



The UK's leading developer and manager of student accommodation
Interim Results
Six months ended 30 June 2013

HIGHLIGHTS

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- Robust financial performance
 - NPC up 12.5% to £16.2m
 - Adjusted EPS of 9.3p
 - NAV per share up 3.1%
 - Total return on NAV of 4.0% for the six months
- University admissions underpin positive prospects for 2013 and 2014
 - Reservations at 90% (2012: 87%)
 - On track for 3% rental growth for year
 - Targeting similar level for 2014
- Well positioned for growth
 - Strong demand/supply dynamics in market
 - Well capitalised
 - Secured development pipeline worth 24pps NAV and 9pps earnings
 - Further plans could add 35-40pps NAV and 7-8pps earnings

	30 Jun 2013	30 Jun 2012	31 Dec 2012
Net Portfolio Contribution	£16.2m	£14.4m	£19.1m
Adjusted EPS	9.3p	9.0p	9.9p
Adjusted NAV per share	361p	335p	350p
Dividend per share (interim / full year)	1.6p	1.0p	4.0p
Total return	4.0%	5.7%	11.3%
See through LTV	48%	54%	52%
Operations cashflow	£14.0m	£13.9m	£17.2m
Reservations*	90%	87%	n/a
Secured future development profit	24pps	27pps	19pps

* Reservations at 28 August



STRATEGY AND MARKET



RENT AND OCCUPANCY OUTLOOK

■ Demand outlook

- Applications up 3.5% YOY, 175,000 likely unplaced applicants
- Fit for purpose admissions procedure / policy
- International demand remains strong

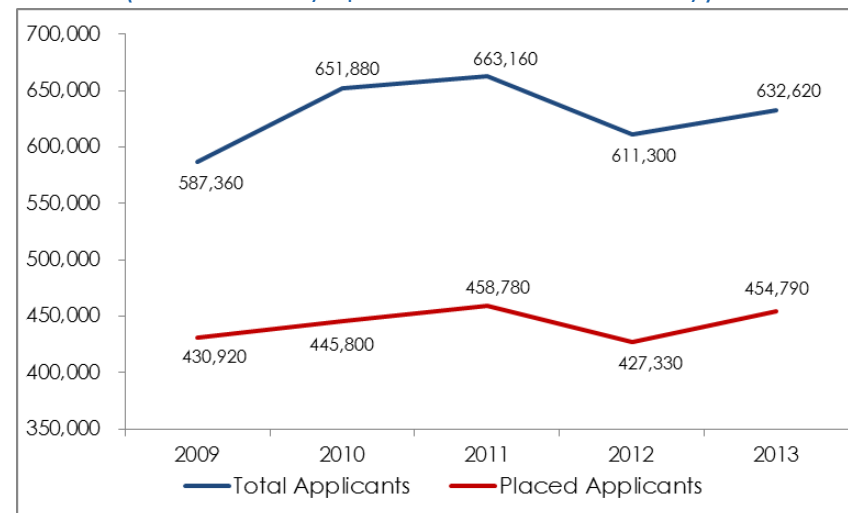
■ Supply outlook

- Signs of rate of new supply in London slowing
- Regional development remains limited
- Capital availability beginning to improve

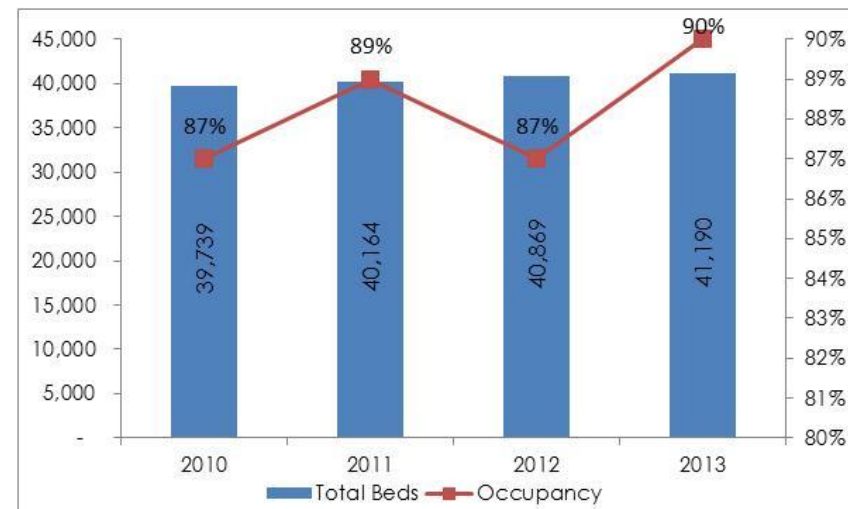
■ Rental growth

- Reservations of 90% supportive of 3% growth for 2013
- Targeting similar levels for 2014
- Remain cautious on phasing of bookings
- Prospects remain best for London and strong University cities

Total Applicants / Placed Applicants
(as at 13 days post A Level results day)



UNITE reservations history (as at end of August)



