

The heart of
student living

UNITE

The UK's leading developer and manager of student accommodation

Preliminary Results

Year ended 31 December 2011

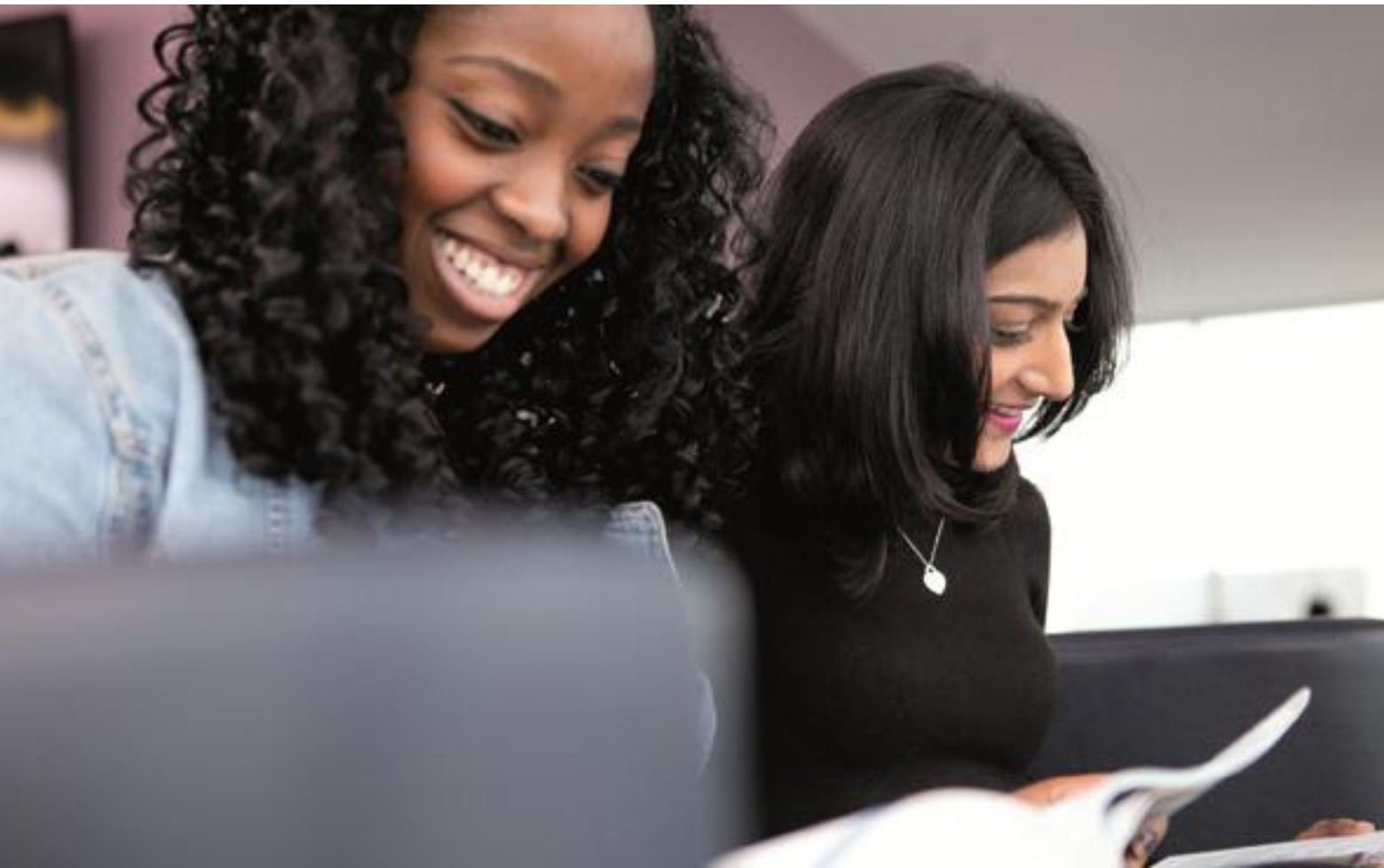


Highlights

- Strong NPC growth
 - Rental and occupancy growth
 - New openings
- Adjusted NAV up 8% to 318pps
 - Stabilised portfolio values up 3.1%
 - £33m development profit in year
 - After £21m UMS losses and provision
- Foundations in place for further growth in NAV and NPC in 2012
- Good progress on financing, JVs and disposals
 - £316m facilities arranged since Jan 2011
 - USV acquired at 31% discount to NAV
 - £47m disposals completed/exchanged
- Dividend reinstated at 1.75pps for full year

