



Investor and Analyst Event  
**Stapleton House, London**

1 December 2016

# AGENDA

- |                                       |                 |
|---------------------------------------|-----------------|
| 1. Market Update                      | Richard Smith   |
| 2. Operations Update                  | Simon Jones     |
| 3. Investment Market                  | Richard Simpson |
| 4. Development Update                 | Nick Hayes      |
| 5. Summary and Q&A                    | Richard Smith   |
| 6. Tour of Stapleton House and drinks |                 |





## Market Update

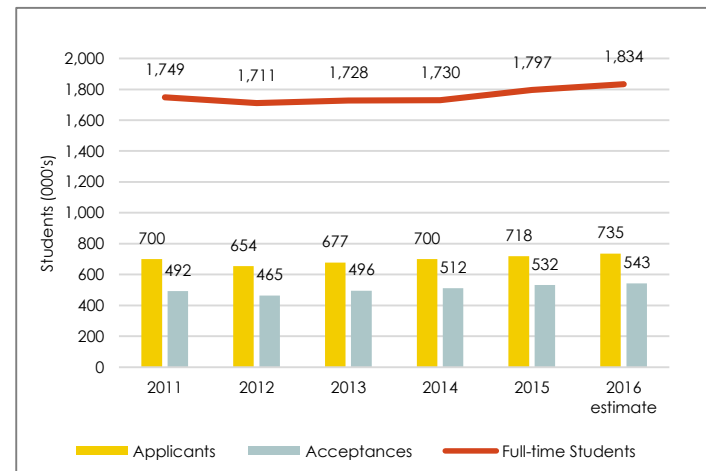
Richard Smith, Chief Executive

# ANOTHER RECORD YEAR

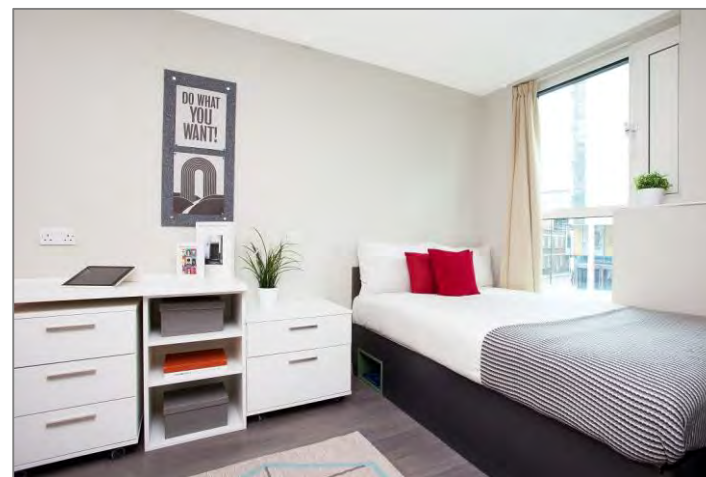
UNITE  
STUDENTS

- **Strong progress against strategic objectives**
  - PRISM fully operational and delivering value
  - 49,000 beds – 6,850 in the pipeline
  - University partners committed to more beds than ever
- **Student numbers continue to grow**
  - 189,000 more applications than acceptances
  - Student numbers up c.40,000 in 16/17
- **Growth from all geographies in 16/17**
  - UK up 2%, EU up 8%, international up 3%
- **Growth strongest at high and mid-tariff Universities**
  - Applications at high and mid tariff up 3-4%, low tariff flat to marginal decline
- **More opportunities emerging to partner with Universities, building on our brand and operating platform**
- **On track to deliver against 2016 expectations**

Applications and acceptances



Source: HESA, UCAS, Unite forecast



# MARKET FUNDAMENTALS REMAIN ROBUST

## ■ Positive long-term macro drivers

- UK HE is, and will continue to be, world leading
- Ongoing internationalisation of HE
- Shortage of housing in the UK

