

Interim Results 2006

Six months ended 30 June 2006

The heart of
student living

UNITE



Urban Lifestyle ✓
In great locations

Friendly People ✓
On hand to help

Student Living ✓
With your friends



INVESTOR IN PEOPLE

Key themes

- **15% adjusted NAV per share growth**
 - Healthy development pipeline
 - Rental growth
 - Yield compression
- **Strong portfolio performance**
 - Portfolio operating profit up 12%
 - Expected like-for-like revenue growth of 6.5% for 2006/07 academic year
 - Operating margin stable
- **Increasing investment activity in sector**
 - Strong demand for an established asset class
 - Further transactional evidence
 - UNITE seeking to establish student accommodation fund
- **Market fundamentals remain solid**
 - Student numbers forecast to grow over medium term
 - UK remains an attractive market for overseas students
 - Housing Act introduced – too early to assess impact



Headline results

	H1 2006	YE 2005	H1 2005	Change
Net Asset Value				
Basic NAV per share (IFRS)	365p	314p		↑ 16%
Adjusted NAV per share	420p	367p		↑ 14%
Adjusted NAV per share (fully diluted)	416p	363p		↑ 15%
Earnings				
Portfolio operating profit (inc share of JVs)	£28.7m		£25.7m	↑ 12%
Profit before tax	£61.5m		£9.7m	↑ 634%
Adjusted profit/(loss) before tax	£2.3m		£1.6m	↑ 44%
Portfolio				
Portfolio value (including share of JVs)	£1.30bn	£1.18bn		↑ 10%
Completed and managed beds for 06/07 year	35,005	30,729		↑ 14%
Adjusted gearing (net debt as % of adjusted NAV)	145%	162%		↓ 17%

Operating update

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Hospitality Services

- Beds under management up 14%
- New customer facing teams in place and delivering improved experience for our customers
- Solid occupancy performance and improved tenancy mix across portfolio
- First shop opened in London

Development

- Margins being maintained despite increasing competition
- Increasing depth of pipeline
- 9 planning consents in 9 months to September

Modular Construction

- Production on track to exceed last year
- Medium rise capability being developed
- 67% of 2006 deliveries modular (2005: 53%)

People

- One of the UK's leading employers
- Successful board transition including CFO appointment



Market update

Student demand

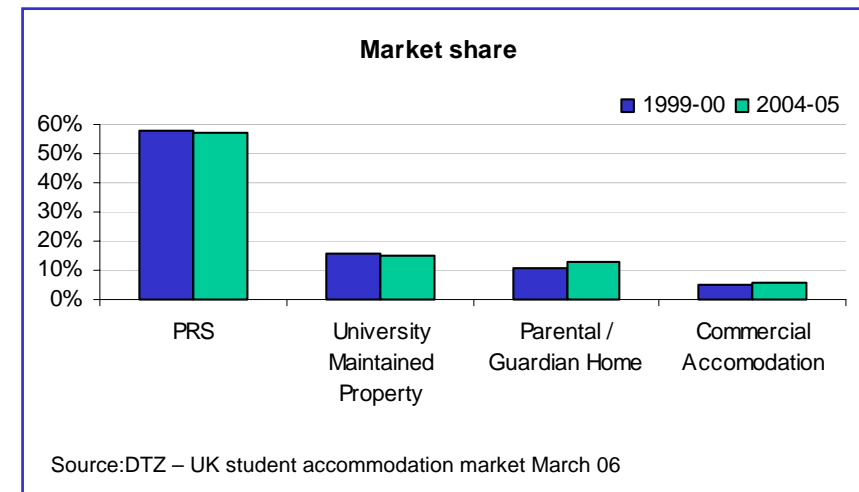
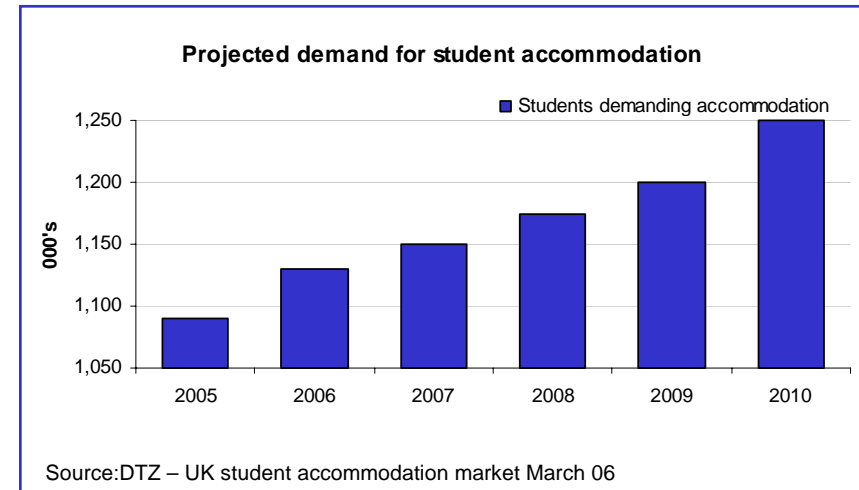
- Overall demand - 1.4 million full time students
- Exceptional increase in applications for 2005/06 partially reversing in 2006/07
- Annualised growth of 2.3% over two years
- Independent DTZ forecasts total student numbers to increase by 9% in period to 2010