YIELD OUTLOOK

- Average yields stable at 6.6%
 - Flat overall since late 2009
 - Yield range stabilising at c.200 bps
- Transaction volumes healthy
 - £1bn transactions in 2013 ytd
- Opal transaction(s) will be significant
 - Bidding interest appears very strong for all assets
 - Clear signs of investor interest broadening and deepening
- UNITE remains well positioned
 - Approximate 50/50 London/regions balance
 - Focus remains on the strongest locations

Indicative stabilised yields

Asset type	Lease type	Yield range	Trend – UNITE view
London	Lease/noms*	5.35 – 5.6%	Stronger
	Direct let	6.0 – 6.25%	Stable/stronger
Major provincial	Lease/noms*	5.85 – 6.1%	Stronger
	Direct let	6.5 – 7.0%	Stable/stronger
Provincial	Lease/noms*	6.35 – 6.6%	Stable
	Direct let	7.1 – 7.35%	Stable

* Noms: Nominations agreements with long-term income guarantee from a University

Built out portfolio breakdown

	Built out value £m	Built out %
Central London	356	24%
Zone 2 London	82	5%
Affordable London	331	22%
London	769	51%
Regions	739	49%
	1,507	100%

Targeting average low double digit total returns on NAV p.a; modest risk



Development programme

- Investing c.£100m pa, peak c.20% of GAV in 2015
- 50/50 London/strong regional locations
- London through LSAV, regions on balance sheet
- Yields on cost 9%-10% - highly accretive to NAV and EPS



Investment portfolio

- Maintain focus on London and strongest regional locations
- Non-core disposals continue, rate will slow
- LTV at <50%, extending debt maturities and reducing cost
- Plan to switch OCB JV investment into UCC - simplification



Operating platform

- On track to hit target 4.5% EPS yield on NAV by 2015
- Increase focus on leveraging brand and technology /digital
- Dividend payout ratio of 1/3 NPC, c.2.5x cash cover



FINANCIAL REVIEW



FINANCIAL HIGHLIGHTS

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	30 Jun 2013	30 Jun 2012	31 Dec 2012
Income			
Net Portfolio Contribution	£16.2m	£14.4m	£19.1m
Adjusted EPS	9.3p	9.0p	9.9p
Adjusted EPS yield on NAV	2.7%	2.9%	3.1%
Dividend per share – interim/full year	1.6p	1.0p	4.0p
Balance Sheet			
NAV (adjusted, fully diluted per share)	361p	335p	350p
Total return on opening NAV	4.0%	5.7%	11.3%
See-through LTV	48%	54%	52%
Cash flow			
Operations cashflow	£14.0m	£13.9m	£17.2m

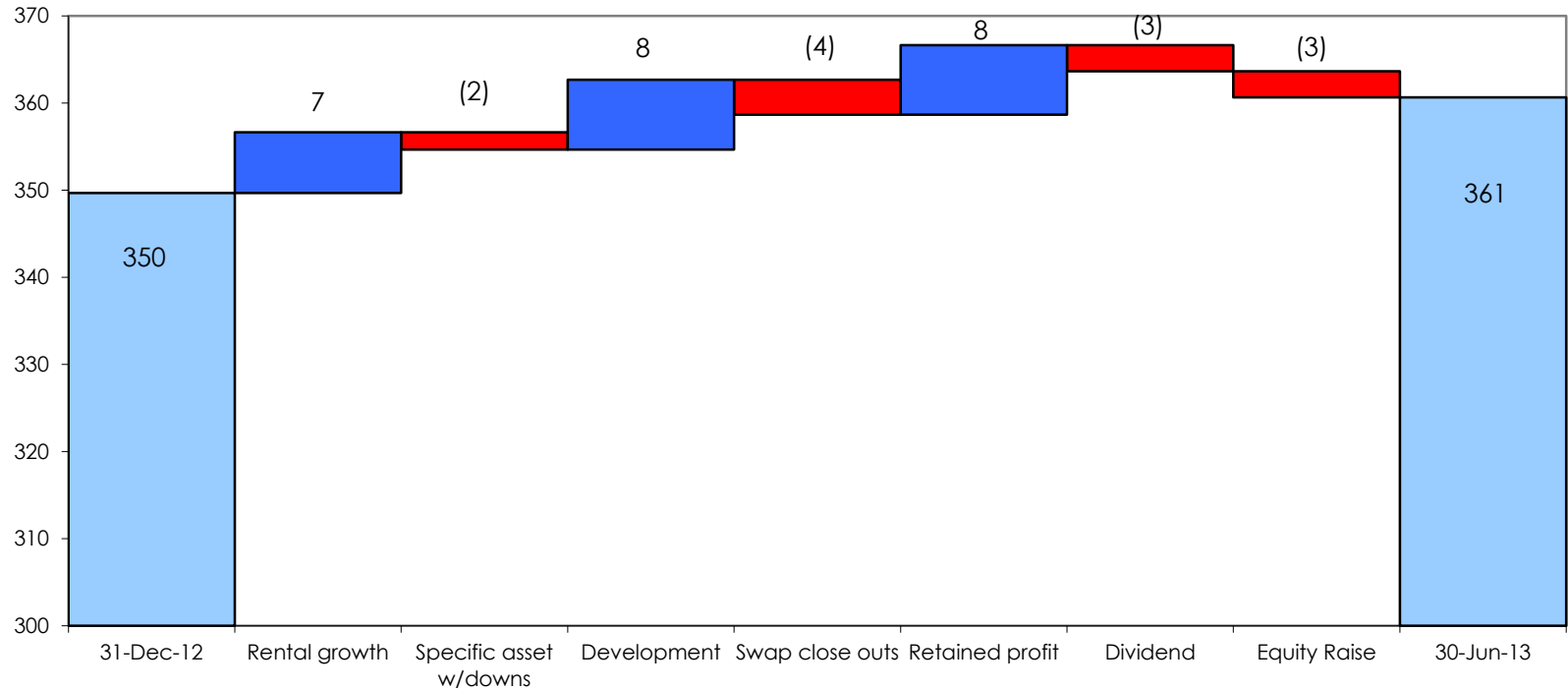
* Comparatives are presented without adjustment for the June 2013 share placing

