Interim Results 2009

Six months ended
30 June 2009

The heart of student living

UNITE

OVERVIEW

The heart of student living UNITE

- Strong operational performance
  - 99% occupancy for 2008/09
  - 89% reservations for 2009/10
  - Strong rental growth (10%-11% for 2009/10)
  - 'Blueprint' cost saving programme on track
- Financial position strengthened through decisive action
  - Underlying business profitable
  - Rental growth has substantially offset yield expansion
  - Good progress with asset disposals year to date, including OCB JV
  - Banking facilities extended and improved
  - Covenant headroom substantially increased
- Outlook improving
  - Valuations showing signs of stabilisation
  - No committed increase to net debt beyond 2009 completions
  - £120 million unutilised debt capacity
  - Attractive development opportunities emerging, particularly in London

HEADLINE RESULTS

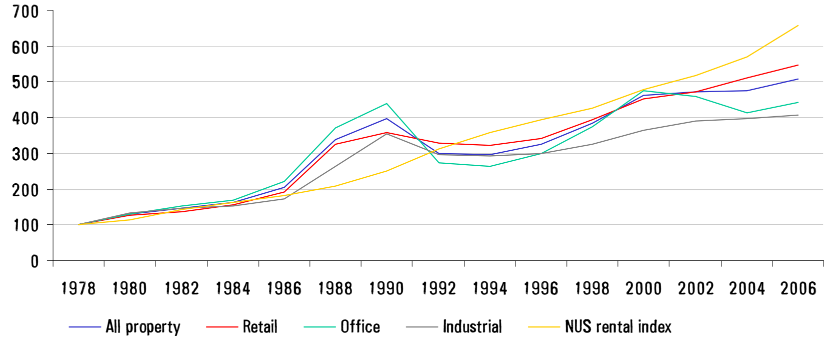
The heart of student living UNITE

	Jun 09	Jun 08	Dec 08
Net Asset Value			
Basic (pps)	234p	355p	258p
Adjusted fully diluted (pps)	286p	398p	325p
Earnings			
Recurring profit	£3.5m	£(2.9)m	£(12.9)m
EPRA adjusted profit/(loss)	£(13.3m)	£(12.2)m	£(44.8)m
Reported loss before tax	£(29.7m)	£(12.8)m	£(115.9)m
Portfolio and gearing			
Total operating portfolio (beds)	38,464	37,456	36,700
Investment portfolio valuation (UNITE share)	£827m	£839m	£796m
Adjusted net debt	£584m	£540m	£531m
Gearing	161%	126%	131%

CONTINUING STRONG RENTAL GROWTH

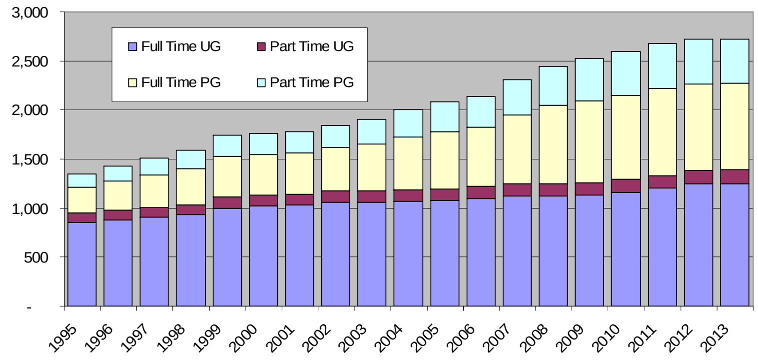
- Market underpinned by growing demand and declining new supply
  - Applications for 2009/10 up 10.1% as at 20 August
  - Total student population forecast up by c. 40,000 students
  - Net new supply c.6,500 beds for 2009/10, 4,000 for 2010/11
- 2008/09 performance strong
  - 99% occupancy
  - 9.5% like-for-like rental growth
- Reservations outlook encouraging
  - 89% reserved for 2009/10 (2008/09: 90%)
  - Current sales rate > 1,300 beds/week
  - London slightly later market due to higher international %
  - Like-for-like rental growth forecast 10% to 11%
- Resilience in a recession - comparison to early 1990s
  - Sector is less subsidised today, therefore potentially more exposed to economy; but
  - Demand/supply imbalance now more acute
  - Typical parent profile positive
  - International demand remains strong

