drop in part-time student numbers since 2010 (107,325 in 2015-16 compared to 243,355 in 2010-11) due to the cap raised on PT fees, ELQ stipulations and risky returns.**

Numbers of 18-year-olds

- Despite a 1% fall in the 18-year-old population this year, a record number of 18-year-olds have been placed in university.
- In England, 207,720 18-year-olds have been accepted – that's a 1% increase on 2016.

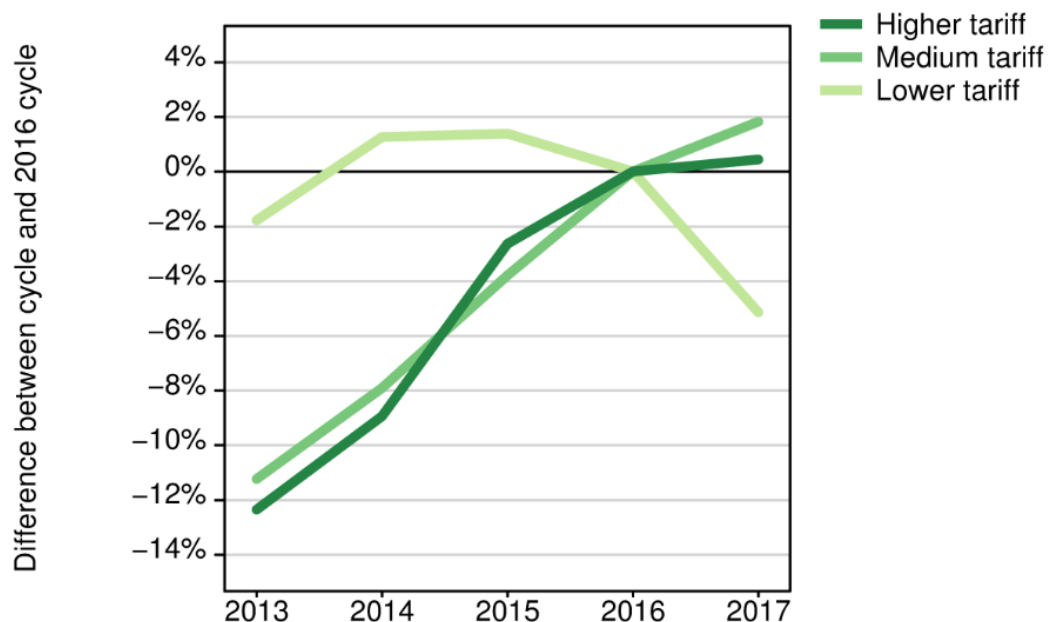
Figure 4: Proportional change in all acceptances from England by age, four weeks after A level results day



Source: Interim assessment of UCAS acceptances for the 2017 cycle, four weeks after A level results day – released on 18 September 2017

The effects on different tariff providers

Figure 10: Proportional change in all acceptances to UK providers by tariff group, four weeks after A level results day

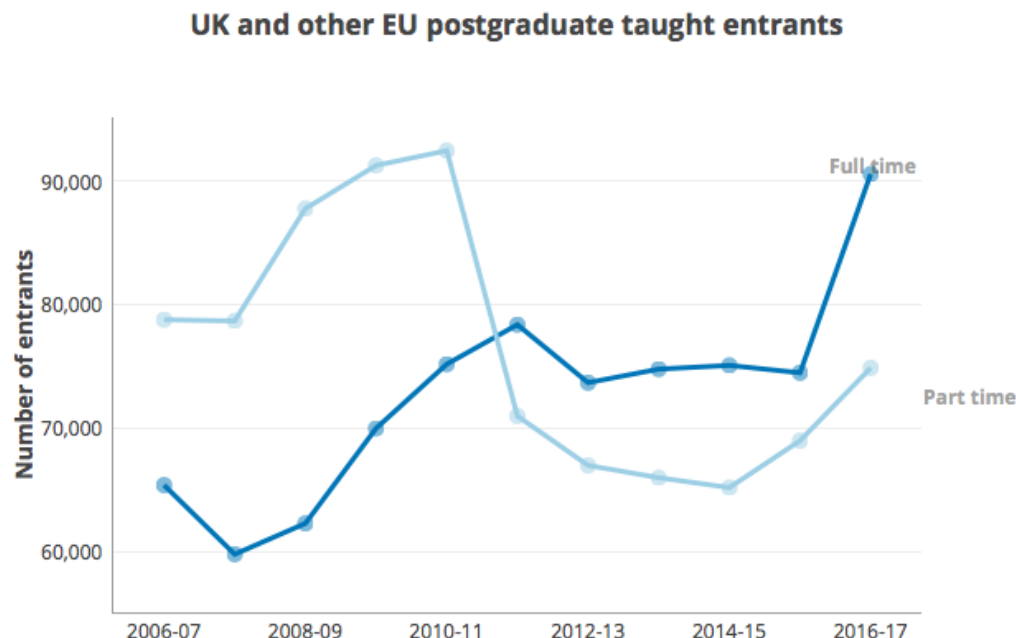


- Higher and medium tariff providers have increased their acceptances since 2013; this year up 1% and 2% respectively.
- Numbers at lower tariff providers have reduced by 5% since 2016.

Source: Interim assessment of UCAS acceptances for the 2017 cycle, four weeks after A level results day – released on 18 September 2017

Postgraduate acceptances numbers

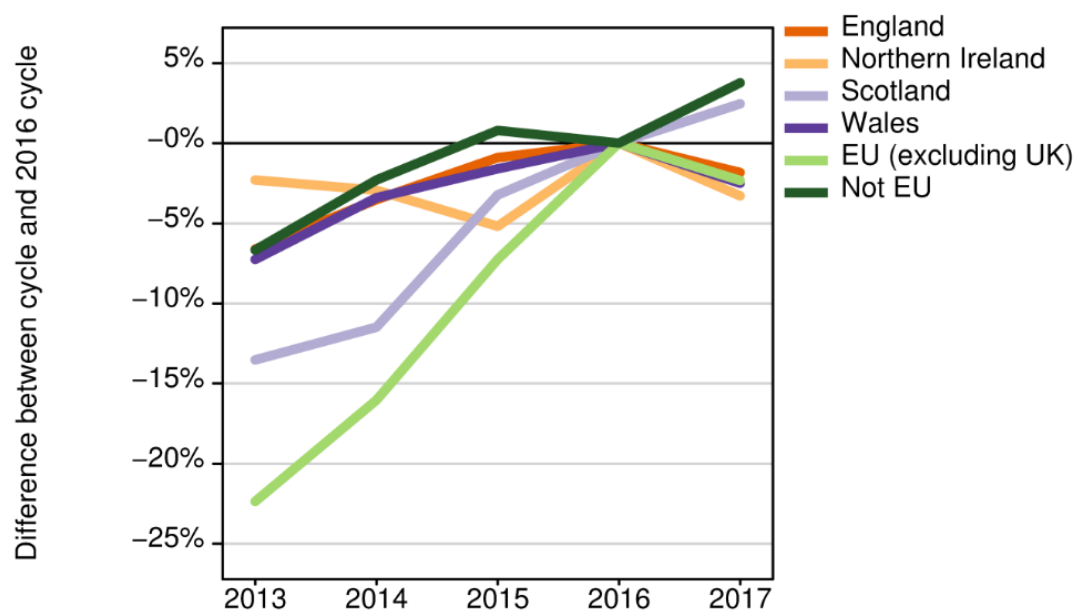
- 22% increase in numbers enrolled on FT PG courses (90,600 students in 2016-17).
- 8.6% increase in numbers enrolled on P1 PG courses (74,900 students in 2016-17).
- This rise is due to new PG loans.



Source: HEFCE's 'Higher Education in England: Key facts'

A look at international demand

Figure 3: Proportional change in placed applicants by country of domicile, four weeks after A level results day



- Placed acceptances from the EU stand at 29,850 (down 2% from 2016).
- Placed acceptances from outside the EU stand at 36,850 (up 4%).
- Combined number of EU & non-EU acceptances has grown.

Source: Interim assessment of UCAS acceptances for the 2017 cycle, four weeks after A level results day – released on 18 September 2017

Brexit and international students

The determinants of international demand for UK higher education

Gavan Conlon, Rohit Ladher
and Maike Halterbeck



- Fee levels for EU students and access to student support is guaranteed for academic year 2018-19.
- The depreciation of the £ has made UK higher education more affordable to non-EU students.
- International student fees help drive university surpluses and investment in academic estates.