ADJUSTED NAV BRIDGE – BALANCED RETURNS

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Pence per share



- Rental growth of 1.2% LFL on completed portfolio
- Write-down on specific legacy NHS assets sold/under offer
- Development returns on growing pipeline
- Retained profit representing an increased proportion of total returns
- Swap close outs associated with USAF and balance sheet refinancing

NET PORTFOLIO CONTRIBUTION AND ADJUSTED EARNINGS

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- Further improvements in profitability
 - NPC up 12.5% to £16.2m
 - EPS up to 9.3pps
 - On track to hit target EPS yield of 4.5% on opening NAV in 2015
- Margin benefit and efficiency savings
 - Technology improvements
 - Overhead efficiency measure at 55bps vs target of 60bps (Dec 2012: 113bps)
 - Overhead efficiency measure will increase marginally on OCB exit
- Reduced cost of debt
 - 5.3% average rate (2012: 5.5%)

	30 Jun 2013 £m	30 Jun 2012 £m	31 Dec 2012 £m
Total income	122.6	124.1	240.2
UNITE share of rental income	58.3	56.7	111.4
UNITE share of operating costs	(14.2)	(14.3)	(32.3)
UNITE's NOI	44.1	42.4	79.1
NOI margin	75.6%	74.8%	71.0%
Fees from JVs	5.2	5.0	10.3
Overheads	(8.4)	(10.3)	(21.8)
Finance costs ¹	(24.7)	(22.7)	(48.5)
NPC	16.2	14.4	19.1
Development pre-contract costs	(0.1)	(1.3)	(2.7)
Tax, share options, Landsbanki, other	(0.9)	1.3 ²	(0.5) ²
EPRA adjusted profit	15.2	14.4	15.9
Adjusted EPS	9.3p	9.0p	9.9p
Adjusted EPS yield on NAV	2.7%	2.9%	3.1%

¹ Finance costs include net interest of £18.0m and lease payments of £6.7m on sale and leaseback properties

² Includes £2.5m Landsbanki recovery

SEE THROUGH BALANCE SHEET AND INCOME STATEMENT

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	Wholly owned £m	USAF / JVs (UNITE share) £m	UNITE see through 30 Jun 2013 £m	UNITE see through 31 Dec 12 £m
Balance sheet				
Rental Properties	766	403	1,169	1,162
Properties under development	117	13	130	83
Total property portfolio	883	416	1,299	1,245
Net debt	(425)	(194)	(619)	(648)
Other assets/(liabilities)	(20)	(16)	(36)	(30)
Adjusted net assets	438	206	644	567
Adjusted LTV	48%	47%	48%	52%
Income statement				
			6 months ending Jun 13	6 months ending Jun 12
Net operating income	31.1	13.0	44.1	42.4
Overheads less management fees	(1.5)	(1.7)	(3.2)	(5.3)
Finance costs	(19.2) ¹	(5.5)	(24.7)	(22.7)
Net Portfolio Contribution	10.4	5.8	16.2	14.4

¹ Finance costs include net interest of £12.5m and lease payments of £6.7m

CAPITAL STRUCTURE

■ Diversifying, extending and reducing cost of debt

- USAF £405m 10 year bond – 3.4%
- All 2013 maturities refinanced
- 43% of debt from non-bank sources

■ Remaining priorities

- 2014 maturities (including UCC) underway
- LSAV development debt – credit approved
- Marginal cost of debt below current average cost