Rental growth history



Source: IPD & NUS rental index

Total Student Growth



Source: HESA & Savills Research

INVESTMENT ACTIVITY AND YIELDS

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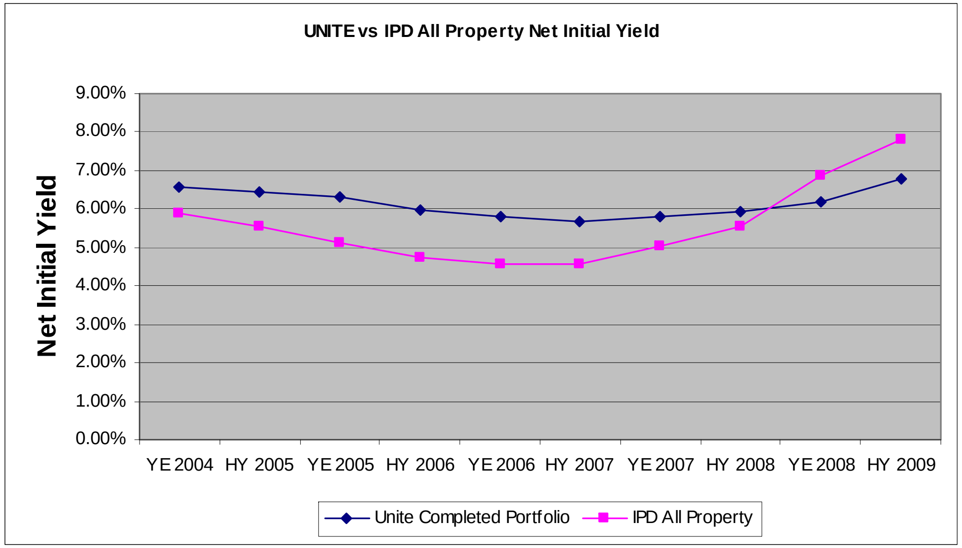
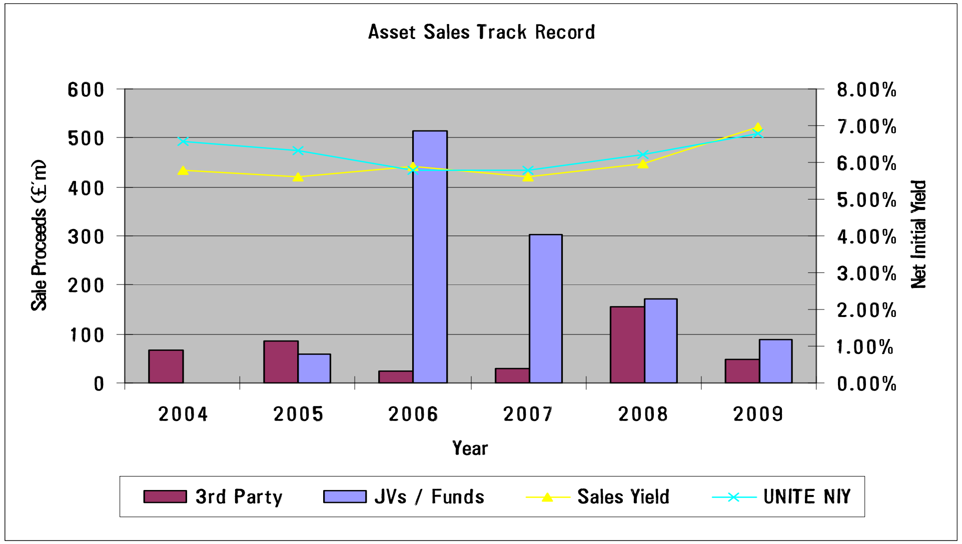
- Reasonable transaction activity in sector year to date
  - c. £150 million, of which UNITE £135 million
  - Expect increase in volumes over remainder of year
- Portfolio NOI yield out to 6.8%
  - Value declines largely offset by rental growth
  - Portfolio range 6.2% to 7.5%
- Signs of values stabilising
  - USAF valuations flat in Q2
  - Q3 transactional activity broadly in line with Q2 valuations
  - UNITE has further £55 million asset sales in legals at reporting date





OCB JOINT VENTURE

The heart of student living UNITE

- 5 year joint venture established 12 August 09
  - UNITE retains 25% stake in JV vehicle
- 2010 pipeline sold to JV (1,119 beds)
  - £88 million consideration, in line with Dec 08 valuation
  - £69 million costs to complete
  - £194 million value on completion
- Balance sheet strengthened
  - Net debt reduced by £75 million
  - Committed net debt down by £144 million
  - £21 million cash release
- Future fee income
  - Development management fee 5% of build cost
  - Asset management fee 70 bps of GAV
  - Performance fee capped at £2.5 million

Financial impact

Proforma June '09 balance sheet

	Jun 09 £m	Impact £m	Proforma £m
Property	848	(91)	757
Debt	(638)	54	(584)
Cash	54	21	75
Other assets / liabilities	98	16	114
Adjusted net assets	362	-	362
Gearing	*161%*		*141%*