Some positive predictions

- Even if fewer EU students come to the UK, our universities will only lose £40 million a year in the 1st year. That is 0.1% of the total income of publicly-funded HEIs in the UK.
- Some institutions like Oxford and Cambridge are likely to see their fee income rise.
- The depreciation of the £ could also lead to an increase of 20,000 new students from outside the EU each year, bringing in £227 million in the first year alone.
- The net result would be £187 million more in income.

Expansion without limits

- **Simon Marginson has described a world-wide trend to high participation in higher education.**
- **Even those countries with high participation rates will go on seeing further expansion.**
- **This is driven by the ambitions of families to advance or maintain their social position.**



**Simon Marginson,
Professor of International Higher Education,
University College London**

Policy Q1: Impact of HE reforms

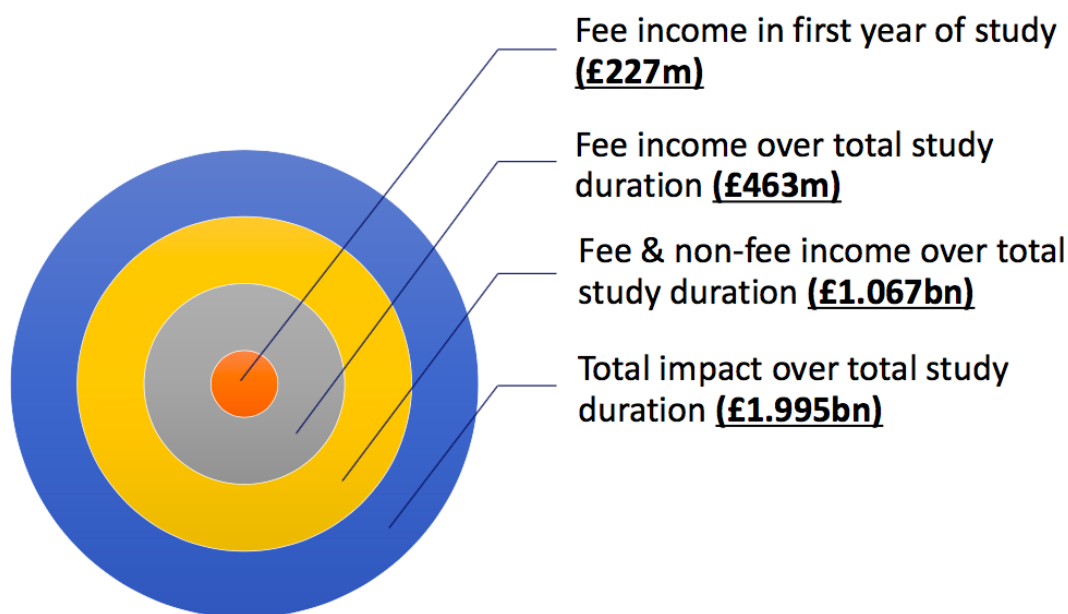


Office for
Students

- TEF could be a big factor in international student choice.
- The International Student Survey 2017 found high-quality teaching is the single most important factor for prospective students when choosing a university, country or course.
- LEO data further highlights differences between institutions.
- OfS has a major role to play in ensuring this data is presented in a way that can best be understood.

Policy Q2: Status of international students

- Removing international students from net migration targets will be key to ensuring the UK reaps the full benefits of international participation in UK higher education.



Policy Q3: Other terms of Brexit



- **Freedom of movement of people is vital to the health of the UK teaching and research base.**
- **Access to European funding and research collaborations post-Horizon 2020 is necessary to maintain research capacity, as is ensuring a major role for UK universities in the Government's Industrial Strategy.**

Some optimistic voices

The Telegraph

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Bill Gates: Why Britain can still lead world in science and tech after Brexit

share | 288 Comments



Bill Gates, photographed at the Seattle headquarters of the Gates Foundation CREDIT: DANIEL BERMAN FOR THE TELEGRAPH

The Telegraph

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Education

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★ Education

Brexit will be good for universities, Oxford's new Head of Brexit strategy says

share | 31 Comments



Professor Alastair Buchan is confident that a good Brexit deal will benefit the UK's university sector

Brexit offers opportunities

Published 5 September, 2016. This article [originally appeared in the Financial Times](#).

Brexit offers opportunities for UK scientists

Professor Sir John Bell, Regius Professor of Medicine, Oxford University.

Britain's scientists have benefited enormously from EU funding and the free flow of talented researchers across Europe. Like most scientists, I believed the benefits of continued membership of the bloc outweighed the costs, and would have preferred that the UK had voted to remain, in the referendum in June. But it is unwise to imagine that there were no disadvantages, and important now to look at how best to advance science in the longer term as the UK prepares for Brexit.

The opportunities in this new world extend well beyond funding issues. The cultural,



Policy Q4: Tuition fee debates

- Any new policy decision regarding tuition fees could affect student numbers and university income.
- Plausible options are to bring back maintenance grants and raise the repayment threshold.
- The key is not to risk the return of student number caps.

Jo Johnson defends 'fair and equitable' tuition fees and student loans

Universities minister defends student finance system as thousands of sixth-formers await their A-level results



 Jo Johnson: 'A university degree boosts lifetime income by between £170,000 and £250,000.' Photograph: Chris Radburn/PA

Points to take away

1. The UK boasts the top two universities in the world, as well as many others in the top half of the table.
2. The UK has educated more of the world's leaders than any other country.
3. Domestic demand is strong: record numbers of 18-year-olds are going to university, offsetting the current demographic dip in this age cohort.
4. Demand is strong for medium and high tariff institutions.
5. International demand is also strong despite Brexit: our study predicts economic gains for the sector, particularly for high-tariff institutions.
6. Policy questions to watch include: regulatory reforms to the sector (TEF, OfS), Brexit and the impact on international students and UK research, plus any potential changes to the student finance system/tuition fees.



Higher Education Policy Institute



A Vice-Chancellor's perspective

Professor Alec Cameron, V-C, Aston University



Trading update and strategic overview

Richard Smith, Chief Executive

- **99% occupancy for 2017/18***
- **Full year rental growth at mid to upper end of our 3.0 - 3.5% forecast**
- **Five new buildings opened in September 2017**
 - Delivered on time, on budget
 - Fully let for 2017/18 at stabilised rents – delivering yield on cost targets
 - 67% nominations with 13 years duration
- **Nominations increased year-on-year to 29,000 beds, 60% of portfolio**
 - Extension to agreement with King's College London 2,500 beds, extended duration from 6 years to 9 years
 - Extension to agreement with LSE from 2030 to 2040
- **Good progress with 2020 development pipeline**
 - Added a further 1,000 beds in a strong regional city at current hurdle rates under lock-out agreement

