

The heart of
student living



The UK's leading developer and manager of student accommodation

Preliminary Results

Year ended 31 December 2009



Overview of 2009

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- Profitable operating business
- Balance sheet strength and flexibility improved
 - Asset sales and joint venture at good prices
 - Front foot equity issue
 - Successful £167m USAF capital raise
- Property valuations stable in H2 2009
 - Outperformed IPD in H1 2009
- Demand-supply fundamentals remain but challenges ahead for Universities
 - UNITE strategy evolving in response
- UNITE and USAF positioned for opportunity

Financial Highlights

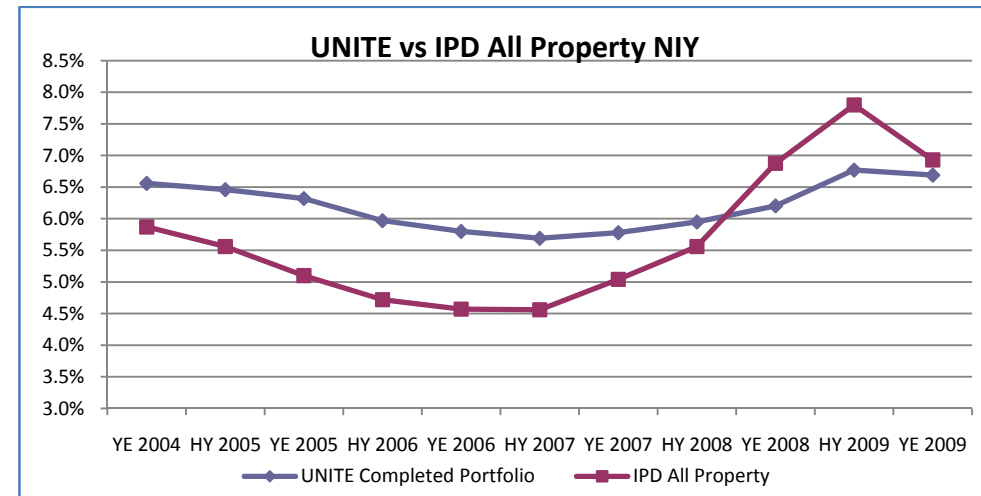
	2009	2008
Earnings		
Total portfolio income	£164m	£144m
Net portfolio contribution	£0.6m	-£5.4m
Dividend	Nil	0.83p
Balance Sheet		
NAV (adjusted, fully diluted per share)	265p	325p
Adjusted net debt	£390m	£531m
Adjusted gearing	92%	131%

Investment Market Outlook

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- Increased yield range in sector
- UNITE portfolio average NOI yield 6.7% (June 2009: 6.8%)
- Investor demand for secure income and diversified direct let exposure
- Nature of competition changing as sector matures
 - Potential new entrants exploring sector (particularly London)
 - Limited new investment from traditional competitors
- University stock may become a new source of supply