■ LTV reduced to 48%

- Maintain target below 50%

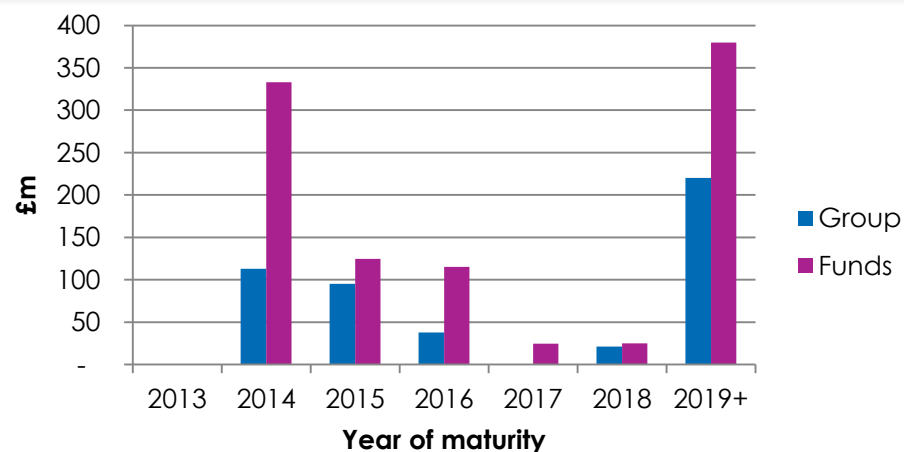
■ Swap close-outs

- £7.3m incurred in H1 (4pps) on USAF and other financing activity
- Remaining £8-12m over next 12m (4-7pps) of which £3-4m likely in H2 (2pps)

Key debt statistics

	30 Jun 2013	30 Jun 2012	31 Dec 2012
Net debt:			
Balance sheet	£425m	£501m	£453m
See-through	£619m	£683m	£648m
See through LTV	48%	54%	52%
See through cost of debt	5.3%	5.5%	5.5%
See through WALM (years)	5	3	4
Proportion non-bank debt	43%	34%	43%

Debt maturity profile



ASSET DISPOSALS

	Proceeds £m	Book value £m
Completed / exchanged		
- Wholly owned	12.2	12.8
- USAF	7.0	7.1
Total	19.2	19.9
Under offer – wholly owned		
- Wholly owned	24.3	27.4
Total	43.5	47.3

- On track for £100m disposals by December 2013
- Non-core student assets sold/offers accepted broadly in line with book values
- Legacy NHS properties (c.£25m) likely to be sold c.£4m below book value. Reflected in 30 June valuation
- Once legacy NHS assets sold, portfolio 100% student



CO-INVESTMENT VEHICLES

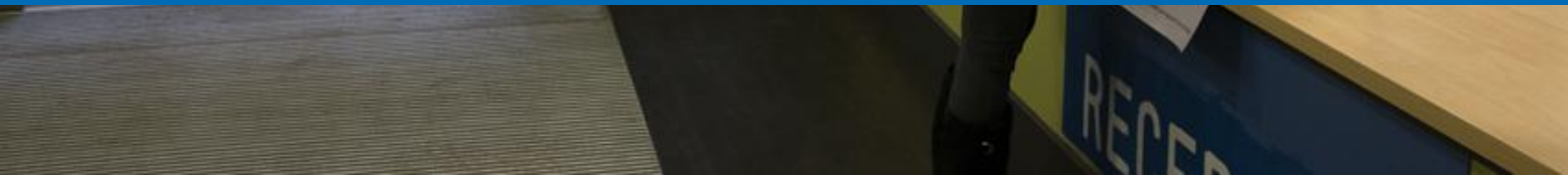
- Strong performance from all co-investment vehicles
- Investment in OCB JV to be realised
 - Assets to be sold over next 6 months
 - Re-invest proceeds into UCC JV to increase stake towards 50%, subject to UCC refinance
- Benefits:
 - Avoids earnings dilution
 - Maintains London exposure
 - Accelerates merger of UCC and LSAV
 - Simplifies balance sheet with only 2 co-investment vehicles
- UCC re-finance process underway
 - Completion will trigger promote fee of £5-8m

Summary financials

	USAF £m	UCC £m	LSAV £m	OCB £m
GAV	1,327	388	77	175
Borrowing / others	(595)	(222)	(41)	(102)
Adjusted NAV	732	166	36	73
Adjusted LTV	43%	55%	29%	57%
UNITE stake	16%	30%	50%	25%
Maturity	Infinite	2022	2022	2014
UNITE fees in period	4.1	1.9	0.2	0.6



