

UNITE  
STUDENTS

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# Investor Event

Stapleton House

13 November 2024



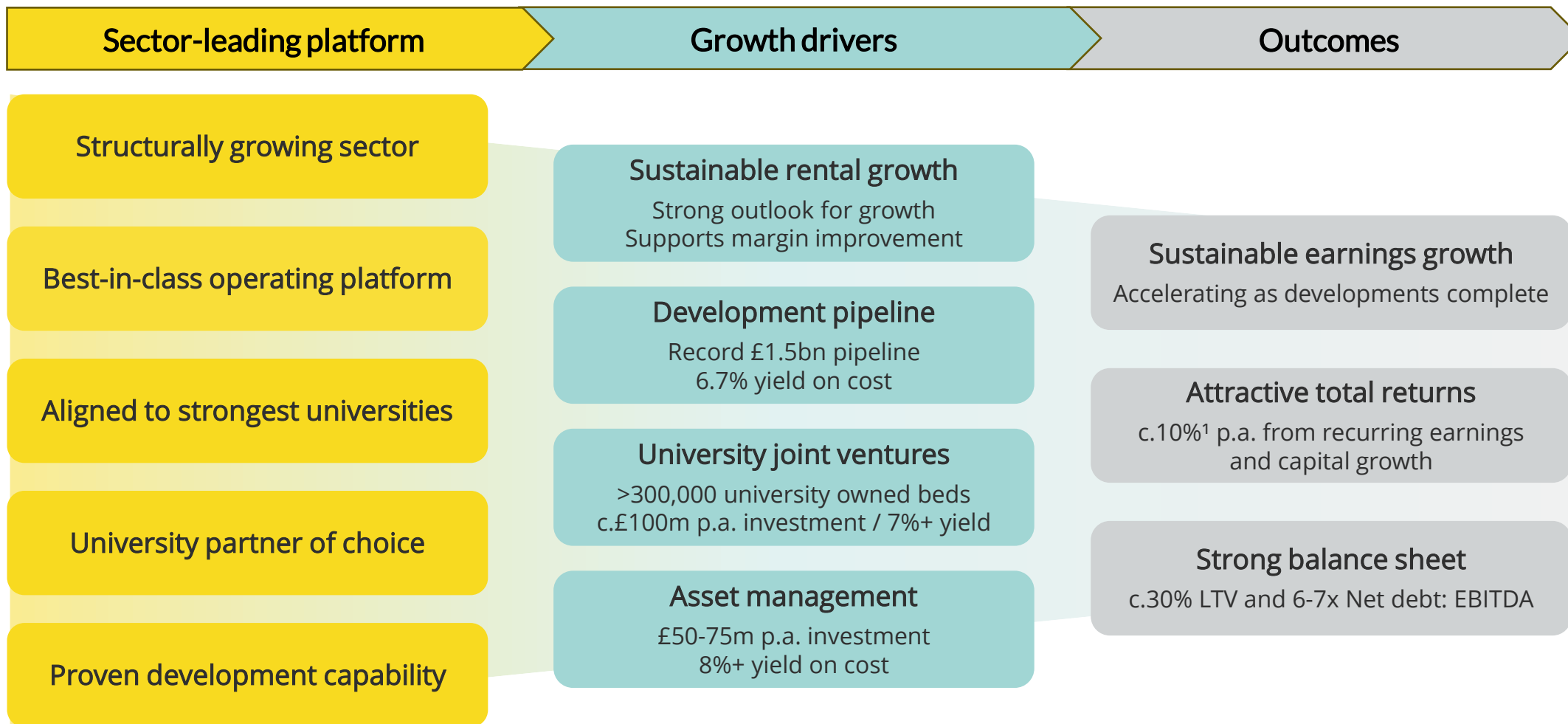


# Agenda

1. Market update
2. Customer trends
3. University partnerships
4. Break
5. Supply outlook
6. Delivering growth
7. Q&A
8. Optional tour



# Strategic outlook



1) Pre-yield movement



A photograph of two women sitting on a couch in a modern, brightly lit room. The woman in the foreground, with long brown hair, is wearing a grey sweater and black pants, and is looking down at a smartphone held in her hands. The woman in the background, with long blonde hair, is wearing a black top and blue pants, and is smiling and looking towards the first woman. The room has a warm, yellowish light and some framed artwork on the wall.

# 1

## Market update

Joe Lister  
Chief Executive

# Growing value of UK Higher Education



## Government supportive of Higher Education

Crucial to new government's growth and skills missions

Tuition fees increased by 3%

High export value

Greater partnerships with private sector



## UK 18-year-olds choosing Higher Education

Record 18-year-old acceptances in 2024/25

University more affordable than 5 years ago

Desire to study away from home

Demographic growth to 2030



## Growing attractiveness of UK

World class universities – providing soft power to UK

Changes to student visas finalised

Other leading study destinations cutting student numbers

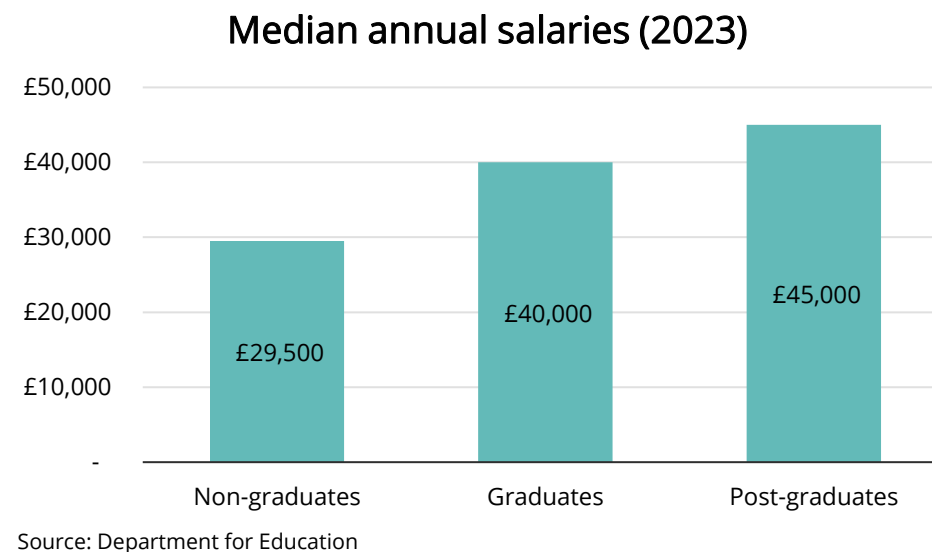
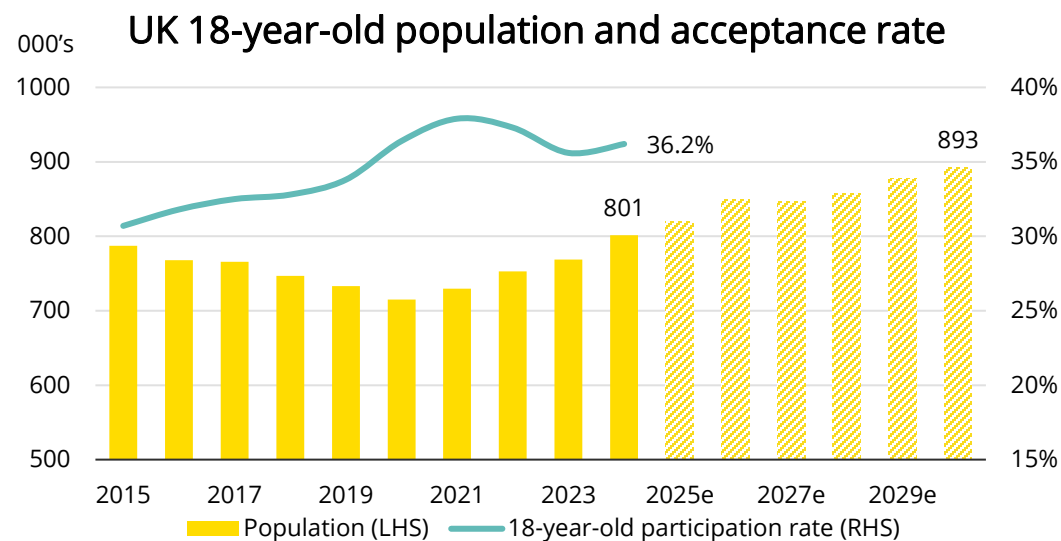
International student growth anticipated