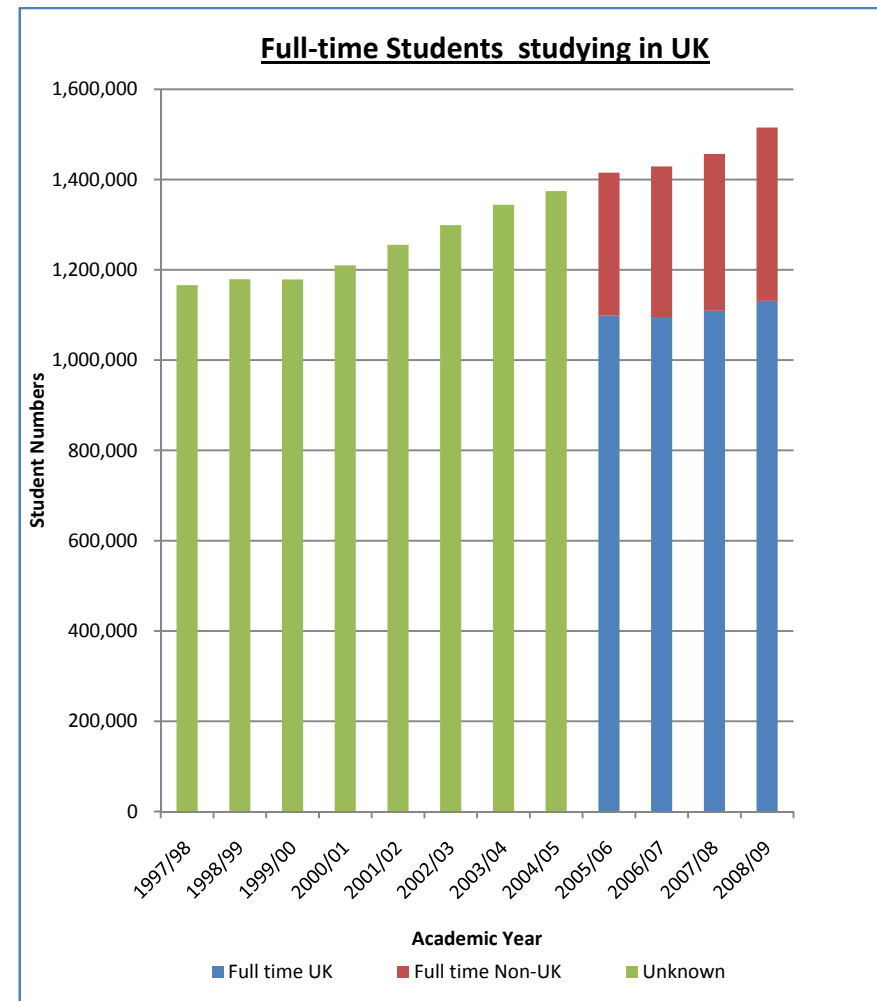


Occupational Market Outlook

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- Demand-supply imbalance remains
 - Applications for 2010/11 up 23% as at 8 February 2010
 - Limited new supply of c.4,000 beds for 2010/11
- Solid rental growth prospects
 - Sector: 2-3%
 - UNITE: 3-5%
 - 59% reserved for 2010/11 academic year
- HE funding landscape changing
 - £450m cuts announced. Funding review underway
 - 90% of Universities have 40%+ properties classed as 'inoperable' or 'in need of repair' (source: HEFCE)



Source: HESA

Strategy

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Three strategic objectives

1. Increase value of student accommodation investments
2. Grow profits from management of portfolio
3. Leverage competitive advantage

Four drivers of growth

	Grow profits from management	Increase value of student investments	Leverage competitive advantage
Targeted development of new student accommodation	✓	✓	✓
Proactive asset management	✓	✓	✓
Acquisition and repositioning of existing student accommodation assets (through USAF)	✓	✓	✓
University partnership opportunities	✓		✓

Development Activity

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	Beds	Completed beds value £m	Capex in period £m	Costs to complete £m	NAV to recognise £m	Stabilised yield on cost
2009 Deliveries	2,853	294	101	-	-	7.2%
2010 Deliveries – UNITE share	1,119	49	8	11	3	8.3%

Future activity

- 900 beds secured in London for delivery 2012-2013
 - Options/lock outs, in line with target returns
 - Projected capex c.£90k per bed
- Opportunities emerging in selected locations outside London
- Reviewing opportunity for 2011 deliveries



UNITE UK Student Accommodation Fund

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- Successful £167m capital raise in December 2009
- USAF has £200m to £250m of investment capacity at 50% to 55% LTV
 - Up to £100m third party acquisitions
 - Further UNITE pipeline acquisitions in due course
- Benefits of USAF to UNITE:
 - Well funded purchaser of UNITE pipeline (put/call option at OMV)
 - Diversifies capital base
 - Fees will grow as AUM increases