	2011	2010
Net Portfolio Contribution	£11.0m	£4.1m
Adjusted NAV per share	318p	295p
Adjusted gearing	84%	71%
Operations cashflow	£13.8m	£0.6m
Secured development pipeline:		
- 2012	1,822	1,341
- 2013+	1,514	1,452
	<u>3,336</u>	<u>2,793</u>

Strategy and market



Rent and occupancy outlook



■ Demand outlook

- Over 160,000 more University applicants than places
- School leaver demand resilient
- International demand increasing

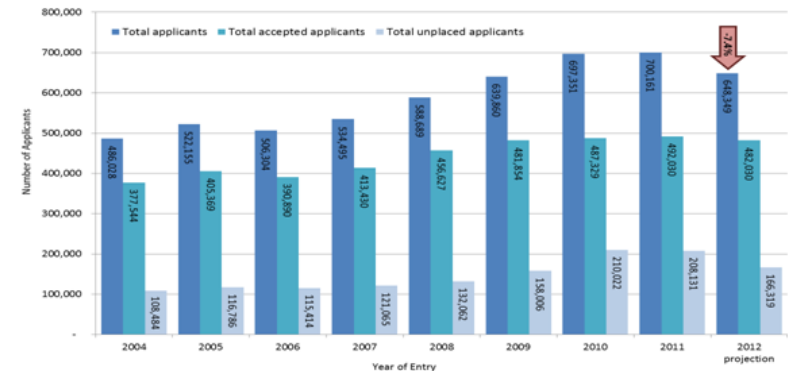
■ Supply outlook

- Planning regime remains challenging
- Capital constraints limiting new supply
- New projects focused in London (c.15,000 beds by 2015, of which UNITE 20%)

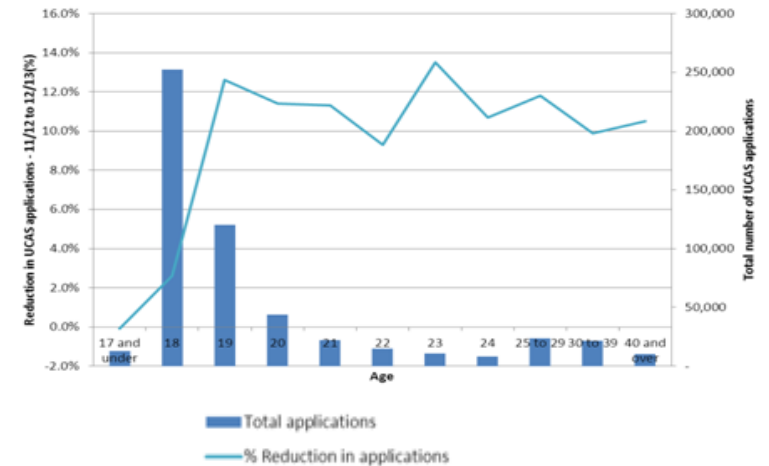
■ Rental growth

- UNITE 2012/13 reservations at 59%
- Supportive of 3-4% increase in NOI
- Prospects better for London and stronger University cities