**Positive outlook for future demand**

# Structurally supported demand

£100,000 additional lifetime earnings for graduates versus non-graduates<sup>1</sup>

- 10% growth in UK 18-year-olds by 2030 supports outlook for demand
- Participation rates normalising to pre-pandemic growth trajectory
  - Graduate earnings premium maintained
- All-inclusive PBSA offer is affordable and better value than competing accommodation



1) Source: Department for Education

# Growing attractiveness of UK Higher Education

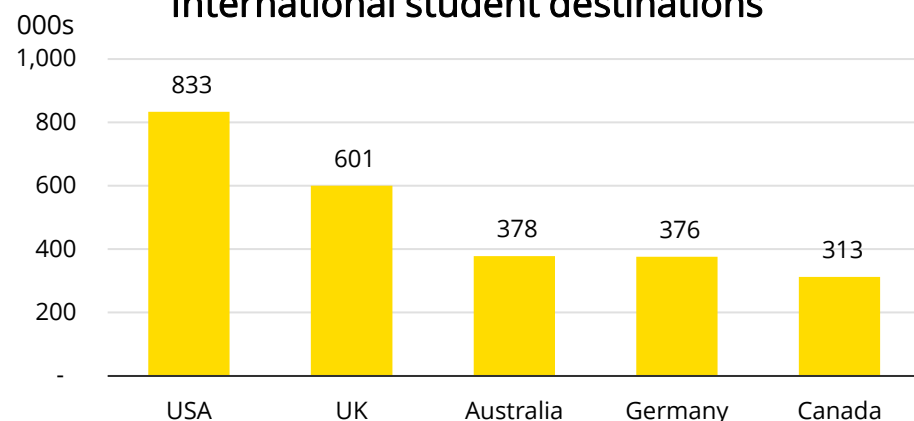
- New government more supportive of international students
  - Encouraging early 2025/26 applications
  - International Education Strategy due in 2025
- UK offers world class education and cultural experience for students
  - 27 UK universities in QS Global Top 200 Universities
- UK increasingly attractive compared to competing student destinations
  - Tightening visa restrictions in other countries
  - UK 15-30% more affordable for total cost of study

*"Be in no doubt: international students are welcome in the UK."*

*"This new government values their contribution – to our universities, to our communities, to our country."*

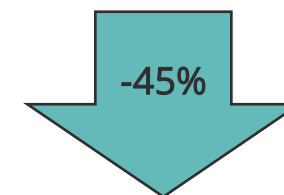
Bridget Phillipson, Secretary of State for Education  
23 July 2024

International student destinations



Source: UNESCO 2021

Target reductions in international students



# Universities are responding to change

- Universities are well-established, long-term organisations
- Strong balance sheets and limited borrowing
- For minority in deficit, shortfall is equivalent to 4% of cost base

## Universities responding



Focused on efficiency

3% increase in UK tuition fee for 2025/26

Increasing UK recruitment

Encouraging international data for 2025/26

Growing engagement with private sector

## Unite's positioning



Strong and growing alignment to best universities

Increased partnership opportunities

40% of portfolio by value in London

Exiting weaker markets



# 2

## Customer trends

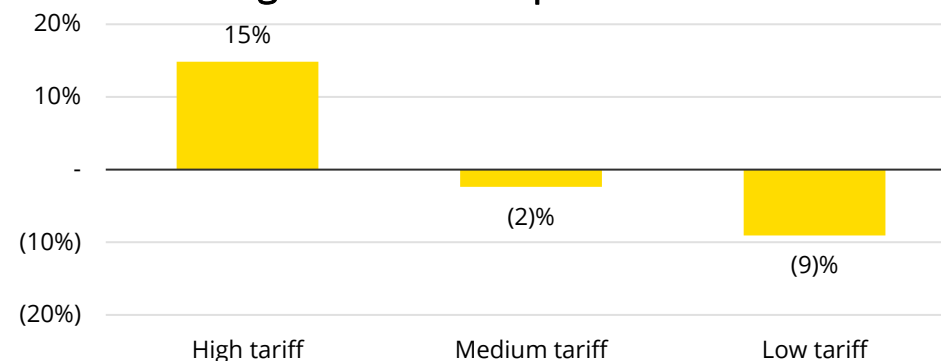
Karan Khanna  
Chief Operating Officer



# Flight to quality universities continuing

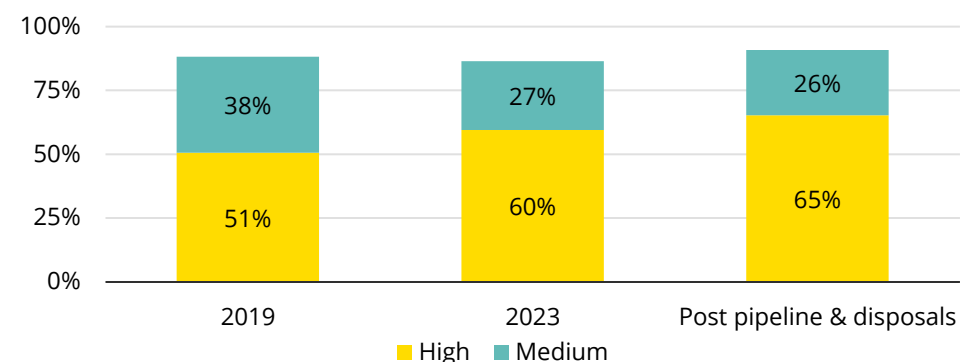
- UK fee cap has driven international recruitment
  - 53% growth from 2018/19-2022/23
- Policy changes have impacted recruitment this year
  - Dependant family member visa restrictions
  - Migration Advisory Committee review
  - New government more supportive
- Record UK 18-year-old recruitment in 2024/25
  - Growing participation rate
  - Highest ranked universities have increased recruitment
- Portfolio aligned to the strongest universities
  - Underpins long-term demand
  - Supports sustainable rental growth
  - Investment focused on strongest markets