FINANCIAL HIGHLIGHTS

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	Jun 09	Dec 08	Change %
Balance Sheet			
Portfolio value [1]	£1,153m	£1,122m	2%
NAV per share (adjusted fully diluted)	286p	325p	-12%
Gearing	161%	135%	n/a
Proforma for JV / asset sales completed post 30 June	139%	n/a	n/a

	Jun 09 £m	Jun 08 £m	Change %
Income Statement			
Rental income	85.3	72.9	17%
Recurring profit	3.5	(2.9)	221%
EPRA adjusted loss	(13.3)	(12.2)	-9%

Notes

1. Including share of JVs

INCOME STATEMENT

The heart of student living UNITE

	Jun 09 £m	Jun 08 £m	% change
Total income	85.3	72.9	17.0
UNITE share of rental income	41.9	39.5	6.1
UNITE share of operating costs	(11.7)	(13.2)	-11.4
Gross margin	30.2	26.3	14.8
	72%	*67%*	
Fees from JVs	3.4	3.0	13.3
Admin expenses	(7.6)	(7.2)	5.6
Finance costs[1]	(19.1)	(20.4)	-6.3
Investment segment	6.9	1.7	306
Corporate costs	(3.2)	(3.0)	6.7
Development pre-contract/other	(0.2)	(1.6)	-87.5
Recurring profit/(loss)	**3.5**	**(2.9)**	**221**

1. Finance costs include interest (£13.9m) and lease payments (£5.2m)

- Strong performance from investment segment
- Rental income reflects occupancy, rental growth and increased London weighting of portfolio
- Significant improvement in gross margin also driven by cost reduction programme
- Finance costs reduced
- £3 million reduction in overheads offset by lower capitalisation into development programme

INCOME STATEMENT

The heart of student living
UNITE

	Jun 09 £m	Jun 08 £m
Recurring profit (from previous page)	**3.5**	(2.9)
Development/land write downs and losses on disposal	(15.9)	(8.4)
Restructuring costs	(0.9)	(0.9)
Adjusted loss	(13.3)	(12.2)
Valuation movement		
-Investment	(15.1)	(7.9)
-Development	(7.9)	(0.7)
Losses on disposals of investment assets	(2.4)	(5.8)
Ineffective hedge and deferred tax charge	9.0	13.8
IFRS reported loss	(29.7)	(12.8)

Property valuation movements in Income Statement

	Cost of sales £m	Valuation movement £m	Loss on sale of property £m	Total £m
Development				
Property under development	11.6			11.6
Investment property under development		7.9		7.9
Land write-downs/losses	4.3			4.3
				23.8
Investment				
Investment property		15.1		15.1
Loss on disposal of investment assets			2.4	2.4
				17.5
	15.9	23.0	2.4	41.3

CASH GENERATION IN 09/10 ACADEMIC YEAR

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- Focus on programme to deliver operational cashflows to meet all finance costs and overhead, driven by:
  - Continued rental growth
  - Cost reduction programme
- Savings delivered by: -
  - On-line accommodation management system
  - New national sales framework
  - Re-engineered core operating process
  - JV with Connaught Plc
  - New procurement focus
  - Restructured city staffing model
  - Reduced Development, UMS, Group overhead
- Greater proportion of central overhead expensed through income statement as development activity reduced

	Jun 09 £m	Jun 08 £m	Saving in period £m	Forecast saving pa £m
Cost of sales	11	13	2	3
Operations	14	15	1	5
Development	1	2	1	2
UMS	4	5	1	2
	30	35	5	12
Overheads capitalised	(7)	(10)	(3)	(6)
	23	25	2	6
Total cash saving			£5m	£12m
Total income statement saving			£2m	£6m