* Excludes 527 beds at Sky Plaza



SERVICE

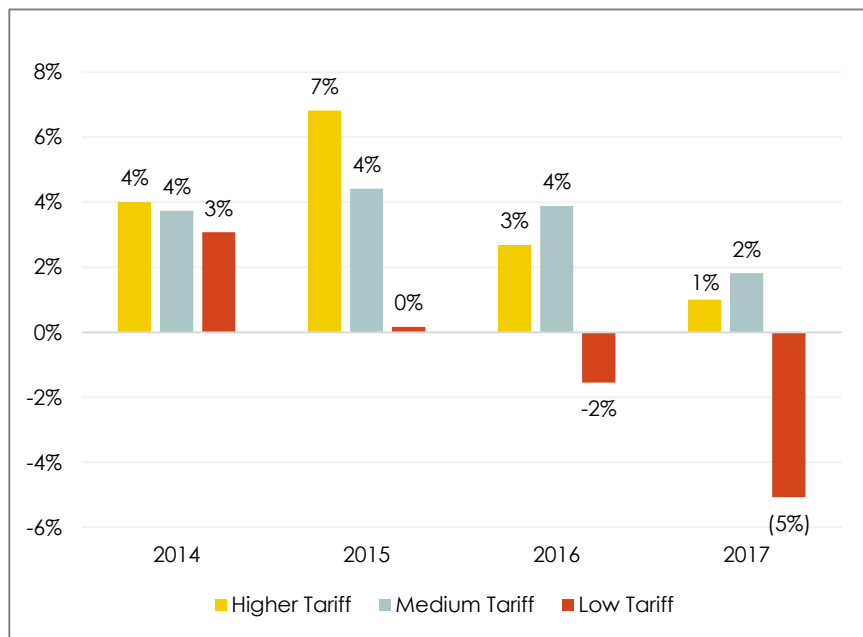
QUALITY

PORTFOLIO

PARTNERSHIPS

CONTINUED DEMAND FOR HIGH QUALITY UNIVERSITIES

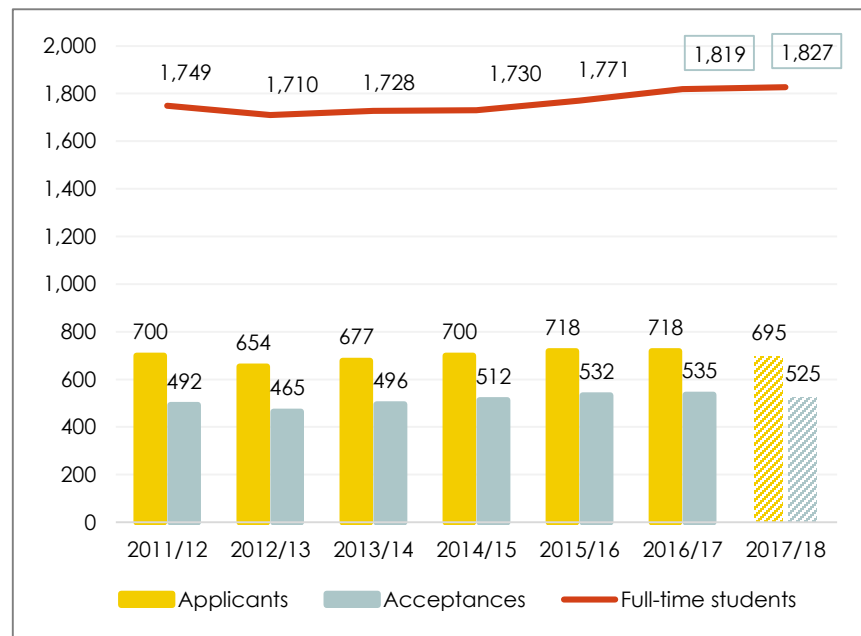
University enrolments*



Source: UCAS

- Student numbers at record levels
- 2017 overall enrolment broadly in line with 2016
- Mid and higher tariff Universities continue to grow

HE student numbers



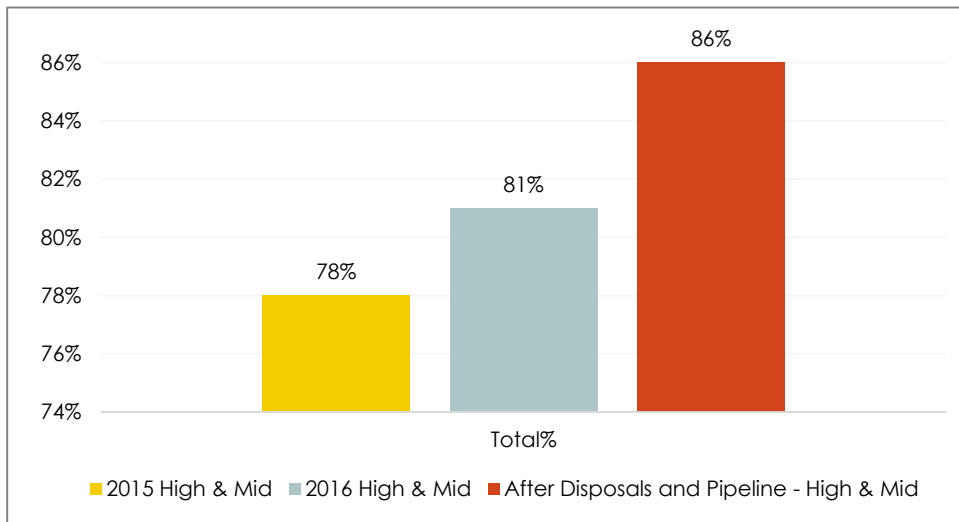
Source: UCAS, HESA, Unite

* 28 days post clearing

UK'S BEST PROPERTY PORTFOLIO

- Increasingly aligned to high and mid-ranked Universities
- Located close to Universities
- Well maintained
- Mid-market price point

Increasing exposure to quality Universities



Source: Unite, THE rankings



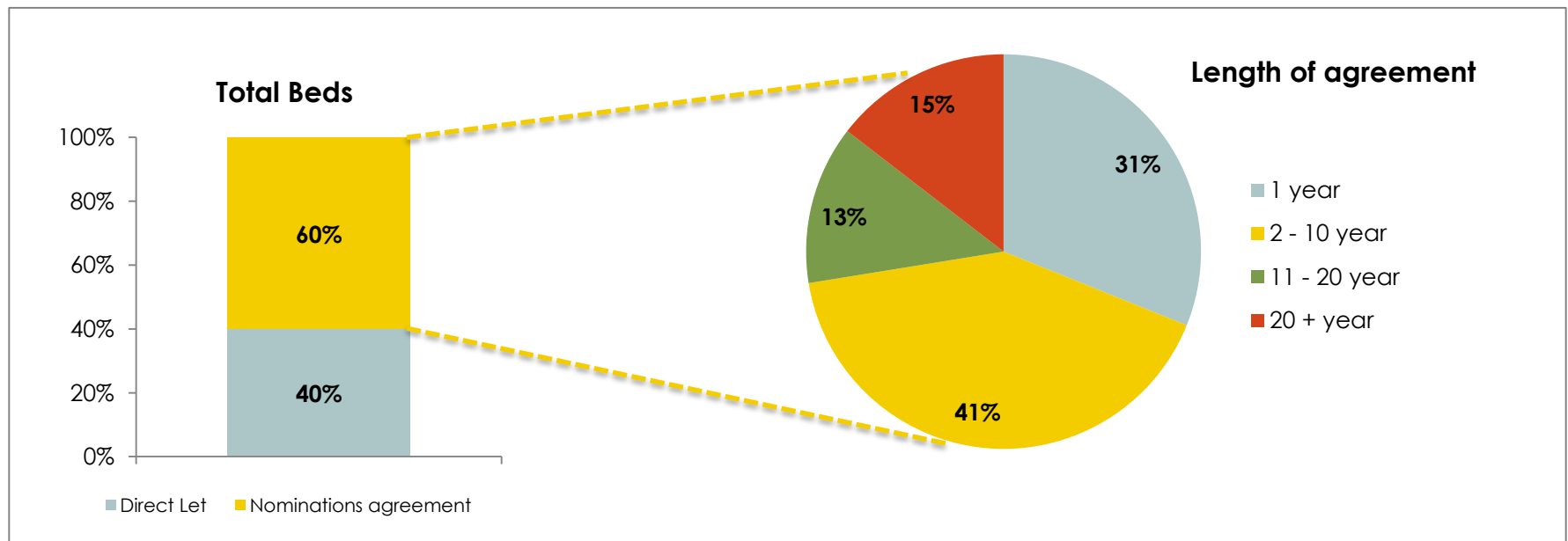
PARTNERSHIPS UNDERPIN INCOME AND RENTAL GROWTH

- **60% secured under nomination agreements**

- 69% multi-year agreements with annual, RPI-linked uplifts
- Rental growth of 3 - 3.5% already secured for 2018/19 across multi-year agreements

- **1,000 beds sold to Universities during clearing at market rates**

- **University relationships are driving new partnership opportunities**



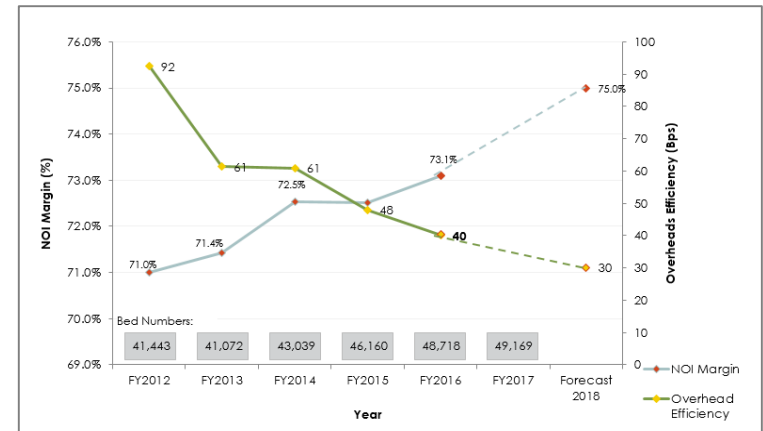
Source: Unite

BRAND AND SERVICE DRIVING PERFORMANCE

- **Platform enhancing and differentiating student proposition**
 - Supports University partnerships
 - Driving student retention and return
- **PRISM driving operational efficiencies and service enhancement**
 - Enhancing margin through operating and central overhead efficiency
 - Supports further investment in student service and offer
- **Improving satisfaction ratings and real-time feedback through app**