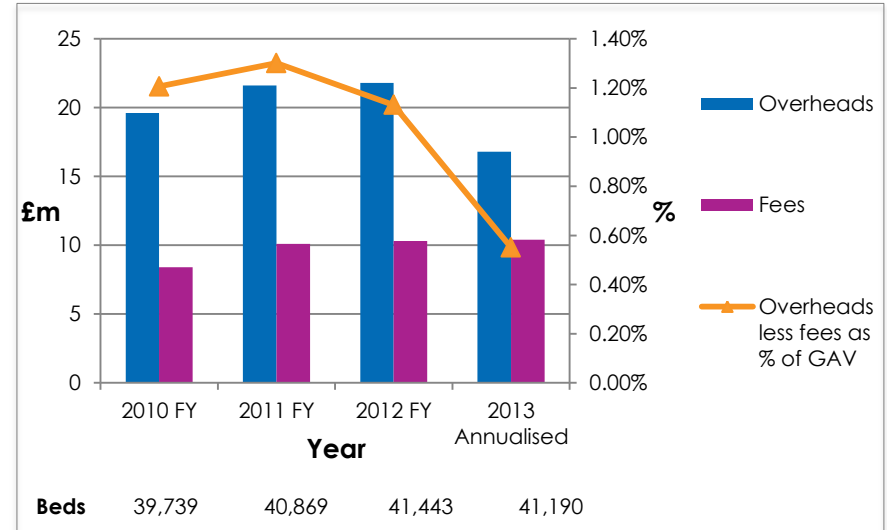
OPERATIONAL REVIEW



OPERATIONS

- Significant efficiency improvements over 3 years
 - Overheads per bed reduced to £415, down 17% since 2010
 - Efficiency measure below 60bps target
- Service satisfaction at highest ever levels
 - Maintenance and building management service key to improvement
 - Driving brand loyalty
- Digital opportunity
 - Supports efficiency and improves service
 - Customer expectations
- Ongoing investment in operating platform and estate
 - High speed Wi-Fi throughout
 - Full LED lighting installation planned

Operational overhead efficiency



DEVELOPMENT PIPELINE

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	Beds	Completed value £m	Estimated TDC £m	Capex in period £m	Capex remaining £m	NAV remaining £m	Yield on cost %
Wholly owned projects							
St Pancras Way, Camden (2014)	571	83	59	6	22	11	9.7%
Stratford City, Stratford (2014)	1,001	102	64	13	32	4	9.1%
Kings Mill Lane, Huddersfield (2014)	378	18	14	3	11	3	10.1%
Trenchard Street, Bristol (2015)	481	35	26	1	25	3	9.8%
Total wholly owned	2,431	238	163	23	90	21	9.5%
LSAV projects							
Angel Lane, Stratford (2015)	759	82	55	17	38	18	9.2%
Stapleton House, Islington (2016)	943	123	97	-	97	25	8.7%
Total LSAV	1,702	205	152	17	135	43	8.9%
UNITE share of LSAV		102	76	8	67	22	8.9%
Total UNITE share		340	239	31	157	43	9.3%

■ Wholly owned projects

- Projects on site proceeding to plan
- First projects from placing proceeds by year end
- Secured pipeline worth further 12pps NAV and 6pps earnings
- Equity in place for £125m investment, target commitment by end 2014

■ LSAV projects

- First two projects secured, third under lock out
- 60% of target pipeline in place, target full commitment by mid-2014
- Secured pipeline – further 12pps and 3pps earnings
- Future LSAV equity funded from forward sale and existing resources (total £90m capex)

SUMMARY AND OUTLOOK

- 2013 performance tracking ahead of plan
 - 90% reservations for 2013/14
 - 3% rental growth for full year
 - Significant cost savings realised
- Market fundamentals returning to strength
 - Continued applications growth
 - Fit for purpose admission process
 - UNITE portfolio well positioned
- Longer term growth prospects underpinned
 - Secured pipeline worth 24pps NAV and 9p EPS
 - Funds for further development 35-40pps NAV, 7-8pps earnings
 - Increasing brand strength and competitive advantage



APPENDICES



UK STUDENT ACCOMMODATION MARKET

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■ Student numbers have doubled since 1991

- Driven by government policy, demographics, global mobility
- >188,000 more applicants than places for 2012/13
- Variations at city/university level

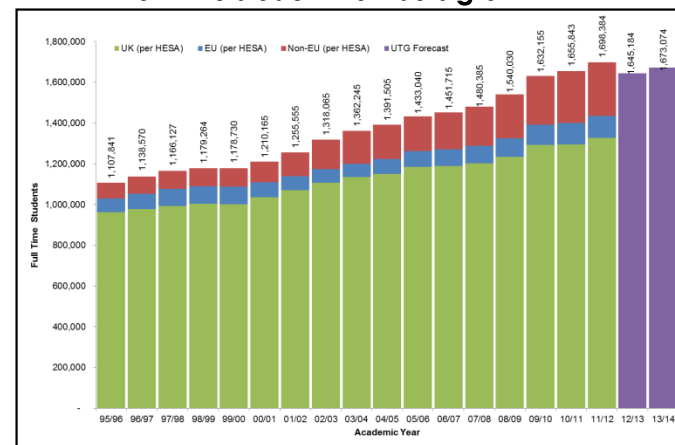
■ UK attractive to global students

- 52% of UNITE customers non-UK
- Global trend for studying abroad
- UK market share increasing

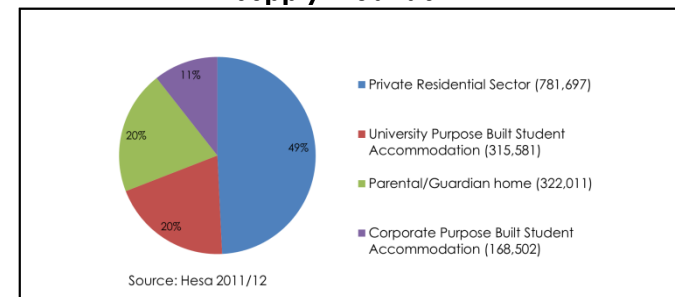
■ Supply/demand imbalance persists

- University stock levels flat
- Private rented sector facing tougher regulations
- Capital constraining new supply
- Imbalance greatest in London