UCAS Full Year Applicants 2004-2012



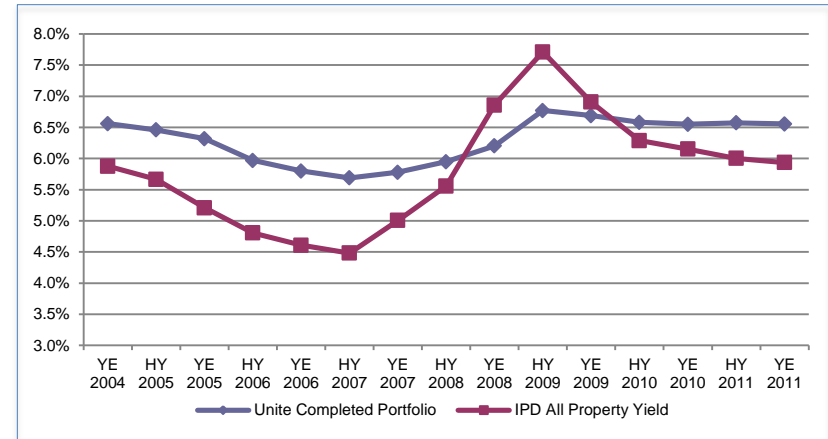
Applications by age group



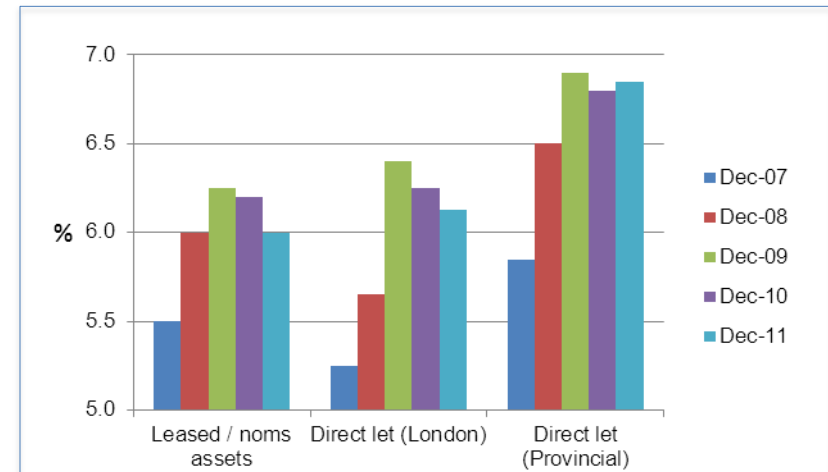
Yield outlook

- Average yields stable at 6.6%
 - Flat since late 2009
 - Movements in sub-categories
- Transaction volumes healthy
 - £1.1bn investment and development in 2011
- Banks' attitude important determinant of yield direction
 - Weaker provincial direct let exposed
 - Minimal London impact
- Investor appetite strongest for long University leases
 - Very limited stock
 - Universities considering more actively
 - Asset management potential
- UNITE well positioned
 - London weighting up to 45%
 - £47m disposals supportive of Dec 11 valuations

UNITE vs IPD All Property Initial Yield



Indicative stabilised yields



Target low double-digit total returns, with modest risk



Development

- London focus
- Mix of product, price point and location
- 9% yield on cost target
- Further accretive developments subject to financing/disposals



Capital growth

- London focus
- Quality portfolio and universities
- Asset management
- Brand platform
- Rental growth 3-4%



Income growth

- Rental growth
- Operating efficiencies
- New openings
- Increasing ownership stake
- Dividend reinstated

Financial review



Financial Highlights

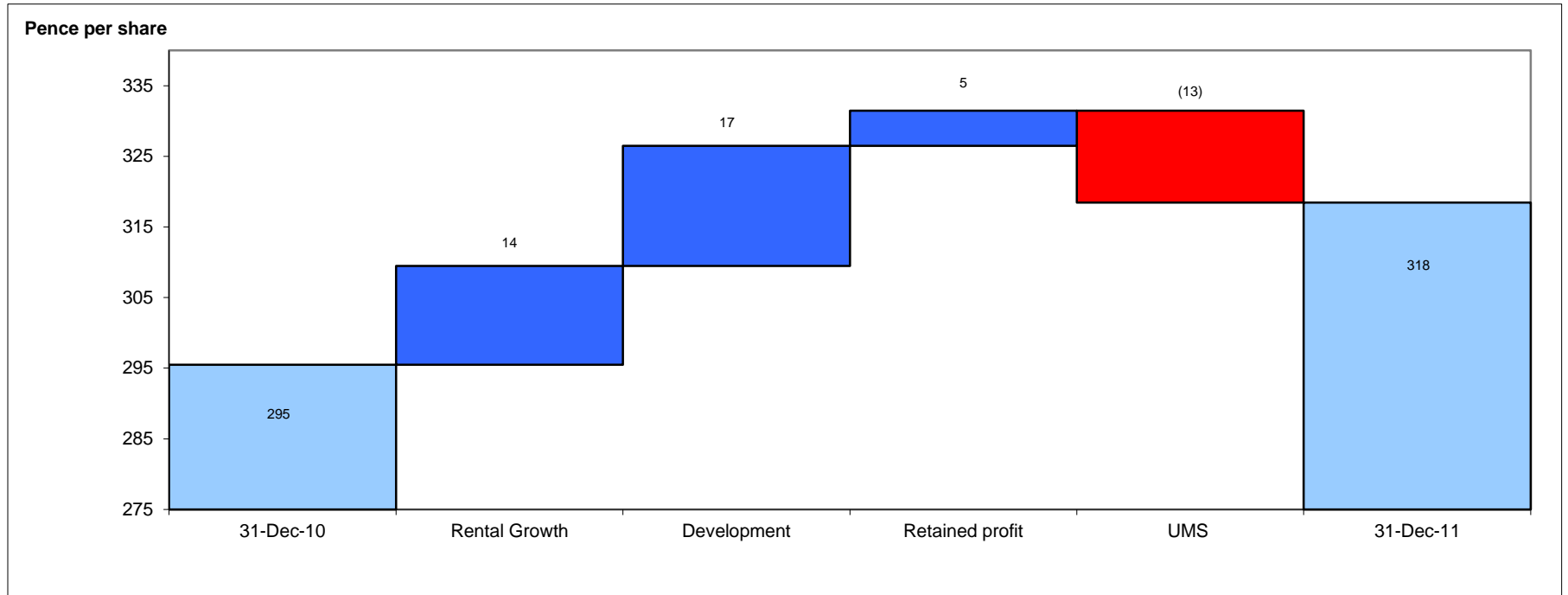
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	2011	2010
Income Statement		
Net portfolio contribution	£11.0m	£4.1m
Adjusted profit (pre UMS)	£5.4m	£4.3m
Adjusted EPS (pre UMS)	3.4p	2.7p
Balance Sheet		
NAV (adjusted, fully diluted per share)	318p	295p
Adjusted net debt	£434m	£335m
Adjusted gearing	84%	71%
See-through LTV	54%	54%
Cash flow		
Operating cashflow	£13.8m	£0.6m
Dividend (£m)	£2.8m	-
per share	1.75p	-