Accommodation supply

- Universities still meet less than a quarter of potential demand
- 100,000 bed shortfall continues for first year students
- Housing Act: April 2006. Impact not yet visible: Expected to increase quality, but further reduce supply

Investment Market

- Significant increase in investor activity
- New funds established to target student accommodation market
- c.7,750 beds sold or on the market in 2006 to date



Net asset value growth

Key Indicators	Jun 06 pps	Jun 05 pps	Dec 05 pps
NAV per share (IFRS)	365	287	314
Provision for deferred tax	53	42	38
MTM of interest rate hedges	2	17	15
Adjusted NAV per share	420	346	367
Fully diluted	416	340	363
<i>Gearing (on adjusted NAV)</i>	<i>145%</i>	<i>194%</i>	<i>162%</i>
	£m	£m	£m
Capex - UNITE	35	68	110
- JVs	67	29	78
	102	97	188

NAV Growth Components	£m	pps	% NAVPS fd
Investment portfolio			
- Net rental growth	15	12	3%
- Yield compression	41	33	9%
Development surpluses	13	10	3%
	69	55	15%
Other	(1)	(2)	
	68	53	15%

Note: includes share of JV's

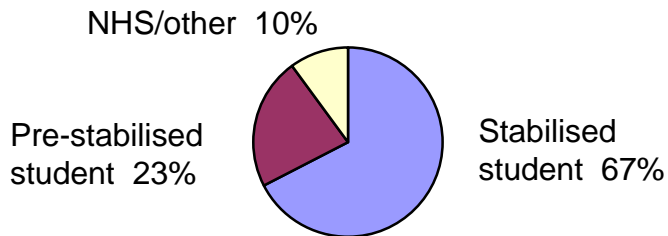
The investment portfolio

30 June 2006 :

	Beds	£m
Completed properties		
- wholly owned	25,438	1,079
- JVs	2,276	155
JV partner share	(1,361)	(98)
UNITE share	<u>26,353</u>	<u>1,136</u>

Average stabilised yield 6.05% (Dec 05: 6.32%)

Breakdown of Investment Portfolio:



Capital growth

	£m	% total portfolio
Net rental growth	15	1.4%
Yield compression	41	3.8%
	<u>56</u>	<u>5.2%</u>