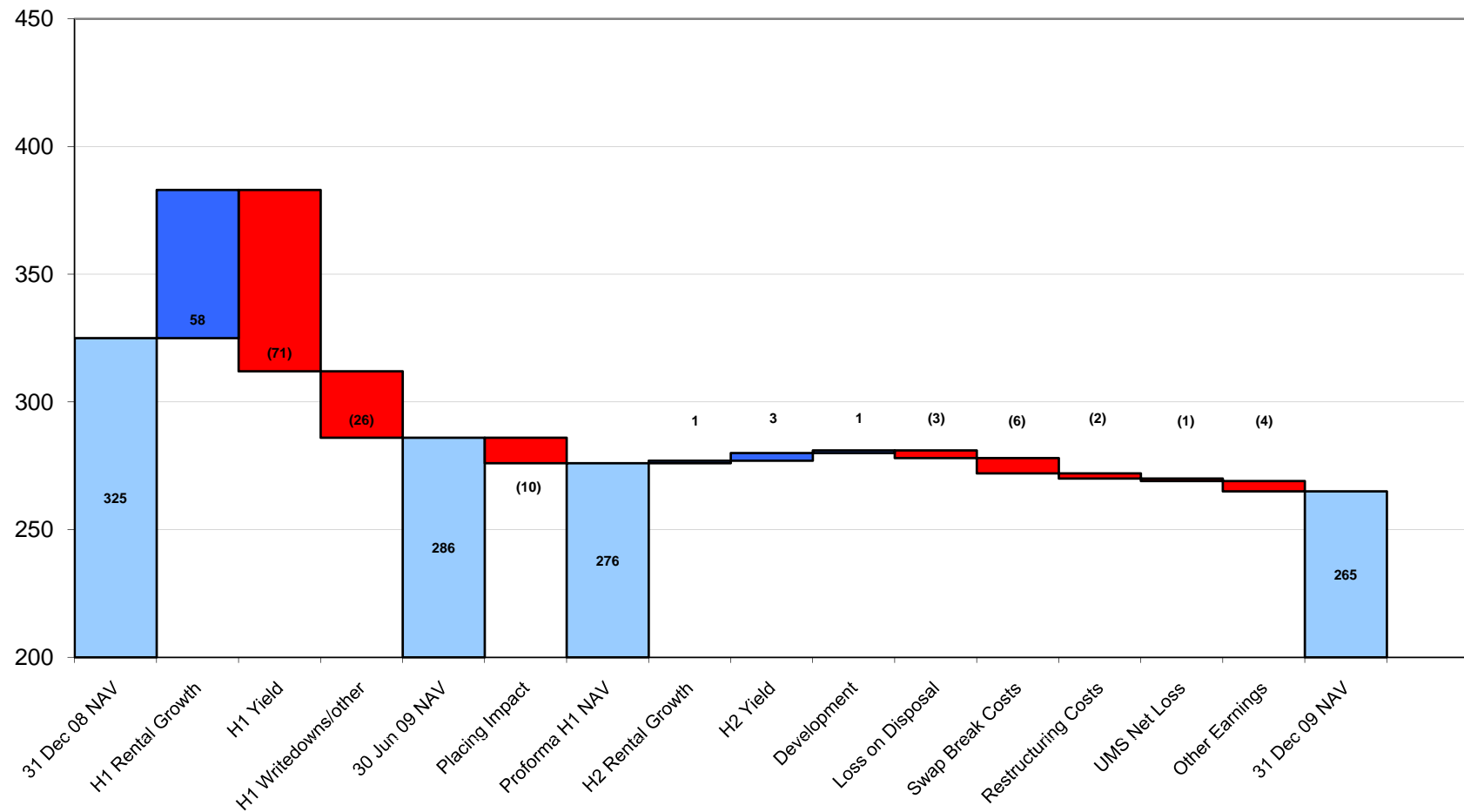


Net Asset Value Bridge

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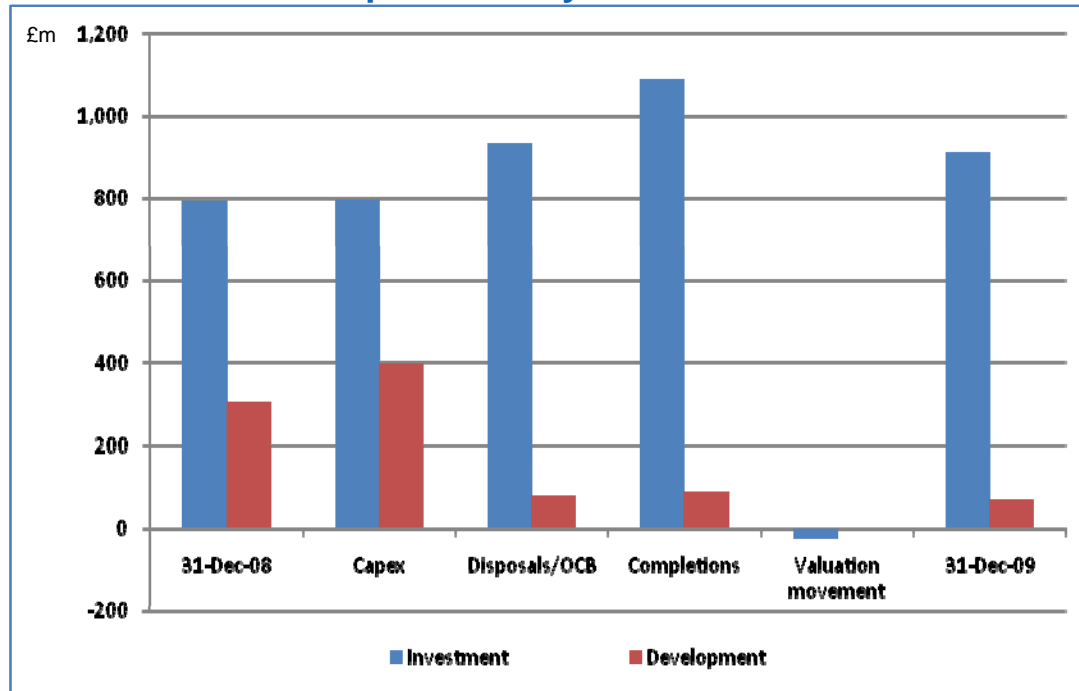


NAV (pence per share)

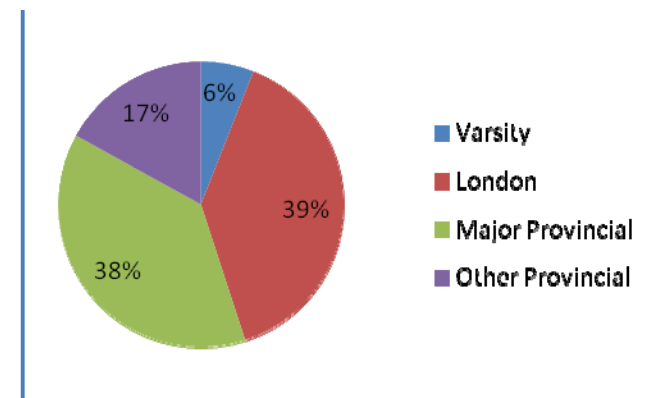


Portfolio Movement – UNITE share

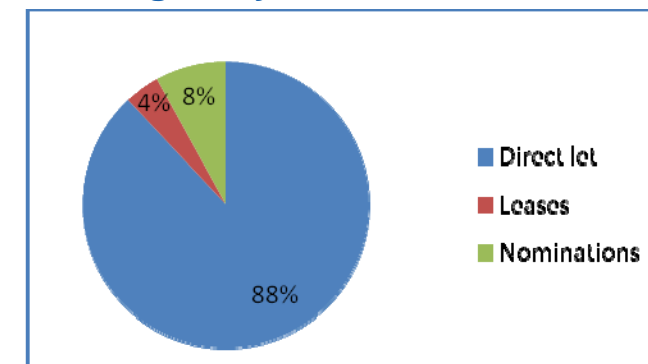
Investment : Development analysis



Geographic split



Leasing analysis



Indicative yields

	London	Provincial
Direct let	6.25-6.75%	6.75-7.5%
Nominations / leases	5.75-6.25%	6.0-6.75%

Net Portfolio Contribution

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	2009 £m	2008 £m	% change
Total income	164.3	143.8	14%
UNITE share of rental income	81.9	78.2	5%
<i>UNITE's share</i>	<i>50%</i>	<i>54%</i>	
UNITE share of operating costs	(24.7)	(26.2)	-6%
UNITE's NOI	57.2	52.0	10%
<i>NOI margin</i>	<i>70%</i>	<i>66%</i>	
Fees from JVs	5.9	4.9	20%
Operational overhead	(13.9)	(13.7)	1%
Finance costs ¹	(43.0)	(42.3)	2%
Investment segment	6.2	0.9	588%
Corporate costs and jv overheads	(5.6)	(6.3)	-11%
Net portfolio contribution	0.6	(5.4)	111%

- Significant improvement in performance from investment segment
- Strong rental growth and occupancy performance
- Positive impact of Blueprint programme throughout income statement (£5m net)
- Lower levels of overhead and interest capitalised as a result of reduced development activity