Change in UCAS acceptances 2019-24



Source: UCAS

University alignment by tariff group

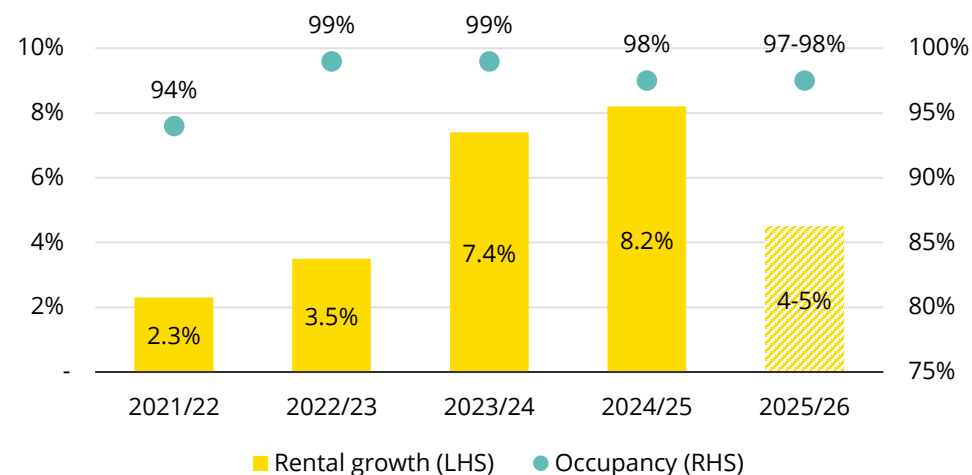


Source: Unite, Times Rankings

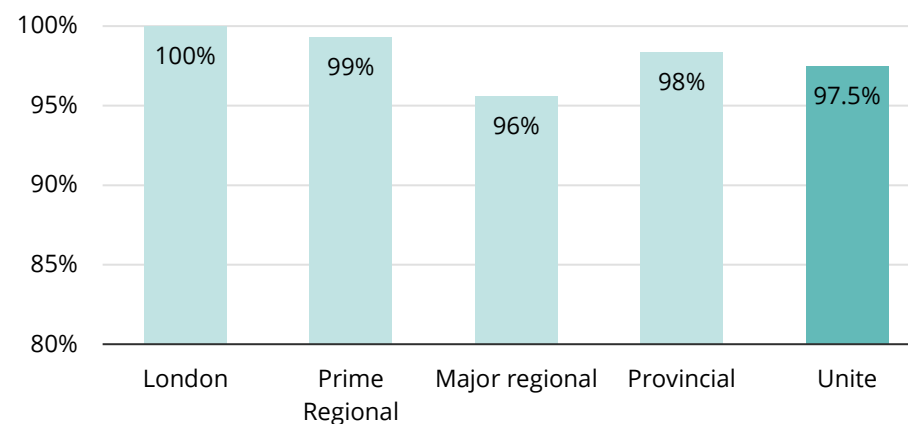
# 2024/25 sales cycle review

- Strong lettings performance for 2024/25
  - Continued strong rental growth
  - 57% let to universities (2023/24: 53%)
- Occupancy normalising to pre-pandemic levels
  - Some universities under-recruited UK and international students
  - Some cities impacted by new supply
- Strongest markets remain undersupplied
  - Increased recruitment by high-tariff universities to fuel demand
- Early stages of 2025/26 sale cycle progressing well
  - Expect 4-5% rental growth and 97-98% occupancy

## Occupancy and rental growth



## Occupancy by city classification (2024/25)

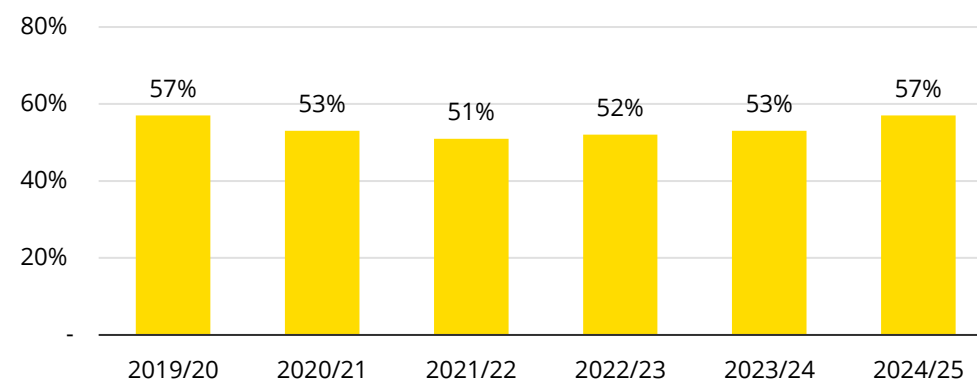




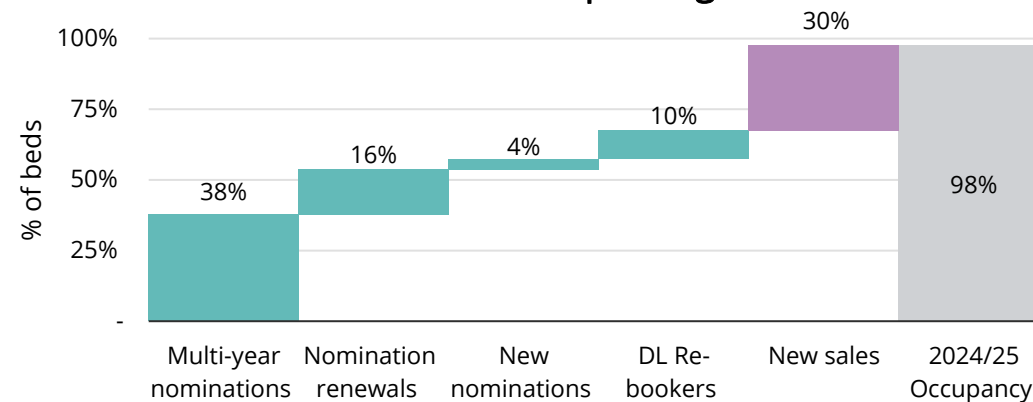
# Nominations agreements delivering value

