13 May 2013

THE UNITE GROUP PLC

("UNITE" / "Group" / "Company")

Interim Management Statement

POSITIVE BUSINESS PERFORMANCE CONTINUES

The UNITE Group plc, the UK's leading developer and manager of student accommodation, today publishes its first interim management statement for 2013, covering its activities between the Company's final results announcement on 6 March 2013 and 13 May 2013.

Highlights

- Strong reservations performance with 75% of rooms already let for the 2013/2014 academic year, compared to 62% at the beginning of March 2013 and 72% at the same point in 2012. This underpins continued confidence in our rental growth guidance of 3% for the full year.
- UNITE development programme enhanced with the acquisition of a £13.9 million 378-bed development in Huddersfield, with planning consent already granted, for 2014 delivery. The asset is expected to add £4.4 million to NAV over the next two years and achieve a 10% yield on cost.
- LSAV development pipeline progressing well. Planning secured for 759 beds at Angel Lane, Stratford and a further 950 bed project expected to be secured in the near future.
- Asset disposal programme on track with £11 million of sales completed at prices supportive of book value and a further £32 million under offer. The majority of these disposals relate to wholly owned assets.
- Good progress with planned refinancing of USAF senior debt, on track for conclusion in the third quarter.

Commenting, Mark Allan, Chief Executive of The UNITE Group, said:

"Building on our strong performance in 2012, the business continues to display positive momentum.

"High occupancy, firm cost control, deepening University relationships and positive rental growth prospects underpin our view that we are on track to grow earnings in line with management expectations this year, while further progress with our development pipeline provides good additional support for our medium term growth targets.

"Meanwhile, steady progress with asset disposals and our refinancing objectives mean that we are continuing to strengthen our financial position further."

Operations - Sales, rental growth and profitability

Occupancy across the portfolio has been maintained at 96% for the current academic year and costs have been tightly controlled, with the positive financial impact of cost saving initiatives undertaken in 2012 beginning to flow through. As a consequence, we expect to deliver a strong set of interim financial results for the first half of 2013.

The outlook for full year earnings is also encouraging, with 75% of rooms already reserved for the 2013/14 academic year compared to 72% in 2012. This performance, together with a wider 2.5% increase in University applications year on year (Source: UCAS, April 2013) reinforces our view that rental growth will be approximately 3% for the full year and recurring earnings will increase in line with the Board's expectations. Booking patterns show increases in all key areas, with University referrals, re-bookers, UK and international bookings all showing improvements over 2012.

Our customer satisfaction scores for Spring 2013 were again at an all-time high, building on the success of Autumn 2012. This, together with improved website functionality and targeted estate investment, is driving meaningful improvements in brand awareness and loyalty. This in turn will benefit operational performance in the longer term.

Development activity

We are making good progress with our LSAV development pipeline, in which we have a 50% stake. In April, we secured a planning consent for the joint venture's first development project, Angel Lane, Stratford, where we will complete a 759 bed scheme for the 2015/16 academic year. We expect to secure a further 950 bed development site in the near future. Taken together, these two projects will represent approximately 40% of LSAV's target development pipeline and we remain on track to have the full pipeline secured by late 2014.

Based on the strength of current market activity, we expect returns from London development activity to moderate from 2014 onwards as increasing competition translates into higher land and build costs. We believe that there will continue to be attractive opportunities but are monitoring the market carefully.

Our wholly owned development programme continues to advance on track and has been enhanced by the recent acquisition of a 378-bed development in Huddersfield. Our 2014 London completions in Stratford and Camden are progressing well on site and our first 2015 project, Trenchard Street, Bristol, will start on site later this year.

The Huddersfield acquisition represents an attractive opportunity. It is a strong University with a rapidly growing reputation and there is a significant shortage of purpose built accommodation in the town centre. Low development costs (equivalent to approximately £37,000 per bed) and the strong demand/supply dynamics mean that we are confident of achieving a 10% yield on cost at rental levels that are undemanding. Similar opportunities are emerging in a select number of other regional locations with strong market fundamentals and we will continue to examine these on a highly selective basis.

Yields and asset disposals

Yields for student accommodation investments appear stable although there are signs of broadening investor interest in the sector which could have a positive impact later in the year. Transaction levels in 2013 total over £700 million in the year to date and sizeable potential transactions, such as the Opal portfolio (now in administration), are likely to mean that investment activity in the sector will remain strong.

Our non-core asset disposal activity is progressing in line with expectations. We have a full year target of sales totalling approximately £100 million (both on our own behalf and for co-investment vehicles) of which, to date, we have completed £11 million (of which £7 million was on behalf of USAF). We have also accepted offers on a further £32 million of assets (all wholly owned) and these transactions are currently in solicitors' hands. Values achieved or indicated for student accommodation disposals are supportive of book values although we expect to book a loss of between £2 million and £3 million on the sale of our legacy NHS key worker accommodation, which represents approximately £22 million of the offers accepted. This will be reflected in the 30 June 2013 valuations. Following these disposals the Group will have no legacy NHS accommodation.

Financing

Our primary financing priorities for 2013 relate to the refinancing of senior debt facilities in our co-investment vehicles, most notably the £280 million CMBS in USAF which matures in April 2014. This refinancing activity is progressing well and we expect to conclude it during the third quarter. As previously advised, this will lead to a swap break cost being incurred, relating to the unexpired period of around nine months on the associated interest rate swap. It does, however, provide an opportunity to lock into historically low longer term rates. We continue to expect the Group's share of swap break costs for the full year, including the above, to be approximately £6-8 million (4-6 pence per share) as previously advised.

Summary and outlook

We continue to focus on three clear strategic priorities; to continue growing recurring profit and cash flow through the delivery of rental growth, portfolio activity and cost savings; to establish a sustainable capital structure; and to enhance our portfolio quality further through our highly selective development activity and non-core asset disposal programme. Building on the successes of 2012, we are continuing to make positive progress in 2013.

The demand outlook for student accommodation is robust and there are clear signs of enhanced investor appetite in the sector which should underpin investment yields. The outlook for development activity remains compelling and, although the

London development market place is increasingly competitive, we are starting to see a small number of specific regional locations offering appealing opportunities on a highly selective basis.

Conference Call

There will be a conference call for analysts and investors at 09.45 am today. To participate in the call, please dial:

Dial in No: +44(0)20 3427 1909
Pin: 3232856

Event title: UNITE Group Interim Management Statement Conference Call

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