¹Finance costs include net interest (£32.3m) and lease payments (£10.7m)

Income Statement

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Income Statement	2009 £m	2008 £m
Net portfolio contribution	0.6	(5.4)
Development segment	(16.8)	(27.5)
Restructuring costs	(3.0)	(4.8)
Swap and loan break costs	(9.6)	(0.6)
Other	0.1	(0.4)
Landsbanki provision	-	(6.1)
Adjusted loss	(28.7)	(44.8)
Valuation movement	(16.8)	(35.2)
Loss on disposal	(3.4)	(14.9)
Mark-to-market movement	9.7	(33.8)
Deferred tax	1.6	12.8
IFRS reported loss	(34.9)	(115.9)

Development Segment

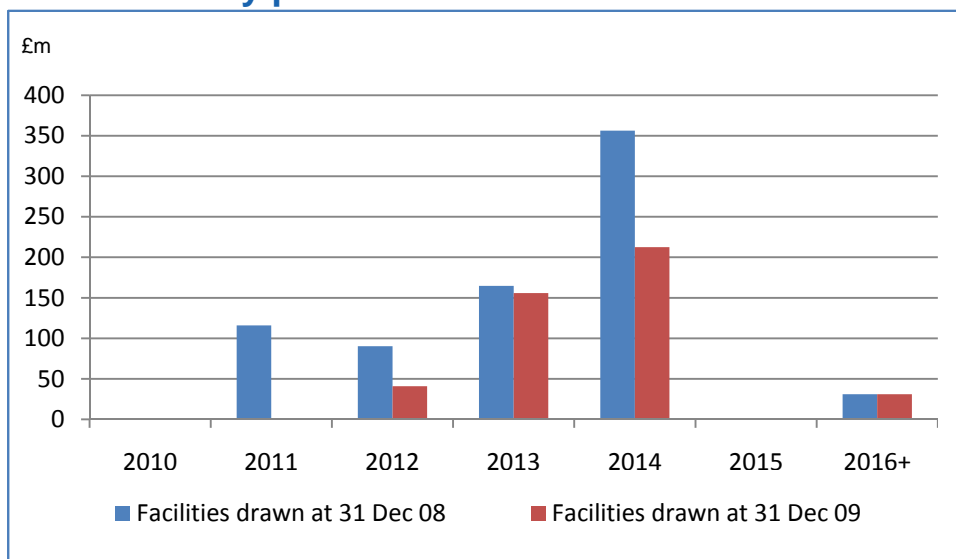
	£m
Write down of land and development assets	15.7
UMS loss (due to surplus capacity)	1.1
Development segment result	16.8



Capital Structure

- Strengthened balance sheet
 - Operational performance
 - £246m asset sales including OCB JV
 - Extended debt maturities
 - Placing and open offer with little dilution
 - £220m undrawn facilities

Debt maturity profile – balance sheet debt



Key debt statistics

	2009	2008
Adjusted net debt	£390m	£531m
Adjusted gearing	92%	131%
Average cost of debt		
-UNITE	5.6%	6.0%
-USAF	5.4%	5.4%
-UCC	5.5%	5.6%

Covenant headroom

Covenant	Weighted covenant	Weighted actual	
		2009	2008
LTV ¹	74%	59%	71%
ICR	1.08	1.63	1.35
MNW ²	£250m	£423m	£406m

¹ Assumes available cash is used to pay down debt, otherwise 68% actual in 2009

² MNW based on highest MNW covenant

Co-investment Vehicles

USAF

- £167m equity raised in December
- Acquired £95m assets from UNITE
- 6th best performing fund in the IPD Pooled Property Funds Index for 2009

UCC

- Valuations affected by stabilisation in London
- All equity deployed – 100% investment focus