Adjusted NAV bridge

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Net Portfolio Contribution

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- Rental growth and new beds driving top line growth
- Margin pressure from utility prices
- Lower finance costs reflect lower proportion of hedging, lower interest rates and use of cash to pay down debt
- Growth in fee income with assets under management of £1.9bn for full period
- Overhead less fees reduced to 95bps of GAV (2010: 110 bps)
 - Target 80bps by 2014
 - £2.5m overhead savings announced in year

	Dec 2011 £m	Dec 2010 £m	% change
Total income	219.5	188.9	16%
UNITE share of rental income	95.6	89.0	7%
<i>UNITE's share</i>	<i>44%</i>	<i>47%</i>	
UNITE's share of operating costs	(29.4)	(26.9)	9%
UNITE's NOI	66.2	62.1	7%
<i>NOI margin</i>	<i>69.2%</i>	<i>69.8%</i>	
Fees from JVs	10.1	8.4	20%
Overhead	(21.6)	(19.6)	10%
Finance costs ¹	(43.7)	(46.8)	(7%)
NPC	11.0	4.1	168%

¹ Finance costs include net interest of £31.1m and lease payments of £12.6m on sale and leaseback assets

Income Statement

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	Dec 2011		Dec 2010	
	£m	£m	£m	£m
Net Portfolio Contribution		11.0		4.1
Development pre-contract costs		(3.2)		(3.2)
Development trading profits		1.2		4.0
Restructuring, share option and other costs		(3.6)		(0.6)
Adjusted profit (pre UMS)		5.4		4.3
UMS - 2011 trading	(5.5)		(4.8)	
- provision for completing contracts/overhead	(5.6)		-	
- closure provision	(9.9)		-	
		(21.0)		(4.8)
Valuation movement / loss on disposal		18.3		33.5
Mark-to-market movement		-		(8.0)
Deferred tax		1.9		(0.8)
IFRS profit before tax		4.7		24.2

See through balance sheet and income statement

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	Wholly owned	USAF / JVs (UNITE share)	UNITE see through Dec 11 £m	UNITE see through Dec 10 £m
	£m	£m	£m	£m
Balance sheet				
Rental Properties	617	400	1,017	884
Properties under development	189	-	189	138
Total property portfolio	806	400	1,206	1,022
Net debt	(434)	(212)	(646)	(547)
Other assets/(liabilities)	(40)	(6)	(46)	(1)
Adjusted net assets	332	182	514	474
<i>Adjusted LTV</i>	54%	53%	54%	54%
Income statement				
Net operating income	41.9	24.3	66.2	62.1
Overheads less management fees	(10.6)	(0.9)	(11.5)	(11.2)
Finance costs	(31.4)	(12.3)	(43.7)	(46.8)
Net Portfolio Contribution	(0.1)	11.1	11.0	4.1

Capital Structure

- **Good progress with debt financing**
 - £169m of new balance sheet facilities
 - £82m RBS facility extended to 2015 since year end
 - £147m of new USAF/JV facilities
 - Remains a 2012 priority