BALANCE SHEET - ADJUSTED NAV PER SHARE

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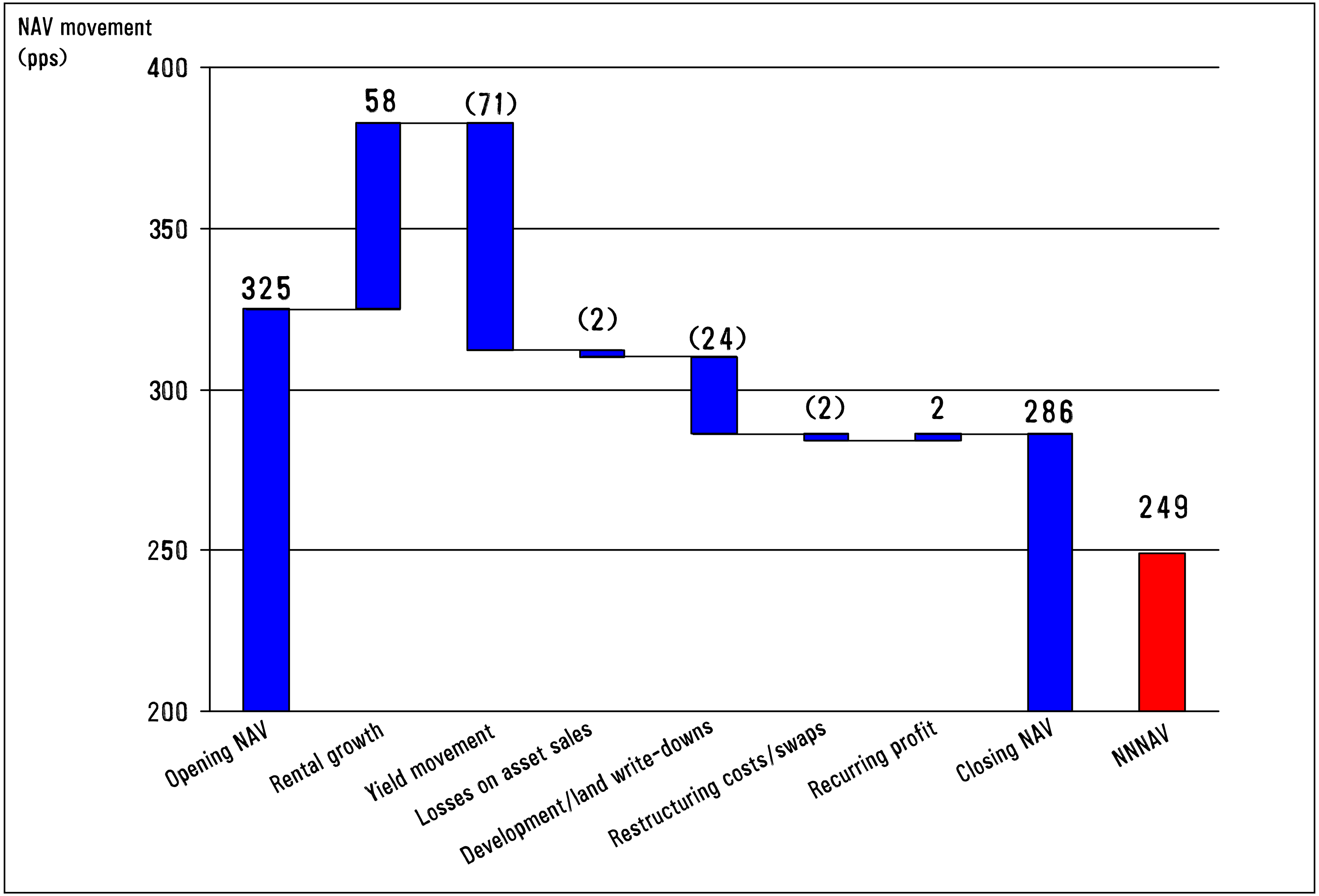
UNITE



DEVELOPMENT ACTIVITY

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Committed Developments (fully funded)

	Bed spaces	Completed value £m	Total costs £m	Capex in period £m	Capex remaining £m	Equity remaining £m	Average NOI yield on cost
2009 deliveries	2,856	297	278	83	21	-	7.2%
2010 deliveries	1,119	194	159	10	73	-	8.3%
	3,975	491	437	93	94	-	7.6%

- NOI yields on cost improvements through cost reductions and further rental growth
- Completion of JV results in all development off balance sheet post 2009 deliveries
- £12 million of further NAV to recognise on 2009 and 2010 developments (post JV)
- £17 million of land remaining – sites in London, Birmingham, Edinburgh

COVENANT HEADROOM AND DEBT MATURITY

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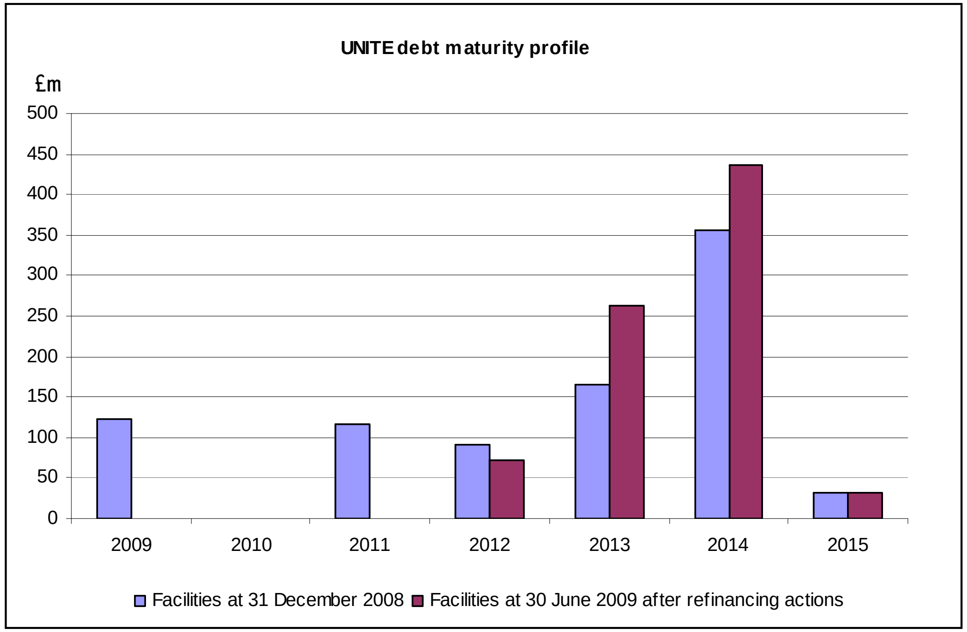
- Further improvements to financing position
  - LTV headroom increased to 20% (125-145 bps) from 10-12% (60-75 bps)
  - Refinancing horizon extended to 2012 from 2011
  - Debt arranged for joint venture
  - Tightest covenants restructured
- MNW covenant now the tightest
  - Headroom for values to fall by 15%
  - Only applicable to £100m debt at 31 December 09
- Interest cover covenant headroom increased
  - 146% from 135% at December 08