Operating efficiency



Source: Unite



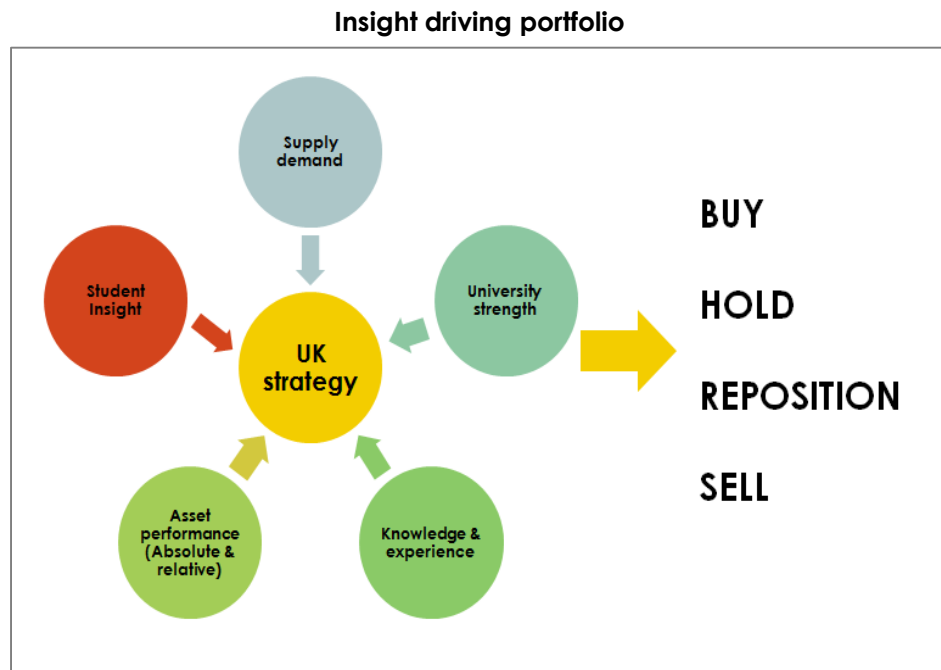
A PLATFORM FOR SUSTAINABLE GROWTH



The best property portfolio

Nick Hayes, Property Director

- **Actively positioning portfolio – based on insight**
- **Best Universities and locations**
- **Right price point**
 - 92% beds are shared flats
 - Range of locations in London
- **Well maintained**
 - Average age = 8 years
 - Consistent investment in lifecycle
- **Experienced team**



Source: Unite

▪ Significant volume of portfolio recycling

- £472 million sold in 2017 – 10% of portfolio
- £826 million sold in last five years

▪ Enhancing portfolio quality

- Assets selected either from weaker markets / locations or studio based
- Regional assets traded at blended 5.5% yield in line with book valuation
- Regearing portfolio towards mainstream product

Disposal portfolio

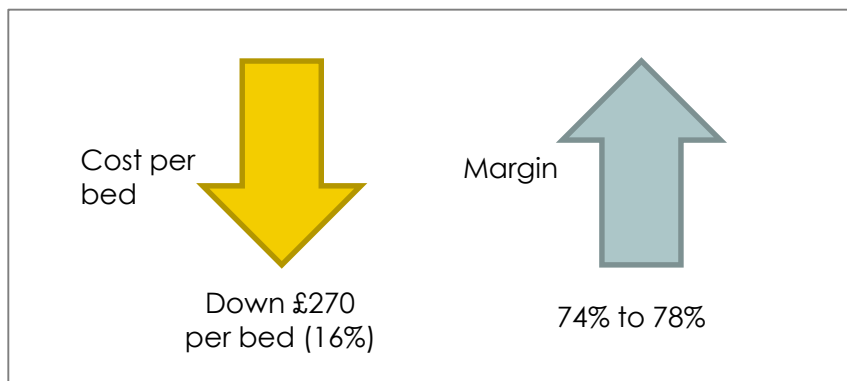
City	Beds	
Liverpool	1,159	4 peripherally located properties
Birmingham	909	1 asset aligned to low-ranked University
Glasgow	753	1 peripheral location, 1 studio property
London	583	2 high-end studio properties
Aberdeen	360	1 peripherally located property
York	356	Single asset in the city
Edinburgh	332	2 high-end studio properties
Poole	306	Single asset in the city
	4,758	



ACTIVE PORTFOLIO RECYCLING – ASV ACQUISITION

- High quality, well-located beds alongside mid-ranked University
- Good progress since acquisition
 - 100% let
 - 2,300 nominations beds
 - Refurbishment programme completed
 - Deepening relationship with Aston University

ASV acquisition impact on Unite's portfolio in Birmingham

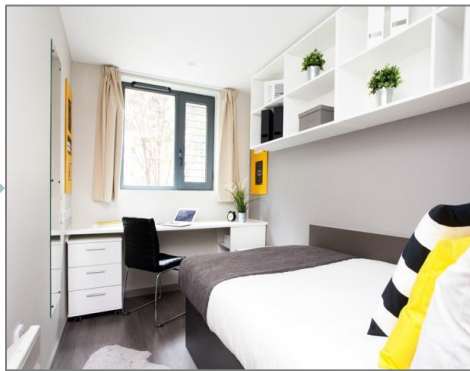
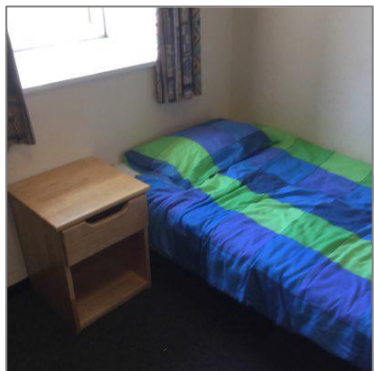
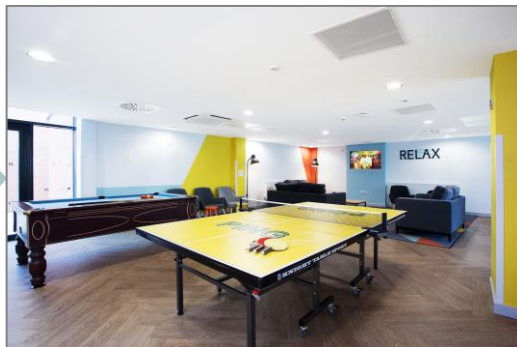


Source: Unite

Illustrative financial returns

	£m	
Acquisition price	227	
Capex	3	
Total Investment	230	
Underwrite	£pa	£pw
Rental income	17.2	130
Operating costs	(5.7)	(43)
NOI	11.5	87
Initial yield	5%	
Achievable		
Rental income	18.4	139
Operating costs	(4.5)	(34)
NOI	13.9	105
Yield	6%	
Valuation	£250m	
Total return	10-11%	

ACTIVE PORTFOLIO RECYCLING – ACQUISITIONS



DEVELOPMENT – ENHANCES PORTFOLIO QUALITY

- Pipeline aligned to high and mid-ranked Universities
- 2,100 beds delivered in 2017 on budget, programme and quality
 - 67% nominations, fully let for 2017/18
 - Development yield targets delivered
- Deep pipeline 6,500 beds left to deliver to 2020
- Good line of sight for future opportunities
 - 1,000 beds in lock out – in line with hurdle rates
 - Procurement route helping to control inflation
- Market and planning constraints slowing level of new supply

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Forecast yield on cost
Regional wholly owned					
St Leonard's, Edinburgh	2017	581	65	41	9.5%
Millennium Way, Coventry	2017	391	34	24	8.8%
Tara House, Liverpool	2017	776	63	46	9.3%
Newgate Street, Newcastle	2018	575	45	37	8.5%
Brunel House, Bristol	2018	232	28	21	8.5%
Chaucer House, Portsmouth	2018	484	41	33	8.0%
St Vincent's, Sheffield	2018	600	47	37	8.2%
International House, Birmingham	2018	586	48	38	8.0%
Skelthorpe Street, Liverpool	2019	1,085	92	74	8.0%
Old BRI, Bristol ¹	2019	751	96	79	8.4%
Constitution Street, Aberdeen	2019	600	50	41	8.4%
New Wakefield, Manchester ¹	2020	552	67	52	8.2%
Total regional wholly owned		7,213	674	521	8.5%
USAF – forward funds					
Lutton Court, Edinburgh	2017	237	33	29	6.0%
Beech House, Oxford	2017	167	23	18	6.3%
Old Hospital, Durham	2018	363	37	32	6.1%
Houghall College, Durham	2018	222	20	16	6.1%
Battery Park, Birmingham	2019	418	43	37	6.6%
Total USAF		1,407	156	132	6.1%
Unite share of USAF		-	37	31	6.1%
Total pipeline (Unite share)		8,620	711	552	8.3%