- Increased university demand for 2024/25
  - New multi-year agreements with Russell Group universities across 2,500 beds
  - 90%+ renewal rate
- Accommodation availability constraining university growth
  - Lack capital to invest in own stock
  - Unite a uniquely positioned partner
- Expect 50-60% of beds to be nominated in medium term
  - Underpins annual sales cycle
  - Indexation on multi-year agreements
  - Agreements underwrite income on new developments

Proportion of beds nominated



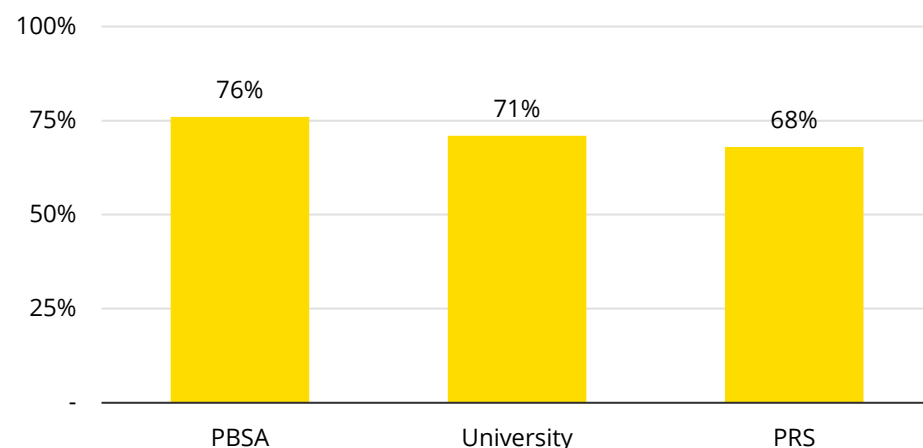
Nominations underpinning sales



# Value-for-money and affordable accommodation

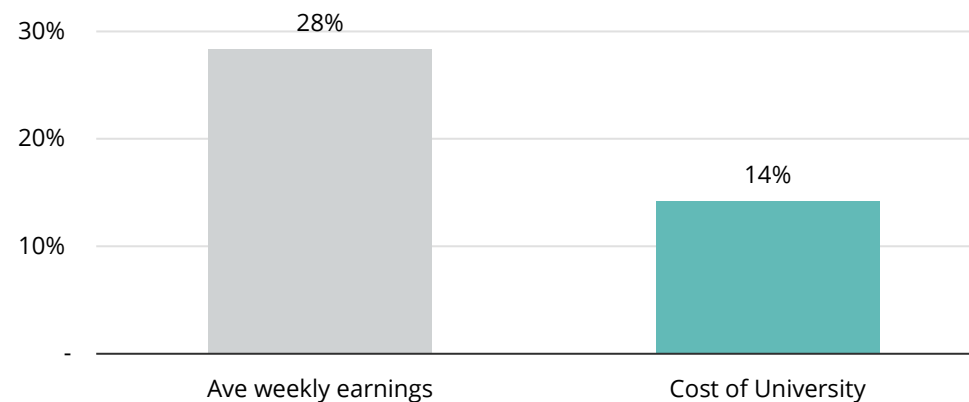
- PBSA is better value-for-money than competing accommodation types
  - Appeal of fixed-price all-inclusive offer
  - Continued investment in service and offer supports price increases
  - Rising Net Promoter Scores
- Strong earnings growth and fee freeze has made university more affordable for students and their families

Value-for-money by accommodation type<sup>1</sup>



Source: Knight Frank/UCAS Student Accommodation Survey 2024

Change in average earnings vs. cost of university for UK students (Sep-19 to Sep-25<sup>2</sup>)



1) Proportion of respondents considering accommodation fair or better value-for-money, 2) Source: ONS, Unite estimates. Cost of university includes UK tuition fees, accommodation and living expenses

# 3

## University partnerships

Q&A with Nick Collins  
Chief Financial Officer  
Newcastle University





# New partnership model

- JV with Newcastle University for 2,000 new beds in 2027/2028
  - c.£250m total development cost (Unite share: £128m)
  - Long-term strategic partnership
  - Returns in line with regional developments
  - Unite role as developer and operator
- High-quality partner, building on 20+ year relationship
  - Russell Group and high-tariff university
  - Strong balance sheet
- Innovative solution to complex problem
  - Upgrades student experience, enables university growth and enhances sustainability
  - Unite providing 1,600 beds during construction
- Uniquely placed to deliver further opportunities



