

19 May 2011

**THE UNITE GROUP PLC**  
(“UNITE” / “Group” / “Company”)

**Interim Management Statement**

The UNITE Group plc, the UK’s leading developer and manager of student accommodation, today publishes its first interim management statement for 2011, covering its activities from the Company’s final results announcement on 2 March 2011 to 18 May 2011.

**Highlights**

- Positive reservations activity with 73% of rooms for the 2011/2012 academic year reserved, compared with 71% at this stage last year and 62% at the beginning of March, providing continued confidence in rental growth guidance of 3-4%
- Ongoing focus on delivering recurring profit growth for the year to 31 December 2011
- 2011 development schemes all progressing well, on time and to budget. 2012-14 London pipeline of 2,800 beds all on track and progress has been made in growing this pipeline further. Separately, a 477 bed scheme in Glasgow was secured during the period for delivery in 2012, in line with target returns
- Agreement with LOCOG to provide accommodation for the London Olympic and Paralympic Games has been finalised.

**Commenting, Mark Allan, Chief Executive, said:**

“Building on our positive results for 2010, 2011 has seen continued strong reservations and excellent operational performance across our portfolio together with further growth in our secured pipeline.

“The 2011/12 academic year looks set to be characterised by strong demand and as details of the likely nature of forthcoming changes to Higher Education funding emerge, we continue to have confidence in our business model and longer term demand for our product.”

## **Sales and rental growth**

The Group's key measure of profitability is Net Portfolio Contribution, which includes all income from its investment and management business less all business costs except those relating to development activity. The Group has continued to make good progress against this measure, with a significant year-on-year improvement driven by high occupancy for the current academic year and continued cost vigilance.

Reservations across the managed portfolio of 41,000 beds for 2011/12 are 73% compared with 71% at the same time last year and, based on this performance, the Company expects to maintain expected rental growth levels of between 3 and 4% for the next academic year.

Our contract with the London Organising Committee of the Olympic Games ('LOCOG') to provide beds for the London Olympic and Paralympic Games, referred to in our 2010 results, has been finalised, and we have begun detailed planning to deliver and manage 3,600 rooms for an eight-week period up to and including the Games in 2012. Sales of London rooms to students for 2011/12 are stronger than last year and, due to the agreement with LOCOG, we are selling 43 week contracts rather than the typical 51 weeks at several properties, although the resulting reduction in 2011/12 rents at these properties will be more than offset by LOCOG revenues.

## **Development**

We continue to make good progress with our development pipeline, and all 2011 openings are either on or ahead of target, in terms of both cost and programme. We have made progress during the period in seeking to grow our secured London development pipeline, which currently stands at 2,800 beds, and expect to secure further contractual positions over the next few months.

Outside London, the Company has acquired a new development site in Glasgow's West End, which provides attractive development returns in a strong market where UNITE already has a significant presence and good relationships with the three major Universities. The 477 bed site has full planning consent and will be delivered in time for the 2012/13 academic year. A nearby 405 bed project that UNITE is opening later this year has already been substantially let for 2011/12 ahead of target rent levels, illustrating the strength of this particular market.

Taking into account the new Glasgow scheme, UNITE's secured pipeline is as follows:

	<b>Beds</b>	<b>Completed value</b>	<b>Total development cost</b>	<b>UNITE NAV remaining</b>	<b>Development yield</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
2011	1,277	100	85	6	8.3%
2012	1,818	207	154	37	9.1%
2013-14	1,452	152	118	34	9.0%
<b>Total</b>	<b>4,547</b>	<b>459</b>	<b>357</b>	<b>77</b>	<b>8.9%</b>

Continued constraints on debt finance and an increasingly challenging planning environment, in London in particular, seem likely to persist and we believe these barriers to entry will help UNITE to maintain its strong competitive position. We will continue to target new sites that meet our stringent return and location criteria and remain confident of growing our pipeline in line with our strategy.

## Valuation

In line with the broader real estate market, yields for student accommodation have been broadly flat during the first quarter of 2011. The latest valuation of the UNITE UK Student Accommodation Fund, as at 31 March 2011, showed an increase in property values of 0.5% as a result of rental growth with no movement in yield. We consider this to be a reasonable indication of valuation movements across the Group's wider stabilised portfolio for the same period and expect the majority of annual rental growth to be recognised in the next two quarters as reservations for the forthcoming academic year progress.

There are emerging signs of increasing liquidity in the student accommodation investment market. Valuation evidence in the year to date is supportive of current yields and we expect further transactions to provide additional support at these levels over the next few months. UNITE's average yield stood at 6.6% at 31 December 2010.

## Unite Modular Solutions

The Group's modular construction business is trading in line with plan and has made progress against its target of securing contracts to manufacture, with 1,000 modules now contracted for production in 2011, including 400 modules for external companies. This represents over 50% of target production for the year and further discussions are underway on a number of other potential contracts, including hotel, student and residential schemes. The current pipeline gives us confidence that we will achieve our target of 1,800 modules of production in the year, although production will be skewed towards the second half of the year.

## **Market update**

Applications to study at UK Universities are 2.1% above 2010/11 levels indicating that, with no increase in funded places, 210,000 applicants will not obtain a place at University this year, which underlines the continued strength of demand for places. As previously flagged, with the introduction of the higher tuition fees in 2012 and approximately 70% of Universities indicating they will set their fees at or above £8,500, we are anticipating a reduction in applications next year. However, due to the latent demand highlighted above, we do not anticipate a significant reduction in actual student numbers in the University cities in which we operate.

The number of Universities indicating that they will set fees above the £6,000 mark has been higher than the Government anticipated and this may result in additional policy announcements through the White Paper, expected in the next month. We do not expect this to change materially our assessment of the overall impact of the funding changes on UNITE.

International students, who will not be affected by the changes in tuition fees, now represent 46% of UNITE's customer base (70% in Greater London) and we expect this proportion to increase as UK Universities continue to be an attractive option for students around the world. In addition, based on announcements made to date, it seems unlikely that changes to UK immigration controls will directly affect UNITE's business.

## **Summary and outlook**

The Group has delivered a strong reservations and rental growth performance in 2011 to date and good progress has also been made in the delivery of the development pipeline. Combined, these provide a solid foundation for UNITE to achieve its key financial and operational targets for the year, including growth in both net asset value and Group profitability. We continue to expect rental growth for the 2011/12 academic year to be in the region of 3 to 4%, in line with that achieved last year.

As the impact of the recent changes to the Higher Education funding environment becomes clearer, we are confident that the fundamentals of the student accommodation sector remain strong and the Group's track record and expertise, coupled with its financial and operational strength, leave it well placed to consolidate further and enhance its market position.

## **Conference Call**

There will be a conference call for analysts and investors at 07.45 am today. To participate in the call, please dial:

**Dial in No: +44 (0)20 7138 0842**

**Pin: 7054444**

Event title: UNITE Group Interim Management Statement Conference Call

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