UNIVERSITY OF
BIRMINGHAM



Aston University
Birmingham



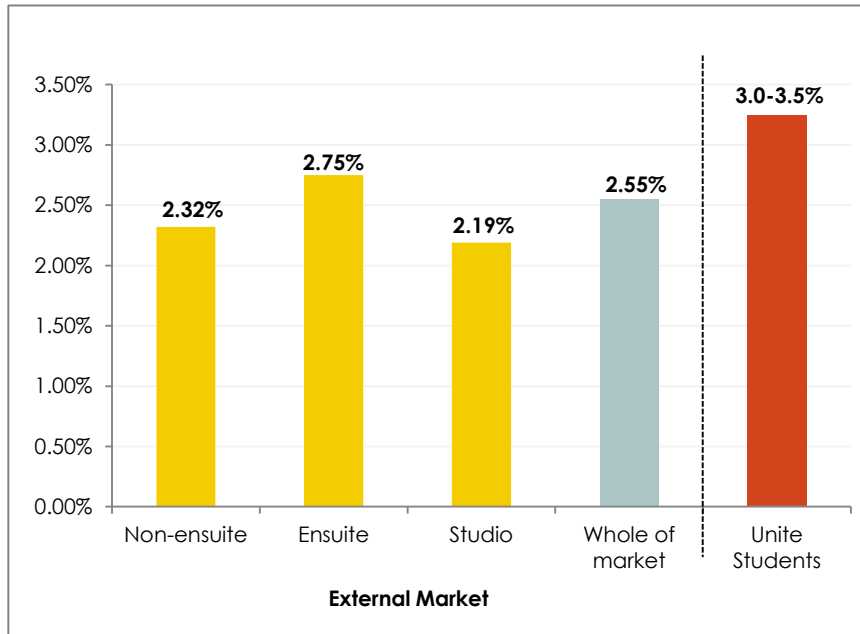
BIRMINGHAM CITY
University

	Beds	University	Focus
Acquired			
ASV	3,067	Aston	Nominations focused
International	586	Aston	Replacing older asset sold
Battery Park	418	UoB	Growing University relationship
Sold			
The Heights	909	BCU	15-year old asset



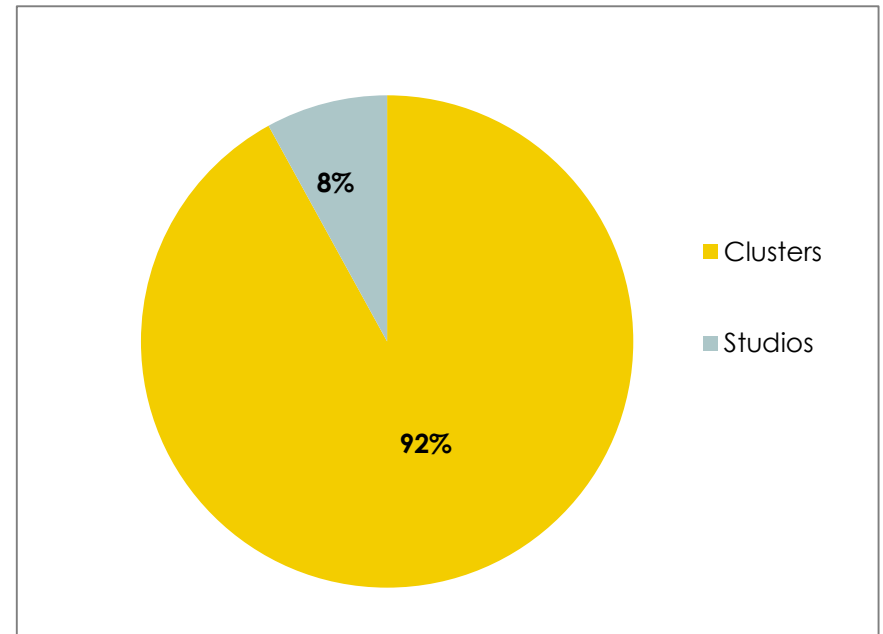
OUTPERFORMING MARKET RENTAL GROWTH

17/18 rental growth



Source: Knight Frank Student Housing report

Bed type



Source: Unite





The best University partnerships

Darren Ellis, HE Engagement Director

	2017 %	+/- vs. 2011
Unite Students provides high standards of student accommodation	80	+14
Unite Students provides an excellent service to students	77	+20
Unite Students understands the needs of students	80	+20
Unite Students understands the needs of the HE sector	81	+16
Unite Students is an effective partner to universities	79	+24
Unite Students is professional	82	+14

Source: Red Brick Research



A COMPREHENSIVE ENGAGEMENT STRATEGY

- **Sustained engagement over many years**
 - 86% of University relationships are greater than five years
- **Systematic 'man marking' of key decision makers**
 - Relationships at different levels
 - Board relationships at 93% of partner Universities
- **Consistent brand and proposition, driving student satisfaction and retention**
 - Share insight and feedback
- **Thought leadership**
 - Student and application insight reports
 - V-C roundtables and launch events
 - UUK, HEPI, AHUA
- **Focused social investment programme**
 - Unite Foundation – 28 partner Universities and 170 scholars p.a.
 - IntoUniversity – supporting young people from disadvantaged backgrounds to go to University

Benefits of engagement

- Nominations agreements
- Valuable insight
- Future partnership opportunities



University requirement:

- **Critical to Universities to meet accommodation guarantees**
 - All 1st year students
 - Now includes clearing students
 - International students up to three years
 - 2nd and 3rd years in London and campus Universities
- **Trusted partners are vital**
 - Increasing competition for students
 - Students spend longer in accommodation than on campus

Key benefits to Unite:

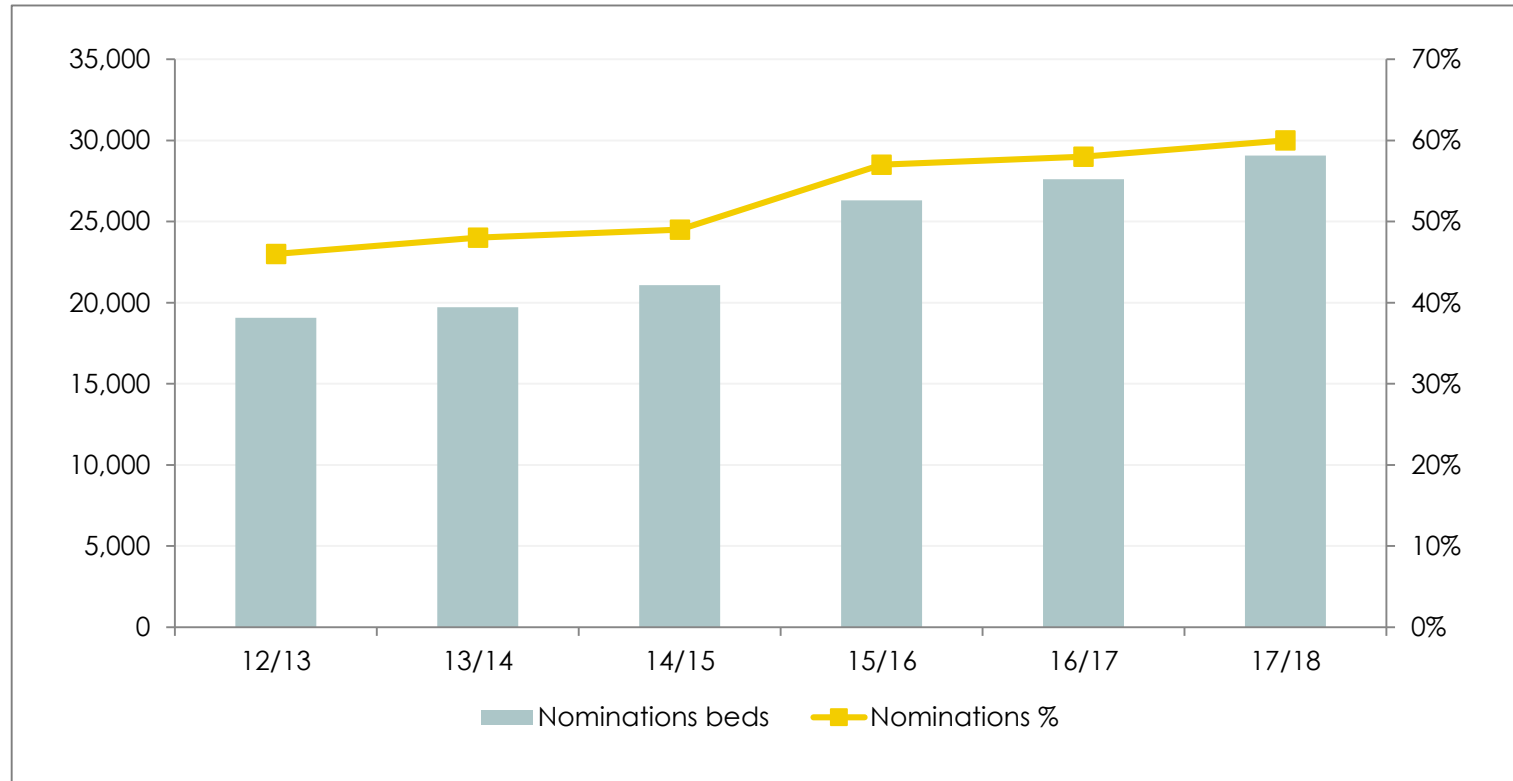
- **Guaranteed income and rental growth – linked to RPI**
- **Deepens University relationship – preferred partner status**
- **Competitive advantage**
- **Supports direct let**
- **Creates partnership opportunities**