Yield headroom

	NOI yield expansion (bps)
Existing covenant headroom	25-30
Rental growth (10/11)	10-15
Available cash	60-65
Asset sales in lawyers' hands	30-35
	125-145
Equivalent to 20% reduction in asset values	



NET DEBT, CASH AND GEARING

The heart of student living UNITE

	Proforma for JV / sales £m	Jun 09 £m	Dec 08 £m
Cash	75	54	112
Net debt	504	584	531
Gearing	139%	161%	131%
Key debt statistics			
Cost of debt			
-UNITE		6.0%	6.2%
-USAF		5.4%	5.4%
-UCC		5.6%	5.6%

	£m
Net debt at 31 December 2008	531
Asset sales	(28)
Development capex	78
Operational cashflow	3
	584
Asset sales / JV since 30 June 2009	(80)
	504

- Reduction in proforma net debt and gearing following JV and asset sales to £504 million and 139%
- £19 million potential cash release from asset sales in solicitors' hands
- Bank debt remains available
  - £250 million new facilities arranged since October 2008
  - £120 million unutilised debt capacity

CO-INVESTMENT VEHICLES

The heart of student living UNITE

USAF

- Valuations flat in Q2
- Landsbanki update of c.83% recovery
- Lloyds JV covenant amended

UCC

- Development pipeline now complete

USV

- Lehman 49% stake likely to be held for foreseeable future
- Waiver of LTV covenant on Natixis facility

Headline Financials	USAF	UCC	USV
GAV £m	866	380	58
Borrowings/other net assets	(471)	(269)	(45)
NAV £m	**395**	**111**	**13**
LTV	55%	67%	79%
UNITE stake	19%	30%	51%
Fees £m	2.2	1.2	-

Debt facilities	Debt £m	LTV Covenant	LTV @ 31 Dec	ICR Covenant	ICR @ 31 Dec
USAF					
- LTV covenants	201	68%	52%	1.3	2.3
- No LTV covenants	280	-	-	1.4	2.0
UCC	253	-	-	1.0	1.5
USV	46	85%	79%	1.2	1.4

ATTRACTIVE DEVELOPMENT OPPORTUNITIES EMERGING - LONDON

The heart of student living UNITE

- Acute shortage of modern purpose-built accommodation
  - Over 250,000 full time students; only 45,000 purpose-built beds[1]
  - UNITE has significant presence (>5,000 beds)
- Exceptional opportunity to capture and create value
  - Site values fallen c.50% since 2007 as alternative uses such as offices and residential see distressed pricing
  - Construction costs falling c.15%
  - Central locations now affordable
- Competition weak
  - Limited sources of capital
  - High barriers to entry will prevent non-specialists entering the market quickly
- Rental growth prospects still robust and development margins rising (c.35% profit on cost expected)
- Clear pipeline identified
- Strengthened balance sheet affords some opportunity

Potential pipeline

	Beds
Total London opportunities "in view"	
- Planning application, development stalled	4,076
- Planning in place, development stalled	4,445
- Other sites	4,454
	12,975
Less: outside acquisition criteria	(8,200)
	4,775
@ 50% conversion ratio =	2,390