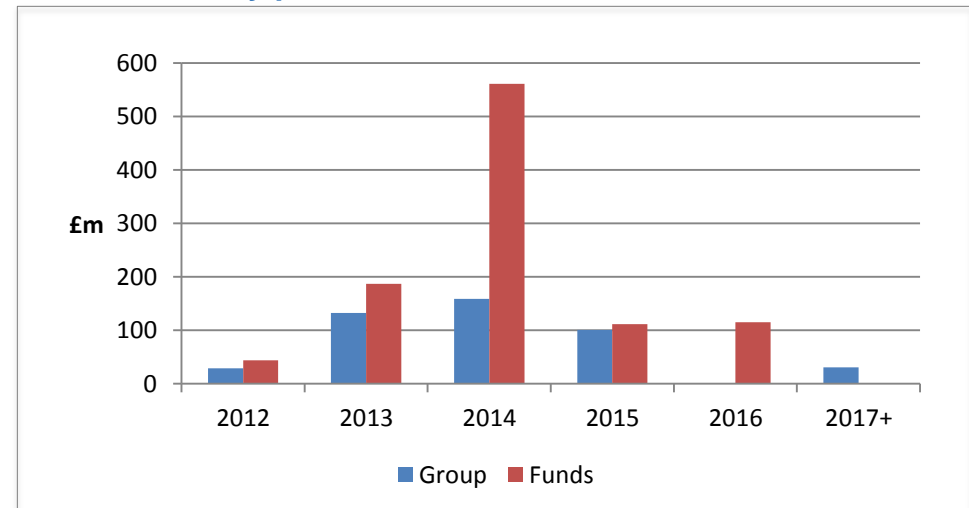
- **Reduction in cost of debt**
 - New swaps
 - Reduced hedging

- **Gearing to be managed at current levels**
 - Absorbing impact of USV acquisition
 - Will rise in H1 and fall back in H2

Key debt statistics

	Dec 11	Dec 10
Net debt	£434m	£335m
Adjusted gearing	84%	71%
See through LTV	54%	54%
Average see through cost of debt	5.7%	6.8%
Investment debt hedged	69%	97%

Debt maturity profile



Asset disposals

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	Proceeds £m	Book value £m
Completed / exchanged		
Wholly owned	17.6	17.7
USAF	21.0	21.4
UCC	8.0	7.5
	<hr/> 46.6	<hr/> 46.6
Under offer		
Wholly owned	13.9	14.0
	<hr/> 60.5	<hr/> 60.6
<i>Average yield</i>	6.5%	6.5%

- On track for £100m to £150m sales by December 2012
- USAF capacity growing with disposals
- Ongoing Asset Management activity to unlock further disposals

Co-investment vehicles

- USAF: established track record, size, diversification
 - Portfolio valued £1.25bn
 - 11.5% total return
 - £62m units traded at small premium to NAV

- Agreeing longer term strategies for JVs remains a priority for 2012
 - Constructive dialogue with JV partners
 - Completed USV buy-out in January 2012 at 31% discount to NAV

- Good progress extending debt maturities on key facilities during 2011
 - £115m Lloyds facility in USAF
 - £32m Nationwide facility in OCB

31 December 2011

	USAF £m	UCC £m	OCB £m
GAV (£m)	1,273	387	189
Borrowing / others (£m)	(594)	(242)	(110)
Adjusted NAV (£m)	679	145	79
Adjusted LTV	46%	61%	57%
UNITE stake	16%	30%	25%
Management fees (£m)	6.2	3.1	1.0
Maturity	Infinite	2013	2014

USV acquisition

	£m
Asset value	58.4
Debt	(45.0)
Working capital	2.4
USV net assets	15.8
Lehman's share (49%)	7.7
Consideration (including additional income)	5.3
Discount to NAV	31%

Operational review



Operations

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- **Customer service focus**
 - Students and Universities more demanding consumers
 - Asset and service quality paramount
 - Deepening University relationships
- **Range of service and efficiency improvements made in 2011**
 - Upgrades to systems and on-line booking platform
 - Enhanced maintenance, contact centre and debt performance
 - Management structure streamlined, annual £2.5m savings from 2012
- **Portfolio refurbishment programme continuing**
 - £3m capex in period delivering £1m NAV uplift (UNITE share)
 - In addition to standard lifecycle/maintenance works
- **2012/13 demand solid**
 - 59% reserved at 28 February (2011: 62%)
 - In line with 2010 reservations (59%)
 - Supportive of 3-4% rental growth



Development Pipeline

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	Secured beds	Total completed value £m	Total development cost £m	Capex in period £m	Capex remaining £m	NAV remaining £m	Stabilised yield on cost
2012							
London	1,345	172	124	62	24	3	9.3%
Glasgow	477	35	27	13	13	1	9.0%
	1,822	207	151	75	37	4	9.2%
2014							
London	1,514	166	123	15	108	36	9.1%
Total	3,336	373	274	90	145	40	9.2%

- Development programme substantially de-risked in year
 - All planning consents secured
 - Funding in place except Stratford (in progress)
 - Encouraging build cost evidence
 - 2013 opening deferred to manage balance sheet
- Further accretive development activity to be pursued selectively
 - Subject to prudent capital management
 - Conditional contracts
 - London focus
 - 9% yield on cost target