Key features

- Contract between University and Unite
- University guarantees occupancy and rents
- Contractual rental uplift
 - RPI linked or fixed
 - Caps and collars
- Minimal discount to market rents
- Unite provides management sources
- Increasingly co-branded with University



% portfolio under nominations agreements



- Percentage of our portfolio under nominations agreements has grown from 46% to 60% over last five years



Agreement length	Beds	%	Rental income	%
Single	9,038	31	52,357	29
2 - 10 years	12,017	41	80,795	44
11 - 20 years	3,783	13	25,517	14
20+ years	4,225	15	24,515	13
Total	29,063		183,183	

- **69% of nominations under multi-year agreements**
- **1,000 beds sold to Universities confirmed through clearing at market rates**



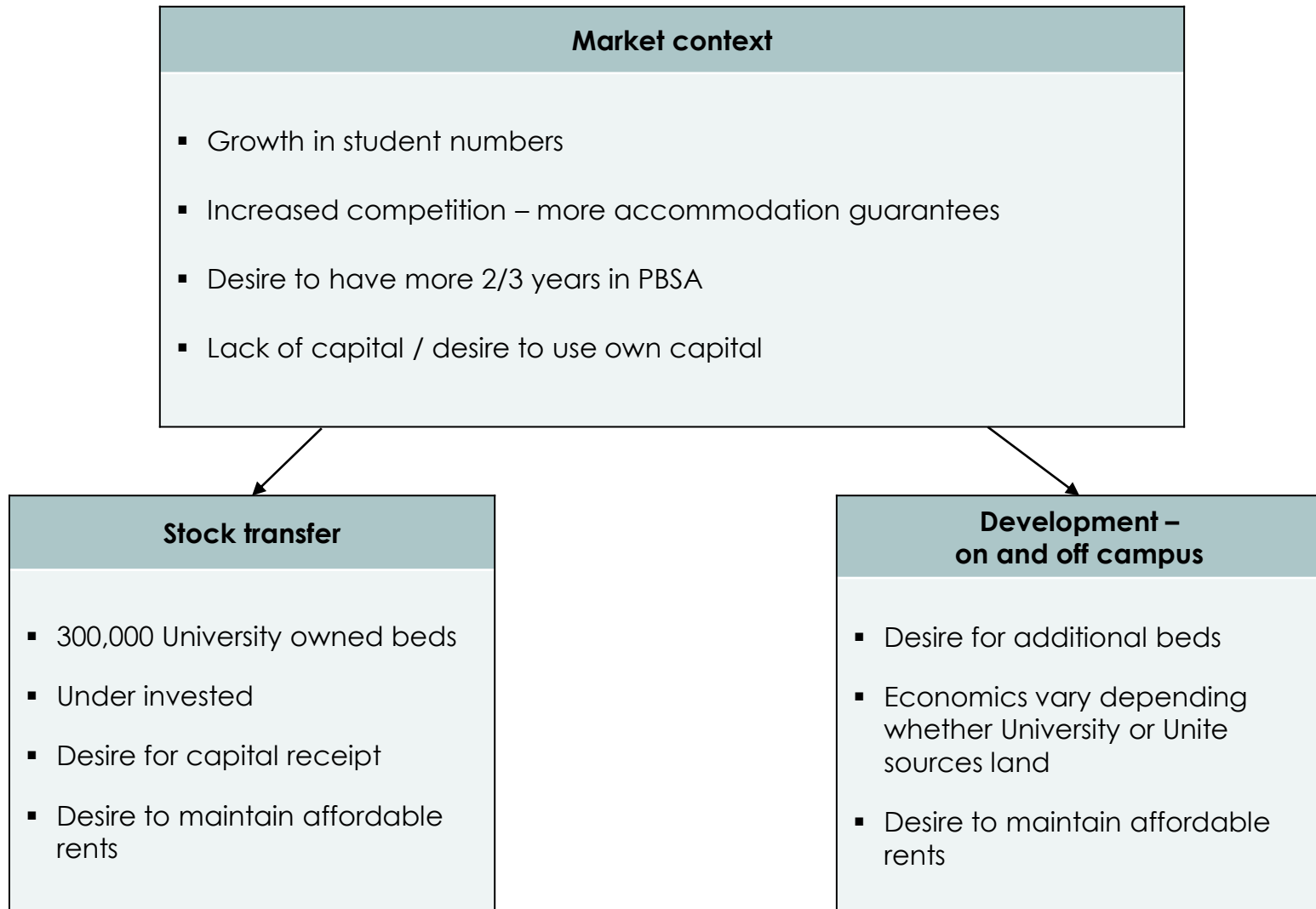
- Detailed understanding of historic recruitment performance
- Superior insight into in-year performance
- Insight into universities' future strategy
- Relationships provide new opportunities as decision-makers move within HE sector



UNIVERSITY PARTNERSHIPS – THE EMERGING OPPORTUNITY

UNITE
STUDENTS





FUTURE PARTNERSHIP OPPORTUNITIES

Off-campus development	On-campus development	Stock transfer
<ul style="list-style-type: none"> Unite sources land University inputs into design and planning Nominations agreement agreed up front Unite provides management 	<ul style="list-style-type: none"> As per off campus, but University sources land Capital release 	<ul style="list-style-type: none"> Unite acquires real estate Commitment to upgrade Likely to include nominations agreement Unite provides management Capital release
<ul style="list-style-type: none"> Development yield 6 - 7% Total return 9 - 10% 	<ul style="list-style-type: none"> Variety of structures ROE 10 - 12% 	<ul style="list-style-type: none"> Initial yield 4.5 - 5.5% Total return 8 - 10%
<ul style="list-style-type: none"> 2 deals 2,000 beds 	<ul style="list-style-type: none"> 3 deals 2,000 - 3,000 beds 	<ul style="list-style-type: none"> 3 deals 2,000 - 3,000 beds

- 300,000 university beds; 65,000 within our existing footprint**
 - Eight opportunities totalling 6,000 - 8,000 beds under active evaluation