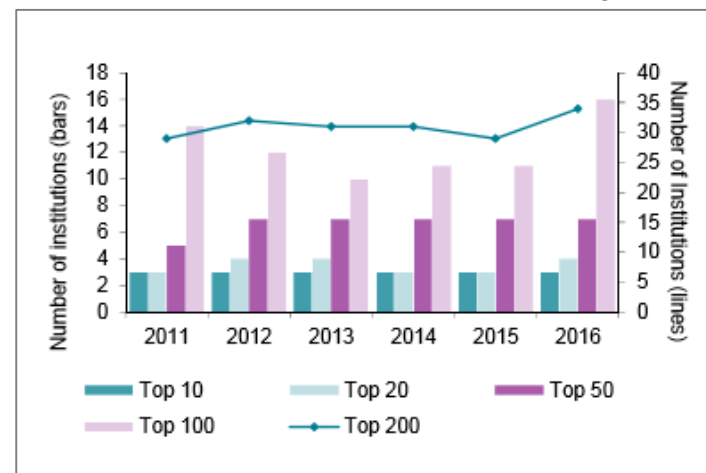
## ■ Strong demand from UK students

- 17/18 initial application data supports growth, up 1%
- Demographic decline of lower socio-economic groups mitigated by:
  - o Higher participation rates
  - o Recovery from 2021 onwards
- Student numbers showed resilience through economic downturn

## ■ Universities are growing and planning for further growth

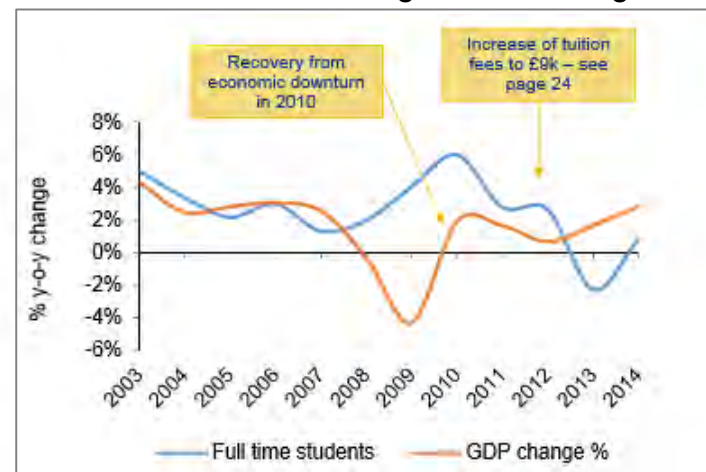
- Sector forecasting 10% growth over next three years

UK Universities World University Rankings



Source: THE

Total student numbers against GDP change



Source: ONS, HESA

### ■ EU students

- Funding arrangements for duration of study confirmed for 16/17 and 17/18 entry
- Longer term impact is less certain
  - o 120,000 EU students
  - o Universities will target EU recruitment
  - o Fees likely to increase (offset by currency)
  - o Quality of Universities and English language attract students

### ■ International students

- UK is second largest destination for international students, after USA
- Internationalisation of HE continues to grow
- International growth driven by global rise of middle classes
- Unclear whether UK government will impose further restrictions on international students
- Sterling depreciation makes UK HE more affordable

#### Student visa

##### **Tier 4 student visa (introduced July 2015)**

- Evidence of £ savings
- Reduced rights of students and families to work
- Stricter rules on multiple degrees
- Sponsoring University required