1. Source: HESA & Savills research

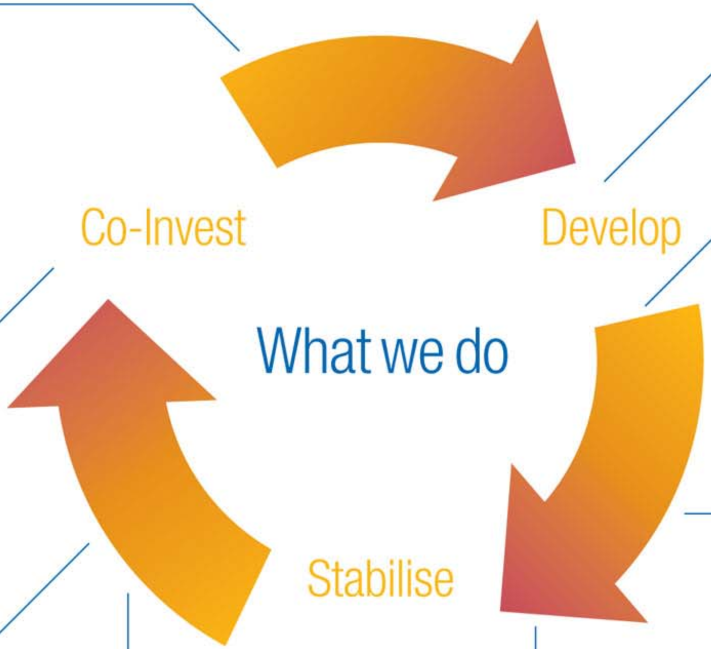
SUMMARY AND OUTLOOK

The heart of student living UNITE

- Student accommodation sector remains resilient
  - 10% increase in HE degree applications
  - UNITE 89% reserved for 2009/10 academic year
  - Like-for-like rental growth 10%-11%
- UNITE financial position strengthened
  - Move into recurring profit for period
  - Covenant headroom improved despite falling values
  - No committed increase to net debt beyond 2009 completions
  - £120 million unutilised debt capacity
- Attractive development opportunities emerging
  - London focus
  - Improved financial position affords some opportunity

PIONEERS OF STUDENT LIVING

WHAT WE DO



Equity investment

As an active asset manager, UNITE continually monitors the performance of its portfolio, identifying disposals of non-core assets. The cash generated from this activity, coupled with sale of assets to the Fund add stability to the balance sheet. Consequently the Company is in a strong position to take advantage of opportunities in high growth markets as they may arise in 2009 and beyond.

UNITE UK Student Accommodation Fund ('The Fund')

The UNITE UK Student Accommodation Fund is in a unique position to acquire properties from the UNITE portfolio. UNITE maintains full operational management of these assets as well as having a significant minority stake hold in the Fund. UNITE also has other joint venture relationships.

Management

UNITE conducts in-depth customer research to ensure its products and services are continually evolving inline with customer expectations. As such, UNITE offers dedicated property teams, 24 hour monitored CCTV and have embarked on a new joint venture to service all maintenance enquiries.

Stabilising new assets

Once a new property is opened outside of London, it typically takes 1 year to stabilise. This means that the property is not yet generating its optimal net income. For those properties delivered in London, there is no stabilisation period required.

Marketing and sales

As the only student accommodation provider offering customers the ease of online booking, UNITE is driving occupancy across its portfolio, achieving 99% for the 08/09 academic year.
www.unite-students.com

Acquisition

Understanding where students want to live, and focusing on high growth markets, UNITE is well positioned to take advantage of opportunities in the forthcoming year.

Planning

In 2008, UNITE secured 8 planning consents, 4 of which were in London. By working in partnership with the local councils and conducting thorough public consultations, UNITE continue to contribute towards balanced communities.

Project management and off-site modular production

Working in partnership with UNITE's project management team, UNITE Modular Solutions are expert in delivering professional purpose-built accommodation. The key benefits of utilising modular technology are:

1. Faster build time: typically delivering a reduction in build time by 30%-50% vs. traditional methods
2. Reduced waste: UMS is ISO 14001:2004 accredited for its environmental management and reduced waste process.
3. Quality control: ISO 9001:2000 accredited for quality management systems, UMS delivers predictable quality on all products from a controlled environment.

THE UK STUDENT MARKET

The heart of student living
UNITE

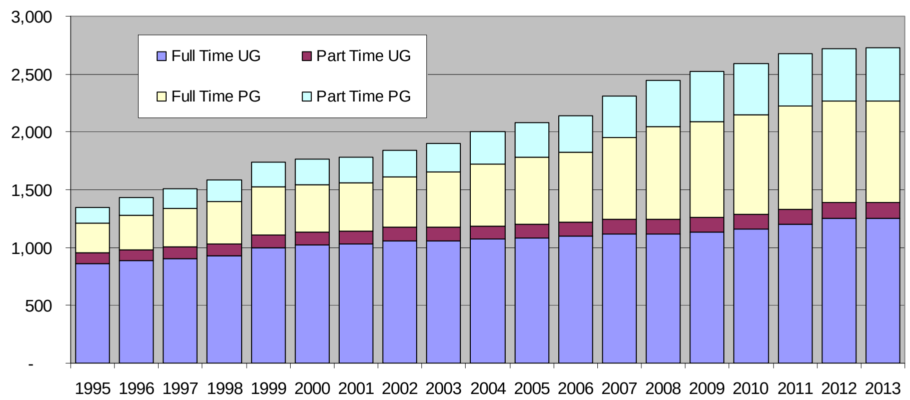
Strong and growing demand

- 2.4m students in UK, of which 1.4m are full time
- Full time student numbers are expected to increase to 2.6m by 2013, underpinned by:
  - Continued favourable customer demographics
  - Government policy
  - Projected growing overseas student numbers