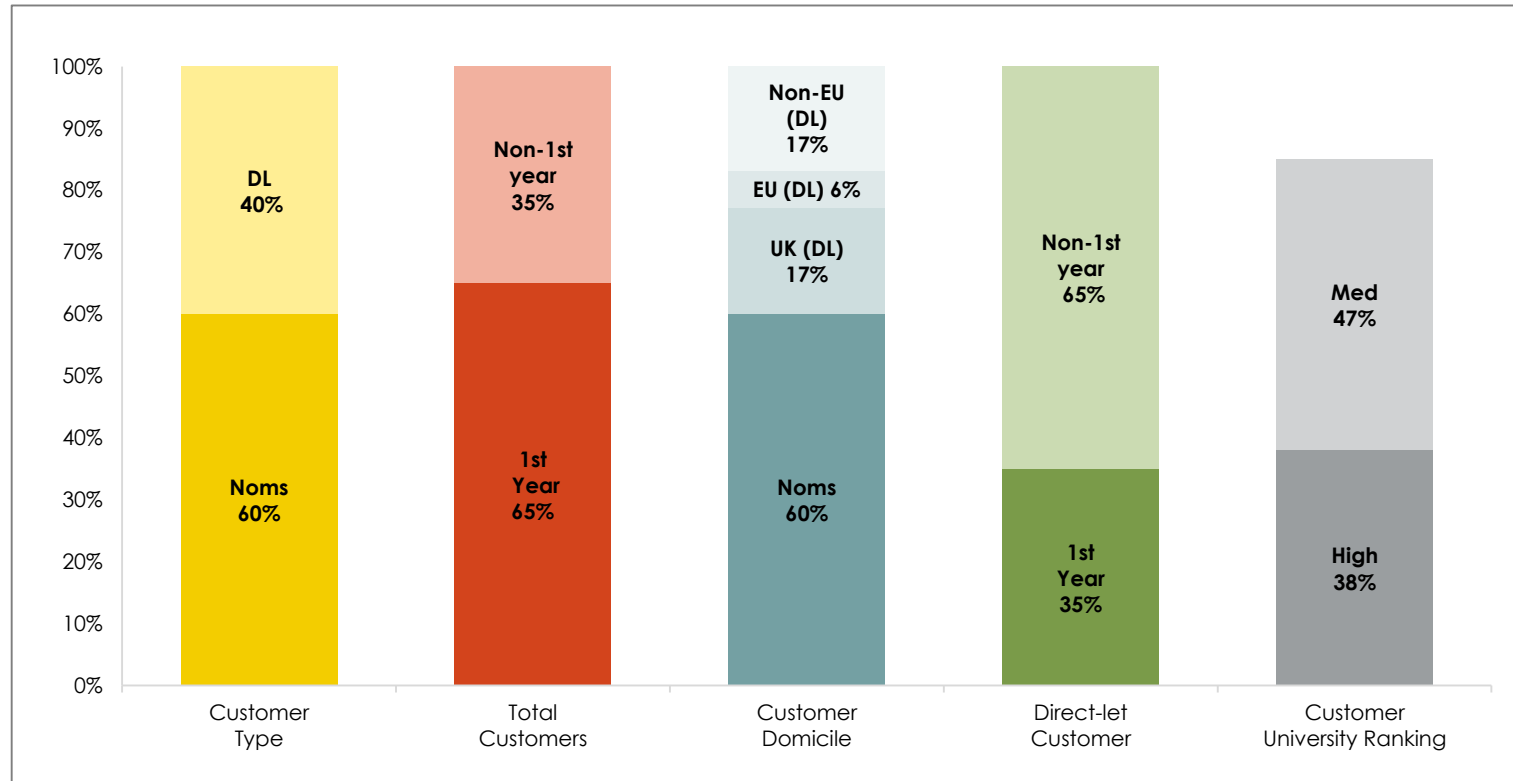




The best service platform

Simon Jones, Operations Director

Customer analysis

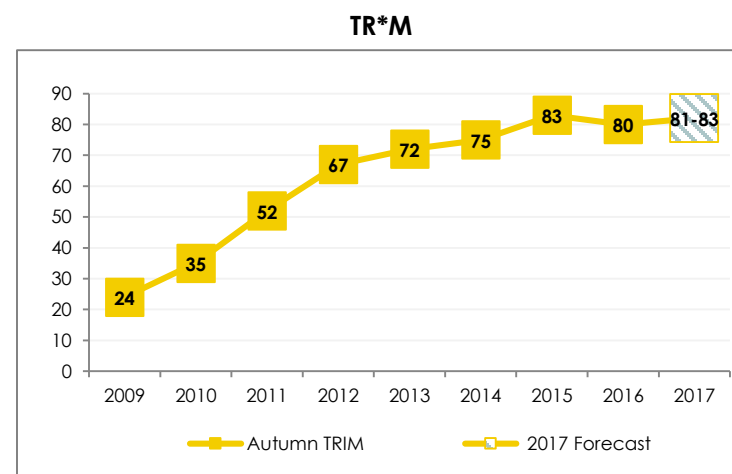


▪ Home for Success proposition priced for mainstream student market

- 92% in shared flats

SUSTAINED INVESTMENT IN STUDENT INSIGHT

- **Annual applicant and student survey provides insights into whole student market**
 - Conducted by YouthSight in partnership with the HEPI
 - Provides market insight and HE sector engagement
- **Annual satisfaction survey (TNS TRI*M measure)**
 - Focused on uS students
 - Questions that can be correlated with overall satisfaction
 - Insight on contributors to and detractors from satisfaction
 - App allows for continuous surveying
 - Introducing Net Promoter Score methodology in parallel
- **Ad-hoc qualitative research into key topics**
 - Targeted insight and recommendations to support business decision making
- **Targeted insight, co-creation and user testing as part of proposition innovation**
 - Ensures innovations to our product and service result in measurable gains



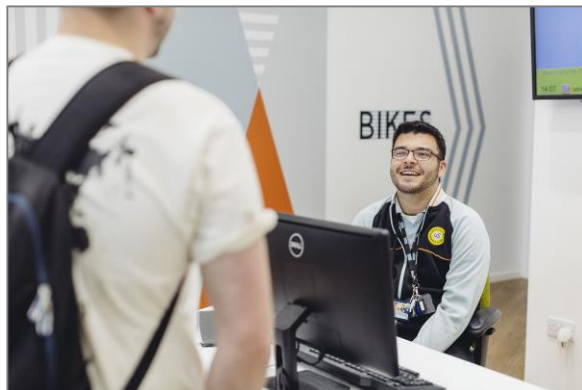
Source: Unite

PLATFORM DELIVERING FOR STUDENTS AND UNIVERSITIES

UNITE
STUDENTS

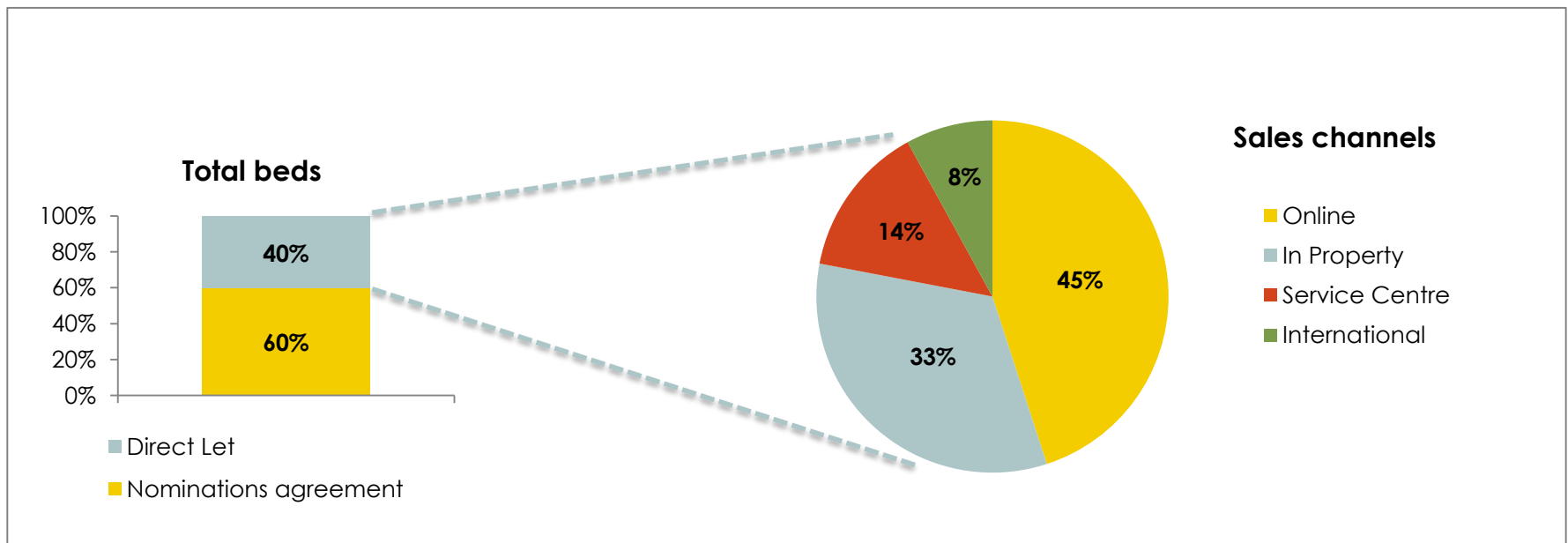


Safety and security | Quality of properties | Sense of belonging



HIGHLY EFFICIENT SALES MODEL

- Enhanced market intelligence and sales history
- China sales office delivering
 - Replicating University relationships in UK
- Sustained investment in university relationships
- National campaigns
- Sales phasing
- Revenue management



Source: Unite

- On track to deliver 75% NOI margin and 25 - 30bps overhead efficiency target
- Efficiencies enable service enhancements which drive University partnerships