#### Graduate visa

##### **Tier 1 (post-study work) visa abolished in 2012**

##### **Tier 2 visa required for graduates to work**

- Sponsoring employer required
- > £20,800 salary
- Overall cap of 20,700 visas





FLOOR	
FLATS A100-A105	10
FLATS A94-A99	9
FLATS A85-A93	8
FLATS A76-A84	7
FLATS A67-A75	6
FLATS A58-A66	5

## Operations Update

Simon Jones, National Operations Director

# FULL OCCUPANCY AND RENTAL GROWTH

## ■ 2016/17 lettings cycle

- 98% occupancy
- 3.8% like-for-like rental growth

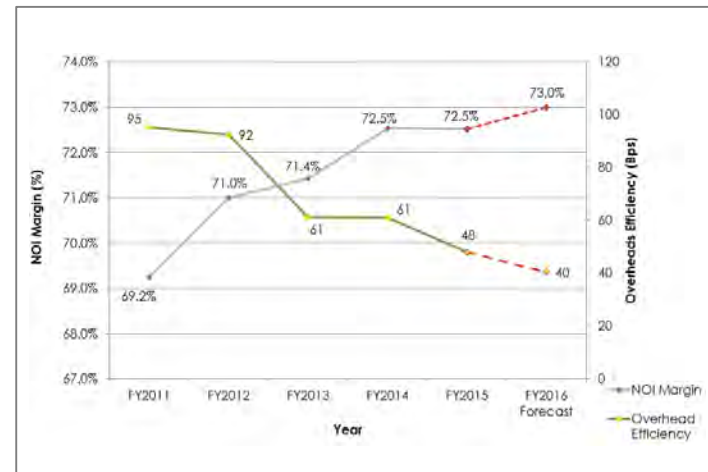
## ■ 2016 outlook positive

- Lettings performance supports financial expectations
- On track for 4.5% earnings yield and NAV growth driven by 3.8% rental growth
- Margin improvements and cost efficiencies being delivered

## ■ 2017/18 lettings cycle – positive start

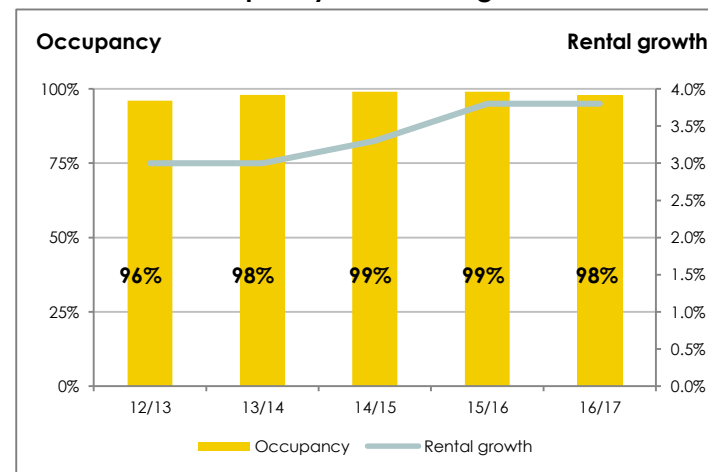
- 42% reserved (40% at same point 16/17)
- 3 - 3.5% rental growth
- Targeting higher retention
- Remain on track to deliver 39 - 44p

NOI margin and overheads efficiency



Source: Unite

Occupancy and rental growth



Source: Unite

# 2016/17 CUSTOMER PROFILE

## ■ Confirmed focus on the UK's strongest Universities

- Over 80% of our revenue aligned to the UK's strongest Universities
- Targeting 90% through selective development and disposals

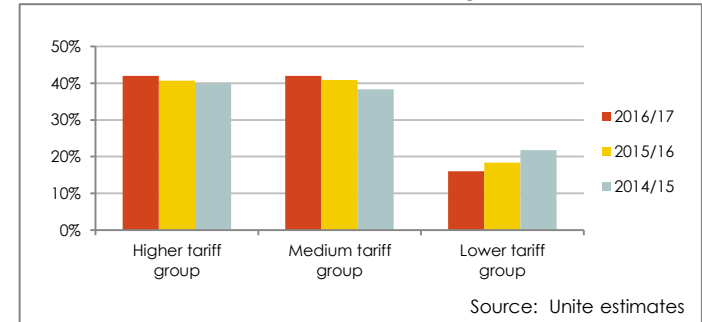
## ■ Growing penetration of 2<sup>nd</sup> / 3<sup>rd</sup> year and post-graduate students

- 68% of direct-let customers post Y1 (66% in 2015, 62% in 2014)

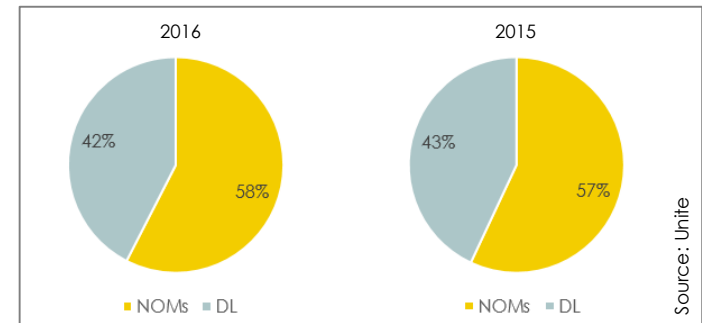
## ■ Strength of University partnerships enhances visibility and security of income