UNITE Modular Solutions

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- UNITE demand diminished
 - No 2013 openings
 - Secured pipeline not suitable for modular build
- Non-student scheme complexity an issue
 - Production rates behind plan in Q4
 - £5.5m trading loss in 2011
- UMS operation to be closed
 - £5.6m provision for completing contracts
 - £9.9m closure provision in 2011 accounts
 - Production concludes late March
 - Site works continue until summer
- Minimal impact on UNITE going forward
 - 2012 production substantially complete
 - Development pipeline unaffected
 - c.£1m of Group costs into NPC



Summary and Outlook

- Good progress against all strategic objectives
 - Growth in NAV and NPC
 - Development pipeline progressed
 - Effective capital management
- Foundations in place for further growth in NPC and NAV in 2012
 - 3-4% rental growth
 - Cost savings delivered
 - New openings
 - Development pipeline de-risked
- Robust financial position
 - Good progress on financing initiatives
 - Cash flow growing
- Business and strategy well positioned for future
 - London focus
 - Strong University relationships
 - Established brand platform
 - Access to capital



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Appendices



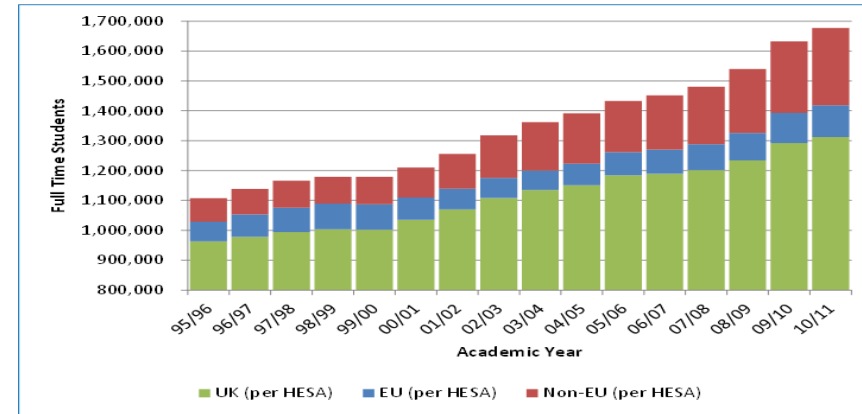
UK Student Accommodation Market

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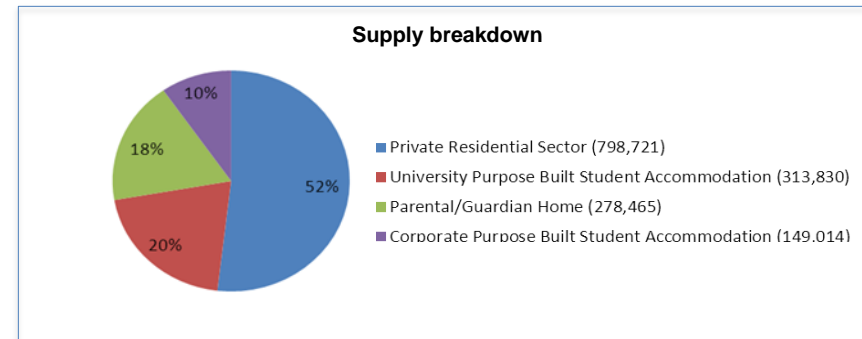


- Student numbers have doubled since 1991
 - Driven by government policy, demographics, global mobility
 - >160,000 more applicants than places 2012
 - Variations at city/university level
- UK attractive to global students
 - >46% of UNITE customers non-UK
 - Global trend for studying abroad
 - UK market share increasing
- Supply/demand imbalance persists
 - University stock levels flat
 - Private rented sector facing tougher regulations
 - Capital constraining new supply