Castle Leazes



Proposed scheme

# Our unique offer to universities

Confident of second partnership in next 6-12 months

## Partner of choice

- Trusted partner with 20+ year relationships
- Committed long-term co-investor

## Best-in-class platform

- Access to efficiencies through scale
- Sector-leading welfare provision

## Development capability

- Leading nationwide developer of PBSA
- Experienced in-house development team

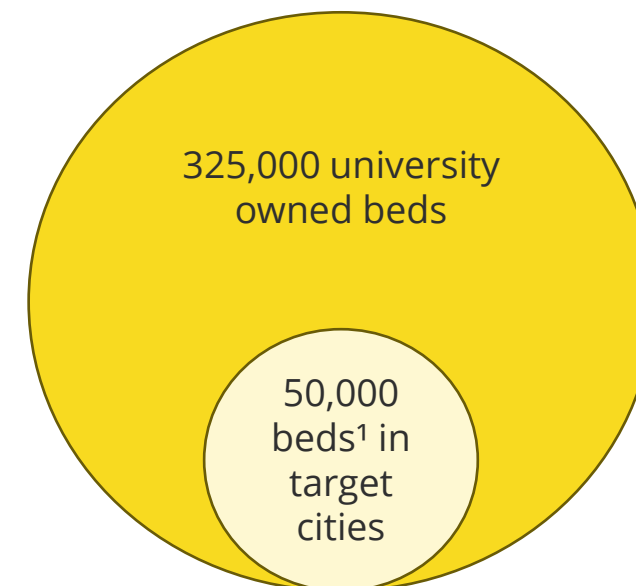
## Asset management expertise

- Skilled in modernising legacy stock
- Retrofitting to deliver decarbonisation

## Operational scale

- Provide alternative beds during construction
- Unrivalled scale to meet demand

## Partnership opportunity



1) Includes existing stock and new development



# 4

## Break





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# Supply outlook

Tom Brewerton  
Group Development Director

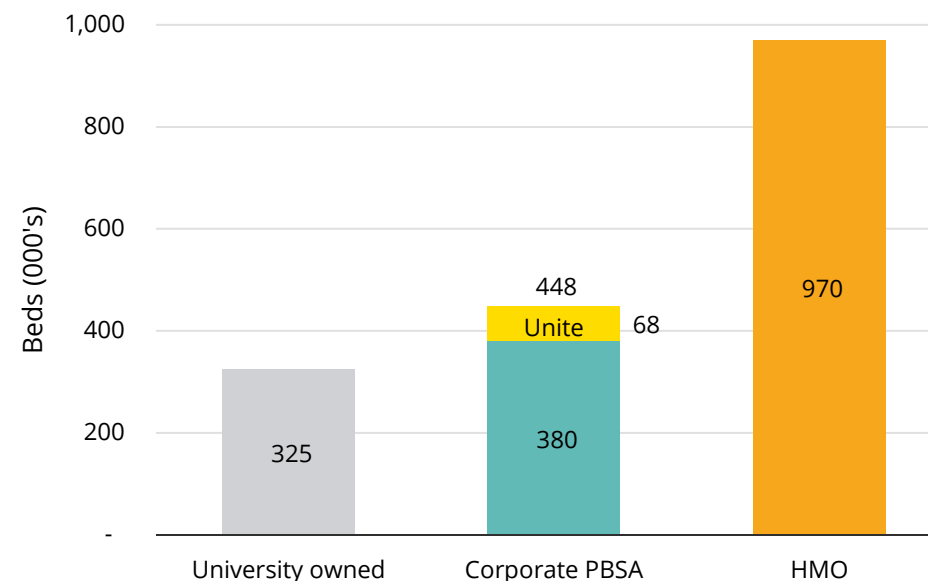




# Where students live

- c.1.7m students need term-time accommodation in the UK (c.75% of all FT students)
- Corporate PBSA provides beds for c.25% of students seeking accommodation
  - c.12ppt increase since 2014
- Housing a key constraint on university growth
  - Quality issues with aging stock in legacy estates
  - Funding constraints on capital investment
  - Corporate PBSA only growing supply segment
- Significant opportunity for PBSA to capture market share from HMO sector
  - Growing retention of 2/3<sup>rd</sup> years in PBSA
  - c.40% non-first-year customers

Breakdown of full time students seeking accommodation (2024/25)

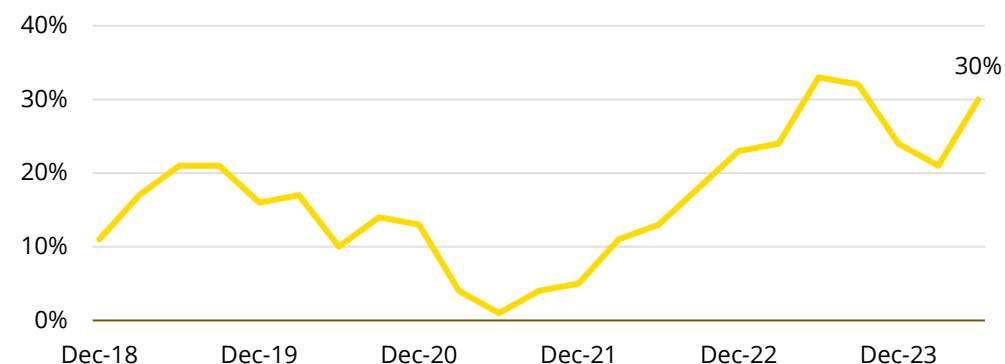


Source: Student Crowd, Unite

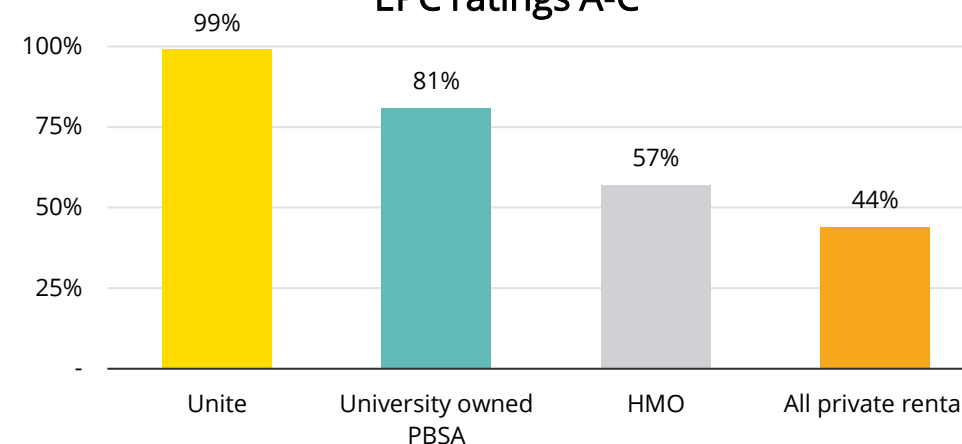
# HMO supply is shrinking

- Expect continued decline in HMO market
  - 100-150,000 fewer bedspaces available over 2 years
  - 1-in-5 homes for sale were previously for rent<sup>1</sup>
- Growing regulatory and tax costs for HMOs
  - Increased SDLT and capital gains taxes post Budget
  - Renters' Rights Bill increasing standards
  - Minimum EPC requirements likely
- PBSA pricing equivalent to HMO on comparable basis<sup>2</sup>

## Landlord net selling intentions



## EPC ratings A-C



Source: Unite, English Housing Survey 2021/22, HESA

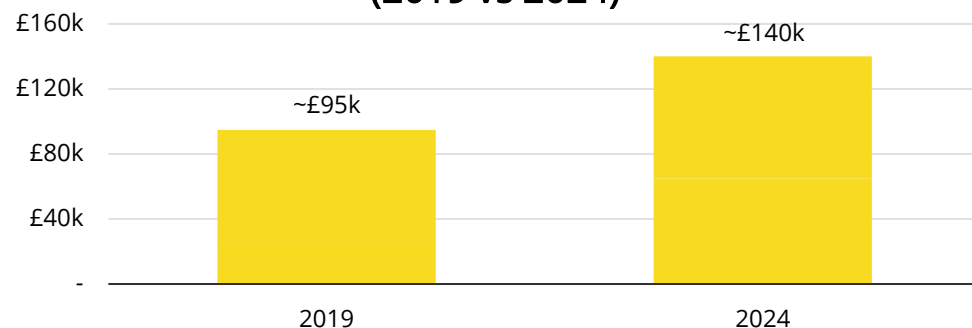
1) Source: Rightmove Rental Price Tracker, Q3 2024, 2) Allowing for utilities, Wi-Fi and insurance included in PBSA rent



# Rental growth key to development activity

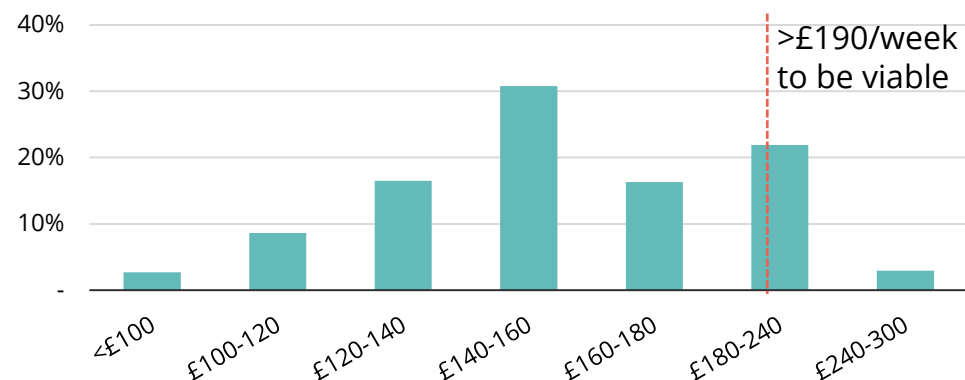
- Build cost inflation slowing but costs remain high vs. recent history
  - Planning complexity and regulation offsetting more favourable commodity and labour costs
- Breakeven rents are c.£190/week with schemes increasingly premium and studio-led
  - New development not addressing need for affordable beds
  - Development limited to only 8-10 markets capable of supporting these rents
- Limited supply in cheaper cities, supporting rental growth and asset management investment