- 58% nominations agreements
- 66% multi-year
- Weighted average of 5.2 years remaining duration

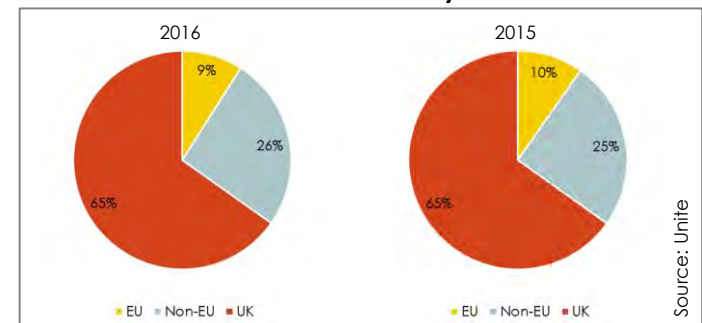
University rankings



Nominations agreements



Customer analysis



## What did we offer in 2014?



# MARKET LEADING OPERATING PLATFORM

## What we offer in 2016...



- **Scalable operating platform**

- Drives customer service
- Drives efficiency

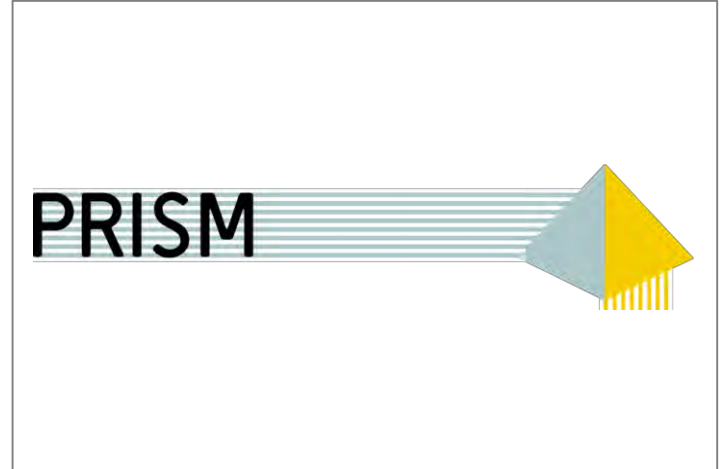
- **University relationships**

- 58% nominations beds
- Enhanced quality and length of nominations agreements

- **Investment in technology supporting brand and service differentiation**

- **Delivering value for money and affordability**

- Wide range of product and price points
- Growth focused on more affordable product
- Only 9% studios