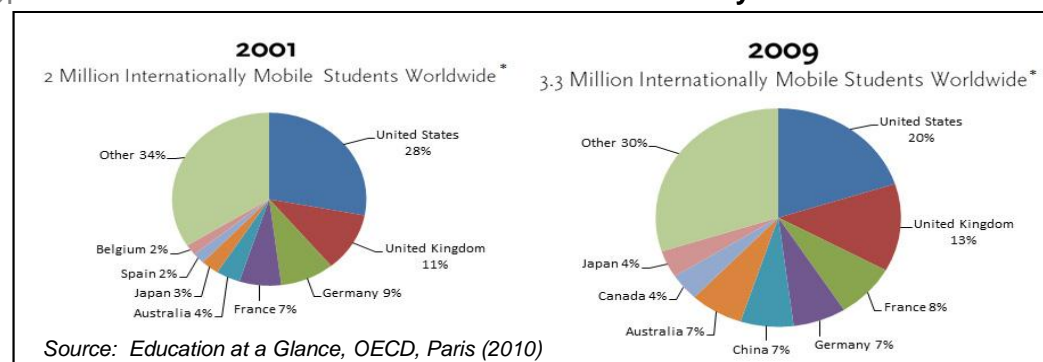
Full time student numbers growth



Supply Breakdown

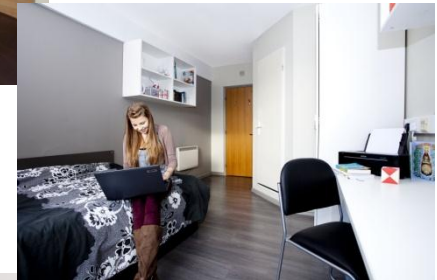


International student mobility



PRODUCT AND SERVICE OFFERING

- All-inclusive pricing
 - All utilities and services
 - Wi-Fi across our portfolio for September 2013
 - 24/7 customer service
 - Transparency and certainty
- City centre locations
 - Close to university campuses
 - Flat-shares and studios
 - Range of products and price points
 - Good transport links
- Direct let and university contracts
 - Strong relationships with universities
 - Direct sales through website
 - Multi-lingual telephone contact
 - Unique online booking system



PHASES OF GROWTH

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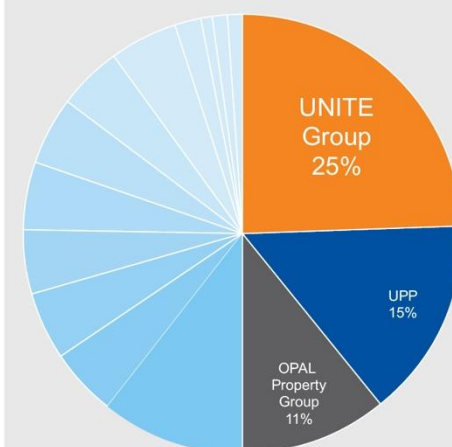
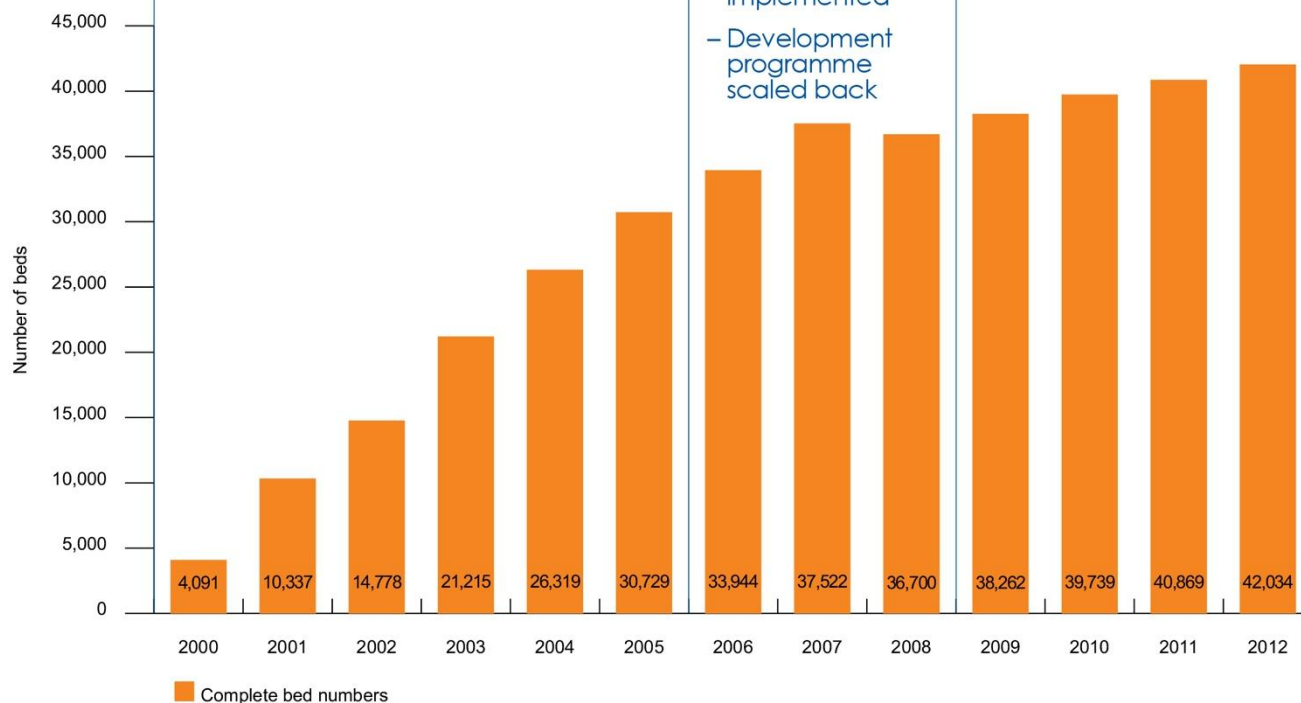
1991
– Founded
1999
– Listed on AIM