USV

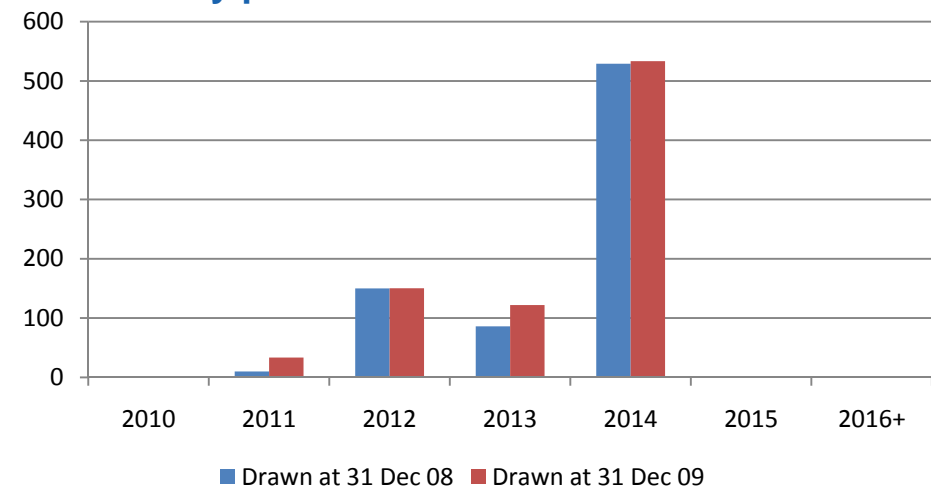
- No current plans for disposal of Lehman stake
- Waiver of Natixis LTV covenant

OCB

- 3 London schemes, all on track for delivery to time and budget in summer 2010

	USAF	UCC	USV	OCB
GAV (£m)	1,003	370	59	124
Borrowing / other assets (£m)	(407)	(252)	(45)	(62)
Adjusted NAV (£m)	596	118	14	62
2009 total return	8%	-14%	16%	n/a
LTV	41%	68%	77%	n/a
UNITE stake	16.3%	30%	51%	25%
Management fees (£m)	3.1	2.8	-	0.9

Debt maturity profile – co-investment vehicles



Summary and Outlook

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- Profitable operating business established
 - Strong rental growth
 - 'Blueprint' change programme
- Balance sheet strength and flexibility improved
 - Self-help initiatives successful
 - Placing and open offer with little dilution
 - Significant 'take out' capacity in USAF
- Changes ahead for UK Higher Education
 - Demand-supply imbalance remains
 - Funding costs present an opportunity
- UNITE well positioned for profitable growth
 - Capital raised to pursue attractive development opportunities
 - Scalable operating platform
 - USAF well capitalised