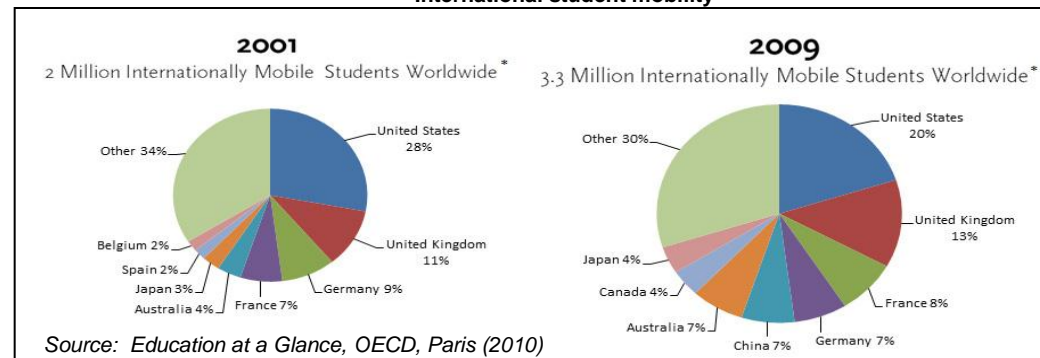
Full time student numbers growth



Supply breakdown

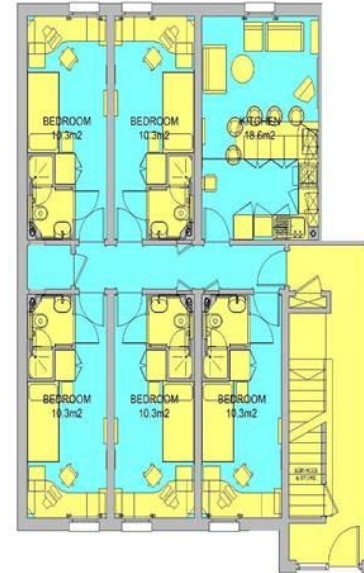


International student mobility



Product and Service Offering

- All-inclusive pricing
 - All utilities and services
 - Internet connection and wi-fi (in some properties)
 - 24/7 operations
 - Transparency and certainty
- City centre locations
 - Close to university campuses
 - Flat-shares and studios
 - More affordable product in development
- Direct let and university contracts
 - Strong relationships with universities
 - Direct sales through website
 - Multi-lingual telephone contact
 - Unique online booking system



Phases of Growth

- **2000 - 2006 : First mover advantage**
 - Rapid national expansion
 - High quality sites secured
 - Financial and operational stretch
- **2006 - 2009 : Operational and financial consolidation**
 - Co-investment model established to diversify capital
 - Operational change programme implemented
 - Development programme reduced
- **2009 - date : Managed growth**
 - Growing recurring cash flows
 - London focus
 - Sustainable capital structure
 - Brand differentiation



See-through Balance Sheet and Income Statement

	Group £m	USAF £m	UCC £m	USV £m	OCB £m	Total £m
<i>Balance sheet</i>						
Rental Properties	617	208	116	29	47	1,017
Properties under development	189	-	-	-	-	189
Net debt	(434)	(95)	(71)	(20)	(27)	(647)
Other assets/(liabilities)	(40)	(2)	(2)	(1)	0	(45)
Net Assets	332	111	43	8	20	514
<i>Income statement</i>						
Rental income	63.6	17.8	8.1	3.0	3.1	95.6
Costs	(21.7)	(5.0)	(1.2)	(1.0)	(0.5)	(29.4)
Net operating income	41.9	12.8	6.9	2.0	2.6	66.2
Management fees	10.6	-	(0.5)	-	-	10.1
Operating/corporate expenses	(21.2)	(0.2)	(0.1)	-	(0.1)	(21.6)
Finance costs	(31.4)	(5.3)	(4.0)	(1.3)	(1.7)	(43.7)
Net portfolio contribution	(0.1)	7.3	2.3	0.7	0.8	11.0
Bed numbers	13,877*	21,727	2,759	1,378	1,128	40,869

*includes 4,192 leased beds

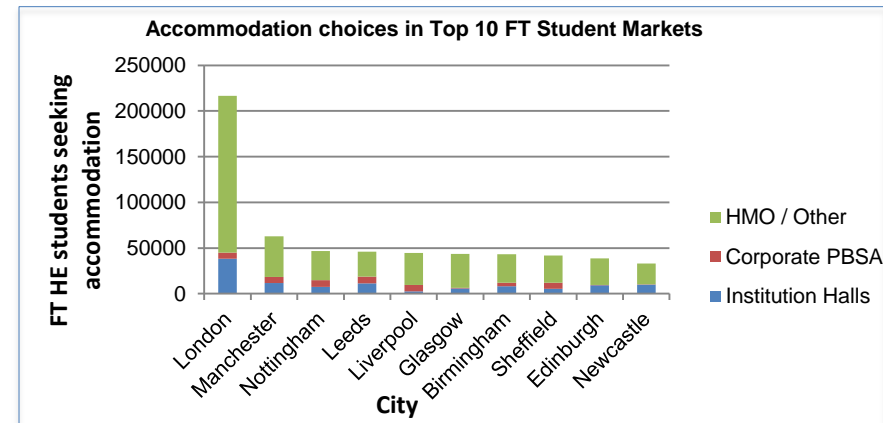
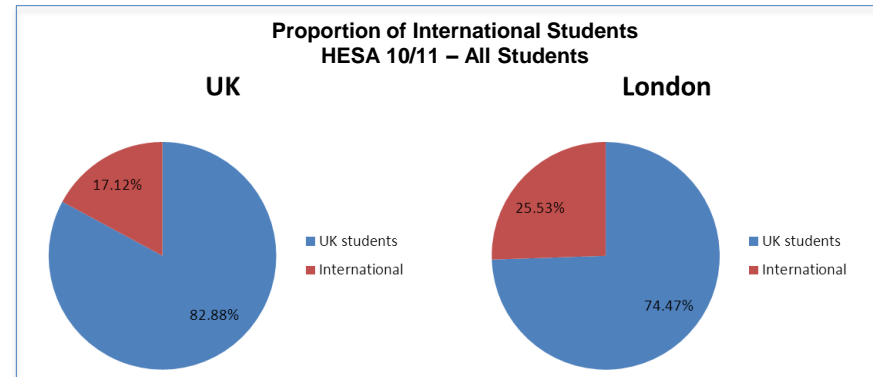
Our Top 10 Markets