Indicative total development costs  
(2019 vs 2024)<sup>1</sup>



Source: Unite

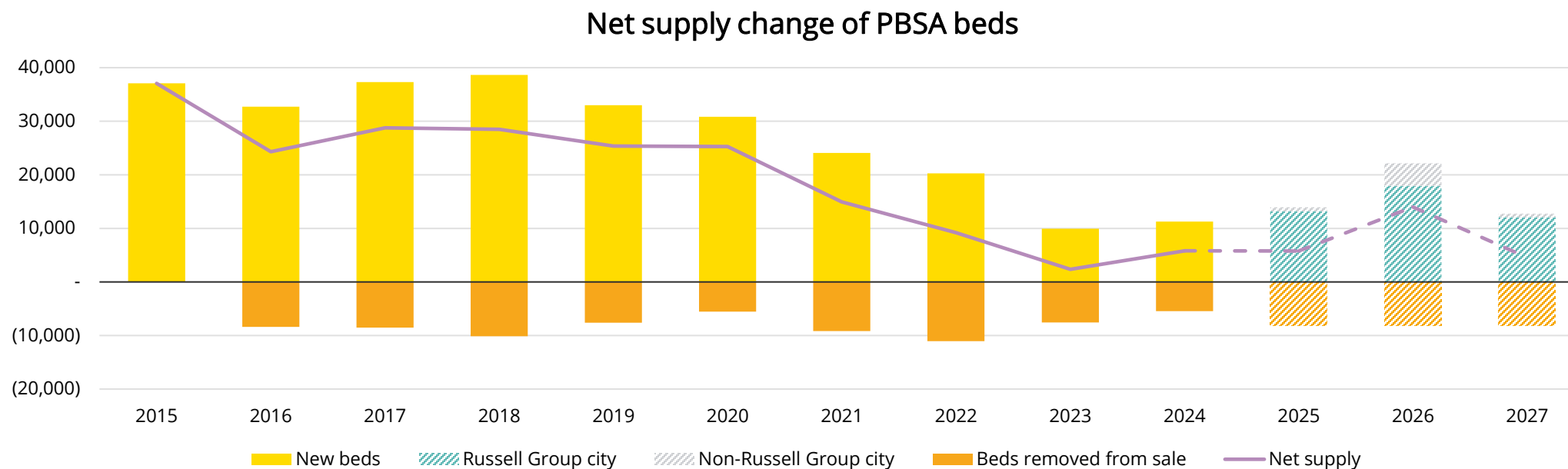
Distribution of beds by weekly price<sup>2</sup>



1) Per bed basis for regional development schemes, 2) En-suite regional beds, 2023/24

# New PBSA supply to remain modest

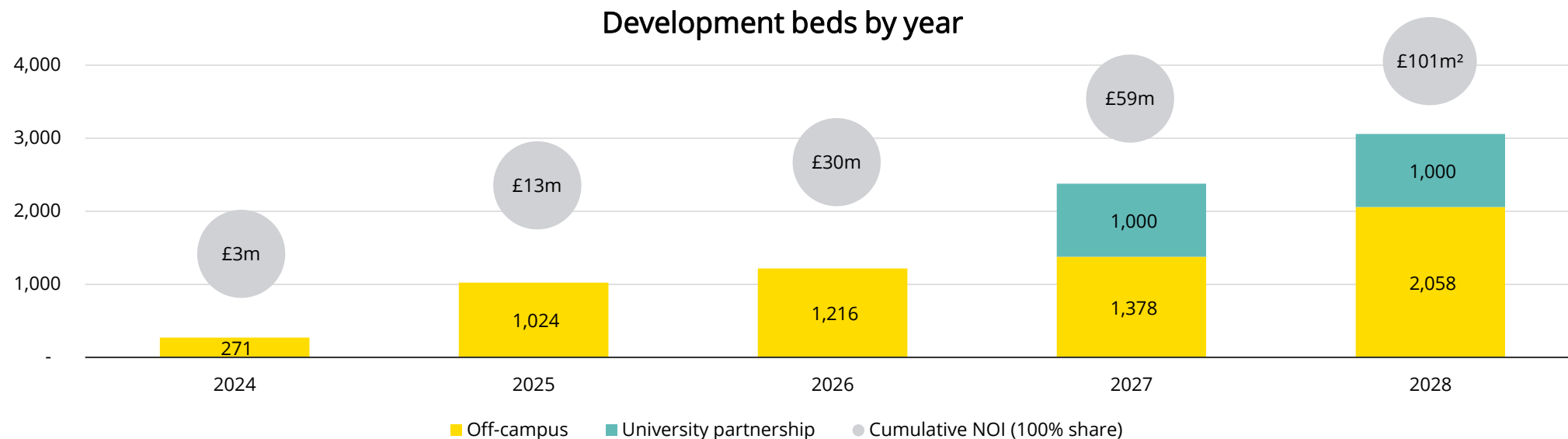
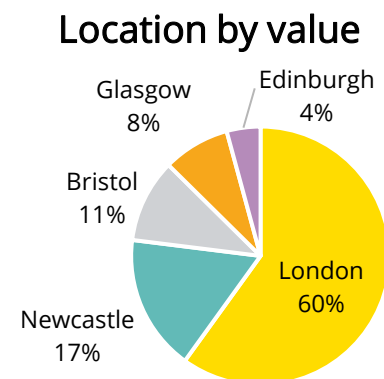
- Anticipate gradual recovery in new deliveries, still meaningfully below pre-pandemic trend
  - Deliveries focused in strongest markets
  - Planning capacity and Building Safety Act will impact rate of deliveries
- Little new supply being added net of obsolete beds removed from sale



Source: CBRE, Cushman & Wakefield, Unite

# Development pipeline driving growth

- Our delivery of beds accelerates from 2025
- Pipeline 100% located in Russell Group markets
- Delivering affordable beds aimed at the mid-market
- London weighting to increase to c.45% of portfolio<sup>1</sup>



1) Post disposals, 2) Includes committed pipeline (£64m), 100% of Newcastle JV (£18m) = £73m: £101m – Uncommitted development (£19m) – Newcastle share of JV (£9m) = £73m