2000-2006
First mover advantage
– Rapid national expansion
– Development led
– High quality sites secured

2006-2009
Operational and financial consolidation
– £1.3bn assets sold to co-investment vehicles
– Operational standards implemented
– Development programme scaled back

2009 to date
Managed growth
– Growing recurring cash flows
– London focus
– Sustainable capital structure
– Brand differentiation

Now market leader:
Operating nearly double the number of beds of nearest competitor



SEE-THROUGH BALANCE SHEET AND INCOME STATEMENT

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	Group £m	USAF £m	UCC £m	LSAV £m	OCB £m	Total £m
Balance sheet at 30 June 2013						
Rental Properties	766	217	117	25	44	1,169
Properties under development	117	-	-	13	-	130
Net debt	(425)	(94)	(64)	(11)	(25)	(619)
Other assets/(liabilities)	(20)	(3)	(3)	(9)	(1)	(36)
Net Assets	438	120	50	18	18	644
Income statement						
Rental income	42.1	9.7	4.2	1.0	1.3	58.3
Costs	(11.0)	(2.4)	(0.4)	(0.2)	(0.2)	(14.2)
Net operating income	31.1	7.3	3.8	0.8	1.1	44.1
Management fees	6.8	(0.7)	(0.6)	(0.1)	(0.2)	5.2
Operating/corporate expenses	(8.3)	(0.1)	-	-	-	(8.4)
Finance costs	(19.2)	(2.6)	(1.9)	(0.3)	(0.7)	(24.7)
Net portfolio contribution	10.4	3.9	1.3	0.4	0.2	16.2
Bed numbers	15,251*	21,682	2,601	528	1,128	41,190

*includes 4,256 leased beds

OUR TOP 10 MARKETS

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UNITE

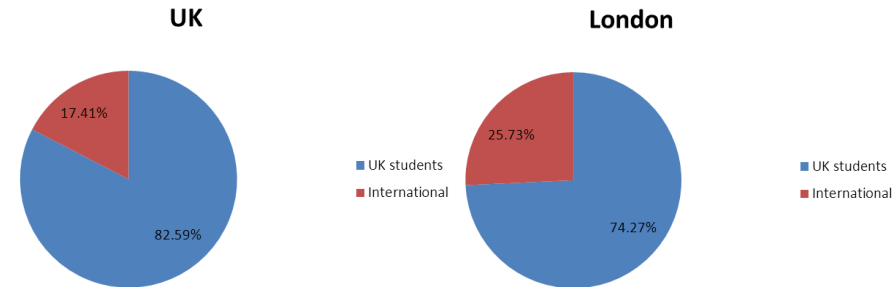
2013 Rank	2012 Rank	City	Completed Beds (13/14)	Completed Beds (12/13)	FT Student Numbers (11/12)	Projected Market Share
1	1	London	7,612	8,074	292,734	2.8%
2	2	Sheffield	3,731	3,731	48,632	7.7%
3	3	Liverpool	3,372	3,372	42,911	7.9%
4	4	Leeds	3,138	3,138	53,402	5.9%
5	5	Bristol	2,858	2,858	38,942	7.3%
6	6	Manchester	2,337	2,716	81,256	3.3%
7	7	Glasgow	2,149	2,149	60,990	3.5%
8	9	Birmingham	1,832	1,832	54,759	3.3%
9	10	Leicester	1,685	1,685	29,606	5.7%
10	11	Portsmouth	1,402	1,402	19,103	7.3%
			30,116	30,957	722,335	4.1%
Proportion of UNITE portfolio			73%	72%		