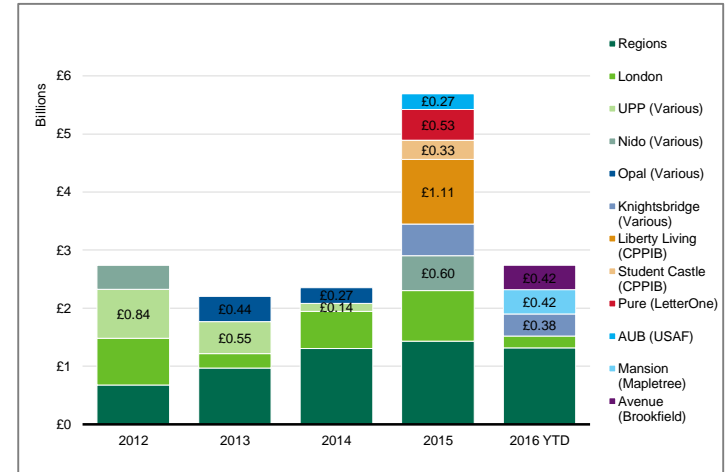
## Investment Market

Richard Simpson, Group Property Director

## Strong investor appetite post referendum

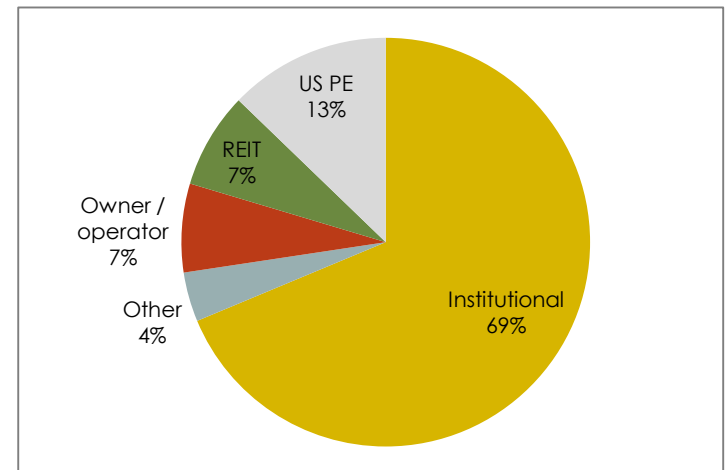
- £2.7bn transacted year to date 2016
- £3.5bn anticipated for full year
- £1.9bn expected post referendum
- Institutional buyers
- 80/20 Regional / London split
- No signs of excessive leverage
- Reflects c.15% turnover of the private PBSA market estimated at £20bn
- £4bn investor appetite likely to sustain volumes with more consolidation likely
- Reflects the defensive characteristics and rental growth prospects

Transaction volumes



Source: CBRE

Post-referendum transactions by investor type



Source: CBRE, Unite

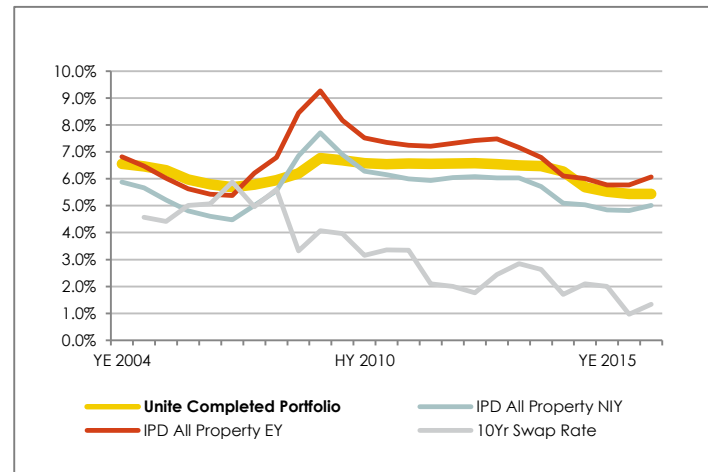
## ■ Post referendum transactions support valuations

- Knightsbridge student housing portfolio (£700m) sold at 5.35% NIY
- Individual asset sales (regional) comprise 40% of post-Brexit trades at yields between 5.5 - 6.0%
- Ongoing disposal activity – portfolios totalling c.10,000 beds in advanced stages at reported yields of c.5.25%

## ■ Defensive characteristics and maturity support yield

- Unite portfolio yield expected to be stable at 5.5%
- Underpinned by rental growth prospects
- Spread to 10yr gilts at c.415bps
- Yield spread between prime and secondary markets likely to widen
- Development pipeline and investment portfolio focused on prime markets

Unite vs. IPD All Property NIY and EY



Source: IPD, Unite



# COMPETITIVE LANDSCAPE MATURING

	<u>Operational beds</u>
▪ <b>Unite Students</b>	<b>49,000</b>
▪ <b>Consolidation – portfolio acquisitions</b>	
- Vero: Opal, iQ, Greystar	23,500
- CPPIB: Liberty Living, Student Castle	20,000
▪ <b>Growth – single asset, develop / forward fund</b>	
- Watkin Jones	13,000
- Empiric	6,000
- GCP	2,000
▪ <b>New entrants – portfolio</b>	
- Brookfield	5,000
- Temasek	4,000
- GSA	3,500
- Hines	-
▪ <b>For sale</b>	
- Blackstone	6,000
- CLV	12,000

## Unite Students – points of difference

- Growth through development and value add acquisitions
- University relationships
- Operational platform
- Larger building size (average size 350 beds)
- Predominantly cluster flats with reducing % of studios (9% studios)
- 1<sup>st</sup> generation PBSA in best locations, delivering consistent growth