2012 Rank	2011 Rank	City	Forecast completed Beds (12/13)	Completed Beds (11/12)	FT Student Numbers (10/11)	Projected Market Share
1	1	London	8,074	6,729	289,925	2.3%
2	2	Sheffield	3,731	3,731	48,107	7.8%
3	3	Liverpool	3,372	3,372	41,795	8.1%
4	4	Leeds	3,138	3,138	51,025	6.1%
5	5	Bristol	2,858	2,858	37,860	7.5%
6	6	Manchester	2,716	2,716	80,245	3.4%
7	10	Glasgow	2,149	1,672	60,815	3.5%
8	7	Aberdeen	1,837	1,837	22,105	8.3%
9	8	Birmingham	1,832	1,832	56,930	3.2%
10	9	Leicester	1,685	1,685	28,435	5.9%
			31,392	28,886	717,242	4.1%
Proportion of UNITE portfolio			77%	73%		



The London Student Market

- London has three important characteristics that distinguish it from the wider UK market
 - A full time student population (294,000) that is larger than the next five largest student markets combined
 - A very low supply ratio. London's universities can only supply 30% 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. 80,000) with high accommodation requirements and expectations
- UNITE has built a substantial London student accommodation business in recent years.
 - For academic year 2012/13 UNITE will operate over 8,000 bed spaces in London



London pipeline

<i>Beds</i>	UNITE	Other	Total
Under construction	1,345	6,308	7,649
Planning consent	1,514	7,215	8,729
Planning application	-	7,018	7,018
Total	2,859	20,541	23,396
Adjustments for unviable schemes	-	(5,488)	(5,488)
UNITE forecast	2,859	15,053	17,908

Debt facilities

On-balance sheet

	Facility Amount	Drawn	Maturity
<i>Investment</i>	£m	£m	
Kennedy Wilson LP	100	100	2013
Nationwide	100	56	2014
RBS	82	78	2015
HSH / NAB	67	67	2014
HSBC	38	38	2017
BNPP/Fortis	29	29	2016
Others	81	81	2012-22
	<u>497</u>	<u>449</u>	
<i>Development</i>			
BNPP/Fortis	71	9	2016
HSH / NAB	33	18	2014
Barclays	67	13	2015
HSBC	49	-	2017
Total	<u>220</u>	<u>40</u>	
Investment & Development	717	489	

Co-investment vehicles

<u>USAF</u>	Facility £m	Drawn £m	Maturity
HSH / Abbey	106	106	2013
CMBS	280	280	2014
Santander	63	50	2015
HSBC	75	62	2015
Lloyds	115	115	2016
	<u>639</u>	<u>613</u>	
<u>UCC</u>			
- HSH	75	63	
- BNP Paribas	100	84	
- OCB	92	78	
- Maybank	33	28	
Syndicated facility	<u>300</u>	<u>253</u>	2014
<u>OCB</u>			
RBS	35	31	2013
HSH	50	50	2013
Nationwide	32	32	2014
	<u>117</u>	<u>113</u>	

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"> ▪ £1.25bn ▪ 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 matures 2013	Closed ended, 5 year JV matures 2014
UNITE stake:	16.3%	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 based on milestone achievements

NNNAV

	Dec 2011 £m	Dec 2010 £m
Net assets	388	387
Valuation gains not recognised on properties held at cost	76	37
Fair value of fixed rate debt	(5)	(6)
Deferred tax	-	-
NNNAssets	<u>459</u>	<u>418</u>
NNNAV per share	286pps	261pps