Shortage of good quality accommodation

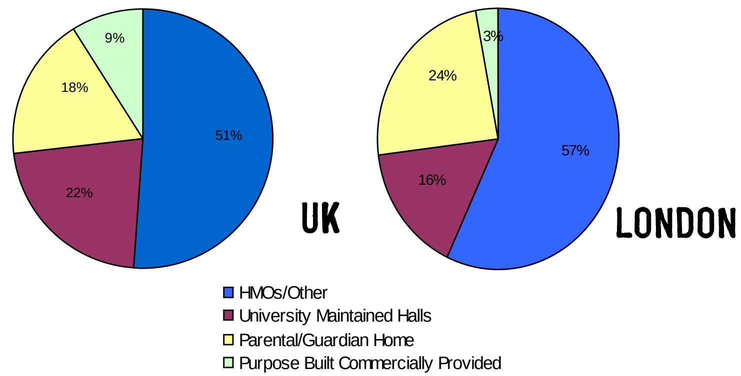
- Universities not net suppliers
- HMO market under pressure and increasing regulation
- Corporate providers only source of new supply but will slow given financing conditions

Total Student Growth



Source: HESA & Savills Research

Sources of Supply



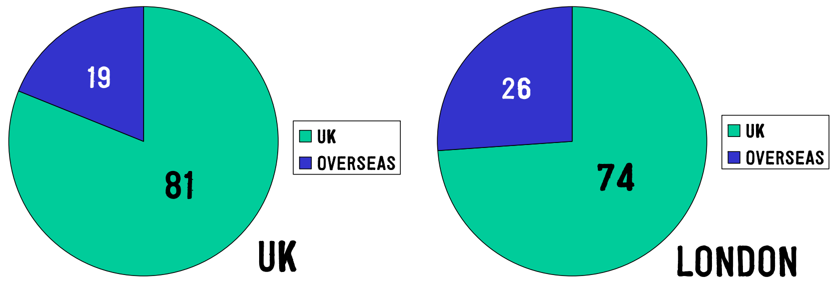
Source: HESA

THE LONDON STUDENT MARKET

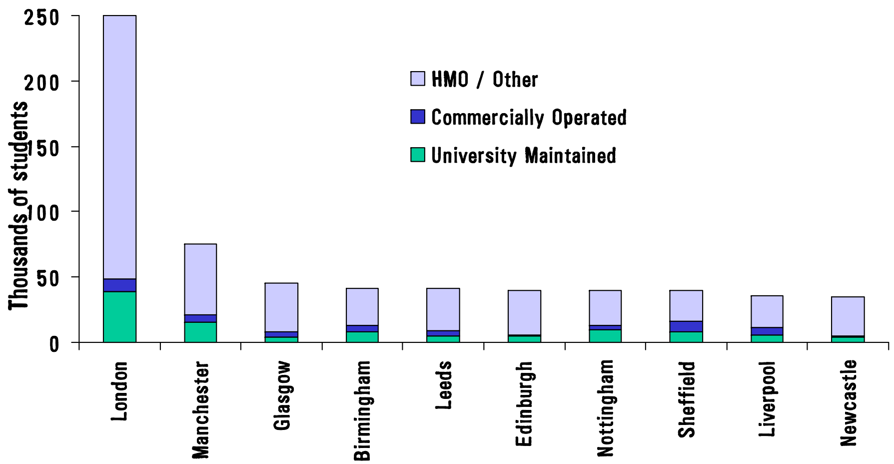
The heart of student living UNITE

- The attractive fundamentals of the UK student accommodation sector generally are increasingly well understood by investors. What is less appreciated is the truly unique position that London holds.
- London has three important characteristics that distinguish it from the wider UK market :
  - A full time student population (249,000) that is larger than the next five largest student markets combined
  - An incredibly low supply ratio. The London Universities can only supply 36% 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. 70,000) with high accommodation requirements and expectations
- UNITE has built a substantial London student accommodation business in recent years.
  - For academic year 2009/10 UNITE will be operating over 5,000 bed spaces in London, with a further 1,250 to be delivered in 2010