The development portfolio

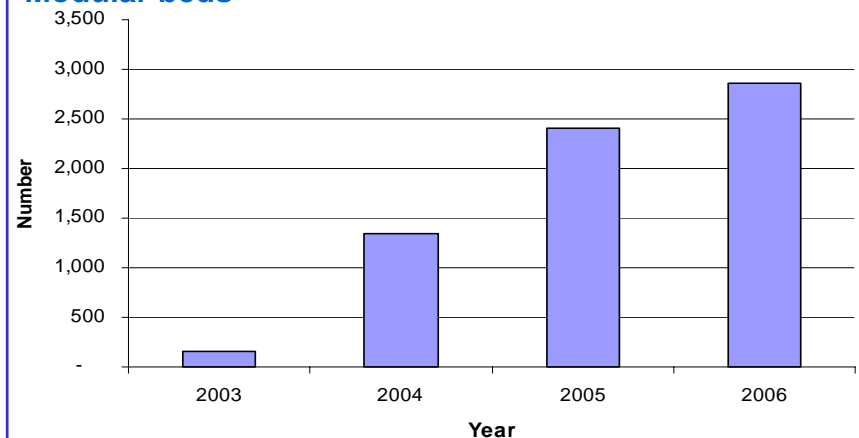
Secured future developments

	Beds	Completed Value £m	Average stabilised yield
2006 – UNITE	2,468	117.2	6.24%
– JV	<u>1,808</u>	<u>120.6</u>	<u>6.22%</u>
– subtotal (<i>net UNITE share</i>)	4,276 (3,203)	237.8	6.23%
2007 – UNITE	3,080	158.7	6.13%
– JV	<u>967</u>	<u>139.3</u>	<u>5.80%</u>
– subtotal (<i>net UNITE share</i>)	4,047 (3,414)	298.0	5.98%
2008 +	<u>4,609</u>	<u>370.4</u>	<u>6.18%</u>
	<u><u>12,932</u></u>	<u><u>906.2</u></u>	<u><u>6.13%</u></u>

Built out NAV

	£m	fd pps
NAV to recognise: wholly-owned	59.7	47.9
NAV to recognise: JVs	55.9	44.8
JV partner share	<u>(38.7)</u>	<u>(31.0)</u>
	<u>76.9</u>	<u>61.7</u>
Built-out adjusted fd NAV (pps)		<u><u>478</u></u>
31 December 2005		415

Modular beds



Joint ventures

Capital Cities Joint Venture

	Beds	Value £m
Investment portfolio	1,114	101.3
Developments		
- 2006 completion	844	73.5
- 2007 completion	746	125.3
Secured for transfer to JV	1,072	91.4
Future NAV to recognise		53.4
Management fees charged in period		1.3
Share of result		
- net revaluation		6.0
- MTM of hedges		0.9
- other profits		0.1

Student Village Joint Venture

	Beds	Value £m
Investment Portfolio	1,162	53.7
Developments		
- 2006 completion	964	47.1
- 2007 completion	221	14.0
Future NAV to recognise		2.4
Management fees charged		0.4
Share of result		
- net revaluation		4.1
- MTM of hedges		0.4
- other profits		0.4

- Joint venture strategy has been successful. On track to deliver business plans
- Joint venture capital expected to be fully allocated by end of 2006 (subject to planning)
- Future developments wholly on balance sheet : maximises value

Portfolio Performance

H1 2006 performance

	H1 06 £m	H1 05 £m
Gross rental income	48.9	41.8
Direct operating costs	(13.2)	(10.5)
Rentals under sale & leaseback assets	(3.2)	(1.5)
Portfolio overhead	<u>(4.9)</u>	<u>(4.0)</u>
Portfolio operating profit	27.6	25.8
JV contribution	<u>1.1</u>	<u>(0.1)</u>
	<u>28.7</u>	<u>25.7</u>
<i>Portfolio operating margin*</i>	<u><u>65.0%</u></u>	<u><u>65.6%</u></u>

*On whole portfolio under management

2006/07 Academic Year

	06/07	05/06
Total beds in operation	35,005	30,729
Occupancy (% of available rooms)	92%	94%
50+ week tenancies	<u>5,156</u>	<u>4,095</u>
Like-for-like revenue growth		
– Stabilisation		2.8%
– Core rental growth		3.7%
		<u>6.5%</u>

Adjusted Profit Performance

	H1 06 £m	H1 05 £m
Revenue - Investment	49.5	41.8
- Development	5.6	19.1
	<u>55.1</u>	<u>60.9</u>
Portfolio operating profit (inc share of JVs)	28.7	25.7
Net interest charge	(20.9)	(21.2)
	<u>7.8</u>	<u>4.5</u>
Non rental activities (inc pre-contract costs)	(2.5)	(0.3)
Corporate costs	(3.0)	(2.6)
Adjusted profit	2.3	1.6
Major IFRS items:		
Revaluation movements (inc share of JVs)	55.1	10.9
Ineffective hedge movement	4.1	(2.8)
Profit before tax per income statement	<u>61.5</u>	<u>9.7</u>

Student Accommodation Fund

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■ Strategy behind the creation of the fund