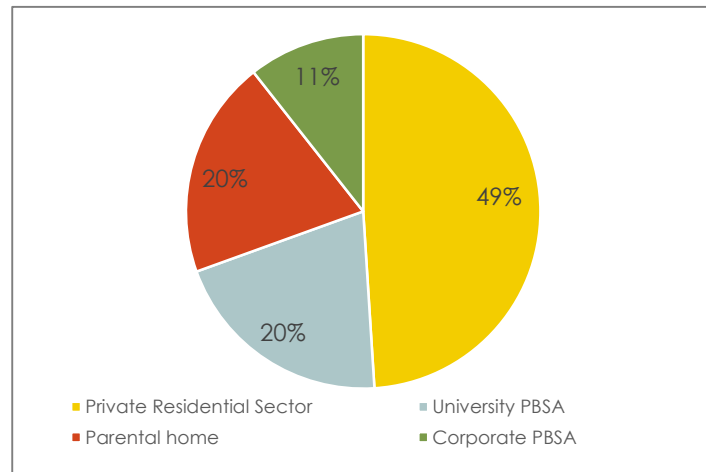
## Scale benefits

- City scale drives margin benefits
  - o Average 1,750 beds per city
- Central scale drives overhead efficiency
  - o Investment in technology
  - o University partnerships
  - o Brand investment

# SUPPLY PIPELINE

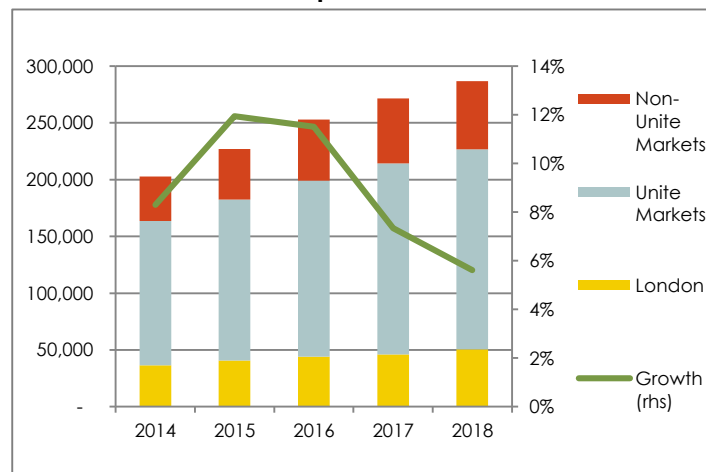
- **Majority of students live in HMO**
- **Growth in students over the last 10 years has been absorbed by HMO and private PBSA**
- **Supply pipeline**
  - Supply pipeline has peaked – 2016 and 2017
  - Increasing new supply into non-Unite cities
  - London supply constrained
  - Some markets reaching equilibrium
- **Unite development pipeline focused on more affordable product**
  - Larger cluster sizes
  - Affordable locations
  - Lower studio content
  - New product development

2014/15 term-time accommodation



Source: HESA

New private PBSA



Source: HESA, CBRE, Unite



# Development Update

Nick Hayes, Development Director

## ■ Development pipeline progressing well

- 3,100 new beds delivered in 2016 on programme and budget
- Long-term nominations secured on 2,000 beds
- 2,150 beds due for delivery in 2017 on programme and budget

## ■ Further growth through development activity in 2016

- Four schemes exchanged
- Four planning consents obtained, one more expected in December
- Good progress on 2020 pipeline

## ■ Continued focus on strong regional locations where Unite has an established presence

2016 PCs	Beds	Yield on Cost
Stapleton House, London	862	8.9%
Olympic Way, Wembley	699	8.8%
Gosford Gate, Coventry	286	9.0%
Greetham St, Portsmouth	836	9.3%
Causeway View, Aberdeen	399	9.8%
<b>Total</b>	<b>3,082</b>	<b>9.1%</b>

2017 PCs	Beds	Yield on Cost
<b>Developments</b>		
St Leonard's, Edinburgh	581	9.5%
Millennium View, Coventry	391	8.8%
Tara House, Liverpool	<u>776</u>	<u>9.3%</u>
	1,748	9.3%
<b>Forward funds (USAF)</b>		
Beech House, Oxford	167	6.0%
Lutton Court, Edinburgh	237	6.1%
<b>Total</b>	<b>2,152</b>	