Proportion of International
HESA – All Students



TOP 10 UK MARKETS



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DIFFERENTIATING THE STUDENT EXPERIENCE

- **Accommodation and Offer**
  - Prime student locations
  - Online booking and payment
  - Flat shares for up to 8 people
  - Single & double studios
  - Group booking facility
  - Dedicated Management Teams
  - No hidden costs (rents inclusive of utilities, internet & insurance)

- **Brand Value**
  - Dedicated sales & marketing functions
  - Strong relationships with 50+ Universities
  - Affinity partnerships with leading student brands
  - Award winning research
  - Rental growth

OUR TOP 10 MARKETS

The heart of student living UNITE

2009 Rank	2008 Rank	City	Completed Beds (09/10)	Completed Beds (08/09)	FT Student Numbers (07/08)	Projected Market Share
1	1	London	5,327	3,925	254,445	2.1%
2	2	Sheffield	3,734	3,734	42,250	8.8%
3	3	Liverpool	3,372	3,372	37.955	8.9%
4	5	Leeds	3,137	2.604	49,390	6.4%
5	4	Bristol	3,036	3,304	35,420	8.6%
6	5	Manchester	2,595	2,595	59,020	4.4%
7	7	Birmingham	1,832	1,832	49,795	3.7%
8	8	Aberdeen	1,821	1,821	19,635	9.3%
9	9	Leicester	1,685	1,685	25,290	6.7%
10	11	Portsmouth	1,402	1,402	14,600	9.6%

2009 DEVELOPMENT PROGRAMME

The heart of student living

UNITE

Blithehale Court, London

Sky Plaza, Leeds

Gibson Street, Glasgow

Emily Bowes Court, London

Camden Road, London

CO-INVESTMENT VEHICLES - KEY TERMS

The heart of student living UNITE

	USAF	UCC	OCB JV
History:	Multi investor fund formed Dec '06	JV with GIC formed March '05	JV with OCB formed August 09
Strategy:	▪ UK direct let student accommodation ▪ Exclusivity over UNITE pipeline	▪ London & Edinburgh focus ▪ Build a £350m+ portfolio ▪ Development led	▪ Build and operate 3 London assets
Capitalisation:	▪ Target £1bn ▪ Max 60% LTV	▪ Target £350m+ GAV ▪ 70% LTV	▪ Target c. £200m GAV ▪ 60%LTV
Format:	Open ended, infinite life	Closed ended, 8 year fund	Closed ended, 5 year JV
UNITE stake:	18.6% at period end	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

* Subordinated to a 5% annual income return until Dec 09

SEE THROUGH BALANCE SHEET AND INCOME STATEMENT

The heart of student living UNITE

June 2009	Group £m	USAF £m	UCC £m	USV £m	**Total Investment £m**	Development £m	Group £m	**Adjusted total £m**
Property	505	161	114	29	**809**	342	-	**1,151**
Net debt	(338)	(85)	(74)	(20)	**(517)**	(245)	-	**(762)**
Other assets	7	-	(2)	(2)	**3**	(28)	-	**(25)**
Net assets	174	76	38	7	**295**	69	-	**365**
Income	29.4	7.8	3.3	1.3	**41.8**	-	-	**41.8**
Prop costs	(8.6)	(2.1)	(0.6)	(0.4)	**(11.7)**	-	-	**(11.7)**
Fees	3.6	-	(0.2)	-	**3.4**	-	-	**3.4**
Admin expenses	(7.6)	-	-	-	**(7.6)**	(0.4)	(3.0)	**(11.0)**
One-off items						(15.9)	(0.9)	**(16.8)**
Finance costs	(14.3)	(2.5)	(1.7)	(0.6)	**(19.1)**	-	-	**(19.1)**
Return / adjusted loss	2.5	3.2	0.8	0.3	**6.9**	(16.3)	(4.1)	**(13.3)**
6 month return	1.4%	4.2%	2.3%	4.2%	**2.3%**	-	-	**-**

DEBT FACILITIES

The heart of student living UNITE

UNITE Group

	£m
HSH Nordbank	216
Fortis	138
Bank of Ireland	100
Nationwide	100
RBS	82
Deutsche Postbank	50
Others	84
	770

Co-investment vehicles

	£m
USAF	
- CMBS	280
- Lloyds	115
- Abbey/ HSH Nordbank	120
	515
UCC	
- HSH Nordbank	300
USV	
- Lehmans	35
- Natixis	11
	46

Note: Facilities exclude those expiring in 2009

NNNAV

The heart of student living UNITE

	Jun 2009 £m	Dec 2008 £m
Net assets	296	320
Valuation gains not recognised on properties held at cost	24	29
Fair value of fixed rate debt	(5)	(7)
Deferred tax	-	(6)
NNNAssets	315	336
NNNAV per share	249p	270p