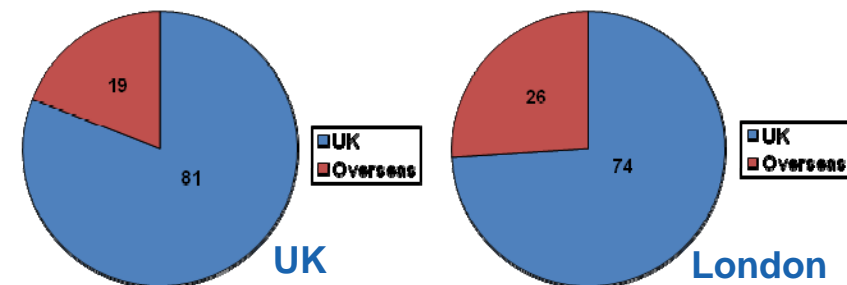




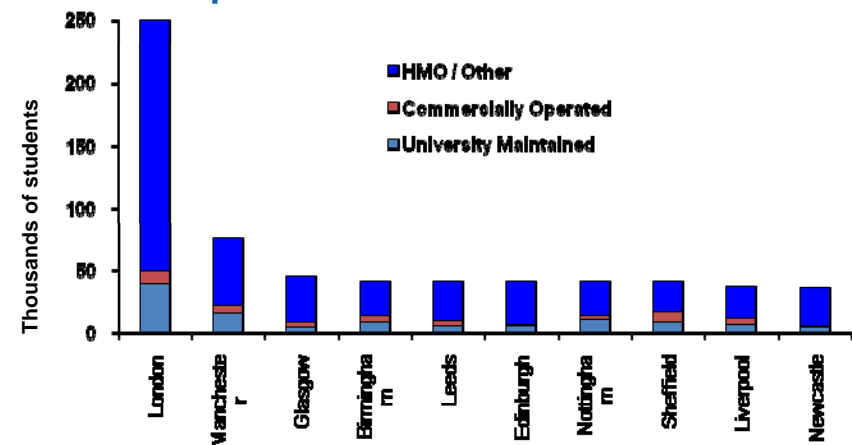
The London student market

- 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



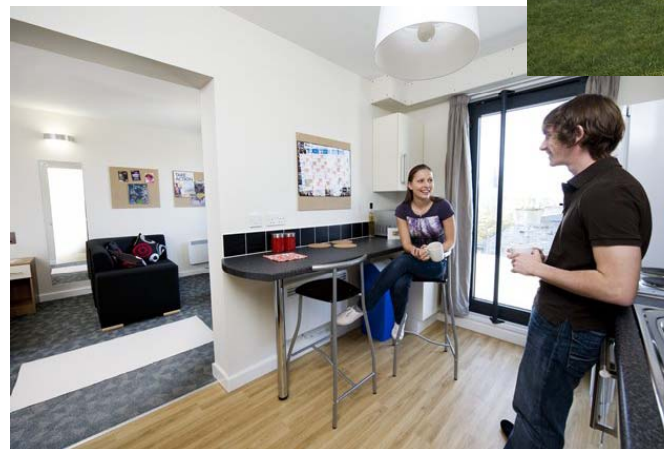
Differentiating the student experience

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

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

Blithehale Court, London



Sky Plaza, Leeds



Gibson Street, Glasgow



Emily Bowes Court, London



Charlton Court, Bath



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"> ▪ UK direct let student accommodation ▪ Exclusivity over UNITE pipeline 	<ul style="list-style-type: none"> ▪ London & Edinburgh focus ▪ Build a £350m+ portfolio ▪ Development led 	<ul style="list-style-type: none"> ▪ Build and operate 3 London assets
Capitalisation:	<ul style="list-style-type: none"> ▪ £1bn ▪ 50-60% LTV 	<ul style="list-style-type: none"> ▪ Target £350m+ GAV ▪ 70% LTV 	<ul style="list-style-type: none"> ▪ Target c. £200m GAV ▪ 60%LTV
Format:	Open ended, infinite life	Closed ended, 8 year fund	Closed ended, 5 year JV
UNITE stake:	16.3% 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

See through balance sheet and income statement

December 2009	Group £m	USAF £m	UCC £m	USV £m	Total Investment £m	Devt OCB £m	Devt Group £m	Group £m	Adjusted total £m
Property	625	164	111	29	929	31	39	-	999
Net debt	(355)	(64)	(74)	(20)	(513)	(12)	(35)	-	(560)
Other assets	9	(3)	(2)	(2)	2	(3)	(15)	-	(16)
Net assets	279	97	35	7	418	16	(11)	-	423
Income	58.2	14.5	6.6	2.6	81.9		-	-	81.9
Property costs	(18.7)	(4.0)	(1.3)	(0.8)	(24.8)		-	-	(24.8)
Fees	6.4	-	(0.4)	-	6.0		-	-	6.0
Admin expenses	(13.9)	-	-	-	(13.9)		(0.7)	(5.5)	(20.1)
One-off items					0.0		(16.1)	(12.6)	(28.7)
Finance costs	(33.2)	(4.9)	(3.6)	(1.3)	(43.0)		-	-	(43.0)
Return / adjusted loss	(1.2)	5.6	1.3	0.5	6.2	-	(16.8)	(18.1)	(28.7)

Debt facilities

UNITE Group

	£m
Fortis	180
HSH Nordbank	155
Bank of Ireland	100
Nationwide	100
RBS	82
Deutsche Postbank	50
Others	76
	<u>743</u>

Co-investment vehicles

	£m
USAF	
- CMBS	280
- Lloyds	115
- Abbey/ HSH Nordbank	106
	<u>501</u>
UCC	
- HSH Nordbank	<u>300</u>
USV	
- Lehmans	35
- Natixis	12
	<u>47</u>
Development JV	
- HSH Nordbank	50
- RBS	35
- Barclays	33
	<u>118</u>

NNNAV

	Dec 2009 £m	Dec 2008 £m
Net assets	366	320
Valuation gains not recognised on properties held at cost	18	29
Fair value of fixed rate debt	(6)	(7)
Deferred tax	-	(6)
NNNAssets	<u>378</u>	<u>336</u>
NNNAV per share	237p	270p