THE LONDON STUDENT MARKET

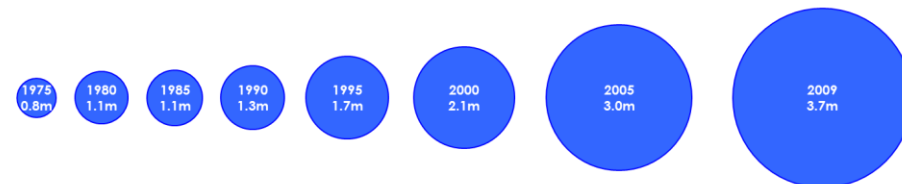
- London has three important characteristics that distinguish it from the wider UK market
 - A full time student population (294,000) that is larger than the next five largest student markets combined
 - A very low supply ratio. London's universities can only supply 30% of the bed spaces required to 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 2013/14 UNITE will operate over 7,500 bed spaces in London

Proportion of International Students HESA 11/12 – All Students



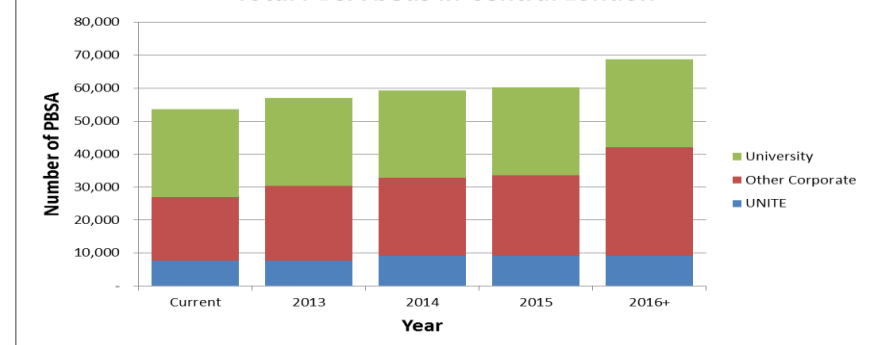
Long-term growth in the number of students enrolled outside their country of citizenship

Growth in internationalisation of tertiary education (1975-2009, in millions)



Source: OECD and UNESCO Institute for Statistics.

Total PBSA beds in Central London



DEBT FACILITIES

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On-balance sheet

	Facility £m	Drawn £m	Maturity
<i>Investment</i>			
Nationwide	100	49	2014
HSH/NAB	64	64	2014
RBS	28	28	2015
Barclays	56	56	2015
BNP Paribas	34	12	2016
HSBC	38	38	2017
Unsecured retail bond	90	90	2020
Legal + General	120	120	2022
Others	30	30	2018-22
	<u>560</u>	<u>487</u>	
<i>Development</i>			
RBS	54	-	2016
HSBC	49	-	2017
Total	<u>103</u>	<u>-</u>	
Investment & Development	<u>663</u>	<u>487</u>	

Co-investment vehicles

<u>USAF</u>	Facility £m	Drawn £m	Maturity
Santander	63	50	2015
HSBC	75	75	2015
Lloyds 1	115	115	2016
Lloyds 2	25	25	2018
Secured bond	380	380	2023
	<u>658</u>	<u>645</u>	
<u>UCC</u>			
Syndicated facility*	<u>300</u>	<u>227</u>	2014
<u>LSAV</u>			
UOB	25	25	2017
<u>OCB</u>			
RBS	35	32	2013
Lloyds	44	44	2013
Nationwide	32	32	2014
	<u>111</u>	<u>108</u>	

*Syndicated facility provided by BNP Paribas (20%), OCBC (44%), HSH (25%)

CO-INVESTMENT VEHICLES – KEY TERMS

	USAF	UCC	LSAV	OCB JV
History:	Multi investor fund formed Dec 06	JV with GIC formed March 05	JV with GIC formed Sept 12	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 	<ul style="list-style-type: none"> ▪ London focus ▪ Build a £400m+ portfolio ▪ Development led 	<ul style="list-style-type: none"> ▪ Build and operate 3 London assets
Capitalisation:	<ul style="list-style-type: none"> ▪ £1.3bn ▪ 45-50% LTV 	<ul style="list-style-type: none"> ▪ £380m GAV ▪ 50-60% LTV 	<ul style="list-style-type: none"> ▪ Target £400m of GAV ▪ 50% LTV 	<ul style="list-style-type: none"> ▪ £175m GAV ▪ 60% LTV
Format:	Open ended, infinite life	Closed ended, matures 2022	Closed ended, matures 2022	Closed ended JV matures 2014
UNITE stake:	16.4%	30% (increasing to 50%)	50%	25%
UNITE role:	Co-investing property & asset manager	Co-investing property and asset manager	Co-investing property, asset and development manager	Co-investing property and asset manager
Fees:	AM fee: 60bps of GAV	AM fee: 50bps GAV	AM fee: 50bps DM fee: 5% build costs	AM fee: 70bps GAV
Promote:	25% over 9% total return payable annually in units	20% over 15% total return payable when debt is re-financed	20% over 13% total return payable on exit	Capped at £2.5m payable at exit based on milestone achievements

	Jun 2013 £'m	Jun 2012 £'m	Dec 2012 £'m
Net assets	601	419	516
Valuation gains not recognised on properties held at cost	23	83	19
Fair value of fixed rate debt	(1)	(8)	(12)
Deferred tax	-	-	-
NNNAssets	623	494	523
NNNAV per share	353pps	308pps	326pps