- More flexible, scalable financing structure
- Further establishes investment demand
- Develops new revenue streams
- Releases capital to fund further growth

■ Outline of the fund

- Acquire substantially all of UNITE's stabilised direct let properties
- Intend to transact at 30 June 2006 valuation
- Excludes UNITE Finance One properties (value c.£408m)
- Likely to be capitalised to acquire further UNITE assets
- UNITE expect to maintain a significant minority stake
- UNITE would act as fund and property manager

■ Current status

- Marketing ongoing. Solid investor interest
- Expect to consult shareholders before end of calendar year
- Certain debt facilities likely to be restructured in advance



Summary and outlook

- **Strong NAV performance**
 - Development activity
 - Rental growth
 - Yield compression
- **Solid rental outlook for 2006/07 academic year**
- **Investment market now clearly established**
- **UNITE business model evolving with planned creation of dedicated fund**
 - Building on financing strategy of past 2-3 years



Appendices

- UNITE top 10 Markets
- Our property portfolio
- Portfolio operating margin
- NNAV calculation
- Debt

UNITE Top 10 Markets

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2006 Rank	2005 Rank	City	Expected Completed Beds 12/06	Completed Beds 2005	FT Student Numbers (04/05)	Projected Market Share 12/06	3 Yr Growth in FT Student Numbers
1	(3)	London	3,179	2,564	204,993	2%	12%
2	(4)	Sheffield	3,132	2,365	39,993	8%	7%
3	(1)	Bristol	3,082	3,082	32,677	9%	10%
4	(2)	Liverpool	2,832	2,832	36,072	8%	9%
5	(5)	Manchester	2,345	2,345	54,976	4%	12%
6	(10)	Leeds	2,215	1,251	47,556	5%	16%
7	(9)	Cardiff	1,612	1,278	27,628	6%	11%
8	(6)	Glasgow	1,582	1,366	46,573	3%	5%
9	(7)	Portsmouth	1,402	1,402	15,803	9%	24%
10	(8)	Aberdeen	1,301	1,301	18,435	7%	7%
			22,682	19,786	524,706	4%	



Note: Includes beds under management

Our property portfolio

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	Beds	Properties	Completed value £m	Average stabilised yield
Completed Portfolio:				
2004 and prior	23,028	89	965	6.07%
2005 completions	2,410	6	114	5.97%
Joint venture properties	2,276	7	155	5.62%
	27,714	102	1,234	6.01%
Beds under management	3,015	8	-	-
Development portfolio:				
2006 - UNITE	2,468	5	117	6.24%
- Joint ventures	1,808	6	121	6.22%
2007 - UNITE	3,372	11	219	6.11%
- Joint ventures	675	5	79	6.05%
2008+	4,609	15	370	6.11%
	12,932	42	906	6.13%
Total	43,661	152	2,140	6.06%

Note: Includes 100% share of assets held in JVs

Portfolio operating margin

(includes 100% of Joint Ventures)

	H106		H105	
	£m	£m	£m	£m
Rental Income:				
- wholly owned		48.9		41.8
- operated in joint ventures		5.7		1.0
		<u>54.6</u>		<u>42.8</u>
Property operating costs				
- wholly owned	(16.4)		(12.0)	
- operated in joint ventures	(1.1)		(0.2)	
Overheads attributable to property operations	<u>(4.9)</u>		<u>(4.0)</u>	
		<u>(22.4)</u>		<u>(16.2)</u>
		32.3		26.6
Rent on properties under management		<u>3.2</u>		<u>1.5</u>
Gross margin on portfolio under management		<u>35.5</u>		<u>28.1</u>
Gross margin percentage		<u>65.0%</u>		<u>65.6%</u>

	30 June 2006 £m	31 Dec 2005 £m
Net assets	448.0	382.7
Fair value of fixed rate debt	(11.5)	(22.1)
Deferred tax	<u>3.4</u>	<u>6.6</u>
NNNAssets	<u><u>440.0</u></u>	<u><u>367.2</u></u>
NNNAV per share	359p	302p

Debt

	<u>30 June 2006</u>	<u>31 Dec 2005</u>
Net debt	£748m	£739m
Gearing	145%	162%
Average life of investment debt	7.7yrs	8.2yrs
Average cost of investment debt	6.53%	6.57%
% hedged/fixed	90%	95%