# SECURED DEVELOPMENT PIPELINE

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Capex in 2016 (£m)	Capex remaining (£m)	Forecast NAV remaining (£m)	Forecast yield on cost
Millennium Way, Coventry	2017	391	33	24	9	16	9	8.8%
St Leonard's, Edinburgh	2017	581	60	41	11	17	13	9.5%
Tara House, Liverpool	2017	776	67	46	18	18	13	9.3%
Newgate Street, Newcastle	2018	575	48	37	7	29	11	8.5%
Old BRI, Bristol <sup>1</sup>	2018	604	84	62	1	47	22	8.4%
Brunel House, Bristol	2018	228	27	19	1	9	8	8.5%
Chaucer House, Portsmouth	2018	484	43	33	1	31	10	8.0%
Constitution Street, Aberdeen	2019	600	50	41	-	34	2	8.1%
International House, Birmingham <sup>1</sup>	2019	575	50	38	1	37	12	8.0%
Skelhorne Street, Liverpool	2019	1,043	95	70	14	57	25	8.0%
St Vincent's, Sheffield <sup>1</sup>	2019	598	47	37	0	37	10	8.0%
<b>Total pipeline (Unite share)</b>		<b>6,455</b>	<b>602</b>	<b>447</b>	<b>62</b>	<b>331</b>	<b>136</b>	<b>8.4%</b>

<sup>1</sup> Subject to obtaining planning consent



# DEVELOPMENT PIPELINE – ADDING VALUE

## ▪ St Vincent's, Sheffield

- Located next to University of Sheffield
- Leverage team experience to see through development risk
- Land price c.60% below market value
- Rental underwrite below University accommodation



## ▪ Chaucer House, Portsmouth

- Repeat transaction with Portsmouth City Council
- Strong relationship formed from Greetham Street
- Planning consent obtained four months from exchange



# LONDON VIABILITY AND BUILD COST INFLATION

- **London demand is attractive but land prices are too high**

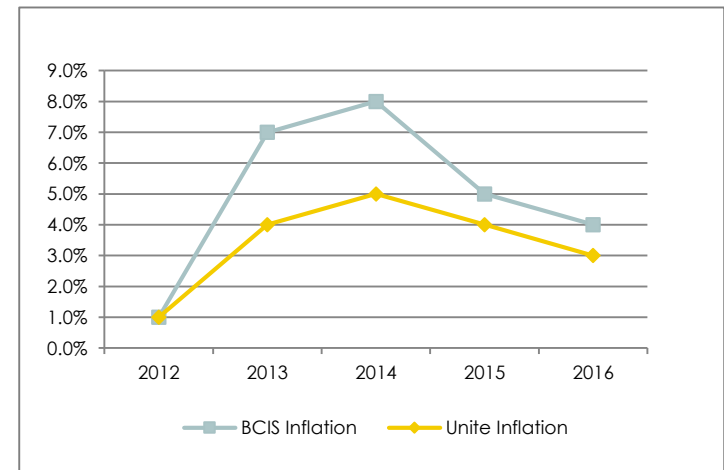
- Central London land pricing has reduced by 10% over last year
- Anecdotal evidence suggests land pricing in Zone 1 has fallen a further 10%
- Student values still c.10% off market

- **Build cost inflation – well protected against currency fluctuations**

- Construction market forecast to slow in 2017
- 49% of costs are fixed, mitigating impact from further currency fluctuations (c.29% materials sourced from EU)
- Continue to monitor market to ensure best value procurement method

Item	Proportion of cost plan
Materials	56%
Labour	44%
Fixed costs	49%
Variable costs	51%

Unite inflation vs. BCIS inflation



Source: BCIS, Unite



## Summary and Q&A

Richard Smith, Chief Executive

- Our strategy remains consistent
- Market fundamentals remain supportive
- Deep and trusted University relationships increasingly important
- Operation platform providing differentiation to students and returns
- Medium-term earnings growth remains positive
- Highly valuable, selective development opportunities through to 2020
- REIT conversion on track and approved by shareholders