# 6

## Delivering growth

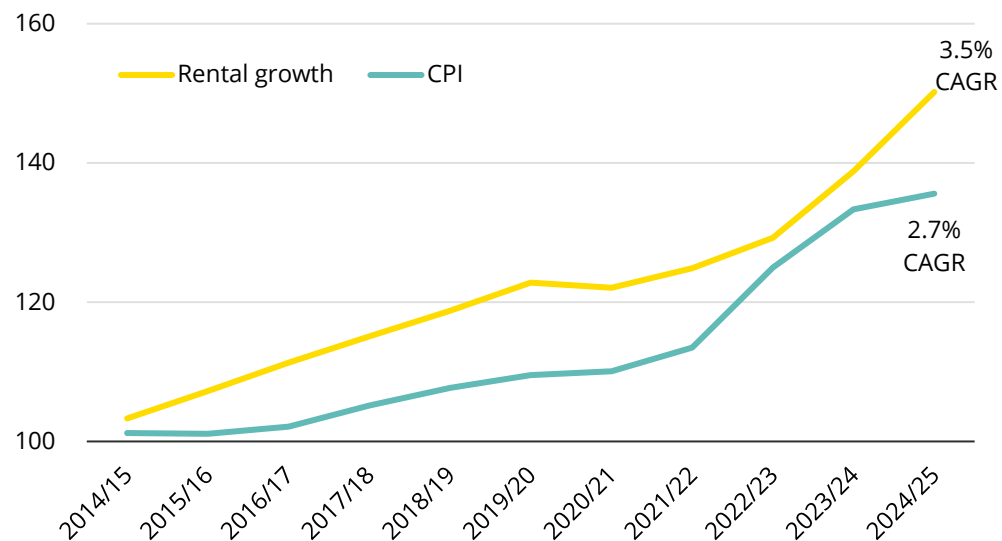
Mike Burt  
Chief Financial Officer



# Positive outlook for rental growth

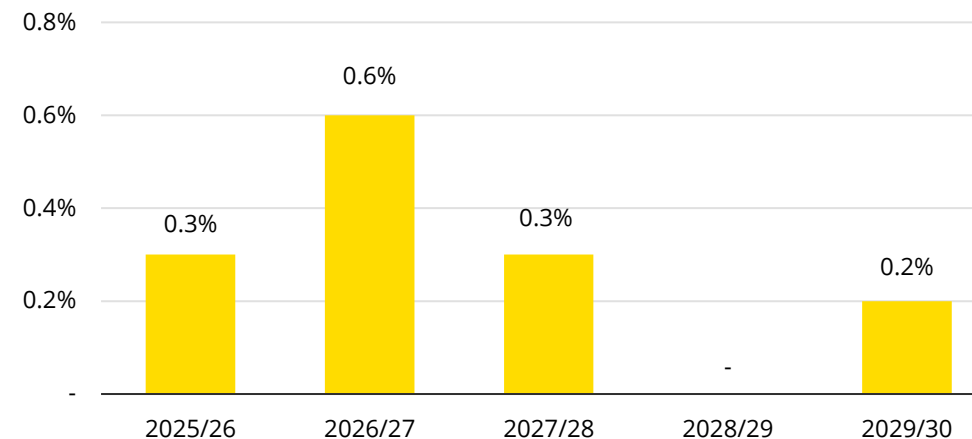
- Rental growth has historically outperformed CPI by 50-100bps
- Underpinned by continued investment in portfolio, service and technology
- Market conditions and nominations reversion support 4-5% rental growth for 2025/26

## Unite rental growth vs. CPI



Indexed, 2013/14 = 100. Source: Unite, ONS

## Rental growth from expiring nomination agreements (% of 2024/25 rent roll)



# Continued earnings growth in 2025

Rental growth and moderating cost growth to offset higher borrowing costs

## Income

- 8.2% rental growth and 97.5% occupancy for 2024/25
- 4-5% rental growth and opening of c.1,000 new beds for 2025/26

## Staff

- Underlying wage growth slowing
- National Insurance increase from April 2025 (£2m p.a. impact)

## Utilities

- Wholesale costs stabilising, fully hedged for 2025
- Mid-single digit % increase compared to 2024

## Other

- Inflationary increases in other overheads
- Management fees impacted by lower third-party AUM in USAF

EBIT margin

+0-50bps  
vs 2024

## Interest

- Limited refinancing requirements until 2027
- New borrowings at marginal cost of 5.5-5.75%

Cost of debt

~4.0%



# Delivering on attractive investment opportunities

50% of placing proceeds to be deployed by year end

## Value-add acquisitions



- Acquiring 7 income-producing assets from USAF for c.£243m (completion expected in November)
- Recent £37m acquisition of affordable London property at discount to replacement cost

## Newcastle University partnership



- Formation of £250m Newcastle University JV
- c.£70m for 51% Unite stake<sup>1</sup>
- Demolition underway
- Planning application submitted for 2,000-bed new scheme

## Development commitments



- 500 beds in Bristol for 2026 delivery at 7.3% yield, on-site with early works
- 934 beds in Glasgow for 2027 delivery at 7.5% yield, planning secured

## New development opportunities

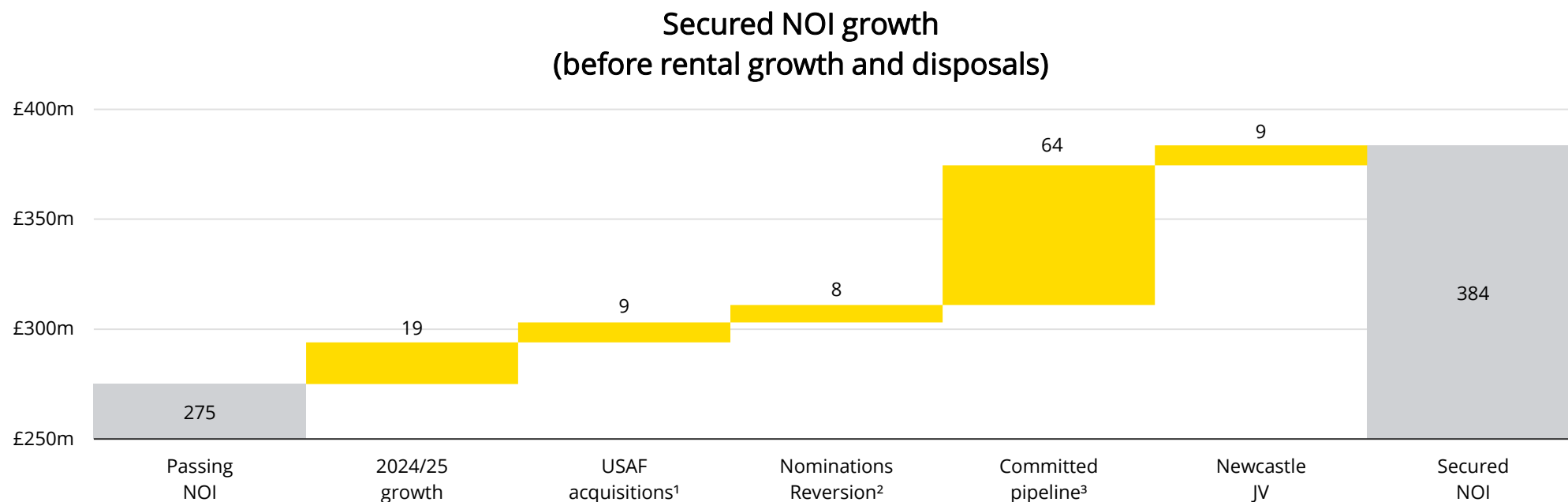


- On-site at 444-bed Kings Place project in central London
- Continue to progress prime regional scheme