Revenue maximisation	Back office efficiencies	NOI efficiencies
<ul style="list-style-type: none">▪ Dynamic pricing▪ Efficient booking flow▪ CRM▪ Short-stay capability▪ Managing student attrition	<ul style="list-style-type: none">▪ £5m saving realised▪ Streamlined finance processes▪ Service centre efficiencies▪ Maintenance efficiencies	<ul style="list-style-type: none">▪ Online tenancies▪ Automated room moves▪ Parcel management▪ Maintenance audits▪ Procurement savings▪ Scale benefits – ASV

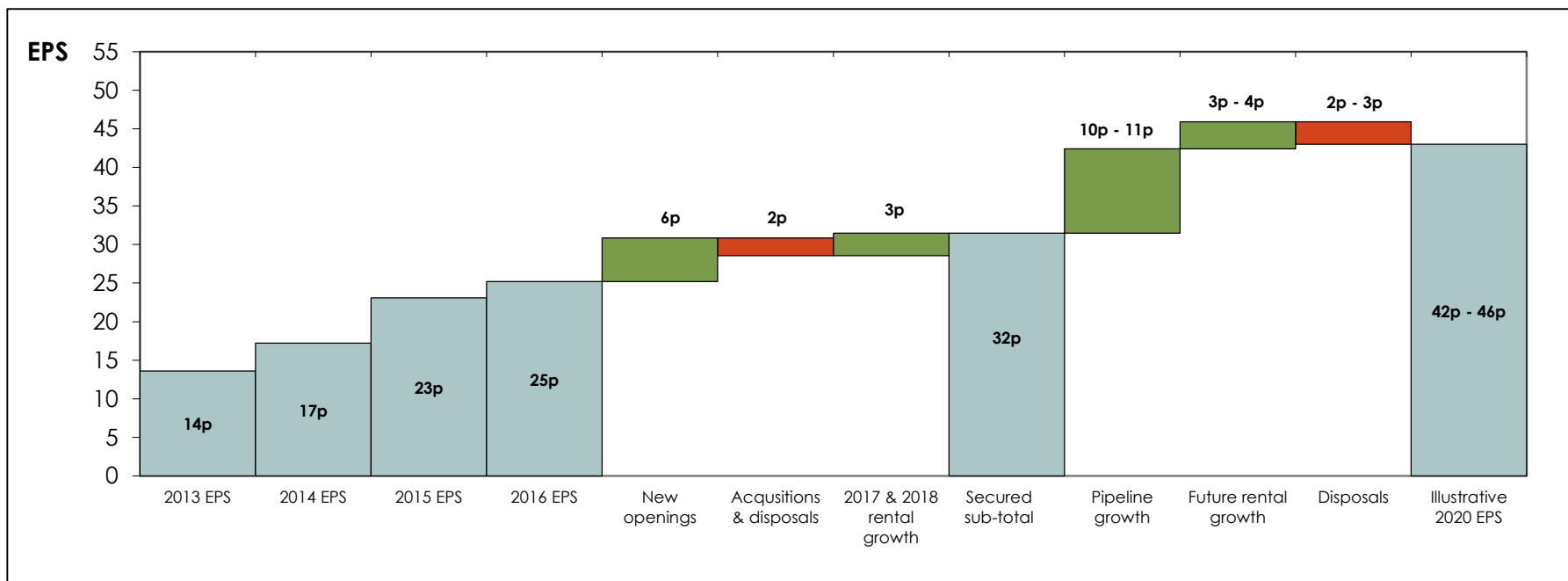


A platform for growth

Richard Smith, Chief Executive

- Earnings growth prospects supported by:
 - High-quality development programme
 - Positive rental growth outlook

- Progressive dividend aligned to earnings growth and dependable income
 - 75% pay out



Assumptions:

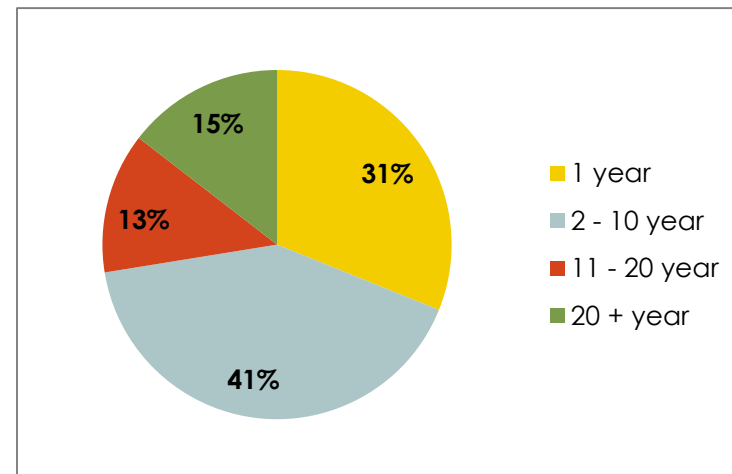
- Development pipeline delivered in line with forecast
- Rental growth of 2-4% pa
- Efficiency targets delivered, then increase with inflation
- Convertible has reduced outlook by c.1p
- Future disposals of £75-£125m

Note: Illustrative earnings progression demonstrating building blocks of growth (not profit forecast)

NOMINATIONS UNDERPIN EARNINGS AND GROWTH

- 60% of beds under nomination agreements with 3.0 - 3.5% rental growth
- Six years remaining life
- Two-thirds have occupancy certainty
- One-third single year – high renewal rate

Nominations agreements by length



Source: Unite

- Lower price point supports University agreements
- Recycling of portfolio towards cluster accommodation
 - £181 million sold in H1
 - £113 million reinvested in ASV

	2017/18	2016/17
Clusters	92%	90%
Average age	8 years	8 years
Average price point*	£137	£134

* Regional

EARNINGS OUTLOOK ENHANCED BY GROWTH

■ Development pipeline stronger than ever

- 7,000 beds
- Opportunity to grow

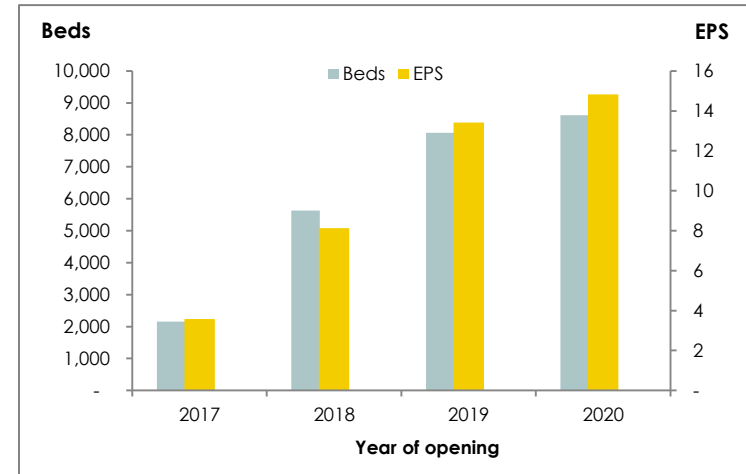
■ University partnerships provide new growth opportunity

- Relationships open up opportunity
- Development, acquisition and management

■ Scale efficiency

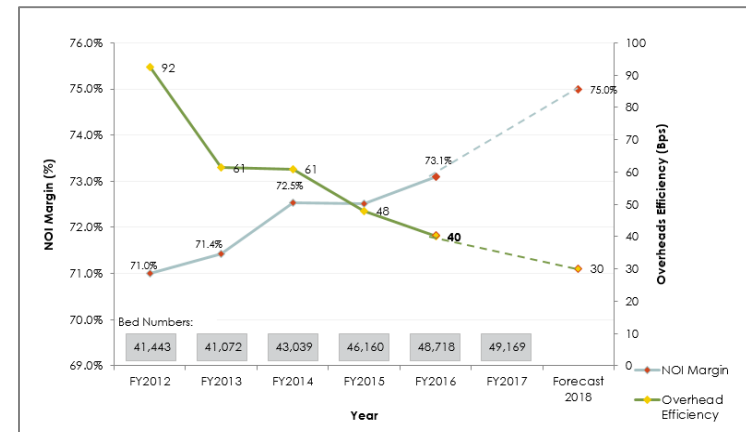
- 75% margin
- 25 - 30bps efficiency target

Development deliveries



Source: Unite

Operating efficiency



Source: Unite

THE LEADER IN THE MARKET

UNITE
STUDENTS

- **The best property portfolio**

- Quality locations
- Maintaining quality through investment
- New products, enhancing estate

- **The strongest University relationships**

- Unparalleled relationships and insight
- 29,000 beds under nominations

- **The best service platform**

- Student insight
- Service platform
 - Customer service
 - Efficiency



Q&A