1) c.£70m to be invested by Newcastle University and c.£110m debt

# Significant visibility over NOI growth

- Strong embedded NOI growth through 2024/25 sales cycle and reversion in nomination agreements
- Accelerating NOI contribution from development from 2025 (1-2% ppts additional EPS growth)
- EPS growth accelerating over medium term



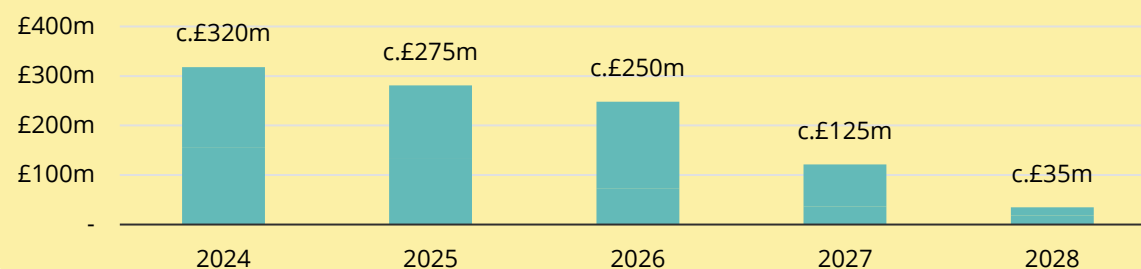
1) Unite share, net of sales to USAF and planned asset management investment, 2) Realised over 2025/26-2029/30 academic years, 3) Includes 2024 completion

# Pipeline is funded for several years of delivery

## Committed pipeline (2025-2028)

7,400 beds / 9 projects<sup>1</sup>  
£970m cost to go<sup>1,2,3</sup>

### Phasing of committed development capex<sup>1,3</sup>



Fully funded

## Future opportunities (2028+)

**Secured pipeline**  
1,100 beds / £300m total cost

**New opportunities**  
University partnerships and  
off-campus development  
(£250-350m p.a.)

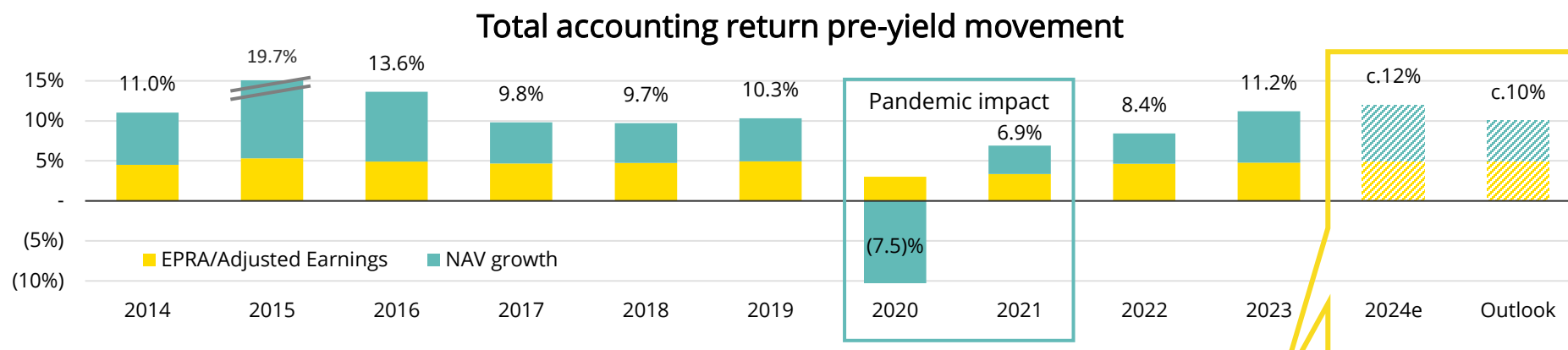
Funded via disposals  
and debt headroom

1) Includes unannounced prime regional scheme, 2) At June-24, 3) Unite share of Castle Leazes development costs



# Positive outlook for total accounting returns

Underpinned by growing income



	2024	Outlook
Adjusted EPS yield	~5%	Growing earnings
Net rental growth <sup>1</sup>	9-10%	Moderating
Development and asset management	1.0-1.5%	Increasing delivery
Cladding net of claims	(0.75)-(1.0%)	Reducing from 2026
Loss of Multiple Dwelling Relief and other <sup>2</sup>	~(3%)	~(1%) p.a.
<b>Total accounting return (pre-yield movement)</b>	<b>c.12%</b>	<b>c.10%</b>
Yield movement (YTD)	~(1.6)%	
<b>Total accounting return</b>	<b>TBC</b>	

1) Net of maintenance capex and impact of leverage 2) Other includes allowance for transaction costs, tax, refinancing costs and SaaS re-platforming costs

# Value enhancing asset management

## Stapleton House common area refurbishment case study

- Significant refurbishment opportunity in portfolio
  - Delivering £32m of projects at 10% yield in 2024
  - Targeting £50-75m p.a. investment at 8% yield
  - Enhances income and customer experience
- 862-bed Stapleton House completed in 2016
  - £86m total cost at 8.9% yield
  - Part of LSAV joint venture
  - Fully nominated by UCL for 2024/25
- Common areas refurbished in 2024
  - £1.5m investment with 14% yield on cost
  - Incorporates latest design concepts
  - Enabled £5 uplift to weekly rents
  - Outstanding feedback, 28-point NPS increase

### Pre-refurbishment



### Post-refurbishment



# 7

## Q&A





# Positive outlook

## Growing attractiveness of UK Higher Education

- New government supportive of the sector
- Encouraging outlook for international demand
- UK 18-year-olds choosing Higher Education

## Alignment to the strongest universities supports rental growth

- High tariff universities have strongest demand
- Growing nominations demand from university partners
- PBSA is higher quality and better value than the alternatives

## New PBSA supply to remain modest

- Rental growth offsetting build cost inflation
- Planning backlog and regulation slowing new deliveries
- HMO sector in continued decline

## Delivering earnings growth

- EPS growth to accelerate from 2026 as developments complete
- Track record of c.10% p.a. TAR pre-yield movement
- Committed pipeline fully funded



Bridgewater Heights, Manchester